SEASIDE SCHOOL DISTRICT 10

2600 Spruce Drive, Suite 100, Seaside, Oregon 97138

2025-2026 Board of Directors
Board Chair: Shannon Swedenborg
Board Vice-Chair: Katherine Davidson
Board Members: Sondra Gomez, Jason Haag, Chuck Mattocks, Coral Sadler and Brian Taylor
Superintendent: Jeff Roberts

Work Session Meeting

Tuesday, September 29, 2026 at 8:00 AM
Location: Virtual Only

Meetings may be held in-person only, virtual only, or most commonly, in-person with an option to join virtually. Please check the location above for the specifics of this meeting. Information regarding virtual meeting access is available on our website Meetings page - https://www.seaside.k12.or.us/meetings.

An opportunity for public comment may be included in meeting agendas. When public comment is included in the agenda, those wishing to speak before the Board will have the opportunity to do so during the designated Public Comment time(s). Speakers may offer objective criticism of school operations and programs; however, the law prohibits the Board from hearing complaints regarding any personally identifiable District staff member. The Board asks anyone wishing to communicate a complaint of this nature to follow the process in Board policy KL: Public Complaints.

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1. **CALL TO ORDER**
   Speaker(s): Board Chair
   1.1. Acknowledgement of Board Members Present
2. **AGENDA APPROVAL**
3. **PENSION OBLIGATION BOND**
   - **Piper Sandler & Co. Presentation**
   - **Questions**
   - **Discussion**

   Speaker(s): David Williams, Managing Director, Piper Sandler & Co.
   Attachments:
   2027 PERS Bond Board Presentation - Seaside SD 2026-09-29 2
4. **ADJOURN**

PIPER | SANDLER



Pension Obligation Bonds:
Presentation to Seaside School District No. 10

September 29, 2026

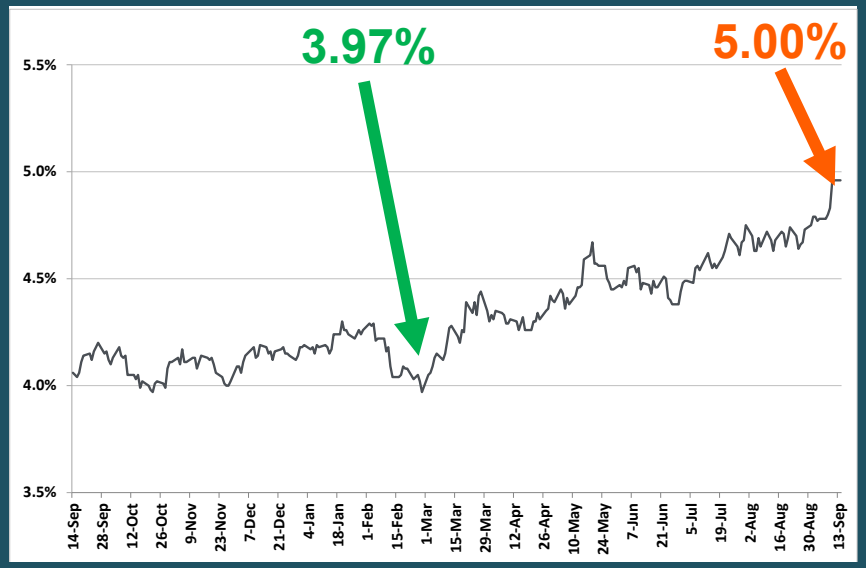
POBs: How do they work?

- Concept is to borrow to reduce unfunded pension liabilities.
- Bond proceeds are deposited into Side Accounts (SAs) and invested with PERS fund; if returns exceed borrowing rate, jurisdictions generally save.
- POBs must be sold on taxable basis, so borrowing rates are higher than on capital borrowings.
- SAs are drawn down and provide 'rate credit' against overall PERS rates over ~20 years.
- From 1996-2022, over 150 Oregon jurisdictions issued POBs for over $8 billion.
- Generally positive PERS returns since borrowings means most, but not all, have realized savings.

Interest rates are rising. Why are we talking about borrowing?

