AARP Hawaiʻi

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The State Legislature
The Senate
Committee on Labor, Cultural and the Arts
Friday, March 19, 2021
3:10 p.m.

To: Senator Brian Taniguchi, Chair
Re: SCR 97/SR76, 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 Hawaiʻi. AARP is a membership organization of people age fifty and over, with nearly 145,000 members in Hawaiʻi. AARP advocates for issues that matter to Hawaiʻi 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 Hawaiʻi strongly supports SCR 97 and SR 76 which establishes a retirement savings task force to study the feasibility for a Hawaiʻi 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 move the program forward if deemed feasible.

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

The pandemic has shown us how vital it is for Americans to have savings to depend on. While Social Security is a critical piece of the puzzle, it is not enough to depend on for a secure financial future. 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 Hawaiʻi 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 Hawaiʻi. 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 easy 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.

Certain groups of people are disproportionately impacted by a lack of access to retirement plans. The higher rate of part-time employment among women is a large factor in their low eligibility rates for employer-sponsored retirement plans, as they may not work enough hours to be covered by their employer's plans. Employees of color are significantly less likely to have access to workplace retirement plans, and households of color have disproportionately lower retirement savings than white households, even controlling for age and income. The contingent workforce, including gig workers, tend to also lack this critical access to employer-sponsored retirement plans.

As businesses are struggling to recover from this economic shutdown, retirement savings for their employees is not top of mind for many employers. However, many recognize the importance of having adequate savings for unexpected circumstances which can result in job layoffs or early retirement. Furthermore, being able to offer access to an easy way for their employees to save for retirement could be extremely beneficial to small businesses – it can help them attract and retain high-quality employees and do so in a way that is free to the employer and low-cost to workers.

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 state-facilitated program would help small businesses offer access to 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

Twelve states have already passed legislation that improves workers' access to a retirement program, and 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 89,858 funded accounts have been established in OregonSaves, with workers saving for their future retirement needs. They are saving at an average rate of $132 per month and Oregon's program assets currently top $87.9 million. Illinois which launched in 2018, has $48 million in total assets, while California has $35.8 million accumulated since 2019. Hawai'i must join in this nationwide 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, and is in fact silent on automatic IRAs. 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 fall under ERISA. Instead the public programs would fall under the 1975 safe harbor regulation providing that these programs will not be treated as ERISA plans 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, Illinois, and California 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 their investments to be. 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 $132 a month. Since its inception in 2017, 16,704 small employers are engaged in the program, and 89,858 funded accounts have been established. Oregon's total assets now exceed $87.9 million.

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 Hawaiʻi Financial Health Pulse: 2019 Survey Results shows that the 69% of people in Hawaiʻi 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 Hawaiʻi 's stakeholders such as the financial institutions, employers, colleges and universities, and policymakers should take to improve the financial health of Hawaiʻi's people. One key recommendation is that policy makers can promote initiatives that help Hawaiʻi residents to save, access affordable credit, manage finances and plan for retirement." This resolution offers to explore those initiatives.

Yes, there are still questions that need to be studied and answered, and that is the purpose of having a task force to address the benefits and limitations of the different retirement savings model, and the issues and concerns associated with this initiative. The task force will also evaluate the use of interstate partnerships and agreements that may be a cost effective option for program start up and implementation. Ultimately, the task force will propose the best retirement savings program that can be successfully operational and sustainable for Hawaiʻi 's people. Thank you for the opportunity to testify in strong support of SCR 97/SR 76.

References: 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 Hawaiʻi 2017 Report – Project of Aloha United Way (Excerpt)

