



STATE OF HAWAII
KA MOKU'ĀINA O HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
KA 'OIHANA PONO LIMAHANA

March 14, 2024

To: The Honorable Scott Z. Matayoshi, Chair,
The Honorable Andrew Takuya Garrett, Vice Chair, and
Members of the House Committee on Labor & Government Operations

Date: Thursday, March 14, 2024
Time: 9:15 a.m.
Place: Conference Room 309, State Capitol

From: Jade T. Butay, Director
Department of Labor and Industrial Relations (DLIR)

Re: S.B. 2553 SD1 RELATING TO HAWAII RETIREMENT SAVINGS ACT

I. OVERVIEW OF PROPOSED LEGISLATION

The **DLIR strongly supports** this proposal to require employers to automatically enroll employees in the Hawaii Retirement Savings Program and allow employees to opt-out instead of opt-in to the program. The measure also makes a housekeeping amendment to the definition of “covered employer” which aligns with the purpose of the original Act to provide a state-facilitated payroll deduction retirement savings program for private sector employees who do not have access to employer sponsored retirement plans. The measure also makes housekeeping, conforming amendments to align other parts of the statute with the proposed amendments.

II. CURRENT LAW

§389-2 definition of “covered employer” does not include a person that has been maintaining for all employees during the preceding two years a tax-qualified retirement plan.

§389-5 gives employees the option to opt into the Hawaii Retirement Savings Program that covered employers are required to offer.

III. COMMENTS ON THE SENATE BILL

The DLIR believes changing Chapter 389, HRS, to require automatic enrollment of employees into the program is critical to the feasibility of the program. There is an urgent need to provide a viable option for private sector workers to have access to

a retirement savings plan. Automatically requiring enrollment but allowing workers to opt-out is not only beneficial to workers and considered a best practice in retirement savings programs, but a feature most of the other state programs because of the recognition that without a critical mass of workers participating in these programs they are not viable over the long-term. Moreover, aligning Hawaii's law with most of the other states' automatic enrollment provisions facilitates the potential for Hawaii to engage in an interstate compact agreement that will also aid in the viability of the Hawaii Retirement Savings Program.

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



JADE T. BUTAY
DIRECTOR

WILLIAM G. KUNSTMAN
DEPUTY DIRECTOR

HAWAII RETIREMENT
SAVINGS BOARD

Co-Chairs
Jade T. Butay
Luis Salaveria

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Jessie Keola Dean
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Karen Yasukawa
Senator Henry J.C. Aquino
Rep Andrew Takuya

**STATE OF HAWAII
DEPARTMENT OF LABOR AND INDUSTRIAL RELATIONS
HAWAII RETIREMENT SAVINGS BOARD
830 PUNCHBOWL STREET, ROOM 321
HONOLULU, HAWAII 96813**

March 14, 2024

To: The Honorable Scott Z. Matayoshi, Chair,
The Honorable Andrew Takuya Garrett, Vice Chair, and
Members of the House Committee on Labor & Government Operations

Date: Thursday, March 14, 2024
Time: 9:15 a.m.
Place: Conference Room 309, State Capitol

FROM: William Kunstman, Co-Chair
Hawaii Retirement Savings Board

Re: S.B. 2553 SD1 RELATING TO HAWAII RETIREMENT SAVINGS ACT

The **Hawai'i Retirement Savings Board strongly supports** this proposal to require employers to automatically enroll employees in the Hawai'i Retirement Savings Program and allow employees to opt-out instead of opt-in to the program. SB2553 SD1 also makes a housekeeping amendment to the definition of "covered employer."

There is an urgent need to provide a viable option for private sector employers and workers to have access to a state-facilitated retirement savings plan. An employer survey¹ conducted by the Hawaii Retirement Savings Task Force identified that the majority of small business owners agree that being able to offer a voluntary, portable retirement savings program would help local small businesses attract and retain quality employees and stay competitive. Opt-out retirement plans also increase participation rates as too few workers would otherwise put away savings for retirement.

The Board believes that without this change the program may not be viable, especially as aligning Hawai'i's law with most of the other states' automatic enrollment provisions facilitates the potential for Hawai'i to engage in an interstate compact agreement. The Board has not taken steps to conduct a feasibility study because it believes that it would fail to procure a vendor willing to conduct the study based on the current statutory program design i.e., "opt-in." Similarly, the Board believes its efforts to recruit an Executive Director have been hindered by the current "opt-in" program design.

