DAVID Y. IGE
GOVERNOR

CRAIG K. HIRAI
DIRECTOR

ROBERT YU
DEPUTY DIRECTOR

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

EMPLOYEES' RETIREMENT SYSTEM
HAWAIʻI 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 SENATE COMMITTEE ON LABOR, CULTURE & THE ARTS
ON
SENATE BILL NO. 2489

February 4, 2020
2:45 P.M.
Conference Room 224

RELATING TO THE HAWAII RETIREMENT SAVINGS PROGRAM

Chair Taniguchi, Vice Chair Ihara and Members of the Committee on Labor and the Arts

The Department of Budget and Finance does not support S.B. 2489 to establish a Hawaii Retirement Savings Program for private sector employees.

The Department of Budget and Finance believes that research on the feasibility of a state sponsored retirement program in Hawaii should be done by a qualified task force as provided in H.B. 2251. A qualified task force should investigate retirements savings plans that have been adopted in other states as well as understand the role that state government may have in supporting employers that are interested in offering retirement plans under the provisions of the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 that was signed into federal law on

Thank you for the opportunity to provide our testimony on this bill.

AARP Real Possibilities in Hawaii

1132 Bishop Street, #1920 | Honolulu, HI 96813
1-866-295-7282 | Fax: 808-537-2288 | TTY: 1-877-434-7598
aarp.org/hi | hiaarp@aarp.org | twitter: @AARPHawaii
facebook.com/AARPHawaii

THE SENATE
Committee on Labor, Culture and the Arts
Tuesday, February 4, 2020
2:45 p.m.
Conference Room 224

To: Senator Brian Taniguchi, Chair
Re: S.B. 2489, Relating to Retirement Savings

Dear Chair Taniguchi, Vice-Chair Ihara, and Members of the Committee,

My name is Keali'i Lopez and I am the State Director for AARP Hawai'i. AARP is a membership organization of people age fifty and over, with nearly 145,000 members in Hawai'i. AARP advocates for issues that matter to Hawai'i families, including the high cost of long-term care; access to affordable, quality health care for all generations; and serving as a reliable information source on issues critical to people over the age of fifty.

AARP Hawai'i **strongly supports S.B. No. 2489** which establishes a Hawaii retirement savings program for private sector employees. The program would be administered by the State Department of Budget and Finance (referred as "Department"). The bill permits the State to establish the framework of a retirement savings program that will allow employees to contribute to an account established under the program through payroll deduction.

A. Need for a government-facilitated retirement savings program for private-sector workers

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 $17,898 a year, while they spend $25,400 a year on food, utilities and health care alone.

In the Aloha United Way's ALICE Report, 37% of senior households qualify as ALICE families. 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, child care, food, transportation, and health care. These ALICE families include households of all ages that are struggling to make ends meet in Hawai'i. However, there is a specific reference to Hawai'i 's aging population in the report. This 2017 Report states, "there is a concern for the financial stability of aging Baby Boomer as well as the health of the wider economy as the population ages. Recent studies have shown that U.S. workers are woefully unprepared for retirement:

- 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"

(Reference: ALICE: A Study of Financial Hardship in Hawai'i 2017 Report – Project of Aloha United Way)

We know that fewer and fewer people have a pension plan and many workers – **about 216,000 people in Hawai'i** -- currently have no access to a 401K, or other ways to save for retirement at work. Without access to 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 business.

While individuals can establish and contribute to a retirement savings program on their own; many 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.

Many small businesses often choose not to offer retirement programs to their workers due to the costs, complexity and burden to manage this benefit. Establishing a government-facilitated program would help small businesses offer this savings option to their employees.

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. AARP Public Policy Institute estimates Hawai'i would save $32.7 million on public assistance programs through 2032 if lower-income retirees saved enough to increase their retirement income by $1,000 more per year. The combined state and federal savings are more than $160 million.(AARP Hawai'i Fact Sheet, May 2017)

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

Ten states have already passed legislation that improves workers' access to a retirement program, and 30 more are in progress to help their future retirees. Oregon, the first state to implement a state retirement program for private-sector employees, started enrolling eligible workers into the OregonSaves program in October of 2017. Since its inception, more than 66,000 workers have enrolled into OregonSaves and are saving for their future retirement needs. They are saving at an average rate of $128 per month and program assets currently top $42 million. Hawai'i must join in this national effort to help working families be retirement ready, and AARP Hawai'i stands ready to work with the Legislature to do this through a Hawai'i Saves program.

D. Federal Legislation– Passage of SECURE Act

Congress recently passed the Setting Every Community up for Retirement Act of 2019 (SECURE Act) which expands access to retirement savings to over 27 million part-time workers in the U.S. The bill also makes 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 have some of the key features that state automatic IRA programs do, such as plug and play retirement programs that small businesses can use without having to run or pay for it.

AARP supports the SECURE Act as part of a larger effort to improve retirement security. It <u>does not provide</u> provisions that will inhibit states from moving forward on establishing retirement savings programs. Therefore, states such as Hawai'i can and should continue to work towards establishing this program for our private sector workers. The SECURE Act does not create the framework to develop a formal savings program at the local level; it only compliments existing or future state efforts. In a recent CNBC report, J. Mary Iwry, Senior Fellow at the Brookings Institution, states, "There is no way the SECURE Act comes close to solving the coverage gap in the United States, but the Act is a good, constructive and necessary step forward". ("New

Programs aim to help the 55 million people without workplace retirement savings plans", Jan 30, 2020). Having both national and state level efforts will give more individuals access to a retirement saving program.

E. Commonly Raised Questions and Issues

The **Employee Retirement Income Security Act of 1974 (ERISA**) is sometimes 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. However, state-facilitated retirement programs are not the same as an employer-sponsored plan which must abide with the ERISA regulations. Instead the public programs would likely fall under the 1975 safe harbor regulation providing that voluntary payroll deduction IRAs will not be treated as ERISA plans so long as they are merely *facilitated* by employers and not directly sponsored. (Source: 29 CFR 2510.3-2(d); 40 FR 34526 (Aug. 15, 1975).) These programs also come within longstanding Department of Labor guidance: (1999 DOL guidance issued by Interpretative Bulletin 99-1.) Oregon's program has been live for more than two years, and there is no active challenge to ERISA.

Hawai'i has the benefit of the experiences of Oregon, California, Illinois, and Maryland regarding this ERISA question. In all these states, laws to start a payroll deduction IRA plan were enacted over the objections of American Council of Life Insurers (ACLI), and each program is currently or will be accepting contributions by the end of 2020. ERISA concerns have not stopped them from helping their residents save for retirement.

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 to save in. They may opt out because of income concerns, but most are likely to stay in once enrolled. OregonSaves is demonstrating that lower income workers will participate. The average income of Oregon's new savers **is $29,000** and the average amount saved is $128 a month. Since its inception in 2017, 70 percent of eligible workers have signed up for OregonSaves and $42 million has been saved 0collectively by the participants.

Some of the questions raised by opponents, however, are not intended to solve the problem at hand, which is: how do you help Hawai'i's workers save for their retirement? Opponents to a Hawai'i Saves program raise objections with no alternative solution – in essence, the opponents advocate for a **status quo** approach to address a crisis that is growing in Hawai'i and across the Nation.

The Hawai'i Financial Health Pulse: 2019 Survey Results shows that the 69% of people in Hawai'i are facing financial challenges due to various factors such as the high cost of living. This makes it harder for people to spend, save, borrow and plan for their future that would allow them to be resilient and financially sound. If working families are struggling now, imagine what their financial outlook will be when they retire and have not saved sufficiently.

The report recommends "different actionable solutions that Hawai'i 's stakeholders such as the financial institutions, employers, colleges and universities, and policymakers should take to improve the financial health of Hawai'i 's people. One key recommendation is that policy makers can promote initiatives that help Hawai'i residents to save, access affordable credit, manage finances and plan for retirement." This bill offers a solution.

F. Additional Comments

Yes, there are still questions that need to be studied and answered, and it would be imperative that the State conduct its due diligence to ascertain the best model and approach to implementing a retirement savings program for Hawaii. The Committee may want to include additional language to clarify that the Department of Budget and Finance will include the necessary research and planning by utilizing information from other states' experiences, exploring interstate partnerships and agreements, identifying the costs to start up, operate, and sustain the best program for Hawaii's people, and develop the administrative framework of the proposed retirement savings program. The appropriated funds in this bill can be used for this planning and development purpose. Ultimately, the Department will present a final program with the timeframe and budget that can be authorized by the legislature for immediate implementation.

Thank you for the opportunity to testify in **strong support** of S.B.2489.

Attachments: AARP Fact Sheet: Hawai'i Could Save $32.7 Million by Helping People Save for their Own Retirement, May 2017.
ALICE: A Study of Financial Hardship in Hawai'i 2017 Report – Project of Aloha United Way (Excerpt)

Fact Sheet: Hawaii

Hawaii Could Save $32.7 Million by Helping People Save for Their Own Retirement

William Shiflett and Catherine Harvey
AARP Public Policy Institute

When individuals save for retirement they are less likely to rely on public assistance programs later in life. State-facilitated retirement savings plans for small-business employees would help people save more for retirement and, in turn, save significant taxpayer dollars for programs like Medicaid, Supplemental Security Income, the Supplemental Nutrition Assistance Program, and housing assistance. More than 30 states are considering creating retirement plans for private-sector workers whose employers do not already offer one. New research finds that Hawaii would save $32.7 million on public assistance programs between 2018 and 2032 if lower-income retirees save enough to increase their retirement income by $1,000 more per year.

