



HAWAII RETIREMENT SAVINGS PROGRAM BOARD MEETING

May 25, 2023

1:00pm

Conference Room 310

Addressing the Retirement Crisis

Background



HISTORICAL ACTIONS

Senate Resolution 76 (Session Laws of Hawaii (SLH), 2021)

Retirement Savings Taskforce: Findings and Recommendations

Act 296 (SLH, 2022) – Chapter 389, Hawaii Revised Statutes (HRS)

SENATE UNDERSTANDING AND CONCERNS-SR76

Retirement Assets

Average household retirement assets: \$2,500.

Those closer to retirement age: \$14,500.

Average Social Security Benefits

Average Retirement benefits: \$1,539 per month (\$18,500).

Average Disability benefits: \$1,315 per month (\$15,800).

Average Expense for 65+ Household

Estimated for a single person: \$26,000 a year

Food, Utilities, Health Care, Housing

SENATE UNDERSTANDING AND CONCERNS-SR76

More People Save if Employer Offers Program

15x

**More likely to save
when they can do so out
of regular paycheck**



20x

**More likely to save
if automatically
enrolled**

SR-76 RETIREMENT SAVINGS TASK FORCE

- (1) Assess the feasibility of establishing a Hawaii retirement savings program for private sector employees (Hawaii Retirement Savings Program)**
- (2) An implementation plan that recommends the best model for Hawaii**
- (3) An administrative framework to provide initial start up of the program, oversight over the program, a timeline, and the proposed start - up costs for the program**

Retirement Savings Taskforce

Findings and Recommendations



HAWAI'I RETIREMENT SAVINGS TASK FORCE

Kathy Wyatt, Chair

Tina Yamaki, Vice-Chair

Craig Hirai (B&F)

Bill Kunstman (DLIR)

Senator Brian Taniguchi

Representative Richard Onishi

John D'Amato

Jeff Gilbreath

Keali'i Lopez

Craig Suemori

Peter Tsukazaki

Consultants: Lisa Massena and John Scott

Staff: Serena Shimabukuro

TASK FORCE - RESEARCH ACTIVITIES

**Hawai`i Workforce Preparedness for Retirement 2021
N=700, Prepared by SMS Research**

**Hawai`i Small Business Owner Survey, 2021
N=300, Prepared by AARP, Inc.**

**“Cost of Doing Nothing: Potential Impacts of
Insufficient Retirement Savings in Hawai`i – 2020-2040”,
March 2022 Prepared by PEW Charitable
Trusts/Econsult Solutions Inc.**

TASK FORCE - RESEARCH ACTIVITIES

**Referenced: “Hawaii’s Generational Economy:
Economic Impacts of Aging”, March 2020
Andrew Mason and Michael Abrigo, University of
Hawai`i, Prepared for Hawaii State DBEDT**

