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# HOUSE 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 highly-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

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32          WHEREAS, many public pension funds target in-state  
33 investments to provide enhanced returns to pensioners and  
34 support the development of high-growth businesses within local  
35 communities; and



1 WHEREAS, the Employees' Retirement System of the State of  
2 Hawaii (ERS) has committed approximately \$300,000,000 to the  
3 alternative asset category, including venture capital, but none  
4 of it is invested in Hawaii; and

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6 WHEREAS, this lack of investment in Hawaii venture capital  
7 by the ERS may be due to a lack of large-scale qualified  
8 investment opportunities and concerns over the possible breach  
9 of fiduciary duty and prudent investor rules related to early  
10 stage investing; and

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12 WHEREAS, while this may be true, some jurisdictions  
13 encourage local investment by pension funds by relieving  
14 fiduciaries of liability for investing in local venture capital  
15 while others, such as the state of Oregon, have legislated  
16 investment by the public pension fund in local venture capital,  
17 where prudent; and

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19 WHEREAS, if Hawaii is to pursue, implement, and sustain a  
20 high technology and innovative economy, investments in local  
21 companies must be encouraged; now, therefore,

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23 BE IT RESOLVED by the House of Representatives of the  
24 Twenty-fourth Legislature of the State of Hawaii, Regular  
25 Session of 2007, that the ERS is encouraged to invest in Hawaii  
26 venture capital to the extent that it is prudent to do so; and

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28 BE IT FURTHER RESOLVED that the ERS propose structural  
29 changes to its investment system to enable prudent investment in  
30 Hawaii venture capital; and

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32 BE IT FURTHER RESOLVED that the ERS submit a report to the  
33 Legislature no later than 20 days prior to the convening of the  
34 Regular Session of 2008 listing any investments made in Hawaii  
35 venture capital and detailing the ERS' review or consideration  
36 of Hawaii venture capital investments; and

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38 BE IT FURTHER RESOLVED that certified copies of this  
39 Resolution be transmitted to the Governor and Board of Directors  
40 of the ERS.

