CENTRAL OREGON
community college

Reference: COCC Investment Committee Meeting
Date: August 28, 2026 – 11:00 a.m.
Location: Boyle Education Center Boardroom and via Zoom

Committee Members:	COCC Administration:
• John Bellman, Chair • Laura Craska Cooper • Bob Reininger	• Dr. Greg Pereira, President • Michael LaLonde, Vice President of Finance and Operations (VPFO) • Kyle Matthews, Executive Assistant to the President and VPFO

Agenda

1. Call to Order – John Bellman

2. Approve Meeting Minutes from July 22, 2026 – John Bellman – Item 2.1-6

3. Pension Bonds – Michael LaLonde

4. Next meeting: To Be Determined – John Bellman

5. Adjourn – John Bellman

Reference: COCC Investment Committee Meeting
Date: July 22, 2026 – 2:00 p.m.
Location: Boyle Education Center, Room 160 and via Zoom

Committee Members:	COCC Administration:
• John Bellman, Chair • Laura Craska Cooper • Bob Reininger	• Dr. Greg Pereira, President • Michael LaLonde, Vice President of Finance and Operations (VPFO) • Kyle Matthews, Executive Assistant to the President and VPFO

Minutes

1. Called to Order at 2:11 p.m. – John Bellman
2. Approve Meeting Minutes from June 12 and 17, 2025 – John Bellman – Items 2a.1-3 and 2b.1-3
   a. Motion to approve the minutes.
      - 1st: Bob Reininger
      - 2nd: John Bellman
      - In favor: John Bellman, Bob Reininger
      - Opposed or abstained: none (Laura Craska Cooper as absent during the vote)
3. Pension Bonds – Michael LaLonde
   a. LaLonde explained that this Committee has not convened over the past year as the College had to commit more of its funds to the Madras campus expansion than expected, which required an excessive use of COCC's reserves. The College was also in negotiations with all three of its labor unions during the previous fiscal year. Two of those negotiations have settled at a higher pay rate than LaLonde expected and modeled in the projection. The third union negotiation is ongoing and will likely settle at a higher rate.

      COCC also sent a request to Oregon's Higher Education Coordinating Commission (HECC) for a 50% match of $8 million for $16 million in deferred maintenance projects. COCC later amended the request and received an additional $3 million from HECC for a total of $19 million, half funded by the

College and the other half by HECC. These funds can be spent by the College if and when the state legislature and the Governor approves the budget. The College can then ask for reimbursement starting in the spring of 2029. In addition, the College will have the opportunity to issue new General Obligation (GO) bonds in the summer quarter of 2030 (or before), as COCC will pay off its current GO bonds at that time.

The local government investment pool (LGIP) is currently paying 4% to the College so there was no need to discuss alternative investments and the cash available for investing has decreased.

b. Oregon's community colleges have a substantial unfunded pension liability. There is an opportunity to reduce the liability by issuing pension bonds. These bonds are a type of arbitrage where an entity that has an unfunded pension liability can issue taxable bonds to pay down the unfunded liability if the entity thinks the return on PERS investments is higher than the true interest costs (TIC) on those bonds. LaLonde and his counterparts from the other colleges have been receiving updates on the matter during their quarterly meetings. Some have issued new PERS bonds as recently as 2023, but COCC has not issued PERS bonds since 2003.
c. Recently, entities with a PERS unfunded liability were asked if they would like to pay for an analysis to determine if it would be a good time to issue new pension bonds. The analysis included a Monte Carlo Analysis to determine the likelihood that PERS returns would be higher than the TIC on the pension bonds. COCC agreed to be a part of the analyses and would be receiving the analysis for each of the next three years for a total of $2,500.
d. The Monte Carlo Analysis results are as follows. PERS is expected to earn 6.9% on average each year. We asked Piper Sandler and ECONorthwest to provide an assessment for COCC to determine the likelihood that PERS investments could outperform the interest on the bonds assuming a TIC of 4.25%, 4.5%, 4.75% and 5.25%. The results indicate the likelihood that the PERS investments would outperform the TIC by 86.9% for a TIC of 4.25%, ~80% for a TIC of 4.5%, 81.9% for a TIC of 4.75% and 75.7% for a TIC of 5.25%. During a presentation by Piper Sandler, their representative suggested that the spread between the expected returns and the TIC should be at least 1.65%, and therefore any TIC above 5.25% may be too risky.
e. LaLonde said COCC received a notification from PERS that COCC's rates will increase from 22% to 27% of payroll, and the College's current PERS side accounts will be paid off in 2028. In 2028, COCC will have an interest and principal payment, along with the increase to PERS of around $1.2 million. LaLonde estimated that the principal and interest will be about $750,000.
    - Bellman asked if the 2003 bonds were the reason that the side accounts will be discontinued. LaLonde confirmed this.
    - Bellman asked, when the obligation was set-up, if the backend was

