



PERS BONDS

POLICY ISSUE / SITUATION:

The District has a current unfunded actuarial liability (UAL) with the Oregon Public Employees Retirement System (PERS) totaling \$81million. The current UAL could increase the District's PERS costs in future years.

BACKGROUND INFORMATION:

In 2005, the District issued \$189 million in Pension Bonds to pay off an unfunded actuarial liability with PERS. The proceeds from the bonds were placed in a side account at PERS to offset future rate increases. The 2005 Pension Bonds have saved the District \$34 million to date and project an additional \$47 million through 2028.

The District has been working with Piper Jaffray, Underwriters, and Hawkins Delafield & Wood, Bond Counsel, to review the possibility of issuing bonds to offset the current \$81 million UAL. Staff will review with the Board a draft resolution, schedule and scenarios for the bond issue.

District Goal: All students will show continuous progress toward their personal learning goals, developed in collaboration with teachers and parents, and will be prepared for post-secondary education and career success.

The Beaverton School District recognizes the diversity and worth of all individuals and groups. It is the policy of the Beaverton School District that there will be no discrimination or harassment of individuals or groups based on race, color, religion, gender, sexual orientation, gender identity, gender expression, national origin, marital status, age, veterans' status, genetic information or disability in any educational programs, activities or employment.



PENSION OBLIGATION BONDS

Beaverton School District
December 15, 2014

Definitions

Pension Obligation Bonds

Bonds issued to reduce the costs associated with employee pensions.

Unfunded Actuarial Liability (UAL)

A shortfall in funds to cover what is needed to pay current and future benefits.

True Interest Cost (TIC)

Total annual cost of obtaining debt financing.

PERS UAL

The Oregon Public Employees Retirement System is continually adjusting

- Dramatic Changes From The Great Recession
- Recent Reforms

Why Pension Obligation Bonds?

Addresses The District's UAL Obligation:

- Pay Down The District's Portion of the Current UAL
- Potentially Lower Interest Rate To Pay Down The UAL
- Past Performance Has Benefited The District

Recent History Of District UAL

Beaverton School District

Background Data

PERS Unfunded Actuarial Liability and Pension Bond Analysis

October 24, 2014

	2007 Valuation	2008 Valuation	2009 Valuation	2010 Valuation	2011 Valuation	2012 Valuation	2013 Valuation
System							
Combined Valuation Payroll	\$ 7,721,819,358	\$ 8,130,136,492	\$ 8,512,192,290	\$ 8,750,064,502	\$ 8,550,511,000	\$ 8,590,879,000	\$ 8,671,800,000
OPSRP UAL (\$ in millions)	(72.1)	66.3	90.1	108.6	145.9	605.5	613.2
School District Pool							
Combined Valuation Payroll	\$ 2,693,307,473	\$ 2,815,403,743	\$ 2,873,703,874	\$ 2,950,661,440	\$ 2,786,000,000	\$ 2,731,500,000	\$ 2,723,500,000
Total T1/T2 UAL (\$ in millions)	1,142.8	6,895.6	5,940.2	5,829.9	7,009.4	4,578.3	3,424.8
Beaverton School District							
Combined Valuation Payroll	\$ 180,885,062	\$ 189,045,861	\$ 241,495,159	\$ 203,408,362	\$ 198,465,921	\$ 188,926,161	\$ 187,758,232
Allocated UAL/(surplus)							
T1/T2	76,751,639	463,016,640	395,339,605	401,893,702	499,339,520	316,662,409	236,101,670
OPSRP	(1,687,992)	1,540,843	2,024,344	2,525,567	3,386,299	13,316,036	13,275,650
Total Allocated Pooled UAL	75,063,647	464,557,483	397,363,949	404,419,269	502,725,819	329,978,445	249,377,320
Less Side Account	219,976,004	147,537,283	155,868,790	157,431,820	146,490,920	154,946,402	168,018,164
Net UAL	\$ (144,912,357)	\$ 317,020,200	\$ 241,495,159	\$ 246,987,449	\$ 356,234,899	\$ 175,032,043	\$ 81,359,156

