



The Senate
Committee on Judiciary and Labor
March 22, 2017
9:35 a.m.
Conference Room 016

RE: **SCR 16 Convening Retirement Savings Work Group**

Senator Gilbert Keith-Agaran, Chair
Members of the Judiciary and Labor Committee

AARP is a membership organization of people age fifty and over with nearly 150,000 members in Hawaii. AARP advocates and provides information on issues that matter to our kupuna and their families, including affordable, accessible, quality healthcare, financial resiliency, and livable communities.

SCR 16 convenes a legislative work group comprised of public and private stakeholders to investigate and identify strategies to promote greater retirement savings for private sector employees who don't have access to employer-based retirement programs and need to save for their future retirement security.

AARP Hawaii **strongly supports SCR 16.**

The National Institute on Retirement Security reports that the average working household in the U.S. has virtually no retirement savings. When all households are included— not just households with retirement accounts—the median retirement account balance is \$2,500 for all working-age households and \$14,500 for near-retirement households.

One out of two households is at risk of having an insecure financial retirement. This predicament is due in large part to a lack of access to retirement plans at work. About 50 percent of the state's private sector employees (aged 18 to 64) approximately 216,000 individuals work for an employers that does not currently offer any sort of retirements saving plan. These are mostly employees working for Hawaii's small businesses.

It is difficult enough for working families to make ends meet with a regular paycheck. Hawaii's housing costs certainly do not encourage personal savings, with median rental housing cost at \$1,500 a month (Star Advertiser, 9/9/16). Unfortunately, many residents are not saving enough for retirement.

A new survey by AARP Hawaii of registered voters age 35 to 64 in Hawaii found that:

- 49% say they feel behind in saving for retirement
- 56% feel anxious about having enough money saved for retirement
- 79% are concerned as tax payers that those who are not able to save for retirement will end up on public assistance

Taken together, these facts mean that future retirees are likely to be over reliant on Social Security. In 2016, nearly 26 percent of Hawaii retirees relied completely on Social Security and 50 percent depended on it for half of their retirement income. The average monthly Social Security benefit resting at of \$1,408 is not enough to live on in Hawaii without government help or continuing to work full or part-time. People living only on Social Security are more likely to need taxpayer-subsidized food, medical insurance and housing.

While many of the statistics seem weighted toward the negative, there is also research that shows that we can take common-sense steps to move the needle in the right direction so that Hawaii residents can retire right here at home.

The goal of this resolution is to delve into ways to help people save their own money for retirement and save taxpayer dollars by not increasing the costs on the State's safety net assistance programs. The impact of expanded retirement savings by individuals will not only remove a percentage of currently vulnerable households off poverty by the time they retire, but also reduce the Medicaid spending, a key public safety net program. According to the Segal Consulting's 2017 Study of Medicaid Savings, Hawaii would save \$21 Million in the State Medicaid expenditures resulting from retirement savings for the first 10 years. (Segal Consulting, State Retirement Savings Initiatives Do More than Enhance Retirement Security for Private Sector Workers, Winter 2017)

Eight states (California, Illinois, Oregon, Maryland, Connecticut, Massachusetts, Washington, and New Jersey) have passed legislation that offers workers access to a retirement savings program. There are at least two dozen other states considering similar steps to help future retirees. We hope that Hawaii joins in this nationwide movement and help our future retirees be retirement ready. Thank you for the opportunity to testify.

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS
COMMENTING ON SCR 16, RELATING TO RETIREMENT SAVINGS FOR
PRIVATE SECTOR EMPLOYEES IN HAWAII

March 22, 2017

Via e mail: jdltestimony@capitol.hawaii.gov

Honorable Senator Gilbert S. C. Keith-Agaran, Chair
Committee on Judiciary and Labor
State Senate
Hawaii State Capitol, Conference Room 016
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Keith-Agaran and Committee Members:

Thank you for the opportunity to comment on SCR 16, which requests convening a Legislative Working Group to Investigate and Identify Strategies to Promote Greater Retirement Savings for Private Sector Employees in the State of Hawaii.

Our firm represents the American Council of Life Insurers (“ACLI”), a Washington, D.C. – based trade association with approximately 290 member companies operating in the United States and abroad. ACLI advocates in state, federal, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers’ products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing 94 percent of industry assets, 93 percent of life insurance premiums, and 97 percent of annuity considerations in the United States. Two hundred twenty-two (222) ACLI member companies currently do business in the State of Hawaii; and they represent 96% of the life insurance premiums and 99% of the annuity considerations in this State.

ACLI is strongly committed to promoting retirement security both at the state and federal levels. Our member companies are dedicated to this mission.

ACLI supports state efforts to objectively study and explore strategies for increasing employer adoption of retirement plans and individual savings. There are many initiatives states can undertake and which we support, including education, incentives and public/private partnerships. A summary of these initiatives is attached for this Committee’s information.

While SCR 16 states that the principal reason for the formation of its proposed study group is “. . . to investigate and identify strategies to promote greater retirement savings for private sector employees . . .” as currently worded, SCR 16 (on page 4, beginning at line 16) calls for the working group to “[e]xamine other retirement savings programs and incentives that include but are not limited to state-sponsored retirement savings programs in California, Oregon and Maryland”, all of which are *state created and state run retirement plans*.

By way of background, since 2012, California, Connecticut, Illinois, Maryland and Oregon have adopted state created and run retirement plans. However, none of these plans have yet been implemented by these states – and for good reasons.

These plans are costly. The start-up and on-going costs for these plans is estimated at between \$18M (Illinois) and \$170M (California).

While in 2016 the Department of Labor adopted ERISA safe harbor rules that recognize and allow these plans, they require the sponsoring state to meet certain requirements that will add even more costs. For example, the state must take responsibility (i.e., assume liability) for the safety of the plan’s investments and must provide a mechanism for enforcement of worker rights under the plan.

