



HAWAII GOVERNMENT EMPLOYEES ASSOCIATION

AFSCME Local 152, AFL-CIO

RANDY PERREIRA, Executive Director • Tel: 808.543.0011 • Fax: 808.528.0922

The Twenty-Eighth Legislature, State of Hawaii
The Senate
Committee on Judiciary and Labor

Testimony by
Hawaii Government Employees Association

January 29, 2016

S.B. 2155 – RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO opposes S.B. 2155, which requires the Employees' Retirement System to divest its entire investment portfolio from fossil fuels within five years.

While we appreciate the efforts of the Legislature to reduce Hawaii's dependence on non-renewable energy sources, we respectfully argue that the Board of Trustees' fiduciary duty, in concert with the System's investment strategy, should focus on maximizing investment returns and reducing the fund's \$8 billion unfunded liability. In order to capitalize on its investments, the Board needs the flexibility and authority to pursue a wide range of investment options. Mandating adherence to a rigid and arguably aggressive five-year divestiture schedule introduces unnecessary risk to investments and will not yield the best performing portfolio for beneficiaries. Lastly, the ERS Board of Trustees' investment program already gives consideration to environmental and socially-responsible investments.

In the pursuit of a robust and solvent trust for our retirees and beneficiaries, we respectfully request this measure be deferred. Thank you for the opportunity to testify in opposition to S.B. 2155.

Respectfully submitted,

for Randy Perreira
Executive Director

TESTIMONY BY THOMAS WILLIAMS
EXECUTIVE DIRECTOR, EMPLOYEES' RETIREMENT SYSTEM
STATE OF HAWAII

TO THE SENATE COMMITTEE ON JUDICIARY AND LABOR
ON

SENATE BILL NO. 2155

JANUARY 29, 2016, 9:00 A.M.

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Keith-Agaran, Vice Chair Shimabukuro and Members of the Committee,

S.B. 2155 would require the Employees' Retirement System (ERS) to completely divest its investment portfolio of coal, oil, and gas companies by July 1, 2021.

The ERS Board of Trustees has not had the opportunity to review the current version of this proposed legislation and, therefore, has not yet taken a formal position.

The ERS supports the general effort of the Legislature to make Hawaii less dependent on unsustainable energy sources and supports community and legislative safeguards for the natural resources and the environment of Hawaii and the globe. The Board acknowledges and supports the State's goal of achieving its renewable energy standards by 2045.

The Board's responsibility regarding the ERS investment program is outlined in a robust and extensive Investment Policy Guidelines Procedures Manual which devotes a full chapter on Socially Responsible Investing (SRI). Falling within the realms of ERS SRI is the consideration of environmental, social and corporate governance in selection of investment management companies.

- Features of the ERS SRI strategy include:
 - Avoiding companies whose records conflict with ERS investment values;
 - Seeking out companies whose record is consistent with ERS values;
 - Targeting investments directly into communities;
 - Taking an active role as a shareholder in influencing corporate policies; and
 - Evaluating environmental, social, and governance (ESG) issues.

The ERS is governed by a strong and effective Board of Trustees with independent advice provided by professional consultants chosen through a competitive bid process every three to five years and supplemented by a seasoned group of in-house investment professionals lead by our Chief Investment Officer. Our team is respected across the nation for its innovative and disciplined approach toward portfolio risk reduction.

Our consultants advise many of the largest public pension funds in the U.S. and across the globe. This includes a number of the funds referred to in position statements issued by the bill's proponents. We've discussed the issue of fossil fuel divestment with our consultants and we

have not been advised to divest from the same. Rather, the risk associated with our doing so has been highlighted.

ERS has been recognized nationally for a 2015 Investor Intelligence Award nomination in the category of Good Governance. In addition to safe-guarding the fund's investments and sustainability, good governance involves the balancing of the fund's investment returns with good citizenship through environmental awareness, ethical behavior, internal controls, performance measurement and sound corporate governance practices.

Our consulting firms continually monitor our managers and their investments with regard to social responsibility and good governance, including assessment of fossil fuel companies within the portfolio. They are charged to recommend sale where companies' practices are in conflict with our policies or where investment outcomes are believed to differ materially from those we expect.

The ERS investment team and board routinely discuss with our consultants and investment managers our overall exposure not only to fossil fuel companies but to companies that are engaged in renewable and sustainable energy initiatives. We have substantial investment in renewables, solar and wind energy companies and will add more as opportunities present themselves.

ERS believes strongly that important decisions such as divestment from fossil fuels should only be made following a complete understanding and examination of its impacts and alternatives.

When proponents cite the seemingly endless and growing list of cities, colleges, endowments and pension funds that have chosen to divest, there is no mention of any organizations that have studied the issue and elected not to. This movement is presented as a tide which we shouldn't, and inevitably won't, be able to resist. It is not.

Harvard and Yale Universities have considered the issue and its implications and both have elected not to divest. Harvard's president, Drew Faust, has stated, "I do not believe, nor do my colleagues on the Corporation, that University divestment from the fossil fuels industry is warranted or wise." Many who have elected not to divest prefer constructive engagement as a means to alter corporate behavior.

When proponents of divestment recite the list of those who have affirmatively elected to act there is little if any mention of the many and diverse ways in which organizations have responded.