PiperJaffray

Performance of 2005 Bonds

Beaverton School District

Historical Side Account Rate Credits and Pension Bond Savings

PERS Unfunded Actuarial Liability and Pension Bond Analysis

October 24, 2014

Beaverton School District			
Pension Bonds Issued	Dated Date	Amount Issued	TIC
Series 2005A	6/21/05	189,935,000	4.77%
Total Amount Issued		\$ 189,935,000	

Savings to Date

	Side Account Activity									
		Debits		Credits				Pension Bond Savings		
Calendar Year	Balance January 1	Admin. Expense	Rate Credits	Deposits	Investment Earnings (\$)	Investment Returns (%)	Balance December 31	Rate Credits Received	Debt Service	Pension Bond Savings
2004	\$ -	\$ -	\$ -	\$ -	\$ -	13.3%	\$ -	\$ -	\$ -	\$ -
2005	-	(2,500)	(6,721,523)	188,467,154	18,579,343	13.7%	200,322,474	6,721,523	4,633,512	2,088,011
2006	200,322,475	(1,000)	(16,551,510)	-	31,290,371	15.5%	215,060,336	16,551,510	11,019,568	5,531,942
2007	215,060,336	(1,000)	(16,748,951)	-	21,665,618	9.5%	219,976,003	16,748,951	12,345,892	4,403,059
2008	219,976,004	(1,000)	(16,010,413)	-	(56,427,308)	(27.2%)	147,537,283	16,010,413	9,470,352	6,540,061
2009	147,537,283	(1,000)	(17,102,636)	-	25,435,143	19.1%	155,868,790	17,102,636	10,433,042	6,669,594
2010	155,868,790	(1,000)	(16,792,487)	-	18,356,517	12.4%	157,431,820	16,792,487	10,843,358	5,949,129
2011	157,431,820	(1,000)	(15,168,380)	-	4,228,480	2.2%	146,490,920	15,168,380	11,267,283	3,903,097
2012	146,490,920	(1,000)	(12,262,591)	-	20,719,073	14.3%	154,946,402	12,262,591	11,706,807	555,783
2013	154,946,402	(1,000)	(10,841,855)	-	23,914,617	15.6%	168,018,164	10,841,855	12,165,575	(1,323,720)
Total 2004-2013		\$ (10,500)	\$ (128,200,346)	\$ 188,467,154	\$ 107,761,854			\$ 128,200,346	\$ 93,883,389	\$ 34,316,957