The working group should be furnished with other examples of retirement savings vehicles and incentives to consider for Hawaii’s private sector employees.

The current market place already offers a wide variety of low cost and affordable vehicles that facilitate worker retirement savings. These include, for example, IRAs, individual annuities and the new federal myRA which was launched by the federal government on November 4, 2015. The myRA gives the individual worker the same tax benefits as a Roth IRA, is fully portable, does not require contributions from the employer, takes minutes to establish and is provided to the worker at no cost.

In May 2015, Washington State enacted and funded the first voluntary small business retirement plan “Marketplace” in the nation, which establishes a web-portal structure to connect private sector employers with qualifying plan vendors and the myRA program. Additionally, the Washington State plan does mailings and outreach to eligible employers or other organizations that interact with these employers. A second-in-the-nation Marketplace was established in New Jersey shortly thereafter (January 2016) and was largely based on the Washington State law.

The Washington State plan provides a good model for small business private market place programs.

ACLI suggests, therefore, that paragraph numbered (5) on page 4, beginning at line 16 through 19, of the proposed resolution be revised to add Washington to the list of state sponsored programs that the Working Group should examine and consider to promote greater retirement savings for private sector employees in this State. The suggested revision is set forth below.

- (5) Examine other retirement savings programs and incentives that include but are not limited to state-sponsored retirement savings programs in California, Oregon and Maryland; and Small Business Plan Marketplace programs such as the one adopted by the state of Washington;

Again, thank you for the opportunity to comment on SCR 16.

LAW OFFICES OF
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Alternative State Savings Initiatives

- **Public awareness campaigns, financial education, access to online resources, existing partnerships**
- **Financial incentives to spur employer adoption of new plans and employee participation, including plan startup credits or grants and low income tax credits or state seed money**
- **Voluntary public/private partnerships that engage both financial services providers and employers**

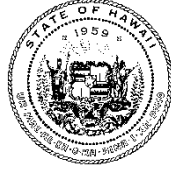
EXAMPLE: SMALL BUSINESS RETIREMENT MARKETPLACE

- Marketplace approach has been adopted in New Jersey and Washington
- Washington program will be launched on January 1, 2017
- Administered by the state Department of Commerce
- Providers are certified by Department of Financial Institutions and Office of Insurance Commissioner
- Less than one year to adopt final rules, issue RFI and approve providers

FEATURES AND ADVANTAGES

- Taps the power of existing private providers and marketing efforts
- State is a facilitator not a plan provider: **no state liability** or plan compliance burdens
- Voluntary for employers and workers: no mandate and thus **no conflict with federal law**
- All existing plan types are available including 401(k), 403(b), Simple IRA, Non-ERISA payroll plans
- Auto enrollment, auto escalation and employer match are options for participating employers
- ERISA worker protections intact: no need for state to duplicate
- Life insurance, deferred annuities and lifetime income annuities available to employers
- Investment fee limits to spur innovation and ensure low cost options for employers
- Producers may earn commissions for matching employers with plans in the marketplace
- Access to and information about the no-risk federal myRA program offered by U.S. Treasury
- Access to education and support along with plan options

DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
Comptroller

AUDREY HIDANO
Deputy Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY OF
RODERICK K. BECKER, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE
SENATE COMMITTEE ON JUDICIARY AND LABOR
ON
WEDNESDAY, MARCH 22, 2017
9:35 A.M.
CONFERENCE ROOM 016

S.C.R. 16

CONVENING A LEGISLATIVE WORKING GROUP TO INVESTIGATE AND IDENTIFY STRATEGIES TO PROMOTE GREATER RETIREMENT SAVINGS FOR PRIVATE SECTOR EMPLOYEES IN HAWAII.

Chair Keith-Agaran, Vice Chair Rhoads, and members of the Committee, thank you for the opportunity to submit written testimony on S.C.R. 16.

The Department of Accounting and General Services supports the intent of the measure recognizing that offering private employees meaningful retirement savings opportunities through their employer may benefit the overall economic and fiscal health of the State by facilitating growth in individual retirement savings and self-sufficiency, and thereby helping to reduce reliance upon the State's social safety net programs and funding.

Thank you for the opportunity to submit written testimony on this matter.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of Hawai‘i Appleseed Center for Law and Economic Justice

Supporting SCR 16 – Convening a Legislative Working Group to Investigate and Identify Strategies to Promote Greater Retirement Savings for Private Sector Employees in Hawaii

Senate Committee on Judiciary and Labor

Scheduled for Hearing Wednesday, March 22, 2017, 9:35 AM, Conference Room 016

Dear Chair Keith-Agaran, Vice Chair Rhoads, and members of the Committee on Judiciary and Labor:

Thank you for the opportunity to testify in SUPPORT of **SCR 16**, which is an important step for the state to take towards helping our workers adequately save for retirement.

While Hawai‘i’s official elderly poverty rate of 8 percent is lower than the national average, it is the 22nd highest rate among the states. More importantly, Hawai‘i’s senior poverty rate rises to 17 percent, the 6th highest rate in the nation, according to the U.S. Census Bureau’s arguably more accurate supplemental poverty measure. Much of this difference is due to the fact that the supplemental measure factors in costs of living (which are higher in Hawai‘i than in any other state in the nation).

When looking at people aged 65 and older with incomes below 200 percent of the poverty level, Hawai‘i’s indicators worsen considerably. Even by the official measure, over one quarter (27 percent) of Hawai‘i’s elderly live below twice the poverty threshold. Astoundingly, over half (54 percent) of Hawai‘i’s seniors have incomes below 200 percent of the supplemental measure, which is the 2nd highest rate among the states.

Meanwhile, approximately 86 percent, or 197,000, Hawai‘i residents aged 65 or older received Social Security benefits in 2014, which was slightly lower than the national rate of 91 percent. Hawai‘i seniors received an average monthly Social Security benefit of \$1,303, very close to the national average of \$1,308. However, as noted above, our seniors have to contend with the highest cost of living among all the states.