Sincerely,

Keali'i Lopez, AARP Hawai'i
State Director

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

AARP Real Possibilities
Public Policy Institute

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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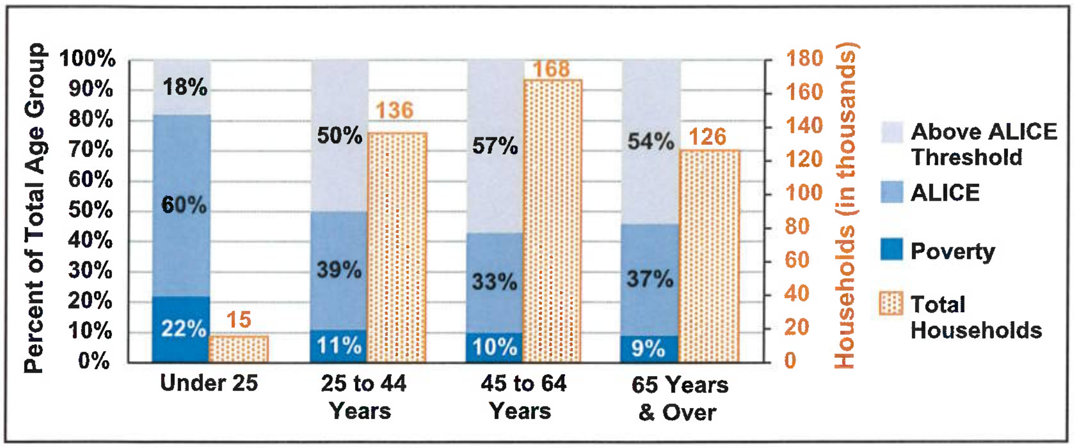
Apart from for a few notable exceptions, ALICE households generally reflect the demographics of the overall state population. Differences are most striking for those groups who traditionally have the lowest wages: women; lesbian, gay, bisexual, and transgender (LGBT) people; recent immigrants who are 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).

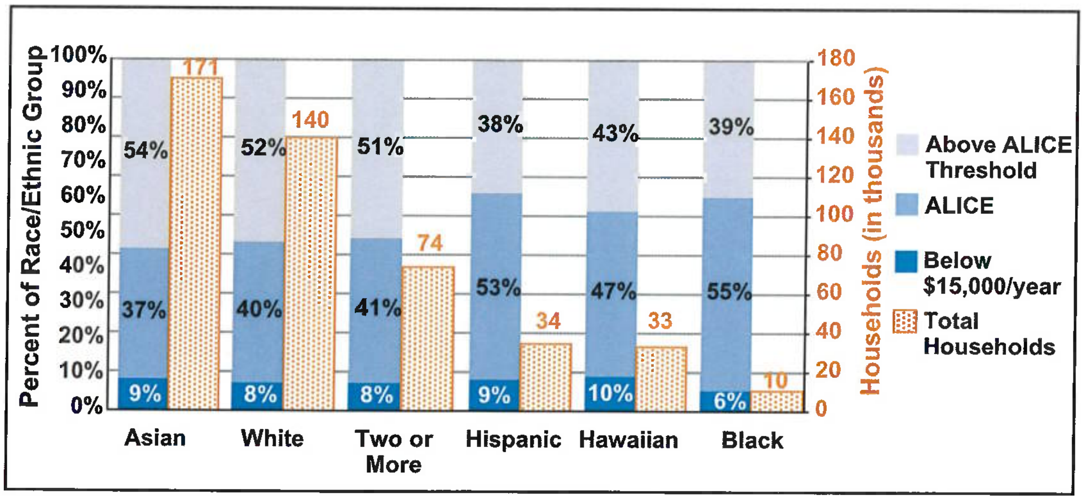
"Earning enough income to reach the ALICE Threshold is especially challenging for young households in Hawai'i, as illustrated by the high numbers of younger households below the ALICE Threshold."

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).

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).

NAIFA
HAWAII

Senate Committee on Labor, Culture & the Arts
Hearing Date: March 19, 2021
Time: 3:10 pm

RE: SR 76: Requesting the Convening of a Retirement Savings Task Force to Assess the Feasibility of Establishing a Hawaii Retirement Savings Program

Chair Taniguchi, Vice Chair Ihara, and members of the Committee, my name is Cynthia Takenaka representing the National Association of Insurance and Financial Advisors ("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.

SR 76 establishes a "retirement savings task force" to assess the feasibility by "coming up with findings and recommendations related to the establishment of a Hawaii retirement savings program" (page 2) for private sector employees. This task force is to report its findings and recommendations prior to the 2022 regular session and terminate on September 30, 2022. It allows the retirement savings task force to "request and utilize an independent consultant or administrative facilitator, paid or in-kind from a their-party source, to assist the task force in carrying out its activities", as noted on page 5.

We are respectfully do <u>not</u> support SCR 76.

We understand the importance of retirement security and acknowledges that many Americans are not saving enough for retirement. Many legislative proposals to implement a state-run retirement programs appear designed to address issues of availability and access. However, availability of and access to the many retirement savings options are not the problems.

