PUBLIC MEETING NOTICE AND AGENDA

MUNICIPAL DEBT ADVISORY COMMISSION
SUB-COMMITTEE MEETING

Monday, April 12, 2021
3:00 PM – 4:00 PM

Audio and video participation: Join Microsoft Teams Meeting
Audio participation only: 971-279-6217 Conference ID: 267 192 531#

Meeting materials will be accessible on the MDAC web page under “Meeting Dates, Agendas, and Minutes”

AGENDA

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<thead>
<tr>
<th>BEGIN</th>
<th>END 1</th>
<th>Presenter</th>
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</thead>
<tbody>
<tr>
<td>1. Call to order and roll call</td>
<td>3:00 PM</td>
<td>3:05 PM</td>
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<tr>
<td>2. MDAC OAR Implementing ORS 238.697</td>
<td>3:05 PM</td>
<td>3:50 PM</td>
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<tr>
<td>a. OAR 170-061-0000 amendment</td>
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<td>b. Oregon Treasury pension obligation acknowledgement letter</td>
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<td>c. Oregon Treasury post issuance compliance report</td>
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<td>3. Public Comment</td>
<td>3:50 PM</td>
<td>4:00 PM</td>
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<td>4. Adjournment</td>
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1 Approximate end time
TAB 2 –

MDAC Oregon Administrative Rule Provisions:

April 5, 2021 Proposed Language, Rev1
Notice and Reporting Requirements by Public Bodies When Issuing Bonds

(1) Terms used in OAR 170-061 shall have the meanings given in ORS Chapters 286A and 287A unless otherwise specifically defined herein.

(2) Definitions.
(a) “MDAC” means the Oregon Municipal Debt Advisory Commission, including OST when acting as staff for the MDAC pursuant to 287A.632(3).
(b) “OST” means the Office of the State Treasurer.
(c) “Bond marketing date” is the date the public body and underwriter or placement agent agree on the market terms of the bonds. For competitive bid bonds this is the date bids are opened and the bonds are awarded to public bidders pursuant to a published notice of bond sale. For negotiated sales or private placements this means the date the public body gives the verbal award to the underwriter or placement agent.
(d) “Called bonds” are bonds for which the public body has exercised the option or requirement to redeem before the stated maturity date. The call date is the date the bond may be redeemed.
(e) “Closing” means the date the bonds are delivered to the initial bond purchaser and the public body receives payment for the bonds.
(f) “Delivery date” means the date shown by the United States Postal Service or other delivery services’ cancellation mark or, if provided electronically, the delivery date is the date shown as electronically received by the OST.
(g) “Governing body” means the person, board, commission, council, officer or other body authorized to direct the issuance of bonds.
(h) “Issuer” means a public body or the State Treasurer.
(i) “Official statement” means the document published by a state agency or public body that discloses material information on the issue of bonds including the purposes of the issue, repayment methods, and the financial, economic and social characteristics of the issuing government. A final official statement is printed after the final terms of the bonds are available.
(j) “Paying officer” means the public officer, other than a fiscal or paying agent, to who bonds may be presented for payment.
(k) “Public body” means those entities described in ORS 287A.001 and an intergovernmental entity formed pursuant to ORS 238.695.
(l) “State agency” means a related agency defined in ORS 286A.001(8).
(m) “True Interest Cost” (TIC) means the annual discount rate that, when used to discount all debt service payments on the issue to the date of initial delivery of the issue, using a compounding interval equal to the interest payment periods for the issue, results in the aggregate present value of such debt service payments being equal to the original purchase price (including accrued interest) of the issue.
(n) “Independent SEC-registered advisor” has the meaning given in Oregon Laws 2019, chapter 355, section 23(4 ORS 238.697(4).
(o) “Pension Obligation Bonds” means issuance of revenue bonds authorized under ORS 238.694 and ORS chapter 287A for the purpose of obtaining funds to pay the pension liability of a public body.
(p) “Public Offering” means a sale for which an issuer publicizes the upcoming bond issue, provides the timeframe and platform for which bids will be accepted, and provides any additional guidelines or details related to the bond issue and for which the winning bidder(s) generally is the bidder who has offered the
lowest total interest costs, including all costs of issuance and underwriter fees.

(q) “Private Placement” means a sale in which funds are provided through direct negotiation with one or more private or governmental entities, effectively providing a loan that must be repaid over time. Private placements do not require many of the disclosure requirements found in public offerings and are not publicly issued or publicly traded.

(r) "Limited Offering" means a sale in which the bonds are offered and sold to a limited number of investors that meet certain established standards for qualifying as a purchaser of the bonds and the offering is exempt from the provisions of Securities and Exchange Commission Rule 15c2-12 because the bonds are sold in authorized denominations of $100,000 to no more than 35 persons each of whom the underwriter reasonably believes:

(A) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the investment; and

(B) is not purchasing for more than one account or with a view to distributing the securities.

