

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



JADE T. BUTAY
DIRECTOR

WILLIAM G. KUNSTMAN
DEPUTY DIRECTOR

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

HAWAII RETIREMENT
SAVINGS BOARD

Co-Chairs
Jade T. Butay
Luis Salaveria

Members
Jessie Keola Dean
Barbara Krieg
Andrew Nomura
Brian Taniguchi
Karen Yasukawa
Senator Henry J.C. Aquino
Representative Andrew Garrett

HAWAII RETIREMENT SAVINGS PROGRAM BOARD MEETING

October 21, 2024
2:30 PM
830 Punchbowl Street
Room 321
Honolulu, HI 96813

Remote Meeting

Board members, staff, and members of the public may participate in the remote meeting by using the following Zoom link:

<https://us02web.zoom.us/j/86078560020?pwd=BOvuJ6haMWAvlxJ893xttevTgpWwcQ.1>

Meeting ID: 860 7856 0020
Passcode: 326160

If you do not have the technology or ability to join the remote meeting via Zoom, please dial +1 (669) 444-9171 on the telephone to participate in the remote meeting.

Board Materials

Meeting materials are available for review at <https://labor.hawaii.gov/hrsp/board-meetings/>.

AGENDA

- I. **Call Meeting to Order**
- II. **Approval of the Minutes of the May 20, 2024 Meeting**
- III. **Public Comment Period for Agenda Items**

Written testimony may be submitted via email at dlir.hrsp@hawaii.gov, U.S. mail or hand delivery to 830 Punchbowl Street, Suite 321, Honolulu, HI 96813, or facsimile at (808) 586-9099. Individuals may also provide in-person or remote oral testimony during the meeting.

All written testimony on agenda items received after posting of this agenda and up to 24 hours in advance of the meeting will be distributed to the board. Late testimony on agenda items will be distributed to the board within 24 hours of receipt.

All written testimony submitted are public documents. Therefore, any testimony that is submitted orally or in writing, electronically or in person, for use in the public meeting process is public information and will be posted on the board's website.

IV. Executive Session (closed to the public)

- A. Personnel: (To consider the hire, evaluation, dismissal, or discipline of an officer or employee, where consideration of matters affecting privacy will be involved, pursuant to Section 92-5(a)(2), Hawaii Revised Statutes (HRS))
 - i. Approval of the Co-Chairs' Employment of an Executive Director Pursuant to Sections 389-3(f) and 389-4(a)(20), HRS

V. Hiring of the Executive Director

- A. Report of Boards' Decision on Approving Co-Chairs' Employment of an Executive Director Pursuant to Sections 389-3(f), 389-4(a)(20), and 92-5(a)(2), HRS

VI. Delegation of Authority to Exercise Powers and Duties

- A. Approval to Delegate Partial Authority to the Executive Director to Exercise the Powers and Duties of the Hawaii Retirement Savings Board under Section 389-4, HRS, Pursuant to Section 389-3(f), HRS

VII. Budget

- A. FY 2024-25 Fiscal Report
- B. Hawaii Retirement Savings Special Fund Lapse
- C. Fiscal Biennium 2025-27 Executive Budget Request

VIII. 2025 Legislature

- A. 2025 Legislation
 - i. Board Policy on Enrollment Participation (Opt-In, Opt-Out)

IX. Announcements

- A. Next Meeting to be Determined

X. Adjournment

If the remote connection (via Zoom) is lost, the meeting will be recessed for up to thirty (30) minutes to restore communication. If the connection is lost, we will attempt to restart the meeting again with the same link. If the Board can reestablish audio communication only, the meeting will be reconvened and continue. If the Board is unable to reconvene the meeting because neither audiovisual communication nor audio communication can be reestablished within thirty minutes, the meeting will be automatically terminated.

