



NEWS RELEASE

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NEWS MEDIA CONTACT:

Katie Casey, Communications Manager
(805) 816-4330 | katie.casey@oxnard.org

City Considers Pension Obligation Bond to Address Unfunded Liability

OXNARD, Calif. – As many cities throughout California struggle to address the State’s \$160 billion total unfunded pension liability that accrued prior to the 2013 California Public Employees’ Pension Reform Act (PEPRA), the City of Oxnard is proactively considering issuing a Pension Obligation Bond (POB) to tackle its portion.

Oxnard’s unfunded accrued liability (UAL), which is the shortfall between money the City has invested with the California Public Employees’ Retirement System (CalPERS) and the amount required to fully pay out the benefits that are legally obligated to retirees, is currently \$322 million. Issuing a POB is one cost potential management strategy that the City is exploring to address rising pension costs of legacy CalPERS system retirees whose pensions are dated prior to the 2013 reform. Since 2018, the Council has been hosting public study sessions relating to the rising pension costs. Potential cost management strategies, including the concept of restructuring the UAL, were most recently discussed by the Council Finance and Governance Committee on Feb. 8, 2022, and later by the full City Council on March 1, 2022. In a 7-0 vote, the Council voted to initiate the POB validation process.

“Almost all California cities are facing the issue of unfunded pension liability. We want to provide the most cost-efficient and fiscally responsible solutions for Oxnard taxpayers, and will only consider a Pension Obligation Bond if the cost-savings can be nailed down,” said City Manager Alexander Nguyen.

By lowering interest costs through a POB, the City will likely be able to reduce the pension-specific property tax levy on residents by 15-20% over the next decade. For the average Oxnard homeowner, this is an annual savings of over \$50. With current interest rates between 4% and 4.50%, a POB could save the City and its taxpayers more than \$75 million over the next 15 years. Additionally, a POB is expected to generate savings to the City’s general fund, which pays for investments in City streets, parks, trees, sidewalks and more.

Approximately 90 CalPERS member agencies have issued bonds to restructure their UAL over the past two years. In order for Oxnard to consider a POB, the City must first initiate the validation process. Municipal bond investors purchase POBs from cities only if they have been validated in court under California law. The complaint in such an action is published for three consecutive weeks in a newspaper of general circulation to notify all interested persons of the action.

Once the process is complete, the City will examine the market conditions and potential risks to determine if issuing a POB is in the best interest of the City and its residents. With the City legally required to pay the \$322 million UAL, Oxnard’s consideration of a POB is a responsible step forward in addressing its pension liabilities.

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