

DISTRIBUTION DATE: 8/3/12



MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Katano Kasaine

SUBJECT: 2012 PENSION BOND
ISSUANCE FOR PFRS

DATE: August 3, 2012

City Administrator

Date

Approval /s/ Scott P. Johnson

8/3/12

INFORMATION

Summary

The City of Oakland priced \$212.54 million of Taxable Pension Obligation Bonds, Series 2012, on July 12, 2012 which subsequently closed on Monday, July 30. The proceeds of the bonds were deposited into the closed Police and Fire Retirement System (PFRS) to fund the unfunded actuarial accrued liability for beneficiary retirement benefits. The bonds are secured and payable from any legally available source of funds of the City as well as and including the pledge of Tax Override Revenues received by the City from a levy of a .1575% tax on property within the City of Oakland.

Bond Structure

The Taxable Pension Obligation Bonds, Series 2012 were sold in the amount of \$212.54 million primarily to institutional investors with the following interest rates and amortization.

Maturity (December 15)	Principal Amount	Interest Rate	Price or Yield
2017	9,665,000	2.375%	100
2018	9,820,000	2.817%	100
2019	10,035,000	3.267%	100
2020	10,300,000	3.600%	3.776%
2021	10,585,000	3.800%	3.976%
2022	10,755,000	4.000%	4.176%
2023	47,380,000	4.350%	4.526%
2024*	50,395,000	4.676%	100
2025*	53,605,000	4.676%	100
212,540,000			

*Sinking Fund payment to term bond in 2025

The bonds had an all in true interest cost (TIC) of 4.467%.

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The Police and Fire Retirement System

The System did cause to be prepared an Actuarial Valuation report as of July 1, 2011. Based on this actuarial report, after the bond proceeds were deposited into the System, the funded status was as follows:

<i>(in thousands)</i>	July 01, 2011	(Estimate) Following Deposit
Actuarial Liability	683,162	683,162
Actuarial Value of Plan Assets	256,394	466,394
Unfunded Actuarial Liability	426,768	216,768
Funded Ratio (%)	37.5%	68.3%
Deposit to System		210,000

This deposit to the System will be memorialized in a funding agreement which allows for a five year prepayment of contributions to PFRS. Tax override revenues are expected to be sufficient to cover debt service payments on these bonds as well as the subordinate lease revenue bonds through the final maturity of all bonds as presented to the Finance and Management Committee on May 22, 2012 and subsequently to the City Council on June 5, 2012.

_____/s/_____
KATANO KASAINÉ
Treasurer

For questions please contact Katano Kasaine, Treasurer, at (510) 238-2989.