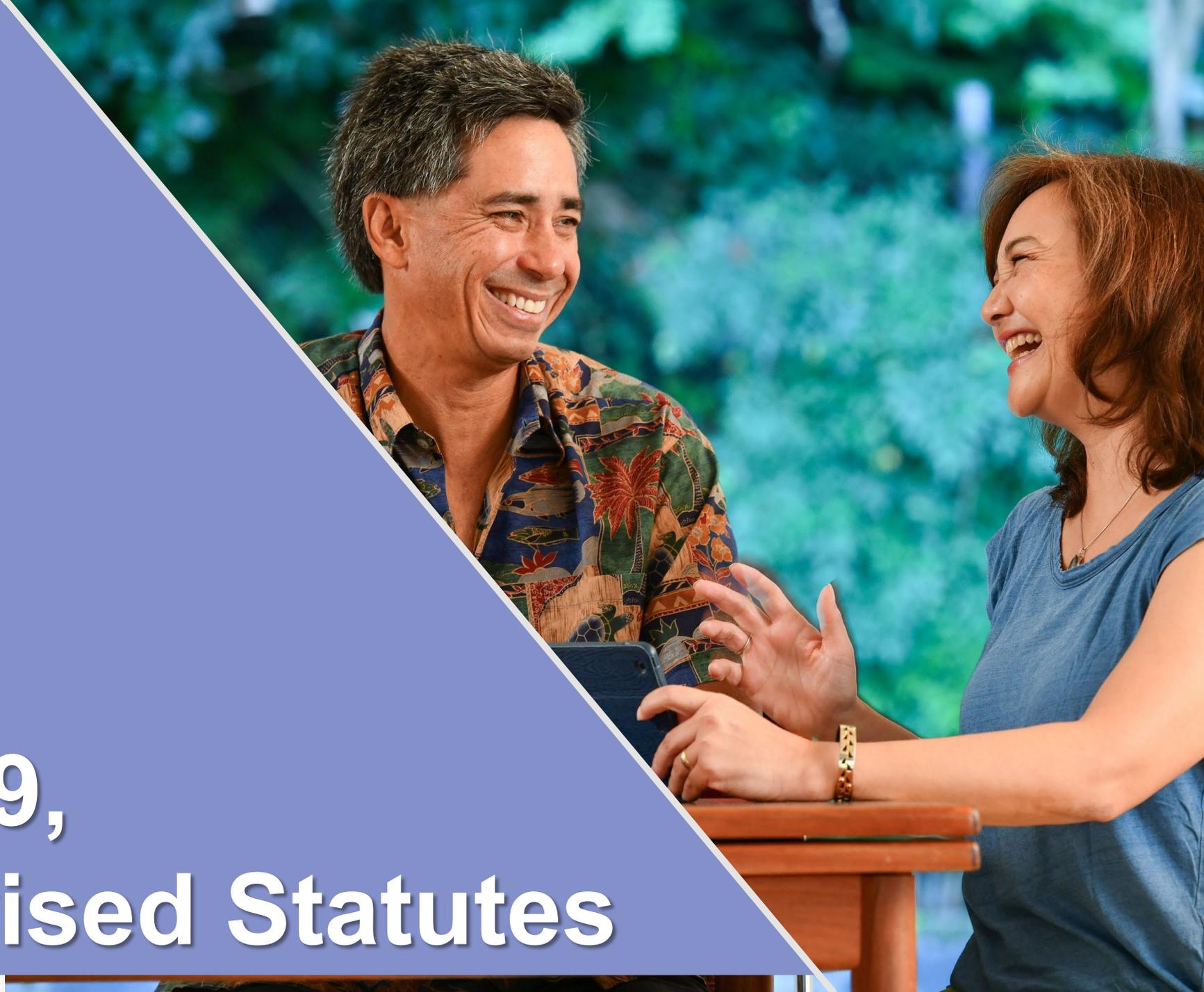
November 2021 – Business Roundtables

Small Business Owners – November 10th

Financial Services and Institutions – November 17th

**Act 296
(SLH, 2022)**

**Chapter 389,
Hawaii Revised Statutes**



SB 3289 SD2, HD2, CD1 - ACT 296

Establishes the Hawaii Retirement Savings Program

Provide a state-facilitated payroll-deduction individual retirement savings plan to private sector employees who do not have access to employer-sponsored retirement savings plan

Authorizes an implementation and evaluation study, followed by an implementation strategy and timetable

ACT 296 HAWAI'I RETIREMENT SAVINGS

Mandatory participation by employers that do not already provide retirement savings for their employees *

Opt-in payroll deduction retirement savings program for private sector workers

Appropriation of \$27.2 million - \$1million for outreach and education, \$25million in matching funds of \$500 for first 50,000 participants and \$1.2million for FY2022

*** Definition of covered employer**

ACT 296 HAWAII RETIREMENT SAVINGS

Established within the Department of Labor and Industrial Relations (DLIR) for administrative purposes only

Nine-Member Board

Two ex officio, voting members as co-chairs (B&F and DLIR)

Two ex officio, nonvoting members (House and Senate)

Five voting members (Governor appointed)

ACT 296 HAWAI'I RETIREMENT SAVINGS

Three program staff positions

- **Executive Director**
- **Program Specialist**
- **Office Assistant**

Contract professional managers for financial investments and record management

Provide annual report to the state legislature

Hawaii Retirement Savings Board

Board Requirements
& Responsibilities



Ethics Provisions

- Standards of Conduct (Ethics), Chapter 84, Hawaii Revised Statutes (HRS)
 - Mandatory Ethics training within 90 days (self-directed online module); every four years thereafter
 - Gifts
 - Fair Treatment
 - Confidential Information
 - Conflicts of Interest
 - State Contracts
 - Post-Employment Restrictions
 - Annual Disclosure of Financial Interests within 30 days; annually thereafter

Ethics Provisions

(continued)

§389-4(c) Board members, the executive director, and other staff of the board shall not:

1. Have any interest, directly or indirectly, in the making of any investment under the program or in gains or profits accruing from any investment;
2. Borrow any program-related funds or deposits, or use any program-related funds or deposits in any manner, for themselves or as an agent or partner of others; or
3. Become an endorser, surety, or obligor on investments made under the program.

