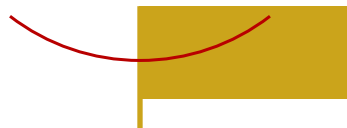




Muni Market Update



Proposed Public Pension Reporting

Legislation called "Public Employee Pension Transparency Act" (H.R. 567), introduced in Congress and referred to the House Committee on Ways and Means, and identical bill S.347 introduced in the Senate, would amend the Internal Revenue Code of 1986 to deny specified federal tax benefits relating to specified bonds issued by a state or political subdivision during any period in which such state or political subdivision is

non-compliant with specified reporting requirements for state or local government employee pension benefit plans. The reporting requirements are twofold – an annual report and supplementary report which is only required if certain conditions are not met by the reporting entity. The legislation would also require the Secretary of the Treasury to develop model reporting statements and create and maintain a

public website, with searchable capabilities, for purposes of posting plan information required by this Act.

Bonds/Benefits Affected by Legislation

Specified bonds include:

- ♦ any State or local bond within the meaning of section 103;
- ♦ any qualified tax credit bond within the mean-

[\(Continued on page 4.\)](#)

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Market Update

Tax exempts were weaker last week as the municipal market saw approximately \$5 billion in new issue volume come to market. MMD AAA tax exempt yields began the week at 2.98%, 4.24%, and 4.70% in the 10, 20, and 30 year range. By week's end, yields had increased to 3.07%, 4.27%, and 4.73% respectively.

Average weekly issuance

year to date has been \$3 billion. The increase in supply to just under \$5 billion last week, coupled with dealers' aged inventories, contributed to the overall weakness. Rockfleet was part of the \$541,810M NYC Municipal Water Finance Authority Revenue Bond deal priced last week by senior manager M.R. Beal. Yields had to be adjusted a few basis points after the 2 day re-

tail order period, from 2019 to 2025, to complete this transaction.

In the competitive new issue arena, Rockfleet was part of winning syndicates on seven national and regional names. Looking ahead, new municipal issuance appears to be light as dealers try to unwind syndicate balances from previous bond deals.



Visible Supply

30-Day

Negotiated: \$4.779B

Competitive: \$1.108B

Total: \$5.887B

w/o Mar 28, 2011

Neg T/E: \$1.284B

Comp T/E: \$0.595B

Tax Exempt: \$1.879B

Taxable: \$0.107B

Total: \$1.987B

The 30-day visible supply is calculated by The Bond Buyer and reflects the total dollar volume of bonds to be offered at competitive bidding and through negotiation over the next 30 days.

Source: Thomson Reuters.

Economic Calendar

Jan	Feb	Mar	Apr	May	Jun	Jul
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Archives

Searching for a previous article? View archived issues of the Muni Market Update [here](#).

New Issue Calendar

E.D.T. Amount Ratings Issuer State Structure

Monday, March 28

11:15AM	19,195M	NR/A+	Shippensburg ASD	PA	2011-2025
12:00PM	59,925M	NR/A	Waterloo Comm Sch Dist	GO IA	2012-2030
12:00PM	16,379M	NR/A	Waterloo Comm Sch Dist QSCB	IA	2025

Tuesday, March 29

11:00AM	32,000M	UR/UR	C/O Biddeford	ME	2012-2036
11:00AM	3,310M	UR/UR	Candor CSD	NY	2012-2026 BQ
11:00AM	4,113M	Aa2/NR	Central RSD BOE	NJ	2012-2021 BQ
11:00AM	10,510M	NR/UR	T/O Grafton	MA	2012-2031
11:00AM	15,500M	Aa3/A+	Grafton Co	NH	2013-2032
11:00AM	8,125M	Aa3/NR	Monroe-Woodbury CSD	NY	2013-2023 BQ
11:00AM	1,730M	UR/UR	Mineola UFSD	NY	2011-2013
11:30AM	3,755M	Aa2/NR	T/O Vernon	CT	2012-2026 BQ