paying out more than the frontend.
- LaLonde explained that it will decrease next year but will check on the overall amortization schedule.

f. LaLonde asked the Committee whether it might be worth pursuing a bond issue this year or in later years and for how much. LaLonde acknowledged that this could be a risky investment. While some institutions in Oregon did their entire unfunded pension liability successfully, others have lost money.
   - Bellman suggested that reserves should be considered in anticipation of poor return on investment and how COCC could pay it back.
   - LaLonde said that COCC currently has charged for the PERS costs through payroll. While the College currently has some funds available in reserves, it will likely not be enough if the return is poor.

g. LaLonde explained that COCC the pension bonds are taxable unlike GO bonds, and some or all of the principal and interest the College would need to pay on those bonds could be covered by the return from PERS. PERS historically makes 6.9%, so if that remains true, then this investment could be worthwhile depending on interest rates when the bonds are issued and how the PERS investments perform. Planning for a bond sale would require significant work through January 2027.
   - Bellman asked if that would could include issuance, or only preparation.
   - LaLonde said it would only be preparation for making the call in January with a nine-month shelf life.

h. The concept is to reduce unfunded pension liabilities, resulting in a rate credit to COCC's PERS payment. For example, if COCC were to pay 27% of payroll, it would be less, depending on how much money the College borrows and what PERS earns on their investments. The amortization schedule could be 15-20 years.

i. Piper Sander's Monte Carlo analysis was calculated at different interest rates between 4.25% and 5.25% with the current estimated borrowing rate of 5.40%. The results ranged from 75.7% to 86.9% chance for a positive turnout, which were better than Piper Sander's previous analysis from 2021/2022 because the COVID-19 pandemic made the market too unpredictable. While these projections included several Oregon institutions, COCC's specific numbers will be presented to Pereira and LaLonde later in the week of this meeting.

j. Another risk to consider is timing. Early negative returns can be difficult to recover from. Rate credits will not be consistent, earnings can be variable, and payroll growth could negatively affect the College. The state's model has been around 5% annual increase to payroll, but COCC's payroll growth has been higher, so side accounts will be used sooner than expected, which creates long-term problems that can prevent the College from achieving the return that was aimed for.
   - Reininger asked if the growth is due to a higher employee headcount.
   - LaLonde said it was a combination of increased headcount and pay

increases.
- Reininger asked if negotiations with unions have been a factor. LaLonde confirmed this.

k. Piper Sander summarized that SAs and POBs bring more volatility to borrowers than doing nothing, which can lead to cashflow issues, even if there are overall savings.
    - They recommended a 15-year debt structure, as well as updating the College's credit rating, which is currently AA.

l. COCC currently has about $150,000 in its PERS reserve. A significant portion of the non-general funds were used to pay for salaries and the Madras campus expansion.

m. Borrowing rates have been relatively stable since 2003, although it has gradually increased since 2020 due to inflation and the war in Iran.

n. Piper Sander presented several different scenarios with projected earnings of 6.9%. Each scenario suggested decent returns. However, one pension bond had negative returns due to the 2008 financial crisis, leading to a small negative return.