Fiscal Savings to States of $1,000 More in Retirement Income for the Bottom Two Retirement Income Quintiles

State	Total Savings, Combined Federal and State, 2018-32	Savings to State, 2018-32
Alabama	$156,459,591	$17,652,790
Alaska	$40,947,013	$13,051,329
Arizona	$396,596,440	$89,210,583
Arkansas	$129,450,257	$27,611,939
California	$5,383,081,091	$1,393,743,339
Colorado	$472,289,002	$154,864,156
Connecticut	$421,454,107	$89,974,509
Delaware	$69,140,518	$18,176,268
Florida	$1,404,379,386	$290,543,822
Georgia	$338,628,931	$52,545,035
Hawaii	$160,312,439	$32,749,675
Idaho	$54,198,256	$11,508,077
Illinois	$758,140,927	$139,013,992
Indiana	$268,263,150	$55,927,866
Iowa	$264,687,543	$67,574,339
Kansas	$195,565,665	$51,724,322
Kentucky	$319,759,599	$46,163,299
Louisiana	$201,858,462	$32,884,222
Maine	$135,574,464	$22,980,536
Maryland	$331,624,472	$69,676,767

AARP Real Possibilities
Public Policy Institute

State	Total Savings, Combined Federal and State, 2018-32	Savings to State, 2018-32
Massachusetts	$1,318,605,436	$333,548,142
Michigan	$496,846,112	$81,681,041
Minnesota	$796,004,880	$257,527,390
Mississippi	$195,911,435	$29,494,258
Missouri	$403,926,297	$99,087,689
Montana	$46,325,459	$8,374,620
Nebraska	$130,684,259	$40,763,572
Nevada	$127,056,172	$24,048,205
New Hampshire	$62,650,543	$15,672,254
New Jersey	$809,192,172	$193,934,233
New Mexico	$49,319,790	$7,424,601
New York	$4,952,709,650	$1,467,056,431
North Carolina	$617,668,545	$127,363,525
North Dakota	$26,421,294	$5,652,108
Ohio	$1,093,070,035	$240,600,349
Oklahoma	$83,792,496	$20,526,999
Oregon	$453,533,958	$98,930,353
Pennsylvania	$1,359,355,285	$330,156,349
Rhode Island	$171,075,417	$25,439,603
South Carolina	$212,798,415	$37,450,871
South Dakota	$81,640,098	$14,053,954
Tennessee	$1,142,228,011	$260,188,825
Texas	$1,381,708,267	$340,644,794
Utah	$147,106,849	$26,089,868
Vermont	$53,543,140	$12,722,408
Virginia	$481,686,611	$135,330,635
Washington	$1,030,924,340	$297,935,294
West Virginia	$132,024,966	$17,217,926
Wisconsin	$684,324,456	$139,334,771
Wyoming	$50,305,916	$17,966,328
United States	$32,978,295,282	$7,793,556,409

Source: AARP Public Policy Institute analysis of Philip Trostel, The Fiscal Implications of Inadequate Retirement Savings in Maine *(Orono, ME: The University of Maine Margaret Chase Smith Policy Center, February 2017), https://mcspolicycenter.umaine.edu/wp-content/uploads/sites/122/2017/03/final-aarp-report.pdf.*

Fact Sheet 463, May 2017

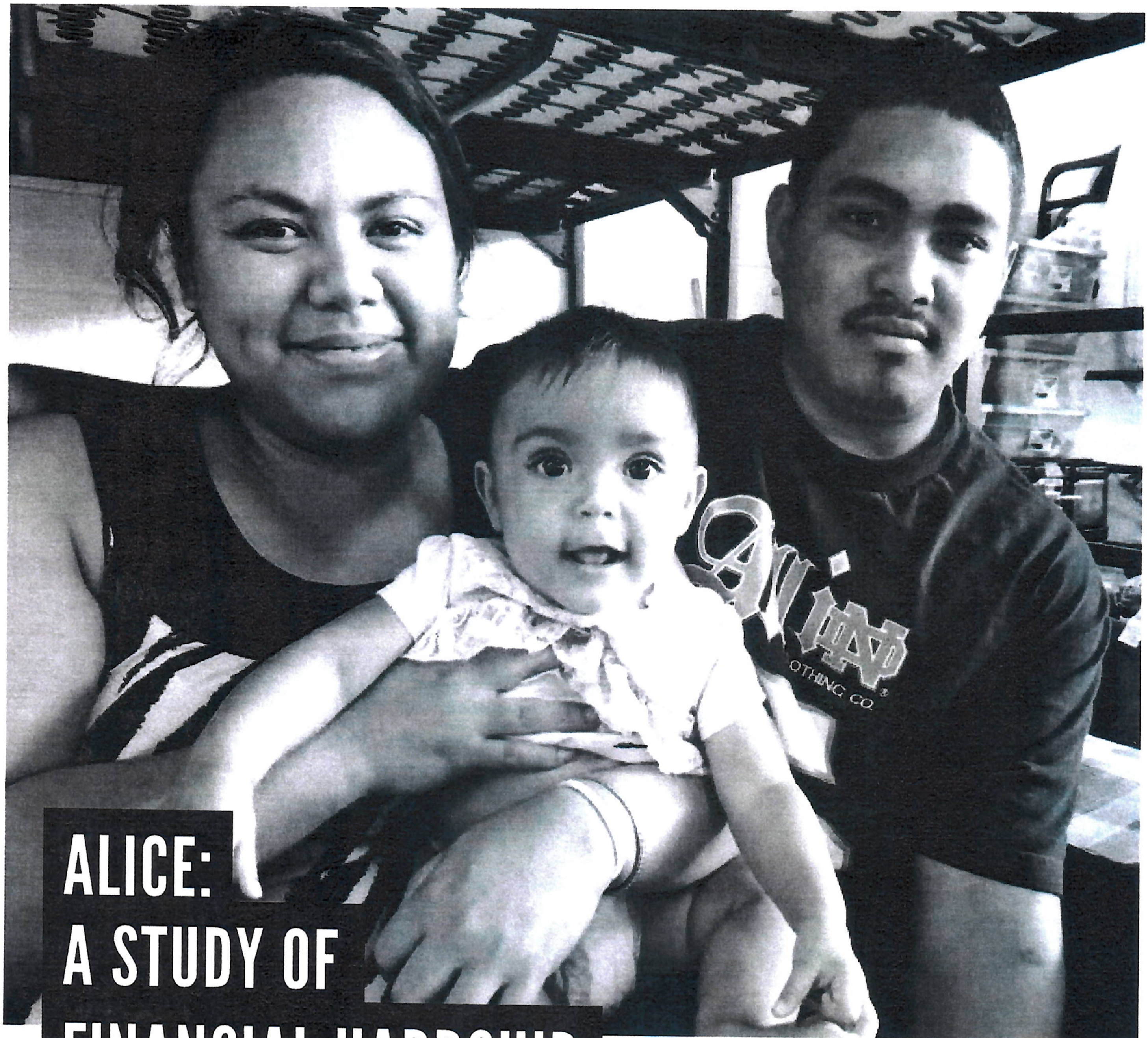
© AARP PUBLIC POLICY INSTITUTE
601 E Street, NW
Washington DC 20049

Follow us on Twitter @AARPpolicy
on facebook.com/AARPpolicy
www.aarp.org/ppi

For more reports from the Public Policy Institute, visit http://www.aarp.org/ppi/.

AARP Real Possibilities

Public Policy Institute



ALICE: A STUDY OF FINANCIAL HARDSHIP IN HAWAI‘I

LIVE UNITED

2017 REPORT

ALICE® is an acronym for **A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed. This is a project of United Ways in Connecticut, Florida, Hawai‘i, Idaho, Indiana, Iowa, Louisiana, Maryland, Michigan, New Jersey, New York, Ohio, Oregon, Virginia, Washington, and Wisconsin.

United Way

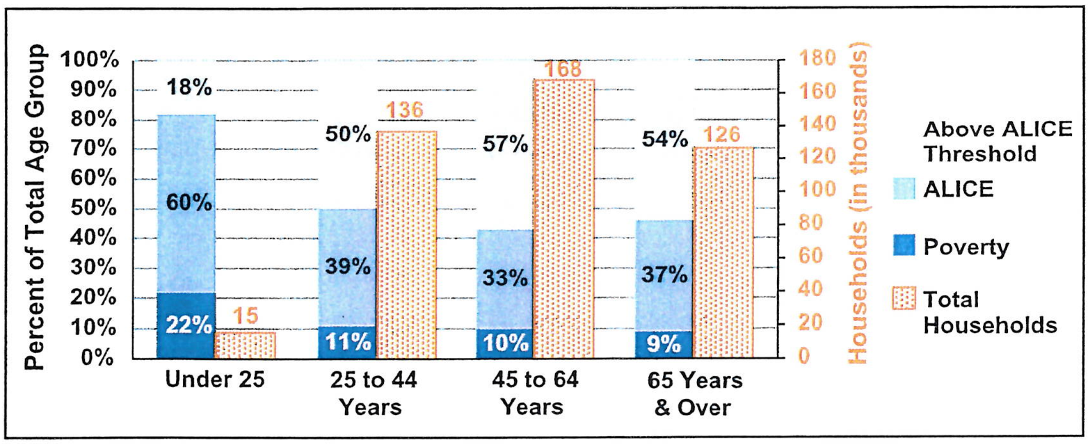
Apart from for a few notable exceptions, ALICE households generally reflect the demographics of the overall state population. Differences are most striking for those groups who traditionally have the lowest wages: women; lesbian, gay, bisexual, and transgender (LGBT) people; recent immigrants who are undocumented, unskilled, or in limited English-speaking households (all household members 14 years old and over have at least some difficulty with English); people with low levels of education; people with a disability; formerly incarcerated people; and younger veterans. County statistics for race/ethnicity and age are presented at unitedwayalice.org/hawaii.

