



STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
www.labor.hawaii.gov

March 22, 2022

To: The Honorable Aaron Ling Johanson, Chair,
The Honorable Lisa Kitagawa, Vice Chair, and
Members of the House Committee on Consumer Protection & Commerce

Date: Tuesday, March 22, 2022
Time: 2:00 p.m.
Place: Conference Room 329, State Capitol

From: Anne Perreira-Eustaquio, Director
Department of Labor and Industrial Relations (DLIR)

Re: S.B. 3289 SD2HD1 RELATING TO HAWAII RETIREMENT SAVINGS

Chair Johanson, Vice Chair Kitagawa, and Members of the Committee:

My name is Anne Perreira-Eustaquio, and I am the Director of the Department of Labor and Industrial Relations (DLIR). I am testifying to support the intent of SB3289 SD2, which establishes the Hawaii Retirement Savings Program. The Department suggests it may not be the appropriate Executive Branch placement for this function, has fiscal and administrative concerns, and defers to the Department of Budget and Finance on the classification of the proposed fund.

Hawaii's workforce faces a myriad of challenges, including the ability of private sector workers to build their savings for retirement. Many workers currently do not have access to employer-sponsored retirement savings plans and risk failing to have sufficient income in retirement to achieve financial security. It is well-known that Hawaii has the nation's highest cost of living, which results in many workers working beyond normal retirement age, and many of those workers work more than one job.¹

Establishing a Hawaii Retirement Savings Program would provide an option for workers that currently do not have access to an employer-sponsored retirement plan. This would help enable workers to save enough to retire with financial security and avoid working further into their old age. Moreover, this would help relieve pressure on the state and taxpayers in providing social assistance to those private sector workers that are unable to sufficiently build savings for retirement.

As outlined in the report of the Hawaii Retirement Savings Task Force Report,² 85% of employers would likely participate or offer their employees a state-facilitated retirement program that would be easy and low cost for them. The Task Force recommended the

automatic IRA model for Hawaii, which is an automatic payroll deduction model that is also offered in Oregon, California, and Illinois. Automatic retirement savings is a best practice that offers workers an important long-term benefit and helps employers attract and retain workers.

The U.S. Department of Labor (U.S. DOL) has been working with a number of partners to educate small business owners and workers about various simple retirement plan options and maintains on number of websites on the topic at:

<https://www.dol.gov/general/topic/retirement/retirementsavings>

It is for these reasons the department supports the intent of this measure but defers to the Department of Budget and Finance regarding the classification of the proposed fund, and notes it has fiscal and administrative concerns with attachment of the proposed board to the DLIR. The Department does not have subject matter expertise to oversee the implementation and administration of a payroll deduction retirement savings program for private sector employees. At this juncture in the legislative process, the Department concurs with Budget and Finance's recommendation that \$750,000 be appropriated, including two exempt positions to undertake the responsibilities outlined in the measure.

¹ https://s3.amazonaws.com/cfsi-innovation-files-2018/wp-content/uploads/2020/02/03230029/Hawaii_Financial_Health_Pulse.pdf

² https://www.capitol.hawaii.gov/session2022/bills/DC188_.pdf

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

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 HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
ON
SENATE BILL NO. 3289, S.D. 2, H.D. 1

March 22, 2022
2:00 p.m.
Room 329 and Videoconference

RELATING TO HAWAII RETIREMENT SAVINGS

The Department of Budget and Finance (B&F) appreciates the intent of Senate Bill (S.B.) No. 3289, S.D. 2, H.D. 1, and has no objections to the bill.

S.B. No. 3289, S.D. 2, H.D. 1: establishes the Hawai'i Retirement Savings Program (Program) to provide a state-facilitated payroll-deduction individual retirement savings plan for private sector employees who do not have access to an employer-sponsored retirement program; establishes the Hawai'i Retirement Savings Board (Board) to administer the Program in consultation with the Department of Labor and Industrial Relations (to which the Program is attached for administrative purposes) and B&F; specifies operating and reporting requirements for the Program; and authorizes the Board to determine an implementation start date for the Program. The bill also establishes the Hawai'i Retirement Savings Special Fund (Fund) and appropriates an unspecified amount in general funds for FY 23 for implementation and operation of the Program, including the hiring of necessary staff.

Upon further review of the technical aspects of the bill, B&F recommends that the Fund be redesignated as a "trust fund" rather than a "special fund" and that the Fund be

established outside of the State treasury. Section 37-62, HRS, *Definitions*, defines a “trust fund” as:

“[A] fund in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, or which was created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes.”

The Fund (consisting of contributions and investments) will to be managed by a third-party administrator and investment providers which will be outside of the purview of the State treasury.

B&F also notes that, with respect to the general fund appropriation in this bill, the federal Coronavirus Response and Relief Supplemental Appropriations Act requires that states receiving Elementary and Secondary School Emergency Relief (ESSER) II funds and Governor’s Emergency Education Relief II funds must maintain state support for:

- Elementary and secondary education in FY 22 at least at the proportional level of the state’s support for elementary and secondary education relative to the state’s overall spending, averaged over FYs 17, 18 and 19; and
- Higher education in FY 22 at least at the proportional level of the state’s support for higher education relative to the state’s overall spending, averaged over FYs 17, 18 and 19.

Further, the federal American Rescue Plan (ARP) Act requires that states receiving ARP ESSER funds must maintain state support for:

- Elementary and secondary education in FY 22 and FY 23 at least at the proportional level of the state’s support for elementary and secondary education relative to the state’s overall spending, averaged over FYs 17, 18 and 19; and

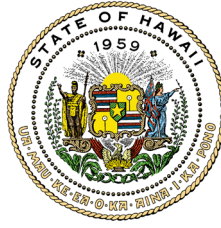
- Higher education in FY 22 and FY 23 at least at the proportional level of the state's support for higher education relative to the state's overall spending, averaged over FYs 17, 18 and 19.

The U.S. Department of Education has issued rules governing how these maintenance of effort (MOE) requirements are to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with these ESSER MOE requirements.

Thank you for your consideration of our comments.

DAVID Y. IGE
GOVERNOR OF HAWAII

ELIZABETH A. CHAR, M.D.
DIRECTOR OF HEALTH



CAROLINE CADIRAO
DIRECTOR

Telephone
(808) 586-0100

Fax
(808) 586-0185

STATE OF HAWAII
EXECUTIVE OFFICE ON AGING
NO. 1 CAPITOL DISTRICT
250 SOUTH HOTEL STREET, SUITE 406
HONOLULU, HAWAII 96813-2831

**Testimony COMMENTING on SB3289 SD2, HD1
Relating to Hawaii Retirement Savings**

COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
REPRESENTATIVE AARON LING JOHANSON, CHAIR
REPRESENTATIVE LISA KITAGAWA, VICE CHAIR

Testimony of Caroline Cadirao
Director, Executive Office on Aging
Attached Agency to the Department of Health

Hearing Date: March 22, 2022
2:00 PM

Room Number: 329
Via Videoconference

1 **EOA's Position:** The Executive Office on Aging (EOA), an attached agency to the Department
2 of Health, supports the intent of SB3289 SD2, HD1, relating to Hawaii Retirement Savings, and
3 offers comments.

4 **Fiscal Implications:** This measure appropriates an unspecified amount for SFY 2022-23 for the
5 implementation and operation of the Hawaii retirement savings program, including funds for the
6 hiring of necessary staff.

7 **Purpose and Justification:** The purpose of this bill is to establish a state-facilitated payroll-
8 deduction retirement savings plan for private sector employees in Hawaii who do not have access
9 to employer-sponsored retirement plans. It also establishes a Board within Budget and Finance
10 (for administrative purposes) to implement and administer the retirement savings program.

11 EOA recognizes that Hawaii's aging population is growing. In October 2020, Dr. Andrew Mason
12 from the East-West Center and Michael Abrigo from the Philippine Institute for Development

1 Studies published a report for the Department of Business, Economic Development and Tourism
 2 entitled "Hawaii's Generational Economy". The goal of the study was to "establish a framework
 3 for quantifying the generational economy at the state level, documenting how people at every
 4 age acquire and use resources to meet their own needs, to support others, and to provide for the
 5 future". Some of the key conclusions of the report include:

- 6 • *Rapid population aging began in Hawaii in 2010 and will continue until 2035.
 7 After 2035 the percentage at older ages will grow more slowly.*
- 8 • *As compared with the rest of the United States, the population aged 85 and older
 9 will grow very rapidly.*
- 10 • *Aging will lead to slower economic growth. All other things equal growth of per
 11 capita consumption will be lower by about 0.5 percent per year due to population
 12 aging between 2010 and 2030. An effect of that magnitude is substantial when it
 13 persists for twenty years.*
- 14 • *The shortfall in resources, the lifecycle deficit, will be severe for seniors. Hence,
 15 their economic status will depend most heavily on steps taken over the coming
 16 decades.*

17 *(A. Mason, M. Abrigo, 2020. "Hawaii's Generational Economy", pg. 20, for the Hawaii Department of Business, Economic
 18 Development and Tourism)*

19 Some residents are fortunate enough to be working and earning enough money to invest in long-
 20 term care insurance. However, there are some individuals who are not as fortunate and do not
 21 have access to employer-sponsored retirement plans. This bill is for those individuals. Without a
 22 retirement plan, these individuals will be faced with enormous costs for long-term care. Hawaii
 23 has the highest costs for nursing home care. According to Genworth Cost of Care Survey 2020,
 24 the monthly average cost of nursing home care in Hawaii is \$12,015 a month or \$144,180 a year.
 25 Other care options include hiring a caregiver to come to the home to provide long-term care,

1 however, Hawaii is facing a shortage of qualified staff who provide in-home care. We must plan
2 to address these long-term care issues.

3 Retirement savings programs with automatic enrollment have proven to increase participation
4 and have become a best practice strategy with state sponsored retirement savings programs for
5 State employees. This best practice could be replicated to help private sector workers save for
6 their retirement.

7 **Recommendation:** We defer to the Department of Labor and Industrial Relations and the
8 Hawaii Retirement Saving Board regarding the implementation of this retirement savings
9 program and highly encourage reconsideration of automatic enrollment for the private sector.

10 We support the intent for this saving program to provide all workers the opportunity to prepare
11 for the future so that they can live with peace of mind in their retirement years.

12 Thank you for the opportunity to provide comments on this measure.

DAVID Y. IGE
GOVERNOR



CATHY BETTS
DIRECTOR

JOSEPH CAMPOS II
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

March 21, 2022

TO: The Honorable Representative Aaron Ling Johanson, Chair
House Committee on Consumer Protection & Commerce

FROM: Cathy Betts, Director

SUBJECT: **SB 3289 SD2 HD1 – RELATING TO HAWAII RETIREMENT SAVINGS.**

Hearing: March 22, 2022, 2:00 p.m.
Via Videoconference, State Capitol

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports the intent of this measure, provides comments, and defers to the Department of Budget and Finance (BUF), Department of Labor and Industrial Relation, and Department of Business, Economic Development, and Tourism (DBEDT), and the Executive Office on Aging. The Department respectfully requests that any appropriation not replace or reduce priorities identified in the executive budget.

PURPOSE: The purpose of the bill is to establish the Hawaii retirement savings program, administered by the Hawaii retirement savings board, in consultation with the department of labor and industrial relations and department of budget and finance, to provide a state-facilitated payroll-deduction individual retirement savings plan to private sector employees who do not have access to employer-sponsored retirement savings plans beginning on an implementation date to be determined by the board. Requires an implementation and evaluation study, followed by an implementation strategy and timetable, prior to implementation of the program. Appropriates funds. Effective 7/1/2050. (HD1)

The SD1 amended the measure by:

- (1) Allowing the Hawaii Retirement Savings Board to enter into interstate agreements to collaborate with other governmental entities, including other states, that maintain or are establishing retirement savings programs compatible with the Hawaii Retirement Savings Program, to the extent necessary or desirable for the effective and efficient design, administration, and implementation of Hawaii's program;
- (2) Clarifying that the funds appropriated out of the general revenues of the State of Hawaii pursuant to this measure for the implementation and operation of the Hawaii Retirements Savings Program include funds for the hiring of necessary staff; and
- (3) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.¹

The SD2 amended the measure by:

- (1) Establishing a cap amount on penalties imposed on employers for violations of statutes or rules regarding the Hawaii Retirement Savings Program;
- (2) Changing the amount of the appropriation from \$813,600 to an unspecified amount;
- (3) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (4) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

The HD1 amended the 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

¹ The Department notes that its testimony in support submitted for the February 9, 2022 hearing was not noted in the STAND. COM. REP. NO. 2557.

- 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.

