

Honolulu, Hawaii
MAR 18 , 2022

RE: S.B. No. 3289
S.D. 2
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Labor & Tourism, to which was referred S.B. No. 3289, S.D. 2, entitled:

"A BILL FOR AN ACT RELATING TO HAWAII RETIREMENT SAVINGS,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Establish the Hawaii Retirement Savings Program, administered by the Hawaii Retirement Savings Board, in consultation with the Department of Budget and Finance and Department of Labor and Industrial Relations, to provide a state-facilitated payroll-deduction automatic enrollment individual retirement savings plan to private sector employees who do not have access to employer-sponsored retirement savings plans beginning July 1, 2024; and
- (2) Appropriate funds for the implementation and operation of the Hawaii Retirement Savings Program, including funds for the hiring of necessary staff.

Your Committee received testimony in support of this measure from the Department of Labor and Industrial Relations; Executive Office on Aging; Policy Advisory Board for Elder Affairs; Hawai'i



Public Health Institute; Hawai'i Primary Care Association; Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO; Hawai'i Restaurant Association; AARP Hawai'i; Honolulu Information Service, Inc.; Common Cause Hawaii; Gaylord's I, II, III and IV; Loco-Moco and Wiki Wiki Drive Ins; Burgers on Bishop; Gochi Grill; 3 Financial Group LLC; National Conference on Public Employee Retirement Systems; Adult Foster Homecare Association of Hawaii; Association of Residential Care Administrators; Goya's Garage; and numerous individuals. Your Committee received testimony in opposition to this measure from the American Council of Life Insurers, and National Association of Insurance and Financial Advisors Hawaii. Your Committee received comments on this measure from the Department of Budget and Finance, Department of Human Services, Tax Foundation of Hawaii, Maui Chamber of Commerce, and Retail Merchants of Hawaii.

Your Committee finds that this measure will provide private sector workers a vehicle to build their savings for retirement and thereby increase their financial independence. The measure would also relieve pressure on the State and taxpayers in providing social services assistance to private sector workers who are unable to sufficiently build their savings for retirement.

Your Committee further finds, however, that some covered employees may not be in a position to afford automatic payroll deductions for savings. For those employees or others who prefer alternative mechanisms for saving, the decision not to participate in the Hawaii Retirement Savings Program should not require the affirmative step of opting out. Your Committee determined that the merits of the program should not be discounted on that basis. Instead, covered employees should be given the opportunity to participate in the savings program by electing to contribute, or opting in to the program.

Your Committee also finds that the Hawaii Retirement Savings Board (Board) should be mandated to provide covered employees with information and education on the impacts of a decision to opt in to the program and the appropriate level of participation. Further, noting the testimony of the Department of Budget and Finance, your Committee has determined that a phased approach to program implementation is prudent, with the Board to determine the start date for program implementation.



Additionally, your Committee finds it appropriate to place the program within the Department of Labor and Industrial Relations, which has oversight of employer-related requirements.

Accordingly, your Committee has amended this measure by:

- (1) Changing the program from an automatic enrollment program requiring covered employees to affirmatively opt out in order to decline participation, to a program that allows covered employees to opt in to the program;
- (2) Deleting the provision allowing the Board to elect to increase the program's contribution rates for participants on an annual basis, in deference to the covered employee's capacity to determine whether and at what level to contribute to the program;
- (3) Requiring the Board to assume as one of its duties the development and dissemination of information designed to educate covered employees about the impacts of opting in to the program on take-home pay, savings strategies, and the benefits of planning and saving for retirement and help them decide whether to participate and at what level participation may be appropriate;
- (4) Instituting a three-phase approach to program implementation, with the first phase including a detailed implementation and evaluation study and other due diligence tasks to determine feasibility of program parameters, followed by a report to the Legislature; the second phase including a determination of staffing levels, an implementation strategy and timetable, and outreach efforts; and the third phase culminating in program implementation;
- (5) Allowing the Board to determine the timeframe for development and implementation of the program rather than requiring a start date of July 1, 2024;
- (6) Placing the program within the Department of Labor and Industrial Relations for administrative purposes rather than the Department of Budget and Finance; and



- (7) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

Should your Committee on Finance decide to hear this measure, your Committee respectfully requests that it consider an appropriation of \$750,000 for the Hawaii Retirement Savings Program and that it determine the operational costs and number of positions required to effectuate the program.

As affirmed by the record of votes of the members of your Committee on Labor & Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 3289, S.D. 2, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 3289, S.D. 2, H.D. 1, and be referred to your Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committee on Labor & Tourism,



RICHARD H.K. ONISHI, Chair



