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OFFICE OF THE PUBLIC DEFENDER

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

TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON LABOR, CULTURE & THE ARTS
ON
SENATE BILL NO. 2490

February 4, 2020
2:45 P.M.
Conference Room 224

RELATING TO THE HAWAII RETIREMENT SAVINGS PROGRAM

Chair Taniguchi, Vice Chair Ihara and Members of the Committee on Labor and the Arts

The Department of Budget and Finance provides comments on S.B. 2490 to establish a Hawaii Retirement Savings Program task force, tasked with selecting a research entity to draft an implementation plan for the Hawai'i Retirement Savings Program for private sector employees and report its findings and proposals including legislation to authorize implementation of the plan to the legislature.

The Department of Budget and Finance believes a qualified task force should investigate retirements savings plans that have been adopted in other states as well as understand the role that state government may have in supporting employers that are interested in offering retirement plans under the provisions of the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 that was signed into federal law on December 20, 2019 and report its finding to the legislature.

Thank you for the opportunity to provide our testimony of this bill.

DAVID Y. IGE
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SARAH ALLEN
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TESTIMONY
OF
SARAH ALLEN, ADMINISTRATOR
STATE PROCUREMENT OFFICE

TO THE SENATE COMMITTEE
ON
LABOR, CULTURE AND THE ARTS
Tuesday, February 4, 2020 at 2:45PM

SB2490
RELATING TO THE HAWAII RETIREMENT SAVINGS PROGRAM

Chair Taniguchi, Vice Chair Ihara, and members of the committee, thank you for the opportunity to submit testimony on SB2490. The State Procurement Office (SPO) appreciates the intent of the bill.

The SPO, however, has strong concerns on the request to exempt the procurement of a third party consultant (Page 4, Section 2, lines 12-15). There are many consulting firms that would be able to compete for this work. In fact, the department does not need to procure at all for this requirement as the SPO has already awarded a nation-wide cooperative through the National Association of State Procurement Officers, called the PASS Contract (#19-19) for acquisition support services. This contract will allow the Department to hire consultants and subject matter experts to conduct an acquisition strategy (sourcing strategy) for this effort.

The Hawaii Public Procurement Code (code) is the single source of public procurement policy to be applied equally and uniformly, while providing fairness, open competition, a level playing field, government disclosure and transparency in the procurement and contracting process vital to good government.

Public procurement's primary objective is to provide everyone equal opportunity to compete for government contracts, to prevent favoritism, collusion, or fraud in awarding of contracts. To legislate that any one entity should be exempt from compliance with both HRS chapter 103D and 103F conveys a sense of disproportionate equality in the law's application.

Exemptions to the code mean that all procurements made with taxpayer monies will not have the same oversight, accountability and transparency requirements mandated by those procurements processes provided in the code. It means that there is no requirement for due diligence, proper planning or consideration of protections for the state in contract terms and conditions, nor are there any set requirements to conduct cost and price analysis and market research or post-award contract management. As such, Agencies can choose whether to compete any procurement or go directly to one contractor. As a result, leveraging economies of scale and cost savings efficiencies found in the consistent application of the procurement code are lost. It also means Agencies are not required to adhere to the code's procurement integrity laws.

The National Association of State Procurement Officials state: "Businesses suffer when there is inconsistency in procurement laws and regulations. Complex, arcane procurement rules of numerous jurisdictions discourage competition by raising the costs to businesses to understand and comply with these different rules. Higher costs are recovered through the prices offered by a smaller pool of competitors, resulting in unnecessarily inflated costs to state and local governments."

When public bodies, are removed from the state's procurement code it results in the harm described above. As these entities create their own procurement rules, businesses are forced to track their various practices. Moreover, a public body often can no longer achieve the benefits of aggregation by using another public body's contract because different state laws and regulations may apply to the various public bodies making compliance more difficult.

Each year new procurement laws are applied to state agencies causing state agency contracts to become more complex and costly, while other public bodies, such as agencies with strong legislative influence, are exempted. Relieving some public bodies from some laws by exempting or excluding them from compliance with a common set of legal requirements creates an imbalance wherein the competitive environment becomes different among the various jurisdictions and the entire procurement process becomes less efficient and costlier for the state and vendors.

Thank you.

AARP Real Possibilities in Hawaii

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THE SENATE
Committee on Labor, Culture and the Arts
Tuesday, February 4, 2020
2:45 p.m.
Conference Room 224

To: Senator Brian Taniguchi, Chair
Re: S.B. 2490, Relating to Retirement Savings

Dear Chair Taniguchi, Vice-Chair Ihara, and Members of the Committee,

My name is Keali'i Lopez and I am the State Director for AARP Hawai'i. AARP is a membership organization of people age fifty and over, with nearly 145,000 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 **strongly supports S.B. No. 2490** which establishes a retirement savings task force to select a research entity to draft an implementation plan for a Hawai'i retirement savings program for private sector employees utilizing information from other states' experiences and educational institutions with expertise on existing programs, and study the costs involved. The task force will report the findings and recommendations to the legislature including legislation to authorize the implementation of the program.

A. Need for a government-facilitated retirement savings program for private-sector workers

Today, the typical working household has only $2,500 in retirement assets and those close to retirement have only $14,500. The average Social Security benefit for an older family household (age 65+) in Hawai'i is about $17,898 a year, while they spend $25,400 a year on food, utilities and health care alone.

In the Aloha United Way's ALICE Report, 37% of senior households qualify as ALICE families. ALICE families – an acronym for Asset Limited, Income Constrained, Employed – have income above the Federal Poverty Level (FPL), but not high enough to afford a basic household budget that includes housing, child care, food, transportation, and health care. These ALICE families include households of all ages that are struggling to make ends meet in Hawai'i. However, there is a specific reference to Hawai'i 's aging population in the report. This 2017 Report states, "there is a concern for the financial stability of aging Baby Boomer as well as the health of the wider economy as the population ages. Recent studies have shown that U.S. workers are woefully unprepared for retirement:

- 39% of workers nationally give little or no thought to financial planning for retirement
- 31% have no retirement savings or pension
- 75% of Americans nearing retirement have less than $30,000 in savings"

(Reference: ALICE: A Study of Financial Hardship in Hawai'i 2017 Report – Project of Aloha United Way)

We know that fewer and fewer people have a pension plan and many workers – **about 216,000 people in Hawai'i** -- currently have no access to a 401K, or other ways to save for retirement at work. Without an easy access way to save at work, a secure retirement is out of reach for about half of Hawai'i's private-sector workers, especially those who work for small business.

While individuals can establish and contribute to a retirement savings program on their own; many do not. The fact is only **1 in 20 people** will go out on their own to do the research and complete the process to set up IRAs (Individual Retirement Account) for themselves. Studies show that workers are **15 times** more likely to save for their future if they can save through payroll deduction at work.

Many small businesses often choose not to offer retirement programs to their workers due to the costs, complexity and burden to manage this benefit. Establishing a government-facilitated program would help small businesses offer this savings option to their employees.

B. Cost-savings and benefits to taxpayers if more workers begin to save for their retirement

When people save for retirement, they are less likely to rely on public assistance programs later in life. AARP Public Policy Institute estimates Hawai'i 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. The combined state and federal savings are more than $160 million.(AARP Hawai'i Fact Sheet,May 2017)

C. Other states are addressing this national crisis for future retirees

Ten states have already passed legislation that improves workers' access to a retirement program, and 30 more are in progress to help their future retirees. Oregon, the first state to implement a state retirement program for private-sector employees, started enrolling eligible workers into the OregonSaves program in October of 2017. Since its inception, more than 66,000 workers have enrolled into OregonSaves and are saving for their future retirement needs. They are saving at an average rate of $128 per month and program assets currently top $42 million. Hawai'i must join in this national effort to identify solutions to help our working families be retirement ready, and AARP Hawai'i stands ready to work with the Legislature to do this through a Hawai'i Saves program.

D. Federal Legislation– Passage of SECURE Act

Congress recently passed the Setting Every Community up for Retirement Act of 2019 (SECURE Act) which expands access to retirement savings to over 27 million part-time workers in the U.S. The bill also makes it easier for smaller employers to join to offer a retirement program to their workers and expands the selection of lifetime income options for retirees. However, it does not have some of the key features that state automatic IRA programs do, such as plug and play retirement programs that small businesses can use without having to run or pay for it.

AARP supports the SECURE Act as part of a larger effort to improve retirement security. It does not provide provisions that will inhibit states from moving forward on establishing retirement savings programs. Therefore, states such as Hawai'i can and should continue to work towards establishing this program for our private sector workers. The SECURE Act does not create the framework to develop a formal savings program at the local level; it only compliments existing or future state efforts. In a recent CNBC report, J. Mary Iwry, Senior Fellow at the Brookings Institution, states, "There is no way the SECURE Act comes close to solving the coverage gap in the United States, but the Act is a good, constructive and necessary step forward". ("New

Programs aim to help the 55 million people without workplace retirement savings plans", Jan 30, 2020). Having both national and state level efforts will give more individuals access to a retirement saving program.

E. Commonly Raised Questions and Issues

The **Employee Retirement Income Security Act of 1974 (ERISA**) is sometimes voiced as a barrier to establishing a state-facilitated retirement program. ERISA is a federal law that sets minimum standards for most voluntarily established retirement and health plans in private industry to provide protection for individuals in these programs. However, state-facilitated retirement programs are not the same as an employer-sponsored plan which must abide with the ERISA regulations. Instead the public programs would likely fall under the 1975 safe harbor regulation providing that voluntary payroll deduction IRAs will not be treated as ERISA plans so long as they are merely *facilitated* by employers and not directly sponsored. (Source: 29 CFR 2510.3-2(d); 40 FR 34526 (Aug. 15, 1975).) These programs also come within longstanding Department of Labor guidance: (1999 DOL guidance issued by Interpretative Bulletin 99-1.) Oregon's program has been live for more than two years, and there is no active challenge to ERISA.