The Department supports the concept of a retirement program for private-sector employees who do not have access to employer-sponsored retirement savings plans. Other than paying regular contributions to Social Security, Hawaii's low-income and low-skilled residents who work at small businesses or multiple part-time jobs do not have the same opportunities to begin retirement savings that build wealth over time. In addition, given Hawaii's high cost of housing, where pre-pandemic reports indicate that Hawaii renters paid nearly 30% to 49% of their income to rent, incremental savings is the most reliable way for people to begin saving.

The Department of Business, Economic Development, and Tourism conducted a study of Hawaii's economy to understand how changes in the population and its aggregate income, spending, and aging might affect economic projections for Hawaii. Hawaii's Generational Economy: Economic Impacts of Aging^[i] found Hawaii's elderly may face substantial challenges in meeting their needs; Federal programs, such as Medicare and Social Security, will be difficult to sustain; State and County governments may find it increasingly difficult to assist, and the impact on seniors may rebound on younger generations who depend on seniors and provide care and support as family members and taxpayers.

The research also shows that Hawaii's population is aging and that many are not financially prepared to retire. Elderly residents are expected to represent 24% of Hawaii's population by 2040. Those unprepared for retirement often end up needing public support. Hawaii's demographics are changing, and the combined impact of more seniors and a relatively low-growth workforce are likely to "produce a \$7.7 billion hole in our economy" and that "in the absence of major reform, large deficits would persist for the indefinite future." ^[ii]

Attached is a summary of how different DHS programs count retirement savings as assets for the Legislature's information. When individuals or families apply for means-tested public assistance programs, each program will apply the respective program rules to determine eligibility or the amount of available assistance. However, from a broad public policy perspective, individuals and families should grow wealth that contributes to social mobility and financial stability over time.

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

⁽ⁱ⁾ https://files.hawaii.gov/dbedt/economic/reports/Hawaii_Generational_Economy_Oct2020.pdf

⁽ⁱⁱ⁾ Ibid, pg. 9

Statement Before The
HOUSE COMMITTEE ON CONSUMER PROTECTION & PROTECTION
Tuesday, March 22, 2022
2:00 PM
Conference Room 329 & Videoconference

in consideration of
SB 3289, SD2, HD1
RELATING TO HAWAII RETIREMENT SAVINGS.

Chair JOHANSON, Vice Chair KITAGAWA, and Members of the
House Consumer Protection & Protection Committee

Common Cause Hawaii provides comments in support of SB 3289, SD2, HD1 which (1) establishes the Hawaii retirement savings program, administered by the Hawaii retirement savings board, in consultation with the department of labor and industrial relations and department of budget and finance, to provide a state-facilitated payroll-deduction individual retirement savings plan to private sector employees who do not have access to employer-sponsored retirement savings plans beginning on an implementation date to be determined by the board, (2) requires an implementation and evaluation study, followed by an implementation strategy and timetable, prior to implementation of the program, and (3) appropriates funds.

Common Cause Hawaii is a nonprofit, nonpartisan, grassroots organization dedicated to reforming government and strengthening democracy - one that works for everyone.

Common Cause Hawaii understands that when people are paid a living wage and are able to save for retirement, then benefits will flow to families, communities, and our state as a whole, uplifting our democracy. SB 3289, SD2, HD1 establishes a state-facilitated pay-roll deduction retirement savings program to help Hawaii's workers save for their retirement. SB 3289, SD2, HD1's retirement savings program is a much needed common-sense approach to help Hawaii's hard-working people save for the future.

Thank you for the opportunity to comment in support of SB 3289, SD2, HD1. If you have further questions of me, please contact me at sma@commoncause.org.

Very respectfully yours,

Sandy Ma
Executive Director, Common Cause Hawaii



**Testimony to the House Committee on Consumer Protection and Commerce
Tuesday, March 22, 2022; 2:00 p.m.
State Capitol, Conference Room 329
Via Videoconference**

RE: SENATE BILL NO. 3289, HOUSE DRAFT 1, RELATING TO HAWAII RETIREMENT SAVINGS.

Chair Johanson, Vice Chair Kitagawa, and Members of the Committee:

The Hawaii Primary Care Association (HPCA) is a 501(c)(3) organization established to advocate for, expand access to, and sustain high quality care through the statewide network of Community Health Centers throughout the State of Hawaii. The HPCA **SUPPORTS** Senate Bill No. 3289, House Draft 1, RELATING TO HAWAII RETIREMENT SAVINGS.

By way of background, the HPCA represents Hawaii's Federally Qualified Health Centers (FQHCs). FQHCs provide desperately needed medical services at the frontlines in rural and underserved communities. Long considered champions for creating a more sustainable, integrated, and wellness-oriented system of health, FQHCs provide a more efficient, more effective and more comprehensive system of healthcare.

This bill, as received by your Committee, would establish a state-facilitated payroll-deduction retirement savings plan for private sector employees in Hawaii who do not have access to employer-sponsored retirement plans. This bill also appropriates an unspecified amount of general funds for fiscal year 2022-2023, to implement and operate the Hawaii Retirement Savings Program.

This bill would take effect on July 1, 2050.

A hallmark of the HPCA is our steadfast belief that the social determinants of health -- more than any other factor -- contributes to the overall wellbeing of our people. Person who experience homelessness, language barriers, and poverty are more likely to suffer persistent, chronic health issues and have shorter life expectations than those who do not. Seventy-three percent of the patients seen by FQHCs live below one hundred percent of the federal poverty limit.

Testimony on Senate Bill No. 3289, House Draft 1
Tuesday, March 22, 2022; 2:00 p.m.
Page 2

Our patients ARE the ALICE population. As seen through the fine work of the Aloha United Way in their groundbreaking research on the Asset Limited, Income Constrained Employed, there are 148,771 ALICE households in Hawaii, with 41,619 households that live below the poverty line. Because of the COVID-19 pandemic, another 35,000 will have fallen into ALICE status or below by the end of the year.

This bill is intended to help ALICE families protect themselves from future economic shock. It would give families the financial tools to plan for the future and to ensure that they will have the resources to adjust to changing demands that will be placed on them as they progress through life.

The HPCA wishes to thank AARP for shepherding this concept throughout the community for nearly the past decade and not giving up our most vulnerable populations. We commend them and stand ready to assist them in this worthy cause.

For these reasons, the HPCA urges your favorable consideration of this measure.

Thank you for the opportunity to testify. Should you have any questions, please do not hesitate to contact Public Affairs and Policy Director Erik K. Abe at 536-8442, or eabe@hawaiiipca.net.

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS, Hawaii Retirement Savings Program

BILL NUMBER: SB 3289 HD 1

INTRODUCED BY: House Committee on Labor & Tourism

EXECUTIVE SUMMARY: Establishes the Hawaii retirement savings program, administered by the Hawaii retirement savings board, in consultation with the department of labor and industrial relations and department of budget and finance, to provide a state-facilitated payroll-deduction individual retirement savings plan to private sector employees who do not have access to employer-sponsored retirement savings plans beginning on an implementation date to be determined by the board. Requires an implementation and evaluation study, followed by an implementation strategy and timetable, prior to implementation of the program. Appropriates funds. Effective 7/1/2050.

SYNOPSIS: Adds a new chapter to the HRS to establish a retirement savings board that would create a Hawaii retirement savings program for private sector employees, not currently covered by an existing employer-sponsored retirement plan.

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: The thinking behind this bill is for the State to offer a prefabricated vehicle for small employers to sign up for, on the theory that small employers would not offer retirement savings programs at all to their employees if they are going to be overwhelmed with compliance costs. The Foundation itself, for example, decided to terminate its retirement savings program after it found that it needed to pay attorneys every few years for plan amendments required by the federal government.

If the State can competently offer such a plan to private employers in a way to blunt the pain of periodic legal fees, this might be a beneficial idea; but the State needs to remember that it doesn't have either the resources or the expertise to be all things to all people. We are concerned that the governmental activity proposed by this bill is not a core function of government, and we wonder if government can deliver on this plan.

The State has tried savings encouragement before, by providing Individual Development Accounts sweetened with a state tax credit. The market uptake of this program was dismal, as shown in this table of IDA contribution credits claimed.

Year	Number of Taxpayers	Aggregate Credit Claimed
2000	0	0
2001	0	0
2002	0	0
2003	0	0
2004	9	\$3,000
2015	0	0
2016	Suppressed to prevent disclosure of taxpayer return information	
2017	0	0

Source: Department of Taxation, [Tax Credits Claimed by Hawaii Taxpayers](#) 23 (2017); Department of Taxation, Tax Credits Claimed by Hawaii Individuals and Corporations (2000, 2001, 2002, 2003, 2004). If the State program proposed has a similar market uptake, we will have wasted lots of resources and time.

With many folks here in Hawaii living from paycheck to paycheck, people simply don't have excess cash to put away for their retirement. Unless we address our cost of living, we think it will be difficult for this proposed program to have much more market traction than the IDA program.

We also remind lawmakers that financial controls are necessary to keep a program like this from becoming a financial black hole and a magnet for fraud.

Digested: 3/19/2022

Policy Advisory Board for Elder Affairs

Testimony to the House Committee on Consumer Protection and Commerce

Tuesday, March 22, 2022; 2:00 p. m.

State Capitol Conference Room 329 and via videoconference

Regarding: SB 3289 SD 2 HD 1, RELATING TO HAWAII RETIREMENT SAVINGS

Dear Chair Johanson, Vice Chair Kitagawa, and Honorable Members of the House Committee on Consumer Protection and Commerce:

I am Gary Simon, Chair of the Policy Advisory Board for Elder Affairs (PABEA), which is an appointed board tasked with advising the Executive Office on Aging (EOA).

PABEA strongly supports SB 3289 SD 2 HD 1, RELATING TO HAWAII RETIREMENT SAVINGS, which would establish the Hawaii Retirement Savings Program, administered by the Hawaii Retirement Savings Board, in consultation with the Department of Labor and Industrial Relations and Department of Budget and Finance, to provide a state-facilitated payroll-deduction individual retirement savings plan to private sector employees who do not have access to employer-sponsored retirement savings plans. The bill also appropriates funds out of general revenues for Fiscal Year 2022 - 2023 for the implementation and operation of the Hawaii Retirement Savings Program, including funds for the hiring of necessary staff.

PABEA is dedicated to enhancing the quality of life for our kupuna. The Hawaii Retirement Savings Program will increase the financial stability of many of our kupuna in the future and will empower them to choose how they live and age and rely less on government and public social assistance.

Some opponents of the bill argue that a financial literacy and education program is enough to increase retirement savings. However, research by The Pew Charitable Trusts in its work with many states over the years has found that **financial education on its own has not consistently shown the ability to increase savings or financial well-being.**

Some of the opponents also falsely argue that the bill does not include educating employees on the Program. However, the bill includes language that **the Program includes fully informing and employees before during, and after enrollment.** [*The board shall develop and disseminate 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 to help covered employees in deciding whether to participate and at what level participation may be appropriate.*] (page 12 of SB 3289 SD 2 HD 10)] Current programs in Oregon, California, and Illinois provide clear and simple educational material to employees who are eligible for enrollment. Employees who enroll also are provided with online access to a host of resources related to savings, financial wellness, their account information, and their investments and choices.

Employees are fifteen times more likely to save when they can do so at work. The 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 3289 SD 2 HD 1, and we urge you to recommend its passage.

On behalf of PABEA, I thank you for seriously considering the Bill.

Very sincerely,



Gary Simon
Chairperson
Policy Advisory Board for Elder Affairs
No. 1 Capitol District
250 South Hotel Street, Suite 406
Honolulu, Hawaii 96813
Email garysimon@hawaii.rr.com



CATHOLIC CHARITIES HAWAII

TESTIMONY IN SUPPORT OF SB 3289, SD2, HD1: RELATING TO HAWAII RETIREMENT SAVINGS

TO: House Committee on Consumer Protection & Commerce
FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawai'i
Hearing: Tuesday, 3/22/22; 2:00 PM; via videoconference

Chair Johanson, Vice Chair Kitagawa, and Members, Committee on Consumer Protection & Commerce:

Thank you for the opportunity to provide testimony **in support of SB 3289, SD2, HD1**, which would establish a state-facilitated payroll-deduction automatic enrollment individual retirement plan for private sector employees who do not have access to employer-sponsored retirement saving plans. I am Rob Van Tassell, with Catholic Charities Hawai'i.

Catholic Charities Hawai'i (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawai'i for over 75 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawai'i. Catholic Charities Hawai'i has a long history of working with people in need, including many who fall within the population identified as ALICE (Asset Limited, Income Constrained, Employed).

Catholic Charities Hawai'i serves about 40,000 individuals annually, most of whom are low-income. In 2020, this number had doubled to 80,000 due to the impact of the COVID-19 pandemic.