For example, the California Public Employees' Retirement System (CalPERS), cited as having divested, is known to have divested only from coal. It is widely accepted that the burning of coal for electricity generation is the largest source of greenhouse gas emissions. Some studies suggest as much as 80%.

It is important to note that ERS has virtually no coal investment in its portfolio, putting it on a footing similar to CalPERS, but having done so without mandated divestment.

Others who have elected to divest have done so only from "tar sands oil," that is oil derived from one of the more expensive to mine, refine and polluting sources. Still others have elected to divest only of energy sector companies that derive more than 50% of their revenues from their coal, oil or natural gas operations.

We know of no large state-wide public pension fund that has elected to divest from all fossil fuel related investments to date.

Loose factual recitation of the pace and breadth of divestment initiatives serve neither to convey the complexity of the issue nor the diversity of responses. The importance of the divestment issue and its potential impact on our returns should not be underestimated. As noted, there neither has been, nor is there likely to be, a uniform response to calls for divestment as the funding level, risk tolerance, priority of SRI and other risk factors have to be weighed in the context of each individual plan and its investments.

Full divestment introduces added risk into our portfolio by excluding a large sector of the market from consideration. Our investible universe, or opportunity set, will be much smaller than that of many of our peers.

Irrespective of the merits either for or against divestment, there is a significant disconnect between the bill's proponents and the State's timeframe for achievement of its renewable energy standards. The former mandates divestment within five years commencing on the bill's effective date, while the State targets 2045. There is a high probability and corresponding risk that renewables won't be sufficiently available in the near term, or perhaps longer-term, to substitute entirely for fossil fuels. We don't know whether technological advances will make the burning of fossil fuels cleaner and thus competitive with renewables. It can be extremely damaging to our returns and our economy if we get that call wrong.

While we acknowledge the passion and focus of those opposed to fossil fuel investments on social and environmental grounds, we concurrently acknowledge our focus and fiduciary responsibility on providing the best risk adjusted return we can achieve in order to meet our commitment to our members and their beneficiaries. We don't ignore other factors in their entirety, but sustainability of our plan within reasonable risk parameters is our focus.

Those who assert that "fossil fuel divestment is not risky; does not weaken returns on investments" are in the first instance wrong and, the second, unproven. Research clearly demonstrates that mandates which reduce the universe of investible securities introduce greater risks into the portfolio to which such mandates are applied.

We wish to avoid increased risk at a time during which we are restructuring our portfolio with the express purpose of reducing risk. This restructure, which the board has approved and involves several billion dollars of our assets, is underway and is expected be completed over the next 12 to 18 months. Any fossil fuel divestment mandated by this bill, and its related reporting, will inevitably require the attention of our board, management team, and investment staff. Attention diverted away from this priority to restructure will negatively impact its timing, implementation, and even perhaps, its success.

The costs to be incurred for compliance with the bill's mandate are not insubstantial. A one-time comprehensive study is estimated to cost a minimum of \$150,000 and perhaps more. Transaction cost associated with divestment and reinvestment in alternative securities is estimated at \$1.4 million dollars annually. Annual and quarterly reporting along with administrative costs is estimated between \$80,000 and \$200,000 annually. Opportunity costs are incalculable.

ERS' current funding level stands at 62.2% and its unfunded liability at \$8.8 billion dollars. Benefit formulas, contribution patterns, investment returns and demographic shifts have all contributed to this result. ERS' board has addressed each of these issues head on. The issues surrounding fossil fuel investments are neither unique nor to be dealt with in an alternative manner. The unintended consequence of doing so represents an unreasonable risk to the System's funding, sustainability and governance.

We strongly believe that we should be allowed to utilize our documented, systematic and disciplined investment policies and processes to determine either inclusion or exclusion of specific securities in the context of our portfolio. Other approaches, no matter how well intentioned, pose unnecessary and unknowable risks to the achievement of our objectives.

Our board respectfully asks that you let it, our staff, professional consultants and managers make the complicated decisions surrounding our investments, fossil fuels included. We have the fiduciary responsibility, accountability, skills and independent professional resources to do so.

On the factual basis outlined above we oppose this proposed legislation.

On behalf of the Board of Trustees and staff of ERS we wish to thank you for the opportunity to testify.



AMERICANS FOR DEMOCRATIC ACTION

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MAILING ADDRESS

PO. Box 23404
Honolulu
Hawai'i 96823

Jan. 27, 2016

TO: Honorable Chair Keith-Agaran and Members of the Senate Judiciary Committee

RE: SB2155 Relating to the Employees' Retirement System
Support

Americans for Democratic Action is an organization devoted to the promotion of progressive public policies.

We support SB2155 as it requires the employees' retirement system to divest its investment portfolio of coal, oil, and gas companies within five years. Last year the legislature wisely passed goals for our state to use only renewable energy sources. As we are dumping fossil fuels from our energy system, it makes logical sense to dump their securities from our portfolios. This makes both financial and moral sense.

Thank you for your consideration.

Sincerely,

John Bickel
President



Testimony by Brodie Lockard, Founder, 350Hawaii.org
To the Senate Committee on Judiciary And Labor
In Support of Senate Bill No. 2155,
Relating to the Employees' Retirement System
January 29, 2016, 9:00 a.m.

Dear Chair Keith-Agaran, Vice Chair Shimabukuro and Committee Members,

350Hawaii.org writes in strong support of SB2155.

