

DAVID Y. IGE
GOVERNOR



BOARD OF TRUSTEES

BRIAN MOTO
KALEIHI'IKAPOLI RAPOZA
ROBERT YU
RYKER WADA
KALBERT YOUNG

STATE OF HAWAII
DEFERRED COMPENSATION PLAN
235 S. BERETANIA STREET
HONOLULU, HAWAII 96813-2437

February 25, 2019

The Honorable Donovan Dela Cruz
Chair, Senate Committee on Ways and Means
Thirtieth State Legislature
State Capitol, Room 208
415 S. Beretania Street
Honolulu, HI 96813

Aloha Chair Dela Cruz:

RE: S.B. 796 Relating to the Department of Human Resources Development

This letter is submitted on behalf of the Board of Trustees (Board) of the Deferred Compensation Plan (Plan). The Department of Human Resources Development (DHRD) has included in its fiscal biennium budget a request for \$95,386 for fiscal year 2019-2020 and \$95,386 for fiscal year 2020-2021, including one (1) permanent full-time equivalent (1.0 FTE) interdepartmental transfer position to provide the Plan's Board with the necessary staff support it needs to fulfill its statutory and fiduciary duties. The Board strongly supports DHRD's budget request for the reasons summarized below.

The Plan, commonly known as the "Island Savings Plan," is a voluntary retirement savings plan that allows eligible State employees and employees of the counties of Hawai'i, Maui, and Kaua'i, the opportunity to contribute a portion of their earnings on a pre-tax basis through payroll deductions. The Plan is overseen by the Board and is administratively attached to DHRD. This Plan provides an important benefit to employees in saving adequately for retirement.

Currently, DHRD provides one dedicated staff support position for the Deferred Compensation Plan. However, the scope and breadth of the staff support duties have continually grown significantly over the years. Some of the increased workload and responsibilities are due to: 1) greater compliance oversight of regulatory mandates and guidance, and the Board's proactiveness and responsiveness to the ever-changing financial marketplace; 2) the Board's requests to initiate the procurement of new investment offerings if the funds are not performing on par; 3) the Board's awareness of the diverse needs of the new generation of workers entering government service so the Board is working on a number of new initiatives that would bring enhancements to the investment menu structure and new educational initiatives that would appeal to the younger workforce; and, 4) unanticipated issues that have occurred with the implementation of the new payroll system. In addition, the Board is looking to ramp up its outreach activities to promote the Plan and increase investment awareness and participation in the Plan so that State and County employees can be better prepared for

their retirement years. This has required other EAO staff to assist when the need arises.

These initiatives will overload the current staff support position, whose plate is already full. DHRD's biennium budget request for one (1) permanent full-time position to provide additional staff support to the Plan would greatly assist the Board in meeting its fiduciary responsibilities to the Plan and the ability to implement new initiatives to increase employees' awareness of the importance of saving for their financial wellbeing in their later years. The request will not require additional State funding as the source of the funding for the position is the Plan, pursuant to section 88E-13, HRS.

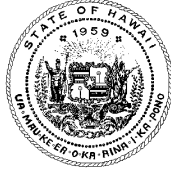
Given the foregoing, the Board request your favorable consideration of DHRD's request.

Mahalo nui loa,

Brian T. Moto

Brian T. Moto, Chairperson
Board of Trustees
Deferred Compensation Plan

DAVID Y. IGE
GOVERNOR



RYKER WADA
DIRECTOR
JASON MINAMI
DEPUTY DIRECTOR

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

February 25, 2019

**TESTIMONY TO THE
SENATE COMMITTEE ON WAYS AND MEANS**

For Hearing on Thursday, February 28, 2019
10:05 a.m., Conference Room 211

BY

RYKER WADA
DIRECTOR

Senate Bill No. 796
Relating to the Department of Human Resources Development

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

The purpose of Senate Bill No. 796 is to appropriate funds for various operating expenses of the Department of Human Resources Development for the fiscal biennium 2019-2021.

The Department of Human Resources Development (DHRD) **strongly supports** this measure as it relates to DHRD's biennium budget priorities to improve program operations.

1. HRD102 – Addition of one permanent full-time equivalent (1.00 FTE) Human Resources Specialist position and \$147,464 in fiscal year 2020 and \$139,464 in fiscal year 2021 to upgrade the learning management system (LMS). An upgraded and more robust LMS will allow us to: (a) have more timely, comprehensive training data based on single sign-on capabilities; (b) create customized employee learning plans based on job code and individual career development plans; (c) develop and host more subject-

matter specific training for other departments (e.g., IT security for Department of Taxation, Civil Rights for Department of Human Services); and (d) offer/host live webinars and virtual classroom sessions. We see employee development as playing a vital role in employee retention, which is a proactive strategy toward reducing vacancies.

2. HRD102 – Addition of one permanent full-time equivalent (1.00 FTE) Human Resources Specialist position and \$85,022 in fiscal year 2020 and \$117,044 in fiscal year 2021 for the Employee Staffing program to implement initiatives that will: (a) improve the recruitment and background check process to help departments fill vacant positions quicker; (b) improve employee engagement; (c) establish partnerships with the universities and community colleges to provide employees with career development opportunities; and (d) cultivate Millennials and Generation Z.
3. HRD102 – Addition of one permanent full-time equivalent (1.00 FTE) Personnel Program Officer position and \$43,254 in fiscal year 2020 and \$83,508 in fiscal year 2021 to allow the Labor Relations program to effectively assume the increase in workload on assisting and providing support to the Office of Collective Bargaining in the negotiation of labor contracts.
4. HRD102 – Addition of one permanent full-time equivalent (1.00 FTE) Human Resources Technician position and \$21,360 in fiscal year 2020 and \$39,720 in fiscal year 2021 for the Labor Relations program to address the issue of more efficient administrative support for the division and better utilization of professional staff.
5. HRD102 – Addition of a permanent full-time equivalent (1.00 FTE) Chief Negotiator position and \$160,635 in fiscal year 2020 and \$157,295 in fiscal year 2021 to establish the Office of Collective Bargaining within DHRD.
6. HRD102 – Addition of one permanent full-time equivalent (1.00 FTE) interdepartmental transfer funded Human Resources Specialist position and

\$93,386 ceiling increase in fiscal years 2020 and 2021 for the State Deferred Compensation Plan (“Plan”) to provide the Plan Board with the necessary staff support it needs to fulfill its statutory and fiduciary duties, and ensure the Plan functions smoothly and in compliance with all federal and State laws, rules and regulations.

The proposed operating budget adjustments will increase DHRD’s fiscal year 2020 general fund appropriation by \$457,735; and fiscal year 2021 general fund appropriation by \$537,031.

We are aware of the challenges ahead and remain committed to work with the Legislature to seek solutions that effectively balance short and long-term priorities.

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