

STAND. COM. REP. NO.

413

Honolulu, Hawaii

FEB 14 , 2023

RE: H.B. No. 1506  
H.D. 1

Honorable Scott K. Saiki  
Speaker, House of Representatives  
Thirty-Second State Legislature  
Regular Session of 2023  
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred H.B. No. 1506 entitled:

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

begs leave to report as follows:

The purpose of this measure is to:

- (1) Require the Employees' Retirement 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;
- (2) Under certain conditions, require the Employees' Retirement System Board of Trustees to report the rationale for certain determinations in its annual report to the Legislature; and
- (3) Appropriate funds for the Hawaii Targeted Investment Program.

2023-1517 HB1506 HD1 HSCR HMSO



Your Committee received testimony in support of this measure from the Hawai'i Climate Change Mitigation and Adaptation Commission and one individual. Your Committee received testimony in opposition to this measure from one individual. Your Committee received comments on this measure from the Department of Budget and Finance and Employees' Retirement System.

Your Committee finds that the Employees' Retirement System created the Hawaii Targeted Investment Program to produce competitive risk-adjusted investment returns by making investments in emerging growth and growth-oriented businesses in traded sector industries, with specific emphasis on Hawaii. Additionally, the Employees' Retirement System has continued to produce investment returns that have outperformed standard benchmarks in the long run, helping to reduce its large unfunded actuarial accrued liability. This measure encourages investment opportunities in industries that will sustain Hawaii's natural environment or produce economic opportunities for its residents.

Your Committee has amended this measure by:

- (1) Deleting certain findings;
- (2) Specifying that the purpose of the investments made by the Employees' Retirement System shall be to the exclusive benefit of the members and their beneficiaries;
- (3) Requiring that, in evaluating venture capital investments, the Employees' Retirement System Board of Trustees considers the benefits to the members and their beneficiaries;
- (4) Authorizing, rather than requiring, the Employees' Retirement System Board of Trustees 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;



- (5) Specifying that the appropriation shall be invested by the Employees' Retirement System, with due consideration to investing in the Hawaii Targeted Investment Program;
- (6) Changing the effective date to June 30, 3000, to encourage further discussion;
- (7) Adding a provision that requires the appropriated funds to be released to the Employees' Retirement System in order for the substantive portion of this measure to take effect; and
- (8) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1506, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1506, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on  
behalf of the members of the  
Committee on Energy &  
Environmental Protection,



NICOLE E. LOWEN, Chair



