

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 Statutory material to be repealed is bracketed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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