Oil prices are at a 13-year low. A \$1,000 investment in the nation's three largest coal companies in 2011 was worth less than \$3 in 2015. Eighty percent of known carbon reserves must stay in the ground to fulfill December's Paris Agreement. Together, California's two major public pension funds lost over \$5 billion on energy-related investments for their latest fiscal years. The Attorneys General of both New York and California are investigating Exxon Mobil to find whether it lied to shareholders and the public about the risk to its business from climate change.

The statistics are endless, and get worse each week. The age of fossil fuels is ending, and the markets see it. Globally, the explosion of renewable energy use and the nascent avalanche of regulation restricting the burning of carbon have already begun to catch many investors by surprise. They've ignored the warnings and the studies.

The Director of ERS admitted in a hearing Tuesday that no study was needed to know that fossil fuel investments have been toxic in recent years. How much of retirees' money has already been lost in fossil fuel investments? And how much still stands to be lost? ERS may be reviewing their portfolio, but the energy sector is undergoing radical, rapid change that demands unusual, immediate attention.

Fossil fuel values are falling fast, and will only get worse. 115,000 state employees deserve safer investments.

350Hawaii.org urges you to pass SB2155. Thank you for your time.

Brodie Lockard

A handwritten signature in black ink that reads 'Brodie Lockard'. The signature is written in a cursive, flowing style.

Founder, 350Hawaii.org



Senate Committee on Judiciary & Labor

January 29th, 2016 9:00am

Testimony in support of SB 2155 by Anthony Aalto

Aloha Chair Keith-Agaran, Vice Chair Shimabukuro and Members of the Committee.

Sometimes, as Members of this Legislature, you have a chance to do well by doing good. This is one of those great opportunities.

You can help make the state's biggest public sector investment fund more financially solvent -to the benefit of both its beneficiaries and the taxpayers of Hawaii- AND you can do your bit to help us avoid the climate change disaster that many experts now describe as an existential threat.

I am testifying in my capacity as Chair of the Sierra Club of O'ahu and on behalf of our 8,000 members and supporters. I thank you for this opportunity to share our concerns and I urge you to help us achieve these twin goals by requiring the ERS Board to divest its investments in fossil fuel companies. In doing so you can help ensure that the fund staunches the enormous losses that have resulted from its investments in the fossil fuel sector in recent years.

In the last five years the energy sector (which, as defined by Wall Street, means the fossil fuel sector) has lost more than 3% of its value on the S&P exchange, while the broad market has recorded growth over the same period of more than 10%. Indeed the "energy" sector has lost money versus the broad market in the last year, in the last three years, in the last five years and in the last ten years.

While the management of the ERS portfolio has not publicly disclosed the size of these losses, experts we have consulted suggest the losses may have amounted to as much as \$50 million in the last five years. This at a time when taxpayers are being required to expend tens of millions of dollars to help boost the system's solvency.

The Employees Retirement System (ERS) was created to provide retirement allowances and other benefits to State and county government employees. Its investment policies must achieve sufficient returns to meet the obligations to those beneficiaries. That is an over-riding fiduciary obligation. It is a commitment which we wholeheartedly respect. We do not in any way wish to deny or undermine that obligation.

Why the Fiduciary Argument Does Not Apply

However we would note that hundreds of similar funds, with holdings worth in excess of 3.4 trillion dollars, with **identical** fiduciary obligations, have made the decision to divest from fossil fuel stocks in recent years. Not one has been sued for failing to meet its fiduciary obligations. Indeed we believe all of them have achieved *better financial performance* precisely *because* of their divestment decisions.

The California Legislature recently required CalPERS, the largest public pension fund in America and CalSTRS, the 13th largest public pension fund in the world, to divest all holdings in coal. The sovereign investment fund of the nation of Norway has done the same. We understand those moves in California may soon be followed by decisions to divest from oil and gas stocks too.

Cities as diverse as San Francisco, Portland and Minneapolis have totally divested their public pension funds of *all fossil fuel stocks*, as has the Rockefeller Brothers Fund (whose endowment was of course initially funded by oil profits) and Axa, one of the major financial corporations in the world - not to mention the Regents of our very own University of Hawaii. None of these actions have resulted in any reported damage to the finances of their investment portfolios. Indeed, before the UH Regents voted to divest last year, they received a briefing from UBS, which is the world's largest manager of private wealth assets, in which they were informed that divestment would neither increase risk to the university portfolio, nor increase the endowment's management fees.

In testimony before the House Committee on Energy & Environmental Protection on Tuesday, the Executive Director of the ERS conceded that the system has lost money on fossil fuel investments and that investing in those stocks in the foreseeable future is not a winning proposition.

Bottom line: the fiduciary argument against this bill is false; it is a red herring.

Tortured Speculation

We suspect that those who would argue against divestment cannot brandish real arguments about what has happened in the real world to real fossil-fuel divestment and therefore must resort to either tortured speculation or to empty rhetoric about principles.

The tortured speculation is to say, "But what if fossil fuel stocks start to outperform the broad market? It would be irresponsible to foreclose that investment opportunity." The Executive Director of the ERS said as much on Tuesday, holding out the mirage of "clean coal" and "carbon capture" technologies.

But for the foreseeable future it is quite clear that a resurgence in fossil fuel stocks, sufficient to outstrip investment in other sectors of the market, will not happen.

