

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

TO THE HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION  
ON

HOUSE BILL NO. 1511, H.D. 1 (PROPOSED)

JANUARY 26, 2016, 8:30 A.M.

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Lee, Vice Chair Lowen and Members of the Committee,

H.B. 1511, H.D. 1 (Proposed) would require the Employees' Retirement System (ERS) to hire a firm of investment consultants for the purpose of preparing reports to the legislature on the impact of fossil fuel divestment on the ERS investment portfolio.

The ERS Board of Trustees has not had the opportunity to review 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'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 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 ER 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 approach toward portfolio risk reduction. Our consultants advise many of the largest public pension funds in the U.S. and across the globe. 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.

Because the ERS already demonstrates the qualities of best practice, good governance and social responsibility, it is for the reasons outlined below it objects to H.B. 1511, H.D. 1 (Proposed):

No expensive, time-consuming exercise which hypothetically reallocates monies from an investment known to have underperformed over the selected time horizon to an alternative investment known in hindsight to have outperformed will yield any surprise or unanticipated result.

As evidenced by the highly volatile investment environment characterizing the past five years, a look-back report completed in 2016 will have little, if any, practical relevance in predicting how the ERS portfolio will perform in a subsequent period whether or not it includes fossil fuels or some alternative investment.

While a study reviewing the past impact of fossil fuel investments on our returns might prove instructive, it will have little predictive relevance as to our future returns. Our portfolio is in the process of a major restructure intended to reduce the portfolio's overall volatility and risk. The role that specific investments and strategies play in our portfolio is a part of that restructure process.

The ERS already contracts with highly reputable investment consulting firms who continually monitor our managers and their investments with regard to social responsibility and good governance, including assessment of fossil fuel companies. They would not hesitate to recommend liquidation where companies' practices are in conflict with our policies or where our intended investment outcomes were likely to be unrealized.

The bill as proposed represents poor governance practices by attempting to circumvent established and robust investment policy, guidelines, and procedures through a process that disregards existing best practice and ignores the fiduciary responsibilities of the ERS board.

The importance of this issue and its potential impact on our investments is well noted. Loose factual recitation of the pace and breadth of divestment initiatives poorly serve to convey the complexity and diversity of responses to this issue. For example, to characterize fossil fuel company investments (oil, natural gas, utilities and coal) as only having generated losses for ERS is inaccurate and depends on selective time frames and ignores our specific investments to support its claim.

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 as well.

While a number of organizations have for a variety of reasons elected to divest from fossil fuels, there are others who have decided against the same or have not expressed an opinion. For example, Harvard University and Yale have recently decided against fossil fuel divestment. Some other public funds have elected to divest only of securities in "thermal coal" companies, that is those companies that produce coal for energy production but not from companies that produce coal to make steel or for research purposes. Still others have elected to divest of companies producing oil from "tar sands," one of the more polluting and expensive sources to refine. An approach taken by some is to divest of securities in companies that derive more than 50% of its revenues from their oil, natural gas or coal operations. We know of no large U.S.

based public pension fund that has elected to divest of all of its energy related assets no matter the type or magnitude. The point here is that there is no simple and single answer to the dilemma this issue poses.

While we acknowledge the passion and focus of those opposed to fossil fuel investments on social and environmental grounds, we concurrently acknowledge our focus on providing the best risk adjusted return we can achieve in order to deliver on our commitment to our members and their beneficiaries.

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 comprehensive report mandated by this bill 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.

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 a stand-alone manner. The unintended consequence of doing so represents an unreasonable risk to the system's funding and its sustainability. We strongly believe that in all instances 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.

On behalf of the Board of Trustees and staff of ERS we wish to thank you for the opportunity to testify on this important proposed legislation.

