

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE : February 25, 2013
TO : Supervisor Marina Dimitrijevic, Chairwoman, County Board of Supervisors
FROM : Scott B. Manske, Comptroller
SUBJECT: Submission of Power Point Presentation on the Results of the Sale of \$138,700,000 in Taxable General Obligation Pension Notes, Series 2013 (**For Information Only**)

Attached is a power point summary of the impact of the sale of \$138 million in Taxable General Obligation Pension Notes sold on January 24, 2013 which resulted in a projected savings to Milwaukee County, from original estimates, of \$103,454,000 over the life of the bonds.

Background

In March of 2009, Milwaukee County sold \$400 million in pension obligation bonds to improve the funding ratios of the pension system and to take advantage of higher investment rates of returns compared to the interest rate of taxable general obligation bonds. The original debt consisted of two bond issues: \$265 million in taxable general obligation promissory notes for a 20-year term and \$135 million in taxable pension anticipation notes for a five-year term with a December 2013 maturity date. The blended interest cost for these bonds was 6.15%

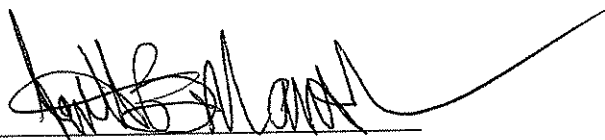
The County had projected that it would issue twenty year bonds at 6.5%, upon the maturity of the \$135 million of five year notes. To take advantage of the low interest rate environment in the current market, the County decided to go to market early. When the bond sale was conducted on January 24, 2013, the County achieved a lower interest rate, and was thus able to amortize debt on a faster schedule. The actual interest rate achieved was 3.28%, and the debt is now paid off in seventeen years.

The projected savings for Milwaukee County, due to both of these factors, is \$103.4 million over the projected life of the bonds, as compared to original estimates.

The County's goal was to issue 6.5% debt, and invest it in a pension plan that was projected to achieve, on average, an 8.0% return. The County has seen savings in both of these areas. The overall interest rate of all Pension Obligation debt is 5.6%. The rate of return on pension assets, since the issuance of the pension bonds is 10.8%.

Committee Action

This is an informational report only. This report should be referred to and reviewed by the Finance and Audit Committee.



Scott B. Manske
Comptroller

Attachments

cc: Chris Abele, County Executive
Supervisor Willie Johnson, Jr., Co-Chairman, Finance, Audit and Personnel Committee
Supervisor David Cullen, Co-Chairman, Finance, Audit and Personnel Committee
Don Tyler, Director, Department of Administrative Services
Craig Kammholz, Fiscal and Budget Administrator
Stephen Cady, Fiscal and Budget Analyst, County Board
Carol Mueller, Head Committee Clerk, County Board