Reasonable accommodations for people with disabilities are available upon request. Requests for accommodations should be submitted via email to david.j.rodriquez@hawaii.gov or by calling David Rodriguez at (808) 586-8855 (voice) as soon as possible. Such requests should include a detailed description of the

accommodation needed. In addition, please include a way for David Rodriguez to contact the requester if more information is needed to fulfill the request. Last minute requests will be accepted but may not be possible to accommodate. Upon request, this notice is available in alternate formats.

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HAWAII RETIREMENT SAVINGS PROGRAM BOARD MEETING

MINUTES

May 20, 2024
3:30 p.m.

I. Call Meeting to Order

Co-Chair Kunstman called the meeting to order at 3:30 p.m. on Monday, May 20, 2024, at the Ke'elikolani Building, Room 321, 830 Punchbowl St., Honolulu, HI 96813.

Quorum (6): Co-Chairs Bill Kunstman & Luis Salaveria, Members Keola Dean, Barbara Krieg, Brian Taniguchi & Karen Yasukawa. Representative Andrew Takuya Garrett joined the meeting at 3:40 p.m.

Others in attendance: Keali'i Lopez, AARP, Tereza Alezandre, David Rodriguez, DLIR Designated Legislative Coordinator, Kristine Reitan, Acting Board Secretary, Tri Pham, DLIR IT support.

II. Approval of the Minutes of the February 15, 2024, Meeting

Co-Chair Kunstman inquired if there were any corrections to the minutes of the February 15th, 2024, meeting that had been distributed. Co-Chair Kunstman noted there was a typo in the member attendee title for Luis Salaveria, that it should be changed from "Cho-Chair" to "Co-Chair".

The minutes were approved.

III. Public Comment Period

Co-Chair Kunstman solicited testimony from the public and none was offered at this time.

IV. Hiring of the Executive Director

A. Update on the Hiring of the Executive Director

Co-Chair Kunstman stated that over the last six months six additional applications have been received in addition to one application that had been received shortly after the selection panel had screened the first round of applicants. He noted that after the previous offer of selection was made to an applicant and subsequent Board discussion that recruitment was put on hold until the legislative process played out. The selection panel is willing and able to re-engage with the recruitment process on behalf of the Co-Chairs to derive candidates for the Co-Chairs' and subsequently Board's consideration.

How would the Board like for the recruitment to proceed?

Member Krieg stated as soon as possible and suggested that hiring someone a temporary basis would not be a fruitful strategy. Instead, the Board should consider hiring someone that can do a good job setting up the program and then have the Board monitor that person's performance and development. She stated that personally she thinks the Board needs more of a high level project manager to get the program off the ground rather than a person with financial market expertise.

Co-Chair Salaveria agreed and recommended that the Board should consider looking for someone who will focus on meeting with small businesses and explain the advantages of having employees enrolling in the program including as a recruitment incentive.

Member Dean agreed with Co-Chair Salaveria and Member Krieg and advocated for the Executive Director to have experience with local chambers of commerce or economic development offices and move forward. He also noted that legislation regarding the "opt-out" may not have passed due to the program not being up and running and not having an Executive Director.

Co-Chair Kunstman solicited testimony from the public.

Participant Keali'i Lopez recommended that although it would be helpful to have an Executive Director that had experience in navigating the state system, working with boards, understanding of the procurement process - preferably within the state or county, and experience in administrative rules, with the legislature. If the Board hyper-focuses on a person with financial industry experience it would limit the potential candidates. Participant Keali'i Lopez further mentioned that with the support of the Board, the Executive Director would have the resources and expertise to successfully start the program.

Co-Chair Kunstman again solicited testimony from the public and no more testimony was offered.

Co-Chair Kunstman noted that the consensus of the Board was to actively proceed with recruitment of an Executive Director.

V. Discussion on Legislation

A. HB1800 Relating to the State Budget/SB2553 Relating to Hawaii Retirement Savings Act

Co-Chair Kunstman sought testimony from the public and none was offered.