We support this bill due to our experience with families and elders. Our Housing Assistance Program for seniors currently has over 50 elders on our urgent waitlist for services, all of whom are either homeless or facing homelessness due to lack of resources to pay the current rents in Hawai'i. Most are living only on social security and have little or no savings. **We need to work on the systemic problem of poverty before Hawai'i residents who have worked hard all their lives face homelessness in their retirement years.**

CCH also works with many working individuals and young families who are struggling to be self-sustaining. If they cannot start to save for their future, they will also face bleak retirement years with a continued need for government support, paid by all of us as taxpayers.

As part of our budgeting counseling for clients receiving financial assistance, CCH staff encourage them to save, but mechanisms are needed to make saving a simple process. ALICE individuals who work for small businesses would benefit for this type of retirement savings program. The opt-in feature, as well as the opt-out one, will provide flexibility to ALICE workers who are dependent on changes in their income and need a means to put a small amount aside each month. The proposed system will also prevent them from disconnecting from a retirement plan.



The long-term impact of a Hawaii Retirement Savings Program would be great. Creating this system to save for retirement could prevent ALICE individuals from facing homelessness when they are elderly and no longer able to work. It will supplement the retirement needs for those whose work earnings have resulted in small social security benefits. It would provide a mechanism to allow more secure and hopeful futures for small business workers.

We urge your support for this bill. Please contact our Legislative Liaison, Betty Lou Larson at (808) 373-0356 or alohabettylou@hotmail.com if you have any questions.



1001 Bishop Street | Suite 625 | Honolulu, HI 96813-2830
1-866-295-7282 | Fax: 808-536-2882
aarp.org/hi | aarphi@aarp.org | twitter.com/AARPHawaii
facebook.com/AARPHawaii

The State Legislature
The House
Committee on Consumer Protection and Commerce
Tuesday, March 22, 2022
2:00 p.m.

To: Representative Aaron Johanson, Chair

Re: Support for SB 3289 SD2, HD1 - Relating to Hawaii Retirement Savings

Dear Chair Johanson, Vice Chair Kitagawa and Members of the Committee,

My name is Keali'i Lopez and I am the State Director for AARP Hawai'i. AARP is a nonpartisan, social mission organization that advocates for individuals age 50 and older. We have a membership of nearly 38 million nationwide and over 140,000 in Hawai'i. We advocate for the issues that matter to Hawai'i families including financial security, access to affordable, quality health care for all generations; and serve as a reliable information source on issues critical to people over the age of fifty.

AARP Hawai'i **supports SB 3289 SD 2, HD 1** which establishes a state-facilitated retirement savings program for private sector employees to have an easy way to save and contribute toward their future through an automatic payroll deduction. This program has been recommended by the Hawaii Retirement Savings Task Force (established by SR 97, 2021) in their final report to the legislature submitted in December 2021.

SB3289 SD2, HD1 creates a board to establish and oversee a state-facilitated automatic IRA program and appropriates funds for marketing and to hire an administrator and support staff to start the program up over the next two years. The program would be a public-private partnership, like the college 529 savings program. The state would partner with the private sector to manage the automatic IRA program and invest the money, and funds would be held in individual worker accounts. Local businesses would offer access to the payroll-deduction retirement savings program to workers with zero employer fees.

AARP strongly supports a state-facilitated retirement savings program for the following reasons:

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 Hawai'i is about \$20,000 a year, while they spend \$26,000 a year on food, utilities and health care alone. According to the Aloha United Way 2020 ALICE in Hawaii Report, the senior survival budget for a single senior would be even higher at \$34,308 per year with increasing health care costs. 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, childcare, food, transportation, and health care. These ALICE families include households of all ages that are struggling to make ends meet in Hawai'i. With the growing number of aging baby boomers in the state, more seniors will struggle financially despite public programs and policies such as Social Security, property tax deductions and exemptions. The AUW report states that the rising housing costs will make it even more difficult for seniors to make ends meet and many will fall below the ALICE threshold and become impoverished.

We know that fewer and fewer people have a pension plan and many workers – about 216,000 people in Hawai'i, or 50% of Hawai'i's private sector employees -- currently have no easy access to a 401K, or other ways to save for retirement at work. Without an easy 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 businesses.

While individuals can establish and contribute to a retirement savings program on their own; the vast majority 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, and 20 times more likely if that savings is automatic.

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. The contingent workforce, including gig workers, tend to also lack this critical access to employer-sponsored retirement plans.

As businesses recover from this COVID-19 pandemic, 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 are unable 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. A recent survey found four in five small businesses in Hawai'i would offer retirement savings to their workers if a state-facilitated retirement savings program was available and think the Legislature should support the creation of a state retirement savings program.

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. Recent studies show that small amounts of additional savings can make a significant difference in the retirement readiness of low-and moderate-income workers. OregonSaves is the first-in-the-nation with an automatic IRA program, and they are proof that lower-income workers will participate. The average income for savers in the program is just \$29,000. California and Illinois are showing similar success with low-income working households when they have access to an automatic payroll contribution.

The task force report cited a 2020 Department of Business, Economic Development and Tourism Report that looked at Hawai'i's Generational Economy. The report, by East West Center and University of Hawai'i researcher Andrew Mason, found that changing demographics, fewer working-age households, and increased costs for older households will "produce a \$7.7 billion hole in our economy by the year 2035."

A recent report "The Cost of Doing Nothing", prepared by Econsult Solutions Inc. for the Hawaii Retirement Savings Task Force, was released in March 2022. The report looked at the economic and taxpayer impact of Hawai'i's retirement savings crisis, which further confirmed the projected deficits by the University of Hawaii's Generational Economy report. Econsult looked at Medicaid and other social service program spending and estimated what would happen if current savings, or lack of savings, trends continue through 2040 compared to what would happen if workers retire with adequate savings. The difference --\$1.72 billion over 20 years -- is the amount of state social services spending that could be avoided if Hawai'i can get more workers to save.

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

Fourteen states have already passed legislation that improves workers' access to a retirement program, and more are in progress to help their future retirees. Three automatic IRA programs are open (CalSavers, Illinois Secure Choice, and OregonSaves) and have nearly 429,000 funded accounts and \$408 million in assets as of December. Over 30 states recently acted to study program options or consider legislation. Hawai'i must join in this nationwide effort to help our working families be retirement ready, and AARP Hawai'i stands ready to work with the Legislature to do this through a state-facilitated retirement savings program.

D. Federal Legislation– SECURE Act and Others

Congress passed the Setting Every Community up for Retirement Act of 2019 (SECURE Act) which expands access to retirement savings to part-time workers in the U.S. The bill also made 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 create a plug and play retirement program that small businesses can use without having to run or pay for it. Employers still are burdened to set up the program and serve as a fiduciary, while the proposed automatic IRA model does not. The SECURE Act and other federal tax credit initiatives are welcome additions but has created little meaningful change to participation in retirement savings. In contrast, Oregon, California, and Illinois demonstrate a 68% participation rate which shows why the automatic IRA model remains the preferred model for many states. It has the biggest impact and widest reach to engage savers.

E. Commonly Raised Questions and Issues

The Employee Retirement Income Security Act of 1974 (ERISA) had been 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. Individual Retirement Accounts (IRAs) have always fallen outside of ERISA and **litigation on this issue has recently come to a decisive end**. The Supreme Court of the United States on February 28, 2022 declined to review the Ninth Circuit Court of Appeals' ruling in favor of the CalSavers Retirement Savings Program and ending an effort to halt the program.

A lawsuit by the Howard Jarvis Taxpayers Association sought to block CalSavers on the grounds that the federal Employee Retirement Income Security Act of 1974 (ERISA) preempts CalSavers, making the program invalid. In denying the Howard Jarvis Taxpayers Association's petition for writ of certiorari, the Supreme Court leaves intact the Ninth Circuit Court's decision rejecting that argument, and holding that CalSavers is not preempted. The Ninth Circuit ruling stated: "We hold that the preemption challenge fails. CalSavers is not an ERISA plan because it is established and maintained by the State, not employers; it does not require employers to operate their own ERISA plans; and it does not have an impermissible reference to or connection with ERISA. Nor does CalSavers interfere with ERISA's core purposes. Accordingly, ERISA does not preempt the California law."

<https://www.treasurer.ca.gov/news/releases/2022/5.pdf>

As previously mentioned, 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 choose not to participate because of income concerns, but most are likely to stay in once enrolled.

AARP Hawai'i appreciates the work and due diligence completed by the Hawaii Retirement Savings Task Force in determining the feasibility and need for a state-facilitated program for Hawai'i's private sector workforce. The Task Force examined the different retirement savings models, efficacy of financial literacy education, the costs and projections for program startup/break-even, and fiscal impact to the state if it remains status quo and do nothing. The Task Force's report concludes that the Hawai'i Retirement Savings Program is vital and will help Hawai'i workers save so they can live with dignity as they age.

Thank you for the opportunity to testify in strong support of SB3289 SD2, HD1.

Sincerely,

A handwritten signature in black ink that reads "Keali'i S. López". The signature is written in a cursive style with a large initial "K" and a distinct "L".

Keali'i S. López
State Director

TESTIMONY OF THE AMERICAN COUNCIL
OF LIFE INSURERS IN OPPOSITION TO SB 3289, HD 1, RELATING
TO HAWAII RETIREMENT SAVINGS

March 22, 2022

Honorable Representative Aaron Ling Johanson, Chair
Honorable Representative Lisa Kitagawa, Vice-Chair
Committee on Consumer Protection and Commerce
State House of Representatives
Hawaii State Capitol, Room 329 and Videoconference
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Johanson, Vice-Chair Kitagawa and Members of the Committee:

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 well being 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 percent of industry assets in the United States. Two hundred seventeen (217) ACLI member companies currently do business in the State of Hawaii; and they represent 94% of the life insurance premiums and 97% of the annuity considerations in this State.

In the 2021 legislative session, SR 76, SD1, was passed by the Senate which established a retirement savings task force to prepare a report to the legislature assessing the feasibility of establishing a state sponsored retirement savings program for private sector employees. The retirement savings task force report (the “Report”) was submitted to the Legislature in December 2021.

SB 3289, enacts the Report’s proposed legislation for the creation of a State sponsored Hawaii Retirement Savings Program.

THE RETIREMENT SAVINGS PROGRAM IS UNNECESSARY

The premise of SB 3289, HD 1, is that employees do not have access to inexpensive retirement vehicles. Further, (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.

Employees, individually and as employed individuals, and their employers have ready access to affordable retirement plans.

- Affordable Retirement Vehicles Already Exist.
 - Many inexpensive and accessible retirement vehicles are already available to such employees and small employers:
 - IRAs and Roth IRAs
 - SEPs
 - SIMPLE IRA plans
 - 401(k) and 403(b) plans are available as part of an association pooled employer plans

Thus, the retirement savings vehicle proposed by SB 3289, HD 1, the Roth IRA is already available to small business employees, individually and as employed individuals.

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

- On 12/20/19, Congress passed into law the Setting Every Community Up for Retirement Enhancement Act (the SECURE Act). This Act dramatically increased 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.

- 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. If the plan has auto enrollment, an employer gets an 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.

- New 401k plan options geared to small employers are now proliferating nationwide as a result of these new incentives created by the federal SECURE Act. Association plans and new pooled employer plan (PEP) 401ks now authorized under the SECURE Act are now widely available to local chambers, associations of employers and even to small business clients of large payroll providers like ADP and Paychex.

- One good example is the robust new 401k plan available to small employers through the Las Vegas Chamber, the first Chamber in the country to offer such a program. Enrollment is easy, the administration is simplified and the costs are lower for small employers than in a standalone 401k. The Las Vegas Chamber Association plan is a fully regulated 401k plan with employer matching and all the worker protections of federal ERISA law. And the private plan offers significant tax credits for the employers who enroll.

- Another example is the Greater Akron, Ohio, which has now launched a similar plan for small employers in NE Ohio. Many others are following suit.

- The risk management firm AON predicts that ***“half of U.S. employers will join pooled employer plans in a decade; creating higher performing, more efficient 401(k) plans for millions of Americans.”***

HAWAII'S ADOPTION OF THE PROPOSED RETIREMENT SAVINGS PROGRAM IS PREMATURE

A bill introduced in November 2020, “SECURE 2.0” builds on the SECURE Act to improve retirement savings opportunities for workers which will include new and inexpensive auto enrollment plans. There is strong bipartisan support and momentum for passage of this pending legislation.

The wisdom of passing SB 3289, now ahead of this pending legislation may, therefore, be questioned.

NO PROTECTIONS FROM LOSS ARE PROVIDED EMPLOYEES UNDER THE PROPOSED STATE SPONSORED RETIREMENT SAVINGS PROGRAM

On March 1, the US Supreme Court upheld the dismissal of a lawsuit filed by the Howard Jarvis Taxpayers Association (the “Taxpayers Association”) and others against the State of California’s Secure Choice Retirement Savings Program (“CalSavers’ Retirement Plan”) in a

Federal District Court in California¹. The Taxpayers Association had argued that the CalSavers Retirement plan was preempted by ERISA.

The proposed retirement savings program established by SB 3289, HD 1, and others is patterned after the CalSavers' Retirement Plan. Accordingly, the Supreme Court's recent decision dismissing the Taxpayers' Association's lawsuit means that employees who participate in SB 3289, HD 1's, proposed retirement plan are not entitled to the protections afforded retirement plans governed by ERISA.

They will only have the protections afforded them by the provisions of SB 3289, HD 1.

Under the provisions of § -4(a)(1) – (19) of the proposed Chapter establishing Hawaii's State Sponsored Retirement Savings Program, at pages 7 to 11 of the bill, the retirement savings board (the "Board") is charged with the duty of establishing, implementing and maintaining the State sponsored retirement savings program (the "Retirement Plan"), including (among others) that the plan be designed and operated "in accordance with best practices for retirement savings vehicles", to encourage "participation, saving, sound investment practices, and appropriate selection of default investments", "[e]nsure the program's compliance with all applicable laws and regulations", [d]evelop and implement . . . an investment policy that defines the programs investment objectives . . . and other objectives that is consistent with those investment objectives", and to hire investment advisors and administrators and a program manager to manage the retirement plan.

If, however, the Board and/or each of its members should fail to properly perform and discharge these duties, § -4(a)(17), on page 11, at lines 11-14, of the bill's proposed new Chapter, states the Board:

. . . [S]hall have the powers and duties in accordance with law to: . . .

. . .

(18) Indemnify, including procurement of insurance if and as needed for this purpose, each board member from personal loss or liability resulting from the member's action or inaction

In other words, any and all losses suffered by a participating employee as a result of the Board's or its members' malfeasance are to be paid from the employees' contributions to the plan – not by the Board and/or its members.

Nor does the employer have any liability for an employee's stated losses suffered by the employee resulting from his or her participation in the Retirement Plan. § -9(a) of the proposed Chapter, on pages 17-19, provides that the employer is not liable or responsible for, among other matters, the employee's decision to participate and any adverse consequences suffered by the employee resulting from his or her participation in the Plan, including the employee's and the Board's investment decisions, the plan's investment performance, its design or the benefits paid or compliance with the tax laws and loss of any favorable tax or government benefits. Moreover,

¹ 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.

§ -9(b) of the proposed Chapter, on page 19, at lines 6-8, states: “(b) No covered employer or other employer shall be, or shall be considered to be, a fiduciary in relation to the program or any other arrangement under the program.”

Nor is the State of Hawaii, the department of labor and industrial relations, the Board or the Retirement Savings Plan itself liable for the employee’s stated losses resulting from his or her plan participation. For example § -10(a)(4) of the proposed Chapter, on page 20, at lines 8-13, provides they “Shall not be liable or responsible for any loss, deficiency, failure to realize any gain, or any other adverse consequences, including any adverse tax consequences or loss of favorable tax treatment, public assistance, or other benefits incurred by any person as a result of participating in the program.”

ACLI submits that employees of this State should be afforded protections comparable to other retirement plans mandated by ERISA.

For the foregoing reasons ACLI must respectfully oppose SB 3289 and urges this Committee to defer passage of this measure.

IF THIS COMMITTEE DETERMINES TO PASS HB 3289, HD 1, THE BILL SHOULD BE AMENDED AS SET FORTH BELOW.

As currently worded SB 3289, HD1, does not clearly require the Board to provide information to each covered employee of the consequences of enrolling in the Hawaii Retirement Savings Program as a condition of enrollment.

Accordingly, ACLI suggests that § -4(b) of the bill’s proposed new Chapter, on page 12, at lines 1 through 6, be amended as follows:

(b) The board shall develop and disseminate 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 to help covered employees in deciding whether to participate and ~~at what the~~ level of participation ~~which~~ may be appropriate ~~for them~~. This information shall be furnished to each covered employee prior to accepting his/her election to opt in to the program.

Further, § -5(e)(1) of the bill’s proposed new Chapter, on page 14, at lines 4 through 8, should be amended as follows:

(e) Beginning on a date to be determined by the board pursuant to subsection (a), a covered employer shall:

(1) Allow a covered employee to enroll into the program after providing the covered employee who has been furnished with the information described in § -4(b) with a written notice of the employee’s right to opt in; and

If the Board's study finds that the implementation of the proposed retirement savings program is not feasible, the Board should be authorized to recommend that the program not be implemented.

ACLI, therefore, suggests that § -5(b) of the bill's proposed new Chapter, on page 13, at lines 6 through 13, be amended as follows:

(b) Prior to implementation of the program, the board shall conduct a detailed implementation and evaluation study and perform other due diligence tasks to determine the feasibility of the program parameters established by this chapter and the resources and time needed to implement the program. Upon completion of the study, the board shall report its findings and recommendations, including its recommendation not to implement the program if the program is not feasible, any proposed legislation and funding requirements to the legislature.

Again, thank you for the opportunity to testify in opposition to SB 3289, SD 2.

LAW OFFICES OF
OREN T. CHIKAMOTO
A Limited Liability Law Company

Oren T. Chikamoto
P. O. Box 4277
Honolulu, Hawaii 96812
Telephone: (808) 531-1500
E mail: otc@chikamotolaw.com



House Committee on Labor & Tourism
 Hearing Date: March 22, 2022
 2:00 pm – Conference Room 329

RE: SB 3289, SD2, HD1 -- Relating to Hawaii Retirement Savings

Chair Johanson, Vice Chair Kitagawa, and members of the Committee, 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.

We are opposed to SB 3289, SD2, HD1.

SB 3289, SD2, HD1, is enabling legislation for a “state facilitated payroll deduction retirement savings plan for private sector employees in Hawaii” without access to employer sponsored retirement plans. In the 2021 session, SR 76, SD1, was adopted by the Senate which called for a retirement savings task force to assess the feasibility of establishing the program. The task force was formed and met from August to November 2021. **A copy of “Retirement Security in Hawaii – Findings and Recommendations of the Hawaii Retirement Savings Task Force (“HRSTF”) was submitted to the Legislature in December 2021.**

SB 3289, SD2, HD1, is the product of the “HRSTF” recommendations. The “HRSTF” found that a “promising option is a **state-facilitated automatic IRA program**”. This auto-IRA option allows employees to contribute to their own IRA account **via payroll deduction if their employer does not offer a retirement savings plan at the workplace**. The previous versions of this bill required that employers have to enroll the employees but **employees can opt out**.

This HD1 version has amended the SD2 whereby employees now have to “opt in” to join the program as stated on page 14, lines 4-8. A written notice by the employee to opt in is required.

Covered employers have limited responsibilities according to the “HRSTF” report. They are not responsible for the employee accounts, do not contribute to employee accounts and **not liable** or bear responsibility as noted on pages 17-18 of the bill; along with the state having full protection from liability as noted on pages 19 – 20. **Employers will be responsible for calculating withholdings, transmitting the withholdings, reporting employee status changes, additional wages to in-house staff or external payroll firms that amounts to out-of-pocket expenses with setting up and maintaining the plan.**

The penalty for an employer who fails to enroll covered employees is the contribution amount and interest rate of 6% per year beginning on the date that contribution would have been made (beginning

on page 23). There are also penalties of \$25 for each month the employee is not enrolled and \$50 for each month the employee continues to be unenrolled in the program after the date of the assessed penalty. Finally, the employer shall be liable for a penalty of no less than \$500 for each violation, provided that the penalties shall not exceed \$5,000 per calendar year. **Along with civil penalties, this seems harsh** as compared to the other states with these plans in place having lower penalty amounts. Additionally, the **employer is not a fiduciary in relation to this program**. Those employers who have retirement plans in place will not be subject to the Hawaii Retirement Savings Program and will not have to enroll their employees.

The Hawaii Retirement Savings Board will be established to implement and administer the program. Another major amendment by the House Labor & Tourism Committee from the previous drafts is on page 13, where the Board is required to meet (b) – lines 6-13, and (c) -- lines 14-19. **These two sections were requested by the Department of Budget & Finance as a more prudent approach to require due diligence tasks, feasibility of the program and for implementation in phases along with reports to the Legislature.**

We also agree with ACLI's amendment (underlined) to include in 5(b) of the last sentence: "Upon completion of the study, the board shall report its findings and recommendations, including its recommendation not to implement the program if the program is not feasible, any proposed legislation and funding requirements to the legislature."

There are lots of data in the "HRSTF" report that leads to their recommendation for the auto-IRA option. As policymakers please review the report keeping in mind the cost for the program that will take at least two years before the first dollar is collected; enrollment will be in "waves" as determined by the rules implemented; will cost \$750,000 in start-up and \$650,000 per year to operate; Pew found that the program to be cash flow positive in year 7 and net positive (pay back the cost of starting the program including the initial losses) in year 11. Implementation cost will probably be a loan from the state's general fund with repayments that could fall back on taxpayers if low participation rates and lower than expected fee collection take place.

The default rate for employees' contributions is at 5% for the first year and 1% increase up to year 5. **Employees can determine their rate too.** There probably will be reduced costs if Hawaii joins in an interstate alliance rather than a stand-alone program, that was included in the SD2, on pages 22, item (c).

Another major amendment made by the House Labor & Tourism Committee is on page 12, item (b), lines 1-6. **The Board is now required to develop and disseminate information to educate employees on the program** and how their retirement saving contributions will impact their take home pay, savings strategies, benefits of planning and saving to help employees in deciding whether to participate and at what level of participation. **We agree with ACLI's amendment that this information shall be furnished to the covered employee prior to election to opt in to the program.**

We always advocated for financial education on the need to save for retirement and 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. Employers and employees can easily access low-cost IRAs and other retirement plans through local financial advisors and financial institutions. **We continue to believe that Hawaii would be better served by using state resources for education and outreach efforts to educate our citizens rather than implementing a costly state-run plan.**

37 states have considered and rejected legislation establishing a state-run retirement program. Only 3 states – Oregon (population 4 million), California (population 40 million) and Illinois (population 12 million) have implemented their programs. Connecticut and Maryland will roll out their program this year. New Jersey and Virginia have passed legislation but have not implemented it due to numerous legal and cost concerns. New Mexico has implemented both a retirement savings plan & a marketplace plan that was to go into effect last year but has been pushed back to July 2024. Colorado and New Mexico entered into a partnership with their programs in November 2021, for cost effectiveness and efficiency. Washington and New Jersey have enacted legislation that sets up voluntary retirement marketplaces designed to bring employers and private market plan providers together. There are currently active proposals in Delaware and Missouri, and Mississippi and Rhode Island have rejected the auto-IRA program. Hawaii is a small state and the costs for this program will be paid for by the state (as a loan) initially and the enrolled employees where those costs may be higher than the larger states that are already collecting retirement contributions.

In late 2020 the Oregon Retirement Savings Board entered into a termination negotiation due to its program not meeting asset and account holders thresholds resulting in the withdrawal of plan administrator Ascensus. The migration to their new service provider, Sundry Administration LLC has been completed.

[CalSavers Retirement Savings Program Snapshot as of 12/31/2021](#)

For the next 12 years, every single day 10,000 people will reach age 65. We are not adequately prepared for retirement especially when considering current longevity and as noted above some states have moved ahead instead of waiting for Congress. Congress did pass the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) that was enacted in December 2019 to improve retirement readiness and has many advantages over the state auto-IRA plan.

Some of the highlights of the SECURE Act of 2019: 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.

Multiple employer plans (“MEP”) since the passage of the SECURE Act are more accessible for employers to adopt. Multiple employer plans will have all the benefits, features, and provisions of more traditional single-employer retirement plans, but with significant relief to employers regarding cost, administrative responsibilities, and fiduciary duties. **The advantages of MEP plans over state auto-IRA plans are numerous.** For example, MEPs include employer matching of participant contributions, a more extensive diversity of investment options, less cost to employee-participants, significantly higher annual contribution limits, the ability to select either or both ROTH or traditional tax treatment of plan assets, and **consumer protections under ERISA.**

There are new proposals from both chambers of Congress known as SECURE 2.0 which are being positioned for committee mark-up. **These federal changes will create more options and employer benefits to increase retirement savings across the country.** If some version of SECURE 2.0 is enacted, the program will be ready to roll sooner than this program being proposed for Hawaii.

We understand the importance of retirement security and acknowledge that many Americans are not saving enough for retirement. Additionally, the existence of a state-run retirement plan could result in employers with strong existing 401(k) 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. **We request that language be included to not allow switching to the state plan for a minimum number of years** after implementation.

For the truly needy households, means-tested benefit programs such as SNAP, SSI, Medicaid benefits, and housing subsidies could be in jeopardy since asset and income tests may be triggered and disqualify workers. **Since retirement savings are assets, those employees who qualify for these kind of federal programs should not participate in the Hawaii retirement savings program.**

A bit of history....in 2016, the U.S. Department of Labor adopted a rule that would facilitate the enactment of state-run retirement plan legislation by **exempting such plans from coverage under ERISA.** However, in early 2017, Congress with Trump’s approval, utilized the Congressional Review Act (CRA) to override the DOL action and nullify the rule. The litigation surrounding the CalSavers program (*Howard Jarvis Taxpayers Association, et al., Petitioners v. The California Secure Choice Retirement Savings Program, et al.*) was **recently declined for review by the U.S. Supreme Court** that worked its way through the California federal court process. **This type of state-run auto-IRA program is now exempt from ERISA.**

ERISA sets minimum federal standards for retirement plans, provides fiduciary requirements and allows for participants to sue for benefits and breaches of fiduciary duty. ERISA is designed to guarantee nationwide uniformity. With this new auto-IRA program, will the employee’s savings have the security that Congress intended through ERISA?

Under this measure the state and Hawaii employers are exempt from ERISA and not subject to any fiduciary or contractual liability. Who has the responsibility for any failures in the program? Will it be the investment firm or plan administrator that is selected by the Hawaii Retirement Savings Board? Where will that leave the employees when safeguards & consumer protection are questionable or not available? This program in HD1 is exactly what is available in the private marketplace without the ERISA protections as retirement savers have to choose (opt in) to participate in the state's retirement plan.

With the SECURE Act of 2019 in place along with ERISA requirements.... higher contribution limits for workers, clear worker protections, cost effective administration, and optional employer match, the state should encourage Hawaii's employers and employees 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-3289-HD-1

Submitted on: 3/21/2022 7:56:37 AM

Testimony for CPC on 3/22/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Beth Giesting	Individual	Support	Written Testimony Only

Comments:

In strong support of SB3289, SD2

Many of Hawai'i's workers are employed by small businesses that cannot or do not offer plans to help them easily build tax-deferred retirement savings. As a result, these workers may have little income besides Social Security earnings when they retire.

Social Security payments to retirees are based on lifetime contributions through earnings. Consequently, lower-paid workers, who often work for small companies without retirement plans, will have only modest Social Security benefits. Women are especially vulnerable to an impoverished retirement because they earn less than men, on average, and are more likely to have periods of unemployment due to family care responsibilities and childbirth. In high-cost Hawai'i, Social Security is unlikely to cover living expenses, leaving more retirees to depend on public benefits to make ends meet.

Please pass SB3289, SD 2, in order to create a program to help many more Hawai'i workers achieve greater financial independence when they leave the work force.

HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Aaron Ling Johanson, Chair

Rep. Lisa Kitagawa, Vice Chair

Hearing Date: March 22, 2022, 2:00pm

Re: SB3289 RELATING TO RETIREMENT SAVINGS

Aloha Chair Johanson and Committee Members.

My name is Linda Dorset, a resident of Wailuku, Maui. I thank you for the opportunity to submit written testimony regarding the above referenced legislation. I strongly support SB3289 that will establish a state-facilitated pay-roll deduction retirement savings program and provide an easy pathway for Hawaii's 216,000 private sector workers to start saving out of their regular paycheck and grow the additional savings they need to take control of their future. The accounts would be voluntary for employees, and it's up to each worker to decide if they want to participate and how much to contribute. Research has shown that people are 20X more likely to save if they are automatically enrolled, and from my own experience, I believe it was much easier to adjust my spending once the money was not in my paycheck than to take the initiative to open my own retirement savings account.

And as for the concern that financial education is important; language included in the language of the bill provides that education for both employees and employers.

As a taxpayer, helping people save for their retirement will save the State money in the long run. Future retirees including me won't have to rely on public-assistance programs to make ends meet. Also, 85% of employers indicated they would likely offer their employees a retirement program that would be easy and low cost for them to engage their workers.

Thank you for your consideration

SB-3289-HD-1

Submitted on: 3/19/2022 1:53:24 PM

Testimony for CPC on 3/22/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Gerard Silva	Individual	Oppose	Written Testimony Only

Comments:

This will over burdon the Retirment System that is in place Now!!

March 22, 2022

TO: Representative Aaron Johanson, Chair
and Members of the House Committee on Consumer Protection and Commerce

FROM: Carl Takamura

RE: SB 3289,SD2,HD1 Relating to Retirement Savings

I am strongly in support of SR 3289,SD2, HD1 to establish a retirement savings program for private sector employees who do not have access to an automatic payroll savings plan.

The COVID 19 pandemic has revealed and exacerbated the deep and growing economic divide within our country and particularly in Hawaii where 69% of the people have daily challenges due to the high cost of living. In addition, recent studies have shown that 75% of Americans nearing retirement have less than \$30,000 in savings which means that when they retire, they will need assistance for food, housing and medical care.

Enabling more people to save for their retirement through automatic payroll deductions is a no-brainer and has been proven to work in other states. Oregon established their successful Oregon Saves program in 2017 and has about 113,000 workers enrolled of which the average income of new savers is \$29,000 and the average amount saved is \$160/month.

While it is true that the financial industry already provides fairly-priced retirement saving options such as 401(k) and IRAs, 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 for themselves. More significantly, studies show that workers are 15 times more likely to save for their future if they can save through payroll deduction at work.

In addition, states that have established similar work and save programs, have incorporated provisions which do not allow employees with retirement plans to terminate their plan and participate in a state-facilitated plan. Thus, these state-facilitated programs pose no threat to the private financial service industry, and actually, there has been growth in new accounts as some employers have opted to establish their own retirement savings program for their workers instead of the state-facilitated option.

The COVID pandemic has highlighted how critical it is for Americans to have a retirement savings program in order to avoid relying on public assistance later in life. We must make it easier for all workers to save for their future.

Thank you and I urge you to pass this important measure.

The House Committee on Consumer Protection and Commerce
The Honorable Aaron Johanson Chair and Members of the Committee
March 22, 2022

SUBJECT: SB 3289 S.D.2, H.D.1 – Relating to Hawaii Retirement Savings

Dear Chair Johanson,

I had the honor of participating in a State of Hawaii “talk and give feedback” session in 2021. Many of the things discussed then are in the State’s excellent report, Retirement Security in Hawai’i.

As a senior, I am supportive of SB 3289 S.D.2, H.D.1, Helping Working People Save for Retirement. The drivers for better saving for retirement are obvious: the state with the nation’s highest cost of living (96% above the US average), a senior population poverty rate of 9% (but within Hawai’i 10.6 for whites, 10.1 for Hawaiian/Pacific, and 7.8 for Asians), and where to live comfortably \$122,000 yearly is needed, yet 60% of the State’s seniors have incomes under \$75,000.

My point is a request to think not only about the present, but the future. The study says by 2040 the senior population will increase from the present 21% to 24%, one in four residents. Another study estimates 27% by 2030! With these senior growth predictions, the inevitable social and health cost pressures on state and local governments will be unsustainable.

The alarm bells were ringing last year and the Legislature in its wisdom requested a study. Those findings and pathways forward are encased in SB 3289. The bill’s goal to make it easier for low and moderate income workers to save for retirement is practical; the goal to assist employers who want to step up voluntarily with retirement plans is worthy.

In closing Representative and Distinguished Committee, passage of SB 3289 would be a major positive for Hawaii, but especially for those currently working, who someday will be retired with hopefully fewer financial worries than what our senior population faces today.

Lastly, I wish to commend AARP and their partners in being a key advocate for SB 3289 S.D.2, H.D.1.

Bill Schilling
Co-President
Rotary Club of Hanalei Bay

House Committee on Consumer Protection and Commerce

March 22, 2022

2:00 p.m.

SUBJECT: SB 3289 S.D. 2, H.D. 1

To: The Honorable Aaron Johanson, Chair, and Members of the Committee

I fully support the intention of the bill to create an easy to use IRA that requires participants to opt out. Many low-income workers never even think about taking advantage of an IRA plan. By making them opt out in order to avoid deductions from their salary, it will require them to consider the option. This will start a discussion that will increase their chances of seeing the advantages of participating in the program.

As a financial advisor for over 40 years, I know that most people will elect to start an IRA, if they understand the benefits and appreciate how little it will affect their actual current income.

Jonathan McRoberts

4141 Lei O Papa Rd. #23

Princeville, HI 96722

Retired Financial Advisor

The House Committee on Consumer Protection and Commerce

Date: March 22, 2022, 2:00 p.m.

Attention: The Honorable Aaron Johanson, Chair

RE: SB 3289 S.D.2, H.D.1 Related to Retirement Savings – TESTIMONY IN SUPPORT

Dear Chair Johanson and Members of the Committee

My name is Waynette Gaylord and I am the President and Owner of four care homes on Oahu. As a small business owner with 12 employees, we pride ourselves is providing quality services to our customers. My employees are hard working and I want to help my employees by being a good employer and offer benefits that reward their hard work and loyalty. Being able to offer a retirement savings plan would be one of those benefits. I want them to save for retirement.

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 my business.

I support having a public-facilitated retirement program that will help small businesses an easier way to offer a retirement savings program to my employees. 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 similar benefits.

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 younger women and they will benefit most from starting retirement savings early.

I strongly support SB 3289 S.D.2. H.D.1 which establishes a state-facilitated retirement savings for small businesses and their employees.. Thank you for allowing me to testify in support.

Waynette Gaylord, President/Owner

Gaylord's I, II, III and IV

1723 Malanai Street, Hon 96826 -- 808.227.7173

wannetteg@aol.com

The House Committee on Consumer Protection and Commerce
Tuesday, March 22, 2022 2:00 p.m.
RE: Testimony in Support of SB 3289 S.D.2, H.D. 1

To: Chair Johanson and Members of the Committee:

Thank you for the opportunity to express my strong support of Senate Bill 3289 S.D. 2, H.D. 1 to establish a retirement savings program for private-sector employees. I am a co-owner of Loco Moco Drive Inn in Ewa Beach and Wiki Wiki Drive In at Waterfront Plaza. Our small business has about 15 employees. We like to think of ourselves as a family and I would like to offer my workers a way to save for their future through payroll deduction, but have no idea how to do it and I don't have the time to research it myself or the money to pay for lawyers and a financial consultant to set it up.

We get approached all the time by insurance companies hoping to provide my workers with health insurance. But no insurance company or financial institution has ever come to my small business to help me set up a savings program. I think we're too small and they wouldn't make a profit with low-income workers. As someone who worked for big companies before I started my own business, I have saved money on my own and through payroll deduction and it's definitely easier to save money when it comes out of your paycheck before you get a chance to spend it.

At my first job at a major hotel, my co-workers – many of them first-generation immigrants who didn't make that much money – taught me about saving and I am so grateful for their counsel. I don't think my workers are saving on their own. But I think they would if they were given the chance to do so at work through payroll deduction. Even if they just save a little bit of money, it becomes a habit and will benefit them throughout their life. Other states like Oregon, California and Illinois are able to help small businesses and their workers by providing an automatic IRA savings program, similar to college 529 savings programs, that businesses can offer to workers at no charge to the business.

If I can offer my workers a savings program, it would be a benefit to my workers and my business. It could keep my workers out of poverty as they age. In addition, as a taxpayer I am aware of the retirement savings crisis and the tax burden that is coming if workers without adequate savings retire broke. Taxpayers will have to pick up the bill to pay for their healthcare, rent and food.

My understanding is this bill would set up a savings program which is working in other states that could also work in Hawai'i. That makes sense. Please pass SB 3289 S.D.2. H.D. 1 and do something to help small business, to help taxpayers and to help workers.

Eric Wong
Owner, Loco-Moco and Wiki Wiki Drive Ins
Email: locomocoewa@gmail.com
The Senate Committee on Labor, Culture and the Arts
Wednesday, Feb 9, 2022 3:00 p.m.
RE: Testimony in Support of SB 3289

To: Chair Aaron Johanson and Members of the House Consumer Protection and Commerce
Re: SB 3289 S.D.2, H.D.1 -Relating to Hawaii Retirement Savings
2:00 pm, March 22,2022

Testimony in Support of Senate Bill 3289 S.D.2, H.D.1

We need to create a Hawaii Retirement Savings program and I am in strong support of Senate Bill 3289 S.D.2, H.D. 1. 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 the Hawaii Retirement Savings Program 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 Retirement Savings 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 \$14,000. 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 SB 3289 S.D. 2, H.D.1.