"Apart from for a few notable exceptions, ALICE households generally reflect the demographics of the overall state population."

Age

There are ALICE households in every age bracket in Hawai'i (Figure 7). Within each age bracket, the number of ALICE households and households in poverty generally reflect their proportion of the overall population. Where they differ, the youngest are overrepresented in both poverty and the ALICE population.

Figure 7.
Household Income by Age, Hawai'i, 2015



Source: American Community Survey, 2015, and the ALICE Threshold, 2015

Within the youngest Hawai'i age group (under 25), 22 percent are in poverty, while an additional 60 percent are ALICE households. As households get older, a smaller percentage of them are in poverty and are ALICE. Middle-aged households (25 to 44 years) have the second highest percentage of ALICE households, and those aged 45 to 64 years have the lowest. Senior households (65 years and older) are less likely to be in poverty (9 percent) but still have a high share of ALICE households (37 percent).

The comparatively low rate of senior households in poverty (9 percent) provides evidence that government benefits, including Social Security, are effective at reducing poverty among seniors (Haskins, 2011). But the fact that 37 percent of senior households qualify as ALICE highlights the reality that these same benefits are often not at a level that enables financial stability. This is especially true in Hawai'i, where the cost of living is high. This is reinforced by the fact that many senior households continue to work, some by choice and others because of low income. In Hawai'i's 65- to 74-year-old age group, 26 percent are in the labor force, as are 7 percent of those 75 years and over (American Community Survey, 2015).

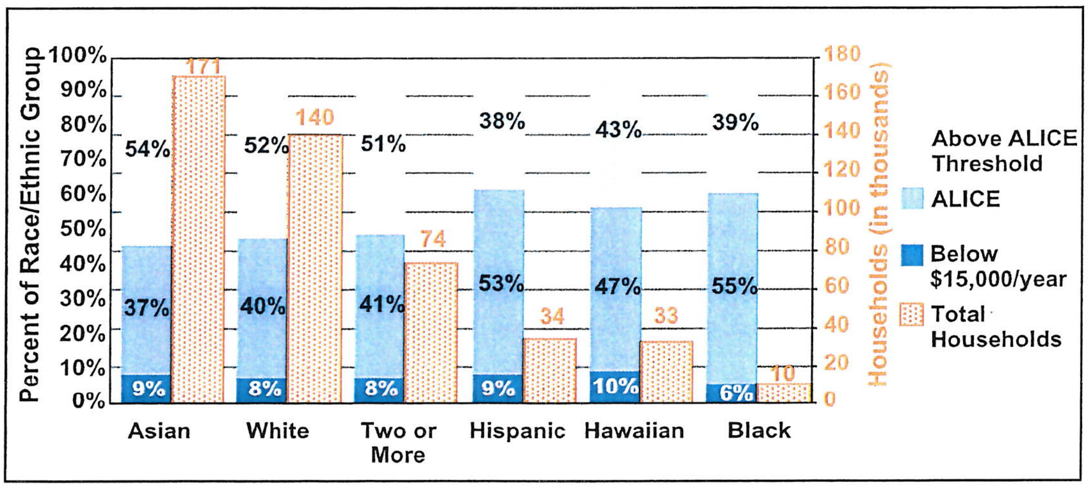
Earning enough income to reach the ALICE Threshold is especially challenging for young households in Hawai'i, as illustrated by the high numbers of younger households below the ALICE Threshold. The same is true in many parts of the country, and the response has typically been a decrease in the number of households headed by someone under the age of 25 as young workers move back in with their parents or find roommates to save money. From 2007 to 2015, the number of Hawai'i's households headed by someone under 25 decreased by 21 percent (Vespa, Lewis, & Kreider, 2013; American Community Survey, 2007, 2010, 2012, and 2015).

"Earning enough income to reach the ALICE Threshold is especially challenging for young households in Hawai'i, as illustrated by the high numbers of younger households below the ALICE Threshold."

Race/Ethnicity

Of Hawai'i's 445,900 households, 37 percent are headed by someone who is Asian (Asian alone, not Hispanic or Latino, U.S. Census classification), 30 percent by someone who is White, 16 percent by someone reporting Two or More Races, 7 percent by someone who is Hispanic, 7 percent by someone who is Native Hawaiian and Other Pacific Islander, and 2 percent by someone who is Black. At least 46 percent of households in each racial/ethnic group have income below the ALICE Threshold. Rates for Asians, Whites, and people of Two or More Races (a large population in Hawai'i) are between 46 and 49 percent, while rates for Hispanics, Native Hawaiians, and Blacks are 57 percent or higher (Figure 8).

Figure 8.
Households by Race/Ethnicity and Income, Hawai'i, 2015



Source: American Community Survey, 2015, and the ALICE Threshold, 2015

Note: Data in all categories except Two or More Races is for one race alone. Because race and ethnicity are overlapping categories and Hawai'i is a state with many races and ethnicities, the totals for each income category do not add to 100 percent exactly. This data is for households; because household size varies for different racial/ethnic groups, population percentages may differ from household percentages. Because household poverty data is not available for the American Community Survey's Race/Ethnicity categories, annual income below $15,000 is used as a proxy.

In terms of race and ethnicity, Hawai'i is one of the most diverse states in the country and one of the few "majority minority" states, with 70 percent of the population being non-White. Within racial/ethnic groups, there is additional diversity in national origin.

Before Captain James Cook's ships reached Hawai'i in 1778, the Native Hawaiian population was sizable, with estimates ranging from 110,000 to 1 million. Disease and war reduced that population to less than 40,000 by the turn of the 20th century. But the Native Hawaiian

Population growth in Hawai'i will vary across counties with the slowest rate of 0.5 percent annually in the City and County of Honolulu, while Hawai'i County is projected to grow at about 1.7 percent annually, Maui County at 1.2 percent, and Kaua'i County at 1.0 percent (State of Hawai'i Executive Office on Aging, 2011; Yahirun and Zan, 2016).

Hawai'i's population will continue to become both older and more diverse. The aging of the Baby Boomers has wide implications, including a smaller proportion of younger families and a decrease in the working-age population.

Hawai'i's low unemployment rate and growing economy will provide ongoing opportunities for both interstate migration and international immigration to Hawai'i, but because there are still obstacles to economic stability for immigrants, they may be harder to attract. There is more domestic migration than international immigration to the state, though the foreign-born population increased from 15 percent of the overall population in 1990 to 18 percent in 2015 (Migration Policy Institute, 2015).

An Aging Population

The composition of Hawai'i's aging population is as diverse as the overall state population but with a slightly different composition, and it varies by county. Across the state, the percentage of seniors who are Asian is 14 times the national average – 54 percent compared to 3 percent – with Japanese and Filipino ethnicities being the most common. The share of older adults who are Native Hawaiian or Other Pacific Islander is also higher than the national average, as is the share who identify as being of Two or More Races. A large percentage of Hawai'i seniors are foreign-born – 24 percent, nearly twice the national average of 13 percent. In Hawai'i, 28 percent of seniors speak a language other than English at home, and among those, 16 percent report that that they do not speak English at all or do not speak English well. Breakdown by county shows that the city and county of Honolulu contain the lowest share of White seniors (20 percent); Hawai'i County has the highest, at 47 percent (Yahirun and Zan, 2016).

"There is concern for the financial stability of aging Baby Boomers as well as for the health of the wider economy as the population ages. Recent studies have shown that U.S. workers are woefully unprepared for retirement."

Overall, in 2015 Hawai'i ranked first in the U.S. on the well-being of its 55-and-older population, particularly with regard to a sense of purpose (liking what you do each day and being motivated to achieve your goals), community (liking where you live, feeling safe and having pride in your community), and physical well-being (having good health and enough energy to get things done daily), according to the Gallup-Healthways Well-Being Index. In addition, Baby Boomers in Hawai'i represent the healthiest and best-educated generation to retire (Gallup-Healthways Well-Being Index, 2015; State of Hawai'i Executive Office On Aging, 2011; Yahirun and Zan, 2016).

Even with these good conditions, there is concern for the financial stability of aging Baby Boomers as well as for the health of the wider economy as the population ages. Recent studies have shown that U.S. workers are woefully unprepared for retirement:

- 39 percent of non-retirees nationally give little or no thought to financial planning for retirement
- 31 percent have no retirement savings or pension
- 75 percent of Americans nearing retirement have less than $30,000 in savings

In this landscape, the number of senior ALICE households will likely increase. During unemployment, many people draw down their retirement accounts to augment their household's cash flow. However, this strategy comes with both short- and long-term costs. Penalties are charged for early withdrawals and retirement savings are diminished, putting future financial stability at risk. In addition, retirement plan participation has continued to decrease since the Great Recession for families in the bottom half of the income distribution. Participation rebounded slightly only for upper-middle-income families from 2010 to 2013, but it did not return to the levels seen in 2007 (Bricker, et al., 2014; Barnes, 2014; Saad-Lessler and Ghilarducci, 2012).

This shift in demographics, as well as the impact of the stock market crash, falling house prices, and periods of unemployment will likely produce more senior ALICE households and increase their economic challenges. Many aging Hawai'i residents have seen the value of their homes decline and their retirement assets dwindle at the same time that their wages – and ability to save – have also decreased. The rate of homeownership for seniors is 78 percent, lower than the national average of 81 percent. A recent AARP report on working-age adults (18 to 64 years old) found that half of Hawai'i's private sector employees work for an employer that does not offer a retirement plan; more than 80 percent of these employees earn less than $40,000 per year (Federal Reserve, 2015; Yahirun and Zan, 2016).

"The second consequence of Hawai'i's aging population will be increased demand for geriatric health services, including assisted living and nursing facilities and home health care. But without sufficient savings, many families will not be able to afford these services."

