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## **Bankrupt San Bernardino Reveals Details of Deal With Calpers.**

LOS ANGELES — The bankrupt California city of San Bernardino revealed on Thursday details of its deal with the state's public pension system Calpers, in which the retirement fund will be paid in full under the city's bankruptcy exit plan.

San Bernardino announced last year it intended to pay the powerful California Public Employees' Retirement System in full under its bankruptcy plan, while cutting its bondholder debt. But it had not before revealed details of the deal with Calpers, America's largest public pension fund with assets of \$300 billion.

San Bernardino, a city of 205,000 located 65 miles east of Los Angeles, declared bankruptcy in August 2012 with a \$45 million deficit. It is one of a handful of municipal bankruptcies, along with Detroit, Michigan and Stockton, California, that has been closely watched by the \$3.6 trillion U.S. municipal bond market.

Bondholders, public employees and state and local governments want to understand how financially distressed cities handle their debts to Wall Street, compared with other creditors such as large pension funds during Chapter 9 protection.

San Bernardino was recently ordered by the federal bankruptcy judge overseeing the case to make public the Calpers deal. The city published details before a court hearing in the case on Thursday.

The Calpers deal has angered other creditors, including holders of \$50 million in pension obligation bonds, who face cuts to their debt. They are suing the city over the Calpers deal.

After it declared bankruptcy in 2012, San Bernardino suspended its employer payments to Calpers for one year. It accrued roughly \$16 million in arrears, plus millions more in penalties, fines and interest.

Under the deal with Calpers, the city agreed to pay it in full under its bankruptcy plan, which it must issue by May 31, and to "ratify" its relationship with Calpers.

To repay the arrears, the city paid \$1.5 million to Calpers in May 2014, and agreed to pay roughly \$600,000 a month for two years between July 2014 and June 2016.

The city also agreed to pay five annual payments of \$400,000 to settle fines, penalties and interest.

Luxembourg-based EEPK, holders of the pension bonds, and Ambac Assurance Corp, which insures a portion of them, sued San Bernardino in January, claiming the bonds are part of a single pension obligation, so that any payment to Calpers requires equivalent payment to the bondholders.

Initial arguments on that lawsuit will be heard on May 11.

By REUTERS

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(Reporting by Tim Reid)

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