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

**HAWAII RETIREMENT SAVINGS  
BOARD**

February 6, 2025

To: The Honorable Jackson D. Sayama, Chair,  
The Honorable Mike Lee, Vice Chair, and  
Members of the House Committee on Labor

Date: Thursday, February 6, 2025  
Time: 9:00 a.m.  
Place: Conference Room 309, State Capitol

From: Ahlani K. Quiogue, Executive Director  
Hawaii Retirement Savings Board

**Re: H.B. 847, RELATING TO HAWAII RETIREMENT SAVINGS ACT**

**I. OVERVIEW OF PROPOSED LEGISLATION**

The **Hawaii Retirement Savings Board (Board)** is in **strong support** of this bill.

The purposes of this bill are to: clarify the definition of "covered employer" under the Hawaii Retirement Savings Act; require covered employers to automatically enroll covered employees into the Hawaii Retirement Savings Program (Program) unless the employee chooses to opt out; repeal the limit on the total fees and expenses that can be spent for the Program each year; and appropriate funds to the Department of Labor and Industrial Relations for the development and operation of the Program.

**II. CURRENT LAW**

§389-2 definition of "covered employer" does not include any employer that has maintained for all employees a retirement plan during the preceding two years a

tax-qualified retirement plan.

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

§389-7 provides that the program manager shall keep total fees and expenses as low as practicable; provided that the total fees and expenses of the program each year shall not exceed seventy-five basis points of the total assets of the program; provided further that the limit shall not apply during the initial three-year period following the establishment of the program.

### **III. COMMENTS ON THE SENATE BILL**

The Board 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 Program. For the Committee's information, as of January 1, 2025, thirteen (13) of the twenty (20) state programs have an individual retirement account or Auto-IRA, and two (2) state programs are open to all other employers and workers either through a voluntary marketplace or multiple employer plan. Hawaii's current model is most similar to that of New Mexico, which is a voluntary payroll deduction IRA. Unfortunately, The New Mexico Work and \$ave IRA Program has been placed on an indefinite hold with no known new implementation date because, in part, the model of its plan.

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 survey<sup>1</sup> 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.

Furthermore, 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 effect 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 study<sup>2</sup> prepared for DBEDT estimated that this dynamic will produce a \$7.7 billion hole in Hawaii's economy by 2035.

At its board meeting on January 28, 2025, the Board discussed in detail: (1) a suggested amendment to section 4, page 8, line 16; and (2) the repeal of the limit on the total fees and expenses that can be spent for the Program each year on section 5, page 9, line 21 to page 10, lines 1 through 5, as outlined below:

(1) Suggested amendment to section 4, page 8, line 16:

The Board recommends that, "~~the program administrator provides...~~" be amended to "the **covered employer** provides..."

(2) Regarding the repeal of the limit on the total fees and expenses that can be spent for the Program each year (section 5, page 9, line 21 to page 10, lines 1 through 5)

The Board expressed support of the repeal of this language. By way of background, when the first state programs launched in Oregon, Illinois, and California, they only had basis point fees (bps) on assets under management (AUM) charged to the individual retirement accounts. The statutes in these states did have fee caps in place. Over-time it became clear that the AUM growth was not as fast as initially anticipated and for the program administrators to keep the public-private partnerships going, they needed to pivot to a hybrid fee structure. The programs now have both bps fees on AUM and a flat dollar-based account fee. This system of fees allows the program administrators to cover their costs in the early days of the programs while the AUM is ramping up. It also allows the programs to add on state-level account fees that help them cover their own costs.

The reason other states have removed the bps caps from statute is because it is impossible to push the per account fees under these caps until the programs are well-established and they have relatively high average account balances.

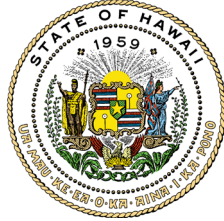
Further, if Hawaii plans to partner with another state, Hawaii will use the same fee structure that the lead state has already negotiated with the program administrator. No state currently has a fee structure that would keep total fees under 75 bps, including states with very large populations.