- Pension Bonds (POBs) are a tool that work best when interest rates are low and investment returns are high.
- Returns at PERS have been strong, but interest rates have been rising steadily for six months.
- Assessment results are promising - more so than in 2021. But interest rates are higher than levels assessed.

10-year Treasury Note - 2026



- Entering into a POB takes significant time.
- Adopting a resolution now allows flexibility should rates decline.

PERS Historic Investment Performance

OIC manages PERS' investments.

Average Rates of Return (1970-2024):

Regular account earnings:	9.93%
Tier One Crediting:	9.21%
Tier Two Crediting:	9.03%
Variable Crediting:	10.84%
Avg. SA return 2007-2024:	7.60%

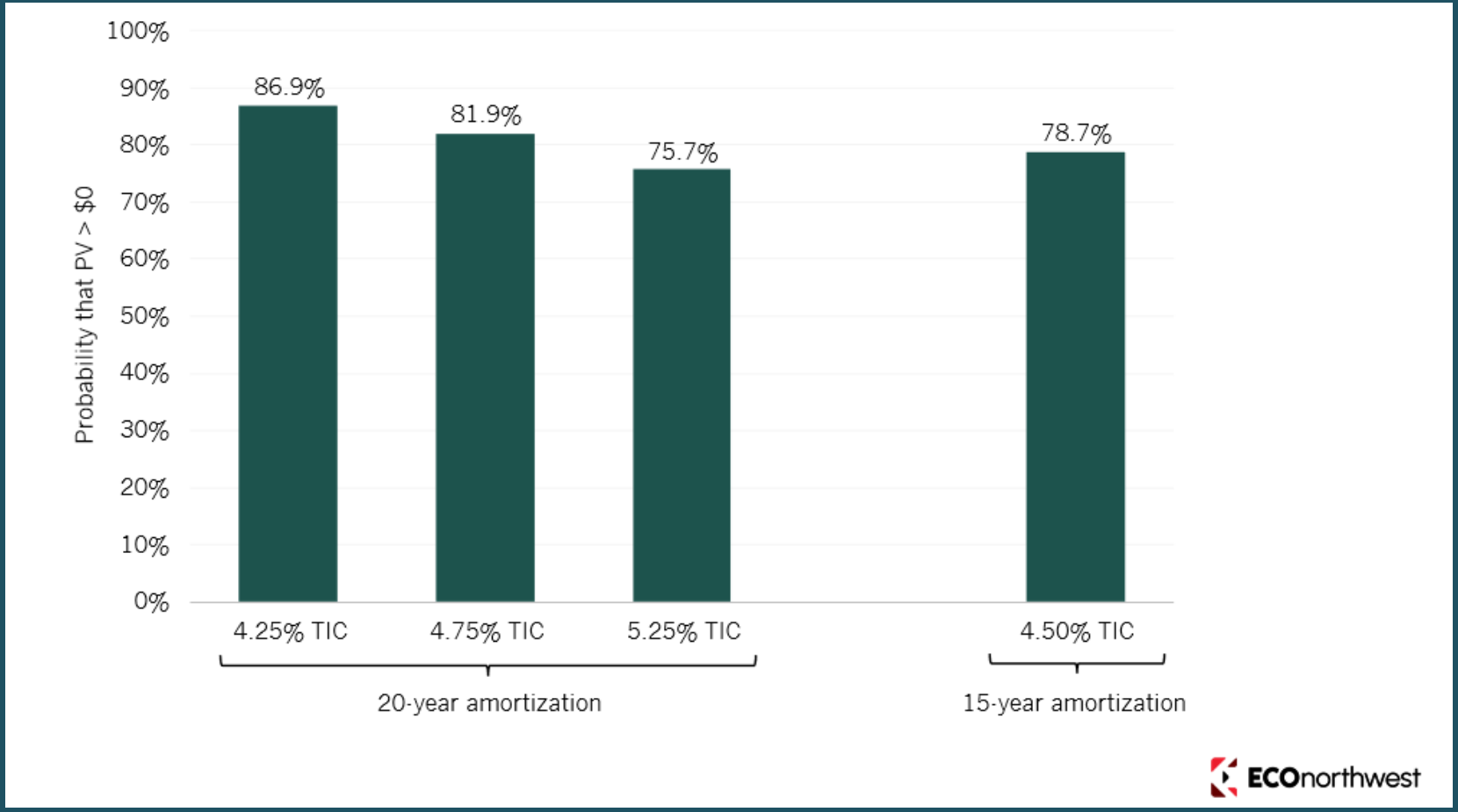
1 Year earnings thru 7/31/2026: 8.74%

Source: PERS by the Numbers; December 2025. OPERF monthly returns and asset allocation report; June 2026.

“Expected value of POB strategy is positive”

ECONW Assessment - June 2026

Probability that NPV is more than $0



Current estimated borrowing rate: 5.50%-5.75%

Poor rate of return is not the only risk

- Timing of earnings matter; early negative returns are hard to overcome.
- Rate credits will not be consistent:
  - ✓ SAs cause ‘doubling down’ of investment performance.
  - ✓ Earnings variability causes volatility, even if overall earnings rate exceeds bond rate.
  - ✓ Payroll growth will be different from assumption, leading to rate credit variability.
  - ✓ Changes in OPERF assumed rate of return changes UALs and rate credits, at least temporarily.
- Debt service is fixed but rate credit is variable: some years may have savings, others may not.
- **Holding reserves is crucial!**

Existing Pension Bond and Side Account

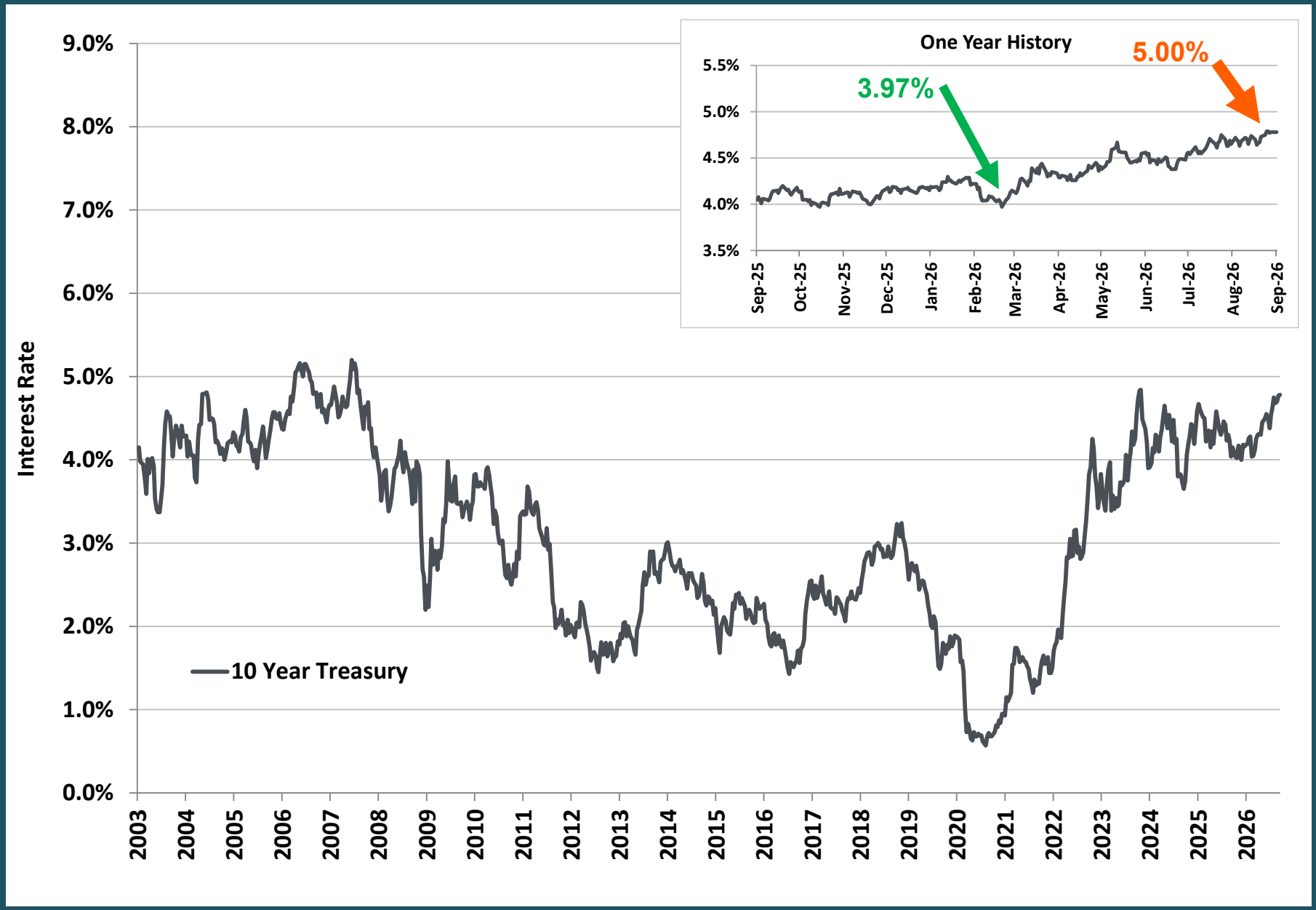
- Borrowed $10.1 million in 2005.
- All in interest rate of 5.05%.
- Bonds mature June 2028.
- Faster than assumed payroll growth (7.81% annual growth from 2021 to 2024) accelerated SA drawdown.
- SA is projected to expire before the end of FY 2027.
- District has saved ~$3.2 million net of debt service.