More of the ALICE seniors will be women. Generally, women have worked less and earned less than men, and therefore have smaller or no pensions and lower Social Security retirement benefits. And since women generally outlive their male counterparts, they are more likely to be single and depend on one income as they get older. In Hawai'i, 48 percent of senior women were married compared to 71 percent of senior men – close to the national rate of 46 percent of women and 73 percent of men (Waid, 2013; Bureau of Labor Statistics (BLS), 2015; Hounsell, 2008; U.S. Census Bureau, 2012; Yahirun and Zan, 2016).

Infrastructure

The aging population, combined with other trends, will have significant consequences for ALICE households and the wider community. First, there will be increased pressure on the state's infrastructure, especially the housing market for smaller, affordable rental units. These units will need to be close to family, health care, and other services, or transportation options will need to be expanded for older adults who cannot drive, especially those in rural areas. Unless changes are made to Hawai'i's housing stock, the current shortage will increase, pushing up prices for low-cost units and making it harder for ALICE households of all ages to find and afford basic housing. In addition, homeowners trying to downsize may have difficulty realizing home values they had estimated in better times, which they had thought would support their retirement plans (U.S. Department of Transportation, 2015; State of Hawai'i Executive Office On Aging, 2011; Kupuna Education Center, 2013).

Senior Living and Eldercare

The second consequence of Hawai'i's aging population will be increased demand for geriatric health services, including assisted living and nursing facilities and home health care. But without sufficient savings, many families will not be able to afford these services. The median annual cost of a private room in a nursing home in Hawai'i is $145,270, representing 263 percent of the median household income for seniors in the state, according to the AARP Scorecard on Long-Term Services and Supports. In terms of other aspects of access to long-term care, Hawai'i compares well to the rest of the country, ranking sixth on a national index that includes information, awareness, counseling, and quality (Reinhard, et al., 2014).

The need for quality elder caregiving is already apparent. In 2014, Hawai'i's Adult Protective and Community Services Branch reported more than 800 cases of elder abuse – a term that applies to people over 60 years of age and includes treatment without consent, physical and sexual abuse, emotional abuse, neglect, and financial exploitation. Given the extent of suspected underreporting, estimates of total incidents in the state range between 10,000 and 24,000 per year, and an increasing volume of research suggests that about 10 percent of elders experience abuse over the course of their lives. Nationally, the reported incidence of abuse is increasing, even though seniors are often reluctant or unable to come forward (Quinn & Benson, Fall 2012; Anetzberger, October 2012; Lifespan of Greater Rochester et al., 2011; Galiher DeRobertis & Waxman LLP, 2014).

"The third trend as Hawai'i's population ages will be an increasing need for caregivers, both paid home health aides and unpaid family members, and both are more likely to be ALICE."

In terms of health services, older adults frequently don't receive recommended preventative care. In 2015, 15 percent of Hawai'i's at-risk adults (who are age 50 or older, in fair or poor health, or have ever been told they have diabetes or pre-diabetes, acute myocardial infarction, heart disease, stroke, or asthma) had not visited a doctor for a routine checkup in the past two years, slightly better than the national average of 13 percent (McCarthy, Radley, & Hayes, 2015).

Aside from the predictable decline in physical health, seniors in Hawai'i can be susceptible to mental health issues, but less so than many other areas of the country. According to the 2011 Behavioral Risk Factor Surveillance System (BRFSS) survey, in Hawai'i, 11 percent of 50- to 64-year-olds and only 4 percent of those 65 and older report mental distress, lower than the national averages of 13 percent of 50- to 64-year-olds and 7 percent of those 65 and older. These seniors are also more likely to report poor or fair physical health (Substance Abuse and Mental Health Services Administration in partnership with the U.S. Administration on Aging, 2012).

Caregiving

The third trend as Hawai'i's population ages will be an increasing need for caregivers, both paid home health aides and unpaid family members, and both are more likely to be ALICE. Nursing assistants are in the top 25 growth jobs in Hawai'i, followed by personal care aides and home health aides. These jobs involve substantial responsibility for the health of vulnerable clients, yet they pay only about $13 to $14 per hour and are not well regulated. They also require the worker to be there in person, which can mean travelling great distances even in bad weather and with variable hours (O'Keeffe and Wiener, 2011; Bercovitz, Moss, Park-Lee, Jones, & Harris-Kojetin, 2011; Redfoot, Feinberg, & Houser, 2013; Hardway, et al., 2011).

Hawai'i has one of the lowest rates of professional caregivers per senior. From 2010 to 2012, there were only 19 personal care, psychiatric, and home health aide direct care workers per 1,000 seniors – the second lowest rate in the country, and well below the national average of 40 per 1,000. Except for Honolulu, most of the Hawai'i is considered to be medically underserved and is designated a Health Professions Shortage Area by the U.S. Department of Health and Human Services (Reinhard, et al., 2014; Hardway, et al., 2011).

"Hawai'i is actually attracting large numbers of college students; some return home with their degrees, but many stay, work, and have children."

ALICE families in Hawai'i will likely take on more caregiving responsibilities for their own relatives, often because they cannot afford other care options. Currently, approximately 20 percent of U.S. households have a family caregiver, with half of those reporting income less than $50,000, or close to the ALICE Threshold. The demand for caregivers is projected to rise across the country. At the same time, fewer family members are likely to be available to provide care because of the financial burdens that caregiving imposes. The Caregiver Support Ratio, which measures the number of people in Hawai'i aged 45 to 64 for each person aged 80 and older, was 6.1 in 2010 and is projected to fall to 2.0 by 2030 and 2.3 in 2050. This means that the overall pool of middle-aged people who could potentially serve as caregivers to Hawai'i's seniors is shrinking significantly (AARP Public Policy Institute, 2015; Redfoot, Feinberg, & Houser, 2013).

There are serious health and financial consequences for caregivers. In addition to the toll that caregiving takes on mental and physical health, caregivers also risk future financial instability because of both reduced work opportunities and lost Social Security benefits and reduced pensions. This reality is reflected in the high percentage of caregivers who report stress: A recent study found that in Hawai'i, more than a quarter of caregivers (27 percent) reported high levels of stress, or were not well-rested – and this large percentage is actually the lowest rate in the country (Reinhard, et al., 2014).

The 5.5 million military caregivers in the United States are especially vulnerable. Military caregivers helping veterans from earlier eras tend to resemble civilian caregivers in many ways; by contrast, post-9/11 military caregivers (accounting for 20 percent of military caregivers) differ systematically, according to a RAND Corporation survey. These caregivers are more likely to be overseeing a younger individual with a mental health or substance use condition. The caregivers themselves tend to be younger (more than 40 percent are aged 18 to 30), non-White, also a veteran of military service, employed, and perhaps most significantly, not connected to a support network (Ramchand, et al., 2014).

Migration

The perception of Hawai'i is often as a state with a low immigration rate and small population growth, facing a brain drain and an outflow of income. However, the large flows of people coming into and out of the state, broken down by age group, tell a different story (Figure 42). Hawai'i is actually attracting large numbers of college students; some return home with their degrees, but many stay, work, and have children. Some older residents of Hawai'i leave their high-paying jobs there for jobs in other states, but most stay in Hawai'i and retire. These population flows present both opportunities and challenges for ALICE families.

In 2015, the largest movement of people in Hawai'i was among those aged 18 to 24 years old. That year, 15,583 people aged 18 to 24 moved to Hawai'i, 19 percent of them from outside the U.S. (light blue portion of the inflow bar in Figure 42). Another 14,671 people in this age group left the state. Only 13 percent of Hawai'i's migrants were college students, while almost a quarter of those leaving (24 percent) were high-school graduates going to college in other states (National Center for Education Statistics, 2014; American Community Survey, 2014; Stone, 2015).

Hawaii Bankers Association

TEL:
808-524-5161
FAX:
808-521-4120
ADDRESS:
1000 Bishop Street, Suite 301B
Honolulu, HI 96813-4203

Presentation to The
Committee on Labor, Culture And The Arts
February 4, 2020 2:45 pm
State Capitol Conference Room 224

Testimony on SB 2489 in Opposition

TO: The Honorable Brian T. Taniguchi, Chair
The Honorable Les Ihara, Jr., Vice Chair
Members of the Committee

My name is Neal K. Okabayashi, the Executive Director of the Hawaii Bankers Association (HBA). HBA is the trade association representing eight Hawaii banks and two banks from the continent with branches in Hawaii.

The intent of SB 2489 is to establish a Hawaii Retirement Savings Program. While it is improved over past bills, it is still lacking.

The Pew Charitable Trust found that employees for a small business were less likely to have access to a retirement plan. That would suggest that the scope of any state retirement program should be limited to small business employers and employees since a state sponsored retirement program with its state subsidy should not compete with the private sector. SB 2489 ignores that the real need is for small businesses.

SB 2489 also ignores the impact of the SECURE Act which was only recently enacted (December 20, 2019). The SECURE Act also provides incentives for small businesses to provide retirement plans, including raising the amount of a tax credit for startup costs for a retirement plan and the ability of unrelated small businesses to affiliate to offer a retirement plan to its combined employees. We should defer any thought of establishing a state retirement savings program until we have given the SECURE Act time to work and have studied the success of the SECURE Act.

Thank you for the opportunity to submit this testimony in opposition to SB 2489. Please let us know if we can provide further information.

