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Senate Committee on Labor  
Tuesday, January 30, 2018  
2:45 p.m.  
Conference Room 229

To: Senator Jill Tokuda, Chair  
Re: S.B. No. 2333, Relating to Retirement Savings

Dear Chair Tokuda, Vice-Chair English and Members of the Committee,

My name is Kerry M. Komatsubara and I am the Advocacy Director for AARP Hawai'i. AARP is a membership organization of people age fifty and over with about 150,000 members in Hawai'i. AARP advocates for issues that matter to Hawai'i families, including the high cost of long-term care; access to affordable, quality health care for all generations; and serving as a reliable information source on issues critical to people over the age of fifty.

AARP Hawai'i supports S.B. No. 2333 which establishes a retirement savings board to administer the Hawai'i retirement savings plan, establishes the Hawaii retirement savings plan administrative fund, requires the board to report to the legislature before establishment of the Hawaii retirement savings plan, and appropriate funds for the purposes of the bill.

About half of Hawaii workers ages 18 to 64 in the private sector – roughly 216,000 people -- do not have access to a 401K or other retirement plan at work and are not able to save through payroll deduction. This is critical because studies show that people are 15 times more likely to save if they have access to a payroll deduction savings plan.

A 2014 Employee Benefit Research Institute study found that about 62 percent of employees with access to a retirement plan had more than \$25,000 in total savings and investments, and 22 percent had \$100,000 or more. However, only 6 percent of those without access to such a plan had over \$25,000 saved, and only 3 percent had \$100,000 or more.

When people save for retirement they are less likely to rely on public assistance programs later in life. An AARP and University of Maine study estimates Hawaii would save \$32.7 million on public assistance programs through 2032 if lower-income retirees saved enough to increase their retirement income by \$1,000 more per year.

Eight states have already passed legislation that improves workers' access to a retirement program, and 22 more are in progress to help their future retirees. In Oregon, the first state to implement a state retirement program for private-sector employees, 1,162 Oregon workers saved \$255,721.99 for retirement during the first five months of the pilot phase of the program. Hawaii must join in this national effort to identify solutions to help our future retirees to be retirement ready, and AARP Hawaii stands ready to work with the Legislature to determine the appropriate details for a Hawaii Work and Save program.

Thank you for the opportunity to testify in support of S.B. No. 2333.

Real Possibilities



# HAWAII APPLESEED

## CENTER FOR LAW & ECONOMIC JUSTICE

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

Supporting SB 2333 – Relating to Retirement Savings

Senate Committee on Labor

Scheduled for hearing at 2:45 pm on Tuesday, January 30, 2018, in Conference Room 229

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Dear Chair Tokuda, Vice Chair English, and members of the Committee on Ways and Means:

Thank you for the opportunity to testify in SUPPORT of **SB 2333**, which would establish a retirement savings board to administer the Hawai‘i retirement savings plan. That would be a good 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 22<sup>nd</sup> highest rate among the states. More importantly, if you look at the U.S. Census Bureau’s arguably more accurate supplemental poverty measure, Hawai‘i’s senior poverty rate rises to 17 percent, the 6<sup>th</sup> highest rate in the nation. Much of this difference is due to the fact that the supplemental measure factors in the cost of living (which are higher in Hawai‘i than in any other state in the nation).<sup>i</sup>

In addition, if you look 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 official poverty threshold. Astoundingly, over half (54 percent) of Hawai‘i’s seniors have incomes below 200 percent of the supplemental measure, which is the 2<sup>nd</sup> highest rate among the states.

Meanwhile, 86.1 percent, or about 210,000, Hawai‘i residents aged 65 or older received Social Security benefits in 2016, which was lower than the national average of 90.4 percent.<sup>ii</sup> Hawai‘i seniors received a median monthly Social Security benefit of \$1,332, just below to the national average of \$1,347.<sup>iii</sup> 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.<sup>iv</sup>

Dozens of states have been considering the ways that they could help their workers save more via state-managed retirement plans. In fact, five states – California, Connecticut, Illinois, Maryland, and Oregon – have enacted legislation to create automatic enrollment retirement savings plans for their workers.

According to the Center for Economic and Policy Research, one major advantage of state plans is that workers could keep their accounts with them when they change jobs.<sup>v</sup> 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 enrollment. 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.

We request that you consider adding some community and expert voices to your board, in order to ensure that a diverse set of perspectives are represented on it. SCR 16 from the 2017 legislative session lists some possible additions.

We need to start now to ensure that as few of our future retirees as possible end up struggling in poverty.

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<sup>i</sup> <https://www.kff.org/report-section/poverty-among-seniors-issue-brief/>

<sup>ii</sup> [https://www.ssa.gov/policy/docs/statcomps/oasdi\\_sc/](https://www.ssa.gov/policy/docs/statcomps/oasdi_sc/)

<sup>iii</sup> <https://www.ssa.gov/policy/docs/statcomps/supplement/2017/index.html>

<sup>iv</sup> [https://www.aarp.org/content/dam/aarp/research/surveys\\_statistics/econ/2016/2016-Hawaii-Work-and-Save-Onepager-AARP-res-econ.pdf](https://www.aarp.org/content/dam/aarp/research/surveys_statistics/econ/2016/2016-Hawaii-Work-and-Save-Onepager-AARP-res-econ.pdf)

<sup>v</sup> <http://cepr.net/blogs/beat-the-press/the-paul-ryan-small-savers-tax>

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*The Hawai'i Appleseed Center for Law and Economic Justice is committed to a more socially just Hawai'i, where everyone has genuine opportunities to achieve economic security and fulfill their potential. We change systems that perpetuate inequality and injustice through policy development, advocacy, and coalition building.*

# Geoffrey Casburn, P.E.

To: Senator Jill Tokuda, Chair

Re: S.B. No. 2333, Relating to Retirement Savings

Date: Jan 30, 2018

Room 229

Time: 2:45 p.m.

