

STAND. COM. REP. NO. 357

Honolulu, Hawaii

Feb 18, 2009

RE: H.B. No. 1104
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fifth State Legislature
Regular Session of 2009
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred H.B. No. 1104 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 eligible state and participating county employees to start preparing early for retirement by automatically enrolling new employees into the State of Hawaii Deferred Compensation Plan (Plan) while still providing an employee flexibility with an opt out provision.

The Department of Human Resources Development and Board of Trustees for the Plan testified in support of this bill. The Department of Human Resources for the County of Hawaii supported the intent of this measure. The Department of Personnel Services of the County of Maui testified in opposition to this bill.

Rising inflation and a weakening economy over the past few years have made retirement planning all the more important. Industry experts predict that employees who rely on their pensions and Social Security benefits for their retirement income may not have sufficient financial resources to keep up with these rising costs. Moreover, many younger employees are not initially concerned with retirement and therefore do not start to save for their retirement until later in their lives.

HB1104 HD1 HSCR LAB HMS 2009-1878



Hawaii's Plan, which is a tax-deferred plan, was established as a means for employees to supplement their retirement income. However, approximately 35 percent of Hawaii's eligible employees currently participate in the Plan. By automatically enrolling a new employee into the Plan, the new employee will be encouraged to start saving for their retirement.

However, your Committee has concerns that individuals who may want to opt out of the Plan may lose funds via the Plan's risky investment choice and that confusion may result over the time frame under which an employee may opt out of the Plan. Accordingly, your Committee has amended this bill by:

- (1) Requiring that the default investment option selected by the Board of Trustees of the Plan into which an employee's initial contributions shall be deposited will be an option providing a fixed income; and
- (2) Stipulating that the decision to opt out of participating in the Plan should be clearly communicated by the employee to the Plan administrator within 90 calendar days after the employee receives their first paycheck rather than 90 days after the employee's first contribution is deposited into the plan.

Technical, nonsubstantive amendments were also 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. 1104, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1104, 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,



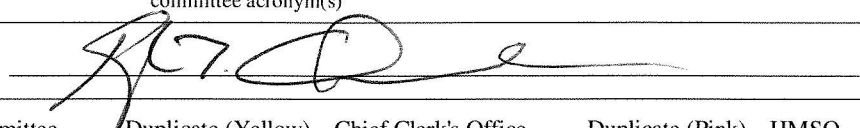
KARL RHOADS, Chair



State of Hawaii
House of Representatives
The Twenty-fifth Legislature

HSCR 357

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: HB 1104	Committee Referral: LAB, FIN	Date: 2-6-09		
<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. RHOADS, Karl (C)	/			
2. YAMASHITA, Kyle T. (VC)	/			
3. AQUINO, Henry J.C.	/			
4. AWANA, Karen Leinani				/
5. HANOHANO, Faye P.	/			
6. KEITH-AGARAN, Gilbert S.C.	/			
7. LEE, Marilyn B.	/			
8. NAKASHIMA, Mark M.	/			
9. SAIKI, Scott K.	/			
10. SOUKI, Joseph M.	/			
11. TAKUMI, Roy M.				/
12. PINE, Kymberly Marcos	-			
TOTAL (12)	10	-	-	2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <small>committee acronym(s)</small>				
Vice Chair's or designee's signature: 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				