Existing Pension Bond and Side Account

Pension Bonds Issued	Dated Date	Amount Issued	TIC
Series 2005B	6/30/05	10,080,000	5.05%
Total Amount Issued		**$ 10,080,000**	

CALENDAR Year End	PERS Covered Payroll	Balance on January 1	Admin. Expense	Reported Rate Credit	Pension Bond Deposits	Reported Investment Earnings ($)	Reported Earnings Crediting (%)	Balance on December 31	Net Debt Service	Calculated Pension Bond Savings
Dec-2005	$ 7,154,468	$ -	$ (2,500)	**$ (266,653)**	$ 9,926,306	$ 978,548	13.86%	$ 10,635,701	**$ 249,549**	**$ 17,104**
Dec-2006	7,738,408	10,635,701	(1,000)	**(773,929)**	-	1,661,297	15.58%	11,522,069	**552,765**	**221,164**
Dec-2007	7,742,654	11,522,069	(1,000)	**(800,708)**	-	1,164,451	9.45%	11,884,812	**594,007**	**206,701**
Dec-2008	8,644,328	11,884,812	(1,000)	**(863,500)**	-	(3,059,882)	(27.32%)	7,960,430	**594,037**	**269,463**
Dec-2009	8,809,989	7,960,430	(1,000)	**(930,188)**	-	1,361,847	19.02%	8,391,089	**574,309**	**355,879**
Dec-2010	8,816,401	8,391,089	(1,000)	**(956,599)**	-	975,712	12.44%	8,409,202	**594,339**	**362,260**
Dec-2011	8,343,632	8,409,202	(1,000)	**(818,345)**	-	228,905	2.51%	7,818,762	**618,035**	**200,310**
Dec-2012	8,424,521	7,818,762	(1,000)	**(637,630)**	-	1,104,608	14.67%	8,284,740	**645,156**	**(7,526)**
Dec-2013	7,937,389	8,284,740	(1,000)	**(584,359)**	-	1,276,234	15.62%	8,975,615	**665,700**	**(81,341)**
Dec-2014	8,260,323	8,975,615	(1,000)	**(637,843)**	-	640,996	7.39%	8,977,768	**694,547**	**(56,704)**
Dec-2015	8,318,382	8,977,768	(1,000)	**(813,187)**	-	187,184	1.87%	8,350,765	**721,455**	**91,732**
Dec-2016	8,881,045	8,350,765	(1,000)	**(920,403)**	-	575,808	7.15%	8,005,170	**751,302**	**169,101**
Dec-2017	9,027,816	8,005,170	(500)	**(975,164)**	-	1,183,058	15.23%	8,212,564	**778,967**	**196,197**
Dec-2018	9,644,653	8,212,564	(500)	**(909,756)**	-	47,048	0.42%	7,349,356	**809,328**	**100,428**
Dec-2019	9,820,694	7,349,356	(500)	**(1,051,314)**	-	940,122	13.92%	7,237,664	**842,144**	**209,170**
Dec-2020	10,186,475	7,237,664	(500)	**(1,200,807)**	-	430,842	7.18%	6,467,199	**872,293**	**328,514**
Dec-2021	11,321,625	6,467,199	(500)	**(1,097,021)**	-	1,251,061	20.76%	6,620,739	**904,168**	**192,853**
Dec-2022	11,215,005	6,620,739	(500)	**(1,152,371)**	-	(108,151)	(1.81%)	5,359,717	**942,348**	**210,023**
Dec-2023	12,638,385	5,359,717	(500)	**(1,521,331)**	-	265,645	5.72%	4,103,531	**977,020**	**544,311**
Dec-2024	14,188,204	4,103,531	(500)	**(1,508,670)**	-	198,102	5.58%	2,792,463	**1,017,935**	**490,736**
									Subtotal (Actual)	**$ 4,020,374**