Wednesday, March 30

10:30AM	131,990M	UR/UR	Anne Arundel Co Gen'l Impt	MD	2012-2031
11:00AM	47,600M	UR/UR	Anne Arundel Co Wtr & Swr	MD	2012-2041
11:00AM	22,610M	UR/UR	T/O Wellesley	MA	2012-2031
11:15AM	5,886M	NR/A+	Mansfield Twp	NJ	2012-2028 BQ
11:30AM	11,670M	Baa3/NR	C/O Glen Cove	NY	2012-2026
11:30AM	8,900M	UR/UR	T/O Middletown	CT	2013-2022 BQ
11:30AM	4,490M	UR/UR	T/O Windsor	CT	2012-2024 BQ
1:30PM	23,555M	NR/AA+	Suffolk Co Wtr Auth	NY	2032-2040

Thursday, March 31

11:30AM	3,470M	NR/A	Marlboro CSD	NY	2011-2019 BQ
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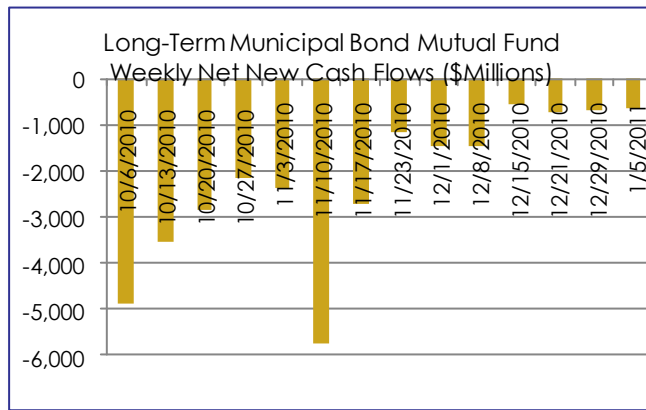
Click [here](#) for calendar updates.

Mutual Funds and Money Markets

Long-Term Mutual Fund Flows

Total estimated inflows to long-term mutual funds were \$4.68 billion for the week ended Wednesday, March 16, the Investment Company Institute reported.

Municipal bond funds had estimated outflows of \$618 million.



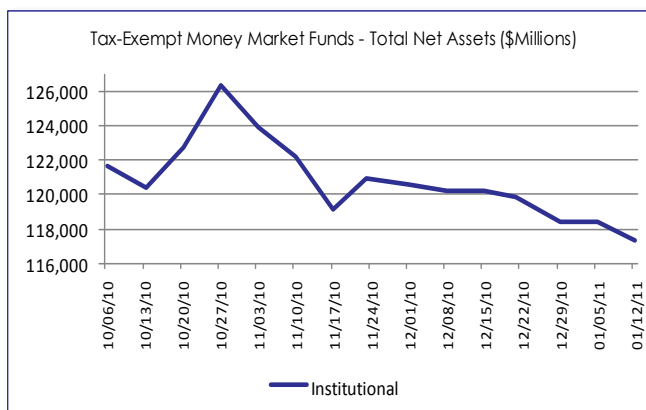
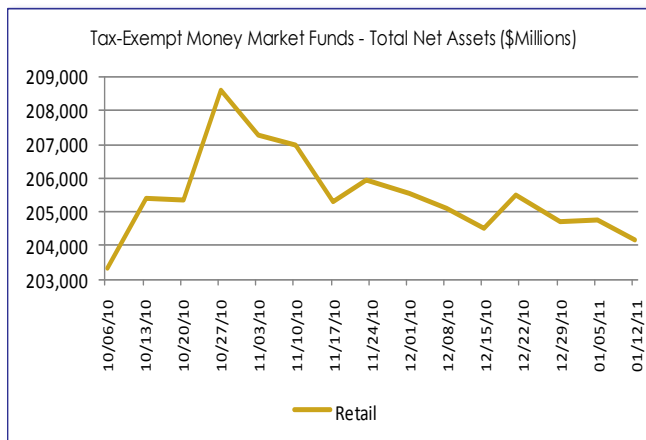
Money Market Mutual Fund Assets

Total money market mutual fund assets decreased by \$7.84 billion to \$2.732 trillion for the week ended Wednesday, March 23, the Investment Company Institute reported.

Tax-exempt funds increased by decreased by \$1.72 billion.