Hawai'i has the benefit of the experiences of Oregon, California, Illinois, and Maryland regarding this ERISA question. In all these states, laws to start a payroll deduction IRA plan were enacted over the objections of American Council of Life Insurers (ACLI), and each program is currently or will be accepting contributions by the end of 2020. ERISA concerns have not stopped them from helping their residents save for retirement.

A common misconception is that lower-income workers are unable to contribute to a retirement savings program because they don't have any extra money once they pay for their basic household necessities.

State programs are designed to put the worker in the driver's seat. The worker always decides if they want to save, how much they want to save and what they want to save in. They may opt out because of income concerns, but most are likely to stay in once enrolled. OregonSaves is demonstrating that lower income workers will participate. The average income of Oregon's new savers **is $29,000** and the average amount saved is $128 a month. Since its inception in 2017, 70 percent of eligible workers have signed up for OregonSaves and $42 million has been saved collectively by the participants.

Some of the questions raised by opponents, however, are not intended to solve the problem at hand, which is: how do you help Hawai'i's workers save for their retirement? Opponents to a Hawai'i Saves program raise objections with no alternative solution – in essence, the opponents advocate for a **status quo** approach to address a crisis that is growing in Hawai'i and across the Nation.

The Hawai'i Financial Health Pulse: 2019 Survey Results shows that the 69% of people in Hawai'i are facing financial challenges due to various factors such as the high cost of living. This makes it harder for people to spend, save, borrow and plan for their future that would allow them to be resilient and financially sound. If working families are struggling now, imagine what their financial outlook will be when they retire and have not saved sufficiently.

The report recommends "different actionable solutions that Hawai'i 's stakeholders such as the financial institutions, employers, colleges and universities, and policymakers should take to improve the financial health of Hawai'i's people. One key recommendation is that policy makers can promote initiatives that help Hawai'i residents to save, access affordable credit, manage finances and plan for retirement." This bill offers a solution.

Yes, there are still questions that need to be studied and answered, and that is the purpose of having a task force to oversee an implementation plan. The plan will include a study to evaluate the costs involved, propose an implementation plan with timelines, and explore the use of interstate partnerships and agreement. Ultimately, the plan will propose the best retirement savings program that can be successfully operational and sustainable for Hawai'i 's people.

Thank you for the opportunity to testify in **strong support** of S.B.2490.

Attachments: AARP Fact Sheet: Hawai'i Could Save $32.7 Million by Helping People Save for their Own Retirement, May 2017.
ALICE: A Study of Financial Hardship in Hawai'i 2017 Report – Project of Aloha United Way (Excerpt)

Fact Sheet: Hawaii

Hawaii Could Save $32.7 Million by Helping People Save for Their Own Retirement

William Shiflett and Catherine Harvey
AARP Public Policy Institute

When individuals save for retirement they are less likely to rely on public assistance programs later in life. State-facilitated retirement savings plans for small-business employees would help people save more for retirement and, in turn, save significant taxpayer dollars for programs like Medicaid, Supplemental Security Income, the Supplemental Nutrition Assistance Program, and housing assistance. More than 30 states are considering creating retirement plans for private-sector workers whose employers do not already offer one. New research finds that Hawaii would save $32.7 million on public assistance programs between 2018 and 2032 if lower-income retirees save enough to increase their retirement income by $1,000 more per year.

Fiscal Savings to States of $1,000 More in Retirement Income for the Bottom Two Retirement Income Quintiles

State	Total Savings, Combined Federal and State, 2018-32	Savings to State, 2018-32
Alabama	$156,459,591	$17,652,790
Alaska	$40,947,013	$13,051,329
Arizona	$396,596,440	$89,210,583
Arkansas	$129,450,257	$27,611,939
California	$5,383,081,091	$1,393,743,339
Colorado	$472,289,002	$154,864,156
Connecticut	$421,454,107	$89,974,509
Delaware	$69,140,518	$18,176,268
Florida	$1,404,379,386	$290,543,822
Georgia	$338,628,931	$52,545,035
Hawaii	$160,312,439	$32,749,675
Idaho	$54,198,256	$11,508,077
Illinois	$758,140,927	$139,013,992
Indiana	$268,263,150	$55,927,866
Iowa	$264,687,543	$67,574,339
Kansas	$195,565,665	$51,724,322
Kentucky	$319,759,599	$46,163,299
Louisiana	$201,858,462	$32,884,222
Maine	$135,574,464	$22,980,536
Maryland	$331,624,472	$69,676,767

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State	Total Savings, Combined Federal and State, 2018-32	Savings to State, 2018-32
Massachusetts	$1,318,605,436	$333,548,142
Michigan	$496,846,112	$81,681,041
Minnesota	$796,004,880	$257,527,390
Mississippi	$195,911,435	$29,494,258
Missouri	$403,926,297	$99,087,689
Montana	$46,325,459	$8,374,620
Nebraska	$130,684,259	$40,763,572
Nevada	$127,056,172	$24,048,205
New Hampshire	$62,650,543	$15,672,254
New Jersey	$809,192,172	$193,934,233
New Mexico	$49,319,790	$7,424,601
New York	$4,952,709,650	$1,467,056,431
North Carolina	$617,668,545	$127,363,525
North Dakota	$26,421,294	$5,652,108
Ohio	$1,093,070,035	$240,600,349
Oklahoma	$83,792,496	$20,526,999
Oregon	$453,533,958	$98,930,353
Pennsylvania	$1,359,355,285	$330,156,349
Rhode Island	$171,075,417	$25,439,603
South Carolina	$212,798,415	$37,450,871
South Dakota	$81,640,098	$14,053,954
Tennessee	$1,142,228,011	$260,188,825
Texas	$1,381,708,267	$340,644,794
Utah	$147,106,849	$26,089,868
Vermont	$53,543,140	$12,722,408
Virginia	$481,686,611	$135,330,635
Washington	$1,030,924,340	$297,935,294
West Virginia	$132,024,966	$17,217,926
Wisconsin	$684,324,456	$139,334,771
Wyoming	$50,305,916	$17,966,328
United States	$32,978,295,282	$7,793,556,409

Source: AARP Public Policy Institute analysis of Philip Trostel, The Fiscal Implications of Inadequate Retirement Savings in Maine *(Orono, ME: The University of Maine Margaret Chase Smith Policy Center, February 2017),* https://mcspolicycenter.umaine.edu/wp-content/uploads/sites/122/2017/03/final-aarp-report.pdf.

Fact Sheet 463, May 2017

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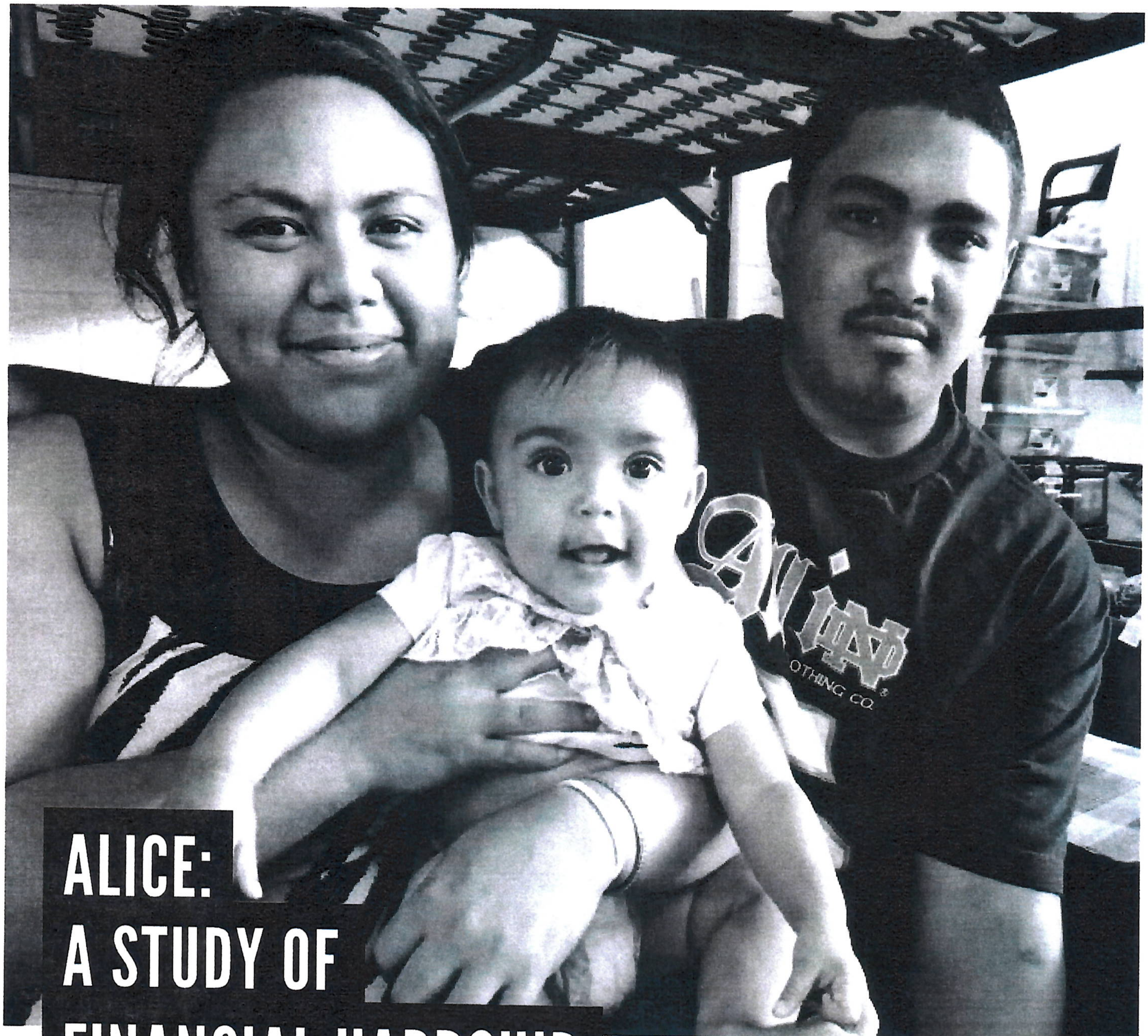