Co-Chair Kunstman explained that the Senate version of the measure (SB2553) moved through the legislative process intact as originally introduced—to require employers to automatically enroll employees into the Program and allow employees to opt-out instead of opt-in to the program as well as the housekeeping amendment to the definition of covered employer. The bill was only substantively amended by the last committee – House Finance. The Finance Committee amended the measure to strike the \$25M appropriation for the matching contributions from the original Act and lapse that money to the general fund.

Co-Chair Kunstman continued stating that in HB1800 RELATING TO THE STATE BUDGET both the House Draft and Senate Drafts contained a provision to delete the \$25M appropriation from the original Hawaii Retirement Savings Act. It appeared there

was agreement to lapse the \$25M, which seemed to be a good sign for the bill passing because with opt-out the State match would not be necessary. However, the legislation did not pass, essentially making no change to the existing Act or statute. The \$25M is still there and the budget worksheets will provide more information than the line items in the bill and should be posted soon to confirm that the FY2024-25 budget contains \$259,064 for the salaries for the Executive Director, program specialist, secretary, computer/software (\$2,000) and travel (\$15,000).

Co-Chair Salaveria and Member Taniguchi noted that not having House Conferees to SB2553 indicated that there was an issue that needed to be further examined by the Board and advocates regarding the legislation. Member Taniguchi noted that the lapse may be listed without any identifying information in the budget bill. Co-Chair Salaveria responded that the \$25M was not lapsed in the proviso section, for all intents and purposes the money is still there to be requested.

Co-Chair Salaveria requested that the DLIR request to deposit \$25M into the special fund to avoid lapsing the funds. Co-Chair Kunstman stated that the DLIR had initiated the process and should be shortly transmitting the request to the Dept. of Budget and Finance for approval.

Co-Chair Kunstman stated that in effect the legislature, by not making any changes to the statute, was indicating that program adjustments weren't necessary at this time—does the Board want to effectuate the program as is and maybe consider going back to the legislature next year and asking for a change?

Member Krieg said that seemed to be the best course of action and suggested that going back to the legislature next legislative session and that in the meantime that the Board could continue to recruit staff and initiate the program. She mentioned that there's a lot of work that should and needs to be done before that change in program design is made by the legislature. Member Krieg also mentioned it would be helpful to obtain more information on what prevented the bill from passing this past session.

Co-Chair Kunstman then solicited testimony from the public.

Participant Keali'i Lopez acknowledged that AARP will be working prior to the next legislative session with the legislature to learn about the issues and concerns regarding the measure. Passing legislation may be easier to do once the Executive Director is hired and the program is up and running.

Co-Chair Kunstman again solicited testimony from the public. No other testimony was offered.

B. GM658 Brian Taniguchi

Co-Chair Kunstman congratulated Mr. Taniguchi who was unanimously confirmed for a second term on the Board through June 30, 2028, by the State Senate. He also detailed that Board members Barbara Krieg & Karen Yasukawa terms expire at the end of June in 2025 and Board Members Keola Dean & Andrew Nomura expire at the end of June in 2026.

Co-Chair Kunstman solicited testimony from the public and none was offered.

VI. Budget

Co-Chair Kunstman reported that the first nine months of the fiscal year the Board has spent \$3,105.39—a correction of two cents. Board members were notified that the Department of the Attorney General will not be charging the program for legal services because services are provided by general funded staff. The only monies that the Board has spent is in recruitment and travel for Executive Director candidates.

Co-Chair Kunstman solicited testimony from the public, none was offered.

VII. Hawaii State Ethics Commission: Annual Financial Disclosure

Co-Chair Kunstman reminded the Board members to file their 2024 financial disclosure with the Hawai'i State Ethics Commission by May 31, 2024, and noted that the Board packet included the E-Filing Quick Guide for Filers.

Co-Chair Kunstman solicited testimony from the public, none was offered.

VIII. Announcements

Co-Chair Kunstman asked the Board members or public for announcements.

