
SENATE RESOLUTION

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
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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 and 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, employers in Hawaii, including the state
25 government, provide its employees with retirement savings plans
26 as part of their benefits package and uses them as recruitment
27 incentives; and
28

29 WHEREAS, the State offers its employees:
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- 31 (1) A tax-qualified defined benefit pension plan that
32 requires mandatory employer contributions by the



1 State, is governed by section 401(a) of the Internal
2 Revenue Code (IRC), and administered by the Employees'
3 Retirement System (ERS);
4

5 (2) The Island Savings Plan, which is a voluntary deferred
6 compensation plan offered by the Department of Human
7 Resources Development (DHRD) that is governed by
8 section 457(b) of the IRC and administered by
9 Prudential Retirement Insurance and Annuity Company;
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11 (3) A voluntary tax-sheltered annuity plan for employees
12 of the Department of Education (DOE) and University of
13 Hawaii that is governed by section 403(b) of the IRC
14 and administered by National Benefit Services, LLC;
15 and
16

17 (4) A deferred compensation retirement plan offered by the
18 DHRD for part-time, temporary, and seasonal/casual
19 employees that is governed by section 457 of the IRC
20 and administered by Life Insurance Company of the
21 Southwest, a member of National Life Group; and
22

23 WHEREAS, all retirement plans currently offered to state
24 employees are traditional retirement plans that deduct
25 contributions from the employee's pre-tax income, and therefore
26 reduces the employee's taxable income and federal and state tax
27 burden for that current year; however, all future distributions,
28 including capital gains in the account, are treated as taxable
29 income at the time of withdrawal; and
30

31 WHEREAS, section 402A of the IRC allows employer retirement
32 plans governed under sections 401(k), 403(b), and 457(b) of the
33 IRC to have a qualified Roth contribution program, under which
34 plan participants may designate some or all of their retirement
35 contributions as designated Roth contributions and have them
36 placed into their designated Roth accounts; and
37

38 WHEREAS, unlike traditional pre-tax retirement
39 contributions, an employee's designated Roth contribution is
40 included in the employee's gross income in the year the
41 contribution is made; however, qualified distributions from the



1 designated Roth account (including capital gains in the account)
2 are not treated as taxable income at the time of withdrawal; and
3

4 WHEREAS, the option of a designated Roth account will
5 benefit many plan participants, especially the employees whose
6 retirement distributions will not occur until decades later
7 because the tax savings for the distributions and capital gains
8 accumulated in their designated Roth accounts over the years
9 (due to compounding of interests) excluded from taxable income
10 may surpass the amount of tax saved by making pre-tax
11 contributions into traditional accounts; and
12

13 WHEREAS, the states of Alaska, Connecticut, Idaho, Iowa,
14 Maryland, Massachusetts, Michigan, Minnesota, Nevada, New
15 Hampshire, New Jersey, New York, and Ohio, and municipalities
16 including Philadelphia, Phoenix, Mesa, and Salem offer a
17 qualified Roth contribution program to its employees; and
18

19 WHEREAS, under section 401(a) of the IRC, the ERS cannot
20 maintain its tax-qualified status if it offers "elective
21 deferrals" of compensation to its participants in the manner
22 contemplated by a Roth contribution plan; and
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24 WHEREAS, in contrast, the DHRD and DOE currently offers a
25 deferred compensation program for State employees separate from
26 the retirement plans offered by the ERS, and can offer an
27 alternative, qualified Roth contribution program for elective
28 deferral of compensation by State workers; and
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30 WHEREAS, a broader selection of retirement plans will
31 entice more employees to contribute to their retirement accounts
32 and induce other public and private sector employers to offer
33 their employees the same option; now, therefore,
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35 BE IT RESOLVED by the Senate of the Thirty-first
36 Legislature of the State of Hawaii, Regular Session of 2021,
37 that the Department of Human Resources Development and
38 Department of Education are urged to establish and offer to
39 their retirement plan participants, a qualified Roth
40 contribution program by July 1, 2023; and
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1 BE IT FURTHER RESOLVED that certified copies of this
2 Resolution be transmitted to the Governor, Director of Human
3 Resources Development, Chairperson of the Board of Education,
4 and Superintendent of Education.