Moreover, failure for the State to facilitate a private sector retirement savings plan for employers and workers will greatly impact the state's economy and the State's fiscal situation. This negative affect on our economy and the State's fiscal situation is forecast to significantly increase as Hawaii's population continues to age and a relatively low-

growth workforce is required to support increased levels of social services for seniors without adequate savings. A 2020 University of Hawaii study² prepared for DBEDT estimated that this dynamic will produce a \$7.7 billion hole in Hawaii's economy by 2035.

It is for the reasons above that the Hawai'i Retirement Savings Board urges the Committee to pass this measure.

Thank you for the opportunity to provide testimony on this vital matter.

¹ https://www.capitol.hawaii.gov/sessions/session2022/bills/DC188_.pdf

² https://files.hawaii.gov/dbedt/economic/reports/Hawaii_Generational_Economy_Oct2020.pdf



JOSH GREEN, M.D.
GOVERNOR OF HAWAII
KE KIA'ĀINA O KA MOKU'ĀINA 'O HAWAII

KENNETH FINK, MD, MGA, MPH
DIRECTOR OF HEALTH
KA LUNA HO'OKELE

**STATE OF HAWAII
DEPARTMENT OF HEALTH
KA 'OIHANA OLAKINO
EXECUTIVE OFFICE ON AGING**
NO. 1 CAPITOL DISTRICT
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CAROLINE CADIRAO
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Executive Office on Aging

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**Testimony in SUPPORT of SB2553 SD1
RELATING TO HAWAII RETIREMENT SAVINGS ACT**

COMMITTEE ON LABOR & GOVERNMENT OPERATIONS
REP. SCOT Z. MATAYOSHI, CHAIR
REP. ANDREW TAKUYA GARRETT, VICE CHAIR

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

Hearing: Thursday, March 14, 2024 at 9:15 A.M., Conference Room 309

- 1 **EOA Position:** The Executive Office on Aging (EOA), an attached agency to the Department of Health
- 2 (DOH) **supports** the intent of this measure.
- 3 **Fiscal Implications:** None.
- 4 **Purpose and Justification:** Clarifies the definition of "covered employer" under this Act. Requires
- 5 covered employers to automatically enroll covered employees into the Hawai'i Retirement Savings
- 6 Program unless the employee chooses to "opt out."
- 7 Automatic enrollment in a retirement savings program is considered a "best practice" in the industry
- 8 and will enable more employees to save for their future. Additionally, the opt-out feature allows
- 9 employees to make informed decisions about their retirement savings. It also encourages employees
- 10 to engage with their retirement plans and make proactive choices about their financial futures.
- 11 **Recommendation:** EOA supports the intent of SB2553 SD1.
- 12 Thank you for the opportunity to testify.



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The State Legislature
The House Committee on Labor and Government Operations
Thursday, March 14, 2024
Room 309, 9:15 a.m.

To: The Honorable Scot Matayoshi, Chair
From: Keali'i Lopez, State Director, AARP Hawaii
Re: Strong Support for S.B. 2553 SD1 - Relating to Hawaii Retirement Savings Act

Dear Chair Matayoshi, 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 serves as a reliable information source on issues critical to people over the age of fifty.

AARP Hawai'i **strongly supports S.B. 2553, SD1** which amends and aligns provisions of the Hawai'i Retirement Savings Program, the state-facilitated payroll deduction retirement savings program for Hawaii's private sector employees.

The Hawai'i Retirement Savings Program (Act 296 -SLH 2022) creates a low-cost, easy retirement savings program that will help about 174,000 private sector workers set aside money through an automatic payroll deduction from their paycheck. Through Act 296, a board has been established to develop and oversee this state-facilitated automatic IRA program which includes hiring 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.

