



Pension Obligation Bonds *and* PERS Side Accounts

School Board Meeting
October 22, 2026

The Goal Tonight:

The D21 School Board will have a basic understanding of what side accounts are, how they can save the District money, and the variables that make them successful or unsuccessful.

The Map for Tonight:

- **How Pension Obligation Bonds & side accounts work**
- **NWasco Side Account Track Record**
- **Risk/Reward Analysis**
- **Timeline & next steps**

Note: the data in this presentation is a summary of information provided by Piper Sandler and ECONorthwest.

ARBITRAGE

What's a Pension Obligation Bond?

Bond = Debt

- The District sells bonds to investors and gives it to PERS to invest.
- Interest cost is fixed for the life of the bond.
- Payments are “intercepted” from our State School Fund payments.

What's a side account?

PERS invests the money we give them; earnings from those investments go into a dedicated account and are used to pay a portion of our PERS costs for the life of the bond.

How does this save the District money?

Ideally the earnings on our investments exceed the cost of borrowing. The difference between the two directly reduces our PERS costs.

A SIMPLE EXAMPLE

Imagine:

- Borrow \$1,000,000 at 5% for one year.
- PERS invests the money, earns 9% for the year.
- \$90,000 in earnings.
- Interest cost = \$50,000.
- The difference, \$40,000, is applied against our PERS costs for the year. Yay!

**WHAT IF THINGS
DON'T GO WELL?**

Another scenario:

- One year SA, borrow \$1,000,000 at 5% for one year.
- We give the money to PERS to invest.
- The AI bubble bursts the next day, reducing the value of our investment to \$750,000
- For the rest of the year, the investment earns 9.6%
- $\$750,000 \times 1.096 = \$822,000$
- We still owe \$1,050,000
- We just **lost** \$228,000 & must pay our full PERS costs. Boo!

**WHAT I HOPE YOU
TAKE AWAY FROM
THIS EXAMPLE:**

Takeaways:

- There are two variables: interest cost and investment performance.
- Side accounts are not risk-free
- Longer time frames reduce risk.
- PERS has a solid investment strategy and track record.
- Most (not all!) Districts have saved substantial amounts of money by using side accounts.

**TIME FOR
SOME DATA
(HISTORY EDITION)**

North Wasco County School District No. 21

Pension Bond Side Account Analysis - Historic Savings 2003 Side Account

PERS Unfunded Actuarial Liability and Pension Bond Analysis

July 16, 2026

Pension Bonds Issued	Dated Date	Amount Issued	TIC
Series 2003	4/21/03	15,182,068	5.73%
Total Amount Issued		\$ 15,182,068	

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-2003	n.a.	\$ -	\$ (1,500)	\$ (517,543)	\$ 14,969,648	\$ 3,227,030	22.00%	\$ 17,677,635	\$ 312,792	\$ 204,751
Dec-2004	9,209,514	17,677,635	(1,000)	(683,291)	-	2,464,262	13.30%	19,457,606	532,230	151,062
Dec-2005	11,152,295	19,457,606	(1,000)	(1,080,135)	-	2,572,296	13.86%	20,948,767	642,230	437,906
Dec-2006	12,251,855	20,948,767	(1,000)	(1,451,940)	-	3,272,197	15.58%	22,768,024	782,230	669,711
Dec-2007	12,315,852	22,768,024	(1,000)	(1,494,260)	-	2,300,663	9.45%	23,573,427	827,230	667,031
Dec-2008	13,609,425	23,573,427	(1,000)	(1,784,179)	-	(6,056,302)	(27.32%)	15,731,946	872,230	911,950
Dec-2009	14,314,783	15,731,946	(1,000)	(1,732,648)	-	2,707,914	19.02%	16,706,212	917,230	815,419
Dec-2010	14,619,812	16,706,212	(1,000)	(1,979,858)	-	1,937,482	12.44%	16,662,836	967,230	1,012,629
Dec-2011	14,114,256	16,662,836	(1,000)	(1,720,289)	-	456,688	2.51%	15,398,235	1,022,230	698,060
Dec-2012	13,569,054	15,398,235	(1,000)	(1,246,904)	-	2,171,771	14.67%	16,322,102	1,072,230	174,675
Dec-2013	12,913,147	16,322,102	(1,000)	(1,228,602)	-	2,507,835	15.62%	17,600,335	1,127,230	101,373
Dec-2014	13,442,481	17,600,335	(1,000)	(1,261,065)	-	1,267,010	7.39%	17,605,280	1,187,230	73,836
Dec-2015	13,886,454	17,605,280	(1,000)	(1,466,483)	-	368,125	1.87%	16,505,922	1,247,230	219,254
Dec-2016	14,540,877	16,505,922	(1,000)	(1,856,691)	-	1,117,924	7.15%	15,766,155	1,312,230	544,462
Dec-2017	14,102,123	15,766,155	(500)	(1,842,175)	-	2,320,377	15.23%	16,243,857	1,377,230	464,946
Dec-2018	15,515,390	16,243,857	(500)	(1,912,259)	-	93,512	0.42%	14,424,610	1,447,230	465,030
Dec-2019	15,355,811	14,424,610	(500)	(2,037,128)	-	1,850,830	13.92%	14,237,812	1,517,230	519,899
Dec-2020	16,624,885	14,237,812	(500)	(2,131,860)	-	843,821	7.18%	12,949,273	1,592,230	539,631
Dec-2021	16,405,674	12,949,273	(500)	(2,584,958)	-	2,429,232	20.76%	12,793,047	1,672,230	912,729
Dec-2022	20,010,860	12,793,047	(500)	(2,195,561)	-	(208,505)	(1.81%)	10,388,481	1,752,230	443,332
Dec-2023	25,597,448	10,388,481	(500)	(3,504,328)	-	491,602	5.72%	7,375,255	1,837,230	1,667,099
Dec-2024	24,156,487	7,375,255	(500)	(3,685,345)	-	322,562	5.58%	4,011,972	1,885,857	1,799,488
Subtotal (Actual)										\$ 13,494,263