Moves already undertaken by governments all over the world -led by the United States- and the commitments that 192 nations entered into at the recent Paris conference on climate change, make it inevitable that restrictions on the use of fossil fuels will grow, carbon will increasingly be taxed and the assets that sustain the prices of the fossil fuel companies will continue to plummet in value.

The Consensus of the Experts

When people of the stature of the Governor of the Bank of England -speaking at sober meetings of the International Monetary Fund- warn that the assets of fossil fuel companies will become stranded, it takes a particular type of stubbornness to insist that fossil-fuel investments may one day prove a boon to the ERS.

To cite just a few reasons why investments in fossil fuels are becoming toxic, consider the following:

Paul Fisher, Executive Director for Supervisory Risk and Regulatory Operations of the Bank of England, has stated that "As the world increasingly limits carbon emissions, and moves to alternative energy sources, investments in fossil fuels -- a growing financial market in recent decades -- may take a huge hit."

Former United States Treasury Secretary Hank Paulson has observed that "We're staring down a climate bubble that poses enormous risks to both our environment and economy".

Former Securities and Exchange Commissioner Bevis Longstreth has commented that "The risks [to portfolios] are many and growing" and "Fiduciaries have a compelling reason, on financial grounds alone, to divest these holdings before the inevitable correction occurs".

Mark Carney, Governor of the Bank of England, has warned investors of "potentially huge" losses and the danger of the assets of fossil fuel companies being left "stranded" by tougher rules to curb climate change.

Sir Mark Moody-Stuart, former chairman of Royal Dutch Shell, remarked that selling oil stocks is a rational response to the failure of the oil industry and stated that "Divestment is an entirely rational market approach if you think that there are better uses for your funds."

Analysts at Citigroup, AXA Investment Managers, Goldman Sachs, Standard and Poor's, and HSBC have all warned of the carbon bubble and the likelihood of fossil fuel companies being forced to write-down the value of their stranded assets.

The Increasing Threat to Fossil Fuel Stocks From Climate Change Rules

Carbon regulations continue to grow globally and rapidly. The world now has over eight hundred laws regarding climate change, a near doubling since 2009.

China, the world's biggest greenhouse gas emitter, plans to cap coal consumption in 2020 and to cap the growth of carbon dioxide emissions by 2030.

By 2030, President Barack Obama's administration's Clean Power Plan will reduce power plant emissions by thirty-two per cent from 2005 levels.

Within a decade, automobiles sold in the United States must achieve an average of 54.5 miles per gallon, nearly double current standards. Automobiles consume over sixty per cent of the oil used in the United States.

These legislative and regulatory restrictions on fossil fuels will inevitably and greatly increase after the international agreement reached at the December 2015 United Nations Climate Change Conference in Paris.

Further evidence of this growing regulatory regime, which will continue to undermine the value of fossil fuel stocks, is shown by President Obama's recent moratorium on new leases for coal mines on federal land, the source of forty per cent of U.S. coal.

Analysts predict that the majority of the \$48 trillion needed to meet global power demand over the next twenty years will come from renewable sources, not fossil fuels.

Small wonder that a \$1,000 investment in the nation's three largest coal companies in 2011 was worth less than \$3 in 2015. One wonders how much coal investments have cost the ERS.

These are the sort of threats that the ERS' investments in fossil fuel stocks face in coming years. Carbon regulation will increase, fossil fuel stock prices will fall and **the hard working civil servants and public sector workers of Hawaii will be punished**, as will the taxpayers who will be forced to make up the shortfalls caused by the obtuse refusal to abandon an investment sector in free fall.

Betting Against the State of Hawaii's Own Policy

One of the more nefarious aspects of the stance of those who would refuse to divest from fossil fuel stocks is that continuing to invest in them is to bet against the stated will and financial commitment of the people of Hawaii.

This Legislature and this administration have formally adopted a goal to be carbon-free by 2045. This decision was motivated in part by the recognition that in doing so Hawaii can become a national leader in clean energy, which in turn will save us billions in fossil fuel imports every year and create a new economic sector for Hawaii with thousands of high paid blue and white collar jobs.

By continuing to make its multi-million dollar gamble on fossil fuels the ERS is literally betting against the huge financial commitment to clean energy being made by the state, by businesses and by thousands of private citizens.

Principle?

And so we fall to one last excuse for staving off a requirement to bring the ERS' investment policies into compliance with the state's energy policy goals: "You must not tie our hands *as a matter of principle*. We are an independent board tasked with one responsibility only: to secure maximum returns for the investment portfolio and, *as a matter of principle*, the Legislature should not prevent us from making all investment decisions with complete independence."

But the Legislature has ALREADY tied the hands of the ERS and it has done so precisely as a matter principle. As the Executive Director of the ERS noted in his testimony on Tuesday, the Legislature in the past has instructed the ERS to divest from South Africa and Sudan, it has instructed the ERS to invest in Hawaii technology companies, and it has told the ERS to follow Socially Responsible Investment strategies. Indeed the ERS' most recent "Investment, Policy and Guidelines Manual", approved in September 2015, states that, "Upon the encouragement by the House of Representatives of the Twenty-sixth Legislature of the State of Hawai'i, Regular Session of 2012, the ERS will continue to apply the principles of SRI (socially responsible investing) in investment practices and decisions, and encourage other investment counselors and money managers to apply SRI to their investment portfolios."