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 in the workplace, employees have ready access to low-cost IRAs through financial institutions, such as banks, savings and loans, credit unions and financial advisory firms.

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

Colorado, California, Connecticut, Illinois, Maryland, Massachusetts, New Jersey, New Mexico, New York, Oregon, Vermont, and Virginia have passed mandatory state run retirement plans. Only 4….California, Illinois, Oregon and Massachusetts have enrolled workers. The costs, risks, legal complexities and potential liabilities for private employers and to the state needs to be studied more carefully than what is proposed in SR 76.

Congress passed the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) that was enacted in December 2019 (page 3, item (4) of SR 76).

Some of the highlights of the SECURE Act: 1) Multiple Employer Plans -- **allow unrelated employers in the same industry and pooled employers in unrelated industries to secure "safe harbor" retirement plans to save on administrative costs along with a tax credit up to $500 to $5,000 to help offset the costs of starting a plan; 2) provides for long-term part-time employees to participate;** 3) push back the required minimum distributions from retirement plans from age 70 ½ to 72; 4) expands Section 529 accounts (a tax advantaged savings plan to pay for education) for qualified student loan repayments and apprenticeship programs; 5) participants will receive an annual illustration of their yearly benefit statement that shows the estimated monthly retirement income; 6) removes the savings limitations by repealing the age limitation of 70½ and allow for contributions for a traditional IRAs.

We ask that a member from the private sector in the retirement planning field be included as a member of the task force. The investment and/or financial advisor can offer valuable input in their work managing retirement plans for their employer clients.

On page 2, item (3) is also of concern. If a state -run retirement program is deemed feasible, SCR 97 calls for a draft of an implementation plan that recommends the best model for Hawaii and an administrative framework to provide the initial start-up, oversight and timeline for establishing the program including proposed start-up costs. **We ask for the deletion of this section**. This kind of recommendation requires a serious study by hired consultants. There is no funding in SR 76.

Since the pandemic in 2020, turmoil in workplace occurred and hopefully, we are on the path to an improved economy and getting more citizens back to work. With the SECURE Act in place, let's give Hawaii's employers and employees the chance to start their retirement savings rather than assessing a feasibility and implementing a new state program for retirement savings.

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

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS
IN OPPOSITION TO SCR 97, REQUESTING THE CONVENING OF A RETIREMENT SAVINGS TASK FORCE TO ASSESS THE FEASIBILITY OF ESTABLISHING A HAWAII RETIREMENT SAVINGS PROGRAM

March 19, 2021

Honorable Senator Brian T. Taniguchi, Chair
Committee on Labor, Culture and the Arts
State Senate
Hawaii State Capitol, Room 225 and Videoconference
415 South Beretania Street
Honolulu, Hawaii 96813

Chair Taniguchi and Members of the Committee:

Thank you for the opportunity to testify in opposition to SCR 97, relating to the convening of a task force to assess the feasibility of establishing a Hawaii Retirement Savings Program.

Our firm represents the American Council of Life Insurers ("ACLI"). 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. Two hundred eighteen (218) ACLI member companies currently do business in the State of Hawaii; and they represent 94% of the life insurance premiums and 99% of the annuity considerations in this State.

SCR 97 mandates the establishment of a retirement savings task force to assess the feasibility of a Hawaii retirement savings program.;

<u>THE TASK FORCE STUDY IS UNNECESSARY</u>

The premise of SCR 97 is that (1) employers do not have access to affordable retirement plans; and (2) employees do not have the opportunity to participate in their employer's retirement plan either because their employer does not offer a retirement plan or they are ineligible to participate in the plan offered.

ACLI disagrees.

Employers have access to affordable retirement plans.

- Affordable Retirement Vehicles Already Exist.

- Many inexpensive and accessible retirement vehicles are already available to small employers:
  - IRAs
  - SEPs
  - SIMPLE IRA plans
  - 401(k) and 403(b) plans are available as part of an association pooled employer plans

- The passage of the SECURE Act and Other Law Changes have created more access to affordable retirement savings plans for small employers

  - A little over a year ago, on 12/20/19, Congress passed into law the Setting Every Community Up for Retirement Enhancement Act (the SECURE Act). This Act is expected to dramatically increase the number of small employers adopting retirement plans and the participation of their employees.
  - New Laws Allow for More Multiple Employer Plans (MEPs)

    - On 7/29/19 DOL promulgated its Association Retirement Plan (ARP) Regulation. Employers in the same trade, industry, line of business or profession or in the same geographic area can now establish an ARP.

