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**WRITTEN ONLY**

TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 1506, H.D. 1

**February 27, 2023**  
**11:30 a.m.**  
**Room 308 and Videoconference**

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 1506, H.D. 1, amends Section 88-119, HRS, to encourage the Employees' Retirement System (ERS) to consider investment opportunities in industries that will sustain Hawai'i's natural environment or produce economic opportunities for its residents, including renewable energy industries and businesses that use the investment capital to acquire the infrastructure and services needed to become energy sustainable. The measure also appropriates an undetermined amount of general funds in FY 24 to ERS for the purposes of the Act.

While furthering Hawai'i's energy sustainability is a laudable goal, B&F strongly believes that ERS should not be viewed as a source of capital for this purpose. ERS is a trust created to provide retirement benefits for State and county employees, and as such, it has constitutional and legal responsibilities to invest prudently for the exclusive benefit of its members and their beneficiaries. It should be recognized that material

progress has been made in addressing ERS's unfunded liabilities; however, there is still a long way to go before ERS is fully funded.

For those reasons, B&F recommends that the bill be amended to just provide an additional contribution to ERS. This additional contribution by the State will also benefit the counties since the ERS is a cost sharing pension system with the counties.

Thank you for your consideration of our comments.

JOSH GREEN, M.D.  
GOVERNOR



THOMAS WILLIAMS  
EXECUTIVE DIRECTOR

KANOE MARGOL  
DEPUTY EXECUTIVE DIRECTOR

**STATE OF HAWAII**  
**EMPLOYEES' RETIREMENT SYSTEM**

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

**TO THE HOUSE COMMITTEE ON FINANCE**

**ON**

**HOUSE BILL NO. 1506 H.D. 1**

**February 27, 2023**

**11:30 A.M.**

**Conference Room 308 & Videoconference**

**RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF  
HAWAII**

Chair Yamashita, Vice Chair Kitagawa, and Members of the Committee,

H.B. 1506 H.D. 1. encourages the Employees' Retirement System ("ERS" or "System"), in evaluating venture capital investments, to consider opportunities in industries that will sustain Hawaii's natural environment or produce economic opportunities for its residents, including renewable energy businesses and businesses that use the investment capital to acquire the infrastructure and services needed to become energy sustainable, and appropriates funds to be expended by the ERS.

It is our understanding the intent of this bill is not to interfere with the ERS' established investment policies or the ERS' fiduciary duty to prudently invest trust assets. Nor was it intended to limit global and diversified investment opportunity. Rather, we understand this bill was intended to encourage the expansion of allowable opportunities for consideration within the current Hawaii Targeted Investment Program, which the ERS can and does support. The ERS further understands the appropriation in this bill is intended to better position the System to meet its responsibilities to its members while also lowering the System's unfunded liability, which the ERS also supports.

The ERS submitted proposed amendments to H.B. 1506 that were incorporated in the H.B. 1506 H.D. 1 (See H.S.C.R. 413) by the House Committee on Energy &



**Employees' Retirement System**  
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Environmental Protection. The ERS Board has not had the opportunity to review the bill, but the ERS staff believes the Board will be supportive of the bill with the amendments in H.B. 1506 H.D. 1.

The amendments clarify that the consideration of collateral benefits will not infringe upon the ERS' prudent management of System assets and fulfillment of its statutory obligation to invest System funds for the exclusive benefit of its members and their beneficiaries. The proposed amendments further ensure that the ERS will have sufficient time and resources to implement this bill.

ERS is prepared to support H.B. 1506 H.D. 1 and commit to the continued evaluation of local investment opportunities that meets the requirements necessary to promote steady, compounded wealth for our beneficiaries through prudent risk-adjusted return generation.

Thank you for the opportunity to provide testimony on H.B. 1506 H.D. 1.

**HB-1506-HD-1**

Submitted on: 2/25/2023 7:20:00 AM

Testimony for FIN on 2/27/2023 11:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Caroline Azelski	Individual	Support	Written Testimony Only

Comments:

In support of HD1. Thank you.

**HB-1506-HD-1**

Submitted on: 2/25/2023 4:28:57 PM

Testimony for FIN on 2/27/2023 11:30:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Will Caron	Individual	Support	Written Testimony Only

Comments:

Please support HB1506 HD1.