ALICE: A STUDY OF FINANCIAL HARDSHIP IN HAWAI‘I

LIVE UNITED

2017 REPORT

ALICE® is an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. This is a project of United Ways in Connecticut, Florida, Hawai‘i, Idaho, Indiana, Iowa, Louisiana, Maryland, Michigan, New Jersey, New York, Ohio, Oregon, Virginia, Washington, and Wisconsin.

United Way

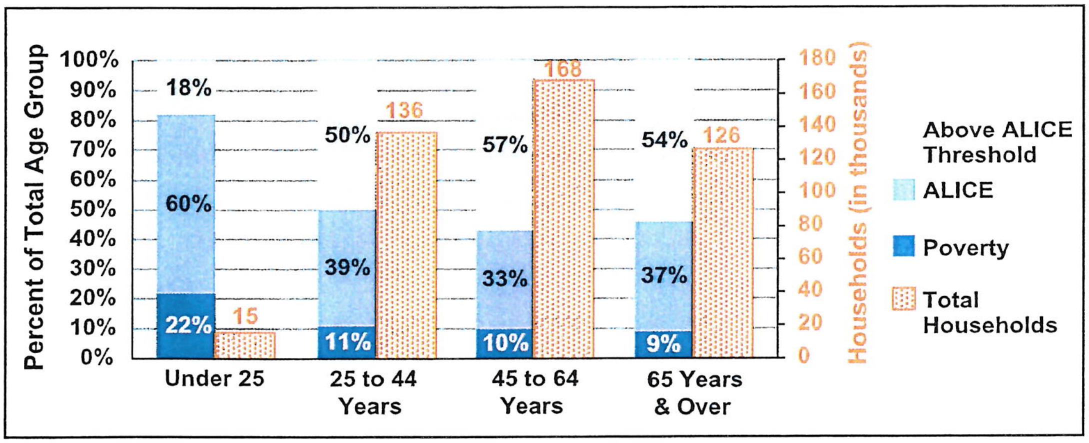
Apart from for a few notable exceptions, ALICE households generally reflect the demographics of the overall state population. Differences are most striking for those groups who traditionally have the lowest wages: women; lesbian, gay, bisexual, and transgender (LGBT) people; recent immigrants who are undocumented, unskilled, or in limited English-speaking households (all household members 14 years old and over have at least some difficulty with English); people with low levels of education; people with a disability; formerly incarcerated people; and younger veterans. County statistics for race/ethnicity and age are presented at unitedwayalice.org/hawaii.

"Apart from for a few notable exceptions, ALICE households generally reflect the demographics of the overall state population."

Age

There are ALICE households in every age bracket in Hawai'i (Figure 7). Within each age bracket, the number of ALICE households and households in poverty generally reflect their proportion of the overall population. Where they differ, the youngest are overrepresented in both poverty and the ALICE population.

Figure 7. Household Income by Age, Hawai'i, 2015



Source: American Community Survey, 2015, and the ALICE Threshold, 2015

Within the youngest Hawai'i age group (under 25), 22 percent are in poverty, while an additional 60 percent are ALICE households. As households get older, a smaller percentage of them are in poverty and are ALICE. Middle-aged households (25 to 44 years) have the second highest percentage of ALICE households, and those aged 45 to 64 years have the lowest. Senior households (65 years and older) are less likely to be in poverty (9 percent) but still have a high share of ALICE households (37 percent).

The comparatively low rate of senior households in poverty (9 percent) provides evidence that government benefits, including Social Security, are effective at reducing poverty among seniors (Haskins, 2011). But the fact that 37 percent of senior households qualify as ALICE highlights the reality that these same benefits are often not at a level that enables financial stability. This is especially true in Hawai'i, where the cost of living is high. This is reinforced by the fact that many senior households continue to work, some by choice and others because of low income. In Hawai'i's 65- to 74-year-old age group, 26 percent are in the labor force, as are 7 percent of those 75 years and over (American Community Survey, 2015).

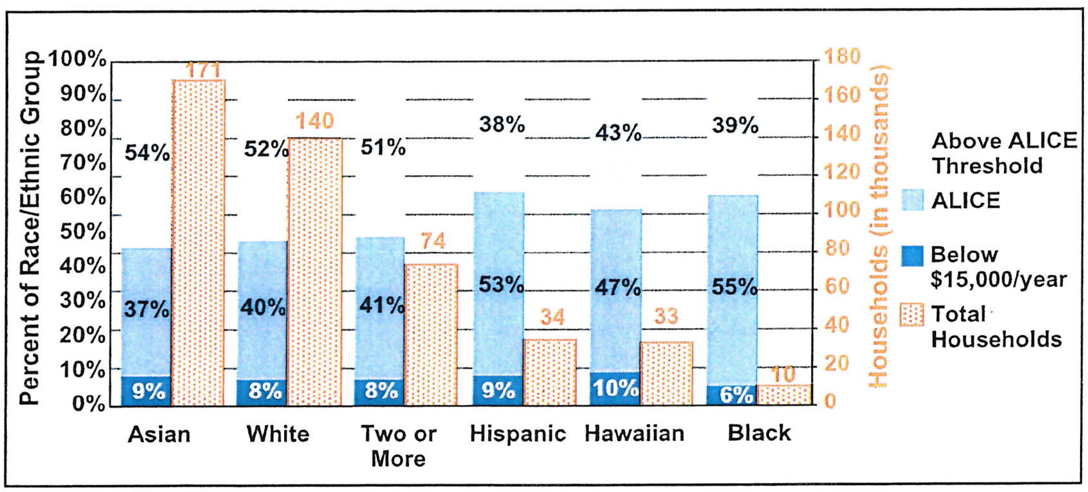
Earning enough income to reach the ALICE Threshold is especially challenging for young households in Hawai'i, as illustrated by the high numbers of younger households below the ALICE Threshold. The same is true in many parts of the country, and the response has typically been a decrease in the number of households headed by someone under the age of 25 as young workers move back in with their parents or find roommates to save money. From 2007 to 2015, the number of Hawai'i's households headed by someone under 25 decreased by 21 percent (Vespa, Lewis, & Kreider, 2013; American Community Survey, 2007, 2010, 2012, and 2015).

"Earning enough income to reach the ALICE Threshold is especially challenging for young households in Hawai'i, as illustrated by the high numbers of younger households below the ALICE Threshold."

Race/Ethnicity

Of Hawai'i's 445,900 households, 37 percent are headed by someone who is Asian (Asian alone, not Hispanic or Latino, U.S. Census classification), 30 percent by someone who is White, 16 percent by someone reporting Two or More Races, 7 percent by someone who is Hispanic, 7 percent by someone who is Native Hawaiian and Other Pacific Islander, and 2 percent by someone who is Black. At least 46 percent of households in each racial/ethnic group have income below the ALICE Threshold. Rates for Asians, Whites, and people of Two or More Races (a large population in Hawai'i) are between 46 and 49 percent, while rates for Hispanics, Native Hawaiians, and Blacks are 57 percent or higher (Figure 8).

Figure 8.
Households by Race/Ethnicity and Income, Hawai'i, 2015



Source: American Community Survey, 2015, and the ALICE Threshold, 2015

Note: Data in all categories except Two or More Races is for one race alone. Because race and ethnicity are overlapping categories and Hawai'i is a state with many races and ethnicities, the totals for each income category do not add to 100 percent exactly. This data is for households; because household size varies for different racial/ethnic groups, population percentages may differ from household percentages. Because household poverty data is not available for the American Community Survey's Race/Ethnicity categories, annual income below $15,000 is used as a proxy.

In terms of race and ethnicity, Hawai'i is one of the most diverse states in the country and one of the few "majority minority" states, with 70 percent of the population being non-White. Within racial/ethnic groups, there is additional diversity in national origin.

Before Captain James Cook's ships reached Hawai'i in 1778, the Native Hawaiian population was sizable, with estimates ranging from 110,000 to 1 million. Disease and war reduced that population to less than 40,000 by the turn of the 20th century. But the Native Hawaiian

Population growth in Hawai'i will vary across counties with the slowest rate of 0.5 percent annually in the City and County of Honolulu, while Hawai'i County is projected to grow at about 1.7 percent annually, Maui County at 1.2 percent, and Kaua'i County at 1.0 percent (State of Hawai'i Executive Office on Aging, 2011; Yahirun and Zan, 2016).