    - The SECURE Act now supplements the DOL's ARP Regulation by authorizing unrelated employers to band together to create a multiple employer plan (a "MEP") which will reduce an employer's cost to establish and administer a retirement plan for its employees. These efficient low cost plans will now be available from providers nationwide including payroll providers such as ADP and Paychex.

  - New Employer Tax Incentives

  - To reduce the costs of starting a retirement plan the Act gives new tax incentives to small businesses to establish retirement plans for their employees.

    - Small business employers are given a tax credit of up to $5,000 each year for 3 years.
      - The amount of an employer's tax credit is the greater of (a) $500, or (b) the lesser of (1) $250 credit for each non-highly compensated employee eligible to participate, or (2) $5,000.
      - Thus, a small employer having only 1 employee is entitled to a $500 tax credit; and an employer having 20 or more employees gets a $5,000 tax credit.
      - Credit applies to small employers having no more than 100 employees over a 3 year period.
      - Credit applies to SEP, SIMPLE, 401(k) and P/S plans

      - If the plan has auto enrollment, employer gets additional $500 tax credit per year – up to 3 years. Thus, small employer having auto enrollment plan and 20 employees get a tax credit of $5,500

- THE SECURE Act Enables Many More Employees to Participate in Their Employer's Retirement Plan.

    - Part-time employees can now join their employers' 401(k) plans

        - The Act now REQUIRES employers to offer any employee working more than 1,000 hours a year or 500 hours each year for 3 consecutive years to participate in their 401(k) plan.

        - Thus, a part-time employee working at least a 20 hour week each year, for example, or at least a 10 hour week each year over 3 consecutive years can now participate in their employer's 401(k) plan.

THE TASK FORCE STUDY AND MANDATE FOR PROPOSED LEGISLATION IS PREMATURE

The SECURE ACT was only passed into law a little more than a year ago. The marketplace for streamlined retirement plans is already expanding quickly, with many new options available to small employers.

ACLI submits that the Task Force Study and proposed legislation would be more informative and productive in providing guidance to lawmakers at a later date. Indeed, whether Hawaii would want or need to establish such a program now before knowing the full impact of the SECURE ACT's transformational effect on retirement plan access may be questioned.

STATE SPONSORED RETIREMENT SAVINGS PLANS ARE COSTLY, COMPLEX AND POTENTIALLY IN CONFLICT WITH FEDERAL LAW.

The Resolution directs the task force to determine the feasibility of Hawaii's establishing a state sponsored retirement plan including those adopted by "California, Illinois, Oregon, and other states that have initiated a similar state-facilitated retirement savings program . . . ." This mandate is ill-advised.

The creation of a new State sponsored retirement program for private sector employees would be costly.

In states that have studied state sponsored retirement plans, the estimated startup and ongoing state costs are prohibitive, ranging from $15M to $20M in Illinois, $23M in Oregon[1], $45M in Connecticut, and $170M in California. For this and other reasons, only 3 of the twelve states that have adopted state sponsored retirement plans for private sector employees (California, Illinois and Oregon) have in fact implemented their retirement plans.

[1] The Oregon Legislature initially allocated $1.3 million over the first 18 months after the bill became effective. This funding only covered the initial design of its proposed state-run plan for private workers. A pilot phase of the OregonSaves program began in July 2017 and through calendar year 2018, the Board has now borrowed and spent more than $5 million in General Fund dollars for startup costs.

While the State of Hawaii should as a matter of policy encourage all of its residents to accumulate the savings they need to secure their own retirement, the wisdom of the state's spending its scarce resources to fund the cost of State sponsored retirement program mandated by SCR 97 may be questioned. Indeed, as this Committee is well aware, funding the state's own employees' retirement plan and other costly government funded programs such as Honolulu's HART mass transit system, now projected to cost $12.4B, has been and continues to be challenging.

There are significant legal concerns regarding the validity of these programs.