Assets of retail money tax-exempt market funds decreased by \$610 million to \$204.16 billion — 66% of the high of \$309.58 billion on 6/4/08.

Institutional tax-exempt fund assets decreased by decreased by \$1.11 billion to \$117.31 billion — 54% of the high of \$215.69 billion value on 8/13/08. ♣



Source: Investment Company Institute. www.ici.org

Events

[The Bond Buyer's Southeast Public Finance Conference](#)
| March 30, 2011 | Miami, FL

SIFMA Annual Private Client Group Conference | April 7 – 8, 2011 | New York, NY

[Texas Municipal League Connecting Citizens' Expectations with Service Results: Budgeting for Performance for Small Cities](#) | April 8, 2011 | Austin, TX

[New York / Tri-State Area Public Finance Conference](#)
| April 13 – 14, 2011 | New York, NY

[Texas Municipal League Legislative Status Report: The End Is Near, But Not Near Enough](#) | April 15, 2011 | Webinar

[National Federation of Municipal Analysts 29th Annual Conference](#) | April 17 – 20, 2011 | Las Vegas, NV

[Women Advisors Forum](#) | April 19 – 20, 2011 | New York, NY

[The Financial Markets Association 20th Annual Securities Compliance Seminar](#) | April 27 – 29, 2011 | Chicago, IL

[SIFMA Operations Conference & Exhibit](#) | May 1 – 4, 2011 | Boca Raton, FL

[Standard & Poor's 4th Annual Electric Cooperative and Public Power Hot Topics Conference](#) | May 3, 2011 | New York, NY

[More events...](#)

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Proposed Public Pension Reporting (cont'd)

- ing of section 54A; and,
- ♦ any build America bond within the meaning of section 54AA.

Specified Federal tax benefits include:

- ♦ any exemption from gross income allowed under section 103 (relating to interest on State and local bonds);
- ♦ any credit allowed under section 54A (relating to credit to holders of qualified tax credit bonds);
- ♦ any credit allowed under section 54AA (relating to build America bonds); and,
- ♦ any credit or payment allowed or made under section 6431 (relating to credit for qualified bonds allowed to issuer).

The Annual Report

The Act would require plan sponsors of the 2,550 state and local government employee pension benefit plans to file with the Secretary of the Treasury an annual report setting forth:

- ♦ a schedule of the funding status of the plan;
- ♦ a schedule of contributions by the plan sponsor for the plan year;
- ♦ alternative projections for each of the next 20 plan years relating to the amount of annual

contributions, the fair market value of plan assets, current liability, the funding percentage, and other matters specified by the Secretary;

- ♦ the actuarial assumptions used for the plan year;
- ♦ the number of plan participants who are retired or separated from service and are either receiving benefits or are entitled to future benefits and those who are active under the plan;
- ♦ the plan's investment returns;
- ♦ the degree to which unfunded liabilities are expected to be eliminated; and,
- ♦ the amount of pension obligation bonds outstanding.

Additional Reporting Requirements

If either the value of plan assets is determined using a standard other than fair market value, or the interest rate(s) used to determine the value of liabilities or as the discount value for liabilities are not the rate for U.S. Treasury obligations (the "riskless discount rate"), the plan sponsor would be required to include a supplementary report by valuing plan assets as fair market value and by us-

ing the riskless discount rate to value liabilities and as the discount value for liabilities.

The Current Value of Unfunded Future Pension Liabilities

Using the riskless discount rate, state pension plans have a calculated unfunded liability of \$3.23 trillion, and \$574 billion municipalities. Generally, economists agree that the risk-free rate is appropriate for public pensions, because their taxpayer-backed guarantee makes them risk free. The risk-free rate is also getting traction with the Governmental Accounting Standards Board ("GASB", which is proposing that a risk-free rate be used for any part of pension debt not covered by using the earnings forecast for the fund's assets.

GASB's current standards permit a range of variations in plan valuation and the current value of unfunded liabilities, making it difficult to compare the funding status of one plan to another. Utilizing the method of calculating liabilities using the historical average return on the plan's assets, the unfunded liabilities of state plans is approximately \$700 billion. ♣