

Honolulu, Hawaii

FEB 28 2013

RE: S.B. No. 1036

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Madam:

Your Committee on Judiciary and Labor, to which was referred
S.B. No. 1036 entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Authorize the Board of Trustees of the Employees' Retirements System, through its administrator, to appoint one or more investment officers to the Employees' Retirement System Investment Office; and
- (2) Change the Administrator's title from "Administrator of the Employees' Retirement System" to "Executive Director of the Employees' Retirement System".

Your Committee received testimony in support of this measure from the Department of Budget and Finance and Board of Trustees of the Employees' Retirement System.

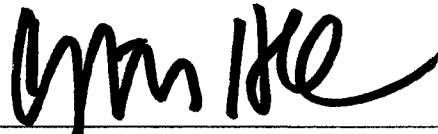
Your Committee finds that the successful investment of the funds of the Employees' Retirement System (ERS) is one of the foundations to the longevity and stability of the system. The system currently has over \$12,000,000,000 in domestic and international investments, and decisions made by the ERS Board of Trustees concerning these investments are critical to the current and future funding of the ERS, which had an unfunded actuarial accrued liability of \$8,400,000,000 as of June 30, 2012.



The ERS' investment staff currently consists of a Chief Investment Officer and an Investment Specialist, which is inadequate given the uncertainty and complexity of the modern financial markets and the need for the Board of Trustees to be provided with ongoing tactical and strategic insights into the risk-return trade-offs of multiple asset class investments. This measure will authorize the Board of Trustees of the ERS, through its administrator, to appoint one or more investment officers to the ERS Investment Office to ensure that the system's investment portfolio is best positioned to meet its asset goals and reduce the ERS' unfunded liability. The in-house knowledge and expertise can also save up to \$1,000,000 in annual research, analytics, transition, monitoring, and other functions that would ordinarily be paid to consultants. Furthermore, this measure changes the ERS Administrator's title to "Executive Director" to be consistent with the title of the administrative heads of other governmental agencies and other public pension funds.

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. 1036 and recommends that it pass Second Reading and be placed on the calendar for Third Reading.

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




CLAYTON HEE, Chair



The Senate
Twenty-Seventh Legislature
State of Hawai'i

Record of Votes
Committee on Judiciary and Labor
JDL

Bill / Resolution No.:*	Committee Referral:	Date:		
SB1036	JDL	2/20/13		
<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 checked="" 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
HEE, Clayton (C)	✓			
SHIMABUKURO, Maile S.L. (VC)	✓			
GABBARD, Mike	✓			
IHARA, Jr., Les	✓			
SLOM, Sam				✓
TOTAL	4			1
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes