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## SENATE CONCURRENT RESOLUTION

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URGING THE DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT AND  
DEPARTMENT OF EDUCATION TO ESTABLISH AND OFFER A QUALIFIED  
ROTH CONTRIBUTION PROGRAM TO THEIR RETIREMENT PLAN  
PARTICIPANTS.

1 WHEREAS, saving money to cover one's living costs after  
2 retirement is one of the most important financial goals an  
3 individual will need to achieve; and  
4

5 WHEREAS, even if an individual qualifies to receive Social  
6 Security retirement benefits, the Social Security Administration  
7 states that the benefits only compensate about forty-two percent  
8 of an average worker's income after retirement; and  
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10 WHEREAS, the State has a vested interest in ensuring that  
11 its populace has adequate retirement savings for economic and  
12 healthcare purposes, as people without sufficient retirement  
13 savings may need to rely on governmental assistance after  
14 retirement, which in turn will impact the state budget; and  
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16 WHEREAS, the average life expectancy in Hawaii, which  
17 increased from 76.8 years in 1980 to 81.3 years in 2018, is the  
18 highest among all states in the United States; and  
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20 WHEREAS, the significant increase in the life expectancy of  
21 its populace makes retirement planning even more critical in  
22 Hawaii; and  
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24 WHEREAS, some employers in Hawaii, including the state  
25 government, provide their employees with retirement savings  
26 plans as part of their benefits package and use them as  
27 recruitment incentives; and



1 WHEREAS, the State offers its employees:

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- 3 (1) A tax-qualified defined benefit pension plan that  
4 requires mandatory employer contributions by the  
5 State, is governed by section 401(a) of the Internal  
6 Revenue Code, and is administered by the Employees'  
7 Retirement System;
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- 9 (2) The Island Savings Plan, which is a voluntary deferred  
10 compensation plan offered by the Department of Human  
11 Resources Development that is governed by  
12 section 457(b) of the Internal Revenue Code and  
13 administered by Prudential Retirement Insurance and  
14 Annuity Company;
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- 16 (3) A voluntary tax-sheltered annuity plan for employees  
17 of the Department of Education and University of  
18 Hawaii that is governed by section 403(b) of the  
19 Internal Revenue Code and administered by National  
20 Benefit Services, LLC; and
- 21
- 22 (4) A deferred compensation retirement plan offered by the  
23 Department of Human Resources Development for part-  
24 time, temporary, and seasonal/casual employees that is  
25 governed by section 457 of the Internal Revenue Code  
26 and administered by Life Insurance Company of the  
27 Southwest, a member of National Life Group; and
- 28

29 WHEREAS, all retirement plans currently offered to state  
30 employees are traditional retirement plans that deduct  
31 contributions from the employee's pre-tax income, and therefore  
32 reduce the employee's taxable income and federal and state tax  
33 burden for that current year; however, all future distributions,  
34 including capital gains in the account, are treated as taxable  
35 income at the time of withdrawal; and

36

37 WHEREAS, section 402A of the Internal Revenue Code allows  
38 employer retirement plans governed under sections 401(k),  
39 403(b), and 457(b) of the Internal Revenue Code to have a  
40 qualified Roth contribution program, under which plan  
41 participants may designate some or all of their retirement



1 contributions as designated Roth contributions and have them  
2 placed into their designated Roth accounts; and  
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4 WHEREAS, unlike traditional pre-tax retirement  
5 contributions, an employee's designated Roth contribution is  
6 included in the employee's gross income in the year the  
7 contribution is made; however, qualified distributions from the  
8 designated Roth account, including capital gains in the account,  
9 are not treated as taxable income at the time of withdrawal; and  
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11 WHEREAS, the option of a designated Roth account will  
12 benefit many plan participants, especially those employees whose  
13 retirement distributions will not occur until decades later,  
14 because the tax savings for the distributions and capital gains  
15 accumulated in their designated Roth accounts over the years may  
16 surpass the amount of tax saved by making pre-tax contributions  
17 into traditional accounts; and  
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19 WHEREAS, the states of Alaska, Connecticut, Idaho, Iowa,  
20 Maryland, Massachusetts, Michigan, Minnesota, Nevada, New  
21 Hampshire, New Jersey, New York, and Ohio, and municipalities  
22 including Philadelphia, Phoenix, Mesa, and Salem offer a  
23 qualified Roth contribution program to their employees; and  
24

25 WHEREAS, under section 401(a) of the Internal Revenue Code,  
26 the Employees' Retirement System cannot maintain its tax-  
27 qualified status if it offers "elective deferrals" of  
28 compensation to its participants in the manner contemplated by a  
29 Roth contribution plan; and  
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31 WHEREAS, in contrast, the Department of Human Resources  
32 Development and Department of Education currently offer a  
33 deferred compensation program for state employees separate from  
34 the retirement plans offered by the Employees' Retirement  
35 System, and can offer an alternative, qualified Roth  
36 contribution program for elective deferral of compensation by  
37 state workers; and  
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39 WHEREAS, a broader selection of retirement plans will  
40 entice more employees to contribute to their retirement accounts  
41 and induce other public and private sector employers to offer  
42 their employees the same option; now, therefore,



1 BE IT RESOLVED by the Senate of the Thirty-first  
2 Legislature of the State of Hawaii, Regular Session of 2021, the  
3 House of Representatives concurring, that the Department of  
4 Human Resources Development and Department of Education are  
5 urged to establish and offer to their retirement plan  
6 participants, a qualified Roth contribution program by  
7 January 1, 2024; and

8  
9 BE IT FURTHER RESOLVED that certified copies of this  
10 Concurrent Resolution be transmitted to the Governor, Director  
11 of Human Resources Development, Chairperson of the Board of  
12 Education, and Superintendent of Education.