From: mailinglist@capitol.hawaii.gov  
Sent: Sunday, January 24, 2016 9:01 PM  
To: EEPtestimony  
Cc: blockard@iname.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/24/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Brodie Lockard	350Hawaii.org	Support	No

Comments: Dear Chair Lee and Committee Members, 350Hawaii.org writes in strong support of HB1511-HD1. 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 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. How much of retirees' money invested in fossil fuels did ERS lose last year? No one knows. But we need to know. Every responsible group of investors needs to be looking closely at these investments, not as part of a routine review, but because the energy sector is undergoing radical change that demands unusual, immediate attention. If all is fine, if ERS's fossil fuel investments have matched the market, we'll all be relieved. And if not, 115,000 state employees deserve to know what the plan is. 350Hawaii.org urges you to pass HB1511-HD1. Thank you for your time. Brodie Lockard 350Hawaii.org

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## House Committee on Energy & Environmental Protection

January 26<sup>th</sup> , 2015 8:30am

**Testimony in support of HB 1511 by Anthony Aalto**Word did not find any entries for your table of contents.

Aloha Chair Lee, Vice Chair Lowen 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 conduct a study of the financial implications of its investments in fossil fuel companies over the last five years and of the potential implications of continuing to invest in such companies in the future.

We have absolutely no doubt that such a study will confirm that these investments have already cost the ERS millions of dollars. How could they not have? In the last five years the energy 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%.

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.

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 13<sup>th</sup> 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 believe those decisions will soon be followed by a requirement 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.

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

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 empty 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."

That will not happen.

As the text of this bill itself notes, the 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. 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.

The empty rhetoric would be to say that: "You must not tie our hands as a matter of principle. *As a matter of principle*, the Legislature should not prevent us from making all investment decisions with complete independence and regard only for the returns to our beneficiaries."

But the Legislature has ALREADY tied the hands of the ERS and it has done so precisely as a matter principle. As the ERS Board noted in its most recent Investment, Policy and Guidelines manual, approved in September 2015, "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 such that they will 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?

Finally, it is already the policy of both this Legislature and the current administration to ensure that by 2045 100% of the energy consumed in Hawaii will be derived from renewable sources. This is not just feel-good legislation. There is a widespread consensus in the state’s political, academic and business leadership that this policy will make Hawaii a national leader in clean energy and in smart grid and energy storage technologies, with the potential to create thousands of well-paid blue-collar and white-collar jobs. How could it possibly make fiduciary sense, how could it possibly be a principled stance to allow the ERS to make risky million-dollar bets against that statewide commitment to renewable energy?

Please vote for this bill.

Mahalo.







# Hawaii Interfaith Power and Light

*A religious response to global warming*



25 January 2016

Hawaii State House of Representatives  
Committee on Energy & Environmental Protection  
Rep. Chris Lee, Chair  
Rep. Nicole E. Lowen, Vice Chair

Dear Chair Lee and Vice-Chair Lowen:

Hawaii Interfaith Power and Light is a local non-profit whose mission is to engage Hawaii's faith communities to raise awareness of global warming and create inspirational solutions. As a supporter of Hawaii's renewable energy goals and a believer in climate and environmental justice, we support HB 1511, relating to the divestment of the state Employees' Retirement System from fossil fuel companies. The bill itself sets forth prudent moral, environmental, and economic reasons why investigating divestment is important and timely.

Our organization focuses on the moral issues that make divestment important. First, global warming itself is the largest environmental threat to a healthy and sustainable planet. Second, global warming is and will continue to disproportionately affect people and communities that contribute the least to the causes and have the least capability to protect themselves and adapt to the changes. Finally, global warming, as a human-caused phenomenon, reflects choices that we have made and continue to make. Given these basic realities, we have a moral obligation to act to slow, stop, and ultimately reverse the causes of global warming and to mitigate the harmful effects on the poor and vulnerable and our natural ecosystems.

Divestment from fossil fuel companies is a growing movement around the world. It is being undertaken for a combination of moral and economic reasons. Hawaii would not be the first state to at least partially divest from fossil fuels, but it would join in a small but growing number of states, municipalities, and even countries that are divesting as part of their response to climate change. While critics may claim such divestment is merely symbolic, large institutional investors like the Hawaii ERS are significant enough to make a difference. But the larger importance is in taking a stand and making a statement about our values, our priorities, and our vision for a just and sustainable future. We urge your committee to support a strong version of this bill and lead our state to divest from fossil fuel companies.