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

House Committee on Consumer Protection and Commerce

March 22, 2022

2:00 p.m.

Testimony in Support of Senate Bill 3289 S.D.2, H.D. 1

Dear Representative Johanson, 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 3289 S.D.2., H.D.1.**

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

1111 Bishop Street Suite #112

Honolulu, HI 96813

(808) 585-8558

House Committee on Consumer Protection and Commerce

Representative Aaron Johanson, Chair

March 22, 2022, 2:00 p.m.

RE: Support for SB 3289 S.D. 2. H.D. 1

Good afternoon Chair Johanson 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 3289 relating to the Hawaii Retirement Savings Program. This legislation would help small business and workers in the private sector save for retirement through payroll deduction and help the state 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. The Hawaii Retirement Savings Program 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 Retirement Savings 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.

Sincerely,

A handwritten signature in cursive script that reads "Joanna Amberger".

Joanna Amberger

1371 Kina Street
Kailua, Hawaii 96734
February 23, 2022

Testimony in Support: SB 3289 S.D.2. H.D.1 Help Working Poor Save for Retirement
Hearing Scheduled for Tuesday, March 22, 2022

This is to express my strong support for approval of SB3289 S.D.2. H.D.1 which will help those that need it the most save for their retirement. Hawaii is among very few states who do not have an auto-IRA program. This is especially critical now as the ALICE population has grown in Hawaii during the pandemic. In fact, half of our state's workforce does not have access to a retirement savings account at work.

There have been numerous studies showing this is an effective measure (costing the state nothing) while addressing the problem of insufficient retirement savings among our marginalized populations. As a native Hawaiian, we know that Hawaiian and Pacific Islanders are disproportionately represented in this population.

Enabling the auto-IRA to go forward will actually benefit the state and if we consider the cost of not moving forward with this, including an additional projected \$1 billion in social assistance programs -- that is simply not acceptable.

Please approve this bill and do the right thing for Hawaii.

Sincerely,

A handwritten signature in black ink, appearing to read "Diane Peters-Nguyen". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Diane Peters-Nguyen

**Written Testimony before the Hawaii House
Committee on Consumer Protection and Commerce**

by Hank Kim, Esq.
Executive Director and Counsel
National Conference on Public Employee Retirement Systems (NCPERS)

March 22, 2022

Introduction

Good afternoon. My name is Hank Kim and I am the Executive Director and Counsel of the National Conference on Public Employee Retirement Systems (NCPERS). I want to thank Chair Johanson, Vice-Chair Kitagawa and Members of this Committee for the opportunity to submit written testimony in support of **S.B. 3289 S.D. 2, H.D.1** Hawai'i Retirement Savings Program.

NCPERS is the largest trade association for public sector pension funds, representing 500 plans, plan sponsors, and employee groups, including the Fire & Police Pension Association of Colorado, throughout the United States and Canada. It is a unique non-profit network of public trustees, administrators, public officials, and investment, actuarial and legal professionals who collectively manage more than \$4 trillion in pension assets. Founded in 1941, NCPERS is the principal trade association working to promote and protect pensions by focusing on advocacy, research and education for the benefit of public sector pension stakeholders. Further, NCPERS promotes retirement security for *all* workers by advocating for state-facilitated retirement savings programs and plans to those who do not have access to an employer plan.

In addition to serving as Executive Director and Counsel for NCPERS, I currently serve as on the Board of Trustees for the Fairfax County Uniform Retirement System, a \$1.8 billion public employee retirement system providing pension coverage for the Fire & Rescue Department, Sheriff's Department, and certain other sworn employees of Fairfax, Virginia. Additionally, I serve as Treasurer of the National Institute on Retirement Security, a Washington, D.C. based think tank focusing on retirement security.

I am also an Editorial Advisory Panel member of the *Benefits Law Journal*, a quarterly law journal that for over 20 years has featured the most respected and accomplished employee benefits professionals who have shared their expertise. Each quarterly issue offers in-depth analysis of new legislation, regulations, case law, and current trends governing employee benefits: pension plans, welfare benefits, executive compensation, and tax and ERISA issues.

Hawai'i Retirement Savings

This is the seventh year in a row that the Hawaii State Legislature has considered bills to help private-sector

workers save for retirement. Hawaii's interest in the topic reflects a trend that is playing out across the nation. Cities and states can see that millions of workers are inadequately prepared for retirement. They are concerned that if they fail to intervene, unprepared retirees will place added stress on social welfare programs and reduce the tax base.

Other speakers today have or will address the scope of the very real retirement crisis in America. I won't dwell on this, except to say that Americans have good reason to be worried about their ability to achieve financial security and make it last through retirement.

I will note, however, that Hawaii's numbers underscore the need to prompt action: Half of the state's private sector workers lack access to a workplace retirement savings plan, and the situation is worse for employees of companies with fewer than 100 employees.

As I noted, Hawaii is far from the only state concerned with its citizens' retirement security. Policymakers and stakeholders from across the political spectrum have been considering for years how to give Americans greater confidence in their financial future. Payroll deduction is widely considered to be the most effective savings method. And the starting point is small businesses, which drive local economies and power innovation but often lack the scale to provide robust benefits.

In September 2011, NCPERS laid out the rationale for a state- and city-facilitated approach in a white paper, "The Secure Choice Pension: A Way Forward for Retirement Security in the Private Sector." Like the plans currently under consideration in Hawaii, the Secure Choice idea gives workers a way to build a retirement nest egg through automatic enrollment in an individual retirement account or similar offering. States and cities would leverage their existing expertise and savings mechanisms in the form of pooled investment vehicles.

Since 2011, we have seen tremendous progress in the Secure Choice movement. Nearly two years ago, Oregon became the first state in the nation to implement such a program, launching OregonSaves in July 2017. California followed suit in July 2019. Numerous other programs have launched or are in the pipeline.

Based on the 2021 findings and recommendations from the Hawaii Retirement Savings Task Force, Hawaii is now moving forward with SB 3289 S.D. 2, H.D. 1 which will establish an automatic IRA program that fits the needs and requirements of Hawaii's workforce.

Conclusion

NCPERS wishes to thank the Committee for this opportunity to testify in support of **SB 3289 S.D. 2, H.D.1** Hawai'i Retirement Savings Program. We congratulate members of this committee and other legislative sponsors for their leadership in this area. We believe that through this hearing Hawaii is providing leadership in addressing the retirement crisis our nation faces. NCPERS stands ready to assist you with facts, research, and expertise as you delve into policy discussions on retirement security. We invite this body to contact us should you need additional information. Thank you.

ADULT FOSTER HOMECARE ASSOCIATION OF HAWAII

P.O. Box 970092, Waipahu, Hawai`i 96797

The State Legislature
The House Committee on Consumer Protection and Commerce

TO: The Honorable Aaron Johanson, Chair

RE: S.B. 3289 S.D.2, H.D.1 Related to Retirement Savings – TESTIMONY IN SUPPORT

Dear Chair Johanson and Members of the Committee,

Thank you for the opportunity to testify in support of S.B. 3289 S.D.2. H.D.1 which establishes a state-facilitated retirement savings program for Hawaii's private sector workers who don't have an easy way to save for their retirement at the workplace. The Adult Foster HomeCare Association of Hawaii (AFHA), **stands in strong support of S.B. 3289. S.D. 2. H.D. 1 relating to Hawaii Retirement Savings.** With a **membership of over 750 providers**, AFHA's mission is to promote the interests of providers as well as resident clients. AFHA members provide 24-hour care to resident clients 7 days a week, 365 days a year in a family setting, allowing residents to remain integrated in the community, maintain independence, and retain a sense of dignity

We are small business owners dedicated to caring for Hawaii's frailest and most vulnerable kupuna who want to live and age in a home-like residence as long as possible. We are able to serve our residents with the help of dedicated health care workers – many who work multiple jobs to make ends meet in Hawaii's high cost of living. We know that every dollar counts. As employers, we value their work and want to offer benefits that other larger employers are able to, but cannot with our own limited resources and time.

S.B. 3289 SD2.HD1 creates a Hawai`i retirement savings program that could easily help workers save at little or no cost to the business. We want to help our workers save for their future. Many workers in our industry are women and we know that women have a longer life expectancy. Therefore, it is even more imperative that they have sufficient financial resources to last throughout their life span. Making it easier for people to save through an automatic payroll deduction makes good sense and helps build a nest egg for their future. Small businesses benefit because they can offer a savings program that can help them keep workers. Taxpayers benefit because increased savings means fewer people will need taxpayer-funded social services. Most importantly, workers and their families will get a chance to save their own money for a secure financial future.

Please pass S.B. 3289 S.D. 2. H.D. 1 and let's empower our future retirees.

Sincerely

Maribel Tan, President



ARCA

Association of Residential Care Administrators
PO Box 758
Pearl City, HI 96782

The House Committee on Consumer Protection and Commerce

Date: March 22, 2022

Attention: The Honorable Aaron Johanson, Chair

RE: S.B. 3289 S.D.2, H.D. 1 Related to Retirement Savings – TESTIMONY IN SUPPORT

Dear Chair Johanson and Members of the Committee

The Alliance of Residential Care Administrators **stands in strong support of S.B. 3289, S.D.2, H.D. 1 relating to Hawaii Retirement Savings.** Our group represent 200 licensed adult residential care homes (ARCH), who operate and provide 24-hour care to over 1,000 kupuna throughout the state. While there are 47 licensed nursing homes in Hawaii, there are 433 ARCH and 1,229 foster family care homes who are caring for more than twice the number of nursing home residents. Collectively, the care home industry is the backbone of the state's long term care system.

As small business owners, it is not easy to operate a 24-hour operation and we are grateful to our dedicated health care workers who provide the daily personal care to our frail and dependent residents. The work is hard and backbreaking, but our staff perform their jobs with compassion and aloha to malama for our kupuna. While most care home providers/owners would like to offer our employees with a 401K or similar retirements savings plan as an employment benefit, it is often too expensive, time consuming and complicated for us to set up.

This is why we support a public-facilitated retirement program as proposed in S.B. 3289. This program will offer workers access to a retirement savings program that they can automatically contribute from their paycheck at no extra cost to the employers. Similar to the retirement savings program in Oregon, California and Illinois, the employees' funds will be managed by a private, reputable financial service company selected by the state. We would enthusiastically participate in this program since this would help our employees save for their retirement, and help us compete against larger businesses that can offer similar benefits. Ultimately, we see this program benefitting the entire state as the younger workforce build their own financial security and not retire into poverty.

Thank you for the opportunity to support S.B. 3289 S.D. 2, H.D.1.

Waynette Gaylord, President/Owner
wannetteg@aol.com

Goya's Garage
287 Mokauea St. C
Honolulu, HI 96819

The State Legislature
House Committee on Consumer Protection and Commerce
RE: Support for S.B. 3289 S.D.2, HD1 – Related to Hawaii Retirement Savings

Dear Chair Johanson and Members of the Committee

My name is Lance Goya, owner of Goya's Garage. We are a small auto repair shop in Kalihi. Established in 1998, I have always valued my loyal employees who have worked for me over the years. I was fortunate to offer them a retirement savings program – a benefit which helps me retain good workers and helps my young workers save for their future. While I was able to offer a retirement saving plan for my business, I know others cannot because of the cost and time to set one up. I believe having the State establish a retirement savings program for these small businesses and workers is a great idea, and fully support it especially if there is no cost to the employers to participate and enroll their workers.

I know firsthand how hard it is for people to make a living and putting money away for retirement seems secondary when families need to pay rent or mortgage and put food on the table. However, they eventually appreciate having their savings accumulate over the years when contributions are automatically deducted from their paychecks. We know the saying: "Out of sight, out of mind." People adjust living within their net income and can look forward to retiring more securely when they are ready. Depending on social security alone is not enough especially in Hawaii and will need additional resources to live comfortably.

Please pass S.B. 3289 S.D.2., H.D. 1. This program will help Hawaii's businesses and workers.

Sincerely,

Lance Goya, Owner
goyasvc@gmail.com

To: The House Committee on Consumer Protection & Commerce

Date: Tuesday, March 22, 2022

Time: 2:00 a.m.

Location: Conference Room 329 & Videoconference

Re: S.B. 3289, S.D.2, H.D.1 RELATING TO HAWAII RETIREMENT SAVINGS

Chair Aaron Ling Johanson Vice-Chair Lisa Kitagawa, and Members of the Committee:

My name is Esther Ueda, and I am writing in SUPPORT of Senate Bill 3289, S.D.2, H.D.1 which establishes a State facilitated retirement savings plan for private sector employees.