Hawai'i's population will continue to become both older and more diverse. The aging of the Baby Boomers has wide implications, including a smaller proportion of younger families and a decrease in the working-age population.

Hawai'i's low unemployment rate and growing economy will provide ongoing opportunities for both interstate migration and international immigration to Hawai'i, but because there are still obstacles to economic stability for immigrants, they may be harder to attract. There is more domestic migration than international immigration to the state, though the foreign-born population increased from 15 percent of the overall population in 1990 to 18 percent in 2015 (Migration Policy Institute, 2015).

An Aging Population

The composition of Hawai'i's aging population is as diverse as the overall state population but with a slightly different composition, and it varies by county. Across the state, the percentage of seniors who are Asian is 14 times the national average – 54 percent compared to 3 percent – with Japanese and Filipino ethnicities being the most common. The share of older adults who are Native Hawaiian or Other Pacific Islander is also higher than the national average, as is the share who identify as being of Two or More Races. A large percentage of Hawai'i seniors are foreign-born – 24 percent, nearly twice the national average of 13 percent. In Hawai'i, 28 percent of seniors speak a language other than English at home, and among those, 16 percent report that that they do not speak English at all or do not speak English well. Breakdown by county shows that the city and county of Honolulu contain the lowest share of White seniors (20 percent); Hawai'i County has the highest, at 47 percent (Yahirun and Zan, 2016).

"There is concern for the financial stability of aging Baby Boomers as well as for the health of the wider economy as the population ages. Recent studies have shown that U.S. workers are woefully unprepared for retirement."

Overall, in 2015 Hawai'i ranked first in the U.S. on the well-being of its 55-and-older population, particularly with regard to a sense of purpose (liking what you do each day and being motivated to achieve your goals), community (liking where you live, feeling safe and having pride in your community), and physical well-being (having good health and enough energy to get things done daily), according to the Gallup-Healthways Well-Being Index. In addition, Baby Boomers in Hawai'i represent the healthiest and best-educated generation to retire (Gallup-Healthways Well-Being Index, 2015; State of Hawai'i Executive Office On Aging, 2011; Yahirun and Zan, 2016).

Even with these good conditions, there is concern for the financial stability of aging Baby Boomers as well as for the health of the wider economy as the population ages. Recent studies have shown that U.S. workers are woefully unprepared for retirement:

- 39 percent of non-retirees nationally give little or no thought to financial planning for retirement
- 31 percent have no retirement savings or pension
- 75 percent of Americans nearing retirement have less than $30,000 in savings

In this landscape, the number of senior ALICE households will likely increase. During unemployment, many people draw down their retirement accounts to augment their household's cash flow. However, this strategy comes with both short- and long-term costs. Penalties are charged for early withdrawals and retirement savings are diminished, putting future financial stability at risk. In addition, retirement plan participation has continued to decrease since the Great Recession for families in the bottom half of the income distribution. Participation rebounded slightly only for upper-middle-income families from 2010 to 2013, but it did not return to the levels seen in 2007 (Bricker, et al., 2014; Barnes, 2014; Saad-Lessler and Ghilarducci, 2012).

This shift in demographics, as well as the impact of the stock market crash, falling house prices, and periods of unemployment will likely produce more senior ALICE households and increase their economic challenges. Many aging Hawai'i residents have seen the value of their homes decline and their retirement assets dwindle at the same time that their wages – and ability to save – have also decreased. The rate of homeownership for seniors is 78 percent, lower than the national average of 81 percent. A recent AARP report on working-age adults (18 to 64 years old) found that half of Hawai'i's private sector employees work for an employer that does not offer a retirement plan; more than 80 percent of these employees earn less than $40,000 per year (Federal Reserve, 2015; Yahirun and Zan, 2016).

"The second consequence of Hawai'i's aging population will be increased demand for geriatric health services, including assisted living and nursing facilities and home health care. But without sufficient savings, many families will not be able to afford these services."

More of the ALICE seniors will be women. Generally, women have worked less and earned less than men, and therefore have smaller or no pensions and lower Social Security retirement benefits. And since women generally outlive their male counterparts, they are more likely to be single and depend on one income as they get older. In Hawai'i, 48 percent of senior women were married compared to 71 percent of senior men – close to the national rate of 46 percent of women and 73 percent of men (Waid, 2013; Bureau of Labor Statistics (BLS), 2015; Hounsell, 2008; U.S. Census Bureau, 2012; Yahirun and Zan, 2016).

Infrastructure

The aging population, combined with other trends, will have significant consequences for ALICE households and the wider community. First, there will be increased pressure on the state's infrastructure, especially the housing market for smaller, affordable rental units. These units will need to be close to family, health care, and other services, or transportation options will need to be expanded for older adults who cannot drive, especially those in rural areas. Unless changes are made to Hawai'i's housing stock, the current shortage will increase, pushing up prices for low-cost units and making it harder for ALICE households of all ages to find and afford basic housing. In addition, homeowners trying to downsize may have difficulty realizing home values they had estimated in better times, which they had thought would support their retirement plans (U.S. Department of Transportation, 2015; State of Hawai'i Executive Office On Aging, 2011; Kupuna Education Center, 2013).

Senior Living and Eldercare

The second consequence of Hawai'i's aging population will be increased demand for geriatric health services, including assisted living and nursing facilities and home health care. But without sufficient savings, many families will not be able to afford these services. The median annual cost of a private room in a nursing home in Hawai'i is $145,270, representing 263 percent of the median household income for seniors in the state, according to the AARP Scorecard on Long-Term Services and Supports. In terms of other aspects of access to long-term care, Hawai'i compares well to the rest of the country, ranking sixth on a national index that includes information, awareness, counseling, and quality (Reinhard, et al., 2014).

The need for quality elder caregiving is already apparent. In 2014, Hawai'i's Adult Protective and Community Services Branch reported more than 800 cases of elder abuse – a term that applies to people over 60 years of age and includes treatment without consent, physical and sexual abuse, emotional abuse, neglect, and financial exploitation. Given the extent of suspected underreporting, estimates of total incidents in the state range between 10,000 and 24,000 per year, and an increasing volume of research suggests that about 10 percent of elders experience abuse over the course of their lives. Nationally, the reported incidence of abuse is increasing, even though seniors are often reluctant or unable to come forward (Quinn & Benson, Fall 2012; Anetzberger, October 2012; Lifespan of Greater Rochester et al., 2011; Galiher DeRobertis & Waxman LLP, 2014).

"The third trend as Hawai'i's population ages will be an increasing need for caregivers, both paid home health aides and unpaid family members, and both are more likely to be ALICE."

In terms of health services, older adults frequently don't receive recommended preventative care. In 2015, 15 percent of Hawai'i's at-risk adults (who are age 50 or older, in fair or poor health, or have ever been told they have diabetes or pre-diabetes, acute myocardial infarction, heart disease, stroke, or asthma) had not visited a doctor for a routine checkup in the past two years, slightly better than the national average of 13 percent (McCarthy, Radley, & Hayes, 2015).

Aside from the predictable decline in physical health, seniors in Hawai'i can be susceptible to mental health issues, but less so than many other areas of the country. According to the 2011 Behavioral Risk Factor Surveillance System (BRFSS) survey, in Hawai'i, 11 percent of 50- to 64-year-olds and only 4 percent of those 65 and older report mental distress, lower than the national averages of 13 percent of 50- to 64-year-olds and 7 percent of those 65 and older. These seniors are also more likely to report poor or fair physical health (Substance Abuse and Mental Health Services Administration in partnership with the U.S. Administration on Aging, 2012).

Caregiving

The third trend as Hawai'i's population ages will be an increasing need for caregivers, both paid home health aides and unpaid family members, and both are more likely to be ALICE. Nursing assistants are in the top 25 growth jobs in Hawai'i, followed by personal care aides and home health aides. These jobs involve substantial responsibility for the health of vulnerable clients, yet they pay only about $13 to $14 per hour and are not well regulated. They also require the worker to be there in person, which can mean travelling great distances even in bad weather and with variable hours (O'Keeffe and Wiener, 2011; Bercovitz, Moss, Park-Lee, Jones, & Harris-Kojetin, 2011; Redfoot, Feinberg, & Houser, 2013; Hardway, et al., 2011).

Hawai'i has one of the lowest rates of professional caregivers per senior. From 2010 to 2012, there were only 19 personal care, psychiatric, and home health aide direct care workers per 1,000 seniors – the second lowest rate in the country, and well below the national average of 40 per 1,000. Except for Honolulu, most of the Hawai'i is considered to be medically underserved and is designated a Health Professions Shortage Area by the U.S. Department of Health and Human Services (Reinhard, et al., 2014; Hardway, et al., 2011).

"Hawai'i is actually attracting large numbers of college students; some return home with their degrees, but many stay, work, and have children."

ALICE families in Hawai'i will likely take on more caregiving responsibilities for their own relatives, often because they cannot afford other care options. Currently, approximately 20 percent of U.S. households have a family caregiver, with half of those reporting income less than $50,000, or close to the ALICE Threshold. The demand for caregivers is projected to rise across the country. At the same time, fewer family members are likely to be available to provide care because of the financial burdens that caregiving imposes. The Caregiver Support Ratio, which measures the number of people in Hawai'i aged 45 to 64 for each person aged 80 and older, was 6.1 in 2010 and is projected to fall to 2.0 by 2030 and 2.3 in 2050. This means that the overall pool of middle-aged people who could potentially serve as caregivers to Hawai'i's seniors is shrinking significantly (AARP Public Policy Institute, 2015; Redfoot, Feinberg, & Houser, 2013).

