# Bond Case Briefs

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## Bloomberg: Sacramento County Selling Debt to Pay for Pensions.

California's Sacramento County will issue about $110 million in pension-obligation bonds this week as sales of such securities drop to the lowest since 2010.

Sacramento County, home to the state capital and 1.5 million residents, will refinance variable-rate pension debt sold in 2004 in a sale set for Oct. 16. The new fixed-rate bonds will save the county $50 million, said debt officer Chris Marx. The taxable securities mature in 2025.

"It's really the last planned action in our measured approach to reduce the risk in our debt portfolio," Marx said in a phone interview. She said the county, which has about $977 million in pension debt, doesn't plan to issue more.

The offering is among $6.7 billion of long-term municipal issues scheduled for this week as benchmark yields are the highest since Sept. 23, data compiled by Bloomberg show. The total is up from $4.6 billion last week. Individuals pulled about $729 million from muni-focused mutual funds in the week through Oct. 9, according to Lipper US Fund Flows data.

Sacramento County must contribute more than $200 million to its pension system in fiscal 2014, a 391 percent increase from a decade ago, deal documents show.

Stockton's Woes

U.S. localities have sold $300 million of bonds to fund retirement plans this year, the least since 2010, when issuance was $100 million, Bloomberg data show. A 2010 review of such bonds by the Center for Retirement Research at Boston College showed most lose money for the communities.

When Stockton, a city of 292,000 about 50 miles (80 kilometers) south of Sacramento, filed for bankruptcy in 2012, it cited pension and retiree health costs. Under a proposed plan, Stockton would make payments every year starting in 2023 until 2052 to Assured Guaranty Corp. on $124.3 million in pension securities guaranteed by the insurer.

Standard and Poor's this month raised Sacramento County's rating one level to A, its sixth-highest grade, after it ended the last three years with surpluses, and the pension debt to A-. The municipality finished 2012 with a $69.3 million increase to its general-fund reserves, the ratings company said.

Moody's Investors Service rates the pension securities Baa1, three steps above junk, saying the community is recovering from a "downturn that was more pronounced than in other comparably sized counties" in California.

A county pension-obligation bond due in 2024 traded Oct. 9 with an average yield of 6.1 percent, a spread of 342 basis points, data compiled by Bloomberg show. The risk premium has widened since Feb. 5, when the bond traded at 311 basis points for an average yield of 5.22 percent. A basis point is 0.01 percentage point.

By Priya Anand and Romy Varghese October 15, 2013