Lastly, the Board also notes that this bill appropriates funds to the Department of Labor and Industrial Relations for the development and operation of the Program in the amount of \$720,000 for FY 25-26, and so much thereof for FY 26-27. This funding will address startup costs of consultant contracts (\$75,000), marketing and communications (\$500,000), and legal, audit, and insurance (\$145,000). More specifically, the utilization of the funding is to: (1) establish baseline information for program administration; (2) create a financial model to determine fees necessary to support Program costs; (3) evaluate and determine investment design and policy statement; (4) program administration services; and (5) participant marketing, financial education, and disclosures.

Thank you for the opportunity to testify.

<sup>1</sup> [https://www.capitol.hawaii.gov/sessions/session2022/bills/DC188\\_.pdf](https://www.capitol.hawaii.gov/sessions/session2022/bills/DC188_.pdf)

<sup>2</sup> [https://files.hawaii.gov/dbedt/economic/reports/Hawaii\\_Generational\\_Economy\\_Oct2020.pdf](https://files.hawaii.gov/dbedt/economic/reports/Hawaii_Generational_Economy_Oct2020.pdf)



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

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

**Testimony in SUPPORT of HB847  
RELATING TO HAWAII RETIREMENT SAVINGS ACT**

COMMITTEE ON LABOR  
REP. JACKSON SAYAMA, CHAIR  
REP. MIKE LEE, VICE CHAIR

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

Hearing: Thursday, February 6, 2025 at 9:00 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 HB847.
- 3 **Fiscal Implications:** Appropriates \$720,000 for fiscal year 2025-2026 and the same sum for fiscal year
- 4 2026-2027 to the Department of Labor and Industrial Relations (DLIR) for the development and
- 5 operation of the program.
- 6 **Purpose and Justification:** The Hawai'i Retirement Savings Program (Act 296) creates a low-cost
- 7 retirement savings program that will help private sector workers save money for retirement. HB847
- 8 clarifies the definition of "covered employer" under this Act; amends and aligns provisions of the
- 9 Hawai'i Retirement Savings Program to require automatic enrollment unless the employee chooses to
- 10 opt out; repeals the total amount of fees and expenses that can be spent annually; and appropriates
- 11 funds for the program's development and operations. Automatic enrollment in a retirement savings
- 12 program is considered a "best practice" in the industry and will enable more employees to save for

- 1 their future. Additionally, the opt-out feature allows employees to make informed decisions about
- 2 their retirement savings. It also encourages employees to engage with their retirement plans and
- 3 make proactive choices about their financial futures.
- 4 **Recommendation:** EOA supports the intent of HB847 and defers to the DLIR for implementation.
- 5 Thank you for the opportunity to testify.





Andy Huang, Chairman – L&L Hawaiian Barbecue   Ave Kwok, Past Chair – Jade Dynasty Seafood Restaurant  
Mike Palmer, Incoming Chair – Ho'okipa Partners   Tambara Garrick, Treasurer – Hawaii Farm Project  
Victor Lim, Government Relations Lead – McDonald's   |   Mail: 2909 Wai'alaie Avenue #22, Honolulu, HI 96826

Sheryl Matsuoka, President & CEO   Ginny Wright, Operations Associate   Holly Kessler, Vice President of Operations

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Date: February 4, 2025

To: Rep. Jackson D. Sayama, Chair  
Rep. Mike Lee, Vice Chair  
Members of the Committee on Labor

From: Victor Lim, Legislative Lead

Subj: HB 847 Relating to Hawaii Retirement Savings Act

The Hawaii Restaurant Association representing 4,000 Eating and Drinking Place here in Hawaii support the intent of this bill HB 847 to provide a retirement savings plan for many employees that are not covered by some kind of a employer sponsored plan. This will benefit the employees of the many small and medium-sized businesses here in the state that do not have one because they either can't afford one or not big enough to have one of their own.

Key principles has to be Is it simple, easy to understand, minimal or no administrative fees, and is portable as one move from one job to another.

Thank you for allowing us to share our comments.





February 4, 2025

Rep. Jackson D. Sayama, Chair  
Rep. Mike Lee, Vice Chair  
Members of the Committee on Labor

Members of the Committee on Labor,

The 604 Hospitality Group LLC, representing eight dining establishments on Oahu with 400 employees, supports HB 847.

