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

**LATE**

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

TO THE HOUSE COMMITTEE ON FINANCE  
ON

HOUSE BILL NO. 2124, H.D. 1

MARCH 2, 2016, 11:00 A.M.

RELATING TO INVESTMENT PERSONNEL OF THE EMPLOYEES' RETIREMENT SYSTEM

Chair Luke, Vice Chair Nishimoto and Members of the Committee,

H.B. 2124, H.D. 1, would allow the Board of Trustees of the Employees' Retirement System of the State of Hawaii (ERS), through its executive director, to appoint one or more investment professionals, investment specialists and investment support staff, who may be exempt from chapters 76 and 89, Hawaii Revised Statutes.

The ERS Board of Trustees supports H.B. 2124, H.D.1 and believes it would be beneficial to the ERS and its members.

Successful investment of the funds of the Employees' Retirement System is one of the primary pathways to the stability and sustainability of the system. A member's retirement benefit is funded through a combination of employer and employee contributions and investment earnings. Seventy percent or more of each benefit dollar is attributable to investment earnings. The system currently has over fourteen billion dollars in domestic and international investments and decisions made by the Board of Trustees of the system concerning these investments are critical to the current and future funding of the system.



Employees' Retirement System  
of the State of Hawaii

Although the members of the Board of Trustees, as fiduciaries, are responsible for the general management of the system's assets and implementation of the system's investment policy, they rely heavily on internal and external investment experts for advice. The role of assisting and advising the board in managing the system's assets falls primarily with the system's exempt investment staff consisting of a Chief Investment Officer , two strategy specific officers (liquid and illiquid investments), a risk officer and two Investment Specialists who are civil service employees.

The current staffing structure is not expected to meet our long term needs. Staffing will need to be augmented given the complexity of portfolios our size and the dynamics of modern financial markets. The ERS is transitioning its portfolio to a risk-based asset allocation program, the implementation of which will require additional attention, monitoring, review and rebalancing. This rebalancing will be outsourced initially at considerable expense, and we would like eventually to bring the function in-house.

Dedication to these investments requires experience and expertise of seasoned professionals. Investment office staff provides the Board with ongoing tactical and strategic insights into the risk-return trade-offs of multiple asset class investments. Through this bill we hope to designate future professional investment staff as exempt and give our current Investment Specialists a choice between civil service and exempt employment status. Establishing our Investment Specialists as true members of the team will help with retention and provide a career path for these talented staff members. Any associated costs will be derived solely from ERS monies.

Thank you for the opportunity to testify on these important measures.



**HAWAII GOVERNMENT EMPLOYEES ASSOCIATION**  
AFSCME Local 152, AFL-CIO

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**LATE**

The Twenty-Eighth Legislature, State of Hawaii  
House of Representatives  
Committee on Finance

Testimony by  
Hawaii Government Employees Association  
March 2, 2016


**H.B. 2124, H.D. 1 – RELATING TO  
INVESTMENT PERSONNEL OF THE  
EMPLOYEES' RETIREMENT SYSTEM**

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO strongly opposes the purpose and intent of H.B. 2124, H.D. 1, which excludes positions from collective bargaining and expands the exemption from civil service for positions within the Employees' Retirement System (ERS).

As amended, this measure exempts from civil service and excludes from collective bargaining investment officers and professionals, which creates a government workplace of "at will" employment with minimal employee rights. Collectively, the expansion of excluding and exempting positions in state government is in direct conflict with the Article XVI, Section 1 of the Hawaii State Constitution and Chapters 76 and 89, HRS, which establish a merit-based civil service system free from coercive political influences with collective bargaining rights.

We note that similar types of positions with the California Public Employees Retirement System and the California State Teachers Retirement System are within civil service. Thank you for the opportunity to testify in strong opposition of H.B. 2124, H.D. 1.

Respectfully submitted,

  
for Randy Perreira  
Executive Director