I have been retired for over 20 years, and I recognize the need for a good savings plan to meet all the expenses that come in retirement. There are always unexpected expenses which require dipping into your savings not to mention inflation for everyday expenses. Unfortunately many people today are not saving enough money for retirement. I've heard people say don't worry, I'll just keep on working. The sad fact is that many times for various reasons, we may not be able to work as long as we would like.

A State facilitated automatic savings program as proposed in this measure would greatly encourage and facilitate people to save more. The State, and many large organizations already have similar type savings programs in place. I understand that this proposal could possibly help over 200,000 workers in businesses who currently do not have, or are unable to offer such savings programs to their employees.

Please support Senate Bill 3289, S.D.2, H.D.1.

Thank you for the opportunity to submit this testimony.

Sincerely,

Esther Ueda
Pearl City, Hawaii

House Committee Consumer Protection and Commerce

To: Representative Aaron Johanson, Chair and Members of the Committee:

My name is Fred Burian. My wife Chalintorn and I are retirees and have lived in Paauilo-Mauka on the Big Island for many years.

We are supporting the Bill Relating to Hawaii Retirement Savings (S.B. No. 3289 S.D. 2, HD 1) which are being introduced during the 2022 legislative session.

As you know, the economic downturn has amplified the importance of having adequate savings especially when retired and on fixed income to survive the increasing cost of food and emergency supplies.

About half of all private sector workers who work for small businesses in Hawaii do not have 401ks and even simple IRAs on their own. That is about 216,000 workers in Hawaii.

Also, most small businesses here on the Big Island do not offer retirement saving plans to workers because it is too expensive, complicated and time consuming. This Bill is a public-private partnership and will address these problems.

As taxpayers, helping people save for their retirement will save the State money in the long run. Future retirees won't have to rely on public-assistance programs to make their ends meet.

Please support this legislation. Hawaii workers deserve the same opportunity, and small businesses want to help their workers.

Fred & Chalintorn Burian

44-4766 Waikaalulu Rd., Paauilo, HI 96776

Phone: (808)775-1064

SB-3289-HD-1

Submitted on: 3/20/2022 6:59:23 PM

Testimony for CPC on 3/22/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kathy Jaycox	Individual	Support	Written Testimony Only

Comments:

Aloha, Rep. Johanson and Committee Members --

Thank you for this opportunity to submit testimony in support of SB 3289. More than 200,000 workers in Hawaii are employed in small businesses where they have neither a pension nor a 401k. This bill would provide an easy way for small business employees to save for retirement. This, in turn, has the potential to save the state millions of dollars in the future when , in their later years, these folks will be less dependent on state support for services.

TO: Members of the Committee on Consumer Protection & Commerce

FROM: Natalie Iwasa, CPA, CFE
808-395-3233

HEARING: 2 p.m. Tuesday, March 22, 2022

SUBJECT: SB3289, SD2, HD1 Hawaii Retirement Savings - **OPPOSED**

Aloha Chair Johanson and Committee Members,

Thank you for allowing me the opportunity to provide testimony on SB3289, SD2, HD1 which would establish a state-facilitated payroll-deduction retirement savings plan for certain private sector employees, set up a related board and fund the administrative costs of doing so.

This program is not needed. Employees who do not participate in employer-sponsored retirement plans already have the option to set up IRAs. In addition, most financial institutions offer scheduled contributions to retirement plans, which make it easier to establish a habit of contributing.

In addition, for those employers who do not want or cannot afford a traditional retirement plan, there is already the option of a SIMPLE-IRA.

There are many other more important issues worthy of taxpayer funding.

Please vote “no” on SB3289, SD2, HD1.

SB-3289-HD-1

Submitted on: 3/21/2022 10:11:07 AM

Testimony for CPC on 3/22/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Barbara L Franklin	Individual	Support	Written Testimony Only

Comments:

I fully support making retirement savings more accessible to the employees who need the extra incentive to save for retirement. Please consider passing the legislation that, in the long run, will reduce the retired population's potential dependence on government benefits. It will be money well spent!

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Hearing: Tuesday, March 22, 2022, 2:00 p.m.
Via Video Conference & Conference Room 329
State Capitol

**TESTIMONEY IN SUPPORT OF SB 3289.SD2.HD1
RELATING TO HAWAII RETIREMENT SAVINGS**

To: Rep. Aaron Ling Johnson, Chair; Rep. Lisa Kitagawa, Vice Chair; Committee on Consumer Protection & Commerce

Thank you for the opportunity to submit written testimony in **strong support** of **SB 3289.SD2.HD1**, Relating to the Hawaii Retirement System.

SB 3289.SD2.HD1 Appropriates funds to establish the Hawaii Retirement Savings Program administered by the Hawaii Retirement Savings Board. This program will provide a state-facilitated payroll deduction individual retirement plan to private sector employees who do not have access to employer sponsored retirement plans beginning 7/2/2024.

I urge you to support SB 3289.SD2.HD1.

Anna Filler
District 26, Downtown-Kakaako-McCully
Email: afiller@twc.com

House Committee on Consumer Protection and Commerce

Chair: Rep. Aaron Ling Johanson

Vice Chair: Rep. Lisa Kitagawa

Date: March 22, 2022 at 2:00 p.m.

Bill: SB 3289 SD 2, HD 1

RELATING TO: Strong Support for SB 3289 SD 2, HD 1 Hawaii Retirement Savings

Aloha Rep. Johanson, Rep. Kitagawa and Members of the House Committee on Consumer Protection and Commerce. My name is Carol Wakayama. This written testimony is in SUPPORT of SB 3289 SD 2, HD 1 (Hawaii Retirement Savings). I strongly urge the Legislature to consider SB 3289 SD 2, HD 1 and establish a state-facilitated automatic payroll deduction retirement savings program for Hawaii's private sector workers, who may not currently have access to such a program.

I am a retired Federal employee and consider myself extremely lucky to receive a monthly pension. However, because I started my Federal government employment much later than my former colleagues, I carefully budget and watch my personal spending. Also, as soon as I was eligible, I started my participation in the Federal government employee's retirement savings program called Thrift Savings Plan ('TSP'). Although I have not touched these funds yet, I am infinitely grateful that the funds exist for my future use.

As a taxpayer, I strongly believe that SB 3289 SD2, HD 1 will save the State taxpayer monies. If the method used to save for retirement is easy and less cumbersome, future retirees may have more options in how they are able to plan their lives. It would be devastating if more people or retirees are forced into public-assistance programs to make ends meet and survive.

I humbly request that you pass SB 3289 SD 2, HD 1. Thank you for the opportunity to express my support.

Carol Wakayama
1011 Prospect Street #804, Honolulu, HI 96822
ckwakayama@gmail.com

SB-3289-HD-1

Submitted on: 3/21/2022 1:21:23 PM

Testimony for CPC on 3/22/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Barbara Krieg	Individual	Support	In Person

Comments:

House Consumer Protection and Commerce Committee

Rep. Aaron Johanson, Chair

March 22, 2022, 2:00 p.m.

RE: Strong Support for SB 3289 SD2, HD1 Relating to Hawaii Retirement Savings

Aloha Chair Johanson and Members of the Committee,

My name is Barbara Krieg and I thank you for the opportunity to submit my testimony in STRONG SUPPORT of SB 3289 SD2, HD1 Relating to Hawaii Retirement Savings.

For the reasons summarized below, I urge the legislature to establish a state-facilitated retirement savings program for Hawaii’s private sector workers. However, I also respectfully request the Committee revert to the original proposed structure of the Hawaii Retirement Savings Program so that eligible workers are automatically enrolled in the Program upon their employment with a covered employer, with the opportunity to opt out of the Program if they so choose.

1. A payroll-deduction retirement savings program is a critical benefit for eligible employees, covered employers and Hawaii taxpayers.

The individuals who are eligible to participate in the proposed Hawaii Retirement Savings Program will have easy access to a retirement savings plan with automatic deductions. This program will allow such individuals to determine their desired savings amounts and retain complete control of their savings. There is no question that social security benefits alone do not provide sufficient funds for retirement, especially given our State’s high cost of living. Therefore, a payroll-based savings program is a necessity for all workers.

For the affected employers, most of which are small businesses, the Program would provide a no cost or minimal cost benefit for their employees. Employer responsibilities will be limited to the customary administrative steps related to payroll deductions. The Program will make the employers more competitive for and attractive to skilled workers who would otherwise be lured away to the larger employers who already provide retirement savings benefits in the form of 401(K), pension or related programs. In other states that have enacted auto-enroll programs, many small employers even joined the program before the mandatory deadlines because they wanted to provide the benefit to their employees but could not afford a traditional plan.

The Program will also save the State over \$1 billion on public assistance programs over the long run. If we cannot increase the retirement savings rate, we will all face higher taxes to pay for those who cannot support themselves as they age. The initial use of State funds to set up the Program is an excellent investment in the future.

2. The proposed Program model has proven successful, cost-effective and safe for the participants.

The eventual success of the Hawaii Retirement Savings Program is demonstrated by the similarly-structured Deferred Compensation Plan for public employees as created by Hawaii Revised Statutes Chapter 88E. That Plan has been fully self-supporting for years, even funding the State employees who support the Plan's administration.

The Deferred Compensation Plan's Board of Trustees is responsible for the selection through the State's procurement process of the Plan's administrator (currently Prudential), financial advisor and investment options. As the then-Director of the Department of Human Resources Development ("DHRD"), I was a Trustee of the Deferred Compensation Plan from 2011 through 2014. I can attest to the responsible oversight by the Board of Trustees. I can also attest to the effectiveness of Prudential's multi-faceted initiatives to educate employees about retirement savings generally and the Plan's benefits specifically; the stellar customer service provided by Prudential and the DHRD liaisons; the quality of the investment options (including terminating any underperforming options); the cost-effectiveness of the Plan's fees; and that when selecting the contractors by the competitive process, the Board of Trustees ensured that the contractors would deliver high-quality services with appropriate insurance and oversight.

Thousands of State and County employees choose to participate in the Deferred Compensation Plan in addition to the mandatory Employees Retirement System (ERS) pension program and Social Security. This demonstrates that when a workplace savings plan is available, eligible employees will take advantage of the opportunity to increase their retirement savings — even when they already participate in other savings programs. Moreover, many of the Plan's participants are among the lowest-paid public employees, thereby cautioning against assumptions about the willingness and ability of such employees to save for their retirement.

3. There are no federal laws or programs, pending or in place, that would diminish the need for and effectiveness of the Program.

Recent Court decisions have confirmed that the Employee Retirement Income Security Act of 1974 (ERISA) would not apply to the Program and there is no conflict or liabilities for employers. However, this does not leave the Program's participants without protection. In fact, payroll deduction Individual Retirement Accounts (IRAs) have always fallen outside of ERISA. This does not leave the participants in such programs without protection, as the administrators, financial advisors and investment vehicles are all subject to other legal requirements. The IRA Custodian maintains a fiduciary responsibility to the participants and must operate the Program in the best interests of the Program's savers.

Moreover, the pendency of federal legislation such as the Secure Act should have no effect on the establishment of the Program. All employees should have the opportunity to save for retirement through payroll deductions, whether from the employer's stand-alone plan or the Hawaii Retirement Savings Program. Both are necessary.

4. Please consider a return to the auto-enrollment “opt out” Program structure.

As originally proposed, eligible employees would be automatically enrolled in the Program in the same manner that public employees are enrolled in the ERS pension plan. Unlike the ERS plan, however, the proposed Program allowed employees the opportunity to opt out at any time as well as the ability to determine the amount of their payroll deductions. This “opt out” model has been proven to lead to maximum participation, maximum dollars in savings and maximum ease of administration. The opt-out model will also ensure the shortest time period in which the Program will become self-sustaining. For these reasons, I respectfully request the Committee consider restoring the original language to create an auto-enroll, opt out Program.

In closing, the Hawaii Retirement Savings Program is an important investment in the future of our State's residents, small businesses and taxpayers. Please pass SB 3289 SD2, HD1 Relating to Hawaii Retirement Savings. Thank you.

Barbara Krieg
Honolulu
Tel. (808) 284-6161
Email barbkrieg808@gmail.com



March 22, 2022

LATE

RE: SB3289, SD2, HD1 – STRONG SUPPORT

Aloha Committee Chair, Vice Chair, and Members,

I am writing on behalf of Hawaiian Community Assets (HCA) and Hawaii Community Lending (HCL) to submit testimony in **STRONG SUPPORT** for the establishment of a Hawaii Retirement Savings Program that would provide a state-facilitated payroll-deduction automatic enrollment individual retirement plan to private sector employees who do not have access to employer-sponsored retirement savings plans beginning 7/1/2024.

