
SENATE CONCURRENT RESOLUTION

URGING THE DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT AND
DEPARTMENT OF EDUCATION TO ESTABLISH AND OFFER A QUALIFIED
ROTH CONTRIBUTION PROGRAM TO THEIR RETIREMENT PLAN
PARTICIPANTS.

1 WHEREAS, saving money to cover one's living costs after
2 retirement is one of the most important financial goals an
3 individual will need to achieve; and
4

5 WHEREAS, even if an individual qualifies to receive Social
6 Security retirement benefits, the Social Security Administration
7 states that the benefits only compensate about forty-two percent
8 of an average worker's income after retirement; and
9

10 WHEREAS, the State has a vested interest in ensuring that
11 its populace has adequate retirement savings for economic and
12 healthcare purposes, as people without sufficient retirement
13 savings may need to rely on governmental assistance after
14 retirement and impact the State budget; and
15

16 WHEREAS, the average life expectancy in Hawaii, which
17 increased from 76.8 years in 1980 to 81.3 years in 2018, is the
18 highest among all states in the United States; and
19

20 WHEREAS, the significant increase in the life expectancy of
21 its populace makes retirement planning even more critical in
22 Hawaii; and
23

24 WHEREAS, employers in Hawaii, including the state
25 government, provide its employees with retirement savings plans
26 as part of their benefits package and uses them as recruitment
27 incentives; and
28

29 WHEREAS, the State offers its employees:
30



- (1) A tax-qualified defined benefit pension plan that requires mandatory employer contributions by the State, is governed by section 401(a) of the Internal Revenue Code (IRC), and administered by the Employees' Retirement System (ERS);
- (2) The Island Savings Plan, which is a voluntary deferred compensation plan offered by the Department of Human Resources Development (DHRD) that is governed by section 457(b) of the IRC and administered by Prudential Retirement Insurance and Annuity Company;
- (3) A voluntary tax-sheltered annuity plan for employees of the Department of Education (DOE) and University of Hawaii that is governed by section 403(b) of the IRC and administered by National Benefit Services, LLC; and
- (4) A deferred compensation retirement plan offered by the DHRD for part-time, temporary, and seasonal/casual employees that is governed by section 457 of the IRC and administered by Life Insurance Company of the Southwest, a member of National Life Group; and

WHEREAS, all retirement plans currently offered to state employees are traditional retirement plans that deduct contributions from the employee's pre-tax income, and therefore reduces the employee's taxable income and federal and state tax burden for that current year; however, all future distributions, including capital gains in the account, are treated as taxable income at the time of withdrawal; and

WHEREAS, section 402A of the IRC allows employer retirement plans governed under sections 401(k), 403(b), and 457(b) of the IRC to have a qualified Roth contribution program, under which plan participants may designate some or all of their retirement contributions as designated Roth contributions and have them placed into their designated Roth accounts; and

WHEREAS, unlike traditional pre-tax retirement contributions, an employee's designated Roth contribution is included in the employee's gross income in the year the



1 contribution is made; however, qualified distributions from the
2 designated Roth account (including capital gains in the account)
3 are not treated as taxable income at the time of withdrawal; and
4

5 WHEREAS, the option of a designated Roth account will
6 benefit many plan participants, especially the employees whose
7 retirement distributions will not occur until decades later
8 because the tax savings for the distributions and capital gains
9 accumulated in their designated Roth accounts over the years
10 (due to compounding of interests) excluded from taxable income
11 may surpass the amount of tax saved by making pre-tax
12 contributions into traditional accounts; and
13

14 WHEREAS, the states of Alaska, Connecticut, Idaho, Iowa,
15 Maryland, Massachusetts, Michigan, Minnesota, Nevada, New
16 Hampshire, New Jersey, New York, and Ohio, and municipalities
17 including Philadelphia, Phoenix, Mesa, and Salem offer a
18 qualified Roth contribution program to its employees; and
19

20 WHEREAS, under section 401(a) of the IRC, the ERS cannot
21 maintain its tax-qualified status if it offers "elective
22 deferrals" of compensation to its participants in the manner
23 contemplated by a Roth contribution plan; and
24

25 WHEREAS, in contrast, the DHRD and DOE currently offers a
26 deferred compensation program for State employees separate from
27 the retirement plans offered by the ERS, and can offer an
28 alternative, qualified Roth contribution program for elective
29 deferral of compensation by State workers; and
30

31 WHEREAS, a broader selection of retirement plans will
32 entice more employees to contribute to their retirement accounts
33 and induce other public and private sector employers to offer
34 their employees the same option; now, therefore,
35

36 BE IT RESOLVED by the Senate of the Thirty-first
37 Legislature of the State of Hawaii, Regular Session of 2021, the
38 House of Representatives concurring, that the Department of
39 Human Resources Development and Department of Education are
40 urged to establish and offer to their retirement plan
41 participants, a qualified Roth contribution program by July 1,
42 2023; and



1 BE IT FURTHER RESOLVED that certified copies of this
2 Concurrent Resolution be transmitted to the Governor, Director
3 of Human Resources Development, Chairperson of the Board of
4 Education, and Superintendent of Education.