Historical Borrowing Rates



Investment Scenarios Considered

All cases: Bonds mature June 2045; SAs expire December 2045

- **Base Case:**
  - ✓ 18-year fixed rate at 4.75% TIC
  - ✓ 6.90% reinvestment rate
- **2002 Issuer:**
  - ✓ 18-year fixed rate at 4.75% TIC
  - ✓ Reinvestment returns experienced by 2002 borrowers
- **2007 Issuer:**
  - ✓ 18-year fixed rate at 4.75% TIC
  - ✓ Reinvestment returns experienced by 2007 borrowers
- **Modified 2007 Issuer:**
  - ✓ 18-year fixed rate at 5.25% TIC
  - ✓ Reinvestment returns experienced by 2007 borrowers except Year 1 loss set to achieve breakeven.

Sensitivity Analysis Summary

UAL projected to be $21.1 million at payoff.

Scenario:	1 Assume 6.90% earnings for all years	2 Assume actual earnings from 2003-2021	3 Assume actual earnings from 2008-2025, then 6.90% for final year	4 Assume modified earnings from 2008-2025, then 6.90% for final year
Years where Net Rate Credit is negative	0	0	12	12
Years where Net Rate Credit is positive	20	20	8	8
Investment Earnings Crediting, First Full Year	6.90%	22.00%	-27.32%	-23.00%
UAL Payoff Cash Flow Savings (in millions)	$5.4	$13.8	$0.7	$1.2
NPV Savings (in millions)	$3.1	$8.1	($0.1)	$0.1
NPV Savings % of Projected Payoff	14.85%	38.27%	-0.27%	0.48%

Assumes bonds sold at TIC of 4.75% (Scenario 1-3) and 5.25% (Scenario 4).

Notes: "Average" Rate Credit may include years of both positives and negatives and does not take the time value of money into account. "Net Savings" is effective payroll rate credit after payment of debt. Assumes Employer payroll grows at 3.40% annually. To the extent higher or lower payroll growth is experienced, results will differ.

