

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



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

**HAWAII RETIREMENT SAVINGS
BOARD**

February 12, 2025

JADE T. BUTAY
DIRECTOR

WILLIAM G. KUNSTMAN
DEPUTY DIRECTOR

AHLANI K. QUIOGUE
EXECUTIVE DIRECTOR

**HAWAII RETIREMENT
SAVINGS BOARD**

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Representative Andrew Garrett

To: The Honorable Donovan M. Dela Cruz, Chair,
The Honorable Sharon Y. Moriwaki, Vice Chair, and
Members of the Senate Committee on Labor

Date: Wednesday, February 12, 2025
Time: 10:01 a.m.
Place: Conference Room 211, State Capitol

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

Re: S.B. 855, S.D. 1, RELATING TO HAWAII RETIREMENT SAVINGS ACT

I. OVERVIEW OF PROPOSED LEGISLATION

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

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

II. CURRENT LAW

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

tax-qualified retirement plan.

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

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

III. COMMENTS ON THE SENATE BILL

The Board believes changing chapter 389, HRS, to require automatic enrollment of employees into the program is critical to the feasibility of the program. There is an urgent need to provide a viable option for private sector workers to have access to a retirement savings plan. Automatically requiring enrollment but allowing workers to opt-out is not only beneficial to workers and considered a best practice in retirement savings programs, but a feature of most of the other state programs because of the recognition that without a critical mass of workers participating in these programs they are not viable over the long-term. Moreover, aligning Hawai'i's law with most of the other states' automatic enrollment provisions facilitates the potential for Hawai'i to engage in an interstate compact agreement that will also aid in the viability of the Program. For the Committee's information, as of January 1, 2025, thirteen (13) of the twenty (20) state programs have an individual retirement account or Auto-IRA, and two (2) state programs are open to all other employers and workers either through a voluntary marketplace or multiple employer plan. Hawai'i's current model is most like that of New Mexico, which is a voluntary payroll deduction IRA. Unfortunately, The New Mexico Work and \$ave IRA Program has been placed on an indefinite hold with no known new implementation date because, in part, the model of its plan.

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

Furthermore, failure for the State to facilitate a private sector retirement savings plan for employers and workers will greatly impact the State's economy and the State's fiscal situation. This negative impact on our economy and the State's

fiscal situation is forecast to significantly increase as Hawai'i's population continues to age and a relatively low-growth workforce is required to support increased levels of social services for seniors without adequate savings. A 2020 University of Hawai'i study² prepared for DBEDT estimated that this dynamic will produce a \$7.7 billion hole in Ha Hawai'i's economy by 2035.

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

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

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

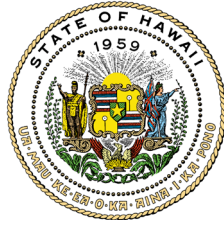
Lastly, the Board also notes that this bill appropriates funds to the Department of Labor and Industrial Relations for the development and operation of the Program in the amount of \$720,000 for FY 25-26, and so much thereof for FY 26-27. This funding will address startup costs of consultant contracts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

Thank you for the opportunity to testify.

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

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

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



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

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

CAROLINE CADIRAO
DIRECTOR
Executive Office on Aging

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**Testimony in SUPPORT of SB855 SD1
RELATING TO HAWAII RETIREMENT SAVINGS ACT**

COMMITTEE ON WAYS AND MEANS
SENATOR DONOVAN M. DELA CRUZ, CHAIR
SENATOR SHARON MORIWAKI, VICE CHAIR

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

Hearing: Wednesday, February 12, 2025 at 10:01 A.M., Conference Room 211

1 **EOA Position:** The Executive Office on Aging (EOA), an attached agency to the Department of Health
2 (DOH) supports SB855.

3 **Fiscal Implications:** Appropriates funds for fiscal year 2025-2026 and for fiscal year 2026-2027 for
4 the Department of Labor and Industrial Relations (DLIR) for the development and operations of the
5 Hawai'i Retirement Savings program.

6 **Purpose and Justification:** SB855 clarifies the definition of "covered employer" under this Act;
7 amends and aligns provisions of the Hawai'i Retirement Savings Program to require automatic
8 enrollment unless the employee chooses to opt out; repeals the total amount of fees and expenses that
9 can be spent annually; and appropriate funds for the program's development and operations.

10 The Hawai'i Retirement Savings Program (Act 296) creates a low-cost retirement savings
11 program that will help about 173,000 private sector workers save money for retirement through an
12 automatic payroll deduction. Automatic enrollment in a retirement savings program is considered a
13 "best practice" in the industry and will enable more employees to save for their future. Additionally,

- 1 the opt-out feature allows employees to make informed decisions about their retirement savings. It also
- 2 encourages employees to engage with their retirement plans and make proactive choices about their
- 3 financial futures.
- 4 **Recommendation:** EOA supports the intent of SB855 and defers to the DLIR on its implementation.
- 5 Thank you for the opportunity to testify.



**Testimony to the Senate Committee on Ways and Means
Wednesday, February 12, 2025; 10:01 a.m.
State Capitol, Conference Room 211
Via Videoconference**

RE: SENATE BILL NO. 0855, SENATE DRAFT 1, RELATING TO THE HAWAII RETIREMENT SAVINGS ACT.

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

The Hawaii Primary Care Association (HPCA) is a 501(c)(3) organization established to advocate for, expand access to, and sustain high quality care through the statewide network of Community Health Centers throughout the State of Hawaii. The HPCA **SUPPORTS** Senate Bill No. 0855, Senate Draft 1, RELATING TO HAWAII RETIREMENT SAVINGS ACT.

By way of background, the HPCA represents Hawaii's Federally Qualified Health Centers (FQHCs). FQHCs provide desperately needed medical services at the frontlines to over 150,000 patients each year who live in rural and underserved communities. Long considered champions for creating a more sustainable, integrated, and wellness-oriented system of health, FQHCs provide a more efficient, more effective and more comprehensive system of healthcare.

This measure, as received by your Committee, would, among other things, clarify the Hawaii Retirement Savings Program to automatically enroll private sector employees in Hawaii who do not have access to employer-sponsored retirement plans. The bill would take effect on July 1, 2050.

A hallmark of the HPCA is our steadfast belief that the social determinants of health -- more than any other factor -- contributes to the overall wellbeing of our people. Person who experience homelessness, language barriers, and poverty are more likely to suffer persistent, chronic health issues and have shorter life expectations than those who do not. Seventy-three percent of the patients seen by FQHCs live below one hundred percent of the federal poverty limit.

Our patients **ARE** the ALICE population. As seen through the fine work of the Aloha United Way in their groundbreaking research on the Asset Limited, Income Constrained Employed in 2022, there were 148,771 ALICE households in Hawaii, with 41,619 households that live below the poverty line. Because of the COVID-19 pandemic, another 35,000 had fallen into ALICE status or below by the end of 2022.

This bill is intended to help ALICE families protect themselves from future economic shock. It would give families the financial tools to plan for the future and to ensure that they will have the resources to adjust to changing demands that will be placed on them as they progress through life.

The HPCA wishes to thank AARP for shepherding this concept throughout the community for nearly the past decade and not giving up our most vulnerable populations. We commend them and stand ready to assist them in this worthy cause.

Accordingly, the HPCA respectfully urges your favorable consideration of this measure.

Thank you for the opportunity to testify. Should you have any questions, please do not hesitate to contact Public Affairs and Policy Director Erik K. Abe at 536-8442, or eabe@hawaiiipca.net.



**TESTIMONY OF TINA YAMAKI. PRESIDENT OF THE RETAIL MERCHANTS OF HAWAII
FEBRUARY 12, 2025
SB 855 SD1 RELATING TO HAWAII RETIREMENT SAVINGS ACT**

Aloha, Chair Dela Cruz and members of the Senate Committee on Ways and Means. I am Tina Yamaki, President of the Retail Merchants of Hawaii and I appreciate this opportunity to testify.

The Retail Merchants of Hawaii was founded in 1901 and is a statewide, not for profit trade organization committed to supporting the growth and development of the retail industry in Hawaii. Our membership includes small mom & pop stores, large box stores, resellers, luxury retail, department stores, shopping malls, on-line sellers, local, national, and international retailers, chains, and everyone in between.

While we understand the intent of this measure, we have some concerns about SB 855 SD1 and do not support it at this time. This measure clarifies the definition of "covered employer" under the Hawai'i Retirement Savings Act. Requires covered employers to automatically enroll covered employees into the Hawai'i Retirement Savings Program unless the employee opts out; repeals the limit on the total fees and expenses that can be spent for the Program each year; appropriates funds to the Department of Labor and Industrial Relations for the development and operation of the Program; and is effective 7/1/2050.

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

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

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

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

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

Mahalo for this opportunity to testify.