Neal K. Okabayashi
(808) 524-5161

Chamber of Commerce HAWAII
The Voice of Business

Testimony to the Senate Committee on Labor, Culture and the Arts
Tuesday, February 4, 2020 at 2:45 P.M.
Conference Room 224, State Capitol

RE: SB 2489, RELATING TO THE HAWAII RETIREMENT SAVINGS PROGRAM

Chair Taniguchi, Vice Chair Ihara and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **provides comments on** SB 2489, which establishes a Hawaii Retirement Savings Program for private sector employees. This bill would also establish the Hawaii Retirement Savings Program Administrative Fund. The Department of Budget and Finance would also be responsible with preparing an annual report detailing the Department's activities for the previous fiscal year to the Governor and Legislature. Finally, the bill exempts employers if they offered a qualified retirement plan to some or all of its employees within the last five years.

The Chamber is Hawaii's leading statewide business advocacy organization, representing 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

The Chamber understands the intent of the bill; however, we are concerned that it would still propose a mandate on employers by requiring "an employer to offer its employees the opportunity to contribute to an account in the program through payroll deduction unless the employer offers a qualified retirement plan." The complexity of this proposed program should not be implemented without a careful review of the impacts that it would have on employers and employees. We would instead prefer that the Committee and Legislature considered studying this concept first in order to gain the expertise needed to support and ensure that a program would be successful without negatively impacting employers and employees.

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

733 Bishop Street, Suite 1200 • Honolulu, Hawaii 96813 • Phone: (808) 545-4300 • Facsimile: (808) 545-4369

MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

HEARING BEFORE THE SENATE COMMITTEE ON
LABOR, CULTURE & THE ARTS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 224
TUESDAY, FEBRUARY 4, 2020 AT 2:45 P.M.

To The Honorable Brian T. Taniguchi, Chair;
The Honorable Les Ihara, Jr., Vice Chair; and
Members of the Committee on Labor, Culture & The Arts,

TESTIMONY IN OPPOSITION TO SB2489 RELATING TO THE HAWAII RETIREMENT SAVINGS PROGRAM

Aloha, my name is Pamela Tumpap and I am the President of the Maui Chamber of Commerce, with approximately 650 members. I am writing share our concerns with SB2489.

We understand the importance of employees starting to save for retirement early and appreciate that this proposed bill makes retirement an individual responsibility, as some businesses cannot afford to offer programs or contributions. We are sure businesses would not mind setting up payroll deductions to implement these programs. We support bills HB2251 and SB2490 to create a task force on the retirement savings program as we feel this concept is valuable.

However, we question who is best to implement and manage this program and whether the state would run it in house or work with an established firm who does this every day. By working with an established firm, by volume, overhead costs would be lower and they would hopefully be able to generate higher returns for those enrolled in the program. Given the state ERS program that has been broken for many years without a valid fix, we cannot currently support this bill with the state running the program, unless a study has been completed and a valid plan has been created.

We appreciate the opportunity to testify on this matter and ask that this bill be deferred and a study be implemented.

Sincerely,

Pamela Tumpap

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 the Hawai‘i Appleseed Center for Law & Economic Justice
In Support of SB 2489 – Relating to the Hawaii Retirement Savings Program
Senate Committee on Labor, Culture and the Arts
Tuesday, February 4, 2020, 2:45 PM, conference room 224

Dear Chair Taniguchi, Vice Chair Ihara, and members of the Committee:

Thank you for the opportunity to testify in **SUPPORT** of **HB 2489**, which would establish a Hawaii Retirement Savings Program for private sector employees and the Hawaii Retirement Savings Fund.

According to the U.S. Census Bureau's supplemental poverty measure, Hawai‘i's senior poverty rate is 15.7 percent, the 8th highest rate in the nation.[i] Nearly half (47.0 percent) of Hawai‘i's seniors have incomes below 200 percent of the supplemental poverty measure, which is the 7nd highest rate among the states.

Meanwhile, 85.3 percent, or nearly 261,000, Hawai‘i residents aged 65 or older received Social Security benefits in 2018, which was lower than the national average of 89.9 percent.[ii] Hawai‘i seniors received a median monthly Social Security benefit of $1,429.00, just below to the national average of $1,440.50,[iii] while having to contend with the highest cost of living among all the states.

With our ever-growing senior population facing statistics like that, encouraging and enabling our working-age population to save for retirement is crucial to prevent more poverty among our seniors and to protect our state's future economic health.

According to the AARP, half of our state's private sector workers do not have access to an employer-sponsored retirement plan, and very few who are eligible to contribute to an individual retirement account actually do so. Low-wage workers are especially unlikely to have a retirement plan available to them at their workplace.

The vast majority of Hawai‘i registered voters polled by AARP wish that they had more retirement savings, are concerned that some of their fellow residents will end up on public assistance programs in retirement, and agree that lawmakers should do more to make it easier for small business owners to offer their employees a way to save for retirement.[iv]

Dozens of states have been considering the ways that they could help their workers save more via state-managed retirement plans. In fact, eight states – California, Connecticut, Illinois, Maryland, Massachusetts, New Jersey, Oregon, and Washington – already passed laws for automatic enrollment retirement savings programs for their workers.[v]

According to the Center for Economic and Policy Research, one major advantage of state plans is that workers could keep their accounts with them when they change jobs.[vi] In addition, the fees of state-managed plans would likely be just a fraction of those levied by private 401(k)s:

> *This may seem like a small difference, but it adds up over a worker's career. Imagine a person earning $60,000 a year and putting 6 percent of their pay, or $3,600 a year, into a 401(k) for thirty years. At the end of thirty years, the difference between a plan with annual administrative costs of 0.3 percent and a plan with costs of 1.0 percent would be almost $30,000. (This calculation assumes a 5.0 percent average annual nominal return.)*
>
> *The difference would be even larger if we factored in that private accounts are likely to charge between 10 to 20 percent of savings to convert the sum into an annuity when workers retire. A public plan would charge considerably less.*

Another important feature of many of these types of plans is automatic enrollment. According to the AARP, 90 percent of those who are participating in employer-sponsored retirement programs state having their savings automatically deducted from their paychecks makes it easier for them to save. As a possible remedy to the lack of retirement savings, automatic enrollment can affect senior poverty levels and, by reducing the number who would need to rely on public assistance, state budgets.

We need to start now to ensure that as few of our future retirees as possible end up struggling in poverty. Mahalo for your consideration of this testimony.

---

[i] https://www.kff.org/report-section/how-many-seniors-live-in-poverty-tables/
[ii] https://www.ssa.gov/policy/docs/statcomps/oasdi_sc/2018/table01.html
[iii] https://www.ssa.gov/policy/docs/statcomps/supplement/2019/5j.html#table5.j6
[iv] https://www.aarp.org/content/dam/aarp/research/surveys_statistics/econ/2016/2016-Hawaii-Work-and-Save-Onepager-AARP-res-econ.pdf
[v] https://www.corpay.com/state-retirement-plans-now-mandatory-in-8-states/
[vi] http://cepr.net/blogs/beat-the-press/the-paul-ryan-small-savers-tax

NAIFA HAWAII

Senate Committee on Labor, Culture and the Arts
February 4, 2020 – 2:45 pm – Room 224

SB 2489: Relating to the Hawaii Retirement Savings Program

Chair Taniguchi, Vice Chair Ihara, and members of the Committee, my name is Cynthia Takenaka representing 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.

SB 2489 will enact a Hawaii Retirement Savings Program that will establish, implement and maintain a Hawaii retirement savings plan via payroll deductions but will allow for employers to establish an alternative retirement program. This measure has 2 blank appropriations on page 10 for fiscal year 2020-2021 for administrative and operating expenses of the program. The Director of Finance will administer the program with duties listed on pages 6 to 8 of this bill but will also be able to enter into a management contract requiring a "financial organization" to perform the duties listed on pages 6 to 8.

We respectfully do <u>not</u> support SB 2489.

On page 4 of this measure, item (2)'s **mandate** "…requires an employer to offer its employees the opportunity to contribute to an account in the program through payroll deduction. The mandate for employers to participate in state plans and facilitate payroll deductions will be an administrative burden especially for small employers. Past legislative bills on this matter were voluntary participation by employers/employees. However, with this automatic enrollment, it will also allow employees to opt out of the program (page 4, item 3).

Congress enacted the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act)….the House passed H.R. 1994 in May 2019 in a 417-3 vote…the House and Senate passed the bipartisan appropriations bill in December 2019 with the President signing it into law on December 20, 2019.

The SECURE Act was attached to the appropriations bill with a package of bipartisan, bicameral provisions to improve retirement readiness by enhancing safe harbors, creating incentives for employers to expand participation and increase saving levels and open opportunities for small businesses to sponsor plans by easing administrative burdens and reporting obligations and costs. There are 30 provisions to expand access to retirement savings.

Some of the highlights of the SECURE Act: 1) allow unrelated employers to join a pooled employer "safe harbor" retirement plan to save on administrative costs along with a tax credit up to $500 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 IRA.

Both policymakers and media attention have focused on workers not saving enough for retirement. States have considered bills that would implement state run IRA type retirement plans options available to workers at small and medium companies. NAIFA understands the importance of retirement security and acknowledges that many Americans are not saving enough for retirement.

A lack of financial education about the need to save for retirement, 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.

Analyzing the potential effectiveness of legislative proposals to address the real reasons behind the low rates of retirement savings, policy makers need to carefully consider the potential costs of this proposal and the impact it will have on already over-extended state budget.

We do not believe that a state-run plan that competes with private market plans is the answer. Availability and access to retirement savings options are not the problem— there already exists a strong, vibrant private sector retirement plan market that offers diverse, affordable options to individuals and employers. If a retirement plan is not offered in the workplace, employees have ready access to low cost IRAs through financial institutions and financial advisors.

Since 2012 Massachusetts has established their Security Choice Savings Program but only for small non-profit organizations. Washington State and New Jersey have enacted legislation which sets up voluntary retirement marketplaces designed to bring together employers and private market plan providers. Oregon was the first state in 2018 to receive contributions from private sector employees. California, Connecticut, Illinois, Maryland, and New York have begun to implement similar plans in various stages of full roll out.