S.B. 2553 SD1 clarifies the definition of "covered employer" under the Hawai'i Retirement Savings Act and adds automatic enrollment of private sector employees into the program unless the employee opts out. These are necessary amendments and alignment of administrative provisions that will help facilitate successful implementation and program roll-out. To date, there are 19 states that have enacted a retirement savings program for private sector workers. Fifteen states (which include Hawaii) are automatic Individual Retirement Account (IRA) programs. All these states (except Hawaii) include the automatic enrollment provision where the employ can opt out in their retirement savings program. This provision has

been extremely helpful to savers and is easy for them to use. Hawai'i is the only state with a "voluntary opt-in" enrollment provision. In both the public and private sectors, automatic enrollment for workers into retirement accounts is considered a "Best Practice" in the retirement savings industry. The **opt-out feature** increases participation while remaining completely voluntary for workers. As of the December 2023, more than \$1 billion had been saved by 750,000 new savers -- generally \$50 and \$60 a paycheck. The number of savers and savings continues grow very steadily among the participating states.

With Hawaii's program still in an early development stage, it is critical now that the proposed amendments in S.B. 2553 are incorporated to align Hawai'i with the 14 other states and open the pathway for a future partnership with an existing program, should Hawai'i chooses to. (For example, partner with OregonSaves, or Colorado Secure Savings). This inter-state compact agreement will likely save Hawai'i time, money, and be easier to maintain over time.

Thank you for the opportunity to testify in **strong support** of S.B. 2553, SD1.



**TESTIMONY OF TINA YAMAKI
PRESIDENT
RETAIL MERCHANTS OF HAWAII
MARCH 14, 2024
SB 2553 SD1 RELATING TO HAWAII RETIREMENT SAVINGS ACT**

Good morning, Chair Matayoshi and members of the House Committee on Labor & Government Operations. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901 and is a statewide, not for profit trade organization committed to supporting 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, on-line sellers, local, national, and international retailers, chains, and everyone in between.

While we understand the intent of this measure, we have some concerns about SB 2553 SD1. This measure clarifies the definition of "covered employer" under the Hawai'i Retirement Savings Act. Requires covered employers to automatically enroll covered employees into the Hawai'i Retirement Savings Program unless the employee chooses to opt out.

Businesses like everyone want to take care of our employees, see our kupuna enjoy retirement and not having to rely on public assistance programs. **However, there must also be a balance to what businesses can afford in order to keep their doors open and their employees employed.** This Retirement Savings program already exists and is already helping to accomplish this with employees being able to opt into the program.

Our concern is the financial impact on especially our small locally owned businesses if they **MUST** automatically enroll every employee and then process them if they want to opt out of the program. **There is an ongoing cost to the businesses to implement and maintain this type of program.** Customer service jobs often see a high turnover in employees. If our accounting is inhouse we must pay the person more for the added responsibility. If a 3rd party is used, the contract price will increase to opt everyone in and then opt them out if they don't want to participate.

We are also concerned if businesses, especially smaller locally owned businesses, can afford this added cost to administer at this time. The recent Maui Fires have devastated many small businesses. This includes businesses who expanded their store to Lahaina but originally are from a neighboring island as well as the lack of customers coming to their stores as the visitors are not back to pre-fire levels on Maui. The recent increase in minimum wage in January along with higher cost of healthcare, shipping, and products to name a few has also had a devastating effect on businesses, especially small locally owned ones. Walk around any mall and you will see stores have quietly closed. If the store has closed down for good, those employees won't have a job. **We don't want to see more small local retailers closing because they can't afford to do business in Hawaii because they cannot afford another Government mandate.**

Mahalo for this opportunity to testify.

HOUSE OF REPRESENTATIVES
THE THIRTY-SECOND LEGISLATURE
REGULAR SESSION OF 2024

COMMITTEE ON LABOR & GOVERNMENT OPERATIONS

Rep. Scot Z. Matayoshi, Chair
Rep. Andrew Takuya Garrett, Vice Chair

Hearing: Thursday, March 14, 2024, 9:15 a.m.

Aloha Chair Matayoshi, Vice Chair Garrett and Members of the Committee on Labor & Government Operations. My name is Carol Wakayama and I wish to submit testimony in STRONG SUPPORT of S.B. 2553, S. D. 1 which creates amendments to the Hawaii Retirement Savings Program (Act 296-SLH 2022).

As a taxpayer, I am very concerned that many private-sector businesses in Hawaii do not offer retirement programs for their employees. The Hawaii Retirement Savings Program can make it easier for employees to save for their future retirement. This Program could help reduce the possibility that future retirees would rely on public assistance ... saving monies for the State and its taxpayers.

As currently designed, the Hawaii Retirement Savings Program is not an 'automatic' enrollment for interested participants. Unfortunately, this could cause some confusion and, possibly, a perception of additional burden. This innovative Program could have a greater opportunity for success if - registering to participate is as seamless and cost-effective as possible.

S.B. 2553, S.D. 1 would help employees (and their employers) because participants will be automatically registered unless they 'opt-out' of participating. S.B. 2553, S.D. 1 will make the enrollment process simpler and reduce administrative fees for the business and operating entities.

Humbly, I request your support for S.B. 2553, S.D. 1. Thank you for this opportunity to submit my testimony.

Aloha,

Carol Wakayama
Honolulu, HI

Kevin L. Johnson, Ko Olina, Hawai'i

**Hawai'i Legislature
House Committee on Labor and Government Operations
Thursday, March 14, 2024, Conference Room 309, 9:15 a.m.**

TO: The Honorable Scot Z. Matayoshi, Chair

RE: Support for SB2553 SD1 Relating to Hawai'i Retirement Savings Act

I would like to take this opportunity to express my **strong support of SB2553 SD1 Relating to Hawai'i Retirement Savings Act.**

The Hawai'i Retirement Savings Program, wisely implemented by the Legislature in 2022, provides a foundation for people working in small businesses to plan for retirement. This program clearly gives a greater number of people access to savings plans not otherwise available to them. It's a win-win for them and the State, as they will not be solely reliant on government funding in their post-work years.

As the program moves along it's development process the Department of Labor through the Hawaii Retirement Savings Board has recognized that clarification of the definition of "covered employer" and requiring participation unless the employee opts out, are two amendments that will significantly improve the long term viability and success of this valuable program.

I would ask your **support of SB2553 SD1** to help ensure an economically robust retirement community for Hawai'i.

Sincerely,

Kevin L. Johnson

Testimony on Senate Bill No. 2553, Senate Draft 1
RELATING TO Hawaii Retirement Savings Program Act
Thursday, March 14, 2024, at 9:15 am
Conference Room 309 & Videoconference
State Capitol
415 South Beretania Street

Chair Scot Matayoshi, and Members of the Committee:

My name is Beverly Gotelli and in **STRONG SUPPORT of SB 2553, SD1 which amends and aligns provisions of the Hawai'i Retirement Savings Program, the state-facilitated payroll deduction retirement savings program for Hawaii's private sector employees.**

The Hawai'i Retirement Savings Program (Act 296 -SLH 2022) creates a low-cost, easy retirement savings program that will help about 174,000 private sector workers set aside money through an automatic payroll deduction from their paycheck.

The proposed program amendments which includes an automatic participation with an opt-out option will align Hawai'i with the 14 other states already or close to being in operations. This program feature is considered the best practice in the retirement savings industry. Hawaii's workers need an easy way to save for their future. I believe this will be beneficial to our private sector, especially those who currently have no savings for retirement.

Mahalo for the opportunity to testify!

Beverly Gotelli
6286 Opaekaa Road
Kapaa, Hawaii

SB-2553-SD-1

Submitted on: 3/12/2024 2:04:48 PM

Testimony for LGO on 3/14/2024 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Mark A. Koppel	Individual	Support	Written Testimony Only

Comments:

Testimony in strong support of SB2553 SD1

Mark Koppel

P O Box 283

Hakalau 96710

Aloha LGO committee members

The legislature did a wonderful job creating the Hawaii Saves program. It allows people to save while they are young, so they will have money in their later years. Without it, some of these people will wind up on welfare, medicaid and/or homeless. That would cause untold suffering, and cost the state millions of dollars.

Now, one step remains.

The program needs a slight change. The proposed program amendments which includes automatic participation with an opt-out option will align Hawai'i with the 14 other states already or close to being in operation. This program feature is considered best practice in the retirement savings industry.

Mahalo for reading and considering this bill.

HOUSE COMMITTEE ON LABOR & GOVERNMENT OPERATIONS

Rep. Scot Z. Matayoshi, Chair

Rep. Andrew Takuya Garrett, Vice Chair

AMENDED NOTICE OF HEARING

DATE: Thursday, March 14, 2024

TIME: 9:15 a.m.

