
HOUSE CONCURRENT 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
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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
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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,
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28 BE IT RESOLVED by the House of Representatives of the
29 Twenty-fourth Legislature of the State of Hawaii, Regular
30 Session of 2007, the Senate concurring, that the ERS is
31 encouraged to invest in Hawaii venture capital which allows the
32 retirement system to achieve superior investment returns for the
33 pension fund, attracts private investment capital and expertise,
34 and assists the growth of Hawaii's technology companies and high
35 growth businesses; and
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37 BE IT FURTHER RESOLVED that the ERS review whether removing
38 any liability to fiduciaries for investing moderate amounts in
39 Hawaii venture capital will allow for or encourage further
40 investment in Hawaii venture capital by the ERS; and