The U.S. Chamber of Commerce received a definitive legal opinion in 2017 that the State sponsored retirement plans then in existence in California, Connecticut, Illinois, Maryland, New Jersey and Oregon, will likely be determined to be an employer-sponsored plan subject to and governed by ERISA. The opinion also concludes that the plan's provisions will most likely be found to be pre-empted by ERISA.

Indeed, the California plan, called CalSavers, is now under serious legal threat from a lawsuit filed by the Howard Jarvis Taxpayers Association and others in a Federal District Court in California[2] in November of 2018. The trial court's decision affirming the validity of the California plan has since been appealed by the plaintiffs to the 9th Circuit Court of Appeals.[3] Its decision is expected at any time. The U.S Department of Labor filed an amicus brief in the appeal, confirming that the CalSavers plan is preempted and subjects employers to liability, in violation of the authorizing statute. Although the DOL has withdrawn as an amicus, their brief is still persuasive. If the lawsuit is successful, it would undermine the premise of the eleven other State sponsored retirement plans that have already adopted them.[4]

Accordingly, considering a state sponsored retirement saving program at this time would be premature. Prudence would dictate that Hawaii should await the outcome of the current litigation.

THE CREDIBILITY OF THE REPORT TO BE GENERATED BY THE TASK FORCE MAY BE QUESTIONED

The work to be performed by the Task Force as mandated by SCR 97 is unfunded. Yet, it is charged with the awesome responsibility to:

a. Assess the feasibility of a Hawaii retirement savings program;

[2] Howard Jarvis Taxpayers Association, et al. vs. The California Secure Choice Retirement Savings Program, et al, No. 2:18-cv-01584 MCE-KJN, Dist. Ct, Eastern Dist., CA.
[3] Howard Jarvis Taxpayers Association, et al. vs. The California Secure Choice Retirement Savings Program, et al, No. 20-15591 (9th Cir. 2020).
[4] Aside from California, the 11 other state sponsored plans are Colorado, Connecticut, Illinois, Maryland, Massachusetts (voluntary multiple employer 401k plan for non-profits only), New Jersey, New Mexico (voluntary for employers, auto-IRA and marketplace option), New York (voluntary for employers), Oregon, Vermont (voluntary multiple employer 401k plan, not implemented) and Virginia (pending Governor's signature).

b. Review the implications of the federal SECURE ACT passed by Congress in December of 2019; and

c. If a retirement savings program is feasible draft (1) a plan best suited for the State to be implemented, (2) an administrative framework for the initial start-up of the program, its oversight, time line for the plan's implementation and its start-up costs; and (3) a general marketing "and outreach framework to encourage small business and employee participation". The task force is to submit to the legislature a report and proposed legislation.

Further, the task force is required to "review independent studies and reports and receive briefings by national and local experts in retirement savings" in its assessment of the feasibility of a Hawaii retirement savings program.

The Resolution requests the task force to report its finding, recommendation and plan for its implementation to legislature within forty days of the next legislative session.

While SCR 97 states: ". . . the task force may request and utilize an independent consultant or administrative facilitator, paid or in-kind from a third-party source, to assist the task force in carrying out its activities . . . ." no funds are appropriated for this purpose. Moreover, the examples of the kind of assistance contemplated to be furnished by the consultant/administrative facilitator cited in the Resolution are, however, solely secretarial and administrative in nature.

For the foregoing reasons ACLI must respectfully oppose SCR 97 and urges this Committee to defer passage of this measure.

Again, thank you for the opportunity to testify in opposition to SCR 97.

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SR-76
Submitted on: 3/17/2021 11:55:46 AM
Testimony for LCA on 3/19/2021 3:10:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Francis Nakamoto	Individual	Support	No

Comments:

Chair Brian Taniguchi, Vice Chair Les Iraha and Members of the Committee on Labor . Culture and the Arts

I support SCR 97.

This resolution allows the State of Hawaii to form a task force to thoroughly investigate the benefits of joining twelve other states which offer its private sector employees the option of saving for their retirements through voluntary payroll deductions at their workplaces.

I am a retired attorney who researched the issues relating to Hawaii's private financial security sector's short-sighted opposition to Hawaii's proposed state-facilitated retirement savings program particularly its mistaken belief that it, along with several other existing state work savings plans, is preempted by the Federal Employee Retirement Income Security Act (ERISA).