(s) "Pension Liability Issuance Bond Assessment Report" means the assessment as defined and required in ORS 238.697(1)(a).

(3) Notice of bond sales. Public bodies shall provide "MDAC Form 1" means the report of a public body filed as set forth in OAR 170-055-0001(4) providing notice of publicly offered and limited offering bond sales to MDAC by submitting MDAC Form 1, which shall include the information set forth in section (3) of this rule.

(u) "MDAC Form 2" means the report of a public body filed as set forth in OAR 170-055-0001(4) providing notice of the results of the sale of publicly offered and limited offering bond sales, which shall include the information set forth in section (8) of this rule.

(v) "MDAC Form PB 1" means the report of a public body filed as set forth in OAR 170-055-0001(4), which shall include the information set forth in section (5) of this rule.

(w) "MDAC Form PB 2" means the annual report filed by a public body that has issued Pension Obligation Bonds as required by section (9) of this rule.

(3) Notice of bond sales. The MDAC Form 1 must include preliminary bond sale information such as: the issuing entity, type of bond, anticipated bond marketing date, bond par amount, project or purpose of the bond issue, source of revenues used to repay the bonds, anticipated closing date, bond counsel, financial advisor and other summary information identified on MDAC Form 1.

(4) MDAC Form 1 Timing. The MDAC Form 1 must be filed:

(a) at least 30 days prior to the bond marketing date for any public body issuing Pension Obligation Bonds, whether by public offering, limited offering or private placement, the public body shall provide the notice described in section 3 of this rule to the MDAC at least 30 days prior to bond marketing date; for all other bond sales the public body shall provide the required notice to the MDAC;

(b) at least 10 days prior to the bond marketing date for all other bond sales.

(5) Pension Bonds Assessment. In addition MDAC Form PB1. At least 30 days prior to the notice required under section 4 of this rule, a public body issuing issuance of Pension Obligation Bonds shall also submit to the State Treasurer, through the OST Debt Management Division, at least 30 days prior to public body issuing the such bonds shall transmit the MDAC Form PB 1 as set forth in OAR 170-055-0001(4). The MDAC Form PB1 shall include the following items:

(a) A statistically based assessment (the Pension Liability Issuance Bond Assessment Report) from an independent economic or financial consulting firm regarding the likelihood that investment returns on the Pension Obligation Bond proceeds, if invested pursuant to the required investment policies and guidelines to which the issuer is subject, will exceed the interest cost of the bonds over the term of the bond issue and under various market conditions, together with evidence that public body has complied with ORS 238.697(1)(b); and

(b) The name of the Independent SEC-registered advisor, if any, that will assist the public body in issuing with the issuance of the Pension Obligation Bonds; and

(c) Attest that the issuer has made the public disclosure pursuant to ORS 238.697(b).

(6) Confirmation of notice. After receipt of the notice of bond sales required under section 4 of this rule, the MDAC shall provide a confirmation letter verifying such. The letter includes a statement that the
notice filing of the MDAC Form 1 complies with OAR 170-061-0000 and is conclusive evidence of such compliance. Compliance letters are sent to bond counsel. Noncompliance letters state the reason for non-compliance and are sent to the public body and its bond counsel.

(7) Issuers receiving MDAC Compliance Letters for Pension Obligation Bonds issued on or after June 11,
2019 and which remain outstanding shall:
(a) Confirm receipt of the Acknowledgement Letter that will be issued by the OST Debt Management-
Division, indicating potential risks associated with Pension Obligation Bonds and
(b) Provide the following statistical data initially and annually using the OST's Post Issuance Annual-
Compliance Report:
(A) The actual interest rate owed over the term of the bonds;
(B) The projected rate of return on bond proceeds as determined by the assessment;
(C) The actual rate of return on bond proceeds in the previous fiscal year; and
(D) The cumulative rate of return on the bond proceeds.

(8) Postponement. For postponed or changed bond sales the public body complies with notice
requirements when, on a best efforts basis, it submits an updated MDAC Form 1 to the MDAC as set forth
in OAR 170-055-0001(4).

(9) Reporting results. Any public body issuing bonds shall report bond sale results by submitting MDAC
Form 2, and a public body preparing an official statement shall provide a final copy of such official
statement, to the MDAC within seven business days after the bond marketing date. Sale results must
include all of the information identified on MDAC Form 2. The public body and its bond counsel will receive
written notice of non-compliance if sale results are not reported.

(9) Annual Reporting. To assist the State Treasurer in complying with ORS 238.697(3), a public body that
has issued Pension Obligation Bonds on or after June 11, 2019 and such bonds remain outstanding shall
transmit the MDAC Form PB 2 as set forth in OAR 170-055-0001(4) by [December 1 of each year] [XX
days after the end of the fiscal year].
(a) The MDAC Form PB2 shall include the following information:
(1) the actual interest rate owed over the term of the Pension Obligation Bonds; and
(2) the projected rate of return on the bond proceeds, as determined by the Pension Issuance
Assessment Report.
(b) Additionally, the public body will, upon request from the OST Debt Management Division, provide
assistance to the State Treasurer to obtain from the Public Employees Retirement System the actual rates
of return on bond proceeds in the previous fiscal year and the cumulative rate of return on the bond
proceeds.

