

STAND. COM. REP. NO. 510 -08

Honolulu, Hawaii

Feb 15, 2008

RE: H.B. No. 3144
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 3144 entitled:

"A BILL FOR AN ACT RELATING TO THE STATE OF HAWAII DEFERRED COMPENSATION PLAN,"

begs leave to report as follows:

The purpose of this bill is to assist employees in financially providing for their future by automatically enrolling newly hired employees into the State's Deferred Compensation Plan (Deferred Comp) unless the employee elects not to enroll in the program.

The Department of Human Resources Development and Board of Trustees for the State of Hawaii Deferred Compensation Plan (Board) supported this bill. The Department of Human Resources of the County of Hawaii supported the intent of this measure.

Industry experts and financial consultants believe that relying on retirement income solely from an employee's pension plan and social security payments will not be sufficient to keep up with rising inflation costs. Subsequently, the State, along with the counties of Maui, Kauai, and Hawaii, implemented Deferred Comp as an option for their employees to supplement their retirement income. Deferred Comp is a system that allows employees to contribute a part of their compensation on a tax-deferred basis. These funds can then be drawn upon when the retired employee needs them.

HB3144 HD1 HSCR LAB HMS 2008-2059



While saving funds in Deferred Comp is an important step in preparing for retirement, the fact of the matter is that many new employees do not consider the issue of retirement since it is often viewed as something that is in the distant future and enrollment is currently low. Making Deferred Comp mandatory for all new employees will help them prepare for their future.

However, your Committee understands the concerns raised by the Department of Human Resources of the County of Hawaii regarding the authority granted the Board under this bill that allows the Board to triple the mandatory contribution amount without consultation. Accordingly, your Committee has amended this bill by removing the provision allowing the Board to increase the mandatory payroll deduction from 1 percent to a maximum of 3 percent.

Other technical, nonsubstantive amendments were made for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 3144, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 3144, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,



ALEX M. SONSON, Chair



State of Hawaii
House of Representatives
The Twenty-fourth Legislature

510-08

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: HB 3144	Committee Referral: LAB, FIN	Date: 02/12/08		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. SONSON, Alex M. (C)	y			
2. NAKASONE, Bob (VC)				x
3. EVANS, Cindy			x	
4. HAR, Sharon E.	x			
5. LEE, Marilyn B.	x			
6. LUKE, Sylvia		x		
7. McKELVEY, Angus L.K.	y			
8. NISHIMOTO, Scott Y.		x		
9. SOUKI, Joseph M.	x			
10. TAKAMINE, Dwight Y.	y			
11. TAKUMI, Roy M.	x			
12. MEYER, Colleen Rose	y			
13. PINE, Kymberly Marcos	x			
TOTAL (13)	9	2	1	1
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. _____ committee acronym(s)				
Vice Chair's or designee's signature: _____				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office				