

JAN 17 2020

S.B. NO. 2489

A BILL FOR AN ACT

RELATING TO THE HAWAII RETIREMENT SAVINGS PROGRAM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that there is an imminent
2 retirement security crisis in the State, as many individuals do
3 not have access to an employer-sponsored retirement plan.

4 Individuals without a retirement plan are at significant risk of
5 not having enough retirement income to meet basic expenses
6 during retirement. A retirement savings plan can help employees
7 achieve economic security, improve economic mobility, and reduce
8 wealth disparity.

9 In 2017, Oregon was the first state to implement a
10 retirement savings plan that covers private sector workers who
11 do not otherwise have access to a savings plan provided by their
12 employer. Other states have similar programs including
13 California, Connecticut, Illinois, Maryland, Massachusetts, New
14 Jersey, and Vermont.

15 The legislature also finds that individuals need a lifelong
16 savings system that provides them with the opportunity to build
17 their assets and attain future financial stability. Providing



1 private sector employees with access to employer-sponsored
2 retirement plans is a reliable way to promote savings needed for
3 a secure retirement, improve economic mobility, and reduce
4 wealth disparity.

5 The legislature further finds that approximately fifty per
6 cent of the State's private sector employees work for an
7 employer that does not offer a retirement plan or are not
8 eligible for the plan offered. The lack of opportunity to
9 participate in an employer-provided retirement plan spans all
10 levels of education and earnings. Employees who are offered the
11 opportunity to save through the employee's place of employment
12 are significantly more likely to participate and make steady
13 contributions to build retirement savings.

14 The purpose of this Act is to establish a Hawaii retirement
15 savings program for private sector employees.

16 SECTION 2. The Hawaii Revised Statutes is amended by
17 adding a new chapter to be appropriately designated and to read
18 as follows:

19 "CHAPTER

20 HAWAII RETIREMENT SAVINGS PROGRAM



1 § -1 Definitions. As used in this chapter, unless the
2 context otherwise requires:

3 "Department" means the department of budget and finance.

4 "Director" means the director of finance.

5 "Employee" means a person employed by a private sector
6 employer who is eligible to participate in the program
7 established by this chapter.

8 "Employer" includes any individual, partnership,
9 association, joint stock company, trust, corporation, the
10 personal representative of the estate of a deceased individual
11 or the receiver, trustee, or successor of any of the same,
12 employing any person, that has not offered to some or all of its
13 employees a qualified retirement plan, including but not limited
14 to a plan qualified under section 401(a), section 401(k),
15 section 403(a), section 403(b), section 408(k), section 408(p),
16 or section 457(b) of the Internal Revenue Code of 1986, as
17 amended, in the preceding five years; provided that the term
18 shall not include the State or any political subdivision thereof
19 or the United States.

20 "Program" means the Hawaii retirement savings program.



1 § -2 Establishment of the Hawaii retirement savings
2 program. (a) There is established the Hawaii retirement
3 savings program to be administered by the department. The
4 program shall:

5 (1) Allow employees in the State to contribute to an
6 account established under the program through payroll
7 deduction;

8 (2) Require an employer to offer its employees the
9 opportunity to contribute to an account in the program
10 through payroll deductions;

11 (3) Provide for automatic enrollment of employees and
12 allow employees to opt out of the program;

13 (4) Offer a default contribution rate set by the
14 department;

15 (5) Offer default escalation of contribution levels that
16 can be increased or decreased within the limits
17 allowed by the Internal Revenue Code of 1986, as
18 amended;

19 (6) Provide for contributions to accounts in the program
20 to be deposited directly with the director;



- 1 (7) Whenever possible, use existing employer and public
- 2 infrastructure to facilitate contributions to the
- 3 program, recordkeeping, and outreach;
- 4 (8) Allow no employer contributions to employee accounts;
- 5 (9) Have its records and its program accounts maintained
- 6 and accounted for separately;
- 7 (10) Provide reports on the status of program accounts to
- 8 account owners at least annually;
- 9 (11) Allow account owners to maintain an account regardless
- 10 of their place of employment and to roll over funds
- 11 into other retirement accounts;
- 12 (12) Pool accounts established under the program for
- 13 investment;
- 14 (13) Be professionally managed;
- 15 (14) Provide that the State and employers that participate
- 16 in the program have no proprietary interest in the
- 17 contributions to, or earnings on, amounts contributed
- 18 to accounts established under the program;
- 19 (15) Provide that the director shall be the trustee of all
- 20 contributions and earnings on amounts contributed to
- 21 accounts established under the program;



(16) Not impose on employers any duties that are otherwise prohibited under the Employee Retirement Income Security Act of 1974, as amended;

(17) Keep administration fees in the program low to maintain a revenue neutral program over the long run;

(18) Allow the use of private sector partnerships to administer and invest the contributions to the program under the supervision and guidance of the department; and

(19) Allow employers to establish an alternative retirement program for some or all employees.