With our ever-growing senior population facing statistics like that, encouraging and enabling our working-age population to save for retirement is crucial to our state’s future economic health.

According to the AARP, half of our state’s private sector workers do not have access to an employer-sponsored retirement plan, and very few who are eligible to contribute to an individual retirement account actually do so. Low-wage workers are especially unlikely to have a retirement plan available to them at their workplace.

The vast majority of Hawai'i registered voters polled by AARP wish that they had more retirement savings, are concerned that some of their fellow residents will end up on public assistance programs in retirement, and agree that lawmakers should do more to make it easier for small business owners to offer their employees a way to save for retirement.

Several states have been trying to come up with ways that they could help their workers save more via state-managed retirement plans. Illinois and California will have such plans operating over the next few years, and a number of other states are considering the creation of similar programs.

According to the Center for Economic and Policy Research, one major advantage of these types of plans is that workers could keep their accounts with them when they change jobs. In addition, the fees of state-managed plans would likely be just a fraction of those levied by private 401(k)s:

This may seem like a small difference, but it adds up over a worker's career. Imagine a person earning \$60,000 a year and putting 6 percent of their pay, or \$3,600 a year, into a 401(k) for thirty years. At the end of thirty years, the difference between a plan with annual administrative costs of 0.3 percent and a plan with costs of 1.0 percent would be almost \$30,000. (This calculation assumes a 5.0 percent average annual nominal return.)

The difference would be even larger if we factored in that private accounts are likely to charge between 10 to 20 percent of savings to convert the sum into an annuity when workers retire. A public plan would charge considerably less.

Another important feature of many of these types of plans is automatic payroll deductions. According to the AARP, 90 percent of those who are participating in employer-sponsored retirement programs state having their savings automatically deducted from their paychecks is very important and makes it easier for them to save.

State-managed retirement savings plans, such as those being considered or implemented by other states, deserve serious consideration here in Hawai'i. We need to start now to ensure that as few of our future retirees as possible end up struggling in poverty.

Charlotte A. Carter-Yamauchi
Director

Shawn K. Nakama
First Assistant

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LEGISLATIVE REFERENCE BUREAU
State of Hawaii
State Capitol, Room 446
415 S. Beretania Street
Honolulu, Hawaii 96813

Written Comments

SCR16

CONVENING A LEGISLATIVE WORKING GROUP TO INVESTIGATE AND IDENTIFY STRATEGIES TO PROMOTE GREATER RETIREMENT SAVINGS FOR PRIVATE SECTOR EMPLOYEES IN HAWAII

Charlotte A. Carter-Yamauchi, Director
Legislative Reference Bureau

Presented to the Senate Committee on Judiciary and Labor

Wednesday, March 22, 2017, 9:35 a.m.
Conference Room 016

Chair Keith-Agaran and Members of the Committee:

Good morning Chair Keith-Agaran and members of the Committee, my name is Charlotte Carter-Yamauchi and I am the Director of the Legislative Reference Bureau. Thank you for providing the opportunity to submit written comments on S.C.R. No. 16, Convening a Legislative Working Group to Investigate and Identify Strategies to Promote Greater Retirement Savings for Private Sector Employees in Hawaii.

The purpose of this measure is to have the Legislature convene a retirement savings working group to investigate and identify strategies to promote greater retirement savings for private sector employees.

The measure also requests that the Legislative Reference Bureau assist the working group with a report of the working group's findings and recommendations, including any proposed legislation, to be submitted to the Legislature no later than twenty days prior to the convening of the Regular Session of 2018.

The Bureau takes no position on this measure, but submits the following comments for your consideration.

The Bureau would like to note that, generally, in similar instances when the Legislature has seen fit to assign the Bureau to provide drafting services for a task force or working group, it is made clear in the enabling legislation that the task force or working group is to come up with a draft report by a specified date (usually by October 1st of the year prior to the convening of the next occurring Regular Session) so that the Bureau has sufficient time to finalize it prior to the reporting deadline. This provision has customarily been included to ensure that the task force or working group conducts its work in a timely manner so that the Bureau's research and drafting services are not overwhelmed with requests for service by both legislators and outside working groups, task forces and other entities at the end of each calendar year and in the lead-up to session.

If the Committee desires the Bureau to assist the working group with report and bill drafting services, to facilitate completion of the requested report in the timeframe provided, the Bureau respectfully requests that the measure be amended to specifically require the working group to submit a draft of its report and any request for proposed legislation to the Bureau by no later than October 1st prior to the year in which the report and proposed legislation is to be submitted to the Legislature.

If the measure is amended to address the concern noted above, the Bureau believes that the services requested under this measure are manageable and that the Bureau will be able to provide the services in the time allotted; provided that the Bureau's interim workload is not adversely impacted by too many other studies or additional responsibilities, such as conducting, writing, or finalizing other reports, drafting legislation, or both, for other state agencies, task forces, or working groups that may be requested or required under other legislative measures.

Thank you again for your consideration.



HAWAII

House Committee on Consumer Protection & Commerce

March 22, 2017 Hearing at 9:35 am Room 016

RE: SCR 16

CONVENING A LEGISLATIVE WORKING GROUP TO INVESTIGATE AND IDENTIFY STRATEGIES TO PROMOTE GREATER RETIREMENT SAVINGS FOR PRIVATE SECTOR EMPLOYEES IN HAWAII.

Chair Keith-Agaran, Vice Chair Rhoads, and members of the Committee, the National Association of Insurance and Financial Advisors (NAIFA) Hawaii is made up of life insurance agents throughout Hawaii, who primarily market life, annuities, long term care, and disability income insurance products.

SCR 16 is requesting that a retirement savings working group be convened to investigate and identify strategies to promote greater retirement savings for Hawaii private sector employees. This working group will seek the assistance of LRB and reports its findings and recommendations prior to convening of the Regular Session of 2018.

