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# A BILL FOR AN ACT

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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 \$                   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 to  
5 pay or prepay the State's other post-employment benefits  
6 liability; provided that:

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

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

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

16            (A) To determine the annual required contribution, a  
17               preliminary annual required contribution shall be



1 developed that treats the outstanding bond  
2 balance as part of the plan's unfunded actuarial  
3 accrued liability. The net cash contribution  
4 required to be contributed to the plan shall  
5 equal the preliminary annual required  
6 contribution minus the bond repayment for the  
7 respective year;

8 (B) Entities shall only be permitted to issue general  
9 obligation bonds if the all-in true interest cost  
10 of the bonds is at least three hundred basis  
11 points less than the assumed rate of return of  
12 the system the proceeds will be contributed to;

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

16 (D) General obligation bonds may only be issued as a  
17 means to produce long-term savings.

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

20 "(f) For the purposes of this section, "annual required  
21 contribution" means a public employer's required contribution to



1 the trust fund established in this section that is sufficient to  
2 cover:

- 3 (1) The normal cost, which is the cost of other post-  
4 employment benefits attributable to the current year  
5 of service; and
- 6 (2) An amortization payment, which is a catch-up payment  
7 for past service costs to fund the unfunded actuarial  
8 accrued liability over the next thirty years. If the  
9 State issues general obligation bonds to pay or prepay  
10 the State's unfunded actuarial accrued liability and  
11 contributes the proceeds to the trust fund, the  
12 outstanding balance of the general obligation bonds  
13 shall be considered part of the State's unfunded  
14 actuarial accrued liability for purposes of the  
15 determination of the preliminary annual required  
16 contribution. The annual required contribution would  
17 be the preliminary annual required contribution less  
18 the related general obligation bond repayment."

19 SECTION 3. Statutory material to be repealed is bracketed  
20 and stricken. New statutory material is underscored.



1       SECTION 4. This Act shall take effect on December 25,  
2 2040; provided that section 2 of this Act shall take effect on  
3 July 1, 2023.

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**Report Title:**

GO Bonds; Other Post-employment Benefits Liability

**Description:**

Authorizes general obligation bonds for the payment or prepayment of other post-employment benefits liability. Beginning 07/01/2023, requires that other post-employment benefits bond debt be considered in the calculation of the annual required contribution. Effective 12/25/2040. (HD1)

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