



# CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

## A DOUBLE-EDGED SWORD: THE ECONOMICS OF PENSION OBLIGATION BOND FINANCING FOR LOCAL GOVERNMENTS

10am - 11:45am

October 24, 2012

Pension Obligation Bonds (POBs) can be an appealing strategy for managing a public agency's unfunded pension liability. As attractive as this approach may appear from a budgetary standpoint, the use of POBs can be a "double-edged sword"—providing budget relief and interest rate savings offset by investment return risks and the substitution of more rigid long-term financing terms. This webinar is designed to provide an examination of the benefits and risks of utilizing POBs and provides a discussion of the policy considerations, financing options, and disclosure requirements for financing pension liabilities.

### Panel Topics:

1. What are POBs and how are they used by local agencies in California? What options are available for structuring POBs?
2. Why might your agency issue taxable pension obligation bonds? What are the benefits? What are the risks?
3. Are there certain economic conditions that make POB issuance more or less advantageous? What are the important market factors and sizing considerations for structuring pension obligation debt? Should the POB bear a fixed or variable interest rate and be called or not?
4. How are POB bond proceeds invested? How strongly does the investment return impact pension cash flows?
5. Why might municipals refund outstanding POB's for reasons other than cost savings? What characteristics need to exist to justify refunding a POB?
6. Are municipals able to realize positive lump sum payments from their POBs? What are prudent strategies for investing cash savings from positive lump sum payments?
7. What disclosure practices should be adopted with the new GASB rules for pension reporting?

Moderator: Thad Calabrese Ph.D., Robert F. Wagner Graduate School of Management

Roger Davis, Partner, Orrick Herrington and Sutcliffe

Rob Larkins, Managing Director, Raymond James/Morgan Keegan

Jenna Magan, Partner, Orrick Herrington and Sutcliffe

Brian Whitworth, Senior Vice President, First Southwest

*Webinar Coordinator: CDIAC*