

ACT 247

H.B. NO. 2240

A Bill for an Act Relating to Other Post-Employment Benefits.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The director of finance is authorized to issue general obligation bonds in the sum of \$300,000,000 or so much thereof as may be necessary and the same sum or so much thereof as may be necessary is appropriated for fis-

cal year 2022-2023 for the other post-employment benefits trust fund governed by section 87A-42, Hawaii Revised Statutes, to pay or prepay the State's other post-employment benefits liability; provided that:

- (1) The appropriation made for this transaction as authorized by this section shall not lapse at the end of the fiscal year for which the appropriation is made;
- (2) All moneys from the appropriation unencumbered as of June 30, 2024, shall lapse as of that date; and
- (3) The general obligation bonds authorized by this section shall be issued in the sole discretion of the director of finance; provided that:
 - (A) To determine the annual required contribution, a preliminary annual required contribution to the trust fund shall be developed that treats the outstanding bond balance as part of the trust fund's unfunded actuarial accrued liability. The net cash contribution required to be contributed to the trust fund shall be the greater of:
 - (i) The preliminary annual required contribution less the related general obligation bond payment for the respective year; or
 - (ii) The annual required contribution amount calculated under section 87A-42(f)(2), Hawaii Revised Statutes, without any special consideration given to the outstanding balance of the general obligation bonds or any related general obligation bond payments, for the respective year;
 - (B) Entities shall only be permitted to issue general obligation bonds if the all-in true interest cost of the bonds is at least three hundred basis points less than the assumed rate of return of the trust fund, to which the proceeds will be contributed;
 - (C) General obligation bonds shall not be issued as a means for addressing budget shortfalls related to contributions required by law; and
 - (D) General obligation bonds shall only be issued as a means to produce long-term savings.

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

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

- (1) The normal cost, which is the cost of other post-employment benefits attributable to the current year of service; and
- (2) An amortization payment, which is a catch-up payment for past service costs to fund the unfunded actuarial accrued liability over the next thirty years. If the State issues general obligation bonds to pay or prepay all or any portion of the State's unfunded actuarial accrued liability and contributes the proceeds to the trust fund, the outstanding balance of the general obligation bonds shall be considered part of the State's unfunded actuarial accrued liability for the purpose of determining the preliminary annual required contribution. The annual required contribution would be the greater of:
 - (A) The preliminary annual required contribution less the related general obligation bond payment; or
 - (B) The amount calculated under this paragraph without any special consideration given to the outstanding balance of the gen-

eral obligation bonds or any related general obligation bond payments.”

SECTION 3. New statutory material is underscored.

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

(Approved July 7, 2022.)