What could possibly be more socially responsible than divesting from companies whose business is already causing the sixth great extinction of species on the planet, causing the rise of oceans that threaten the beaches and coastal areas on which our tourist industry is built, and causing the majority of the world's scientists to warn of cataclysmic impacts on our civilization?

Please vote for this bill. Mahalo

Senate Committee on Judiciary & Labor

January 29th, 2016 9:00am

Testimony in support of SB 2155 by Dawn Morais Webster Ph.D.

Good morning Chair Keith-Agaran, Vice Chair Shimabukuro and Committee Members:

I am here to testify **in support of Senate Bill 2155** because I believe we cannot afford to keep doing what we have been doing. To allow the Employees Retirement System (ERS) to continue to invest hard-earned retirement dollars in fossil fuel companies is in effect saying three things:

One: we will continue to further damage our physical environment.

Two: we will make it harder for seniors to support themselves in their later years.

Three: despite living on these very vulnerable islands, we really are not as serious as we profess to be about our commitment to renewable energy.

Several studies point to the poor performance of fossil fuel investments. They also point to the promise of renewable energy. These islands and the people who live here stand to be among the hardest hit by climate change. Scientists on these islands are already sounding the alarm on how marine life is being severely impacted by climate change.

Why would we keep giving our retirement monies to those whom we know with certainty have been working against the best interests of planet earth in favor of the bottom line of oil companies?

Some choices are easier and clearer than others. Please: Just say NO to helping fossil fuel companies profit at the expense of seniors. Let's not just comfort ourselves with the notion that we are "starting a conversation." One does not start a conversation about the potential negative impact of a fire when the house is burning down.

Our planet is burning. These islands are burning. Let's not reward the arsonists. And let us not ask the dedicated civil servants and public sector employees of Hawaii to pay the price because the ERS has not acted to get their retirement funds out of fossil fuel companies. It is impossible to fathom why the ERS would not get out of fossil fuels when they acknowledge losing money on investments in that sector. Let's help them act. Please pass SB 2155 before it is too late to keep the income of Hawaii seniors from burning up too.

Jan. 29, 2016

Support for SB 2155, Relating to ERS (Employee Retirement System)

Dear Sen. Keith-Agaran, Sen. Shimabukuro and JDL Committee members,

Please support SB2155, Relating to ERS (Employee Retirement System). This bill requires that ERS advisers reduce the amount of ERS investments in coal, oil and gas over a five year period.

It is time for our state financial bodies to realize that the energy picture--and thus the financial picture--is changing in the U.S. and around the world. Globally, we are moving away from fossil fuels and into renewables (this includes China). The transition has begun and will only continue to grow. Currently, oil prices are down; but price volatility of all fossil fuels in the near future is the only certainty.

State investments, especially those in the Employee Retirement System, must be carefully chosen to preserve and grow the fund. Studying the issue is the first step in determining the best course of action from this point forward. Information in the bill itself explains that fossil fuel investments have already become a liability. The legislature needs to act responsibly NOW to carefully but gradually reduce the exposure of ERS and any other state investments that may be affected by this monumental change in the energy economy.

Please support SB2155 to carefully but steadily divest ERS of its fossil fuel investments over time.

Sincerely,
Jan Pappas
Aiea, Hawaii

From: mailinglist@capitol.hawaii.gov
To: [JDLTestimony](#)
Cc:
Subject: Submitted testimony for SB2155 on Jan 29, 2016 09:00AM
Date: Thursday, January 28, 2016 6:17:13 AM

SB2155

Submitted on: 1/28/2016

Testimony for JDL on Jan 29, 2016 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
D Matsuda	Individual	Support	No

Comments: "I support SB2155."

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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From: mailinglist@capitol.hawaii.gov
To: [JDLTestimony](#)
Cc:
Subject: Submitted testimony for SB2155 on Jan 29, 2016 09:00AM
Date: Thursday, January 28, 2016 8:48:23 AM

SB2155

Submitted on: 1/28/2016

Testimony for JDL on Jan 29, 2016 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Pu'uohonua Bumpy Kanahele	Individual	Comments Only	No

Comments: Aloha Chair Keith-Agaran, Vice Chair Maile Shimabukuro and Committee Members, Please Support this bill! The timing is right for this committee and the legislature to exercise the Best Practices of Social Responsible Investments, "Invest in things that Do Good and Do No Harm". Over 500 local government, educational institutions, religious institutions and foundations have already committed to divestments of fossil fuels, including 60 pension funds, Seattle, World Council of Churches, the Rockefeller Brothers Fund and Stanford University. Independent & Sovereign Nation State of Hawai'i/ Nation of Hawai'i is in STRONG support of SB2155. Here's a friendly reminder: The Future is Bright Building a Clean Energy Economy for Hawaii Hawai'i is the most fossil fuel dependent state in the union. The finite nature of fossil fuels and the fact that Hawaii is extremely vulnerable to fluctuations in oil prices and availability, have, in turn, inspired us to create one of the nation's most aggressive "clean energy" goals. When we achieve our target of 70% clean energy by 2030, we will have established an enviable global standard. The world has already discovered that Hawaii is the ideal laboratory for the development of environmentally friendly technologies. Moving forward, it should be priority for businesses and developers to expand their efforts to explore our islands for clean energy investment opportunities. Hawaii State Energy Office Much Aloha, Bumpy Pu'uohonua D. Bumpy K. Kanahele Head of State Independent & Sovereign Nation State of Hawaii puuhonua13@gmail.com