Aloha,

Travis Idol, President  
Hawaii Interfaith Power and Light

PO Box 37266 Honolulu, HI 96837

lowen2-Jade

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From: mailinglist@capitol.hawaii.gov  
Sent: Sunday, January 24, 2016 9:08 PM  
To: EEPtestimony  
Cc: ulu80812@gmail.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/24/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
amy y. kimura	Individual	Support	No

Comments: Dear EEP Committee: This is a good first step to Hawaii's gradually becoming independent of fossil fuels. It could provide a roadmap on the steps to take and in what order. Other jurisdictions have already done this.

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From: mailinglist@capitol.hawaii.gov  
Sent: Sunday, January 24, 2016 10:15 PM  
To: EEPtestimony  
Cc: kieko.matteson@gmail.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/24/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
C K Matteson	Individual	Support	No

Comments: Dear Chairperson Lee and fellow committee members, As a state employee with a vested interest in the health of the ERS, I ask you to please support HB1511. Fossil fuels are a bad investment, and they are getting worse. Hawaii is well poised to benefit from investments in renewable energy. I hope you will invest in us, the 115,000 state employees who contribute to the ERS, by helping HB 1511 come to fruition and, in turn, help Hawaii shift to more lucrative investments for our future. Mahalo nui loa, Carol Kieko Matteson (Manoa)

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Dear Chair, dear Committee Members,

I would like to voice my strong support of HB1511.

Studying the merits of investing in fossil fuels is extremely timely 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 ensure a careful review of ERS' investments in fossil-fuel related companies, such that stakeholders will know whether the funds that are meant to guarantee pensions are creating competitive returns - which, most likely, will require investing in technology and energy sources of the future, rather than the past.

Mahalo,

Harald Ebeling

From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 7:47 AM  
To: EEPtestimony  
Cc: jwm7r@virginia.edu  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Jordan Moniuszko	Individual	Support	No

Comments: I support this bill and believe it is important to divest from funds that serve to exacerbate the problem of climate change. Mining of fossil fuels from the ground is not a sustainable way to provide energy. Should fossil fuel companies start funds aimed at renewable energy I would support investment in those funds.

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From: mailinglist@capitol.hawaii.gov  
Sent: Sunday, January 24, 2016 8:35 PM  
To: EEPtestimony  
Cc: mkramer@hawaii.rr.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/24/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Michael Kramer	Individual	Support	No

Comments: I encourage the committee to vote in favor of this study because the financial data is quite clear: fossil fuel stocks are a drag on financial performance for the ERS endowment, and this is likely to continue to be the case as carbon assets are stranded due to policy and regulatory efforts. Fiduciary responsibility requires adherence to standards of prudence, and investing in fossil fuels no longer measures up to such a standard. ERS trustees are by design conservative; they don't willingly like to be forced to do anything. But since the survival of the human race is important, conservatism is no longer appropriate. This study will demonstrate the financial viability of not holding fossil fuel stocks, and as such it must be allowed to occur. Michael Kramer Managing Partner Natural Investments A national RIA with \$300 million in assets under management

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From: mailinglist@capitol.hawaii.gov  
Sent: Sunday, January 24, 2016 7:31 PM  
To: EEPtestimony  
Cc: patriciablair@msn.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/24/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Patricia Blair	Individual	Support	No

Comments: Divestment of fossil fuels is essential for sustainability.