Sunshine Law

Public Agency Meetings & Records, Chapter 92, HRS

1. All **discussions, deliberations and decisions** regarding **board business** must be conducted at a meeting = no communication outside of meetings
2. Every **meeting must be open**, unless specifically allowed to be closed by law
3. Boards must provide **notice** and access to **board packet**
4. Boards must accept **testimony**
5. Boards must keep **minutes**

<https://labor.hawaii.gov/blog/main/hrsp/>

Board Requirements

- Purpose: implement & administer a state-facilitated payroll deduction retirement savings program
- Administratively attached to the DLIR
 - Appropriation/positions in DLIR General Administration – Director’s Office
- Program administered by the Board
 - In consultation with the DLIR and B&F
- Quorum
 - Simple majority of members
- Actions
 - Simple majority of members present
- Decisions
 - Written, requires stating separately findings of fact and conclusions

Board Requirements

(continued)

§389-4 Hawaii retirement savings board; powers; duties.

1) Program

- §389-4 (1), (4), (5), (6), (8), (9), (11), (12), (14), (15) & (19)

2) Financial

- §389-4 (2), (3), (7), (10), (13), (16), (17), (18), & (20)

§389-7 Program manager—financial institution contracted in compliance with chapter 103D (procurement)

§389-12 Collaboration and cooperation; intergovernmental; interstate.

Program

- (1) Establish, implement, and maintain the program
- (4) Determine the eligibility of an employer, employee, or other individual
- (5) Ensure the program's compliance with all applicable laws and regulations
- (6) Establish procedures for the timely & fair resolution of participant and other disputes related to accounts or program operation
- (8) Cause expenses incurred to initiate, implement, maintain, and administer the program to be paid from the program and other available sources

Program

(continued)

- (9) Establish and collect application, account, and administrative fees
- (11) Enter into contracts pursuant to chapter 103D for services that the board deems necessary
- (12) Develop and implement an outreach plan to gain input and disseminate information regarding the program
- (14) Ensure that all contributions are used to pay benefits, administrative costs & make investments
- (15) Provide for the payment of costs of administration and operation of the program
- (19) Reimburse the general fund for the initial expenses for initiating, implementing, maintaining, and administering the program

Financial

- (2) Arrangements & accounts designed, established & operated:
 - (A) Best practice of retirement savings vehicles
 - (B) Encourage participation, saving, sound investment & appropriate default investments
 - (C) Maximize simplicity & ease of administration for employers
 - (D) Minimize costs through economies of scale
 - (E) Promote portability
 - (F) Avoid preemption by federal law
- (3) Arrange collective, common & pooled investments
- (7) Develop & implement an investment policy

Financial

(continued)

- (16) Evaluate the need, and if necessary, procure insurance against loss
- (17) Indemnify, including procuring insurance, board members from personal loss or liability
- (18) Collaborate with & evaluate the role of financial advisors, including in assisting and providing guidance to covered employees
- (20) Take any other action the board deems reasonably necessary to carry out the purpose of this chapter

Due Diligence

§389-5(a) – board may determine timeframe for development & implementation, provided prior to implementation (b) & (c) are met:

(b) The board may conduct a detailed implementation and evaluation study to determine the feasibility of the program parameters set forth by this chapter, and resources and time required:

- Upon completion, findings & recommendations, including proposed legislation and funding requirements reported to the Legislature
- Recommend whether to initiate with interstate arrangements

(c) Submittal of report & prior to implementation:

- Determine the level of staffing
- Implementation strategy & timetable
- Conduct outreach efforts to employers and employees

Budget

- FY22-23 (Act 296)
 - \$1.255M Implementation & Operation (\$1.130 released 3/21)
 - \$1M Outreach & Education
 - \$25M to special fund (matching contributions): HB1018
- FY23-24 (HB300 State Budget)
 - \$200,000 salaries, IT costs & travel
 - \$1,000,000 actuarial study
- FY24-25 (HB300 State Budget)
 - \$259,064 salaries
- HB1018CD1 2023 Session
 - \$25M Outreach & Ed “transferred” to FY23-24 and lapses to general fund 6/30/24



THE PEW CHARITABLE TRUSTS

State Automated Savings Programs: Research, Best Practices, and Lessons Learned

Kim Olson

The Pew Charitable Trusts

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May 25, 2023

The Pew Retirement Savings Project

- Goals
 - Improving access to retirement savings nationwide
 - Helping existing automated savings programs
 - Expanding coverage of automated savings programs to more states
- Tools
 - Demographic research
 - Financial feasibility modeling
 - Best practices in legislation and regulations
 - Fiscal impact

Program data (from CA, CT, IL, OR)

- Registered employers: 151,600
- Savers: 669,779
- Assets: \$808 million
- Average account balance: \$1,207
- Average opt-out rate: 35%

Source: Massena Associates

Research: Programs work for employers

- 2017 small business survey: 87% support
- Demand: 1 in 4 Oregon firms signed up at least 90 days early
- 2019-20 OregonSaves employer survey
 - Employers satisfied with program experience
 - Smaller employers more satisfied
 - Starting payroll deductions boosts satisfaction
 - 80% report no or few employee concerns
 - 79% say no out-of-pocket costs