The use of state funds for the start-up, operating costs, state responsibilities and obligations under ERISA would be better served by using scarce state resources for education and outreach efforts designed to educate our citizens about the importance of saving for retirement, rather than implementing a costly state-run plan.

State auto-IRAs should not apply to truly low-income workers but rather benchmarking minimum salaries to participate in the state-run plan. For the truly needy households, means-tested benefit programs such as food stamps, TANF, SSI, Medicaid, and housing subsidies could be in jeopardy since asset and income tests may be triggered and disqualify workers.

There's also a lawsuit pending in California (Howard Jarvis Taxpayers Association et al. vs. The California Secure Choice Retirement Savings Program, et al.) filed in federal District Court where the plaintiffs maintain that the California plan is subject to ERISA and therefore is in violation of its provisions. Having a state law requiring participating employers to set up an employee retirement plan may be subject to or pre-empted by ERISA depending how the court will interpret the plan design. Back in September 2019, the U.S. Department of Justice filed an amicus brief challenging the legality of California's Secure Choice Program citing preemption by ERISA and that the program does not qualify for "safe harbor" status under ERISA regulations.

On April 6, 2016, the U.S. Department of Labor issued its final fiduciary rule that affects financial advisors and their clients' retirement plans. In August 2016 the U.S. Department of Labor ("DOL") under the Obama administration adopted a rule that would facilitate the enactment of state-run retirement plan legislation by exempting such plans from coverage under ERISA. Under this "DOL" rule, these state programs would not be considered a "employee pension benefit plan" under ERISA and participating employers would therefore not be subject to the duties and responsibilities required by ERISA.

However, **in early 2017 the Congress utilized the Congressional Review Act to override this DOL action and nullify this rule**. President Trump signed the repeal into law in May 2017. As a result, many open questions exist as to whether and to what extent these state-run plans will be subject to duties, responsibilities and potential liability under the federal ERISA law. The "safe harbor" under the ERISA exemption is no longer in effect and now, participating employers may be subject to the duties and responsibilities currently required by ERISA and liability issues for the employer as a fiduciary.

With the SECURE Act in place let's give Hawaii's employers and employees the chance 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-2489
Submitted on: 2/3/2020 12:41:51 PM
Testimony for LCA on 2/4/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
GARY SIMON	Testifying for Hawaii Family Caregiver Coalition	Support	No

Comments:

Dear Chair Taniguchi, Vice Chair Ihara, and Honorable Members of the Senate Committee on Labor, Culture, and the Arts:

I am Gary Simon, President of the Hawaii 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.

The Hawaii Family Caregiver Coalition strongly supports SB 2489, which 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; and appropriates funds.

We encourage you to establish Hawaii Retirement Savings Program as soon as possible.

Employees are 15 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 will 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 2489, and we urge you to recommend its passage.

We thank you for seriously considering the Bill.

Very sincerely,

Gary Simon

President

Hawaii Family Caregiver Coalition

SB-2489
Submitted on: 2/3/2020 5:40:53 PM
Testimony for LCA on 2/4/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Sarah Yuan	Testifying for Policy Advisory Board for Elder Affairs	Comments	No

Comments:

The Policy Advisory Board for Elder Affairs has a statutory obligation to advocate on behalf of the senior citizens of Hawaii. While we advise the Executive Office on Aging, we do not speak on its behalf.

While PABEA supports a retirement saving program for lower-income private-sector workers, we recognize that there is a need to assess options and develop a program that meets the needs of Hawaii's workers that are supported by small businesses.

We suggest the bill **SB2489** be revised to require the Department of Budget of Finance to conduct the necessary research and planning in identifying the best program model for Hawaii, and to appropriate funds for this purpose.

Thank you for your consideration of this testimony.

TESTIMONY OF THE AMERICAN COUNCIL OF LIFE INSURERS IN OPPOSITION TO SB 2489, RELATING TO THE HAWAII RETIREMENT SAVINGS PROGRAM

February 4, 2020

Honorable Senator Brian T. Taniguchi, Chair
Committee on Labor, Culture and the Arts
State Senate
Hawaii State Capitol, Room 224
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Taniguchi and Committee Members:

Thank you for the opportunity to testify in opposition to SB 2489, Relating to the Hawaii Retirement Savings Program.

Our firm represents the American Council of Life Insurers ("ACLI"). The American Council of Life Insurers (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 wellbeing 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 of the industry assets in the United States. ACLI members represent 95 percent of industry assets in the United States. Two hundred eighteen (218) ACLI member companies currently do business in the State of Hawaii; and they represent 95% of the life insurance premiums and 99% of the annuity considerations in this State.

ACLI is strongly committed to promoting retirement security both at the state and federal levels,

However, ACLI questions the need for the establishment of a state sponsored retirement savings program proposed by SB 2489.

The stated premise for the bill is that many small employers in Hawaii do not have access to affordable retirement plans for their employees.

ACLI strongly believes that access to workplace retirement plan coverage is critical to helping workers meet their retirement savings challenges. However, we disagree that these plans are not available.

To the contrary, the current market place offers a wide variety of low cost and affordable retirement vehicles for both employers and workers that facilitate worker retirement savings. These include, for example, individual and payroll deduction IRAs, Simplified Employee Pensions (SEPs), SIMPLE IRA plans, and 401 (k) and 403(b) plans that are available directly or as part of an association pooled employer plan.

In fact, the passage of the SECURE Act by Congress on December 20, 2019 represents a breakthrough for multiple employer plan arrangements which will offer small employers lower costs and simplified administration. In addition, the Act now offers significant tax credits to employers who set up their own plans. The new law is expected to dramatically increase the number of small employers adopting retirement plans and more importantly, the participation of their employees in those plans.

Here are a few highlights:

Long-term and part-time workers will be able to join their company's 401(k) plan

- Up until now, if you worked less than 1,000 hours per year, you were generally ineligible to participate in your company's 401(k) plan.
- Except in the case of collectively bargained plans, the law now requires employers maintaining a 401(k) plan to offer one to any employee who worked more than 1,000 hours in one year, or 500 hours over 3 consecutive years. Thus, a part timer working at least a 20 hours a week will now be able to participate in his employer's 401(k) plan.

Small-business owners can receive a tax credit for starting a retirement plan, up to $5,000

- The new law provides a start-up retirement plan credit for smaller employers of $250 per non-highly compensated employees eligible to participate in a workplace retirement plan at work (minimum credit of $500 and maximum credit of $5,000).
- This credit would apply to small employers with up to 100 employees over a 3-year period beginning after December 31, 2019 and applies to SEP, SIMPLE, 401(k), and profit-sharing types of plans.
- If the retirement plan includes automatic enrollment, an additional credit of up to $500 is now available.

Diverse small-business owners may now join together to offer streamlined defined contribution retirement plans, such as 401(k) and profit sharing plans

- The new law facilitates the adoption of open multiple employer plans (MEPs) by allowing completely unrelated employers to participate in a MEP and eliminates the IRS's "one bad apple" rule, which stipulates that all employers participating in an MEP may face adverse tax consequences if one employer fails to satisfy the tax qualification rules for the MEP.
- Roughly half of private-sector workers in the U.S. don't have access to a retirement plan through their employer. Open MEPs can help deliver low-cost, high-quality retirement plans for millions of small business workers.

The SECURE Act builds on a new regulation also designed to improve small employer access to retirement plans. On July 29, 2019, the Department of Labor issued the final Association Retirement Plan (ARP) regulation that allows for groups or associations of employers that either are in the same trade, industry, line of business or profession or who are in the same geographic area to establish an ARP. The ARP can include both employees and working owners. The new regulation expands which Chambers of Commerce and other Associations can establish plans for their members, and it provides new opportunities for small employers to offer a cost-efficient retirement plan to their employees.

The stated purpose of SB 2489 “is to establish a Hawaii retirement savings program for private sector employees.”

The proposed retirement savings plan is an AARP branded state-run retirement plan called “Work and Save.” This AARP plan has been rejected in 37 states. It is an expensive employer mandate that requires the business owner to offer the state plan and automatically enroll their workers. It also poses significant costs, risks, legal complexities and significant potential liabilities for the state and its private employers.

Since 2012, seven states have adopted state-run retirement plans similar to that proposed in SB 2489, namely, California, Connecticut, Illinois, Maryland, New Jersey and Oregon. New York has adopted a similar plan that is voluntary for employers.

Implementation of these plans has been slow, costly and difficult for several reasons.

The employer mandate in the state-run and administered retirement savings plan proposed by SB 2489 is likely pre-empted by federal law. In addition, the auto-enrollment provisions in the bill will very likely subject business owners to liabilities under ERISA.

While in 2016 the Department of Labor (DOL) adopted ERISA safe harbor rules that could have allowed these plans, the rules also required the sponsoring state to meet certain requirements that would add even more costs. For example, the state had to take responsibility (i.e., assume liability) for the safety of the plan’s investments and was required to provide a mechanism for enforcement of worker rights under the plan. In 2017, however, Congress determined that all private workers deserve the protection of ERISA and disapproved the DOL safe harbor in a resolution passed under the Congressional Review Act. Thus, there is no longer any ERISA safe harbor for these state-run plans.

The U.S. Chamber of Commerce has since received a definitive legal opinion that the AARP plan will likely be determined to be an employer-sponsored plan subject to and governed by ERISA. The opinion also concludes that the plan’s provisions will most likely be found to be pre-empted by ERISA and therefore the plan could be challenged in court – in which case the state’s money spent on implementing the plan will have been wasted. At the very least employers will be found to be the fiduciaries of the plan and become responsible for all of the obligations under ERISA that the sponsoring state refused to assume[1]. The Courts will ultimately determine the legal status of these plans.