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 5:39 AM  
To: EEPtestimony  
Cc: davidsher@juno.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Sherry Pollack	Individual	Support	No

Comments: Aloha Chair Lee and Committee Members of Energy and Environmental Protection, I am writing in strong support of HB1511 which calls for a report to the legislature no later than December 2016 to assess the feasibility of the divestment of the employees' retirement system (ERS) from fossil fuel investments and assess the financial risk of delaying divestment from fossil fuels. People with money in ERS have a right to know what's happening with it. 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 have begun to worry that my pension won't be there when it's time someday for me 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. 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 our employee retirement system persists in making these risky investments –with an estimated \$366 million in the ERS portfolio invested in fossil fuels. Hawaii needs to seriously examine these facts and act on behalf of our best interests. Please help protect our pensions! Please pass this bill! Sherry Pollack

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From: mailinglist@capitol.hawaii.gov  
Sent: Sunday, January 24, 2016 5:11 PM  
To: EEPtestimony  
Cc: byjove@hotmail.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM  
Attachments: Tschudi\_pro\_HB1511.txt

**HB1511**

Submitted on: 1/24/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Stephen L Tschudi	Individual	Support	No

Comments:

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Dear Chair Lee and Committee Members,

I write to ask you to support HB1511. 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 HB1511.

Thank you for your time.

All best wishes,

Katharine Beutner  
[katharine.b@gmail.com](mailto:katharine.b@gmail.com)

From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 9:58 AM  
To: EEPtestimony  
Cc: rsuvorov@hawaii.edu  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ruslan Suvorov	Individual	Support	No

Comments: To whom it may concern, As a state employee who makes regular contributions to the Employees' Retirement System, I am very concerned about the financial risks associated with fossil fuel investments. Taking into account the falling prices for fossil fuels and the growing trend among major investment trusts and foundations to divest from fossil fuels in order to protect their public funds, I wholeheartedly support the bill HB1511 and believe that it is paramount for the Employees' Retirement System in Hawai'i to divest from fossil fuel companies. Sincerely, Ruslan Suvorov, Ph.D. Language Technology Specialist Faculty University of Hawai'i at Mānoa

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 9:51 AM  
To: EEPtestimony  
Cc: lholmes@hillsdale.edu  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
L.M. Holmes	Individual	Support	No

Comments: Look at the price of oil recently, and what that has done to the oil industry in the US. Fossil fuels are going to have to be phased out one way or the other, and investments in them are a bad idea long-term. See the investment advice of billionaire Tom Steyer on the benefits of divesting from them. Mahalo for your consideration.

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 10:37 AM  
To: EEPtestimony  
Cc: katet@hawaii.edu  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kate Thompson	Individual	Support	No

Comments: Oil prices are low. Why invest our good money on a poor investment. We have a chance to save millions of dollars of loss on a 'poor investment'. We have the added benefit of a chance to invest in sustainable clean energy.

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 12:53 PM  
To: EEPtestimony  
Cc: lanajbb@aol.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Lana Brodziak	Individual	Support	No

Comments: Please consider the long term financial strategy of continued investment in oil commodities. Many economic experts recommend a long term strategy of investing in new technologies. Our government employees deserve long term financial strategies for an upcoming huge demand on the retirements system. Please make sure there will be retirements funds left for those under age 50.

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lowen2-Jade

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 12:26 PM  
To: EEPtestimony  
Cc: Finman@hawaii.edu  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Faith Inman-Narahari	Individual	Support	No

Comments: I strongly support study of the implications of divesting from fossil fuel investments. It is important that we understand how this will affect both retirement plans and carbon dioxide emissions.

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 11:36 AM  
To: EEPtestimony  
Cc: jpappas60@gmail.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Janet Pappas	Individual	Support	No

Comments: Dear Energy and Environmental Protection Committee members, Something to study re: ERS investments (from the Natural Resources Defense Council (NRDC)): Divesting Just Got Easier Last month, State Street Global Advisors launched the very first exchange traded fund (ETF) based on the S&P 500 index that omits companies owning fossil-fuel reserves: SPDR S&P 500 Fossil Fuel Free ETF, (Ticker: SPYX). The new vehicle, which State Street developed with the support of NRDC, allows individuals and institutions to responsibly divest from passive investments that indirectly expose them to fossil fuels that pollute our planet and threaten our climate. NRDC will be investing in the new fund but otherwise receives no financial benefit from it.