3610 Waiialae Ave • Honolulu, HI 96816



(808) 592-4200



tyamaki@rmhawaii.org



Testimony to the Senate Committee on Ways and Means
Wednesday, February 12, 2025
10:01 a. m.
State Capitol Conference Room 211 and via videoconference

Re: SB 855 SD 1 Relating to Hawai'i Retirement Savings Act

Dear Chair Dela Cruz, Vice Chair Moriwaki, and Honorable Members of the Senate Committee on Ways and Means:

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

The Hawai'i Family Caregiver Coalition supports SB 855 SD 1, which requires covered employers to automatically enroll covered employees into the Hawai'i Retirement Savings Program unless the employee opts out and appropriates funds to the Department of Labor and Industrial Relations for the development and operation of the Program.

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

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

We urge you to support the Hawaii Retirement Savings Program and SB 855 HD 1, and we urge you to recommend its passage.

Mahalo for seriously considering the bill.

Very sincerely,

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

Gary Simon



Email garysimon@hawaii.rr.com



1315 Kalaniana'ole Avenue, Hilo, HI 96720
PO Box 210, Waimanalo, HI 96795
808-587-7656
www.hawaiicommunitylending.com

February 10, 2025

Support for SB855, SD1 – Relating to Hawai'i Retirement Savings Act

Aloha Committee Members,

I am writing on behalf of Hawai'i Community Lending (HCL), and as a member of the task force that recommended the creation of the Hawai'i Retirement Savings Program, to **strongly support SB855, SD1.**

SB855, SD1 amends provisions of the Hawai'i Retirement Savings Program, the state-facilitated payroll deduction retirement savings program for Hawaii's private sector employees. The measure also requests \$720,000 for the program's implementation and operations. These amendments and funding are critical to make the program operational in supporting our local workers.

HCL is a nonprofit community development financial institution that makes grants and loans to help our local people build, buy, and save homes from foreclosure. In our 23-year history we have helped mobilize more than \$160 million and assist over 4,500 local residents in securing and sustaining housing. The majority of those we assist are local families who are unable to qualify for loans at local banks and credit unions. Too often, the families we serve are faced with unpredictable emergencies that create financial hardship due in large part to having a lack of savings and being faced with ever-increasing expenses. As a result, our people find their ability to stay housed, stay healthy, and stay in Hawai'i, threatened.

Saving for future retirement is crucial to ensure security against such emergencies and helps us collectively slow outmigration of our local people, which is at its highest level in the history of our state.

By passing SB855, SD1 you will be supporting financial security so our local workers have a retirement fund that ensures financial resources to cover your living expenses, healthcare, and any unexpected costs without relying solely on social security or family support.

Please pass SB855, SD1.

Mahalo for your time and consideration. Please contact me directly at 808.587.7653 or jeff@hawaiicommunitylending.com should you have any questions.

Sincerely

A handwritten signature in dark ink, appearing to read 'Jeff Gilbreath', is written over a light blue circular background.

Jeff Gilbreath
Executive Director

We Don't Say No, We Say How



1001 Bishop Street | Suite 625 | Honolulu, HI 96813-2830
1-866-295-7282 | Fax: 808-536-2882
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facebook.com/AARPHawaii

**The State Legislature
The Senate Committee on Ways and Means
Wednesday, February 12, 2025
Room 211, 10:01 a.m.**

To: The Honorable Donovan Dela Cruz
From: Keali'i Lopez, State Director, AARP Hawaii
Re: Strong Support for S.B. 855, SD 1 - Relating to Hawaii Retirement Savings Act

Aloha Chair Dela Cruz and Members of the Committee,

My name is Keali'i Lopez, and I am the State Director for AARP Hawai'i. AARP is a nonpartisan, social mission organization that advocates for individuals age 50 and older. We have a membership of nearly 38 million nationwide and over 135,000 in Hawai'i. We advocate for the issues that matter to Hawai'i families including financial security, access to affordable, quality health care for all generations; and serves as a reliable information source on issues critical to people over the age of fifty.

AARP Hawai'i **strongly supports S.B. 855, SD1** which amends provisions of the Hawai'i Retirement Savings Program, the state-facilitated payroll deduction retirement savings program for Hawaii's private sector employees. The measure also requests \$720,000 for the program's implementation and operations.

The Hawai'i Retirement Savings Program (Act 296 -SLH 2022) creates a low-cost, easy retirement savings program that will help about 173,000 private sector workers set aside money through an automatic payroll deduction from their paycheck. Through Act 296, a board has been established to develop and oversee this state-facilitated automatic IRA program which includes the hiring of an executive director and support staff to start the program up over the next two years. The program would be a public-private partnership, like the college 529 savings program.