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Dear Chair Keith-Agaran, Vice Chair Shimabukuro and Committee Members,

I strongly support SB2155 for the following reasons:

1. As a recent State retiree, I am most concerned about the value of the ERS Retirement Fund.
2. Investments in oil and carbon companies are the worst possible investments right now. Oil prices are at a 13-year low. A \$1,000 investment in the nation's three largest coal companies in 2011 was worth less than \$3 in 2015.
3. California's two major public pension funds lost over \$5 billion on energy-related investments for their latest fiscal years. Specifically, America's two biggest state pension funds—CalPERS, the public employees' pension fund, and CalSTRS, the teachers' pension funds—have been forced by law to drop all coal holdings from their combined \$500 billion portfolio. They hold some of the largest fossil fuel investments in the world: \$20 billion in coal, oil, and gas.
4. Over 500 universities, cities, churches and other institutions have committed to divesting their fossil fuel holdings—including Stanford University and the Rockefeller Brothers Fund—and hundreds of others are considering it. Last year Norway's sovereign wealth fund—the world's richest—dropped 114 coal miners, tar sands producers and other companies from its \$850 billion portfolio. “Our risk-based approach means that we exit sectors and areas where we see elevated levels of risk to our investments in the long term,” said a spokeswoman. “In March Oslo became the first capital in the world to join the movement. In April, hundreds of thousands of Danish professionals divested much of their \$35 billion pension funds from coal and high-risk oil and gas projects.
5. Globally, the explosion of renewable energy use and the avalanche of regulations restricting the burning of carbon have already begun to catch many investors by surprise.
6. How much of the State's retirees' money invested in fossil fuels did ERS lose last year? Do you know? Does anyone know? However, the Director of ERS admitted in a hearing Tuesday that no study was needed to know that ERS has lost significant money from fossil fuel investments in recent years. Isn't this reason enough to support SB2155? The energy sector is undergoing radical change that demands unusual, immediate attention.
7. Fossil fuel values are falling fast, and will only get worse. The 115,000 State employees deserve safer investments. The 115,000 State employees urge you to pass SB2155.

Respectfully,

Gil Peñaranda

Dear Chair, dear Committee Members,

I would like to voice my strong support of SB2155.

The merits of investing in fossil fuels are tenuous at best, with oil prices hitting decadal lows, offshore drilling becoming increasingly unprofitable, and the Paris Agreement setting stringent limits on the exploitation of carbon-based fuels for the foreseeable future.

Please mandate an end to ERS' investments in fossil-fuel related companies, such that stakeholders will know that the funds that are meant to guarantee pensions are creating competitive returns from investing in technology and energy sources of the future, rather than the past.

Mahalo,

Harald Ebeling

From: mailinglist@capitol.hawaii.gov
To: [JDL Testimony](#)
Cc:
Subject: *Submitted testimony for SB2155 on Jan 29, 2016 09:00AM*
Date: Tuesday, January 26, 2016 1:14:57 PM

SB2155

Submitted on: 1/26/2016

Testimony for JDL on Jan 29, 2016 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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Subject: Submitted testimony for SB2155 on Jan 29, 2016 09:00AM
Date: Thursday, January 28, 2016 8:54:41 AM

SB2155

Submitted on: 1/28/2016

Testimony for JDL on Jan 29, 2016 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Jeffrey Yin	Individual	Support	No

Comments: Dear Chair Gilbert Keith-Agaran and members of the Senate Committee on Judiciary and Labor, I am submitting written testimony in support of SB2155 to divest the ERS of its investments in coal, oil, and gas companies within five years. I am a native Hawaiian and Ph.D. climate scientist, so I am well aware of the risks that climate change poses to our state. Rising sea levels, ocean acidification, and stronger hurricanes, among other effects, endanger the places that we love and threaten to incur huge costs to protect and move our infrastructure. Joining the many local governments, universities, and other institutions that are divesting from fossil fuels is one way that we can contribute to reducing the effects of climate change. In addition, with the Paris agreement to limit global warming below 2 degrees Celsius, there is worldwide momentum to move away from fossil fuels. Coal, oil, and gas companies are likely to lose value as governments across the globe create policies to keep fossil fuels in the ground. Thus, the Paris agreement also signals that this is a great time for our state to get out of investments in fossil fuel companies that are likely to perform poorly in the face of new policies to limit climate change. For these reasons, I urge you to support SB2155. Thank you for taking the time to read my testimony. Jeffrey Yin, Ph.D. Makiki, Honolulu, Hawai'i