Re: SB 2553 SD1 RELATING TO HAWAII RETIREMENT SAVINGS ACT.

Aloha Chair Matayoshi, Vice Chair Garrett, and Members of the Committee:

My name is Linda Dorset, and I am in STRONG SUPPORT of SB2553 SD1. The purpose of this bill is to amend and align the provisions of the Hawaii Retirement Savings program, the state-facilitated payroll deduction retirement savings program for Hawaii's private sector employees.

The Hawai'i Retirement Savings Program (Act 296 -SLH 2022) creates a low-cost, easy retirement savings program that will help about 174,000+ private sector workers set aside money out of their regular paycheck, but only if they take advantage of it. This program which is currently in the planning and development phase benefits Hawai'i's workers, small business owners and taxpayers. As a taxpayer, 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 ends meet.

The proposed amendment would clarify the definition of "covered employer" under the Hawaii Retirement Savings Act and require automatic enrollment of private sector employees in the Hawaii Retirement Savings Program unless the employee opts out. It is more likely that workers would stay in if enrolled than take the trouble to opt in. These are necessary amendments that will help facilitate successful implementation and program roll-out.

Mahalo for the opportunity to testify!

**Linda Dorset
Wailuku, Maui**

TO: Members of the Committee on Labor & Government Operations

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

HEARING: 9:15 a.m. Thursday, March 15, 2024

SUBJECT: SB2553, SD1 Relating to Retirement Savings Act - **OPPOSED**

Aloha Chair Matayoshi and Committee Members,

Thank you for allowing the opportunity to provide testimony on SB2553, SD1, which requires employers to automatically enroll employees in a retirement plan under certain circumstances.

Over the years, I have seen numerous instances of mistakes in payroll, and unfortunately employees do not catch them right away. When they do, it often creates extra work (and cost) for employers.

Employers should educate employees about retirement benefits and then allow them to participate when they are eligible, but do not force auto enrollment on our business owners. Hawaii is already a tough place to operate a small business. Please do not make it harder.

Please vote “no” on SB2553 SD1.

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SB-2553-SD-1

Submitted on: 3/13/2024 7:50:54 AM

Testimony for LGO on 3/14/2024 9:15:00 AM

Submitted By	Organization	Testifier Position	Testify
Esther Ueda	Individual	Support	Written Testimony Only

Comments:

Chair Scot Matayoshi , Vice-Chair Andrew Garrett, and Committee Members,

My name is Esther Ueda, and I am in strong support of SB2553, SD1 which amends the provisions of the Hawaii Retirement Savings Program.

The program is intended to help many private sector workers set aside money and save out of their paychecks.

As a retiree, I know that a strong savings program is necessary for your retirement years. Inflation, unexpected expenses, and other expenses make it even more important to save.

I believe that many workers are not saving enough for their "Golden Years". We have seen during the recent Pnademic how many familys were ill-prepared with sufficient savings. I believe that this program will help more people develp a savings program for themselves. I especially feel that the "opt out" provision will give people more incentive to try out the program and save.

Please support SB 2553 SD1.

Thank you for the opportunity to provide these comments.

Esther Ueda

Pearl City,

HOUSE COMMITTEE ON LABOR & GOVERNMENT OPERATIONS

Hearing:

Friday, March 14, 2024, 9:15 am
Conference Room 309 and Video Conference
State Capitol
415 South Beretania Street

**TESTIMONEY ON SENATE BILL 2553, SD1
RELATING TO HAWAII RETIREMENT SAVINGS ACT**

To: Rep. Scot Z Matayoshi, Chair; Rep. Andrew Takuya Garrett, Vice Chair; and Members of the Committee

My name is Anna Filler and I am in **strong support** of **SB 2553, SD1** which amends and aligns provisions of the Hawaii Retirement Savings Program, the state facilitated payroll deduction retirement savings program for Hawaii's private sector employees.

The proposed program amendments which includes an automatic participation with an opt-out option will align Hawaii with the 14 other states already or close to being in operations. This program feature is considered best practice in the retirement savings industry. Hawaii's workers need an easy way to save for their future.

Mahalo for the opportunity to testify. I urge you to support **SB 2553, SD1**

Anna Filler
Rep. District 25, Ala Moana, Kaka'ako, Downtown
Email: afiller@twc.com