

MAR 14 2007

## SENATE RESOLUTION

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

1 WHEREAS, Hawaii's desire for economic growth that benefits  
2 all residents depends on building our state's human resources;  
3 and  
4

5 WHEREAS, Hawaii's longstanding desire for economic  
6 diversification and sustainability turns on applying the state's  
7 high skilled resources to the creation and adoption of  
8 innovation across the economy; and  
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10 WHEREAS, economic growth and diversification throughout  
11 many communities have been enhanced by the availability of  
12 venture capital funding for entrepreneurs who are able to  
13 attract capital and establish innovative new ventures; and  
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15 WHEREAS, well-known regions such as Silicon Valley; Route  
16 128 in Boston; Austin, Texas; and the Research Triangle in North  
17 Carolina have benefited greatly from the combination of  
18 scientific research, an entrepreneurial culture driving high  
19 technology growth, and funding availability for early stage  
20 equity investments; and  
21

22 WHEREAS, other areas similar in size and population to  
23 Hawaii, including San Diego, Salt Lake City, Seattle, and  
24 Boulder have also developed strong technology-based businesses  
25 with the assistance of venture capital; and  
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27 WHEREAS, the source of this venture capital is derived  
28 largely through employee pension funds with over half of the  
29 approximately \$25 billion of venture capital investments taking  
30 place in 2006 being provided by pension funds; and



1 WHEREAS, many public pension funds target in-state  
2 investments to provide enhanced returns to pensioners and  
3 support the development of high-growth businesses within local  
4 communities; and  
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6 WHEREAS, the Employees' Retirement System of the State of  
7 Hawaii (ERS) has committed approximately \$300,000,000 to the  
8 alternative asset category, including venture capital, but none  
9 of it is invested in Hawaii; and  
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11 WHEREAS, this lack of investment in Hawaii venture capital  
12 by the ERS may be due to a lack of large-scale qualified  
13 investment opportunities and concerns over the possible breach  
14 of fiduciary duty and prudent investor rules related to early  
15 stage investing; and  
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17 WHEREAS, while this may be true, some jurisdictions such as  
18 Arkansas and Michigan encourage local investment by pension  
19 funds by relieving fiduciaries of liability for investing in  
20 local venture capital while others, such as the state of Oregon,  
21 have legislated investment by the public pension fund in local  
22 venture capital where prudent; and  
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24 WHEREAS, if Hawaii is to pursue, implement, and sustain a  
25 high technology and innovative economy, investments in local  
26 companies must be encouraged; now, therefore,  
27

28 BE IT RESOLVED by the Senate of the Twenty-fourth  
29 Legislature of the State of Hawaii, Regular Session of 2007,  
30 that the ERS is encouraged to invest in Hawaii venture capital  
31 which allows the retirement system to achieve superior  
32 investment returns for the pension fund, attracts private  
33 investment capital and expertise, and assists the growth of  
34 Hawaii's technology companies and high growth businesses; and  
35

36 BE IT FURTHER RESOLVED that the ERS review whether removing  
37 any liability to fiduciaries for investing moderate amounts in  
38 Hawaii venture capital will allow for or encourage further  
39 investment in Hawaii venture capital by the ERS; and



1 BE IT FURTHER RESOLVED that the ERS submit a report to the  
2 Legislature no later than 20 days prior to the convening of the  
3 Regular Session of 2008 detailing the ERS's attempts at  
4 investing in Hawaii venture capital, if any; the reasons for not  
5 investing in Hawaii venture capital; and any legislation that  
6 may be necessary to encourage investment of ERS monies in Hawaii  
7 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: Clarence B. Nishikawa