(10) Exceptions. The MDAC, through a vote of the commissioners, may waive any or all provisions of this
rule.

Statutory/Other Authority: ORS 287A.634 & 287A.640
Statutes/Other Implemented: ORS 287A.634 & ORS 287A.640
History:
OST 5-2019, amend filed 12/16/2019, effective 12/20/2019
OST 2-2019, temporary amend filed 07/24/2019, effective 08/01/2019 through 01/27/2020
OST 3-2010, f. & cert. ef. 2-2-10
OST 7-2008, f. & cert. ef. 12-29-08
TD 2-1995, f. & cert. ef. 12-26-95
TD 1-1995, f. 6-29-95, cert. ef. 7-3-95
TD 2-1994, f. & cert. ef. 9-9-94
TD 1-1985, f. & ef. 1-24-85
TD 4-1982, f. & ef. 7-7-82
TD 2-1982(Temp), f. & ef. 1-27-82
TD 1-1982(Temp), f. & ef. 1-11-82
TD 2-1981(Temp), f. & ef. 12-23-81

4153-6566-0717.2
[date]

[Public Issuer of POBs]

Subject: Pension Obligation Bond Issuance Acknowledgment Letter and Post Issuance Annual Compliance Report

Dear [Issuer Contact]:

Pursuant to ORS 238.697, [ ] (the Issuer) is requested to acknowledge receipt of this letter indicating potential risks associated with the issuance of pension obligation bonds (POBs) or other debt instruments to fund the Issuer’s unfunded pension liability. These risks include, but are not limited to:

1. Despite funding, the Issuer’s unfunded pension liability may increase in the future due to any or all of the following factors:
   a. Investment returns on pension plan assets fall below the assumed investment rate;
   b. The Issuer’s actual annual contribution to its pension plan is below the Actuarially Determined Contribution Rate established by the plan’s actuary;
   c. The pension plan’s experience changes such that the liability increases. Examples include: longevity of plan participants exceeds assumptions made by the actuary; or plan benefits increases above what was projected in the most recent valuation and others; and/or
   d. Reduction in the assumed rate of return by the PERS system.

2. Further, the use of POBs introduces additional leverage to the Issuer’s pension funding plan which could further increase the future unfunded liability as follows:
   a. If investment returns on pension plan assets fall below the interest cost of the POBs, as measured as the all-in issuance cost, the Issuer will incur additional liability due solely to the leveraging. For example, if the actual rate of return is -1% and the interest cost of the bonds is 3.50%, the Issuer incurs the full cost of issuing the debt in addition to the lower than expected return below the assumed investment rate.

The Treasurer’s office encourages you to consult with an independent SEC registered municipal advisor to evaluate these risks as well as benefits of a POB issue.

In order to comply with ORS 238.697 and OAR 170-061-0000(3-6), the State Treasurer requires data on the attached Post Issuance Annual Compliance Report form to be submitted annually.

Please respond by email acknowledging receipt of this letter.

Please let me know if you have any questions or would like any additional information.

Sincerely,

By: ___________________________

Jacqueline B. Knights
Director, Debt Management Division
Oregon State Treasury
PENSION OBLIGATION BOND
POST-ISSUANCE COMPLIANCE REPORT

References:  ORS 238.697 / SB 1049, Section 23 (2019 Legislative Session)
OAR 170-061-0000 Sections (3), (4), (5) and (6)

Issuer: ____________________________________________________________
Authorized Representative & Title: ________________________________
Email: ___________________________________ Phone #: __________________
Series: ___________________________________ Closing Date: ________________

SUBMIT AT CLOSING

Actual interest rate cost, inclusive of all issuance costs, over the term of the bonds
Projected rate of return on the bond proceeds, as determined by the assessment

SUBMIT ANNUALLY BY DECEMBER 1

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<td>1.</td>
<td>Issuer’s actual rate of return on bond proceeds in the previous fiscal year</td>
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<td>2.</td>
<td>Issuer’s cumulative rate of return on the bond proceeds</td>
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<td>3.</td>
<td>OPTIONAL - Issuer’s Actuarially Determined Contribution (ADC) rate for the prior year at:</td>
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<td>a. Normal cost rate</td>
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<td>b. UAL rate</td>
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<td>4.</td>
<td>OPTIONAL - Issuer’s actual contribution rate at</td>
</tr>
<tr>
<td></td>
<td>a. Normal cost rate</td>
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<td>b. UAL rate</td>
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Issuer Authorized Representative Signature: ___________________ Date: ________________

Jacqueline B. Knights, Director
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