S.B. 855, SD1 amends to include the automatic enrollment of private sector employees into the program unless the employee opts out and clarifies the definition of "covered employer" under the Hawai'i Retirement Savings Act. These are necessary amendments and alignment of administrative provisions that will help facilitate successful implementation and program roll-out. To date, there are 19 states that have enacted a retirement savings program for private sector workers. Fifteen states (which include Hawaii) are automatic Individual Retirement

Account (IRA) programs. 14 of these states include the automatic enrollment provision where the employ can opt out of the retirement savings program. This provision has been extremely helpful to savers and is easy for them to use. Hawai'i is the only state with a "voluntary opt-in" enrollment provision. In both the public and private sectors, automatic enrollment for workers into retirement accounts is considered a "Best Practice" in the retirement savings industry. The **opt-out feature** increases participation while remaining completely voluntary for workers. As of 2025, about \$1.78 billion has been saved by 965,000 participants-- generally \$50 and \$60 a paycheck. These are the accumulative figures from the 10 states in operations such as California, Oregon, Illinois, Colorado, Connecticut, Maryland, Virginia, Maine , and Washington. The number of savers and savings continues grow very steadily among the participating states.

With Hawaii's program still in an early development stage, it is critical now that the proposed amendments in S.B. 855, SD1 are incorporated to align Hawai'i with the 14 other states and open the pathway for a future partnership with an existing program, should Hawai'i chooses to. (For example, partner with OregonSaves, or Colorado Secure Savings). This inter-state compact agreement will likely save Hawai'i time, money, and be easier to maintain over time.

An appropriation is requested to provide the Executive Director and Board the necessary resources to launch the Hawaii Retirement Savings Program. AARP defers to the Hawaii Retirement Savings Board and Executive Director regarding the appropriate funding required.

Thank you for the opportunity to testify in **strong support** of S.B. 855, SD1.

SB-855-SD-1

Submitted on: 2/10/2025 4:09:13 PM

Testimony for WAM on 2/12/2025 10:01:00 AM

Submitted By	Organization	Testifier Position	Testify
Merle Minami-Shima	Testifying for AARP Hawaii	Support	Written Testimony Only

Comments:

Aloha Chair Dela Cruz and Members of the Committee:

My name is Merle Minami-Shima, and in STRONG SUPPORT of SB 855, SD1 which amends/aligns provisions of the Hawaii Retirement Savings Program, the state-facilitated payroll deduction retirement savings program for Hawaii's private sector employees, and appropriate funds for the program.

The Hawaii Retirement Savings Program (Act 296 - SLH 2022) creates a low-cost, easy retirement savings program that will help about 173,000 private sector workers set aside money through an automatic payroll deduction from their paycheck.

As a retired HR professional, I often counseled employees to save for their retirement since social security alone will not cover their expenses.

Many retirees will face unexpected challenges such as the rising cost of health care and daily living expenses due to inflation. Also, COLA on social security benefits will not cover these increases. This measure will help cushion any unexpected challenges that may arise causing financial hardship.

With that, we should support efforts to make saving as easy as possible for workers. Having an opt-out retirement savings plan will facilitate and promote this process.

Mahalo for your consideration.

Merle Minami-Shima, Wailuku, Maui



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

LATE

**HEARING BEFORE THE SENATE COMMITTEE ON WAYS AND MEANS
HAWAII STATE CAPITOL, SENATE CONFERENCE ROOM 211
Wednesday, February 12, 2025 AT 10:01 A.M.**

To The Honorable Senator Donovan M. Dela Cruz, Chair
The Honorable Senator Sharon Y. Moriwaki, Vice Chair
Members of the committee on Ways and Means

OPPOSE SB855 SD1 RELATING TO HAWAII RETIREMENT SAVINGS ACT

The Maui Chamber of Commerce would like to offer **COMMENTS on SB855 SD1** which clarifies the definition of "covered employer" under the Hawai'i Retirement Savings Act; requires covered employers to automatically enroll covered employees into the Hawai'i Retirement Savings Program unless the employee opts out; repeals the limit on the total fees and expenses that can be spent for the Program each year; and appropriates funds to the Department of Labor and Industrial Relations for the development and operation of the Program.

The Maui Chamber was supportive of the Hawai'i Retirement Savings Act when the bill was moving through the State Legislative Session previously because we understand the importance of retirement savings. At the time, we greatly appreciated that the program required employees to opt-in as it reduced the burden on businesses, and we felt it was a win-win.

However, we would like to note that the proposed change to the program where employees have to opt-out may present the following challenges for small businesses. Implementing and managing such programs incurs ongoing costs for businesses, which can be particularly challenging for those with high turnover rates, such as in customer service roles. Additionally, the rising costs of employee healthcare benefits, products, goods, services, and shipping continue to have a substantial impact on our operations. Moreover, many businesses are still struggling to recover from the Maui fires, from those directly impacted to those still hurting due to low visitor counts. Even a small change like this could force more businesses to close their doors, as they may no longer be able to afford to operate in Hawai'i, leading to job losses for our friends, family, and neighbors.