We do **not** support SCR 16.

Both policymaker and media attention have focused on workers not saving enough for retirement. States have considered bills that would implement state run IRA type retirement plans options available to workers at small and medium companies. NAIFA understands the importance of retirement security and acknowledges that many Americans are not saving enough for retirement. However, we do not believe that a state-run plan that competes with private market plans is the answer. Availability and access to retirement savings options are not the problem— there already exists a strong, vibrant private sector retirement plan market that offers diverse, affordable options to individuals and employers.

Nearly 80% of full-time workers have access to a retirement plan through their employer, and more than 80% of workers with access to plans in the workplace participate in a plan.

In light of limited state resources, the need to use state funds for the start-up, operating costs, state responsibilities and obligations under ERISA would be **better served by using scarce state resources for education and outreach efforts designed to educate our citizens about the importance of saving for retirement, rather than implementing a costly state-run plan.**

The following seven states have appointed task forces or commissions to study the feasibility of a state run retirement plan: California; Connecticut; Maryland; Minnesota; Oregon; Vermont; West Virginia. The Massachusetts plan is limited to non-profit organizations with less than 20 employees but not

operational. Illinois, Washington and New Jersey, however, have enacted legislation to set up a voluntary marketplace designed to bring together employers and private market plan providers.

SCR 16 is a tall order for this working group especially for items 2 and 4 under the “Be It Further Resolved” clauses on page 3. We would prefer that the state conduct an education and outreach program initially for its citizens about the need to save for retirement rather than establishing a new state retirement system for the private sector similar to addressing the aging issues.

Thank you for allowing us to share our views.

Cynthia Takenaka
Executive Director

**TESTIMONY IN SUPPORT OF SCR 16
CONVENING A LEGISLATIVE WORKING GROUP TO
PROMOTE GREATER RETIREMENT SAVINGS FOR
PRIVATE SECTOR EMPLOYEES IN HAWAII**

To: Senator Gilbert S. Keith-Aragan, Chair, and Senator Karl Rhoads, Vice Chair,
Committee on Judiciary and Labor

Hearing Date: Wednesday, March 22, 2017; 9:30 a.m.; CR 016

Thank you for the opportunity to submit written testimony in **strong support** of **SCR 16**, which convenes a legislative working group to identify ways we can help private sector workers save for their future retirement in Hawaii. My name is Anna Filler and I retired two years ago at the age of 75. My last two employers offered a retirement savings plan that now supplements my social security. The younger generations of employees who work for smaller companies that do not offer retirement plans need an incentive to save money for the higher cost of future retirement needs.

Hawaii needs to take action now and help our residents save for their retirement.

Thank you very much for the opportunity to submit my testimony in support of **SCR 16**.

Anna Filler
Email:
Kakaako/Senate District 12

ARNE WERCHICK

Attorney, retired (formerly California State Bar 1965-2015)

March 18, 2017

Senate Committee on Judiciary and Labor
Senator Gil Keith-Agaran, Chair

Re: Senate Concurrent Resolution 16 (Retirement Savings for Private Sector Employees)

Hearing Date: March 22, 9:30 a.m.

Dear Chair Keith-Agaran and Committee members:

I write in strong support of Senate Concurrent Resolution 16 which takes the very first step towards exploring how to provide some additional retirement security for the almost quarter million Hawaii employees who currently do not have any work pension protection other than basic Social Security retirement benefits.

At least ten other states have established similar study programs to explore creation of such work-save programs, and California, Connecticut, Illinois, Massachusetts and Washington have already enacted such pension programs and are beginning the implementation process. Senate Concurrent Resolution 16 is but a tentative step to study this possibility. I am aware that some private for-profit investment companies opposed to all state-mandated work savings programs are pressing the current Republican-majority Congress to subject such small retirement pensions to ERISA requirements; rather than treating this as a barrier to passing SCR 16, I would suggest this is a fertile area for study by the exploratory group which SCR 16 creates to take into consideration in recommending how Hawaii might resolve the serious issue of seniors who will retire with thoroughly inadequate financial resources.

I would also point out that many in the the increasing population of seniors who will retire with insufficient finances will have to rely upon public services for food, transportation, housing and health care for which their Social Security benefits will be inadequate. This inevitably will increasingly

Senate Committee on Judiciary and Labor
Senate Concurrent Resolution 16 (support)
March 18, 2017
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stress future county and state budgets. If, on the other hand, Hawaii were to enact a viable work savings program, many more of these people will be able to live in retirement without becoming a public burden.

I am pleased to add my voice in strong support of Senate Concurrent Resolution 16 which is a modest first step towards a very valuable program which without doubt would provide valuable benefits for our senior community.

- Arne Werchick

From: mailinglist@capitol.hawaii.gov
To: [JDLTestimony](#)
Cc:
Subject: Submitted testimony for SCR16 on Mar 22, 2017 09:35AM
Date: Tuesday, March 21, 2017 7:52:40 AM
Attachments: [SCR16_FOR RETIREMENT SAVINGS.PDF](#)

SCR16

Submitted on: 3/21/2017

Testimony for JDL on Mar 22, 2017 09:35AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara Dove	Individual	Support	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

Do not reply to this email. This inbox is not monitored. For assistance please email webmaster@capitol.hawaii.gov

Aloha Chair Keith-Agaran, Vice Chair Rhoads and committee members.

I am a senior citizen and a resident of House District 19 and Senate District 9 (your district, Sen. Chang). I am a member of AARP, Kokua Council, the Hawaii Alliance of Retired Americans and the Legislative Committee of PABEA.

I'm testifying in strong support of SCR 16. This bill would allow the convening of a legislative working group to investigate and identify strategies to promote great retirement savings for private sector employees. Public sector employees and private sector employees in large companies already have options to save through their employers. Those in small companies have said they would be more inclined to save through payroll deduction, rather than in doing it on their own.

