
A BILL FOR AN ACT

RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
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 Hawaii employer-union health benefits
3 trust fund (the "trust fund") 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 trust fund 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 trust fund's unfunded liability, the trust
12 fund, as a prudent investor, engages in diversified investment,
13 including high-yield private alternative investments. Due
14 diligence into such investments requires the trust fund to
15 invest time and money to acquire and analyze detailed
16 proprietary and confidential information regarding the projected



1 performance of each fund. If the trust fund is required to
2 disclose such confidential information, the trust fund is
3 disadvantaged as a competitive investor. Competing investors
4 would be able to acquire, at no cost, the trust fund's
5 investment intelligence, resulting in oversubscription of the
6 trust fund's best investments, reducing the trust fund's access.
7 Further, to the extent that the trust fund may be required to
8 disclose information that the investment funds require to be
9 kept confidential, some high-performing funds are likely, based
10 on their past practices, to be deterred from allowing the trust
11 fund to invest with them.

12 To serve the public interest in monitoring the trust fund's
13 investment performance, the trust fund already makes publicly
14 available non-confidential aggregate performance data for the
15 entire trust fund investment portfolio in its quarterly
16 performance report, which includes: the name of asset or
17 strategy and the rate of return for the quarter, fiscal year-to-
18 date, one year, three years, five years, ten years, and
19 inception to date.

20 The purpose of this Act is to identify certain types of
21 alternative investment fund information, the disclosure of which



1 would likely put the trust fund at a competitive disadvantage,
2 and categorically exempt those categories of information from
3 disclosure under chapter 92F, Hawaii Revised Statutes,
4 consistent with market best practices. This Act mirrors Act 71,
5 Session Laws of Hawaii 2021, providing the employees' retirement
6 system of the State of Hawaii the same exemptions.

7 SECTION 2. Chapter 87A, Hawaii Revised Statutes, is
8 amended by adding to part IV a new section to be appropriately
9 designated and to read as follows:

10 **"§87A- Disclosure of alternative investment**
11 **information.** (a) The following documents relating to the
12 fund's alternative investments shall be exempt from disclosure
13 under chapter 92F:
14 (1) Private placement memoranda;
15 (2) Alternative investment vehicle agreements and related
16 documents, including subscription agreements,
17 management agreements, side letters, guarantees,
18 credit facility agreements, participation agreements,
19 and trust documents;
20 (3) Confidential presentations or recommendations made to
21 the fund;



- 1 (4) Due diligence memoranda and other due diligence
2 materials, including due diligence questionnaires;
- 3 (5) Documents containing information on any portfolio
4 company, real property, or any other assets held by an
5 alternative investment vehicle;
- 6 (6) Financial statements and other documents containing
7 financial information of an alternative investment
8 vehicle or its general partner or manager, whether
9 audited or unaudited, including but not limited to
10 statements or information related to:
- 11 (A) Income statements;
12 (B) Balance sheets;
13 (C) Cash flows;
14 (D) Capital accounts;
15 (E) Investment rate-of-returns, including internal
16 rate of returns and time-weighted rate of
17 returns;
- 18 (F) Cash or in-kind distributions;
19 (G) Carried interests;
20 (H) Management and other fees; and
21 (I) Return multiples;



1 (7) Confidential correspondences between an alternative
2 investment vehicle or its general partner, manager,
3 advisor, or limited partner advisory committee, and
4 the fund;

5 (8) Capital call and distribution notices;

6 (9) Limited partner advisory committee and limited partner
7 meeting notices, minutes, and materials, including
8 without limitation any materials distributed at those
9 meetings;

10 (10) Investment management agreements; and

11 (11) Placement agent disclosures and similar documents.

12 (b) The exemptions from disclosure under chapter 92F set
13 forth in this section are in addition to any other records that
14 may be exempt from disclosure pursuant to chapter 92F or any
15 other law.

16 (c) As used in this section:

17 "Alternative investment" means an actual or proposed
18 investment by the fund in a private equity fund, venture fund,
19 hedge fund, fund of funds, absolute return fund, real estate
20 fund, infrastructure fund, private credit, or other similar
21 private market investments.



1 "Alternative investment vehicle" means the limited
2 partnership, limited liability company, collective investment
3 trust, or other legal structure of the alternative investment.

4 "Investment management agreement" means a contract to
5 manage assets of the fund.

6 "Limited partner advisory committee" means any limited
7 partner or other advisory committee of an alternative investment
8 vehicle."

9 SECTION 3. New statutory material is underscored.

10 SECTION 4. This Act shall take effect on December 25,
11 2040.



Report Title:

Hawaii Employer-Union Health Benefits Trust Fund; Investment
Records

Description:

Exempts the Hawaii Employer-Union Health Benefits Trust Fund
from disclosing under chapter 92F, Hawaii Revised Statutes,
certain types of alternative investment fund information.
Effective 12/25/2040. (HD1)

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