Projected Future Savings

Beaverton School District

PERS Unfunded Actuarial Liability and Pension Bond Analysis

Projected Side Account Rate Credits and Pension Bond Savings

October 24, 2014

Beaverton School District - Projected Rate Credits and Pension Bond Savings (Total Pension Bonds Issued: \$189,935,000)									
Fiscal Year	Side Account Balance July 1	Annual Payroll ⁽¹⁾	Rate Credit (%)	Rate Credit (\$)	Earnings Investment Earnings ⁽²⁾	Side Account Balance June 30	Debt Service (\$)	Rate Credits (\$)	Pension Bond Savings
2015	168,026,667	202,152,910	6.35%	12,836,710	12,492,377	167,682,334	13,252,102	12,836,710	(415,392)
2016	167,682,334	209,733,644	8.36%	17,533,733	12,271,875	162,420,476	13,785,018	17,533,733	3,748,715
2017	162,420,476	217,598,655	8.36%	18,191,248	11,836,949	156,066,178	14,334,354	18,191,248	3,856,894
2018	156,066,178	225,758,605	8.10%	18,288,968	11,340,459	149,117,668	14,910,359	18,288,968	3,378,610
2019	149,117,668	234,224,553	8.10%	18,974,805	10,773,649	140,916,512	15,503,884	18,974,805	3,470,920
2020	140,916,512	243,007,973	8.10%	19,686,360	10,108,698	131,338,850	16,127,131	19,686,360	3,559,229
2021	131,338,850	252,120,772	8.10%	20,424,598	9,335,967	120,250,218	16,771,596	20,424,598	3,653,002
2022	120,250,218	261,575,301	8.10%	21,190,521	8,444,993	107,504,690	17,438,826	21,190,521	3,751,695
2023	107,504,690	271,384,375	8.10%	21,985,165	7,424,425	92,943,949	18,138,948	21,985,165	3,846,217
2024	92,943,949	281,561,289	8.10%	22,809,609	6,261,948	76,396,288	18,862,679	22,809,609	3,946,930
2025	76,396,288	292,119,838	8.10%	23,664,970	4,944,208	57,675,527	19,615,974	23,664,970	4,048,996
2026	57,675,527	303,074,331	8.10%	24,552,406	3,456,731	36,579,851	20,404,311	24,552,406	4,148,095
2027	36,579,851	314,439,619	8.10%	25,473,121	1,783,824	12,890,554	21,217,694	25,473,121	4,255,427
2028	12,890,554	326,231,105	4.01%	13,092,568	202,014	-	10,926,364	13,092,568	2,166,205
TOTAL				\$ 278,704,782	\$ 110,678,115		\$ 231,289,239	\$ 278,704,782	\$ 47,415,543

(1) Payroll growth projected at 3.75% annually, as assumed by PERS in its actuarial models. Actual payroll growth may differ from the assumption, and any changes in payroll growth rates from the assumption will affect the actual savings or costs realized.

(2) Investment returns projected at 7.75% annually, as assumed by PERS in its actuarial models. Actual rates of return may differ from the assumption, and any changes in investment earnings will affect the actual savings or costs realized.

Source: PiperJaffray.

PiperJaffray

Scenarios

- Base Case Assumptions:
 - Earnings @ 7.75%
 - True Interest Cost @ 4.5% - Current Rates
- Additional Scenarios:
 - True Interest Cost @ 5.25%
 - Replicates Actual Market Performance
 - 2002-2014: Longer lead time before major market adjustment
 - 2007-2014: Immediate major market adjustment
 - Earnings @ 6%
 - Payroll Will Increase By 3.75% Annually
 - Amortization Period Is 20 Years

Summary Of Scenarios

	Scenario: 1 Base Case 7.75% Earnings	Scenario: 2 Base Case 6.00% Earnings	Scenario: 3 Actual Earnings 2002-2014, then 7.75% for remainder	Scenario: 4 Actual Earnings 2002-2014, then 6.00% for remainder	Scenario: 5 Actual Earnings 2007-2014, then 6.00% for remainder	Scenario: 6 6.00% Earnings 5.25% TIC
Investment Returns	7.75%	6.00%	7.75%	6.00%	6.00%	6.00%
TIC	4.50%	4.50%	4.50%	4.50%	4.50%	5.25%
Total Saving	\$33.6m	\$7.9m	\$42.3m	\$36.4m	(\$6.6m)	(\$1.1m)
PV Savings	\$21.3m	\$7.9m	\$26.9m	\$24.3m	(\$1.7m)	\$2.6m
PV Savings %	26.70%	9.40%	33.80%	30.07%	(2.32%)	2.62%

Major Next Steps

- December 2014: Board discussion item reviewing concept, scenarios, schedule and draft resolution
- January 2015: Board Action – Authorizing Resolution
- February 2015: Bond Sale
- March 1, 2015: Submit UAL Payoff to PERS

