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## A BILL FOR AN ACT

RELATING TO DEFERRED COMPENSATION PLANS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that the unprecedented  
2 global economic downturn has affected Hawai'i in a dramatic and  
3 harmful way. Coming into this fiscal year, the legislature and  
4 the administration have cut over two billion dollars from the  
5 state budget, and have implemented targeted tax increases.  
6 Collective bargaining has also yielded furloughs and pay cuts,  
7 and the private sector has already lost many businesses and laid  
8 off hundreds of workers. The effects of the downturn have very  
9 real consequences for those who were laid off or furloughed, not  
10 the least of which is finding the funds to pay the bills, such  
11 as the mortgage or medical bills.

12           Accordingly, the purpose of this Act is to allow state  
13 employees to withdraw funds from their deferred compensation  
14 plans upon a showing of financial hardship.

15           SECTION 2. Chapter 88E, Hawaii Revised Statutes, is  
16 amended by adding a new section to be appropriately designated  
17 and to read as follows:



1           "§88E-       Financial hardship; withdrawal.       (a)   An  
2   employee may withdraw funds from their deferred compensation  
3   plan established under this chapter upon a showing of financial  
4   hardship.  Such withdrawal shall be in an amount no greater than  
5   necessary to relieve the financial hardship.

6           (b)  Such withdrawals shall be allowed upon the submission  
7   of application forms adopted by the board.  Dispersal of funds  
8   shall occur no later than three working days after submission of  
9   the application form.  The minimal showing necessary for such a  
10   withdrawal shall include:

- 11           (1)  the name, address, and phone number of the  
12           employee;
- 13           (2)  a description of the circumstances leading to the  
14           financial hardship; and
- 15           (3)  expenses that cannot be paid due to financial  
16           hardship and the specific amounts of the stated  
17           expenses.

18           (c)  The board may review such application forms after the  
19   withdrawal of funds.  Should the board find that the withdrawal  
20   of funds conflict with federal law of regulations, the board  
21   shall have the power to compel repayment of the withdrawn funds  
22   from the employee.  Such repayment shall be accomplished through



1 an increase in payroll deduction for the employee's deferred  
 2 compensation plan, but in no case shall the increase be greater  
 3 than fifty per cent of the amount deducted immediately prior to  
 4 the withdrawal application."

5 SECTION 3. New statutory material is underscored.

6 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY:

*Ken Ward*  
 BR

*Carol*

*Z-R*

*Tom Brown*  
*may be*

*Mr. Suki*  
*Linda Abbott*

*Cindy Evans*

JAN 25 2010



**Report Title:**

State deferred compensation plan

**Description:**

Allows for withdrawal of deferred compensation plan funds upon showing of financial hardship by employee.

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

