

Actions Related to Continued Exploration of Pension Obligation Funding Strategies

City Council Meeting
May 11, 2021, Item 3.4

Presenters:

Julia H. Cooper, *Director of Finance*

Nikolai J. Sklaroff, *Deputy Director of Finance,*
Debt and Treasury Management Division

Council Study Session – April 23, 2021

- Finance, Budget and OER staff presentations along with consultants and guest speaker
- Topics covered
 - Review of Unfunded Accrued Liabilities (UAL) challenge
 - Pension obligation financing options
 - Report from the City’s Municipal Advisor
 - Analysis of potential Pension Obligation Bonds (“POBs”)
 - Judicial validation of POBs
 - Conclusions and next steps
- No Council action or direction

Council Direction Today

- Allows for staff to work in parallel with steps necessary for court validation and potential financing of UAL with POBs which includes
 - Preparing POBs documents for court validation
 - Drafting a Pension Obligation Funding Policy for approval
 - Refining bond sizing and structuring, including risk analysis based on discussions with Retirement Plans Boards on investment strategies and asset allocation of potential POB proceeds
 - Continuing analysis of bond and investment market conditions

Next Steps and Timeline

Date	Activity
May 11, 2021	Council approval of actions outlined in staff report
June 29, 2021	Council approval of bond and court validation documents
July 2021	Bond Counsel files validation action with Santa Clara County Superior Court
August 2021	Joint Meeting of the Council and the two Retirement Plan Boards
Fall 2021	Council approval of Pension Obligation Funding Policy
Fall 2021	Council consideration of POB financing plan(s) with accompanying analysis of risks and benefit
Early 2022	Council approval of documents necessary for POB issuance upon successful validation
Early 2022	Issuance and Closing of POBs, if debt and investment market conditions warrant

Recommendation

- Direct City Administration and the Office of the City Attorney to take the following actions:
 - Proceed with planning and preparation of bond documents and court validation documents necessary for the issuance of POBs and return to Council on June 29, 2021 with the necessary actions to proceed with court validation;
 - Prepare a Pension Obligation Funding Policy for Council review and approval;

Recommendation Continued

- Coordinate with the Office of Retirement Services to schedule a joint meeting(s) with Council and both Retirement Boards to develop an understanding of the respective Retirement Boards' investment strategy for the POBs proceeds; and
- Return to Council for approval of POBs financing plans with accompanying analysis of risks and benefits after the POBs are successfully validated.

Questions

- **Julia H. Cooper**, *Director of Finance*
- **Nikolai J. Sklaroff**, *Deputy Director of Finance,
Debt and Treasury Management Division*