



Sierra County Reduces Pension Costs

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Sierra County is required to provide retirement benefits to its employees through the California Public Employees Retirement System (CalPERS). Every year, the County makes payments to CalPERS for retirement benefits of current and retired employees. A large portion of these costs represent unfunded liabilities, which is the difference between the estimated benefits owed for past service and the market value of assets held at CalPERS. Although the County has no influence over the management of the unfunded liability, the County is charged 6.80% on it.

In order to reduce costs of the unfunded liability, the Board of Supervisors approved the issuance of a Pension Obligation Bond (POB) on December 7, 2021. The purpose of the POB is to replace all of the unfunded liability at CalPERS with a lower cost loan. By replacing the CalPERS finance charge of 6.80% with a finance charge of less than 3% on a POB the County can reduce pension costs. Savings is also achieved by shortening the time to pay down the unfunded liability from 17 years to 9 years.

On January 6, 2022, the County sold \$18,990,000 of POBs. The County received a very strong credit rating of "AA-" from Standard & Poors (S&P) Global Ratings. The credit rating represents an independent appraisal of the County's ability and willingness to repay the POB. In assigning the credit rating, S&P noted the County's conservative revenue and expenditure forecasts, semi-annual financial reporting to the Board of Supervisors and its investment, debt and reserve policies. The credit rating is crucial in qualifying the County's bonds for purchase by bond investors.

The County's borrowing strategy of shortening the repayment term, coupled with the credit rating, and few bonds offered for sale during the first week of the year, enabled the County to attract strong investor demand. The County received 48 orders for its bonds totaling \$71,360,000. With demand greater than supply, the County was able to receive lower interest rates, which resulted in additional savings. The orders were submitted by 17 institutional investors consisting of bond funds, managed accounts, banks, insurance companies and brokers.

Summary of Bond Sale Results			
	Board Meeting 12/7/2021	Sale Results 1/6/2022	Variance
Funding Amount	\$18,990,000	\$18,990,000	\$0
Interest Rate	2.76%	2.62%	-0.14%
Total POB Repayment	\$21,614,819	\$21,413,901	-\$200,918
Remaining UAL	\$30,129,007	\$30,149,746	\$20,739
Estimated Savings	\$8,514,188	\$8,735,844	\$221,656
Final POB Payment	8/1/2031	8/1/2031	8/1/2031
10 Year Treasury	1.48%	1.73%	0.25%