Keali'i Lopez suggested that the Board designees for legislative matters are the best conduits for the Board to keep informed about legislative developments during the interim and engage the Board as needed.

No other announcements were offered by the Board or members of the public.

- A. Next meeting to be determined.

IX. Adjournment

There being no further business, Co-Chair Kunstman called to adjourn the meeting at 4:04 p.m. Member Krieg moved to adjourn the meeting and was seconded by Member Dean. The Board voted unanimously to adjourn.

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

(a) The board shall have powers and duties in accordance with law to:

- (1) Establish, implement, and maintain the program;
- (2) Cause the program and arrangements and accounts established under the program to be designed, established, and operated:
 - (A) In accordance with best practices for retirement savings vehicles;
 - (B) To encourage participation, saving, sound investment practices, and appropriate selection of default investments;
 - (C) To maximize simplicity and ease of administration for employers;
 - (D) To minimize costs, including by collective investment and other measures to achieve economies of scale and other efficiencies in program design and administration;
 - (E) To promote portability of benefits; and
 - (F) To avoid preemption of the program by federal law;
- (3) Arrange for collective, common, and pooled investment of assets of the program;
- (4) Determine the eligibility of an employer, employee, or other individual to participate in the program;
- (5) Ensure the program's compliance with all applicable laws and regulations;
- (6) Establish procedures for the timely and fair resolution of participant and other disputes related to accounts or program operation;
- (7) Develop and implement:
 - (A) An investment policy that defines the program's investment objectives and that is consistent with the objectives of the program; and
 - (B) Other policies and procedures consistent with those investment objectives;
- (8) Cause expenses incurred to initiate, implement, maintain, and administer the program to be paid from the program and other available sources;
- (9) Establish and collect application, account, and administrative fees;

- (10) Accept grants, gifts, donations, legislative appropriations, loans, and other moneys from the State, any unit of federal, state, or local government, or any other person to defray the costs of administering and operating the program;
- (11) Enter into contracts pursuant to chapter 103D for services that the board deems necessary to carry out the purposes of this chapter, including:
 - (A) Services of private and public financial institutions, depositories, consultants, actuaries, counsel, auditors, investment advisors, investment administrators, investment management firms, other investment firms, third-party administrators, other professionals and service providers;
 - (B) Research, technical, financial, administrative, and other services; and
 - (C) Services of other state agencies to assist the board in the exercise of its powers and duties;
- (12) Develop and implement an outreach plan to gain input and disseminate information regarding the program and retirement savings in general;
- (13) Cause moneys to be held and invested and reinvested under the program;
- (14) Ensure that all contributions to individual retirement accounts under the program may be used only to:
 - (A) Pay benefits to participants under the program;
 - (B) Pay the cost of administering the program; and
 - (C) Make investments for the benefit of the program; provided that no assets of the program shall be transferred to the general fund of the State or to any other fund of the State or otherwise encumbered or used for any purpose other than those specified in this paragraph;
- (15) Provide for the payment of costs of administration and operation of the program;
- (16) Evaluate the need for and, if the board deems necessary, procure:
 - (A) Insurance against any and all loss in connection with the property, assets, or activities of the program; and
 - (B) Pooled private insurance;
- (17) Indemnify, including procurement of insurance if and as

needed for this purpose, each board member from personal loss or liability resulting from the member's action or inaction as a board member;

- (18) Collaborate with and evaluate the role of financial advisors or other financial professionals, including in assisting and providing guidance for covered employees; and
- (19) Reimburse, when appropriate, the general fund of the State of Hawaii for the initial expenses incurred for initiating, implementing, maintaining, and administering the program; and
- (20) Take any other action the board deems reasonably necessary to carry out the purpose of this chapter.

(b) The board may develop and disseminate information designed to educate covered employees about the impacts of opting in to the program on take-home pay, savings strategies, and the benefits of planning and saving for retirement to help covered employees in deciding whether to participate and at what level participation may be appropriate.

(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. [L 2022, c 296, pt of §2]

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