Further, we believe the Hawai'i Retirement Savings Program (as it currently stands as an opt-in program) should be given time to see how it works first before changes are introduced that would businesses. We would be happy to help distribute promotional electronic materials on the existing program to share the benefits with businesses.

As an organization who directly represents businesses and hears of their struggles and what is helpful and hurtful to them every day, we cannot support this proposed change.

Mahalo for the opportunity to offer **OPPOSITION on SB855 SD1**.

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.



MAUI

CHAMBER OF COMMERCE

VOICE OF BUSINESS

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.

ADULT FOSTER HOMECARE ASSOCIATION OF HAWAII

P.O. Box 970092, Waipahu, Hawai'i 96797

The State Legislature
The House Committee on Labor and Tourism

LATE

TO: The Senate Committee on Ways and Means

RE: S.B.855, S.D.1 Related to Retirement Savings – TESTIMONY IN SUPPORT

Dear Chair Dela Cruz and Members of the Committee,

Thank you for the opportunity to testify in support of S.B. 855 S.D.1 which establishes a state-facilitated retirement savings program for Hawaii's private sector workers who don't have an easy way to save for their retirement at the workplace. The Adult Foster HomeCare Association of Hawaii (AFHA), **stands in strong support of S.B. 855, S.D. 1 relating to Hawaii Retirement Savings.** With a **membership of over 1000 providers**, AFHA's mission is to promote the interests of providers as well as resident clients. AFHA members provide 24-hour care to resident clients 7 days a week, 365 days a year in a family setting, allowing residents to remain integrated in the community, maintain independence, and retain a sense of dignity

We are small business owners dedicated to caring for Hawaii's frailest and most vulnerable kupuna who want to live and age in a home-like residence as long as possible. We are able to serve our residents with the help of dedicated health care workers – many who work multiple jobs to make ends meet in Hawaii's high cost of living. We know that every dollar counts. As employers, we value their work and want to offer benefits that other larger employers are able to, but cannot with our own limited resources and time.

S.B. 855 creates a Hawai'i retirement savings program that could easily help workers save at little or no cost to the business. We want to help our workers save for their future. Many workers in our industry are women and we know that women have a longer life expectancy. Therefore, it is even more imperative that they have sufficient financial resources to last throughout their life span. Making it easier for people to save through an automatic payroll deduction makes good sense and helps build a nest egg for their future. Small businesses benefit because they can offer a savings program that can help them keep workers. Taxpayers benefit because increased savings means fewer people will need taxpayer-funded social services. Most importantly, workers and their families will get a chance to save their own money for a secure financial future.

Please pass S.B. 855 S.D. 1 and let's empower our future retirees.

Sincerely

Maribel Tan, President

About AFHA

The Adult Foster Home Association of Hawaii (AFHA) is the industry trade association of providers under the Community Care Foster Family Home program under the Department of Human Services, State of Hawaii. With a membership of almost 750 providers, AFHA's mission is to promote the interests of providers as well as resident clients. AFHA members provide 24-hour care to resident clients 7 days a week, 365 days a year.

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: MISCELLANEOUS; Hawai'i Retirement Savings Act; Hawai'i Retirement Savings Program; Covered Employer; Definition; Automatic Enrollment; Opt-Out Option

BILL NUMBER: SB 855 SD 1

INTRODUCED BY: Senate Committee on Labor and Technology

LATE

EXECUTIVE SUMMARY: Clarifies the definition of "covered employer" under the Hawai'i Retirement Savings Act. Requires covered employers to automatically enroll covered employees into the Hawai'i Retirement Savings Program unless the employee chooses to opt out. Repeals the limit on the total fees and expenses that can be spent for the Program each year. Appropriates funds to the Department of Labor and Industrial Relations for the development and operation of the Program.

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

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

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

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

EFFECTIVE DATE: July 1, 2050.

STAFF COMMENTS: The Hawaii Retirement Savings Program, HRS Chapter 389, established by Act 296, SLH 2022, is supposed to offer a prefabricated vehicle for small employers to sign up for a retirement program, on the theory that small employers would not offer retirement savings programs at all to their employees if they are going to be overwhelmed with compliance costs. The Foundation itself, for example, decided to terminate its retirement savings program after it found that it needed to pay attorneys lots of money every few years for plan amendments required by the federal government.

