

Pension Debt Redemption Fund

Managing Bureau: Office of Management & Finance, Bureau of Revenue & Financial Services

Statement of Purpose: The Pension Debt Redemption Fund is used to achieve proper matching of revenues and expenditures related to bonds that were issued in November 1999 to finance the City's unfunded actuarial accrued pension liability as of December 31, 1997. This fund accounts for the allocation of resources to pay approximately 20% of the principal and interest due on the Limited Tax Pension Obligation Revenue Bonds, 1999 Series C, D, and E as well as all fees associated with carrying the bonds. Excluding the Portland Development Commission, of which 100% of their share is paid from this fund, the remaining approximately 80% of the pension bond liability has been allocated and is being paid directly by the funds that benefited from the issuance of the bonds.

Sources of Revenue: The balances in this fund are committed to the payment of debt service and related costs of the Pension Obligation Revenue Bonds, 1999 Series C, D, & E. For GAAP reporting purposes, balances are considered unrestricted as they reflect transfers from City bureaus and PDC.

Contingency Requirements: Oregon Administrative Rule 150-294.388(7) does not permit contingencies in a debt service fund.

Reserve Requirements: This fund contains an interest rate risk reserve, for the variable portion of the pension debt, in the minimum amount of \$750,000. The reserve may be drawn upon to pay debt service, but the minimum amount should be replenished by an increase of bureau contributions to the fund in an amount sufficient to restore the reserve.

Disposition of Funds: In the event the fund is closed, all remaining resources shall revert to the General Fund.

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Reserve Requirements:

- *Size* = \$750,000
- *Purpose* = Interest rate risk reserve on variable rate portion of the pension debt.
- *Alternative means of meeting required reserves, if any* = A mid-year increase to bureau contributions.
- *Trigger for using* = Insufficient bureau contributions to service general government portion of variable rate debt.
- *Replenishment policies* = Increase of bureau contributions to the fund would replenish the reserve.

Disposition of Funds: Any residual balance after bonds are fully repaid will be returned to the contributing bureaus.