[1] By its terms SB 2489 states that the program, the Department of Budget and Finance, its Director and the State of Hawaii “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.” See page 6, lines 12 through 17, SB 2489.

Indeed, the California plan, now called CalSavers, is now under serious legal threat from a lawsuit filed in Federal District Court[2] in November of 2018. In that case the DOL has recently joined in the plaintiffs' assertion that the plan is preempted by ERISA and subjects employers to ERISA liability, in violation of the authorizing statute. If the lawsuit is successful, it would undermine the premise of the five other AARP plans that have already passed and the plan proposed by the proponents of SB 2489.

The creation of a new State sponsored and run retirement plan for private sector employees would be costly.

In states that have studied the AARP plan, the estimated startup and ongoing state costs are prohibitive, ranging from $15M to $20M in Illinois, $23M in Oregon[3], $45M in Connecticut, and $170M in California.

Just in December of last year, the *Hartford Courant* reported on the Connecticut plan: "New state retirement authority is almost broke, suspends further expenditures"**.**

The Oregon plan has been the most successful so far, though taxpayers have already paid more than $5 million in set up costs, with total startup costs estimated at $23 million. The California program has accessed $16.9 million in loans from its General Fund. The total startup costs in California are estimated at $170 million and the Legislature has approved General Fund borrowing in that amount.

As the current market place already offers a wide variety of low cost and affordable vehicles that facilitate worker retirement savings and with the important new options created by the SECURE Act,, SB 2489 represents a costly and unnecessary risk to the state.

The wisdom of the State's spending its scarce resources to fund the cost of the State run retirement plan mandated by SB 2489 should, therefore, be seriously questioned by the members of this committee.

---

[2] 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.

[3] The Oregon Legislature initially allocated $1.3 million over the first 18 months after the bill became effective. This funding only covered the initial design of its proposed state-run plan for private workers. A pilot phase of the OregonSaves program began in July 2017 and through calendar year 2018, the Board has now borrowed and spent more than $5 million in General Fund dollars for startup costs.

For the foregoing reasons ACLI must respectfully oppose SB 2489 and urges this Committee to defer passage of this bill.

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

Oren T. Chikamoto
1001 Bishop Street, Suite 1750
Honolulu, Hawaii 96813
Telephone: (808) 531-1500
E mail: otc@chikamotolaw.com

Priam's Automotive
Service & Repair, Inc.
2002 Pauoa Rd
Honolulu, Hawaii 96813

Testimony in Support of Senate Bill 2489

February 4, 2020
Chair Brian Taniguchi and Members of the Committee
Senate Committee on Labor, Culture and the Arts
2:45 pm, Room 224

My name is Sharon Stewart and I am the owner, along with my husband, of Priam's Automotive Service & Repair, Inc., a small business in Pauoa.

Like many small businesses, we value our employees and want to take care of them. We would love to offer a retirement savings program to help our workers save for their retirement so they don't have to work forever.

But we have enough paperwork to deal with already just keeping our business going. We don't have a human resources department and we don't have the time nor money needed to create a retirement savings program. I think we're too small for banks or insurance agents to bother with and besides, we don't have the money to spend on an expensive 401K plan.

That's why creating a Hawai`i Saves program, similar to the OregonSaves program that's helping small businesses and workers in Oregon, makes sense. If it's easy and inexpensive for businesses to participate, then we will participate. If it's easy for workers, they'll participate too.

As taxpayers, we are also concerned about the large number of people who have no retirement savings. Who is going to pay for what Social Security doesn't cover? Social Security alone is not enough for people to live on in Hawai`i. That burden, I fear, is going to fall on taxpayers. So anything we do now to help people save their own money for their own futures, will pay off in the long run.

Thank you for your consideration.

Sharon Stewart
Vice President
Priam's Automotive Service & Repair
2002 Pauoa Road
Honolulu, HI 96813-1516
808-537-1919
Priams_Auto@yahoo.com

To: Chair Brian Taniguchi and
Members of the Senate Committee on Labor, Culture and the Arts
Re: SB 2489 -Relating to Retirement Savings
2:45 pm, Tuesday February 4,2020
Room 224

Testimony in Support of Senate Bill 2489

We need to create a Hawaii Saves program and I am in strong support of Senate Bill 2489. 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 Hawaii Saves 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 Saves 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 $12,000. 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 Senate Bill 2489.

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

Senator Brian Taniguchi and members
of the Senate Labor, Culture and the Arts Committee
Hearing 2:45 pm
Feb. 4, 2020
Room 224
via email LABtestimony@capitol.hawaii.gov

Testimony on Senate Bill 2489 from Mike Hernandez-Soria

Dear Chair Taniguchi and members of the Senate Labor, Culture & the Arts Committee

My name is Mike Hernandez and I am the general manager of Hawaiian Cool Water. I am in **strong support of Senate Bill 2489**.

Like about half of the private-sector businesses in Hawaiʻi, we do not offer a retirement savings plan to our workers even though I want to help them save and it would make us more competitive to hire and keep workers.

I've looked into offering retirement savings plans for my workers and the options are just too expensive and would require too much time and effort to implement for a small, growing company like ours.

Our workers are large part of the reason for our success and we want them to be successful later in their later years. That's why a program like Hawaii Saves makes sense. Studies show that workers are 15 times more likely to save if they can save through payroll deduction. They are 20 times more likely to save if they are auto-enrolled and have the option to opt out.

A state-facilitated program – run by a private, reputable financial services company offered at no cost and little effort to businesses would allow us to help our workers save. The state's help is needed to create the economy of scale to make a plan like this a success.

I know I am not the only small business that feels this way. An AARP survey of small businesses owners and decision makers showed 63 percent do not offer a retirement savings plan and 69 percent would likely offer a Hawaii Saves option if it was available.

The same survey showed 76 percent of small business owners say more should be done to encourage Hawaii residents to save for retirement and 80 percent agree that lawmakers should support a Hawaii Saves plan.

I urge you to pass a Hawaiʻi Saves program this year. About half of the private-sector workforce – 216,000 workers in Hawaii -- are not able to save for retirement at work. The longer we wait to set up a program, the less money workers will save. Nearly half of Baby Boomers and Gen X workers already lack the income to meet basic retirement expenses and health care costs.

If these worker were able to save enough money to generate $1,000 in extra income during retirement, one study shows the state will save $32.7 million over 15 years in reduced public assistance program costs and combined state and federal savings would be more than $160 million in lower rental subsidies, food assistance and medical costs. The savings to the taxpayer would grow as more workers saved.

Please help workers, small business and taxpayers. Start a Hawaiʻi Saves program.

Mike Hernandez-Soria
Hawaiian Cool Water
2002 Homerule Street
Honolulu, HI 96819
(808)954-9638
mike@hawaiiancoolwater.com

Testimony in Support on Senate Bill 2489

February 4, 2020

Senate Committee on Labor, Culture and the Arts

TO: Chair Brian Taniguchi, and Members of the Committee

My name is Larry Stenek and I am the owner of Art Nelson Sailmaker/Ullman Sails Hawaii and I am writing in strong support of Senate Bill 2489.

We need to make it easy for workers to save for retirement. Payroll savings is the easiest way to save. But it's not easy for small business owners like myself. In fact, it's expensive and time-consuming for a business owner to set up a payroll savings plan. Our company is small. We don't have a human resources department and I don't have the time nor money to research all of the plans that are out there, nor do I have the time and money to do everything needed to keep the program going. All my time and energy and my worker's time and energy is focused on making the best sails and rigging possible and delivering quality products to our customers.

Having a state-facilitated savings plan, that we could implement into our payroll system easily, at little or no cost, would give my workers a common-sense way to save at work and make us more competitive as an employer.

Too many people in Hawaii are unprepared for retirement and have little or no savings. One of the reasons for that is the lack of access to payroll savings plans. About half of private sector workers, according to AARP, are not able to save easily at work.

What will happen to them if they get sick or can't work anymore? It's likely that we as taxpayers will have to help them with rent, food and medical care.

To me, it's a no brainer. We have to do something to make it easier for people to save or workers won't save and we will all pay for that down the line. The longer we wait to create a program like Hawai'I Saves, the less time there is for people to save and that will mean a bigger bill for taxpayers in the future.

Sincerely,

Larry Stenek
Art Nelson Sailmaker/Ullman Sails
419 Waiakamilo Road #2d
Honolulu, HI 96817
(808)593-9958

Senate Committee on Labor, Culture and the Arts
February 4, 2020
2:45 pm, Room 224
Testimony in Support of Senate Bill 2489

Dear Senator Brian Taniguchi, 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 2489.**

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
1111Bishop Street Suite #112
Honolulu, HI 96813
(808) 585-8558

FINANCIAL GROUP
Strength Flexibility Preservation

Date: February 4, 2020

To: Chair Brian Taniguchi
Senate Committee on Labor, Culture and the Arts

From: Joanna Amberger, 3 Financial Group LLC

Subject: Support for SB 2489 Relating to the Hawaii Retirement Savings Program

Good morning Chair 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 2489, 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. "Hawaii Saves" 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 Saves," 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 SB 2489.

CFP® | CERTIFIED FINANCIAL PLANNER™ | CFP®

The certification marks above are owned by Certified Financial Planner Board of Standards Inc. and are awarded to individuals who successfully complete CFP Board's initial and ongoing certification requirements.

1888 Kalakaua Ave., Suite C312 | Honolulu, HI 96815 | 808.791.2925 | www.3FinancialGroup.com
Investment Advisory Services offered through Continuum Advisory, LLC., 868 E. Riverside Drive, Suite 200, Eagle, ID, an Independent Registered Investment Advisor. Continuum Advisory, LLC and 3 Financial Group, LLC are not affiliated.