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 11:24 AM  
To: EEPtestimony  
Cc: jpappas60@gmail.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Janet Pappas	Individual	Support	No

Comments: Dear Energy and Environmental Protection Committee members, Please support HB1511, Relating to ERS (Employee Retirement System). This bill requires that ERS advisers study the effects of taking fossil fuels out of ERS investments. 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 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 preserve ERS and any other state investments that may be affected by this monumental change in the economy. Please support HB1511 to study the effects of fossil fuel investments. Sincerely, Jan Pappas Aiea, Hawaii

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Dear Legislators: As a future state retiree, I support this measure. Fossil fuel companies will have to leave the bulk of their reserves in the ground and this will pay havoc with their profits and ultimate worth. I do not want my pension to be jeopardized by bad investments. Noel Kent UHM faculty

Testimony in SUPPORT of HB 1511

**HB 1511 is needed to better understand to what extent holding on to investments in fossil fuel companies like Exxon is hurting the retirement income that Hawaii residents are counting on to meet their future needs.**

**We already know that companies like Exxon/Mobil are being investigated by California Attorney General Kamala Harris and New York Attorney General Eric Schneiderman for decades of misrepresentation of the facts about climate change. Efforts are underway to get Attorney General Loretta Lynch and the Department of Justice to follow suit.**

**Our ERS needs to consider what the benefits are of staying with investments in these companies when the value of the returns as well as their reputations are taking such a beating.**

Dawn Morais Webster Ph.D.  
1, Keahole Place #3501  
Honolulu, HI 96825

lowen2-Jade

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 9:06 AM  
To: EEPtestimony  
Cc: hawaiiqh@gmail.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Leilani Clark	Individual	Comments Only	No

Comments: 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. This bill is a first step toward forcing ERS to divest.

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**COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION**

January 26, 2016 at 8:30 AM

(Testimony is 1 page long)

**TESTIMONY IN STRONG SUPPORT OF HB 1511**

Aloha Chair Lee, Vice Chair Lowen, and Members of the Committee:

I am in strong support of HB 1511. This measure would require the assessment of the impact on the employees' retirement system's portfolio of investments via scrutinizing fossil fuel companies and assessing the future of fossil fuel investments on the basis of analyses by reputable investment advisors and assess the potential range of effects of fossil fuel divestment on the employees' retirement system over the next five years. 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 HB 1511 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)

Esteemed Chair Lee and Committee Members,

I am writing in strong support of HB1511.

Investments in fossil fuels are worth less than ever with the plummeting prices of oil. With the additional legislative and environmental decrees that have come about both nationally and internationally, it will become increasingly difficult to justify and legally maintain fossil fuel investments for everyone. Hundreds of organizations, businesses, and investment managers are dumping fossil fuels from their portfolios, and with good reason. State employees need sound, long term investment planning that will support themselves and their families for decades to come. Other public pension funds have lost billions by keeping their money in losing energy sectors. Coal is dead, and oil is following. New technology in renewable energy is off and running.

What was the return for ERS on fossil fuel investments for 2015 ? In Europe, entire countries are reading the writing on the wall and shifting their assets. Don't get left behind.

Mahalo for the opportunity to comment.

Sara Hoerlein

## EEPttestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 3:19 PM  
To: EEPtestimony  
Cc: mendezj@hawaii.edu  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

### **HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Javier Mendez-Alvarez	Individual	Support	No

Comments: The ERS investments on fossil fuels are negatively affecting the employee's fund. Coal, liquefied gas, and oil are in their way out, while alternative sources of energy like solar and wind are showing rapid grow and strong performances in the market. If we are truly committed to be 100% energy independent by 2045, it is high time that we start taking the logical steps to take us from today to that not so distant future.

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**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  
House of Representatives  
Committee on Energy and Environmental Protection

Testimony by  
Hawaii Government Employees Association

January 26, 2016

H.B. 1511, Proposed H.D. 1 –  
RELATING TO THE EMPLOYEES'  
RETIREMENT SYSTEM

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO opposes the proposed H.D. 1 to H.B. 1511, which requires the Employees' Retirement System to hire investment consultants to prepare reports to the Legislature regarding divestment from fossil fuel investments.