Let's be clear: A state-facilitated retirement saving program is not an employer-sponsored plan or defined benefit plan as defined under ERISA. IRAs have never fallen under ERISA and the State of Hawaii is not promising a secured or insured benefit for employees.

No employer will incur any costs or administrative obligations or assume any fiduciary duties. Employers simply remit employee payroll deductions to the State-facilitated program.

This issue was raised in a lawsuit filed by the Howard Jarvis Taxpayers Association against the Calsavers program in California, which since September 2020 has already enrolled 274,000 workers who have saved more than $43 million for retirement.

The U.S. District Court for the Eastern District of California dismissed the lawsuit in March 2020 ruling that "Calsavers is neither an employee benefit plan nor does it relate to an ERISA plan," concluding that Calsavers is not preempted by ERISA. The Plaintiffs appealed to the Ninth Circuit Court of Appeals and oral arguments were heard in February 2021. The Department of Labor withdrew its amicus brief in opposition to

CalSavers just days before oral arguments were held. We feel confident that the outcome will yet again be favorable in that ERISA does not apply to these programs.

In the meantime, twelve states, including Oregon and California, continue to implement and operate their retirement savings program. The three states currently with automatic IRA programs up and running (Oregon, California, and Illinois) have nearly $170 million in assets under management.

To be sure, Hawaii can start studying Hawaii's retirement savings options while monitoring the legal developments in California. The proposed task force can certainly consider this issue in its deliberations but this Legislature should not delay progress for yet another year while our workers who have been left out by the private financial sector are stuck without a convenient, inexpensive and tested way save for their retirement life.

SR-76
Submitted on: 3/17/2021 6:39:40 AM
Testimony for LCA on 3/19/2021 3:10:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Mark A. Koppel	Individual	Support	No

Comments:

TESTIMONY TO STRONGLY SUPPORT SR76

MARK KOPPEL

UMAUMA, HI

Aloha Honorable Senators,

1. This is only a study of an important program. Why would anyone oppose a study?

2. Very few Hawaiian citizens have saved up enough for retirement. If they fall short, the Government will have to pick up the diffference, costing millions of dollars.

3. This is a voluntary program. People can never join, or opt out any time.

4. OregonSaves shows that putting aways just $30/week at age 30 will yield $400,000 at age 67, using standard projections of 7% annual return.

5. Brokers are foolish for objecting to this. This plan is not in any way competition for them

6. In fact, as people accumulate more money, THEY WILL WANT PROFESSIONAL HELP, leading to MORE business for them. Their oppostion is truly incomprehensible.

7. Please approve this STUDY to help people save for their retirement. It will cost the State almost nothing and save MILLIONS.

Mahalo,

Mark Koppel

SR-76
Submitted on: 3/17/2021 10:10:20 AM
Testimony for LCA on 3/19/2021 3:10:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Kathleen Wyatt	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 Kathy Wyatt, Treasurer of the Hawaii Family Caregiver Coalition (HFCC). HFCC advocates for issues that improve the quality-of-life of those who give and receive care. Such issues include policies and programs that keep kupuna healthy, aid caregivers, and provide opportunities for a secure retirement.

HFCC strongly supports SCR 97 and SR 76, which establish a retirement savings task force to study the feasibility for a Hawaiʻi 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 advance the program if it is deemed feasible.

The pandemic has shown us how vital it is for Americans to have savings to depend on. While Social Security is a critical piece of the puzzle, it is not enough to depend on for a secure financial future.

Fewer and fewer people have a pension plan. Many workers currently have no easy access to a 401K or to other avenuesat work to save for retirement. Without an easy access way to save at work, a secure retirement is out of reach for many, especially those who work for small business.

While individuals can establish and contribute to a retirement savings program on their own, many do not. Only one in twenty workersindependently will research and establish Individual Retirement Accounts (IRAs) for themselves. Studies show that workers are fifteen times more likely to save for their future if they can save through payroll deduction at work.

The ability to offer access to an easy way for small business employees to save for retirement could be extremely advantageousto the small businesses. Such a benefit to their workers can enhance employee hiring and retention. The benefit is amplified for small businesses as such savings programs can be constructed to be free for the employer and inexpensive to the workers.

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

When people save for retirement, they are less likely to rely on public assistance programs later in life.