Beaverton School District No. 48J

Full Faith and Credit Pension Bonds, Series 2015

Preliminary Schedule of Events; as of December 10, 2014

Financing Team		
Issuer:	Beaverton School District No. 48J	BSD
Bond Counsel:	Hawkins Delafield & Wood LLP	HDW
Registrar/Paying Agent:	U.S. Bank Global Corporate Trust Services	USB
Underwriter:	Piper Jaffray - Seattle-Northwest Division	PJC
Actuary:	Milliman	MIL

December						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

January						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

February						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28

March						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

<input checked="" type="checkbox"/>	Due Date	Event	Parties
<input checked="" type="checkbox"/>	Tue., Dec. 2	Circulate schedule and distribution list	PJC
	Wk. of Dec. 1	Draft Authorizing Resolution circulated	HDW
		Comments due on Authorizing Resolution	Fin. Team
		Request UAL Payoff (3/1, 4/1, and 5/1/15)	BSD, MIL
	Wed., Dec 10	Authorizing Resolution to District for Board Packet	HDW
	Mon., Dec. 15	Board considers Authorizing Resolution	BSD, HDW
		First draft Preliminary Official Statement (POS) circulated	PJC
		MDAC 1 filed with Treasury	PJC
	Mon., Dec. 22	Comments due on first draft POS	Fin. Team
	Tue., Dec. 30	Second draft POS	PJC
		First draft Continuing Disclosure Undertaking circulated	HDW
	Wk. of Jan. 5	Due Diligence Call	BSD;HDW;PJC
	Thur., Jan. 8	Comments due on second draft POS	Fin. Team
	Mon., Jan. 12	Board Adopts Authorizing Resolution	BSD Board
		Substantially complete draft POS and "Deemed Final" letter circulated	PJC
		Clean copy of draft POS to BSD Board	BSD
	Wk., of Jan. 19	Receive PERS UAL Payoff Information	MIL, SK
	Tue., Jan. 20	Final comments on POS due	Fin. Team
	Wed. Jan. 21	Information to rating agency	PJC
	Wk. of Jan. 26	Rating prep call	BSD; PJC
		Conference call with rating agency	BSD; PJC
		End of two-week Board review of POS	BSD Board
		"Deemed Final" letter due to PJC	BSD
	Tue., Feb. 3	Receive rating	PJC
		Printing and mailing of POS and draft Purchase Agreement circulated	PJC
	Mon., Feb. 9	Pre-pricing (time between 11 a.m. and 2 p.m. to be determined)	BSD; PJC
	Tue., Feb. 10	Pricing (District staff to be available throughout the day)	BSD; PJC
		Purchase Agreement signed	BSD; PJC
		Final Official Statement posted; File MDAC 2	PJC
	Tue., Feb. 17	Draft closing documents circulated	HDW
		Closing Memorandum circulated	PJC
	Thur., Feb. 26	Closing	Fin. Team
	Fri., Feb. 27	Funds wired to PERS	BSD
	Mar. 1	PERS Rates reduced	BSD, MIL

RESOLUTION NO. ____

A RESOLUTION AUTHORIZING FULL FAITH AND CREDIT PENSION BONDS

WHEREAS, the Beaverton School District No. 48J, Washington and Multnomah Counties, Oregon (the "District") is authorized by ORS 238.692 to 238.698 to issue revenue bonds pursuant to ORS Chapter 287A to finance its pension liability as defined in ORS 238.692(1); and

WHEREAS, ORS 287A.315 permits the District to pledge its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay revenue bonds authorized by ORS 238.692 to 238.698 and ORS Chapter 287A; and

WHEREAS, the District has an unfunded actuarial accrued liability ("UAL") to the State of Oregon Public Employees Retirement System ("PERS"); and

WHEREAS, the District previously issued its Limited Tax Pension Bond, Series 2005A (Federally Taxable) (the "Existing Bonds") to finance a portion of the UAL; and

WHEREAS, the PERS' actuary has estimated that the District's net UAL to PERS as of December 31, 2013 is approximately \$81,359,156; and

