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# A BILL FOR AN ACT

RELATING TO EMPLOYEES' RETIREMENT SYSTEM INVESTMENTS.

### BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that this Act is 2 necessary to enable the employees' retirement system of the 3 State of Hawaii (the "system") to efficiently maintain the 4 confidentiality of information relating to alternative 5 investments such as investments in private equity, private 6 credit, and private real estate funds, consistent with 7 competitive investment market best practices. This will help 8 ensure that the system will not be disadvantaged as a 9 competitive investor due to the public records disclosure 10 requirements of chapter 92F, Hawaii Revised Statutes.

11 To address the system's unfunded liability and other 12 financial needs, the system, as a prudent investor, engages in 13 diversified investment, including high-yield private alternative 14 investment funds. Due diligence into such investments requires 15 the system to invest time and money to acquire and analyze 16 detailed proprietary and confidential information regarding the 17 projected performance of each fund. If the system is required

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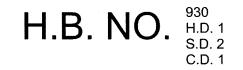
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1 to disclose such confidential information, the system is 2 disadvantaged as a competitive investor. Competing investors would be able to acquire, at no cost, the system's investment 3 4 intelligence, resulting in oversubscription of the system's best 5 investments, reducing the system's access. Further, to the 6 extent that the system has disclosed or may be required to 7 disclose information that the investment funds require to be 8 kept confidential, some high-performing funds have been deterred 9 from allowing the system to invest with them. To manage these 10 risks, the system currently expends significant efforts in 11 responding to requests for such confidential information.

12 To serve the public interest in monitoring the system's 13 investment performance, the system already publishes non-14 confidential aggregate performance data for the entire system 15 investment portfolio in its "Hawaii ERS Quarterly Performance 16 Report", which includes: the name of asset or strategy; rate of 17 return for the month, three months, fiscal year-to-date, 18 calendar year-to-date, one year, three years, five years, and 19 inception to date; and inception date. The system further 20 publishes in its monthly statement of investments, private 21 equity fund data on: the name of fund; commitments;

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contributions; market value; strategy; and vintage year or year
 started.

This Act identifies certain types of alternative investment fund information, the disclosure of which would likely put the system at a competitive disadvantage, and categorically exempts those categories of information from disclosure under chapter 92F, Hawaii Revised Statutes, consistent with market best practices.

9 SECTION 2. Section 88-103.5, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "\$88-103.5 Disclosure of information. (a) The employees' 12 retirement system shall:

13 (1) Disclose to the Hawaii employer-union health benefits
14 trust fund and employee organizations information
15 related to the administration of pension, annuity, or
16 retirement allowance deductions, as follows: name,
17 social security number, and amounts and dates of both
18 voluntary and mandatory deductions remitted to the
19 recipient; and

20 (2) Release the records of its retirants and beneficiaries
21 to the Hawaii employer-union health benefits trust

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1		fund for the disbursement of payments authorized under	
2		section 87A-23.	
3	(b)	Any government agency or employee organization	
4	receiving	government records pursuant to this section shall be	
5	subject to the same restrictions on disclosure of the records as		
6	the originating agency.		
7	<u>(</u> C)	The following documents relating to the system's	
8	alternative investments shall be exempt from disclosure under		
9	chapter 92F:		
10	(1)	Private placement memoranda;	
11	(2)	Fund agreements and related documents, including	
12		subscription agreements, management agreements, side	
13		letters, guarantees, credit facility agreements,	
14		participation agreements, and trust documents;	
15	(3)	Confidential presentations or recommendations made to	
16		the system;	
17	(4)	Due diligence memoranda and other due diligence	
18		materials, including due diligence questionnaires;	
19	(5)	Documents containing information on any portfolio	
20		company, real property, or any other assets held by an	
21		alternative investment vehicle;	

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1	(6)	Financial statements and other documents containing	
2		financial information of a fund or its general partner	
3		or manager, whether audited or unaudited, including	
4		but not limited to statements or information related	
5		to:	
6		(A) Income statements;	
7		(B) Balance sheets;	
8		(C) Cash flows;	
9		(D) Capital accounts;	
10		(E) Investment rate-of-returns, including internal	
11		rate of returns and time-weighted rate of	
12		returns;	
13		(F) Cash or in-kind distributions;	
14		(G) Carried interests;	
15		(H) Management and other fees; and	
16		(I) Return multiples;	
17	(7)	Confidential correspondences between an alternative	
18		investment vehicle or its general partner, manager,	
19		advisor, or limited partner advisory committee, and	
20		the system;	
21	(8)	Capital call and distribution notices;	

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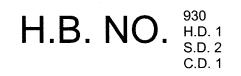
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1	(9)	Limited partner advisory committee and limited partner	
2		meeting notices, minutes, and materials, including	
3		without limitation any materials distributed at those	
4		meetings;	
5	(10)	Investment management agreements; and	
6	(11)	Placement agent disclosures and similar documents.	
7	(d)	The exemptions from disclosure under chapter 92F set	
8	forth in	subsection (c) are in addition to any other records	
9	that may be exempt from disclosure pursuant to chapter 92F or		
10	any other law.		
11	(e) As used in this section:		
12	"Alternative investment" means an actual or proposed		
13	investment by the system in a private equity fund, venture fund,		
14	hedge fund, fund of funds, absolute return fund, real estate		
15	fund, infrastructure fund, private credit, or other similar		
16	private market investments.		
17	"Alt	ernative investment vehicle" means the limited	
18	partnership, limited liability company, collective investment		
19	trust, or other legal structure of the alternative investment.		
20	"Investment management agreement" means a contract to		
21	manage as	sets of the system.	



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1	"Limited par	rtner advisory committee" means any limited
2	partner or other	advisory committee of an alternative investment
3	vehicle."	
4	SECTION 3.	New statutory material is underscored.
5	SECTION 4.	This Act shall take effect upon its approval.





Report Title: Employees' Retirement System; Investment Records

#### Description:

Exempts the employees' retirement system from disclosing under chapter 92F, Hawaii Revised Statutes, certain types of alternative investment fund information. (CD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