SB-2489
Submitted on: 2/1/2020 1:59:23 PM
Testimony for LCA on 2/4/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Esther Ueda	Individual	Support	No

Comments:

Please support Senate Bill 2489.

People are not saving enough for retirement.

The proposed savings program will help many employees save more for their retirement. I have been retired for over 20 years and I know how expensive retirement can be--there are always unexpected expenses and inflation issues. Although I am very fortunate to have a pension from my employer, I know that many of the workers today will need to fund their retirement mainly through their own saving efforts. This bill will provide a vehicle for them to save more for their retirement.

Thank you for the opportunity to submit these comments.

Kathleen M. Jaycox
559 Pauku St.
Kailua, HI 96734

Hawaii State Senate
Committee on Labor, Culture and the Arts
Tuesday, February 4, 2020
2:45 pm
Conference Room 224

To: Senator Brian Taniguchi, Chair
Subject: S.B. 2489, Relating to Retirement Savings

Dear Chair Taniguchi, Vice-Chair Ihara and Members of the Committee:

Thank you for providing me with this opportunity to speak in strong support of SB 2489.

I am a retiree who was lucky enough to work for the state; so it was easy for me, while working, to have a portion of my salary set aside for retirement. But many of my kupuna friends were not so lucky -- especially if they worked for small businesses.

Today, data from AARP indicate that nearly 50% of private-sector employees in Hawaii work for companies that do not offer a savings plan. Yet studies show that workers are 15 times more likely to save for their future if they can do so through payroll deduction. The beauty of this proposed legislation is that it allows employees at all salary levels -- no matter how low -- to set aside some portion of their salaries for their later years. And it does this without putting heavy paperwork demands on employers. As the language of the bill notes, "Employee[s] who are offered the opportunity to save through [their] place of employment [are] significantly more likely to participate and make steady contributions to build retirement savings."

Currently, older individuals who lack retirement savings often turn to government-funded programs to help them meet basic needs (food, health care, housing assistance). Or even if they try to survive without depending on government assistance, they may need to mortgage their homes (their only asset) in order to have a source of income. Both such options penalize the future financial stability of their children and grandchildren, thus beginning a cycle of financial woes continuing for several generations.

By passing SB 2489, you are taking a significant step to interrupt this cycle. It is my sincere hope that you do so.

Again, thank you for this opportunity to testify.

Sincerely,

Kathleen Jaycox

Senate Committee on Labor, Culture and the Arts
Chair: Senator Brian Taniguchi
Hearing Date: February 4, 2:45 pm, Room 224

Re: SB 2489 – Relating to the Hawaii Retirement Savings Program
Description: Establishes a Hawaii Retirement Savings Program for the Private Sector
And
SB 2490 – Relating to the Hawaii Retirement Savings Program
Description: Establishes a task force tasked with evaluating a retirement savings plan for non-government employees

Aloha Chair Taniguchi and Members of the Committee,

My name is Linda Dorset, a citizen of Wailuku, Maui, and a member of AARP. I thank you for the opportunity to submit written testimony regarding the above referenced legislation. I strongly support SB2489 and encourage you to allow the program to begin a.s.a.p. It's about time for Hawaii to Implement such a plan. I myself was fortunate to have an employer-sponsored retirement plan which helped me build a savings to supplements my Social Security. However, because I started late, I still fear that I may not have saved enough. Therefore, I personally know that education is not enough; once you have money in hand it's hard to give it up even if you know better. So, I'm not speaking for myself, but for my son and others of his generation. Also, if the Hawaii follows the Oregon model workers will have the additional benefit of having professional help making financial decisions and managing the plan.

If passed, SB2489 would begin a process to allow small employers (without an existing plan) to be able to offer a payroll deduction plan because it would cost the employer nothing. Cost to the state for administering the plan would only be for the startuo; after that the plan would pay for itself through administrative fees charged to the customer. Plus, according to research by AARP Public Policy Institute, Hawaii Could Save $32.7 Million by Helping People Save for Their Own Retirement; if between 2018 and 2032 lower-income retirees save enough to increase their retirement income by $1,000 more per year.

Seventy percent of Hawai`i small business owners surveyed support a privately-managed, retirement savings program. Other states have begun their own retirement saving programs in which the employees themselves will make the deductions for their own retirement accounts similar to the educational 529 accounts.

Please pass SB2489 and begin the process of making saving, and retirement easier for workers in the private sector who do not have employer-sponsored IRAs. But if you don't have the confidence to jump in; please at least pass SB2490 to study the idea until you can be confident.

Thank you for your consideration

SB-2489
Submitted on: 2/3/2020 12:19:44 AM
Testimony for LCA on 2/4/2020 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Francis Nakamoto	Individual	Support	Yes

Comments:

Chair Brian Taniguchi and Members of the Labor, Culture and the Arts

My name is Francis Nakamoto and I support SB2489.

Why are half of Hawaii's private sector employees not saving for their retirement?

Why hasn't the participation rate improved over the last 40 years?

The answer is simple. The private retirement planning sector (insurance companies, banks, financial planners, investment companies, retirement planning companies) are just not interested in this relatively unprofitable business. Yet, they exert their financial and political power to obstruct and resist good faith efforts to help the 216,000 private sector workers, mainly employed by small business, plan for and save for their retirement.

One would think that instead of opposing the State to facilitate retirement savings, the private sector would be joining in this effort to help these workers put money away relatively painlessly to avoid poverty, homelessness and dependency when they are able to retire.

We do not see helpful proposals to make creating retirement plans easily and less costly for the small business employers who now find providing retirement or pension plans for their employees daunting, complicated and expensive.

A simple, inexpensive, voluntary payroll deduction program controlled by the individual worker, not by his or her employer can be achieved with the passage of this legislation.

Hawaii simply can't allow our people to careen toward retirement or old age unprepared to support themselves, much less enjoy their golden years in financial security.

SB2489 would establish Hawaii's Retirement Savings Program after the Department of Budget and Finance studies the best approach to resolve this long-delayed need. The companion bill, SB 2490, would create a task force which essentially will accomplish the same result as the study, but simply delay the roll-out of the program for at least one year.

February 4, 2020

Testimony In Support of SB 2489 – Related to Retirement Savings
2:45 pm, Room 224

To: Chair Brian Taniguchi, and Members of the Senate Committee on Labor, Culture and the Arts

My name is Dean Ueda.

I strongly support Senate Bill 2489 regarding a Hawai'i Saves Retirement Savings Program.

From what I've learned, the bill is a win-win-win for small business, workers and taxpayers.

About half of all private sector workers do not have access to payroll savings, the easiest and most effective way to get people to save. Experience in the OregonSaves program shows that if workers are given access, they will participate and start saving. About 70 percent of workers offered a chance to save took advantage of the opportunity. They are saving their own money for their own futures, it's not a state handout.

Seventy percent of Hawai`i small business owners surveyed support a privately managed, retirement savings program because in many cases it's too expensive, complicated and time consuming for them to offer a plan to their workers. About the same percentage of businesses say they would offer the savings program to their employees if it existed.

In addition, it is estimated that Hawaii Saves could save taxpayers $32.7 million in public assistance programs in less than 15 years if retirees save enough to generate $1,000 in extra income each year.

Let's make saving, and retirement in Hawai`i, easier for our workers and small business and save money for taxpayers.

Thank you for your support.

Dean Ueda
1347 Kapiolani Boulevard
Honolulu, HI 96814
808-228-8209

SB2489 Relating to Hawaii Retirement Savings Program

February 4, 2020 2:45 p.m. Room 224

Aloha Chair Taniguchi, Vice Chair Ihara and committee members

I am providing testimony in strong support of SB2489, Relating to Hawaii Retirement Savings Program. This program to help small business employees save for their retirement through payroll deduction nearly passed last year.

Two third of Hawaii's small businesses do not offer payroll deduction plans to their employees, primarily because it is too expensive.

Other states, primarily Oregon and California. are helping small business with savings programs at no cost to the employer. These are public-private partnerships, not government programs, although public money is needed to see up the program. These funds are to be repaid over a period of years.

Hawaii workers deserve the ability to save in this fashion and eight of ten small businesses believe that the legislature should support such a program. 70% of those small business employers said they would participate in a program like this to keep them competitive in hiring new help as well as benefitting current employees.

Please support SB2489.

Barbara J. Service   MSW (retired)

AARP,

Policy Advisory Board for Elder Affairs

Kokua Council

Hawaii Alliance of Retired Americans.

Senate Committee on Labor, Culture and the Arts
Tuesday, February 4, 2020
2:45 p.m.
Conference Room 224

Testimony in Support of SB 2489
Relating to the Hawaii Retirement Savings Program

Dear Chair Senator Brian T. Taniguchi, Vice-Chair Senator Les Ihara, Jr.,
and Members of the Committee

My name is Anna Filler and I am testifying in writing to express my support for Senate bill SB 2489, relating to the Hawaii Retirement Savings program. It is time for solutions, not delay. This will be the fifth year the Legislature has considered the Hawaii Retirement Savings program to help private sector workers save for retirement.

This program is a sustainable, revenue-neutral solution that will give all workers the choice to save for retirement at work. The program 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 good news is people save when it’s easy, and the Hawaii Retirement Savings program will make it easy. When people save for retirement, they not only help themselves, they reduce their reliance on government assistance which saves taxpayers money. Our private-sector employees work hard. They need a way to save easy.

Thank you for providing the opportunity to testify in support of Senate bill SB 2489.

Anna Filler
District 12, Kakaako
Email: afiller@twc.com