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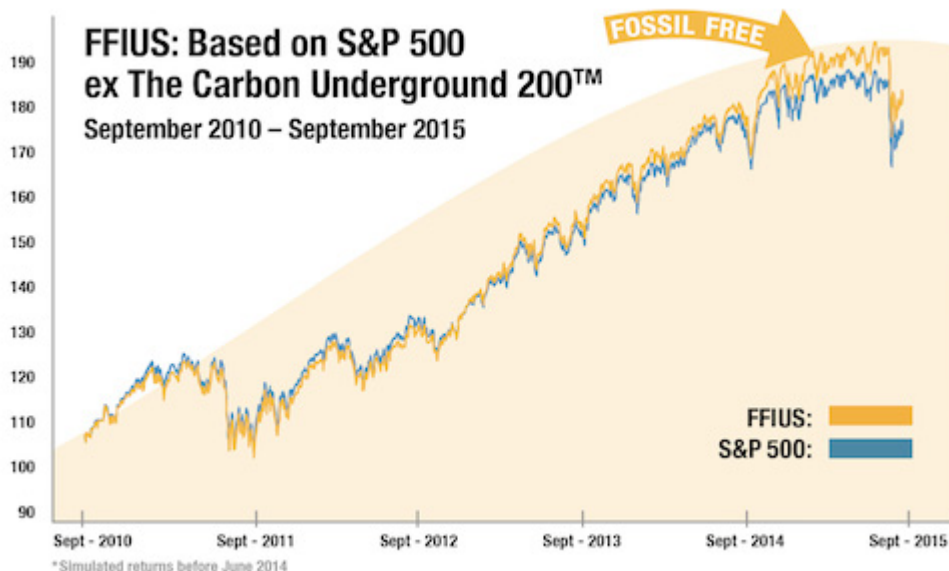
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As a faculty member at UH Mānoa who plans to retire within the next ten years, I have a vested interest in the growth and health of funds in the Employee Retirement System (ERS). As I've watched the performance of fossil fuel-related funds plummet over the past five years, I've grown increasingly concerned over the effect of those declines on the ERS portfolio.

Additionally, as a researcher of marine mammals here in Hawai'i, and as a 38-year resident, I've witnessed first-hand the destructive effects of global warming on our beautiful coastlines. I've seen the effects of increasing carbon dioxide acidifying our waters and killing our coral reefs, and the effects of powerful storms that have eroded our beaches. I've seen the number of trade wind days decrease over the past 20 years, as described by UH researcher Pao-shin Chu. I also have recent memory of three hurricanes that were stacked up one after the other headed towards our islands that, fortunately, diverted away from us. I know that in the coming years we may not be so lucky. I also know that in a matter of a decade or two, much of Waikiki will be under water, given the present rate of ocean rise.

Thus, I'm strongly in favor of divestment of ERS funds from fossil fuels, the energy source that has caused all of these problems, as soon as possible.

As concerns the risks of divestment, there is mounting evidence that dropping fossil fuels increases financial returns, as shown in the graph below for the period 2010-15 (prepared by Fossil Free Indexes of the US):



Based on the analysis by Fossil Free indexes, those funds divesting from the Carbon underground 200 list would have seen their [holdings increase 10% in one year](#). Thus divesting by itself should produce major gains relatively quickly without

supplements from other funds. So divesting is not a risk, it's the smart thing to do with failing fossil fuel performance.

I am in strong support of SB2155 calling for divestment of fossil fuel funds from the ERS holdings.

Mahalo,

Joseph R Mobley, Jr., PhD
Professor
University of Hawai`i at Mānoa

COMMITTEE ON JUDICIARY & LABOR

January 29, 2016 at 9:00 AM

(Testimony is 1 page long)

TESTIMONY IN STRONG SUPPORT OF SB 2155

Aloha Chair Keith-Agaran, Vice Chair Shimabukuro, and Members of the Committee:

I am in strong support of SB 2155. This measure would require the employees' retirement system to sell, redeem, divest, or withdraw all publicly-traded securities of fossil fuel industry companies by July 21, 2021. I urge you to move this measure forward in a timely manner, as do headlines such as “As the stock and commodities markets continue trying to make paupers of energy investors everywhere...” in a recent USA today article.

The State has made a commitment to taking action on climate change and divestiture is uniquely an important and relevant way the State can directly impact fossil fuel companies and the industry that is driving the detrimental impacts of climate change in Hawai‘i. Continued destruction of ecosystems, increased and intensified tropical storms, and rising sea levels would irreparably harm our State’s livelihood and economy. Indeed, the University of Hawai‘i Board of Regents committed to divest from fossil fuel stocks last year by unanimous vote.

Hawai‘i is the most fossil fuel dependent state in the US—91% of the state’s energy is imported (fossil fuels), roughly 75% of which comes from foreign sources, producing the highest electricity rates in the US and jeopardizing the state’s security, economy and environment. It is in the public interest for the legislature to support state efforts to pursue cheaper renewable energy developments, which will save taxpayers money.

Indeed, there is nothing secure about investing in fossil fuels. Former U.S. Securities and Exchange Commissioner Bevis Longstreth states that it is imprudent — perhaps even a breach of fiduciary responsibility — to bet on the long-term financial viability of the fossil-fuel industry. In addition, financial and investment experts have acknowledged that divestment from fossil fuels does not carry a theoretical risk to a change in returns.

The Bank of England and the World Bank are among those who have warned that fossil fuel investments could be left worthless if the world’s nations fulfill their pledge to tackle climate change through deep cuts in carbon emissions. I urge you to move SB 2155 and take this important step forward in protecting Hawai‘i’s security, economy, natural resources, and commitment to tackling climate change. I am available to provide any input or assistance on this measure. Mahalo for the opportunity to testify.

Aloha,



Joy Leilei Shih, M.A.S. Marine Biodiversity and Conservation

PhD candidate, Oceanography (marine biogeochemistry)

Dear Chair and Committee Members,

I write to ask you to support SB2155. As the recent COP21 summit in Paris made clear, global opinion on the viability of fossil fuels has shifted. Investments in fossil fuels no longer make sense—not only in terms of the health of our planet, but the health of our financial commitments. ERS should protect its members and divest from fossil fuels, and that begins with responsible attention to the best ways to do so. Please support SB2155.