There are serious health and financial consequences for caregivers. In addition to the toll that caregiving takes on mental and physical health, caregivers also risk future financial instability because of both reduced work opportunities and lost Social Security benefits and reduced pensions. This reality is reflected in the high percentage of caregivers who report stress: A recent study found that in Hawai'i, more than a quarter of caregivers (27 percent) reported high levels of stress, or were not well-rested – and this large percentage is actually the lowest rate in the country (Reinhard, et al., 2014).

The 5.5 million military caregivers in the United States are especially vulnerable. Military caregivers helping veterans from earlier eras tend to resemble civilian caregivers in many ways; by contrast, post-9/11 military caregivers (accounting for 20 percent of military caregivers) differ systematically, according to a RAND Corporation survey. These caregivers are more likely to be overseeing a younger individual with a mental health or substance use condition. The caregivers themselves tend to be younger (more than 40 percent are aged 18 to 30), non-White, also a veteran of military service, employed, and perhaps most significantly, not connected to a support network (Ramchand, et al., 2014).

Migration

The perception of Hawai'i is often as a state with a low immigration rate and small population growth, facing a brain drain and an outflow of income. However, the large flows of people coming into and out of the state, broken down by age group, tell a different story (Figure 42). Hawai'i is actually attracting large numbers of college students; some return home with their degrees, but many stay, work, and have children. Some older residents of Hawai'i leave their high-paying jobs there for jobs in other states, but most stay in Hawai'i and retire. These population flows present both opportunities and challenges for ALICE families.

In 2015, the largest movement of people in Hawai'i was among those aged 18 to 24 years old. That year, 15,583 people aged 18 to 24 moved to Hawai'i, 19 percent of them from outside the U.S. (light blue portion of the inflow bar in Figure 42). Another 14,671 people in this age group left the state. Only 13 percent of Hawai'i's migrants were college students, while almost a quarter of those leaving (24 percent) were high-school graduates going to college in other states (National Center for Education Statistics, 2014; American Community Survey, 2014; Stone, 2015).

MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

HEARING BEFORE THE SENATE COMMITTEE ON
LABOR, CULTURE & THE ARTS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 224
TUESDAY, FEBRUARY 4, 2020 AT 2:45 P.M.

To The Honorable Brian T. Taniguchi, Chair;
The Honorable Les Ihara, Jr., Vice Chair; and
Members of the Committee on Labor, Culture & The Arts,

TESTIMONY IN SUPPORT OF SB2490 RELATING TO
THE HAWAII RETIREMENT SAVINGS PROGRAM

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, with approximately 650 members. I am writing share our support of SB2490.

Over the decades, it has been widely recognized that fewer people are saving than they used to and the lack of savings impacts us over our lives. Without savings, people are less able to afford a home if they have no down payment saved, opportunities can be missed when they arise, and struggle when running into major medical or retirement issues.

We think creating avenues to help employees have their own retirement savings is valuable. However, we have questions on how the state can implement and run this program, given the broken ERS system. Therefore, we support this bill to establish a task force to study the feasibility and implications of creating a state retirement savings program.

We appreciate the opportunity to testify on this matter and ask that this bill be passed.

Sincerely,

Pamela Tumpap

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.

Hawaii Bankers Association

TEL:
808-524-5161
FAX:
808-521-4120
ADDRESS:
1000 Bishop Street, Suite 301B
Honolulu, HI 96813-4203

Presentation to The
Committee on Labor, Culture and the Arts
February 4, 2020 2:45 pm
State Capitol Conference Room 224

Testimony on SB 2490 With Comments

TO: The Honorable Brian T. Taniguchi, Chair
The Honorable Les Ihara, Jr., Vice Chair
Members of the Committee

My name is Neal K. Okabayashi, the Executive Director of the Hawaii Bankers Association (HBA). HBA is the trade association representing eight Hawaii banks and two banks from the continent with branches in Hawaii.

The intent of SB 2490 is to study the feasibility of a Hawaii retirement savings program, but the bill could be improved by adding an individual to represent businesses that already offer retirement programs to anyone, including through a 401(k) or an IRA.

It is fitting that a member of the task force will be a representative of small businesses because as the Pew Charitable Trust found that employees for a small business were less likely to have access to a retirement plan. That would suggest that the scope of any state retirement program should be limited to small business employers since a state sponsored retirement program with its state subsidy should not compete with the private sector.

The task force should also be mandated to study the impact of any state retirement program, with its tax subsidies, on the private sector which already provides retirement services.

The task force should also be mandated to study the impact of the SECURE Act which was only recently enacted (December 20, 2019). The SECURE Act also provides incentives for small businesses to provide retirement plans, including raising the amount of a tax credit for startup costs for a retirement plan and the ability of unrelated small businesses to affiliate to offer a retirement plan to its combined employees.

Thank you for the opportunity to submit this testimony to offer comments on SB 2490. Please let us know if we can provide further information.

Neal K. Okabayashi
(808) 524-5161

SB-2490
Submitted on: 2/1/2020 11:38:40 AM
Testimony for LCA on 2/4/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Peter Inoue	Testifying for AARP	Support	No

Comments:

I have been a third party pension plan administrator for 41 years in Hawaii and have seen employees struggle to save money for their retirement, even those who have access to a retirement plan at work. Hawaii's relatively low wage levels and high cost of living prevent an active regular saving program at work or where they bank. Employer sponsored 401(k) plans are mosty successful becasue of the ease of payroll deduction. Hwever, my experience shows that employees can't afford to save even when a matching employer contribution is available. There are many savings options publically availalbe through brkerage firms, insuranace companies and online services. However, complexities of many savings programs, such as fees, investment choices and other regulatory hurdles completely frustrate and turn off potential savers. Most of these savings options will balk at a saver's wish to deposit $25 per week because of the option's operating costs.

This task force approach allow the members to address opportunities, challange and frustrations of the beginning retirement saver. The ultimate savings solution must be inexpensive, fueled by the ease of payroll deducations for both employees and employers and serviced locally. I would suggest the committees add a representative from local financial institutions (banks, credit unions, investment firms). These sources are really the backbone of a beginner's retirement savings program. A bicycle can get you from here to there without the cost and atttedant baggage of renting or owning a motor vehicle.

I urge the committee to support this legislation.

Aloha,

Peter Inoue

HAWAII APPLESEED
CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of the Hawaiʻi Appleseed Center for Law & Economic Justice
In Support of SB 2490 – Relating to the Hawaii Retirement Savings Program
Senate Committee on Labor, Culture and the Arts
Tuesday, February 4, 2020, 2:45 PM, conference room 224

Dear Chair Taniguchi, Vice Chair Ihara, and members of the Committee:

Thank you for the opportunity to provide testimony in **SUPPORT** of **SB 2490**, which would establish the Hawaii Retirement Savings Task Force, which would evaluate a retirement savings plan for non-government employees.

According to the U.S. Census Bureau's supplemental poverty measure, Hawaiʻi's senior poverty rate is 15.7 percent, the 8th highest rate in the nation.[i] Nearly half (47.0 percent) of Hawaiʻi's seniors have incomes below 200 percent of the supplemental poverty measure, which is the 7nd highest rate among the states.

Meanwhile, 85.3 percent, or nearly 261,000, Hawaiʻi residents aged 65 or older received Social Security benefits in 2018, which was lower than the national average of 89.9 percent.[ii] Hawaiʻi seniors received a median monthly Social Security benefit of $1,429.00, just below to the national average of $1,440.50,[iii] while having 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 prevent more poverty among our seniors and to protect 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 Hawaiʻi 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.[iv]

Dozens of states have been considering the ways that they could help their workers save more via state-managed retirement plans. In fact, eight states – California, Connecticut, Illinois, Maryland, Massachusetts, New Jersey, Oregon, and Washington – already passed laws for automatic enrollment retirement savings programs for their workers.[v]

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.[vi] 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 makes it easier for them to save. As a possible remedy to the lack of retirement savings, automatic enrollment can affect senior poverty levels and, by reducing the number who would need to rely on public assistance, state budgets.

We need to start now to ensure that as few of our future retirees as possible end up struggling in poverty. Mahalo for your consideration of this testimony.

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[i] https://www.kff.org/report-section/how-many-seniors-live-in-poverty-tables/
[ii] https://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2018/table01.html
[iii] https://www.ssa.gov/policy/docs/statcomps/supplement/2019/5j.html#table5.j6
[iv]https://www.aarp.org/content/dam/aarp/research/surveys_statistics/econ/2016/2016-Hawaii-Work-and-Save-Onepager-AARP-res-econ.pdf
[v] https://www.corpay.com/state-retirement-plans-now-mandatory-in-8-states/
[vi] http://cepr.net/blogs/beat-the-press/the-paul-ryan-small-savers-tax

NAIFA HAWAII

Senate Committee on Labor, Culture and the Arts
February 4, 2020 – 2:45 pm – Room 224

SB 2490: Relating to the Hawaii Retirement Savings Program

Chair Taniguchi, Vice Chair Ihara, 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.

The purpose of SB 2490 is to establish the Hawaii Retirement Security Task Force to select a research organization to evaluate the cost and propose an implementation plan for the yet to be established Hawaii Retirement Savings Program for private sector employees who are not currently covered by an existing employer sponsored retirement plan. The task force members are from government, financial service industry, small business, retiree, small business and consumer groups. There's a $400,000 appropriation for fiscal year 2020-2021. The task force shall report to the Legislature prior to the convening of the regular session of 2021 and dissolve on March 15, 2021.

