
A BILL FOR AN ACT

RELATING TO OTHER POST-EMPLOYMENT BENEFITS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The director of finance is authorized to issue
2 general obligation bonds in the sum of \$300,000,000 or so much
3 thereof as may be necessary and the same sum or so much thereof
4 as may be necessary is appropriated for fiscal year 2022-2023
5 for the other post-employment benefits trust fund governed by
6 section 87A-42, Hawaii Revised Statutes, to pay or prepay the
7 State's other post-employment benefits liability; provided that:

8 (1) The appropriation made for this transaction as
9 authorized by this section shall not lapse at the end
10 of the fiscal year for which the appropriation is
11 made;

12 (2) All moneys from the appropriation unencumbered as of
13 June 30, 2024, shall lapse as of that date; and

14 (3) The general obligation bonds authorized by this
15 section shall be issued in the sole discretion of the
16 director of finance; provided that:



1 (A) To determine the annual required contribution, a
2 preliminary annual required contribution to the
3 trust fund shall be developed that treats the
4 outstanding bond balance as part of the trust
5 fund's unfunded actuarial accrued liability. The
6 net cash contribution required to be contributed
7 to the trust fund shall be the greater of:

8 (i) The preliminary annual required contribution
9 less the related general obligation bond
10 payment for the respective year; or

11 (ii) The annual required contribution amount
12 calculated under section 87A-42(f)(2),
13 Hawaii Revised Statutes, without any special
14 consideration given to the outstanding
15 balance of the general obligation bonds or
16 any related general obligation bond
17 payments, for the respective year;

18 (B) Entities shall only be permitted to issue general
19 obligation bonds if the all-in true interest cost
20 of the bonds is at least three hundred basis
21 points less than the assumed rate of return of



1 the trust fund, to which the proceeds will be
2 contributed;

3 (C) General obligation bonds shall not be issued as a
4 means for addressing budget shortfalls related to
5 contributions required by law; and

6 (D) General obligation bonds shall only be issued as
7 a means to produce long-term savings.

8 SECTION 2. Section 87A-42, Hawaii Revised Statutes, is
9 amended by amending subsection (f) to read as follows:

10 "(f) For the purposes of this section, "annual required
11 contribution" means a public employer's required contribution to
12 the trust fund established in this section that is sufficient to
13 cover:

14 (1) The normal cost, which is the cost of other post-
15 employment benefits attributable to the current year
16 of service; and

17 (2) An amortization payment, which is a catch-up payment
18 for past service costs to fund the unfunded actuarial
19 accrued liability over the next thirty years. If the
20 State issues general obligation bonds to pay or prepay
21 all or any portion of the State's unfunded actuarial



1 accrued liability and contributes the proceeds to the
2 trust fund, the outstanding balance of the general
3 obligation bonds shall be considered part of the
4 State's unfunded actuarial accrued liability for the
5 purpose of determining the preliminary annual required
6 contribution. The annual required contribution would
7 be the greater of:

8 (A) The preliminary annual required contribution less
9 the related general obligation bond payment; or

10 (B) The amount calculated under this paragraph
11 without any special consideration given to the
12 outstanding balance of the general obligation
13 bonds or any related general obligation bond
14 payments."

15 SECTION 3. New statutory material is underscored.

16 SECTION 4. This Act shall take effect on July 1, 2022;
17 provided that section 2 of this Act shall take effect on July 1,
18 2023.



Report Title:

General Obligation Bonds (GO Bonds); Hawaii Employer-Union Health Benefits Trust Fund; Other Post-Employment Benefits Trust Fund (OPEB Trust)

Description:

Authorizes the issuance of general obligation bonds to pay or prepay the State's other post-employment benefits liability under certain conditions. Requires that the outstanding balance of general obligation bonds issued to pay or prepay the other post-employment benefits liability to be considered in the calculation of public employers' annual required contribution to the other post-employment benefits trust fund. (CD1)

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