LINDA LINGLE
GOVERNOR

MARIE C. LADERTA
DIRECTOR

CINDY S. INOUYE
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

February 7, 2008

TESTIMONY TO THE

SENATE COMMITTEE ON JUDICIARY AND LABOR
For Hearing on
Friday, February 8, 2008
9:00 a.m., Conference Room 016

BY

MARIE C. LADERTA, DIRECTOR

Senate Bill No. 3066

Relating to the State of Hawaii Deferred Compensation Plan

TO CHAIR BRIAN TANIGUCHI AND MEMBERS OF THE COMMITTEE:

My name is Marie Laderta, and I am the Director of the Department of Human Resources Development ("**DHRD**"). I am also the Chairperson of the Board of Trustees ("**Board**") for the State of Hawaii Deferred Compensation Plan ("**Plan**").

S.B. No. 3066 encourages employees to save for retirement by automatically enrolling newly hired employees into the Deferred Compensation Plan unless the new employee opts out of the Plan.

DHRD and the Board support this administration bill.

Currently, approximately 35% of eligible State, Hawaii County, Maui County, and Kauai County employees participate in the Plan.

The Plan's Board of Trustees is concerned that the Plan seems to have a low participation rate. Industry experts and financial consultants believe that relying on retirement income from an employee's pension (i.e., the ERS) and Social Security alone may not be sufficient to keep up with rising inflation costs. These experts and consultants have concluded that individuals are spending more, saving less, and living longer lives. Therefore, they feel that there is a need for employees to take advantage of tax-deferred compensation plans to assist in saving for retirement. To achieve this, industry experts and financial consultants suggest automatically enrolling employees into these tax-deferred retirement plans.

After carefully considering this matter, the Board unanimously agreed with this suggestion and so support this bill which would automatically enroll all new State, Hawaii County, Maui County, and Kauai County employees into the Plan. To accomplish this, this bill proposes to deduct 1% of each employee's gross monthly wages and deposit it into a default investment option selected by the Board. However, this bill also provides flexibility to those employees who do not want to participate in the Plan by allowing them to opt out of the Plan within 90 calendar days after being automatically enrolled in the Plan. Employees who timely opt out of the plan shall have their mandatory contributions returned back to them without a penalty, subject to changing market prices and the payment of all applicable federal and state taxes.

The Board believes that more employees need to take advantage of this important employee benefit to assist them in saving more for retirement and that this bill helps to accomplish that goal.

Thank you for the opportunity to testify on this matter.

Respectfully submitted,

Marie C. Laderta

MARIE C. LADERTA

Harry Kim
Mayor

Michael R. Ben, SPHR
Director of Human Resources

Ronald K. Takahashi
Deputy Director of Human Resources

County of Hawai'i
Department of Human Resources

Aupuni Center • 101 Pauahi Street, Suite 2 • Hilo, Hawai'i 96720 • (808) 961-8361 • Fax (808) 961-8617
TTY (808) 961-8619 • e-mail: cohdcs@co.hawaii.hi.us • Jobs Information: Job Hotline (808) 961-8618 e-mail: jobs@co.hawaii.hi

February 8, 2008

The Honorable Brian T. Taniguchi, Chair
And Members of the Committee on Judiciary and Labor
The Senate
State Capitol
Honolulu, HI 96813

Dear Chairman Taniguchi and Members of the Committee on Judiciary and Labor:

Re: SB 3066 Relating to the State of Hawai`i Deferred Compensation Plan

I am Michael R. Ben, Director of Human Resources for the County of Hawai`i. I am testifying in general support of SB 3066.

Given the characteristics of Generation Y and Z employees entering our workforce, this program would required our new hires to stop and think about their retirement, although such an event is furthest from their thoughts at their time of hire. It takes a positive first step towards saving and investing for their retirement years.

However, I am concerned about this bill providing the Board of Trustees with the authority to triple the mandatory contribution amount (1% to 3%), without a requirement to consult with the chief human resources officer and chief financial officer of each political subdivision. Also, the increase, when it happens, should only apply to new hires, and not employees who have already been "mandatorily enrolled" in the deferred compensation plan. No employee should be mandated to contribute additional sums into deferred compensation.

Also, I firmly believe that the plan administer should be required to meet with all new hires within 60 days of their hire to personally educate and explain the features and benefits of the deferred compensation program so that these new hires may make an intelligent decision within ninety days of their date of hire, on whether to opt out of the plan. It would not suffice to have educational materials provided to these new hires or have them seek information on the website or have this education done by telephone conversation. A subject matter such as this demands face to face contact and discussion with plan representatives.

With these two concerns addressed, I would be in support of SB 3066.

Thank you.

Sincerely,

Michael R. Ben

Michael R. Ben, SPHR
Director of Human Resources