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 unfunded liability. Further, the ERS Board of Trustees' investment program already considers environmental and socially-responsible investments.

We respectfully request this measure be deferred. Thank you for the opportunity to testify in opposition to the proposed draft of H.B. 1511.

Respectfully submitted,

*for* Randy Perreira  
Executive Director





SIERRA CLUB OF HAWAI'I  
**MĀLAMA I KA HONUA. Cherish the Earth.**  
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

Tuesday, January 26, 2016 8:30AM Room 309

In **SUPPORT** **HB1511** Related to Employees' Retirement System

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Aloha Chairperson Lee and Energy & Environmental Protection Committee members,

In support our O'ahu Group, the Sierra Club of Hawai'i urges you to pass HB 1511 directing the Employees' Retirement System to study the question of divestment from fossil fuels.

Divestment from fossil fuels is the sensible, prudent choice for the future of our environment and our economy.

Scientific research shows that in order to keep global warming to a 2-degree rise (and thereby preventing catastrophic rates of climate change), approximately two-thirds of current fossil fuel reserves must stay in the ground. In December, ## countries committed to individual actions that collectively aim for that 2-degree goal, leaving ## fossil fuel reserves unburied. As these policies take affect around the world, investments in fossil fuels will lose their value, eventually becoming stranded assets. It is wise for investors to sell their fossil fuel assets before they become worthless.

This conclusion is supported by major financial institutions. According to the Guardian newspaper, the World Bank supports the financial argument for divestment, with president Jim Yong Kim stating that: "every company, investor and bank that screens new and existing investments for climate risk is simply being pragmatic."

We want to protect the investments of our retirees. We also want to prevent the worse of the climate disaster from happening. That is why we urge you support HB1511 calling for ERS to study of divestment from fossil fuels.

Thank you for the opportunity to testify on this measure.

Mahalo,

Martha Townsend  
Director

## EEPtestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 5:58 PM  
To: EEPtestimony  
Cc: aandrea99@aol.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

### **HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Andrea Quinn	Individual	Support	No

Comments: Dear Committee Members, Please support this important bill. 2015 was the hottest year on record, and before that the years have generally been breaking the previous years' heat records. The only way to get companies to regulate heat-trapping emissions is by hitting them where it counts -- their bottom lines. History shows legislation is the only way to do this. Thank you for considering my testimony. Andrea Baer

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EEPttestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, January 26, 2016 6:11 AM  
To: EEPttestimony  
Cc: dmatsuda@hpsc.org  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/26/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
D Matsuda	Individual	Oppose	No

Comments: I OPPOSE THE PASSING OF THIS BILL HB1151.

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HOUSE BILL NO. 1511  
JANUARY 26, 2015, 8:30 A.M.  
RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM

Chair Lee, Vice Chair Lowen and Members of the Committee,

I support H.B.1511, for the following reasons:

- Divestment removes artificial supports from inefficient and toxic energy use.
- Divestment from fossil fuels is clearly in line with the intent of the State Environmental Policy, HRS §344-3, which states that we will enhance quality of life by “[e]stablishing a commitment on the part of each person to protect and enhance Hawaii’s environment and reduce the drain on nonrenewable resources.”<sup>1</sup>
- Any economic losses due to divestiture are, as a climate change mitigation tactic, likely to be relative minor to the economic losses that climate change will induce:
  - For 32 years, state government has warned that climate change induced sea-level rise will result in environmental damage, costly shoreline stabilization projects and lost tourism revenue.<sup>2</sup>
  - Climate change will lower economic output, affecting both visitation and our own productivity, likely straining government resources.<sup>3</sup>
- Other state governments are more likely to pursue fossil fuel divestiture if Hawaii sets a committed precedent.

Passing this bill is the right thing to do and provides the people of Hawaii with the opportunity to migrate our support to renewables.

