



**DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of  
**MIKE MCCARTNEY**  
Director

Department of Business, Economic Development, and Tourism  
before the

**HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT & BUSINESS**

Wednesday, February 12, 2020  
10:45 AM  
State Capitol, Conference Room 309

In consideration of  
**HB2551**  
**RELATING TO THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT,  
AND TOURISM.**

Chair McKelvey, Vice Chair Kitagawa, and Members of the Committee. The Department of Business, Economic Development and Tourism (DBEDT) supports the intent of HB2551, which provides funding to DBEDT for the support of sister state relations.

Significant anniversaries are planned for some of Hawaii's closest and most active sister states in 2020 and 2021. Economic, cultural and educational events in conjunction with these anniversaries would help boost trade, travel and other business, in addition to the goodwill engendered originally through the establishment of a sister state relationship.

We support this bill provided that its passage does not replace or adversely impact priorities indicated in our Executive Budget.

Thank you for the opportunity to testify.



House Committee on Labor & Public Employment  
February 12, 2020 – 9:05 am -- Room 329

Representative Joy S. San Buenaventura, Chair  
Representative Nadine Nakamura, Vice Chair

### **HB 2251, HD1 – Relating to Retirement Savings**

Chair San Buenaventura, Vice Chair Nakamura and Members of the Committee, my name is Cynthia Takenaka representing NAIFA Hawaii, an organization of life insurance agents and financial advisors throughout Hawaii who primarily market life, annuities, long term care and disability income insurance products.

HB 2251, HD1, establishes a “retirement savings task force” to assess the feasibility and an implementation plan for a Hawaii retirement savings program for private sector employees. This task force is to report its findings and recommendations prior to the 2021 regular session and terminate on June 30, 2021. There are also blank appropriations for one year to retain a consultant and another appropriation for one FTE position with a defective effective date.

**We are respectfully do not support HB 2251, HD1.**

Both the House and Senate shelved their positions on the establishment and implementation of the Hawaii Retirement Savings program this session which we commend. **The state-run retirement savings program via payroll deduction of private sector employees have been introduced for the past five sessions.**

Proposals to implement a state-run retirement programs appear designed to address issues of availability and access. However, availability of and access to the many retirement savings options are not the problems.

Hawaii should conduct an education and outreach program initially about the need to save for retirement rather than spending funds for a study and staff. A lack of financial education about the need to save for retirement, competing financial needs which cause many to live from paycheck to paycheck with nothing left over each month to put away in a retirement account, as well as a lack of discipline needed to place long term security over immediate wants, all play a large role in our country’s retirement savings.

Section 2 of this bill directs the task force of eleven to “research the implication of the federal SECURE (Setting Every Community Up for Retirement Enhancement) Act enacted on December 20, 2019 and “the feasibility of joining a multi-state, state-facilitated retirement savings program”.

**Congress enacted the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act)....**the House passed H.R. 1994 in May 2019 in a 417-3 vote...the House and Senate passed the bipartisan appropriations bill in December 2019 with the President signing it into law in December 2019.

The SECURE Act was attached to the appropriations bill as a package of bipartisan, bicameral provisions to improve retirement readiness by enhancing safe harbors, creating incentives for employers to expand participation and increase saving levels and open opportunities for small businesses to sponsor plans by easing administrative burdens and reporting obligations and costs.

Some of the highlights of the SECURE Act: 1) **allow unrelated employers to join a pooled employer “safe harbor” retirement plan to save on administrative costs along with a tax credit up to \$500 to help offset the costs of starting a plan;** 2) **provides for long-term part-time employees to participate;** 3) push back the required minimum distributions from retirement plans from age 70 ½ to 72; 4) expands Section 529 accounts (a tax advantaged savings plan to pay for education) for qualified student loan repayments and apprenticeship programs; 5) participants will receive an annual illustration of their yearly benefit statement that shows the estimated monthly retirement income; 6) removes the savings limitations by repealing the age limitation of 70½ and allow for contributions for a traditional IRAs.

We also bring your attention to a federal lawsuit in California – Howard Jarvis Taxpayers Association et al vs The California Secure Choice Retirement Savings Program filed back in 2018. The plaintiffs maintain that the California plan is subject to ERISA and therefore is in violation of its provisions. **Having a state law requiring participating employers to set up an employee retirement plan that may be subject to or pre-empted by ERISA depending how the court will interpret the plan design.** In September 2019, the U.S. Department of Justice filed an amicus brief challenging the legality of California’s Secure Choice Program citing preemption by ERISA and that the program does not qualify for “safe harbor” status under ERISA regulations. Which way the court(s) will rule may go up to U.S. Supreme Court.

Proponents for this study say the SECURE Act is not enough but this is the first step with more legislation to come forth this year from Congress. With the SECURE Act in place, let’s give Hawaii’s employers and employees the chance to start their retirement savings rather than assessing a feasibility and implementing a new state program for retirement savings.

Thank you for allowing us to share our views and respectfully **ask that this measure be held in committee.**