

Representative Mike Hawker

Alaska State Legislature



House Bill 278 Sponsor Statement

Short Title: Retirement System Bonds

HB 278 provides governmental employers the opportunity to utilize a financial mechanism generally referred to as a "Pension Obligation Bond" (POB) to help reduce the ultimate cost of satisfying the unfunded accrued actuarial liabilities of their retirement systems. A POB is essentially a legal arbitrage transaction where money is borrowed a lower rate of interest than the money earns when invested by the retirement system.

HB 278 clarifies the ability of municipal entities to include POBs in their strategy to reduce the cost of meeting unfunded pension liabilities and expands the authority of the Alaska Municipal Bond Bank Authority to support governmental employers wishing assistance engaging in such transactions.

This bill does not authorize any debt instruments to be issued. Separate specific action would be required to initiate any transaction under the authority provided by HB 278.

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