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

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

If the State can competently offer such a plan to private employers in a way to blunt the pain of periodic legal fees, the program in general might be a beneficial idea; but the State needs to remember that it doesn't have either the resources or the expertise to be all things to all people. We are concerned that the governmental activity proposed by this bill is not a core function of government, and we wonder if government can deliver on this plan. We observe that although this program was established in 2022, the Hawaii Retirement Savings Board has yet to implement the program. See <https://labor.hawaii.gov/hrsp/>, "Program Status."

The State has tried savings encouragement before, by providing Individual Development Accounts sweetened with a state tax credit. The market uptake of this program was dismal, as shown in this table of IDA contribution credits claimed.

Year	Number of Taxpayers	Aggregate Credit Claimed
2000	0	0
2001	0	0
2002	0	0
2003	0	0
2004	9	\$3,000
2015	0	0
2016	Suppressed to prevent disclosure of taxpayer return information	
2017	0	0

Source: Department of Taxation, [Tax Credits Claimed by Hawaii Taxpayers](#) 23 (2017); Department of Taxation, *Tax Credits Claimed by Hawaii Individuals and Corporations* (2000, 2001, 2002, 2003, 2004).

If this program has a similar market uptake, we will have wasted lots of resources and time.

With many folks here in Hawaii living from paycheck to paycheck, people simply don't have excess cash to put away for their retirement. Unless we address our cost of living, we think it will be difficult for this proposed program to have much more market traction than the IDA program.

We also remind lawmakers that financial controls are necessary to keep a program like this from becoming a financial black hole and a magnet for fraud.

Re: SB 855 SD 1

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Digested: 2/11/2025

SB-855-SD-1

Submitted on: 2/10/2025 10:59:34 AM

Testimony for WAM on 2/12/2025 10:01:00 AM

Submitted By	Organization	Testifier Position	Testify
Angela Serota	Testifying for AARP	Support	Written Testimony Only

Comments:

Aloha Chair Dela Cruz and Members of the Committee:

My name is Angela Serota and I live on the North Shore of Kauai. I am in **STRONG SUPPORT** of SB855, SD1 which amends provisions of the Hawai'i Retirement Savings Program, the state-facilitated payroll deduction retirement savings program for Hawaii's private sector employees, and appropriates funds for the program's implementation.

Mahalo nui loa for your consideration and support.

SB-855-SD-1

Submitted on: 2/10/2025 11:25:26 AM

Testimony for WAM on 2/12/2025 10:01:00 AM

Submitted By	Organization	Testifier Position	Testify
dolores foley	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Dela Cruz and Members of the Committee:

My name is Dolores Foley I am testifying in **STRONG SUPPORT** of **SB 855, SD1 which amends/aligns provisions of the Hawai'i Retirement Savings Program, the state-facilitated payroll deduction retirement savings program for Hawaii's private sector employees, and appropriate funds for the program implementation.**

The Hawai'i Retirement Savings Program (Act 296 -SLH 2022) creates a low-cost, easy retirement savings program that will help about 173,000 private sector workers set aside money through an automatic payroll deduction from their paycheck.

Saving for future retirement is crucial for several reasons:

Financial Security- Having a retirement fund ensures you have the financial resources to cover your living expenses, healthcare, and any unexpected costs without relying solely on social security or family support..

Inflation- Over time, the cost of living tends to increase due to inflation. Saving and investing wisely can help your money grow and keep up with or outpace inflation, ensuring your purchasing power remains strong.

Life is unpredictable, and having a financial cushion can help you navigate unforeseen circumstances, such as economic downturns or personal emergencies, without jeopardizing your retirement plans.

Hawaii's workers need an easy way to save for their future.

Mahalo for the opportunity to testify in support!

Dolores Foley

Kailua

Testimony on Senate Bill No. 855 SD1
RELATING TO Hawaii Retirement Savings Program Act
Wednesday, February 12, 2025, at 10:01 AM
Conference Room 211 & Videoconference
State Capitol
415 South Beretania Street

Aloha Chair Dela Cruz and Members of the Committee,

My name is Coby Chock, and I am in STRONG SUPPORT of SB 855 SD1, which amends and aligns provisions of the Hawai'i Retirement Savings Program, the state-facilitated payroll deduction retirement savings program for Hawaii's private sector employees, and appropriates funds for the program's implementation.

The Hawai'i Retirement Savings Program (Act 296 - SLH 2022) creates a low-cost, easy retirement savings program that will help about 173,000 private sector workers set aside money through an automatic payroll deduction from their paycheck.