Many employees in our industry do not place their retirement savings as a priority due to living paycheck to paycheck. It would be great to ensure the state retirement savings plan is simple to understand, has minimal fees, and has a strong educational program to gain broader interest.

Thank you for the opportunity to support Bill HB 847.

Sincerely,

Matthew Asato  
Vice President of Operations





**TESTIMONY OF TINA YAMAKI  
PRESIDENT  
RETAIL MERCHANTS OF HAWAII  
FEBRUARY 6, 2025  
HB 847 RELATING TO HAWAII RETIREMENT SAVINGS ACT**

Good morning, Chair Sayama and members of the House Committee on Labor. 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 HB 8475 and do not support it at this time. 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; repeals the limit on the total fees and expenses that can be spent for the Program each year; and appropriates funds to the Department of Labor and Industrial Relations for the development and operation of the Program.

**While a Retirement Savings program already exists** and effectively aids in this endeavor by allowing employees to voluntarily enroll, **our concern lies with the potential burden placed on small, locally owned businesses if mandatory automatic enrollment is enforced, requiring subsequent processing for those wishing to opt out.**

**Implementing and managing such programs incurs ongoing costs for businesses**, particularly challenging for those with high turnover rates, such as customer service roles. Whether managed internally or through third-party services, the financial strain is considerable, with additional expenses incurred to opt employees in and out of the program. Employees expect compensation when their scope of work is expanded and many are already short staffed in internal accounting departments. While one third party may be able to do it for a nominal or no cost, this is not indicative of other CPA firms and companies who handle payroll.

**Of significant concern is the impact on smaller, locally owned businesses already grappling with "how can we afford another mandate?"** Many still carry a large debt from being shut down and the lack of customers – especially since the Asian visitors have not returned. The rising cost for employee health care benefits, products and goods, services, and shipping continue to have a substantial effect on our operations. Furthermore, numerous businesses are still trying to recover from the Maui Fires as some of our local retailers lost multiple stores in the fires – this not only includes Maui based stores but also business from the neighboring islands who have expanded to Maui. We are also seeing streamlined and pivoted business with shortened hours of operations and freeze in employee hiring for certain positions. We continue to see local and national retailers quietly closing their doors in Hawaii. Many small locally owned businesses are also unsure how they will afford the minimum wage hike coming in January 2026.

**The visible closures of stores within malls reflect the stark reality of these economic pressures, with the closure of businesses translating directly to lost jobs for employees.** Measures like this will encourage more businesses to close their doors as they can no longer afford to operate in Hawaii and thus more of our friends, family and neighbors will be unemployed. We do not want to see more of our neighbors, family, and friends losing their livelihoods as additional local retailers shutter their doors due to the financial strain imposed by yet another costly governmental mandate. Presently, the existing system is functional and now is not the time to change this.

**We are also concerned that repealing the cap on fees and expenses for the Program opens the door to excessive and unchecked costs.** This lack of fiscal restraint jeopardizes the efficiency and transparency of the Program, with potential financial repercussions for both employees and taxpayers.

Mahalo for this opportunity to testify.



3610 Waiālae Ave • Honolulu, HI 96816



(808) 592-4200



tyamaki@rmhawaii.org



Testimony to the House Committee on Labor  
Thursday, February 6, 2025  
9:00 a. m.  
State Capitol Conference Room 309 and via videoconference

Re: HB 847 Relating to Hawaii Retirement Savings Act

Dear Chair Sayama, Vice Chair Lee, and Honorable Members of the House Committee on Labor:

I am Gary Simon, a member of the board of the Hawai'i Family Caregiver Coalition, whose mission is to improve the quality of life of those who give and receive care by increasing community awareness of caregiver issues through continuing advocacy, education, and training. I am offering testimony on behalf of the Hawai'i Family Caregiver Coalition.

The Hawai'i Family Caregiver Coalition supports HB 847, which requires covered employers to automatically enroll covered employees into the Hawaii Retirement Savings Program unless the employee chooses to opt out.