The task force will examine the benefits and the limitations of different retirement savings models and the issues attendant to the various models. The task force will be charged with proposing the optimum retirement savings program that can be launched and sustained for Hawaii's workers and their families.

HFCC urges you to support SCR 97/SR 76.

Mahalo for the opportunity to submit this testimony.

With warmest aloha,

Kathy Wyatt, RN, MSN, MBA, LNH

Treasurer, Hawaii Family Caregiver Coalition

Email kwyatt01@aol.com

HAWAIʻI PUBLIC HEALTH INSTITUTE

Date: March 18, 2021

To: Senator Brian T. Taniguchi, Chair
Senator Les Ihara, Jr., Vice Chair
Members of the Senate Committee on Labor, Culture and the Arts

Re: Support for SCR 97/SR 76

Hrg: March 19, 2021 at 3:10 PM via Videoconference

The Hawaiʻi Public Health Institute[i] (HIPHI) **Supports SCR 97/ SR 76,** which establishes a retirement savings task force to assess the feasibility of establishing a Hawaiʻi retirement savings program.

The pandemic has shown us how vital it is for Americans to have savings. Social Security is not enough to depend on for a secure financial future. According to AARP, in Hawaiʻi, over 200,000 workers lack access to a work-based retirement plan. Without an easy way to save, a secure retirement is out of reach for about half of our private sector workers, especially those who work for small businesses[ii].

A state-facilitated retirement program changes that by giving businesses access to an easy, no-cost retirement option and helping workers grow the savings they need[iii]. In 2017, Aloha United Way's ALICE Report (Asset Limited, income Constrained, Employed) there is concern for the financial stability of aging Baby Boomers as well as the wider economy as the population ages. Some findings[iv]:

- 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

This task force is the first step to study the feasibility of a state-facilitated retirement program for Hawaii's private sector workforce. It would examine the different models, issues and challenges, start-up costs and fiscal implications. We have seen successful models in other states and hope that Hawaiʻi can learn from them to create a needed state-facilitated retirement program.

Thank you for the opportunity to provide testimony in support of **SCR 97/ SR 76.**

Mahalo,

Jessica Yamauchi
Executive Director

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[i] Hawai'i Public Health Institute is a hub for building healthy communities, providing issue-based advocacy, education, and technical assistance through partnerships with government, academia, foundations, business, and community-based organizations.

[ii] AARP Fact Sheet: Hawaii "Workplace Retirement Plans Will Help Workers Build Economic Security", August 2015. https://www.aarp.org/content/dam/aarp/ppi/2015-08/aarp-hawaii-fact-sheet.pdf

[iii] AARP Fact Sheet: Hawaii "Hawaii Could Save $32.7 Million by Helping People Save for Their Own Retirement, May 2017. https://www.aarp.org/content/dam/aarp/ppi/2017/04/AARP1150_FS463_Hawaii_May1v2.pdf

[iv] Aloha United Way ALICE Report, 2017.
https://www.auw.org/sites/default/files/pictures/AlohaUnitedWayALICE%20Report_HIFINAL.pdf

SR-76
Submitted on: 3/18/2021 12:01:52 PM
Testimony for LCA on 3/19/2021 3:10:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Dan Gardner	Individual	Support	No

Comments:

I'm writing in strong support of SR76. Fortuately, I've been a life-long, saver starting with a paper route and ending with 40 plus years of military and federal government service. Fortunate becuase I had parents who instilled the value of saving and then had employer sponsored retirement saving programs in my adult working career. As as result, I and my wife are able to have a comfortable livingin retirement. Unfortunately, two thirds of Hawaii's small business's do not offer retirement savings plans and over half of Hawaii's private sectors workers, roughly 215,000 people, do not have 401Ks or even simple IRAs. SR76 (and SCR97) is just what the doctor ordered for Hawaii to begin to help these folks on the road to a more positive retirement opportunity.
Thank you.

SR-76
Submitted on: 3/18/2021 9:18:24 PM
Testimony for LCA on 3/19/2021 3:10:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
RUDY BENIGNO	Individual	Support	No

Comments:

I support the concept of having a public-facilitated retirement program that will help small businesses. This concept would create an easier way to offer a retirement savings program to my employees. By adding it to my payroll system at a very low cost, it would be beneficial to have my employees' funds managed by a private, reputable financial service company selected by the state.