I support this bill because saving for future retirement is crucial for several reasons:

- **Financial Security:** Having a retirement fund ensures you have the financial resources to cover your living expenses, healthcare, and any unexpected costs without relying solely on social security or family support.
- **Inflation:** Over time, the cost of living tends to increase due to inflation. Saving and investing wisely can help your money grow and keep up with or outpace inflation, ensuring your purchasing power remains strong.
- **Unpredictability of Life:** Life is unpredictable, and having a financial cushion can help you navigate unforeseen circumstances, such as economic downturns or personal emergencies, without jeopardizing your retirement plans.

Hawaii's workers need an easy way to save for their future.

Mahalo for the opportunity to testify in support!

Coby Chock

Kailua, HI

February 12, 2025

TO: Senator Dela Cruz, Chair
and Members of the Committee

FROM: Carl Takamura

RE: SB 855, Relating to Hawaii Retirement Savings Program Act

I am strongly in support of SB 855 which makes necessary amendments to the Hawaii Retirement Savings Program, and appropriates funds for the program implementation.

Studies have shown that 75% of Americans nearing retirement have less than \$30,000 in savings which means that when they retire, they will need assistance for food, housing, and medical care. Enabling more people to save for their retirement through automatic payroll deductions is a no-brainer and has been proven to work in other states, such as Oregon. More significantly, studies show that workers are 15 times more likely to save for their future if they can save through payroll deduction at work.

SB 855 makes needed changes to this established program and provides the funding for its implementation.

Thank you and I urge you to pass this important measure.

To: Senate Committee on Ways and Means

Date: Wednesday, February 12, 2025

Re: SB 855, SD1 Relating to Hawaii Retirement Savings Act

Chair Dela Cruz, Vice Chair Moriwaki and Members of the Committee:

My name is Esther Ueda, and I am writing in SUPPORT of SB 855, SD1 Relating to the Hawaii Retirement Savings Act.

The Bill provides for a provision for automatic enrollment unless the employee opts out and funds for the development and operations of the program.

As a long time State retiree, I understand the need to save for the future. The automatic enrollment system is a good way to get workers to save for that future. I understand that in other States with this type of program the “opt-out” option has been more successful in getting workers to continue in this type of savings program.

The funding for the development and operations of the program is another necessary part of implementing this program.

With all the increasing costs occurring everywhere, -- inflation, cost of housing and rising insurance costs etc., it is essential that each of us be responsible for saving for our own futures and not depend on government or other forms of assistance.

The passage of this bill will be a right step in this direction.

In summary, I support SB 855, SD1 that will help to ensure that more workers are saving for their own futures.

Thank you for your support of this important measure.

Sincerely,

Esther Ueda
Pearl City, Hawaii

Beverly Gotelli
6286 Opaekaa Road
Kapaa, HI 96746

SB 855 SD 1

Wednesday, February 12, 2025

Conference Room 211 & Videoconference

Committee on Ways and Means

Good morning, Chair Dela Cruz, Vice- Chair Moriwaki members of the Committee,

My name is Beverly Gotelli and in **STRONG SUPPORT of SB 855 SD 1, which amends/aligns provisions of the Hawai'i Retirement Savings Program, the state-facilitated payroll deduction retirement savings program for Hawaii's private sector employees, and appropriate funds for the program implementation.**

The Hawai'i Retirement Savings Program (Act 296 -SLH 2022) creates a low-cost, easy retirement savings program that will help about 173,000 private sector workers set aside money through an automatic payroll deduction from their paycheck.

The legislation before you has been amended to reflect the following: (1) Requiring covered employers, rather than the program administrators, to provide covered employees with a written notice of their right to opt out of the Program;

(2) Clarifying that the Board may add an option for program participants to contribute to a traditional individual retirement account (IRA), in addition to or in lieu of a Roth IRA.

(3) Changing the appropriation to an unspecified amount.

Upon my retirement I was not concerned about this type of program, why. I'm a retired State employee. My misconception that everyone has some type of retirement is wrong. Upon volunteering with senior organizations, I realized that in retirement nothing is the same. How naïve of me. I look at fellow retirees who worked in the private sector and did save some but not enough for today's rate of inflation. Payroll deduction is the easiest way to put aside retirement.

I was taught save for me first, as you don't know what to expect tomorrow.

Saving for future retirement is crucial for several reasons:

Financial Security- Having a retirement fund ensures you have the financial resources to cover your living expenses, healthcare, and any unexpected costs without relying solely on social security or family support.

Life is unpredictable, and having a financial cushion can help you navigate unforeseen circumstances, such as economic downturns or personal emergencies, without jeopardizing your retirement plans.

Thank you for the opportunity to testify.

