

Honolulu, Hawaii

FEB 12 2016

RE: S.B. No. 2155
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Twenty-Eighth State Legislature
Regular Session of 2016
State of Hawaii

Sir:

Your Committee on Judiciary and Labor, to which was referred
S.B. No. 2155 entitled:

"A BILL FOR AN ACT RELATING TO THE EMPLOYEES' RETIREMENT
SYSTEM,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require the Employees' Retirement System (ERS) to identify fossil fuel companies in which the ERS has direct or indirect holdings and create a list of fossil fuel companies in which the ERS has direct holdings by January 1, 2017; provided that the list is updated on a quarterly basis;
- (2) Require the ERS to divest of all direct and indirect holdings in fossil fuel companies over a period of five years; provided that the ERS is not required to divest indirect holdings in actively managed investment funds and may reinvest in fossil fuel companies under certain conditions;
- (3) Prohibit the ERS from investing in fossil fuel companies; and
- (4) Require the ERS to report to the Legislature the list of fossil fuel companies in which the ERS has direct holdings within ninety days of creation of the list and



annually thereafter report to the Legislature divestments, prohibited investments, and progress made.

Your Committee received testimony in support of this measure from Americans for Democratic Action; 350Hawaii.org; Sierra Club of Hawai'i, Oahu Group; Sierra Club of Hawai'i; Surfrider Foundation; Hawaii Center for Food Safety; Trees to Seas; and twenty-seven individuals. Your Committee received testimony in opposition to this measure from the Employees' Retirement System and Hawaii Government Employees Association. Your Committee received comments on this measure from one individual.

Your Committee finds that in the last five years, the energy sector has lost more than three percent of its value on the Standard & Poor's 500, while the rest of the market has grown more than ten percent. Various cities across the country have divested public pension funds of all holdings in fossil fuel companies, and no damage to these investment portfolios has been reported. Implementation of this measure will help assure that the State's largest public sector investment fund is financially solvent to benefit the fund's beneficiaries in the long term.

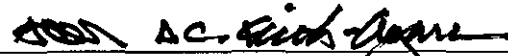
Your Committee has amended this measure by:

- (1) Inserting an effective date of January 7, 2059, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2155, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2155, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Judiciary and
Labor,



GILBERT S.C. KEITH-AGARAN, Chair



The Senate
Twenty-Eighth Legislature
State of Hawai'i

Record of Votes
Committee on Judiciary and Labor
JDL

| | | | | |
|--|--|------------------------|------------|----------------|
| Bill / Resolution No.:* SB 2155 | Committee Referral: JDL, WAM | Date: 2/9/16 | | |
| <input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____ | | | | |
| The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313 | | | | |
| Members | Aye | Aye (WR) | Nay | Excused |
| KEITH-AGARAN, Gilbert S.C. (C) | ✓ | | | |
| SHIMABUKURO, Maile S.L. (VC) | ✓ | | | |
| GABBARD, Mike | ✓ | | | |
| <div style="background-color: black; width: 100px; height: 15px;"></div> | | | | |
| KIM, Donna Mercado | | ✓ | | |
| THIELEN, Laura H. | | | | ✓ |
| SLOM, Sam | | | ✓ | |
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| TOTAL | 3 | 1 | 1 | 1 |
| Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted | | | | |
| Chair's or Designee's Signature: | | | | |
| Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy | | | | |

*Only one measure per Record of Votes