I served on the task force responsible for drafting the recommendations for a Hawaii Retirement Savings Program. I encourage your leadership in passing this important legislation to move us forward in ensuring everyone who lives and works in the State of Hawaii has a way to save for retirement and be secure financially when they become kupuna. **I would further recommend the committee revert back to the SB3289, SD2 version of the bill as that version is the version that included the full recommendations of our committee.**

HCA is a 501c3 nonprofit that runs the State of Hawaii's largest Department of Housing and Urban Development certified counseling agency, while HCL is a 501c3 nonprofit certified by the US Department of the Treasury as a community development financial institution. HCA and HCL work together at Financial Opportunity Centers across the state to serve approximately 3000 local residents annually with free financial counseling, income supports, and career coaching with the goal of increasing their income, building assets, and reducing housing cost burdens. 95% of our clients are Asset Limited, Income Constrained, Employed or below poverty, often living one paycheck away from financial ruin and struggling to make ends meet every month.

Despite the financial hardship our clients face, they have demonstrated an ability to save toward long-term financial stability. Under an Office of Hawaiian Affairs funded project from October 1, 2019 to present, the average annual household income of clients served is at \$44,500. **Even with extremely high living costs and low pay, 36% of ALICE and below households served with financial counseling have increased their savings by an average of \$1,050 every 12 months.** This equates to \$87.50 per month, which could easily go toward a state-facilitated payroll-deduction automatic enrollment individual retirement plan. Unfortunately, not all of the local people who come through our doors have an employer offering a retirement savings account for a myriad of reasons.

Our data is clear: low-income workers can and will save toward long-term financial goals if provided the right support and the right tools.



The work of the task force provides a substantial amount of evidence that now is the time for the state to step forward to provide the right support and right tools to our hard-working local people so they can be assured savings when they retire. The cost of making this opening this opportunity to your constituents is negligible, especially when compared to the financial hardship our kupuna will endure if a public retirement savings option is not provided to them.

Please help pass this important legislation to move us forward in ensuring everyone who lives and works in the State of Hawaii has a way to save for retirement and be secure financially when they become kupuna.

Mahalo for your leadership and consideration.

Sincerely

A handwritten signature in black ink that reads "Jeff Gilbreath".

Jeff Gilbreath
Executive Director
Hawaii Community Lending



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION
AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Thirty First Legislature, State of Hawaii
House of Representatives
Committee on Consumer Protection & Commerce

LATE

Testimony by
Hawaii Government Employees Association

March 22, 2022

S.B. 3289, S.D. 2, H.D. 1 - RELATING HAWAII RETIREMENT SAVINGS

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO supports the intent of S.B. 3289, S.D. 2, H.D. 1 which establishes the Hawaii Retirement Savings Program that will provide a state-facilitated payroll-deduction automatic enrollment individual retirement plan for private sector employees who would not otherwise have access to a savings plan.

S.B. 3289 creates a state-facilitated retirement savings program for private sector employees to be able to save and contribute toward their future retirement through an automatic payroll deduction. Programs like social security are a critical component to retirement but in Hawaii, the average benefit is approximately \$20,000 per individual, which is not enough given our increasing cost of living. Too many of Hawaii's private sector employees do not have easy access to save for their retirement through their employer. While individuals can establish and contribute to a retirement savings program, many do not. Fourteen states have already passed legislation that improves workers' access to a retirement program and over thirty states recently acted to study program options or are considering legislation. Hawaii must join this nationwide effort to help working families be prepared for retirement because the alternative is more families depending on social programs to survive.

Thank you for the opportunity to testify in support of S.B. 3289, S.D. 2, H.D. 1.

Respectfully submitted,

Randy Perreira
Executive Director



LATE

HIPHI Board

Kilikina Mahi, MBA
Chair
KM Consulting LLC

JoAnn Tsark, MPH
Secretary
John A. Burns School of Medicine,
Native Hawaiian Research Office

Debbie Erskine
Treasurer

Keshia Adolpho, LCSW
Molokai Community Health Center

Camonia Graham - Tutt, PhD
University of Hawai'i - West O'ahu

Carissa Holley, MEd
Hale Makua Health Services

May Okihiro, MD, MS
John A. Burns School of Medicine,
Department of Pediatrics

Misty Pacheco, DrPH
University of Hawai'i at Hilo

Michael Robinson, MBA, MA
Hawai'i Pacific Health

Kathleen Roche, MS, RN, CENP
Kaiser Permanente

Dina Shek, JD
Medical-Legal Partnership
For Children in Hawai'i

Garret Sugai
Pharmicare Hawai'i

Titiimaeta Ta'ase, JD
State of Hawai'i, Deputy Public Defender

HIPHI Initiatives

Coalition for a
Tobacco-Free Hawai'i

Community Health
Worker Initiative

COVID-19 Response

Hawai'i Drug & Alcohol Free
Coalitions

Hawai'i Farm to School Hui

Hawai'i Oral Health Coalition

Hawai'i Public Health Training Hui

Healthy Eating + Active Living

Kūpuna Food Security Coalition

Date: March 21, 2022

To: Rep. Aaron Ling Johanson, Chair
Rep. Lisa Kitagawa, Vice Chair
Members of the Committee on Consumer Protection &
Commerce

Re: Support for SB 3289, SD2, HD1, Relating to Hawai'i Retirement
Savings

Hrg: March 22, 2022 at 2:00 PM via Videoconference

Hawai'i Public Health Instituteⁱ (HIPHI) is in **support of, and offers an amendment to SB 3289, SD2, HD1**, which establishes the Hawai'i Retirement Savings Program, a state-facilitated pay-roll deduction retirement savings program to make it easier for Hawaii's workers save for their retirement. **While we strongly support this program, HIPHI requests that the bill be amended to make enrollment in the program automatic with an opt-out provision, rather than requiring workers to affirmatively opt into the program.**

The pandemic has shown us how vital it is for Americans to have adequate savings, especially when on a fixed income, to weather the increasing cost of food, health care, housing and household needs. Social Security is not enough to depend on for a secure financial future. According to AARP, in Hawai'i, 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 businessesⁱⁱ.

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 needⁱⁱⁱ. 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.

The proposed retirement savings program would provide an easy pathway for workers to start saving out of their regular paycheck and grow the additional savings they need to take control of their future. **To further reduce barriers to saving, HIPHI respectfully requests that the bill be amended to provide for automatic enrollment with the option to decline participation.**

Thank you for the opportunity to provide testimony.

Mahalo,

A handwritten signature in black ink, appearing to read "Amanda Fernandes". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Amanda Fernandes, JD
Policy and Advocacy Director

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



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE HOUSE COMMITTEE ON
CONSUMER PROTECTION & COMMERCE
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 329
TUESDAY, MARCH 22, 2022 AT 2:00 P.M.**

To The Honorable Aaron Ling Johanson, Chair
The Honorable Lisa Kitagawa, Vice Chair
Members of the committee on Consumer Protection & Commerce

SUPPORT FOR SB3289 SD2 RELATING TO HAWAII RETIREMENT SAVINGS

The Maui Chamber of Commerce **supports SB3289 SD2 HD1** which establishes the Hawaii retirement savings program, administered by the Hawaii retirement savings board, in consultation with the department of labor and industrial relations and department of budget and finance, to provide a state-facilitated payroll-deduction individual retirement savings plan to private sector employees who do not have access to employer-sponsored retirement savings plans beginning on an implementation date to be determined by the board. Requires an implementation and evaluation study, followed by an implementation strategy and timetable, prior to implementation of the program.

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 they may struggle when running into major medical or retirement issues.

The Chamber would like to say mahalo to the Legislature for incorporating our thoughts into this bill and for looking at making it an optional program instead of a mandate. We appreciate that instead of making someone opt out, you are looking at it being a service where people can opt in and appreciate that you are looking at it as a phased approach, which we too feel is prudent. We also support exploring ways to provide covered employees with information and education about the program so they can make a decision that works best for them.

For these reasons we support **SB3289 SD2 HD1**.

Sincerely,

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.



**TESTIMONY OF TINA YAMAKI
PRESIDENT
RETAIL MERCHANTS OF HAWAII
MARCH 22, 2022**

RE: SB 3289 SD2 HD1 RELATING TO HAWAII RETIREMENT SAVINGS

Good afternoon, Chairperson Johanson and members of the House Committee on Commerce and Consumer Affairs. I am Tina Yamaki, President of the Retail Merchants of Hawaii.

The Retail Merchants of Hawaii was founded in 1901, RMH is a statewide, not for profit trade organization committed to the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, local, national, and international retailers, chains, and everyone in between.

While we support the intent of SB 3289 SD2 HD1 Relating to Hawaii Retirement Savings, we do have some major concerns. This measure establishes the Hawaii retirement savings program, administered by the Hawaii retirement savings board, in consultation with the department of labor and industrial relations and department of budget and finance, to provide a state-facilitated payroll-deduction individual retirement savings plan to private sector employees who do not have access to employer-sponsored retirement savings plans beginning on an implementation date to be determined by the board. Requires an implementation and evaluation study, followed by an implementation strategy and timetable, prior to implementation of the program. Appropriates funds. Effective 7/1/2050.

Businesses like everyone want to see our kupuna enjoy retirement and not having to rely on public assistance programs. This measure would help to accomplish this. Currently many companies in Hawaii, especially smaller local businesses are unable to afford to administer retirement or even 401K plans. It is our understanding that a Hawaii retirement savings plan could help to lessen the fiduciary burdens and would help many businesses provided an added benefit to their employees by offering a retirement savings plan through a payroll deduction program. This may be the incentive that many employees need to begin saving for retirement that may be years down the line.

We are also appreciative of the changes that are in HD1 version in which employees need to opt into this program, allowing employees to determine the level of contribution to the program, the education component for employees and a 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.

However, businesses still have concerns on the true costs to employers to administer this program and if smaller locally owned businesses can actually afford it at this at this time. We realize that additional employee hours will be used as we are industry where turnover is great, and employees are currently hard to find.

Many businesses have not recovered from the pandemic with soft sales, huge debt and the high spending international visitor has not returned. In addition, retailers are also currently continually being hit with supply chain disruption, higher cost in materials and products, shipping delays and shipping costs being raised from 300% - 1000%, and a recession in which inflation rose 7.9% in the last 12 months (the largest gain since 1982 according to the US Labor Department) and we are expected to see it continue to raise in the months to come.

In addition, we are also very much aware that the legislature is also considering raising the minimum wage and that the war between the Soviet Union and the Ukraine is also having an impact on not only the raising prices but the limited supply of various goods. Many of us have already experienced this when we filled up our cars with gas or got a notice that our electric bills will increase by 20+%. As a result, retailers are unsure how they can afford additional mandated cost increases to operate and still keep their doors open and employees employed. This is especially true for our small local Mom and Pop businesses.

Mahalo for the opportunity to testify.

LATE

March 22, 2022

Dear Chairman Johanson and members of the House Committee on Consumer Protection & Commerce,

My name is Jo Kamae Byrne, and I am President of Honolulu Information Service, Inc., a small company of five (5) employees currently registered and doing business here in Hawaii since 1992. I fully support the amended version of SB 3289, SD2. HD1 which creates a retirement savings program that small businesses can implement for their employees in partnership with the state. The most recent amendments allowing employees more personal choice and responsibility about participation and contributions are very positive.

As a small business, we have been concerned about our employees' retirement and have researched various options. Cost, complexity and added fiduciary responsibilities were disincentives for us. The portability of the savings accounts is a positive feature for the employee, and the ease of implementing the program is attractive to employers. This bill is a positive option and we fully support the concept.

My one concern is the harsh penalties for employers outlined in the bill. I would encourage the Hawaii state legislature to consider Maryland's incentive program for participation rather than the standard legislative penalty model.

Thank you for this opportunity to submit testimony in support of this bill.

Jo Kamae Byrne

Honolulu Information Service, Inc.

(808) 524-4488

LATE

SB-3289-HD-1

Submitted on: 3/21/2022 2:39:29 PM

Testimony for CPC on 3/22/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Barbara J. Service	Individual	Support	Written Testimony Only

Comments:

Aloha ChairJohanson, Vice Chair Kitagawa and committee members!

I am a resident of SD8 and HD19 and I am strongly urging your support of SB3289, Related to Retirement Savings. This program, to be set up wtiht state support (later to be repaid) will enable small business employees (more than 250,000 in Hawaii) to participate in the same payroll deducation savings as those offered to government and big business employees. Studies show that employees are 15 times more likely to save through payrtoll deduction, rather than on their own. Many small business employers cannot afford to set up the programs without help.

Please pass SB3289 to help small busiiness employees.

Thank you for the opportunity to testify.

Barbara J. Service. MSW (ret.)

Kupuna Advocate