(b) The program, the department, the director, and the State shall not guarantee any rate of return or any interest rate on any contribution; provided that the program, the department, the director, and the State shall not be liable for any loss incurred by any person as a result of participating in the program.

§ -3 Duties of the director. The director shall:

(1) Establish, implement, and maintain the Hawaii retirement savings program pursuant to section -2;



1 (2) Direct the investment of the funds contributed to
2 accounts in the program consistent with the investment
3 restrictions established by the director; provided
4 that the restrictions shall be consistent with the
5 objectives of the program and the director shall
6 exercise the judgment and care then prevailing that
7 persons of prudence, discretion, and intelligence
8 exercise in the management of their own affairs with
9 due regard to the probable income and level of risk
10 from certain types of investments of money, in
11 accordance with the policies established by the
12 director;

13 (3) Collect application, account, or administrative fees
14 to assist in the costs of administering the program;

15 (4) Make and enter into contracts, agreements, or
16 arrangements, and retain, employ, and contract for any
17 of the following services considered necessary or
18 desirable, for carrying out the purposes set forth by
19 this chapter, including:

20 (A) Services of private and public financial
21 institutions, depositories, consultants,



1 investment advisers, investment administrators,
2 and third-party plan administrators;

3 (B) Research, technical, and other services; and

4 (C) Services of other state agencies to assist the
5 department in its duties;

6 (5) Evaluate the need for, and procure as needed, pooled
7 private insurance for the program; and

8 (6) Develop and implement an outreach plan to gain input
9 and disseminate information regarding the program and
10 retirement savings in general.

11 The director may enter into a management contract that
12 shall include, at a minimum, terms requiring the financial
13 organization to perform any of the duties required of the
14 director under paragraphs (2) through (6).

15 § -4 Rules. The department shall adopt rules, pursuant
16 to chapter 91, necessary for the purposes of this chapter.

17 § -5 Confidentiality. Individual account information
18 for accounts under this program, including but not limited to
19 names, addresses, telephone numbers, personal identification
20 information, and amounts contributed, shall be confidential and
21 shall be maintained as confidential:



(1) Except to the extent necessary to administer the program in a manner consistent with sections -2 to -7, the tax laws of the State, and the Internal Revenue Code of 1986, as amended; or

(2) Unless the person who provides the information or is the subject of the information expressly agrees in writing that the information may be disclosed.

§ -6 Hawaii retirement savings program administrative

fund. (a) There is established in the state treasury a special fund to be known as the Hawaii retirement savings program administrative fund, into which shall be deposited:

(1) All fees and interest collected under this chapter;

(2) Appropriations made by the legislature to the fund; and

(3) Moneys transferred to the fund from the federal government, other state agencies, or local governments.

(b) Moneys in the Hawaii retirement savings program administrative fund shall be used to pay the administrative costs and expenses of the department and program and for any other purpose described in this chapter.



1 (c) The director shall be the treasurer and custodian of
2 the administrative fund.

3 § -7 Annual report. The department shall prepare an
4 annual report detailing the department's activities for the
5 previous fiscal year. The annual report shall be submitted to
6 the governor and legislature no later than twenty days prior to
7 the convening of each regular session."

8 SECTION 3. There is appropriated out of the general
9 revenues of the State of Hawaii the sum of \$ or so
10 much thereof as may be necessary for fiscal year 2020-2021 to be
11 deposited into the Hawaii retirement savings program
12 administrative fund.

13 SECTION 4. There is appropriated out of the Hawaii
14 retirement savings program administrative fund the sum of
15 \$ or so much thereof as may be necessary for fiscal
16 year 2020-2021 for administrative and operating expenses of the
17 Hawaii retirement savings program.

18 The sums appropriated shall be expended by the department
19 of budget and finance for the purposes of this Act.

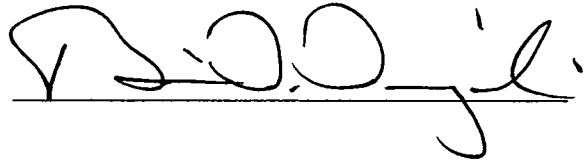
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1 SECTION 5. This Act shall take effect on July 1, 2020.

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INTRODUCED BY:





S.B. NO. 2489

Report Title:

Hawaii Retirement Savings Program; Private Sector Employees;
Appropriation

Description:

Establishes a Hawaii Retirement Savings Program for private sector employees. Establishes the Hawaii Retirement Savings Program Administrative Fund. Requires the Department of Budget and Finance to prepare an annual report detailing the Department's activities for the previous fiscal year to the Governor and Legislature. Appropriates funds. Exempts employers if they offered a qualified retirement plan to some or all of its employees within the last five years.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

