



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

April 4, 2019

TESTIMONY TO THE
SENATE COMMITTEE ON WAYS AND MEANS

For Hearing on April 5, 2019
10:05 a.m., Conference Room 211

BY

RYKER WADA
DIRECTOR

House Bill No. 1007, Senate Draft No. 1
Relating to Adding the Roth Option for Deferred Compensation Plan

TO CHAIRPERSON DELA CRUZ, VICE CHAIR KEITH-AGARAN AND MEMBERS OF
THE COMMITTEE:

The purpose of House Bill No. 1007, Senate Draft No. 1 is to allow participants to deposit money in the Deferred Compensation Plan on an after-tax basis in addition to on a pre-tax basis; thereby affording them the opportunity for tax diversification.

The Department of Human Resources Development (DHRD) and the Deferred Compensation Plan Board of Trustees, which I serve as an ex-officio member, **strongly supports** this measure.

When the Federal Small Business Jobs Act of 2010 became effective on January 1, 2011, the availability of Roth contribution provisions expanded to government section 457(b) deferred compensation plans.

The addition of Roth contributions would allow participants in the Deferred Compensation Plan ("**Plan**") to treat their elective deferrals as Roth contributions and allow for greater after-tax savings and allow for diversification with respect to future tax rates. Consideration of a current and future tax rate is an important decision for Plan participants who are likely to expect a higher tax rate in retirement. Therefore, by

amending the current language in HRS sections 88E-12, Plan participants are able to choose whether all or part of their deferred compensation amounts are deferred as a traditional section 457(b) contribution or as a Roth 457(b) contribution, or both. These amendments are necessary in assisting employees in deciding the best way to save more for retirement.

Thank you for the opportunity to provide testimony on this matter.

TAX FOUNDATION OF HAWAII

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SUBJECT: MISCELLANEOUS, Add Roth Option to State Deferred Compensation Plan

BILL NUMBER: HB 1007, SD-1

INTRODUCED BY: Senate Committee on Labor, Culture, and The Arts

EXECUTIVE SUMMARY: Gives participants in the State Deferred Compensation Plan a Roth option.

SYNOPSIS: Amends section 88E-12, HRS, to give participants in the State Deferred Compensation Plan a Roth option.

EFFECTIVE DATE: Upon approval.

STAFF COMMENTS: This is an Administration bill sponsored by the Department of Human Resources Development and designated HRD-01 (19).

Under the Federal Small Business Jobs Act of 2010, governmental employers were allowed to add Roth contribution provisions to IRC section 457 deferred compensation plans. This bill proposes to make a change to the State plan in order to catch up to federal law.

Digested 4/5/2019