WHEREAS, PERS requires the District to pay this UAL over a period of years with interest at PERS' assumed earnings rate, which is currently seven and three-quarters percent per annum; and

WHEREAS, current interest rates in the bond market are below the rate of return that PERS may receive in the future, creating the opportunity for the District to finance its unfunded pension liability and to reduce its costs;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF BEAVERTON SCHOOL DISTRICT NO. 48J, WASHINGTON AND MULTNOMAH COUNTIES, OREGON RESOLVES:

SECTION 1. BONDS AUTHORIZED

(1) The District hereby authorizes the issuance, sale and delivery of its full faith and credit pension bonds ("Bonds") in accordance with this resolution and in an amount which does not exceed the amount necessary to produce net proceeds equal to the District's estimated UAL as of the expected closing date of the Bonds, plus estimated costs related to the Bonds. The Bonds may be issued in one or more series.

(2) Bond proceeds may only be used to pay the District's pension liability to PERS, and to pay costs related to the Bonds.

(3) As required by the Internal Revenue Code of 1986, as amended, the Bonds shall be "federally taxable bonds" which bear interest that is not excludable from gross income under Section 103(a) of that code. Interest will, however, be exempt from Oregon personal income taxation.

(4) The Bonds shall not be sold at a true interest cost of more than 5.25% per annum. The Superintendent or Chief Financial Officer (each of whom is referred to in this resolution as a "District Official") shall compare the cash flows required to pay the Bonds to the cash flows that are estimated

to be required pay PERS for the District's UAL and determine a Bond structure which the District Official estimates will be advantageous to the District.

SECTION 2. DELEGATION

Any District Official may, on behalf of the District, and without further action by the Board of Directors (the "Board"):

(1) Participate in the preparation of, authorize the distribution of, and deem final any official statement or other disclosure documents relating to the Bonds.

(2) Enter into covenants for the benefit of owners of the Bonds that are intended to improve the terms under which the Bonds are issued.

(3) Apply for ratings on the Bonds and purchase municipal bond insurance or obtain other forms of credit enhancements for the Bonds, enter into agreements with the providers of credit enhancement, and execute and deliver related documents.

(4) Negotiate the terms of and enter into a bond purchase agreement for the Bonds with Piper Jaffray & Co. - Seattle-Northwest Division, as underwriter and a paying agent and/or fiscal agent agreement with U.S. Bank National Association.

(5) Establish the final principal amount, payment schedule, interest rates (subject to the limit in Section 1(4) of this resolution), sale price and discount, redemption terms, payment terms and dates, and other terms of the Bonds.

(6) Undertake to provide continuing disclosure for the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.

(7) Approve and execute one or more bond declarations or similar documents, which describe the financial terms, administrative provisions and covenants for the Bonds.

(8) Make any clarifying changes or additional covenants not inconsistent with this Resolution.

(9) Execute and deliver the Bonds and any other agreements or other documents, and take any other action in connection with the Bonds that a District Official finds is desirable to permit the sale and issuance of the Bonds in accordance with this Resolution.

SECTION 3. SECURITY FOR BONDS

Pursuant to ORS 287A.315 and ORS 238.694, the District hereby pledges its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the Bonds. The District is not authorized to levy additional taxes to pay the Bonds.

SECTION 4. DESIGNATION OF BOND COUNSEL AND UNDERWRITER

The District hereby designates Hawkins Delafield & Wood LLP as Bond Counsel for the issuance of the Bonds and Piper Jaffray & Co. – Seattle-Northwest Division as Underwriter for the issuance of the Bonds.

SECTION 5. EFFECTIVE DATE

This resolution shall take effect on the date of its adoption by the Board.

Passed by the Board this ____ day of January, 2015.

**BEAVERTON SCHOOL DISTRICT NO. 48J,
WASHINGTON AND MULTNOMAH COUNTIES,
OREGON**

Chair

ATTEST:

Superintendent