We respectfully do <u>not</u> support SB 2490.

We understand the importance of retirement security and acknowledge 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. If a retirement plan is not offered at work, employees have ready access to low-cost IRAs through local financial advisors and financial institutions. **There simply is no need for a state program to compete with the private sector.**

In addition, the existence of a state-run retirement plan could result in employers with strong existing 401k and other types of plans dropping them and allowing the state-run program to take the place of the existing plan. This would lead to more plans with lower contribution limits and a loss of matching contributions by employers.

There are many reasons - other than a lack of access to retirement plans - for why people aren't saving enough for retirement. These reasons include the fact that many people simply do not have enough dollars left after paying their monthly bills to also save for retirement, as well as a lack of understanding of how important it is to put money away for the future. Policymakers should analyze why people aren't saving enough before enacting solutions.

We believe that states would be better served by using scarce state resources for education and outreach efforts designed to educate their citizens about the importance of saving for retirement, rather than implementing their own costly state-run plans.

As stated in our testimony for SB 2489 since Congress has enacted the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) and the President signing it into law in December 2019, we urge you to shelve this task force. The SECURE Act as passed by Congress was a bipartisan, bicameral package attached to the end of year appropriations bill.

The SECURE Act has a number of provisions to incentivize retirement planning, diversity the savings options and increase access to tax-advantaged savings program. The act aims to encourage employers to start offering retirement savings plans to improve retirement savings for their employees by reducing administrative costs and burdens.

With the SECURE Act in place let's give Hawaii's employers and employees the chance to start their retirement savings rather than 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**.

SB-2490
Submitted on: 2/3/2020 12:43:36 PM
Testimony for LCA on 2/4/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
GARY SIMON	Testifying for Hawaii Family Caregiver Coalition	Support	No

Comments:

Dear Chair Taniguchi, Vice Chair Ihara, and Honorable Members of the Senate Committee on Labor, Culture, and the Arts:

I am Gary Simon, President of the Hawaii Family Caregiver Coalition, whose mission is to improve the quality of life of those who give and receive care by increasing community awareness of caregiver issues through continuing advocacy, education, and training.

The Hawaii Family Caregiver Coalition strongly supports SB 2490, which establishes the Hawaii Retirement Savings Program task force, tasked with evaluating a retirement savings plan for non-government employees and reports findings and recommendations to the legislature; and appropriates funds.

We encourage you to establish the task force as soon as possible.

Employees are 15 times more likely to save when they can do so at work.

A Hawaii retirement savings program will make it easier for businesses to offer employees a way to save out of their regular paychecks, helping them take charge of their financial futures and live independently as they age.

It is their own money that they can take with them from job to job.

It is their own money that they can rely on in later years for a more secure future.

Contributions can be made with an automatic deduction from their paychecks.

Providing employees a simple way to save for retirement will mean fewer will need to rely on public assistance later in life, which will save taxpayer dollars.

We urge you to support SB 2490, and we urge you to recommend its passage.

We thank you for seriously considering the Bill.

Very sincerely,

Gary Simon

President

Hawaii Family Caregiver Coalition

SB-2490
Submitted on: 2/3/2020 5:18:23 PM
Testimony for LCA on 2/4/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Sarah Yuan	Testifying for Policy Advisory Board for Elder Affairs	Support	No

Comments:

The Policy Advisory Board for Elder Affairs has a statutory obligation to advocate on behalf of the senior citizens of Hawaii. While we advise the Executive Office on Aging, we do not speak on its behalf.

The PABEA strongly supports bill **SB2490** which establishes a retirement savings task force to secure a consultant to assess the feasibility of a Hawaii retirement savings program; research the implications of the federal SECURE Act; draft an implementation plan for a retirement savings program for private-sector employees; and submit a report of findings and recommendations including any proposed legislation to implement a program. The bill requests an appropriation of the $500,000 to retain a consultant to conduct the activities as identified in this bill and pay for associated expenses.

According to AARP, retirement saving tools are not readily available for about 216,000 Hawaii workers--many of them work for small businesses. Only 1 in 20 people will take the initiative to set up IRAs for themselves. Studies show that an effective way to help these workers to save for their future is to establish retirement plans through payroll deduction at work. The state of Oregon has offered a retirement savings program to its lower-income workers since 2017, and 70% of eligible workers have signed up. Data show that the average income of the new savers is $29,000, and the average amount saved is $128 per month. This bill will establish a task force and fund the consultation work needed to develop a plan for the HawaiiSaves program.

Thank you for your consideration of this testimony.

Senator Brian Taniguchi and members
of the Senate Labor, Culture and the Arts Committee
Hearing 2:45 pm
Feb. 4, 2020
Room 224
via email LABtestimony@capitol.hawaii.gov

Testimony on Senate Bill 2490 from Mike Hernandez-Soria

Dear Chair Taniguchi and members of the Senate Labor, Culture & the Arts Committee

My name is Mike Hernandez and I am the general manager of Hawaiian Cool Water. I am in **strong support of Senate Bill 2490**.

Like about half of the private-sector businesses in Hawai'i, we do not offer a retirement savings plan to our workers even though I want to help them save and it would make us more competitive to hire and keep workers.

I've looked into offering retirement savings plans for my workers and the options are just too expensive and would require too much time and effort to implement for a small, growing company like ours.

Our workers are large part of the reason for our success and we want them to be successful later in their later years. That's why a program like Hawaii Saves makes sense. Studies show that workers are 15 times more likely to save if they can save through payroll deduction. They are 20 times more likely to save if they are auto-enrolled and have the option to opt out.

A state-facilitated program – run by a private, reputable financial services company offered at no cost and little effort to businesses would allow us to help our workers save. The state's help is needed to create the economy of scale to make a plan like this a success.

I know I am not the only small business that feels this way. An AARP survey of small businesses owners and decision makers showed 63 percent do not offer a retirement savings plan and 69 percent would likely offer a Hawaii Saves option if it was available.

The same survey showed 76 percent of small business owners say more should be done to encourage Hawaii residents to save for retirement and 80 percent agree that lawmakers should support a Hawaii Saves plan.

I urge you to pass a Hawai'i Saves program this year. About half of the private-sector workforce – 216,000 workers in Hawaii -- are not able to save for retirement at work. The longer we wait to set up a program, the less money workers will save. Nearly half of Baby Boomers and Gen X workers already lack the income to meet basic retirement expenses and health care costs.

If these worker were able to save enough money to generate $1,000 in extra income during retirement, one study shows the state will save $32.7 million over 15 years in reduced public assistance program costs and combined state and federal savings would be more than $160 million in lower rental subsidies, food assistance and medical costs. The savings to the taxpayer would grow as more workers saved.

Please help workers, small business and taxpayers. Start a Hawai‘i Saves program.

Mike Hernandez-Soria
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mike@hawaiiancoolwater.com

Priam's Automotive
Service & Repair, Inc.
2002 Pauoa Rd
Honolulu, Hawaii 96813

Testimony in Support of Senate Bill 2490

February 4, 2020
Chair Brian Taniguchi and Members of the Committee
Senate Committee on Labor, Culture and the Arts
2:45 pm, Room 224

My name is Sharon Stewart and I am the owner, along with my husband, of Priam's Automotive Service & Repair, Inc., a small business in Pauoa.

Like many small businesses, we value our employees and want to take care of them. We would love to offer a retirement savings program to help our workers save for their retirement so they don't have to work forever.

But we have enough paperwork to deal with already just keeping our business going. We don't have a human resources department and we don't have the time nor money needed to create a retirement savings program. I think we're too small for banks or insurance agents to bother with and besides, we don't have the money to spend on an expensive 401K plan.

That's why creating a Hawai`i Saves program, similar to the OregonSaves program that's helping small businesses and workers in Oregon, makes sense. If it's easy and inexpensive for businesses to participate, then we will participate. If it's easy for workers, they'll participate too.

As taxpayers, we are also concerned about the large number of people who have no retirement savings. Who is going to pay for what Social Security doesn't cover? Social Security alone is not enough for people to live on in Hawai`i. That burden, I fear, is going to fall on taxpayers. So anything we do now to help people save their own money for their own futures, will pay off in the long run.

Thank you for your consideration.

Sharon Stewart
Vice President
Priam's Automotive Service & Repair
2002 Pauoa Road
Honolulu, HI 96813-1516
808-537-1919
Priams_Auto@yahoo.com

To: Chair Brian Taniguchi and
Members of the Senate Committee on Labor, Culture and the Arts
Re: SB 2490 -Relating to Retirement Savings
2:45 pm, Tuesday February 4,2020
Room 224

Testimony in Support of Senate Bill 2490

We need to create a Hawaii Saves program and I am in strong support of Senate Bill 2490. My name is Elizabeth Hata-Watanabe and I own Burgers on Bishop. We pride ourselves on making the best burgers and desserts in town and our success is due to the hard work my employees and I put into our craft. So I want to help my employees succeed. I want them to save for retirement and I want them to be able to retire.

But I can tell you as a small business owner that it's not easy to help workers save. I cannot afford to offer them a payroll savings plan, even though I know they are 15 times more likely to save if the money comes out of their paychecks. Not only is it expensive and complicated to hire a financial advisor, possibly a lawyer and then pay fees to set up payroll savings, but it's also time-consuming. And I don't have time to set up a program and manage it. I'm too busy running a restaurant.