For the most part, younger generations are not as apt to save as their parents/grandparents. This will put an enormous burden on governmental services in the future.

Please support the convening of a working group to begin discussion about retirement savings.

Thank you for the opportunity to testify.

Barbara J. Service

Testimony RE: SCR 16, Convening a Retirement Savings Work Group

By Carl Takamura

Chair Keith-Agaran and Members of the Senate Judiciary and Labor Committee:

My name is Carl Takamura and I strongly **support SCR 16**, which would convene a legislative work group comprised of public and private stakeholders to investigate and identify strategies to promote greater retirement savings for private sector employees who don't have access to employer-based retirement programs and need to save for their future retirement security.

There is widespread agreement that Hawaii's residents are not financially prepared for retirement. Many workers, especially Hawaii's small business workers, are afraid of "retiring poor" in one of the most expensive states in the nation. About 50 percent of the state's private sector employees (aged 18 to 64), approximately 216,000 individuals, work for an employer that does not currently offer any sort of retirement savings plan. These individuals are workers at all earnings levels, but this mainly impacts workers at lower income levels.. More than 167,000 of Hawaii employees with annual earnings of \$40,000 or less did not have access to a workplace plan. These workers represent about 78 percent of the 216,000 employees who have no access to a savings plan.

Financial institutions argue that retirement savings accounts can be opened up by individuals at any bank at any time. However, when a person has no employer payroll based retirement savings plan, there is only a 4.25 percent participation in retirement savings accounts. When there is an employer sponsored retirement savings plan, the participation rate jumps to 71.5%. It should be noted that the success of such a program would be dependent on participation rates and any voluntary program would significantly reduce the rate of participation. Yes, anyone can get an IRA, but this is simply not happening.

Others promote that consumers just need better financial education which would lead to increased retirement savings participation. The truth is that over the last decade access to retirement plans has declined, 401(k) balances have stagnated, and healthcare costs have risen. Although education is necessary, it is certainly not sufficient to solve this problem. Studies have shown that even with more education, people are 15 times more likely to save for retirement with an employer based payroll deduction savings account. In an article on "The New Retirement " in its January 2017 issue, *Consumer Reports* magazine noted that it supports initiatives such as California's Secure Choice program that provides workers with access to employer based savings accounts.

Providing access to some kind of workplace savings program in Hawaii just makes sense from both economic security and quality of life perspectives. In an age where "spend now, worry later" seems to be the predominant mindset, we must start a dialog about how employees of small businesses can easily and effectively save for retirement.

Thank you for the opportunity to testify.

Responses to Possible Questions

Aren't there legal (liability) questions pertaining to ERISA?

AARP response

Opponents often cite ERISA concerns as one reason not to pursue legislation such as AAC Retirement Security. Yet the Department of Labor has a long history of permitting multiple models, employer and non-employer designed, to expand retirement coverage to millions of hard-working families.

ERISA concerns were dismissed by U.S. Labor Secretary Perez and President Obama, who noted at the White House Conference on Aging that he is directing the Department of Labor: “to clarify the path forward for state savings...”

In 2015, the Department of Labor released a Notice of Proposed Rulemaking (NPRM) and Interpretive Bulletin (IB), which reaffirmed their support for a state facilitated approach to solving the retirement savings crisis. After an 18 month legislative mandated feasibility study, CT legislation has been carefully crafted to respect the United States Department of Labor ERISA safe harbor guidance.

Despite all of this, some may argue that ERISA is still an issue. They assume that legislators will hear that acronym and run for the hills. It’s vital to remember that ERISA is not something big and scary. ERISA is a federal law aimed at protecting consumers.

Didn’t the President introduce MYRA?

AARP response

You may hear that there is already a federal solution to this problem: MYRA. While MYRA is an additional tool in our retirement security toolbox, it is not a panacea. Nationwide, MYRA is not broadly available to workers and its use is not automatic. Furthermore, it has a few serious limitations. Investments are limited only to bonds, preventing savers from taking full advantage of the market, and individuals can only set aside \$15,000 in their accounts before hitting a savings cap.

Isn’t better financial education a better approach to this issue?

AARP response

Opponents often cite that all we need is better financial education and retirement savings participation will increase. The truth is that over the last decade access to retirement plans has declined, 401(k) balances have stagnated, and healthcare costs have risen. Although education is necessary, it is certainly not sufficient to solve this problem. Studies have shown that, even with more education, people are 15 times more likely to save for retirement with an employer based payroll deduction savings account.

Isn’t the Washington State Model (a market place model) is a better approach?

AARP response

You may hear that the Washington State (or New Jersey) marketplace approach is a better model and less regulatory on businesses. AAC Retirement Security creates a plug and play option for businesses that reduces their administrative, financial and legal burdens. In contrast, the Washington marketplace scheme, which has been discussed by some opponents, does not address the regulatory and administrative burden of operating a retirement plan. In order to use the marketplace, small businesses would still need to choose a plan, choose a provider, hire lawyers and third party administrators, potentially operate under ERISA and contribute employer dollars.

March 19, 2017

To: Committee on Judiciary and Labor:
Senator Gilbert S.C. Keith-Agaran, Chair

RE: **SCR 16** Convening a Legislative Working Group to Investigate and Identify Strategies to Promote Greater Retirement Savings for Private Sector Employees in Hawaii.

Hearing Date: March 22, 2017
Conference Room 016, 9:35AM

Most Honorable Sen. Gilbert S.C. Keith-Agaran, Chair of the Senate Committee on Judiciary & Labor, and Committee Members:

I support Resolution SCR 16 and respectfully request you and the committee members approve the establishment of a legislative working group to investigate and identify programs that could be set up to supplement retirement savings for private sector employees in Hawaii.