SB-855-SD-1

Submitted on: 2/10/2025 4:04:21 PM

Testimony for WAM on 2/12/2025 10:01:00 AM

Submitted By	Organization	Testifier Position	Testify
John A. H. Tomoso	Individual	Support	Written Testimony Only

Comments:

02-10-25

RE: SB855SD1

Aloha,

The Hawai'i Retirement Savings Program (Act 296 -SLH 2022) creates a low-cost, easy retirement savings program that will help about 173,000 private sector workers set aside money through an automatic payroll deduction from their paycheck.

I know that saving for future retirement is crucial for several reasons:

Financial Security- Having a retirement fund ensures you have the financial resources to cover your living expenses, healthcare, and any unexpected costs without relying solely on social security or family support..

Inflation- Over time, the cost of living tends to increase due to inflation. Saving and investing wisely can help your money grow and keep up with or outpace inflation, ensuring your purchasing power remains strong.

Life is unpredictable, and having a financial cushion like, perhaps, Life Insurance, can help one navigate unforeseen circumstances, such as economic downturns or personal emergencies, without jeopardizing your retirement plans.

Hawaii's workers need an easy way, even an "out of sight, out of mind" one, to save for their future.

Mahalo for the opportunity to testify in support!

John A. H Tomoso+, MSW, ACSW

51 Ku'ula St., Kahului, HI 96732-2906

808-280-1749, john.a.h.tomoso@gmail.com

SENATE COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair

Senator Sharon Y. Moriwaki, Vice Chair

HEARING

Wednesday, February 12, 2025, 10:01 AM

RE: SB 855 SD1 RELATING TO HAWAII RETIREMENT SAVINGS ACT.

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

My name is Linda Dorset, and I am in STRONG SUPPORT of SB855 SD1. The purpose of this bill is to amend and align the provisions of the Hawaii Retirement Savings program, the state-facilitated payroll deduction retirement savings program for Hawaii's private sector employees.

The Hawai'i Retirement Savings Program (Act 296 -SLH 2022) creates a low-cost, easy retirement savings program that will help about 174,000+ private sector workers set aside money out of their regular paycheck, but only if they take advantage of it. I believe people are more likely to stay in the program if they have to take steps to opt out rather than take steps to opt in. My personal experience is that setting money aside once you have it in hand is very easy to put off but when it got taken out of my pay prior to receiving the check I found it easy to work around. I worry that my son doesn't take this truth seriously and will wind up with not enough money to live on. SB 855 SD1 would require automatic enrollment of private sector employees in the Hawaii Retirement Savings Program unless the employee **opts out**.

This program which is currently in the planning and development phase benefits Hawai'i workers, small business owners and taxpayers. As a taxpayer, helping people save for their retirement will save the State money in the long run. Future retirees won't have to rely on public-assistance programs to make ends meet

Mahalo for the opportunity to testify!

Linda Dorset

Wailuku, Maui

SB-855-SD-1

Submitted on: 2/10/2025 7:43:26 PM

Testimony for WAM on 2/12/2025 10:01:00 AM

Submitted By	Organization	Testifier Position	Testify
Nadine NEWLIGHT	Individual	Support	Written Testimony Only

Comments:

Aloha Chair Dela Cruz and Members of the Committee:

My name is Nadine NEWLIGHT, and I am testifying in **STRONG SUPPORT of SB 855, SD1 which amends/aligns provisions of the Hawai'i Retirement Savings Program, the state-facilitated payroll deduction retirement savings program for Hawaii's private sector employees, and appropriate funds for the program implementation.**

The Hawai'i Retirement Savings Program (Act 296 -SLH 2022) creates a low-cost, easy retirement savings program that will help about 173,000 private sector workers set aside money through an automatic payroll deduction from their paycheck.

SB-855-SD-1

Submitted on: 2/11/2025 8:42:31 AM

Testimony for WAM on 2/12/2025 10:01:00 AM

Submitted By	Organization	Testifier Position	Testify
Dan Gardner	Individual	Support	Written Testimony Only

Comments:

Chair Dela Cruz and Members of the Senate Ways and Means Committee, I am seeking your strong support for SB855 SD1 which addresses the successful introduction of the Hawaii Retirement Savings Program. This program was established by the Legislature in 2022 to provide an automatic payroll savings program supporting over 170,000 small business employees. SB855 SD1 will amend the program to automatically enroll workers with an opt out option. As a best practice, the opt out option has proven to work well in all 14 other States that have a similar employee savings program. The opt out practice will improve overall enrollment while still ensuring it remains a voluntary program. I also believe the funding request for outreach, marketing, communications, and initial operating needs is logical and worthwhile and should be included. Thank you for your support of SB855 SD1 and this program that will help secure the future of today's hardworking employees.