Mahalo nui loa,  
Dylan P. Armstrong, Member  
Manoa Neighborhood Board

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<sup>1</sup> State Environmental Policy. Hawaii Revised Statutes. [http://www.capitol.hawaii.gov/hrscurrent/Vol06\\_Ch0321-0344/HRS0344/HRS\\_0344-0003.htm](http://www.capitol.hawaii.gov/hrscurrent/Vol06_Ch0321-0344/HRS0344/HRS_0344-0003.htm)

<sup>2</sup> Effects on Hawaii of a Worldwide Rise in Sea Level Induced by Global Warming. Office of Planning and Economic Development. <http://planning.hawaii.gov/wp-content/uploads/2013/04/Sea-Level-Rise-Effects-on-Hawaii-1985.pdf>

<sup>3</sup> Marshall Burke, Solomon Hsiang, Edward Miguel. Global non-linear effect of temperature and economic production. *Nature*. <http://www.nature.com/nature/journal/v527/n7577/full/nature15725.html>

EEPtestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 9:21 PM  
To: EEPtestimony  
Cc: elia94eb@gmail.com  
Subject: \*Submitted testimony for HB1511 on Jan 26, 2016 08:30AM\*

**HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
ELIA BRUNO	Individual	Support	No

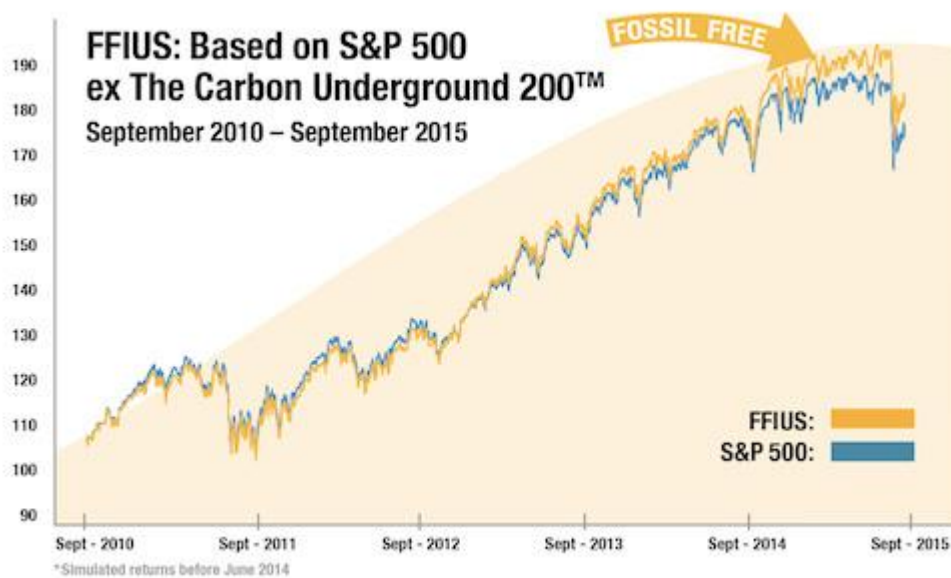
Comments:

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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. Thus, I'm very much in favor of a study to investigate the benefits of divesting from fossil fuel funds as quickly as possible.

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.

I am in support of HB 1511 calling for a study on the effects of fossil fuel divestment on the ERS holdings. I am certain that it will show divestment to be a logical financial move to prevent major portfolio declines as the value of fossil fuel stocks drop even further.

Mahalo,

Joseph R Mobley, Jr., PhD  
Honolulu, Hawai'i

## EEPtestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 5:57 PM  
To: EEPtestimony  
Cc: laurag@divefish.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

### **HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Laura Gray	Individual	Support	No

Comments: I support the divestment of the ERS from fossil fuels for financial reasons. I took my own retirement funds out of polluting industries a long time ago, and invested in renewables. This was a good financial decision because good companies do not get taken to court and fined for harming people and the planet. Exxon is on the verge of being sued by multiple states and likely the federal gov. for the harm they have caused. South Africa found that sticking to the old ways did not work for them, and it will be the same for the oil, gas and coal industries. It would be wise to get off the ship before it sinks!