- Several states have implemented a Retirement Savings Plan.
- Over half of the states in the union are currently considering enactment of such a retirement program option for their private sector employees.
- The Hawaii-based task force (instituted with the passing of Resolution SCR 16) has a variety of current programs to reference to help formulate the best plan for Hawaii workers.

Please vote in favor of this resolution.

Help our citizens help themselves rather than having them rely on state welfare when they retire.

Thank you for the opportunity to testify on this resolution.

Respectfully submitted,
Christine Olah
Honolulu Resident

I am a 61 year old Gay man who has lost three husbands to HIV/AIDS. Although my status is negative, I continue to remain positive in my spirit in remaining alive and productive up until my dying days. I have been fortunate to work in the corporate, political, and entertainment arenas for the past 35 years. I carry on the legacy of my late partners with me daily for inspiration, and deny any negativity by others for doing such. I had to cash out three 401k's to take care of medical and transitional expenses of each, and now I have nothing left for myself. Nothing. I live pay check to pay check in senior affordable housing with the hope that I can remain here past my forecasted retirement age of 75 years young. This is why I encourage the support and willingness to make a difference by all parties involved with Senate Concurrent Resolution 16.

I now work for a condo AOA as an Assistant to the Resident Manager. We have no retirement plan in place for any of our eight employees, half of which are over 50 years of age. I have worked for corporate leaders, heads of State, and major studios with nothing left for me to gracefully retire on. I did what I had to do out of love and devotion, especially when each of my guy's families took a step back in the face of adversity. I am trying to muster some form of IRA through local financial institutions to no avail. No one returns the calls. The Federal IRA program caps at \$1500, which will be consumed in no time, especially at this rate of inflation.

The future continues to dim, but I have hope. There's a reason for me being here right now, and if it is to share my story and hopefully turn on a switch, then it is my honor to do so, and I am blessed. Please help the more than 200,000 of us in the same predicament in the Aloha State of Hawaii to achieve the voice, respect, and dignity that we all deserve with SCR16.

Thank you.

Donald Watt

To: Senate Committee on Judiciary and Labor
Senator Gilbert S.C. Keith-Agaran, Chair
Senator Karl Rhoads, Vice-Chair

Date: Wednesday, March 22, 2017

Time: 9:35 a.m.

Location: Conference Room 016

Re: SCR 16, Convening a Legislative Working Group to Investigate and Identify Strategies to Promote Greater Retirement Savings for Private Sector Employees in Hawaii

Chair Keith-Agaran and Members of the Committee:

My name is Esther Ueda, and I am writing in SUPPORT of SCR 16 .

I am a former state employee, and was very fortunate that the State provided a deferred compensation plan which helped me save for my retirement.

From my experience I know that having an automatic savings plan really helps to force you to put money aside for retirement. There are so many expenses that working people have to deal with that saving is very difficult and a process to facilitate saving would be very helpful.

I am very concerned that many working persons, especially those who do not have the benefit of an automatic savings plan or other such method to help them put money aside for retirement, are not saving enough for their senior years.

Please pass SCR 16. .

Thank you for allowing me to submit this testimony.

Sincerely,

Esther Ueda
Pearl City, Hawaii

From: mailinglist@capitol.hawaii.gov
To: [JDLTestimony](#)
Cc:
Subject: Submitted testimony for SCR16 on Mar 22, 2017 09:35AM
Date: Saturday, March 18, 2017 1:47:40 PM

SCR16

Submitted on: 3/18/2017

Testimony for JDL on Mar 22, 2017 09:35AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Francis Nakamoto	Individual	Support	Yes

Comments: Chairman Keith-Agaran and members of the Committee, My name is Francis M. Nakamoto, a retired attorney. I strongly support SCR 16 to create a working group to explore the ways and means Hawaii can best address the looming crisis facing thousands of Hawaii workers who will be retiring economically unprepared. The realization that half of today's workers, some 216,000 individuals, will retire with no retirement plan or with less savings than necessary to provide for their needs should convince the Legislature to start developing a state policy to help them. They are at risk of suffering through their final years in poverty or relying on family, charity and government assistance or all of these for shelter, food and health services. There is no debate that Hawaii's working people need help to assure that their golden years will not be lived in poverty or destitution. However, despite a nation-wide crisis at hand, the Republican Congress has elected to side with the financial services and retirement planning industry and against low and moderate income Americans. By rejecting US Department of Labor regulations which would have made it easier for State and County entities to facilitate retirement savings plans, Congress has made it harder American workers who are not fortunate enough to work for employers who have the wherewithal to provide pension or retirement plan programs or who belong to unions with retirement plans. Instead, they will be forced to relying on meager Social Security benefits and Medicaid to maintain a minimal existence in their post work years. With the current political climate, even Social Security and, certainly, Medicaid is not a sure thing, lending even more pressure to pass this law. This legislation is intended to fill the presently unmet retirement savings needs of Hawaii's working people. Employers, particularly with fewer that 25 workers, cannot now, in many cases, afford to establish pension or retirement plans for their employees or are unable to comply with government regulations, particularly, ERISA, which government retirement savings plans the DOL regulations were designed to exempt. It would have allowed employers to participate without employer contributions and be protected from liability for breach of any fiduciary duties.. The fact that Congress has scuttled the DOL regulations should, however, not dissuade this State from proceeding as have several states which have led the way in creating state-sponsored retirement savings plans for their residents. California, which has 6.8 million employees without retirement plans and currently ignored and unserved by the private sector, plans to forge ahead under state law.