New Side Account Comparison

Scenario:	Status Quo			Base Case		
	Fiscal Years 2026 - 2027	Fiscal Year 2028	Fiscal Year 2029	March 2027 - June 2027	Fiscal Year 2028	Fiscal Year 2029
2005 Side account rate relief	7.31%	0.00%	0.00%	6.68%	0.00%	0.00%
2027 Side account rate relief	0.00%	0.00%	0.00%	9.42%	9.42%	9.42%
Side Account Rate Credit	**7.31%**	**0.00%**	**0.00%**	**16.10%**	**9.42%**	**9.42%**
Employer Contribution Rate, Tier 1/Tier 2	**20.58%**	**29.34%**	**29.34%**	**11.16%**	**19.92%**	**19.92%**
Employer Contribution Rate, OPSRP	**17.40%**	**26.63%**	**26.63%**	**7.98%**	**17.21%**	**17.21%**
Existing Pension Bond Debt Service	7.38%	3.68%	0.00%	7.38%	3.68%	0.00%
New Pension Bond Debt Service	0.00%	0.00%	0.00%	8.43%	8.43%	8.43%
Pension Bond Debt Service	**7.38%**	**3.68%**	**0.00%**	**15.81%**	**12.11%**	**8.43%**
Net Employer Contribution Rate, Tier 1/Tier 2	**27.96%**	**33.02%**	**29.34%**	**26.97%**	**32.03%**	**28.35%**
Net Employer Contribution Rate, OPSRP	**24.78%**	**30.31%**	**26.63%**	**23.79%**	**29.32%**	**25.64%**

S SA rate relief shown in March-June 2027 for 2005 SA is annualized calculation of projected remaining SA balance. Actual 2005 SA rate relief projected to expire before end of fiscal year 2027.

1) Base Case Scenario assumed borrowing rate of 4.75% for New Pension Bond Debt Service.
2) Assumes Employer payroll grows at 3.40% annually. To the extent higher or lower growth is experienced, results will differ.
3) Net Employer Contribution Rates are effective payroll rate after payment of debt.
4) Employer Contribution Rates are effective payroll rate after affect of Senate Bill 849.

POBs take a while to complete…

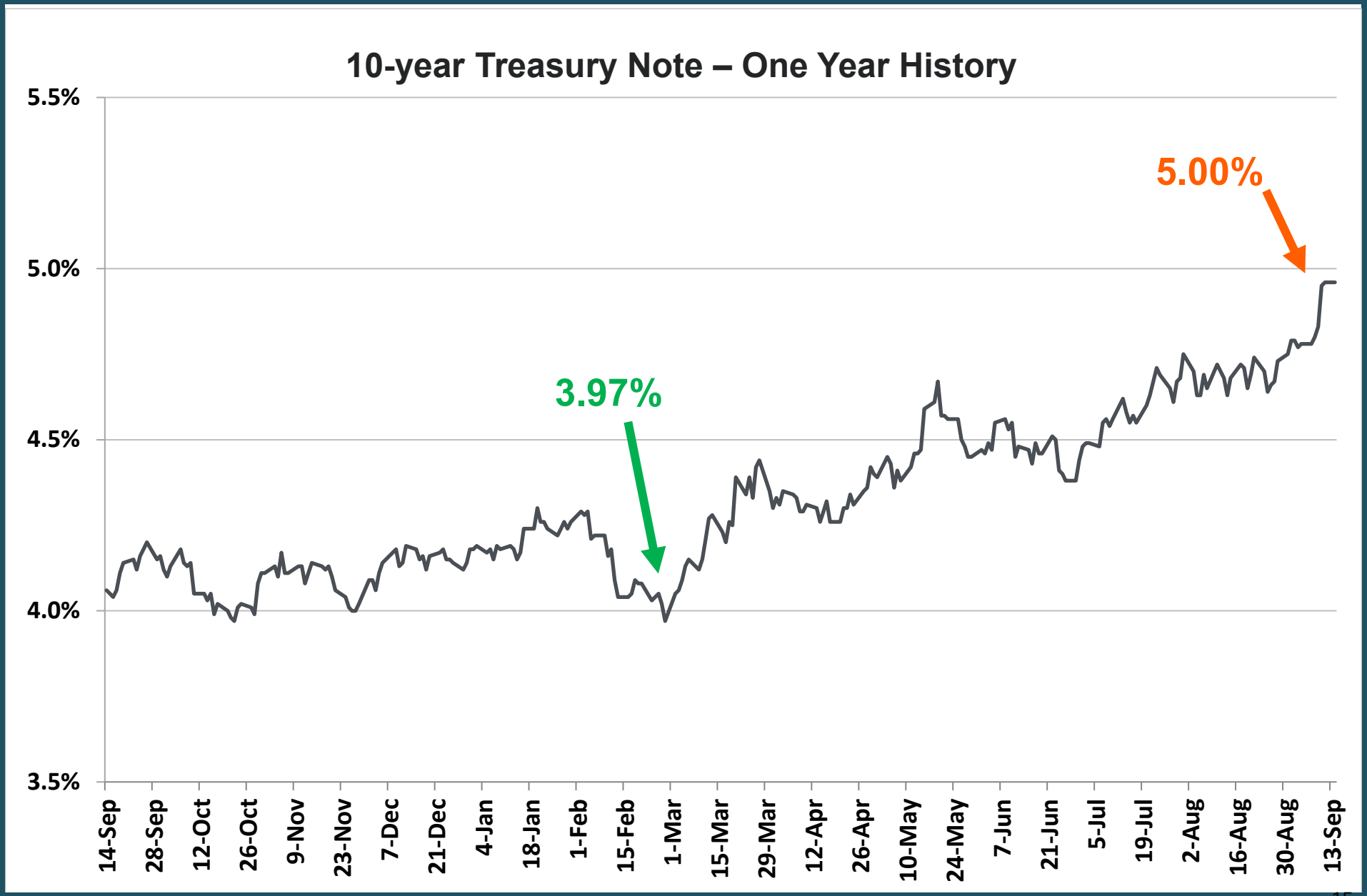
Many additional steps to issue POBs vs. Capital Bonds:

- **Extra education of all stakeholders to discuss risks. IN PROCESS**
- ✓ **Statistical assessment required. DONE**
- **Legal documentation, including:**
  - **Borrowing Resolutions.**
  - **Intercept and Trust Agreements for pools.**
  - **Disclosure document.**
- **Request to Milliman to calculate payoff amounts. Base cost is $1,000, plus $250 for each payoff date selected.**
- **Bond Rating.**
- **If market cooperates, sale and closing.**
- **Send funds to PERS. Payroll rates generally reduced immediately.**



Can take 9-12 months from start to finish.

Current Borrowing Rates



What about fees?

- Most fees do not take effect until and unless bonds are sold.
- Fees that could be incurred regardless include:
  - ✓ ECONorthwest Assessment Fee (~$2,500) DONE
  - Milliman calculation fee (~$2,500)
  - Rating fee. Fee is incurred once rating is assigned, but there is grace period. Amount TBD based on bond size (and number of participants in a pool).
- Overall fees vary by amount of issue, number of participants, general market conditions. We are estimating ~1.50% for underwriting, legal, trustee, rating and miscellaneous fees.

Potential Timeline – SD and CC Bond Pools

September

- ✓ By September 14: Districts notify Piper/Hawkins if want resolution, max TIC. DONE
- September 23: Zoom meeting to review next steps
- By September 30: Hawkins provides resolutions.

October

- 2025 Valuation released

November

- By November 13: Districts adopt resolutions, publish assessment.
- November 16: Market Update Zoom - proceed or pause decision
- After November 16: If conditions are favorable, Districts send payoff requests to Milliman.

Potential Timeline – SD and CC Bond Pools

December 2026

- Finalize documentation: disclosure, trust, intercept agreements.
- Rating and due diligence process.

January 2027

- Receive payoff letters from Milliman
- Final Opt-in forms to Piper
- Week of January 18 - Bond sale for CCs
- Week of January 25 - Bond sale for SDs

February 2027

- Week of Feb 8th - Bond closing for CCs
- Week of Feb 15th – Bond closing for SDs
- Funds sent to PERS no later than Feb 25
- March 1, 2027 – Payroll rates reduced

Concluding Thoughts

- SAs and POBs introduce more volatility for borrowers.
- Volatility can cause cash flow issues, even when savings are positive.
- Assessment results suggest achieving success with POB is potentially within reach.
- Current interest rates are higher than assessed levels, but may decline should national and international events stabilize.
- Given long lead time on a POB issue, it may make sense to get ready and wait for market conditions to improve.

Questions



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