Source: Oregon Public Employees Retirement System – System Actuarial Valuation Reports and Employer Actuarial Valuation Reports. Information for calendar years 2003 and prior was not readily available.

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**Why are we talking
about this now?**

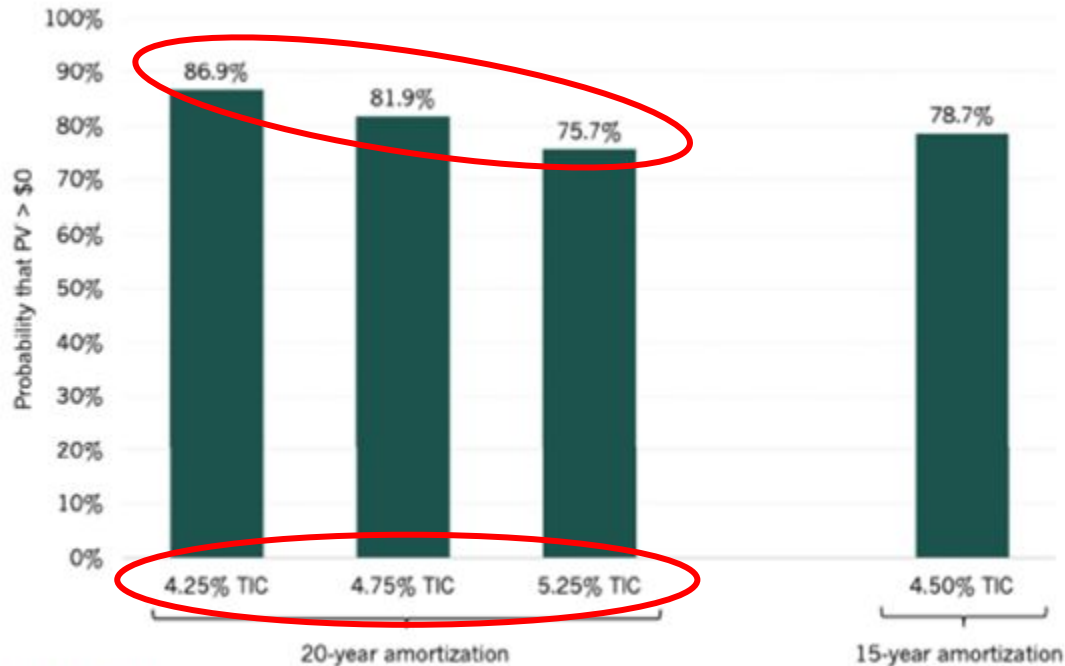
Our Side Account is expiring, and we have the opportunity to take out another.

- Our current side account will end about halfway through 2027-28.
- We will have the option to open another side account.
- The process takes 9-12 months.
- A statistically based assessment is required.
- We started this process in April, 2026, and have the first assessment.

Terms

- **NPV, or net present value:** a way to determine whether an investment is worthwhile.
 - Greater than zero: the investment “pays off”
- **TIC, or total interest cost:** a way to look at the total cost of interest over the life of a debt issue
 - Similar to APR, but for the life of the loan, not one year

Probability the the Net Present Value of POB issuance is greater than zero at various interest costs:



Source: EConorthwest.

Is there a resolution to pass tonight?

- **No.** Interest rates were lower when we began this process.
- I have a resolution, but it is written with a maximum TIC of 5%; likely cost now would be ~5.75%.
- Fed interest rate projections indicate higher borrowing costs well into next year.

What's next?

There will be two more assessments

- Under our agreement with OASBO and ECONorthwest, we will receive two more assessments in the next two years.
- If conditions become more favorable, I will ask you to pass a resolution and we will take out another side account.

**Who has the
first question?**