Similarly, Illinois (1.2 million workers) and Oregon (1 million) are moving ahead with their state administered retirement programs. Maryland and Connecticut have also enacted similar laws. Hawaii needs also to act boldly to enable workers underserved or ignored by the private financial services community in Hawaii for far too long to start preparing for their retirement. To do any less will certainly condemn half of current full and part time workers with financial uncertainty and a catastrophic financial crisis for the state and county budgets. HCR16 will allow Hawaii to assess the existing deficiencies in the workplace that have left thousands uncovered by retirement savings planning and plans and explore how this state can develop a retirement savings policy and programs. It would be unwise not to take this important first step. Opponents of HCR16, primarily certain Hawaii's financial services and private retirement savings plan advisors, contend that the private sector should be able to provide for the retirement needs of uncovered workers. However, despite their efforts to sell their products, a significant gap group of unserved and underserved workers continue to exist. If opponents believe HCR16 is unnecessary, they should disclose their strategy to fill the needs of these workers if they believe they can be better than they have been. The formation of a working group would them the opportunity to explain why the need has yet been fulfilled and how a state or county established retirement savings plan is unnecessary at this time. A working group will allow the State to develop the best solution to address the economic and social crisis we face with all stakeholders contributing to this goal.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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To: Committee on Judiciary and Labor, Senator Gilbert S.C. Keith-Agaran, Chair

Date: Mar 22, 2017

Room 016

Time: 9:35 a.m.

RE: SCR 16 CONVENING A LEGISLATIVE WORKING GROUP TO INVESTIGATE AND IDENTIFY STRATEGIES TO PROMOTE GREATER RETIREMENT SAVINGS FOR PRIVATE SECTOR EMPLOYEES IN HAWAII

Chair Keith-Agaran and Committee members:

Thank you for the opportunity to submit written testimony in **STRONG SUPPORT** of **SCR 16** Convening A Legislative Working Group To Investigate And Identify Strategies To Promote Greater Retirement Savings For Private Sector Employees In Hawaii.

My name is Geoffrey Casburn and I am a retired Civil Engineer. My wife and I have lived in Hilo for 20 years.

I practiced civil engineering both here and in California for approximately 45 years. For approximately 32 years I owned and operated a small engineering company or was self-employed. Access to a simplified and low-overhead retirement savings program would have greatly benefited both me and my employees. The ability to set aside money as part of our payroll process would've provided a vehicle and the incentive to save for retirement.

As a small business state, we collectively need to encourage savings for retirement and provide reasonable means to accomplish that goal. Please establish this workgroup.

Thank you,

Geoffrey Casburn, P.E.

District of Hilo

From: mailinglist@capitol.hawaii.gov
To: [JDLTestimony](#)
Cc:
Subject: Submitted testimony for SCR16 on Mar 22, 2017 09:35AM
Date: Monday, March 20, 2017 8:27:27 PM

SCR16

Submitted on: 3/20/2017

Testimony for JDL on Mar 22, 2017 09:35AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Jean Ishikawa	Individual	Support	No

Comments: Although I am one of the fortunate who will not need Retirement Saving for the Private Sector Work Force, I am fully aware that there are over 216,000 Hawai'i workers who do not have the option to secure a more comfortable retirement. I fully support convening a group to bring this resolution to fruition. Too many of our private working sector employees will "fall through the crack" and in the long term the State of Hawai'i will have the burden of caring for them. Now is the time for action, not procrastinate. Respectfully submitted, Jean Ishikawa, a very Concerned Citizen and Resident of Hawai'i nei.

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TO: Senate Committee on Judiciary and Labor
Senator Gilbert Keith-Agaran, Chair

RE: SCR 16 – Convening a Legislative Working Group to Investigate and Identify Strategies to Promote Greater Retirement Savings for Private Sector Employees in Hawaii

My name is Linda Dorset and I am residing in Wailuku. I strongly support SCR 16 which convenes a legislative working group to identify ways we can help Hawaii's private sector workers save for their future retirement. This is an important issue that affects my children, grandchildren and all future retirees who need to save enough for their retirement so that they can keep up with the high cost of living and housing especially in this State. I was fortunate to have an employer-sponsored retirement plan which helped me build a savings to supplement my social security. Unfortunately, I started late and it may not be enough. Also my son lives from paycheck to paycheck and even though his employer offers a plan that would automatically deduct a small percentage from his payroll to contribute towards his retirement, he has no incentive to join since there is no employer matching funds. He thinks it more necessary to address his immediate financial needs.

This could also address the problems small businesses have affording to start a plan for their employees.

There appears to be no appropriation needed and would go a long way in helping Hawaii's working citizens plan for retirement off the public dole,

Mahalo for your attention.

TO: Senate Committee on Judiciary and Labor, Senator Gilbert Keith-Agaran, Chair
Date: Wednesday, March 22, 2017, State Capitol Conference Room 016, 9:35 a.m.
RE: SCR 16 Convening a Legislative Working Group to Investigate and Identify Strategies to Promote Greater Retirement Savings for Private Sector Employees in Hawaii

To Chair Keith-Agaran and Members of the Committees,

I strongly support SCR 16 which convenes a legislative working group to identify ways we can help Hawaii's private sector workers save for their retirement. This is an issue that will affect many of our young people who do not have the discipline to save. Unless it is made easy and relatively painless to do so they will end up relying on the government when they want to retire or are no longer able to work.

I was fortunate in working for companies, private and public, that offered retirement savings plans that allowed me to retire comfortably without having to make tough choices. Hawaii's high cost of living makes it imperative that everyone start saving as soon as they can so their money can build through compounding. It is no surprise that workers who have the opportunity to contribute to a 401K are more likely to save. If we can offer this to our workers and educate them about the benefits it will better prepare them to face the future.

Thank you for this opportunity to submit testimony.

Paul Nishimura
Waipahu

My name is Stewart Burley and live on Kauai. When I retired in 2004, I was lucky that I had a retirement plan because I could use it for a down payment on a new home. I was renting before but now I could own my own home. I support this legislation with the hope that all business, whether big or small, offer a retirement plan to every worker. I also hope that the business will encourage workers to take advantage of this wonderful offer for their future.

Capt. T. J. Davies, Jr. (Ret.)