So a state-facilitated retirement program like Hawaii Saves is the easiest way for me to offer savings to my employees and the best chance they have of actually saving. If I can add it to my payroll system at little or no cost and have my employees' funds managed by a private, reputable financial service company selected by the state, similar to the way the state runs college 529 savings plans, I would enthusiastically participate. It would help me keep my employees happy and compete against larger businesses that can offer savings plans.

One of the reasons I'm passionate about supporting this program is because as a woman business owner I know women are much more likely to retire into poverty and this program will help women save. On average women live longer so their retirement savings needs to go further. They also make less money, which means lower savings and lower Social Security benefits. So it's critical that women have access to payroll savings and a retirement account that is their own that can travel with them no matter where their life takes them.

Many of my workers are young and they will benefit most from starting retirement savings early because of compounding – the fact that, if invested properly and not withdrawn, their money will likely double every seven to ten years. So $2,000 invested at age 20 could become more than $176,000 by age 67 if you averaged a 10 percent annual return. And that doesn't even count the additional money workers would save over the course of their lifetime. But even older workers would benefit from a Hawaii Saves program. The key is to get into the savings habit and without an easy way to save, too many workers do not save.

This is not a government handout. This program is about helping workers save for their own futures.

As a taxpayer, I worry about the ticking time bomb cost of all the workers who are not saving now. The average retirement savings for workers is $2,500 and the average worker close to retirement has saved only $12,000. We as taxpayers will have to pay for them when they get old and cannot work anymore. What will our homeless situation be like if we have kupuna who cannot pay for their housing because their Social Security payments can't cover medicine, food and rent? How many of these older homeless will be women?

The time to act is now. We cannot do nothing. Please pass Senate Bill 2490.

Elizabeth Hata-Watanabe
Burgers on Bishop
745 Fort Street, #130
Honolulu, HI 96813
(808)586-2000

FINANCIAL GROUP

Strength Flexibility Preservation

Date: February 4, 2020

To: Chair Brian Taniguchi
Senate Committee on Labor, Culture and the Arts

From: Joanna Amberger, 3 Financial Group LLC

Subject: Support for SB 2490 Relating to the Hawaii Retirement Savings Program

Good morning Chair and Committee Members. My name is Joanna Amberger. I'm a CERTIFIED FINANCIAL PLANNER™ and owner of **3 Financial Group LLC**, a local small business. I'm writing to request your support of SB 2490, relating to the Hawaii Retirement Savings Program. This legislation would establish a task force to look how small business and workers in the private sector can save for retirement through payroll deduction and facilitate the establishment of an "Auto-IRA" retirement savings program.

With the high cost of living in Hawaii, it is often hard for people in the low- and middle-income brackets to save for the future. Hawaii is a state of small businesses and government workers. While the government workers have many opportunities to save and invest, the private sector small business employees do not. Because of this, there is a deep disparity among Hawaii's workers, which threatens the future of individuals and our communities.

Hawaii's private sector workers need more opportunities and incentive to save. "Hawaii Saves" could help. In looking at the "Oregon Saves," model, I note that the average income of those who have participated is less than $30,000 a year. This income group is underserved by the financial industry because they are not viewed as profitable customers.

Therefore, I want to reassure the committee that a financial planner, I'm not concerned about the proposed "Hawaii Saves," legislation taking business away from me. The group that would be most helped by this legislation is not a group that would typically look to me for services. I wholeheartedly support this avenue of helping Hawaii's private sector workers achieve financial security in retirement. Further, I note that if this group starts to invest, they will become eligible for the IRS's "Savers Credit," a special tax credit designed specifically for low and moderate-income taxpayers to help encourage saving more for retirement.

I respectfully urge you to support Hawaii Saves.

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1888 Kalakaua Ave., Suite C312 | Honolulu, HI 96815 | 808.791.2925 | www.3FinancialGroup.com
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Senate Committee on Labor, Culture and the Arts
February 4, 2020
2:45 pm, Room 224
Testimony in Support of Senate Bill 2490

Dear Senator Brian Taniguchi, Chair, and Committee Members:

My name is Jon Iha and I am the chef/owner of the Gochi Grill on Bishop Street. I love cooking and I love to have been able to open my own restaurant. It's a lot of work to open your own business and unfortunately there's not enough time or energy left over to figure out how to offer your workers a savings plan.

I am in strong support of **SB 2490.**

I want to help my workers and I want to be competitive and be able to offer them retirement savings. But it's not easy. It's complicated, expensive and time consuming, especially when you are starting up a new small business.

If the state were to offer an easy, no cost way for small businesses like mine to offer a retirement savings program, I would take it. I understand the OregonSaves program is working and helping small businesses and workers there. Why can't we have a similar program here?

The lack of retirement savings means many Hawai'i workers will retire into poverty. What will happen to them? Will they become homeless? It will be difficult, if not impossible for them to survive on Social Security alone without some kind of help from the government for housing, food and medical assistance.

Saving through payroll deduction is the most effective way to get people to save.

Let's take a step in the right direction now to help people help themselves and start saving. Waiting means less time for people to save and more workers will be in danger of retiring poor.

Thank you for the opportunity to testify.

Jon Iha
Gochi Grill
1111Bishop Street Suite #112
Honolulu, HI 96813
(808) 585-8558

Testimony in Support on Senate Bill 2490

February 4, 2020

Senate Committee on Labor, Culture and the Arts

TO: Chair Brian Taniguchi, and Members of the Committee

My name is Larry Stenek and I am the owner of Art Nelson Sailmaker/Ullman Sails Hawaii and I am writing in strong support of Senate Bill 2490.

We need to make it easy for workers to save for retirement. Payroll savings is the easiest way to save. But it's not easy for small business owners like myself. In fact, it's expensive and time-consuming for a business owner to set up a payroll savings plan. Our company is small. We don't have a human resources department and I don't have the time nor money to research all of the plans that are out there, nor do I have the time and money to do everything needed to keep the program going. All my time and energy and my worker's time and energy is focused on making the best sails and rigging possible and delivering quality products to our customers.

Having a state-facilitated savings plan, that we could implement into our payroll system easily, at little or no cost, would give my workers a common-sense way to save at work and make us more competitive as an employer.

Too many people in Hawaii are unprepared for retirement and have little or no savings. One of the reasons for that is the lack of access to payroll savings plans. About half of private sector workers, according to AARP, are not able to save easily at work.

What will happen to them if they get sick or can't work anymore? It's likely that we as taxpayers will have to help them with rent, food and medical care.

To me, it's a no brainer. We have to do something to make it easier for people to save or workers won't save and we will all pay for that down the line. The longer we wait to create a program like Hawai'I Saves, the less time there is for people to save and that will mean a bigger bill for taxpayers in the future.

Sincerely,

Larry Stenek
Art Nelson Sailmaker/Ullman Sails
419 Waiakamilo Road #2d
Honolulu, HI 96817
(808)593-9958

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS IN OPPOSITION TO SB 2490, RELATING TO THE HAWAII RETIREMENT SAVINGS PROGRAM

February 4, 2020

Honorable Senator Brian T. Taniguchi, Chair
Committee on Labor, Culture and the Arts
State Senate
Hawaii State Capitol, Room 224
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Taniguchi and Committee Members:

Thank you for the opportunity to testify in opposition to SB 2490, Relating to the Hawaii Retirement Savings Program.

Our firm represents the American Council of Life Insurers ("ACLI"). The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 of the industry assets in the United States. ACLI members represent 95 percent of industry assets in the United States. Two hundred eighteen (218) ACLI member companies currently do business in the State of Hawaii; and they represent 95% of the life insurance premiums and 99% of the annuity considerations in this State.

The stated premise for the bill is that many small employers in Hawaii do not have access to affordable retirement plans for their employees.

ACLI strongly believes that access to workplace retirement plan coverage is critical to helping workers meet their retirement savings challenges.

However, we disagree that these plans are not available.

To the contrary, the current market place offers a wide variety of low cost and affordable retirement vehicles for both employers and workers that facilitate worker retirement savings. These include, for example, individual and payroll deduction IRAs, Simplified Employee Pensions (SEPs), SIMPLE IRA plans, and 401 (k) and 403(b) plans that are available directly or as part of an association pooled employer plan.

In fact, the passage of the SECURE Act by Congress on December 20, 2019 represents a breakthrough for multiple employer plan arrangements which will offer small employers lower costs and simplified administration. In addition, the Act now offers significant tax credits to employers who set up their own plans. The new law is expected to dramatically increase the number of small employers adopting retirement plans and more importantly, the participation of their employees in those plans.

Here are a few highlights:

Long-term and part-time workers will be able to join their company's 401(k) plan

- Up until now, if you worked less than 1,000 hours per year, you were generally ineligible to participate in your company's 401(k) plan.
- Except in the case of collectively bargained plans, the law now requires employers maintaining a 401(k) plan to offer one to any employee who worked more than 1,000 hours in one year, or 500 hours over 3 consecutive years. Thus, a part timer working at least a 20 hours a week will now be able to participate in his employer's 401(k) plan.

Small-business owners can receive a tax credit for starting a retirement plan, up to $5,000

- The new law provides a start-up retirement plan credit for smaller employers of $250 per non-highly compensated employees eligible to participate in a workplace retirement plan at work (minimum credit of $500 and maximum credit of $5,000).
- This credit would apply to small employers with up to 100 employees over a 3-year period beginning after December 31, 2019 and applies to SEP, SIMPLE, 401(k), and profit-sharing types of plans.
- If the retirement plan includes automatic enrollment, an additional credit of up to $500 is now available.