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EEPttestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 7:01 PM  
To: EEPttestimony  
Cc: maxtowey@gmail.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Max Towey	Individual	Support	No

Comments: Aloha, Please prohibit the ERS from investing in fossil fuel companies. This is a practice that should be discontinued. Thank you, Max

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EEPtestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Monday, January 25, 2016 7:00 PM  
To: EEPtestimony  
Cc: zacharyhitchcock@yahoo.com  
Subject: Submitted testimony for HB1511 on Jan 26, 2016 08:30AM

**HB1511**

Submitted on: 1/25/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Zachary Hitchcock	Individual	Support	No

Comments: Zachary Hitchcock Chair, Surfrider Foundation Oahu Chapter 1533 Artesian Way Honolulu, HI 96822 Support of House Bill 1511 Hearing on January 26, 2016 Dear Representatives, I support the divestment of our public funds from fossil fuels to other investments that are more stable and less detrimental to our future, our environment, and our planet. Sincerely, Zachary Hitchcock Chair, Surfrider Oahu 808-222-6960

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EEPtestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, January 26, 2016 8:12 AM  
To: EEPtestimony  
Cc: scoleman@surfrider.org  
Subject: \*Submitted testimony for HB1511 on Jan 26, 2016 08:30AM\*

**HB1511**

Submitted on: 1/26/2016

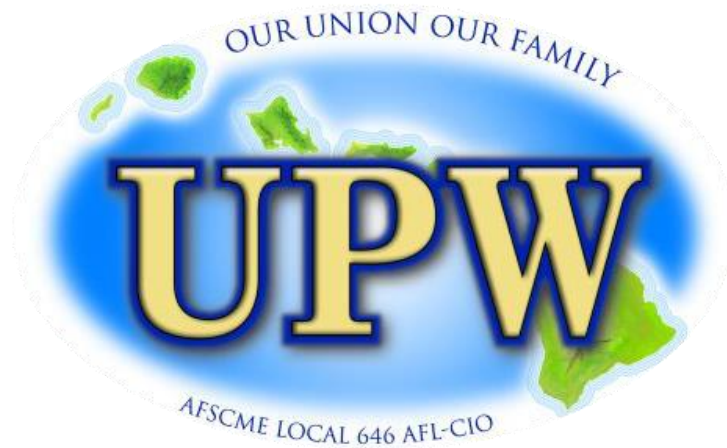
Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Stuart Coleman	Surfrider Foundation	Support	No

Comments:

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The Hawaii State House of Representatives  
The Twenty-Eighth Legislature  
Regular Session of 2016

**COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION**

The Honorable Representative Chris Lee, Chair  
The Honorable Representative Nicole Lowen, Vice Chair

DATE OF HEARING: January 26, 2016  
TIME OF HEARING: 8:30 a.m.  
PLACE OF HEARING: Conference Room 309

**TESTIMONY ON HB1511 RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM**

By Dayton M. Nakanelua,  
State Director of the United Public Workers,  
AFSCME, Local 646, AFL-CIO

My name is Dayton M. Nakanelua, state director of the United Public Workers, AFSCME, Local 646, and AFL-CIO (UPW). The UPW is the exclusive representative for approximately 11,000 public employees, which include blue collar, non-supervisory employees in Bargaining Unit 01 and institutional, health and correctional employees in Bargaining Unit 10, in the State of Hawaii and various counties.

The UPW opposes HB1511 for reasons that the State ERS has a strong and capable Board of Trustees supported by expert consultants and staff in investment processes and decisions.

Thank you for the opportunity to submit this testimony.

EEPtestimony

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From: mailinglist@capitol.hawaii.gov  
Sent: Tuesday, January 26, 2016 8:27 AM  
To: EEPtestimony  
Cc: rjmojica29@gmail.com  
Subject: \*Submitted testimony for HB1511 on Jan 26, 2016 08:30AM\*

**HB1511**

Submitted on: 1/26/2016

Testimony for EEP on Jan 26, 2016 08:30AM in Conference Room 309

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Rebecca	Individual	Support	No

Comments:

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