

Honolulu, Hawaii

FEB 15 2018

RE: S.B. No. 2765  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Twenty-Ninth State Legislature  
Regular Session of 2018  
State of Hawaii

Sir:

Your Committee on Labor, to which was referred S.B. No. 2765  
entitled:

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

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Allow the Executive Director of the Board of Trustees of the Employees' Retirement System (ERS) to appoint one or more investment professionals under the direction of the Chief Investment Officer; and
- (2) Exempt investment officers and investment professionals, including investment specialists, from civil service and collective bargaining laws.

Your Committee received testimony in support of this measure from the Board of Trustees of the Employees' Retirement System and University of Hawaii Professional Assembly.

Your Committee finds that successful investment of ERS funds is critical to the sustainability of the system. Although the members of the Board of Trustees have fiduciary responsibility of the general management of the system's assets and implementation of the system's investment policy, the Trustees themselves are not



investment experts. This measure authorizes the ERS to hire professionals with investment expertise to assist in maintaining a healthy, sustainable ERS.

Your Committee has heard the testimony of the University of Hawaii Professional Assembly and agrees, to be consistent with the practices of other agencies, such as the Hawaii Employee-Union Health Benefits Trust Fund, that the Board of Trustees, rather than the Executive Director, should have the authority to appoint investment officers and investment professionals.

Accordingly, your Committee has amended this measure by:

- (1) Repealing language that allows the Board of Trustees of the ERS to appoint investment officers through its Executive Director, to instead allow the Board to directly appoint investment officers and investment professionals; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Labor that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2765, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2765, S.D. 1, and be referred to your Committee on Ways and Means.

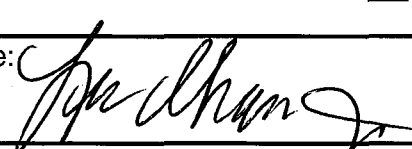
Respectfully submitted on  
behalf of the members of the  
Committee on Labor,

  
\_\_\_\_\_  
JILL N. TOKUDA, Chair



The Senate  
 Twenty-Ninth Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Labor**  
**LBR**

Bill / Resolution No.:* <i>SB2765</i>	Committee Referral: <i>LBR, WAM</i>	Date: <i>02/06/18</i>		
<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 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
TOKUDA, Jill N. (C)	✓			
ENGLISH, J. Kalani (VC)				✓
CHANG, Stanley				✓
IHARA, Jr., Les	✓			
TANIGUCHI, Brian T.		✓		
<b>TOTAL</b>	<i>2</i>	<i>1</i>	<i>0</i>	<i>2</i>
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original     Yellow     Pink     Goldenrod File with Committee Report     Clerk's Office     Drafting Agency     Committee File Copy				

\*Only one measure per Record of Votes