o. COCC's net UAL is $51.5 million as of December 2024. If we chose to go forward with the pension bonds, we would also have to determine how much of pension bonds we would like to sell.

p. Piper Sander recommended additional steps in developing a POB, which could take nine to 12 months to complete.
    - Educating everyone involved on potential risks.
    - Statistical assessment, which has been done.
    - Acquiring legal documentation for
        - Borrowing resolutions
        - Intercept and trust agreements for pools
        - Disclosure document
        - COCC may need to find a bond counsel.
    - Send a request to Milliman to calculate payoff amounts. The base cost is $1,000, plus $250 for each payoff selected.
    - Acquire a bond rating.
    - If the market cooperates, sell and close.
    - Send funds to PERS. When this happens, payroll rates generally reduce immediately.

q. On September 13, COCC will notify Piper/Hawkins to prepare a Board resolution which would include the maximum TIC. On September 30, Hawkins will provide resolutions to COCC. LaLonde would then need to present a resolution to COCC's Board of Directors for approval. In early November, COCC will send payoff requests to Milliman (if conditions are favorable). In December, documentation will need to be finalized—including disclosure, trust, and intercept agreements—and rating and due diligence would take place.

r. Reininger suggested that, when COCC's credit rating is updated, it could indicate what steps the College should take next.

- LaLonde noted that COCC received an AA credit rating six years ago when its reserve was in the mid-teens and now the rate is estimated to be 10.25 at the end of the year. He suggested it would be unlikely for COCC to receive an AA again.
- Reininger asked if LaLonde expected a rating higher than AA. LaLonde said he did not, noting that COCC's rating cannot be higher than the state of Oregon's.

s. Bellman asked how COCC can work with payroll growth and cash reserves, and whether it would involve building sustainably or going in the opposite direction.
    - LaLonde explained that COCC's current reserve policy is to have a plan to return the reserve to 60 days of operational costs within three years. If the reserve is ever reduced below 10%, the College has 30 days to develop a plan to return the reserve to 10% within two months. During COCC's upcoming vice presidents' retreat in August, they plan to identify $2.5-3 million of expenses that would need to be eliminated.

t. LaLonde noted that there will be an additional presentation from Piper Sander on the Friday after this meeting.
    - Reininger suggested it would be worth waiting for more information. The market could also change if the conflict in Iran ends soon. LaLonde concurred.

u. Bellman suggested, if LaLonde is confident in COCC's ability to maintain consistent pay-roll growth, then the College could begin the proposed investment process. If there are any concerns, LaLonde should prioritize stability. He could also do a side-by-side comparison of how these scenarios could turn out. LaLonde concurred.

v. Pereira acknowledged that there is financial risk involved. He asked what the financial impact could be and if there could be a more pragmatic approach.
    - Bellman suggested that, if LaLonde is confident in the numbers presented by Piper Sander, he would have no issues with supporting COCC in taking this approach.

w. Craska Cooper said she was unsure whether to follow Piper Sander's proposal or to find a safer approach in light of the College's deferred maintenance needs and the ongoing negotiations with the faculty union. She acknowledged that this proposal could help reduce the College's costs long-term. She also suggested that the new Chair of the Federal Reserve could be more open to cutting rates or more likely to succumb to political pressure, so that institution could be too unpredictable right now.
    - Bellman acknowledged that the circumstances could change quickly, either for better or for worse. He suggested that the timeline is so far out that, if they do not make a decision soon, this opportunity could be gone.
    - Craska Cooper concurred and suggested beginning the process in 2026, but noted the uncertainty of the markets under the current

administration.

- Bellman suggested that the markets could change in November, depending on how the midterms go. Craska Cooper concurred.
- LaLonde will speak to Piper and see if he can get a sensitivity model from them to determine the amount of reserves the College would need under different circulmstance.

4. Next meeting: To Be Determined – John Bellman
5. Adjourned at 3:13 p.m. – John Bellman