Diverse small-business owners may now join together to offer streamlined defined contribution retirement plans, such as 401(k) and profit sharing plans

- The new law facilitates the adoption of open multiple employer plans (MEPs) by allowing completely unrelated employers to participate in a MEP and eliminates the IRS's "one bad apple" rule, which stipulates that all employers participating in an MEP may face adverse tax consequences if one employer fails to satisfy the tax qualification rules for the MEP.
- Roughly half of private-sector workers in the U.S. don't have access to a retirement plan through their employer. Open MEPs can help deliver low-cost, high-quality retirement plans for millions of small business workers.

The SECURE Act builds on a new regulation also designed to improve small employer access to retirement plans. On July 29, 2019, the Department of Labor issued the final Association Retirement Plan (ARP) regulation that allows for groups or associations of employers that either are in the same trade, industry, line of business or profession or who are in the same geographic area to establish an ARP. The ARP can include both employees and working owners. The new regulation expands which Chambers of Commerce and other Associations can establish plans for their members, and it provides new opportunities for small employers to offer a cost-efficient retirement plan to their employees.

As a result of these dramatic changes in the law the stated purpose of the bill may well be questioned.

Section 1 of SB 2490, at lines 13 through 21, page 2, states:

> The purpose of this Act is to establish a retirement savings task force to:
>
> (1) Select a research entity to draft an implementation plan for the "Hawaii retirement savings program for private sector employees"[1]; and
>
> (2) Report to the legislature with its findings and proposals including legislation to authorize implementation of the plan.

Section 2 of the bill establishes the retirement savings task force. The task force is directed to conduct a study to evaluate the cost and propose an implementation plan for the State's own retirement savings program. Sections 2(a) and 2(b), lines3 through 11, at page 3.

As the current market place already offers a wide variety of low cost and affordable vehicles that facilitate worker retirement savings and in light of the recent passage of the SECURE act by Congress in December of last year the study to evaluate the cost of the State's own retirement savings program which is to include a proposed plan for its implementation as mandated by SB 2490 appears to be unnecessary.

For the foregoing reasons ACLI must respectfully oppose SB 2490, and urges this Committee to defer passage of this bill.

LAW OFFICES OF
OREN T. CHIKAMOTO
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[1] However, the bill authorizes the Task Force to engage a third party to conduct the analysis and study. Section 2, paragraph (e), lines 12-13, at page 4 of the bill.

SB-2490
Submitted on: 2/1/2020 1:51:45 PM
Testimony for LCA on 2/4/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Esther Ueda	Individual	Support	No

Comments:

Please support Senate Bill 2490.

People are not saving enough for retirement.

The potential savings program that would be developed under this proposal will help many employees save more for retirement. I have been retired for over 20 years and I know how expensive retirement can be--there are always unexpected expenses and inflation issues. although I am fortunate to have a pension from my employer, I know that many of the workers today will need to fund their retirement mainly through their own savings efforts. This bill will potentially provide a venicle for them to accomplish this.

Kathleen M. Jaycox
559 Pauku St.
Kailua, HI 96734

Hawaii State Senate
Committee on Labor, Culture and the Arts
Tuesday, February 4, 2020
2:45 pm
Conference Room 224

To: Senator Brian Taniguchi, Chair
Subject: S.B. 2490, Relating to Retirement Savings

Dear Chair Taniguchi, Vice-Chair Ihara and Members of the Committee:

Thank you for providing me with this opportunity to speak in support of SB 2490.

I am a retiree who was lucky enough to work for the state; so it was easy for me, while working, to have a portion of my salary set aside for retirement. But many of my kupuna friends were not so lucky -- especially if they worked for small businesses.

Today, data from AARP indicate that nearly 50% of private-sector employees in Hawaii work for companies that do not offer a savings plan. Yet studies show that workers are 15 times more likely to save for their future if they can do so through payroll deduction. The beauty of this proposed legislation is that it allows employees at all salary levels -- no matter how low -- to set aside some portion of their salaries for their later years. And it does this without putting heavy paperwork demands on employers. As the language of the bill notes, "Employee[s] who are offered the opportunity to save through [their] place of employment [are] significantly more likely to participate and make steady contributions to build retirement savings."

Currently, older individuals who lack retirement savings often turn to government-funded programs to help them meet basic needs (food, health care, housing assistance). Or even if they try to survive without depending on government assistance, they may need to mortgage their homes (their only asset) in order to have a source of income. Both such options penalize the future financial stability of their children and grandchildren, thus beginning a cycle of financial woes continuing for several generations.

By passing SB 2490 to create a study committee, you are taking a first step to interrupt this cycle. It is my sincere hope that you do so.

Again, thank you for this opportunity to testify.

Sincerely,

Kathleen Jaycox

SB-2490
Submitted on: 2/3/2020 12:26:31 AM
Testimony for LCA on 2/4/2020 2:45:00 PM

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

Comments:

Chair Brian Taniguchi and Members of the Labor, Culture and the Arts

My name is Francis Nakamoto and I support SB2490.

Why are half of Hawaii's private sector employees not saving for their retirement?

Why hasn't the participation rate improved over the last 40 years?

The answer is simple. The private retirement planning sector (insurance companies, banks, financial planners, investment companies, retirement planning companies) are just not interested in this relatively unprofitable business. Yet, they exert their financial and political power to obstruct and resist good faith efforts to help the 216,000 private sector workers, mainly employed by small business, plan for and save for their retirement.

One would think that instead of opposing the State to facilitate retirement savings, the private sector would be joining in this effort to help these workers put money away relatively painlessly to avoid poverty, homelessness and dependency when they have to retire.

We do not see helpful proposals to make creating retirement plans easy and less costly for the small business employers who now find providing retirement or pension plans for their employees daunting, complicated and expensive.

A simple, inexpensive, voluntary payroll deduction program controlled by the individual worker, not by his or her employer can be achieved with the passage of this legislation.

Hawaii simply can't allow our people to careen toward retirement or old age unprepared to support themselves, much less enjoy their golden years in financial security.

SB2490 would create a task force to study the best approach to establish Hawaii's Retirement Savings Program before the Legislature must then take action to authorized the program. The companion bill, SB2489 would authorize the Department of Budget and Finance to study the issue and create the program. Both are worthy of your support. One will just take at least a year longer to allow Hawaii’s employees to start saving for their future.

February 4, 2020

Testimony In Support of SB 2490 – Related to Retirement Savings
2:45 pm, Room 224

To: Chair Brian Taniguchi, and Members of the Senate Committee on Labor, Culture and the Arts

My name is Dean Ueda.

I strongly support Senate Bill 2490 regarding a Hawai'i Saves Retirement Savings Program.

From what I've learned, the bill is a win-win-win for small business, workers and taxpayers.

About half of all private sector workers do not have access to payroll savings, the easiest and most effective way to get people to save. Experience in the OregonSaves program shows that if workers are given access, they will participate and start saving. About 70 percent of workers offered a chance to save took advantage of the opportunity. They are saving their own money for their own futures, it's not a state handout.

Seventy percent of Hawai'i small business owners surveyed support a privately managed, retirement savings program because in many cases it's too expensive, complicated and time consuming for them to offer a plan to their workers. About the same percentage of businesses say they would offer the savings program to their employees if it existed.

In addition, it is estimated that Hawaii Saves could save taxpayers $32.7 million in public assistance programs in less than 15 years if retirees save enough to generate $1,000 in extra income each year.

Let's make saving, and retirement in Hawai'i, easier for our workers and small business and save money for taxpayers.

Thank you for your support.

Dean Ueda
1347 Kapiolani Boulevard
Honolulu, HI 96814
808-228-8209

Senate Committee on Labor, Culture and the Arts
Tuesday, February 4, 2020
2:45 p.m.
Conference Room 224

Testimony in Support of SB 2490
Relating to the Hawaii Retirement Savings Program

Dear Chair Senator Brian T. Taniguchi, Vice-Chair Senator Les Ihara, Jr.,
and Members of the Committee

My name is Anna Filler and I am testifying in to express my support for Senate bill SB 2490, relating to the Hawaii Retirement Savings program. It is time for solutions, not delay. This will be the fifth year the Legislature has considered the Hawaii Retirement Savings program to help private sector workers save for retirement.

This program establishes the Hawaii Retirement Savings Program task force, tasked with evaluating a retirement savings plan for non-government employees and reports findings and recommendations to the legislature. Appropriates funds. Task force dissolves on March 15, 2021.

Thank you for providing the opportunity to testify in support of Senate bill SB 2490.

Anna Filler
District 12, Kakaako
Email: afiller@twc.com

SB2490 Relating to Hawaii Retirement Savings Program

February 4, 2020 2:45 p.m. Room 224

Aloha Chair Taniguchi, Vice Chair Ihara and committee members

Although it would be preferable to establish the program (as was nearly accomplished last year), this bill calls for the establishment of a task force to study the feasibility of a program to help small business employees to save for retirement through payroll deductions. Such a task force would look at models (public-private partnerships, possibly partnering with another state which has already established a program, deciding which governmental agencies may be involved and to what extent, etc.)

We are only "kicking the can down the road," when we fail to enact legislation to help the two-thirds of small business employees to save for their futures through payroll deduction.

Please support SB2490 to get the ball rolling on sorely needed assistance to our small business families.

Governor Ige made it clear in the State of the State address that he wants to prioritize the needs of working families. This cannot be accomplished without giving those families an incentive to save for their futures.

Please support SB2490.

Mahalo!

Barbara J. Service MSW (retired)

AARP

Policy Advisory Board for Elder Affairs

Kokua Council

Hawaii Alliance of Retired Americans.