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Fact Sheet for House Bill 278

Short Title: HB 278 Retirement System Bonds

Current Version: HB 278

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Summary:

- Authorizes the Alaska Municipal Bond Bank Authority to issue pension obligation bonds that assist state and municipal governmental employers to finance the payment of all or a portion of their actuarial pension liability.

Benefits:

- Properly planned and executed, pension obligation bonds (POBs) can lower the cost of funding the past service cost component of public pension liabilities.
- If the state wide unfunded past service liability were bonded, savings of approximately \$1.5 billion in present value dollars could be realized.
- This bill is needed to empower public entities with the ability to determine if POBs are an appropriate component of their fiscal strategy.

Background:

The combined total unfunded liability of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) is approaching \$6 billion. This liability includes unfunded pension and post-employment healthcare benefits.

POBs are a financing mechanism to minimize the cost funding pension obligations by borrowing at a lower rate of interest than the bond proceeds earn after being deposited in the pension fund. POBs must be carefully structured and may not be appropriate for all employers, however they should be an option for those public entities who wish to consider them.

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