808-593-1026

18 March 2017

To: Committee on Judiciary & Labor, Sen. Gilbert Keith-Agaran, Chair, Sen. Karl Rhoads, Vice Chair

Date: Wednesday, March 22, 2017, 9:35 a.m., Room 016

Re: SCR 16, Convening a Legislative Working Group to Investigate and Identify Strategies to Promote Greater Retirement Savings for Private Sector Employees In Hawaii..

Chair Keith-Agaran, Vice Chair Rhoads and members of the committee:

My name is T. J. Davies Jr. I am 82 years old, retired, handicapped and live in Kakaako. I am writing in **STRONG SUPPORT** of SCR 16, Convening A Legislative Working Group to Investigate and Identify Strategies to Promote Greater Retirement Savings for Private Sector Employees in Hawaii.

This is an important issue that affects my children, grandchildren and all future retirees who need to save enough for their retirement so that they can keep up with the high cost of living and housing especially in this State. I was fortunate to have an employer-sponsored retirement plan which helped me build a comfortable nest egg that supplements my pension and social security. Unfortunately, others are not as lucky. My children live from paycheck to paycheck as they struggle to pay their mortgage, and for their own children's education and daily living expenses. They don't work for the public sector or large companies that offer a plan that would automatically deduct a small percentage from their payroll to contribute towards their retirement. While there are opportunities to open 401K plans through the banks, they tend to put this off to address their immediate financial needs.

Hawaii needs to take action now to help our residents save for their retirement.

Your favorable consideration of SCR 16 is requested. Mahalo & Aloha

T. J. Davies Jr., Volunteer
Treasurer, AARP Chapter 60 Honolulu
Treasurer, Kokua Council for Senior Citizens of Hawaii Education Fund
Director, Hawaii Alliance for Retired Americans
Kakaako (District 26 / Senate District 12)

From: [Vicki Franco](#)
To: [JDLTestimony](#)
Subject: SCR16 Hearing 3/22/17 at 9:35 am in Rm 016
Date: Friday, March 17, 2017 5:48:25 PM

THE SENATE

THE TWENTY-NINTH LEGISLATURE

REGULAR SESSION OF 2017

COMMITTEE ON JUDICIARY AND LABOR

Senator Gilbert S.C. Keith-Agaran, Chair
Senator Karl Rhoads, Vice Chair

RE: SCR 16 – Convening a Legislative Working Group to Investigate and Identify Strategies to Promote Greater Retirement Savings for Private Sector Employees in Hawaii

Senators,

My name is Victoria Franco and I am a retired individual residing in Manoa, Hawaii. I strongly support **SCR 16** which convenes a legislative working group to identify ways we can help Hawaii's private sector workers save for their future retirement. This is an important issue that affects my children, grandchildren and all future retirees who need to save enough for their retirement so that they can keep up with the high cost of living and housing especially in this State. I was fortunate to have an employer-sponsored retirement plan which helped me build a comfortable nest egg that supplements my pension and social security. Unfortunately, others are not as lucky. Most people in Hawaii live from paycheck to paycheck as they struggle to pay their mortgage, their own children's education and daily living expenses. If they are not lucky enough to work for the State or City Government where a plan is offered that automatically deducts a small percentage from their payroll to contribute towards their retirement then the burden for saving is totally up to them. Also being employed by a small business in Hawaii is very likely and a retirement savings plan is not offered by them. While there are opportunities to open their own 401K plan through the banks, they tend to put this off to address their immediate financial needs.

This investigative working group needs to be convened to help workers and their employers find ways to save for their retirement. I am urge you to vote for its passage.

Mahalo for allowing me to submit testimony.

Victoria Franco

Manoa Resident

William Beadle

To: Representative Senator Gil Keith-Agaran
Senate Committee on Judiciary and Labor

Date: March 19, 2017

RE: SCR16, Working Group on Retirement Savings for Hawaii's Workforce

I am testifying in strong support for SCR16, a resolution which calls for the establishment of a working group to develop a proposal for legislative action on a Retirement Savings Program for Hawaii's workers. There is no budget request in this resolution, just a proposal to put together a committee of interested parties to develop a legislative proposal. The work group would examine the options for providing a payroll deduction plan, at minimal cost to business owners and taxpayers, to help over 216,000 Hawaii workers who do not have access to a workplace retirement program.

I have a personal interest in this issue. Prior to moving to Hawaii, I was fortunate to be the CEO of the Better Business Bureau of Utah from 1980 to 1998. As the administrator of a small non-profit business membership organization, I learned of the difficulty in providing retirement security for small business employees. A retirement savings payroll deduction program would have provided an option for the vast majority of our small business membership, my employees and I. After twenty years of service to the same organization, I walked away with only my personal IRA. Over those twenty years, several attempts to establish a retirement benefit program failed, primarily due to the size of the group and complexity of the regulations.

While details differ, most proposals across the country include voluntary payroll deduction on the part of employees with no financial participation on the part of the business or government.

Everyone knows they should save for retirement, what everyone needs is a simple way to do so. I am in support of SCR16, let's plan for a prosperous future for our current workforce.

Thank you for the opportunity to express my support for SCR16.

Aloha, Bill Beadle

Waikiki

To: Senate Committee of Judiciary and Labor
Senator Gilbert S.C. Keith-Agaran – Chair
Senator Karl Rhoads – Vice Chair

Date: March 20, 2017

Re: SCR16 Retirement Savings

My name is Yuriko Vaughn, a retiree from ATT and I live in Honolulu.

I strongly support SCR16 Retirement Savings. I've been so fortunate to have an employee-sponsored retirement plan. This resolution is important because it will assist so many who are not as lucky. Their future is at stake. Hawaii's cost of living is much higher than any other state. Therefore, SCR16 is critical for many employees. They need help. So having this workgroup convene can at least start them looking at different models that will guide small business owners and their employees to save for retirement.

Please support SCR16.

Mahalo