Thank you for your time.

All best wishes,

Katharine Beutner

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SB2155

Submitted on: 1/27/2016

Testimony for JDL on Jan 29, 2016 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Kathy Shimata	Individual	Support	No

Comments: I am a State retiree & believe our financial future is in renewable energy, not fossil fuels.

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SB2155

Submitted on: 1/28/2016

Testimony for JDL on Jan 29, 2016 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Leilani Clark	Individual	Support	No

Comments: I support SB2155. Thank you.

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SB2155

Submitted on: 1/27/2016

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Submitted By	Organization	Testifier Position	Present at Hearing
Lois Crozer	Individual	Support	No

Comments: Oil, coal and gas are not good investments because they are depreciating and will not rebound. better to invest in renewable energy.

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SB2155

Submitted on: 1/27/2016

Testimony for JDL on Jan 29, 2016 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
noel kent	Individual	Support	Yes

Comments: As a forty year state worker with a strong vested interest in both having a viable pension and much more importantly, continuing to make life of earth sustainable, I ask you to pass this bill. Investments in fossil fuels will become increasingly risky as the consequences of climate change intensify, We have a moral obligation to future generations to mitigate the worst ravages of climate change and maintain a civilized quality of life. Noel

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SB2155

Submitted on: 1/27/2016

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Submitted By	Organization	Testifier Position	Present at Hearing
Patricia Blair	Individual	Support	No

Comments: Divest as quick as possible please.

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Testimony for JDL on Jan 29, 2016 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Randy Ching	Individual	Support	No

Comments: I support SB 2155. The ERS should divest itself of investments in fossil fuels for 2 reasons: 1) It will help slow down global warming and 2) it will increase the amount of money in the ERS account. Fossil fuel investments are a money loser and it will only get worse in the future.

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SB2155

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Testimony for JDL on Jan 29, 2016 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Rita Ryan	Individual	Support	No

Comments: I am not a state worker, but many of my friends (and all of my elected officials) are. I have personally divested from fossil fuels in my retirement fund for obvious reasons. The future of fossil fuel is akin to the future of sugar plantations in Hawaii, that is, it is a dying industry. There are so many flourishing industries with bright futures, why invest in something that has no future and will only lose money? The state workers pension fund is supported by the taxpayers hard-earned wages and the State of Hawaii has the kuleana to protect it. Be pono! Divest from fossil fuel ASAP. Mahalo, Rita Ryan Makawao

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Dear Chair Keith-Agaran, Vice Chair Shimabukuro and
Committee Members,

I am writing in support of SB2155.

Fossil fuel investments are not generating the return that they used to. In fact they are at the lowest they have been in over a decade. Coal is dead oil is following it to the grave. Fossil fuel energy sources are being replaced by renewable sources. Not only are companies, organizations, and investment managers across the country on board with divestment from fossil fuels, entire countries are shifting their assets away from fossil born energy. With the recent international agreements and state and federal legislation, it is clear that investments in fossil fuels will be increasingly more difficult to justify and maintain in both the financial and legal realms.

Don't get left behind, and don't leave our state pensions in a precarious position! How much of ERS money has already been squandered on losing investments?

Please pass SB2155. Thank you for your time.

Sara Hoerlein

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SB2155

Submitted on: 1/27/2016

Testimony for JDL on Jan 29, 2016 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
Sherry Pollack	Individual	Support	No

Comments: Aloha Chair Keith-Agaran, Vice Chair Shimabukuro and Committee Members, I am writing in strong support of SB2155 which calls for the Employees' Retirement System (ERS) to divest its investment portfolio of all coal, oil, and gas companies. A member of HGEA, I have been a hardworking, dedicated employee to the State of Hawaii for over 26 years. I am counting on the financial soundness of my pension which I plan to live on in my retirement years. Of late, however, I and many of my co-workers have begun to worry that our pensions won't be there when it's time someday to retire. Fossil fuel stocks have underperformed for several years now. Experts warn that fossil fuel investments are already a liability and in fact among the most risky sectors in the global economy. The country's two largest pension funds have each lost billions of dollars on fossil fuel stocks. With countries passing policies to curb climate change, fossil fuel reserves can never be burned, which, according to financial analysts, will reduce the value of fossil fuels by 40 – 60%. Yet ERS persists in making these risky investments –with an estimated \$366 million in the ERS portfolio invested in fossil fuels. They say insanity is doing the same thing over and over again but expecting different results. I think it's clear it's time for a fresh approach. Please help protect our pensions! Please pass this bill!
Sherry Pollack

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SB2155

Submitted on: 1/27/2016

Testimony for JDL on Jan 29, 2016 09:00AM in Conference Room 016

Submitted By	Organization	Testifier Position	Present at Hearing
tia pearson	Individual	Support	No

Comments: One main solution to climate change is to limit carbon pollution, which will only happen via legislation. Fossil fuel companies hold tremendous sway in our governments. To empower legislators to act, we must erode the cultural and political clout of coal, oil and gas companies. Divestment does this by stigmatizing the fossil fuel industry and weakening its hold on public policy. Over 500 local governments, universities, foundations and religious institutions have already committed to divestment, including 60 pension funds, Seattle, the World Council of Churches, the Rockefeller Brothers Fund, and Stanford University. Action from leading organizations like state pension funds has significant impact.

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