Auto enrollment policies are particularly effective with young workers and low-income employees, resulting in higher account balances. Companies with retirement savings program auto enrollment policies see higher overall contribution rates than companies with only voluntary enrollment. Auto enrollment is the practice in California, Colorado, Connecticut, Illinois, Maryland, Oregon, and Virginia.

Auto enrollment is a good practice based on good public policy (promoting the financial stability of our residents).

We urge you to support the Hawaii Retirement Savings Program and HB 847, and we urge you to recommend its passage.

Mahalo for seriously considering the bill.

Very sincerely,

A handwritten signature in black ink that reads "Gary Simon".

Gary Simon



Email [garysimon@hawaii.rr.com](mailto:garysimon@hawaii.rr.com)

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS; Hawai'i Retirement Savings Act, Automatic Enrollment, Opt-Out Option

BILL NUMBER: HB 847, SB 855

INTRODUCED BY: HB by SAYAMA, CHUN, GARRETT, GRANDINETTI, ICHiyAMA, KEOHOKAPU-LEE LOY, KILA, KUSCH, LAMOSAO, LEE, M., LOWEN, MARTEN, MATAYOSHI, MIYAKE, OLDS, QUINLAN, TAKAYAMA, TAM, TODD; SB by AQUINO, CHANG, FEVELLA, KIDANI, KIM, MORIWAKI, Richards, Wakai

EXECUTIVE SUMMARY: 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. Repeals the limit on the total fees and expenses that can be spent for the Program each year. Appropriates funds to the Department of Labor and Industrial Relations for the development and operation of the Program.

SYNOPSIS: Amends section 389-2, HRS, to give an exemption to an employer who, at any time in the preceding two years, maintained a tax-qualified retirement plan for its employees. Under current law, the exemption only applies if the employer had been maintaining such a plan continuously for the preceding two years.

Amends section 389-5(d)-(f), HRS, to require covered employers to enroll its covered employees in the program and withhold and remit payroll deduction contributions from each covered employee's paycheck unless the covered employee has elected not to participate. Currently, covered employees may elect to contribute. The measure provides for automatic enrollment with an employee's right to opt out of participation.

Amends section 389-7, HRS by removing the cap on fees and expenses of the program.

Section 7 appropriates out of the general fund \$720,000 or so much as may be necessary for fiscal year 2025-2026 and fiscal year 2026-2027 for the development and operation of the Hawaii retirement savings program.

EFFECTIVE DATE: July 1, 2025.

STAFF COMMENTS: The Hawaii Retirement Savings Program, HRS Chapter 389, established by Act 296, SLH 2022, is supposed to offer a prefabricated vehicle for small employers to sign up for a retirement program, 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 lots of money every few years for plan amendments required by the federal government.



As the program now exists, employees may opt in to the program (once it gets going). The default contribution amount is 5% of the covered employee's compensation, but the employee can elect to contribute more or less.

The bill would change the enrollment criteria. All employees would be enrolled in the program unless they opted out. And remember, this program affects any employer who employs one or more employees. There is no minimum.

If the State can competently offer such a plan to private employers in a way to blunt the pain of periodic legal fees, the program in general 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. We observe that although this program was established in 2022, the Hawaii Retirement Savings Board has yet to implement the program. See <https://labor.hawaii.gov/hrsp/>, "Program Status."

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 this program 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: 2/4/2025

**HB-847**

Submitted on: 2/5/2025 2:03:07 PM

Testimony for LAB on 2/6/2025 9:00:00 AM

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

Comments:

Aloha Chair Sayama and committee members,

I am Barbara Service and I'm a resident of SD9 and HD19 and a Kupuna.

I strongly encourage your support of HB847 (Hawaii Retirement Savings) to provide a means for small business employees to save money for their retirement. It is important that this be an opt-out arrangement, rather than an opt-in. In this manner, employees will have to take action to stop the deductions from their paychecks. Unfortunately, if they opt-out, they will be missing out on savings when they retire.

The concept of Hawaii Retirement Savings was approved by the state legislature three years ago and is slow to get moving. Please support the opt-out arrangement AND also clarifies the definition of "covered employers."

Mahalo for the opportunity to testify.

Barbara J. Service. MSW

Child Welfare Supervisor (ret.)

Passionate Kupuna advocate