
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 \$ 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;

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 bond repayment for the respective
10 year; or

11 (ii) The amount calculated under section
12 87A-42(f)(2), Hawaii Revised Statutes, if
13 the State did not issue general obligation
14 bonds to pay or prepay all or any portion of
15 the State's unfunded actuarial accrued
16 liability and contributed the proceeds to
17 the trust fund established pursuant to
18 section 87A-42(a), Hawaii Revised Statutes,
19 for the respective year;

20 (B) Entities shall only be permitted to issue general
21 obligation bonds if the all-in true interest cost



1 of the bonds is at least three hundred basis
2 points less than the assumed rate of return of
3 the trust fund, to which the proceeds will be
4 contributed;

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

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

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

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

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

19 (2) An amortization payment, which is a catch-up payment
20 for past service costs to fund the unfunded actuarial
21 accrued liability over the next thirty years. If the



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

10 (A) The preliminary annual required contribution less
11 the related general obligation bond repayment; or
12 (B) The amount calculated under this paragraph if the
13 State did not issue general obligation bonds to
14 pay or prepay all or any portion of the State's
15 unfunded actuarial accrued liability and
16 contributed the proceeds to the trust fund."

17 SECTION 3. New statutory material is underscored.

18 SECTION 4. This Act shall take effect upon its approval;
19 provided that section 2 of this Act shall take effect on July 1,
20 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. (SD2)

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