HR HMS 2007-2970

H.R. NO. 108

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## HOUSE RESOLUTION

ENCOURAGING THE EMPLOYEES' RETIREMENT SYSTEM TO INVEST IN HAWAII VENTURE CAPITAL.

WHEREAS, Hawaii's desire for economic growth that benefits 1 all residents depends on building our state's human resources; 2 and 3 4 WHEREAS, Hawaii's longstanding desire for economic 5 diversification and sustainability turns on applying the state's 6 high skilled resources to the creation and adoption of 7 innovation across the economy; and 8 9 WHEREAS, economic growth and diversification throughout 10 many communities have been enhanced by the availability of 11 venture capital funding for entrepreneurs who are able to 12 attract capital and establish innovative new ventures; and 13 14 WHEREAS, well-known regions such as Silicon Valley; Route 15 128 in Boston; Austin, Texas; and the Research Triangle in North 16 Carolina have benefited greatly from the combination of 17 scientific research, an entrepreneurial culture driving high 18 technology growth, and funding availability for early stage 19 equity investments; and 20 21 22 WHEREAS, other areas similar in size and population to Hawaii, including San Diego, Salt Lake City, Seattle, and 23 Boulder have also developed strong technology-based businesses 24 with the assistance of venture capital; and 25 26 WHEREAS, the source of this venture capital is derived 27 largely through employee pension funds with over half of the 28 approximately \$25 billion of venture capital investments taking 29 place in 2006 being provided by pension funds; and 30

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WHEREAS, many public pension funds target in-state 1 investments to provide enhanced returns to pensioners and 2 support the development of high-growth businesses within local 3 communities; and 4 5 WHEREAS, the Employees' Retirement System of the State of 6 Hawaii (ERS) has committed approximately \$300,000,000 to the 7 alternative asset category, including venture capital, but none 8 of it is invested in Hawaii; and 9 10 WHEREAS, this lack of investment in Hawaii venture capital 11 by the ERS may be due to a lack of large-scale qualified 12 investment opportunities and concerns over the possible breach 13 of fiduciary duty and prudent investor rules related to early 14 stage investing; and 15 16 WHEREAS, while this may be true, some jurisdictions such as 17 Arkansas and Michigan encourage local investment by pension 18 funds by relieving fiduciaries of liability for investing in 19 local venture capital while others, such as the state of Oregon, 20 have legislated investment by the public pension fund in local 21 venture capital where prudent; and 22 23 WHEREAS, if Hawaii is to pursue, implement, and sustain a 24 high technology and innovative economy, investments in local 25 companies must be encouraged; now, therefore, 26 27 28 BE IT RESOLVED by the House of Representatives of the Twenty-fourth Legislature of the State of Hawaii, Regular 29 Session of 2007, that the ERS is encouraged to invest in Hawaii 30 venture capital which allows the retirement system to achieve 31 32 superior investment returns for the pension fund, attracts private investment capital and expertise, and assists the growth 33 of Hawaii's technology companies and high growth businesses; and 34 35 BE IT FURTHER RESOLVED that the ERS review whether removing 36 any liability to fiduciaries for investing moderate amounts in 37 Hawaii venture capital will allow for or encourage further 38 investment in Hawaii venture capital by the ERS; and 39

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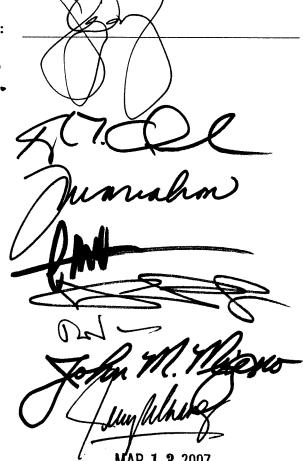
BE IT FURTHER RESOLVED that the ERS submit a report to the Legislature no later than 20 days prior to the convening of the Regular Session of 2008 detailing the ERS's attempts at investing in Hawaii venture capital, if any; the reasons for not investing in Hawaii venture capital; and any legislation that may be necessary to encourage investment of ERS monies in Hawaii venture capital; and 8

9 BE IT FURTHER RESOLVED that certified copies of this
10 Resolution be transmitted to the Governor and Board of Directors
11 of the ERS.

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OFFERED BY:

Mart A.



MAR 1 3 2007

