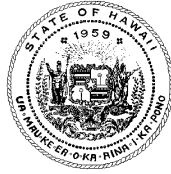


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February 5, 2019

TESTIMONY TO THE
SENATE COMMITTEE ON LABOR, CULTURE AND THE ARTS

For Hearing on February 7, 2019
2:45 p.m., Conference Room 224

BY

RYKER WADA
DIRECTOR

Senate Bill No. 1233
Relating to Adding the Roth Option for the State of Hawaii Deferred
Compensation Plan

TO CHAIR TANIGUCHI, VICE-CHAIR IHARA AND MEMBERS OF THE COMMITTEE:

The purpose of Senate Bill No. 1233 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 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 contributions. 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.