Research: Programs work for workers

- People are saving!
- Analysis of early pandemic withdrawals in Oregon
- 2020-21 Pew survey of participants in Illinois:
 - Participating workers' experience:
 - 62% satisfied, 34% neutral, 5% dissatisfied
 - Participation boosts feeling financially secure:
 - 38% feel more secure, 49% say no impact, 13% feel less secure

The Cost of Doing Nothing in Hawaii

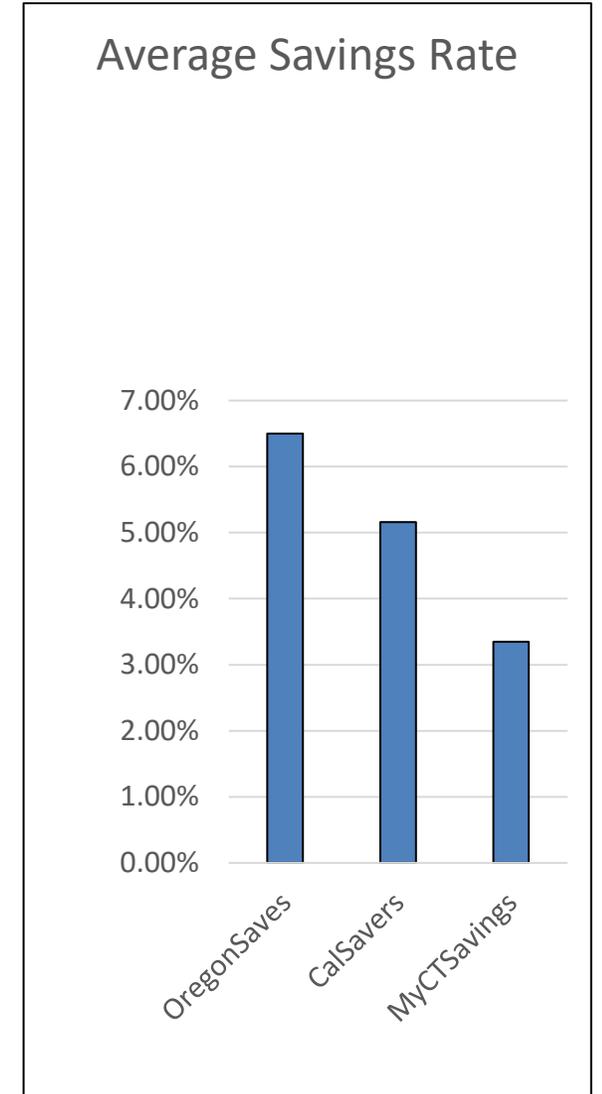
- 173,000 private sector workers lack access to saving
- Workers are 15x more likely to save at work
- Growing older adult population will increasingly rely on social assistance
- This will cost the state a cumulative \$1.15 billion in additional social assistance spending – such as through Medicaid – over 20 years

Best Practices

- Use the rulemaking phase to bring in diverse voices and understand/address Hawaii-specific employer concerns
- Pilot phase with employers of varying sizes, geographies, sectors
- Outreach and marketing is expensive, but necessary
- Simplify the investment line-up
- Automatic enrollment of employees
 - HI statute: voluntary opt-in; up to \$500 matching contribution for first 50,000 participants who save for 12 consecutive months
 - Private sector comparison (Vanguard): 66% opt-in, 93% automatic enrollment
 - Secure 2.0 requires all new private plans to use automatic enrollment

Lessons Learned

- Defaults are incredibly sticky
 - >95% of participants stick with the default
 - 41% of IL participants have viewed their accounts
 - Average savings rate hovers around default
 - Few adjustments to accounts post auto-escalation
- Access to employer data is key
- Condense enrollment waves; use a tighter timeline
- Formal outreach increases response rates
- Enforcement works without imposing fines



Multi-state Partnership

- Two versions:
 - 1) Joining an existing program
 - 2) Joining forces with another implementing state to establish a partnership
- Statutory language must allow partnership; access to employer data
- Programmatic alignment:
 - Employer requirement, automatic enrollment of employees
 - Defaults: account type, savings percentage, automatic escalation
 - Investment line-up
 - Fees
 - Deadlines for onboarding

Key Issues to Consider

- Opt-in
 - How to structure to maximize uptake?
 - Outreach/education needs, particularly to different demographic groups
- Matching grant implementation
 - Process: application, verification, moving funds into retirement accounts
 - Marketing: outreach, education, partnerships
- Stand alone program vs. Multi-state Partnership

Conclusion

- Thank you
- Questions?
- Feel free to contact me at kolson@pewtrusts.org