

Honolulu, Hawaii

March 22, 2012

RE: S.B. No. 2751
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Labor & Public Employment, to which was referred S.B. No. 2751 entitled:

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

begs leave to report as follows:

The purpose of this measure is to protect the future sustainability of the Employees' Retirement System, especially during a period of economic decline or stabilization, by modifying the experience requirements of the members of the Employees' Retirement System Board of Trustees. Specifically, this measure changes the requirement that one member of the three members of the Board of Trustees of the Employees' Retirement System representing the citizens of the State of Hawaii who are not employees be a responsible bank officer to a requirement that this member have substantial experience providing financial services, including investments, to public, corporate, or private clients.

The Board of Trustees of the Employees' Retirement System and Department of Budget and Finance testified in support of this measure.

The Employees' Retirement System of the State of Hawaii was established in 1926 to provide retirement allowances and other benefits to State and county government employees. While contributions from employers and employees are two sources of money received to help fund the System, investments made by the

SB2751 HD1 HSCR LAB HMS 2012-3040



Board of Trustees of the Employees' Retirement System play a large role in funding the System.

Currently, the Employees' Retirement System has over \$11 billion in domestic and international investments. However, the System also has an unfunded actuarial accrued liability of approximately \$8.2 billion. Since investment decisions made by the Board of Trustees of the Employees Retirement System concerning the \$11 billion of investments are critical to the current and future funding of the System, it appears logical that one of the members of the Board of Trustees of the Employees' Retirement System have investment experience.

Your Committee finds that while it is imperative that one of the members of the Board of Trustees of the Employees' Retirement System have investment experience as investments are critical to the funding of the Employees' Retirement System and have a great impact on the future sustainability of the System, especially during a period of economic decline or stabilization, it would be more prudent if two members of the Board had at least three years of investment experience. As such, your Committee has amended this measure by requiring that two of the three members of the Board representing the citizens of the State of Hawaii who are not employees have at least three years of experience providing financial services, including investments, to public, corporate, or private institutional clients.

Technical, nonsubstantive amendments were also made for clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Labor & Public Employment that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2751, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2751, H.D. 1, and be referred to the Committee on Finance.



Respectfully submitted on
behalf of the members of the
Committee on Labor & Public
Employment,

Karl Rhoads

KARL RHOADS, Chair



State of Hawaii
House of Representatives
The Twenty-sixth Legislature

Record of Votes of the Committee on Labor & Public Employment

Bill/Resolution No.: SB2751	Committee Referral: LAB - FIN	Date: 3-20-12		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
LAB Members	Ayes	Ayes (WR)	Nays	Excused
1. RHOADS, Karl (C)	/			
2. YAMASHITA, Kyle T. (VC)	/			
3. AQUINO, Henry J.C.	/			
4. CULLEN, Ty	/			
5. ICHIYAMA, Linda	/			
6. LEE, Marilyn B.	/			
7. LUKE, Sylvia	/			
8. SAIKI, Scott K.				/
9. SOUKI, Joseph M.				/
10. TAKUMI, Roy M.	/			
11. FONTAINE, George R.	/			
12. JOHANSON, Aaron Ling	/			
TOTAL (12)	10	-	-	2
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align:center; font-size: small;">committee acronym(s)</div>				
Vice Chair's or designee's signature: _____ 				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				