Re: S.B. No. 2333, Relating to Retirement Savings

Dear Chair Tokuda, Vice-Chair English and Members of the Committee

Thank you for the opportunity to submit written testimony in **STRONG SUPPORT of S.B. No. 2333 Relating to Retirement Savings** for private sector employees in Hawaii.

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

I practiced civil engineering both here and in California for 45 years. For approximately 32 years I owned and operated a small engineering company. 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 a reasonable means to accomplish that goal. Please approve this bill.

Thank you,

Geoffrey Casburn, P.E.

Hilo, HI

185 Lahaina Street  
Hilo, HI 96720



## HAWAII

Senate Committee on Labor

January 30, 2018 at 2:45 pm – Room 229

**RE: SB 2333  
RELATING TO RETIREMENT SAVINGS**

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

SB 2333 will enact a Hawaii Retirement Savings Board of nine members who will establish, implement and maintain a Hawaii retirement savings plan via payroll deductions provided that the employer does not offer a qualified retirement plan.

We do **not** support SB 2333.

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.

The use of 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. Hawaii should analyze why our citizens are not saving enough before enacting a solution like this.

On April 6, 2016, the U.S. Department of Labor issued its final fiduciary rule that will affect financial advisors and their clients' retirement plans. Since the Trump administration the fiduciary rule is partially final with a transition period of eighteen months from January 1, 2018 to July 1, 2019. The "retirement savings board" must take into account this new fiduciary standard rule, the legal term for "putting customers' interest first" and be fully aware of the compliance requirements.

Finally, in 2016 the U.S. Department of Labor adopted a rule that would facilitate the enactment of state-run retirement plan legislation by exempting such plans from coverage under ERISA. In early 2017, however, the Congress utilized the Congressional Review Act to **override the DOL action and nullify this rule**. As a result, many open questions exist as to whether and to what extent these state-run plans will be subject to duties, responsibilities and potential liability under the federal ERISA law.

Thank you for allowing us to share our views.

Cynthia Takenaka  
Executive Director  
Phone: 394-3451

DAVID Y. IGE  
GOVERNOR



LAUREL A. JOHNSTON  
ACTING DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

**STATE OF HAWAII  
DEPARTMENT OF BUDGET AND FINANCE**

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BUDGET, PROGRAM PLANNING AND  
MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

**WRITTEN ONLY**

TESTIMONY BY LAUREL A. JOHNSTON  
ACTING DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON LABOR  
ON  
SENATE BILL NO. 2333

**January 30, 2018  
2:45 p.m.  
Room 229**

**RELATING TO RETIREMENT SAVINGS**

Senate Bill No. 2333 establishes the Hawai'i Retirement Savings Plan; establishes a Hawai'i Retirement Savings Board to administer the plan; and sets operating and reporting requirements for the plan and the board. The bill also establishes a Hawai'i Retirement Savings Plan Administrative Fund and appropriates general funds and special funds in FY 19 for administrative and operating expenses.

The Department of Budget and Finance strongly believes that it would be premature to statutorily establish the retirement savings plan, the board, and the special fund without conducting a study to determine the feasibility of the retirement savings plan concept. The types of issues involved are recognized and identified in Section 3 of the bill.

Thank you for your consideration of our comments.

**SB-2333**

Submitted on: 1/30/2018 8:09:56 AM

Testimony for LBR on 1/30/2018 2:45:00 PM

| <b>Submitted By</b> | <b>Organization</b> | <b>Testifier Position</b> | <b>Present at Hearing</b> |
|---------------------|---------------------|---------------------------|---------------------------|
| William D Beadle    |                     | Support                   | No                        |

Comments:

January 29, 2018

Hawaii State Legislature

Senate Committee on Labor

To: Senator Jill Tokuda, Chair

Dear Senator Tokuda

Thank you for the opportunity to express my strong support for SB2333, Relating to Retirement Savings. This bill is the first step in providing financial security for Hawaii's future. Many in our workforce are not saving for retirement...let's make it simple and easy for them to save for themselves.

Most small businesses cannot afford the financial and administrative costs of establishing retirement programs for their employees. Participation requirements, mandatory financial commitments, bureaucracy and red tape, cause retirement programs to compete with the need to make a profit. This bill intends to take that burden off of the small business owner and give individual employees the option of saving for



themselves. Other states have already implemented a variety of programs to address this issue. This bill calls for establishing a board to design a program. A good first step...

From 1980 to 1998 I was the President/CEO of the Better Business Bureau of Utah. I experienced the difficulty in establishing a small business retirement program for myself and my staff. Several different attempts ended in frustration. This is a real and pervasive problem for small employers and their employees in our community.

Thank you for the opportunity to express my support for SB2333.

Sincerely, William Beadle

William Beadle

1720 Ala Moana Boulevard, 1406A

Honolulu, HI 96815

