A BILL FOR AN ACT

RELATING TO RETIREMENT SAVINGS.

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

SECTION 1. The legislature finds that there is an imminent retirement security crisis in the State, as many individuals do not have access to an employer-sponsored retirement plan. Individuals without a retirement plan are at significant risk of not having enough retirement income to meet basic expenses during retirement. A retirement savings plan can help employees achieve economic security, improve economic mobility, and reduce wealth disparity.

In 2017, Oregon was the first state to implement a retirement savings plan that covers private sector workers who do not otherwise have access to a savings plan provided by their employer. With many small businesses operating in Oregon, the state calculated that it had more than one million employers who did not offer any form of retirement savings. The plan was actually adopted earlier in 2015, as the Obama administration tried to encourage states to promote retirement savings. Other
states have similar programs including California, Connecticut, Illinois, Maryland, Massachusetts, New Jersey, and Vermont.

The legislature further finds that individuals need a lifelong savings system that provides them with the opportunity to build their assets and attain future financial stability. Access by private sector employees to employer-sponsored retirement plans provides a reliable way to accumulate savings needed for a secure retirement, but many small businesses are unable to provide a mechanism for their employees to invest.

The legislature further finds that approximately fifty percent of the State's private sector employees work for an employer that does not offer a retirement plan or are not eligible for the plan offered. The lack of opportunity to participate in an employer-provided retirement plan spans all levels of education and earnings. Employees of Hawaii businesses with fewer than one hundred employees are much less likely to have access to a retirement plan than employees of larger businesses. Employees who are offered the opportunity to save through the employee's place of employment are significantly more likely to participate and make steady contributions to build retirement savings.
The purpose of this Act is to require the legislative reference bureau to study the feasibility of implementing a Hawaii retirement savings program for private sector employees utilizing information from other state experiences and educational institutions with expertise on existing programs; to report to the legislature with its findings and proposals, if any; and, if the results of the study support it, to propose a program to establish the Hawaii retirement savings program for private sector employees not currently covered by an existing program.

SECTION 2. (a) Prior to the establishment of the Hawaii retirement savings program for private sector employees, the legislative reference bureau shall conduct a study to establish the plan to set up an auto-individual retirement account program that would be cost-efficient and effective. In conducting its study, the legislative reference bureau may:

(1) Obtain legal advice regarding the applicability of the Employee Retirement Income Security Act of 1974, as amended, and the Internal Revenue Code of 1986, as amended, to the program;
(2) Investigate whether employers that are not required to participate in the program can make the program available to their employees;

(3) Investigate methods to allow individuals who are not automatically enrolled in the program to participate in the program and make contributions to an account, either through payroll contributions or another method of contribution;

(4) Conduct an analysis of the potential costs to employers, including administrative costs, and costs associated with providing automatic payroll deductions for participation in the program, as well as recommendations on how to eliminate or reduce those costs through incentives, tax credits, or other means;

(5) Investigate the feasibility and benefits of partnering with other similar programs established in other jurisdictions;

(6) Prepare a timeline for implementation of the Hawaii retirement savings program;
(7) Make recommendations to the legislature regarding ways
to increase participation in the Hawaii retirement
savings program; and

(8) Propose to the legislature the administrative body and
implementation for the program, including any
necessary authorizing legislation.

The legislative reference bureau may issue a request for
proposals for a third party to conduct the analysis as described
in paragraphs one through seven. The contracting services under
this Act shall be exempt from chapter 103D, Hawaii Revised
Statutes.

(b) The legislative reference bureau shall report to the
legislature its findings and recommendations, including any
proposed legislation, no later than twenty days prior to the
convening of the regular session of 2020.

SECTION 3. There is appropriated out of the general
revenues of the State of Hawaii the sum of $150,000 or so much
thereof as may be necessary for fiscal year 2019-2020 for the
purposes of this Act.

The sum appropriated shall be expended by the legislative
reference bureau for the purposes of this Act.
SECTION 4. This Act shall take effect on July 1, 2019.

INTRODUCED BY:

JAN 23 2019
Report Title:
Hawaii Retirement Savings Program; Legislative Reference Bureau; Study; Appropriation

Description:
Requires the Legislative Reference Bureau to conduct a study on how to implement the Hawaii Retirement Savings Program and submit to the 2020 Legislature a report detailing its findings and proposals. Appropriates funds.

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