

HAWAII TARGETED INVESTMENT PROGRAM - Introduction

ERS Investment Policies & Procedures Manual

Effective April 11, 2011

The Hawaii Targeted Investment Program (HiTIP) is being created by the Hawaii Employees Retirement System (HIERS) to fulfill the mandate of Act 260, "A Bill For An Act Relating To The Innovation Economy" (the "Act") passed by the Legislature and signed by the Governor in July 2007. The purpose of the Act is "to encourage the employees' retirement system to invest in Hawaii venture capital..."

The HiTIP should be viewed as a distinct component of the broader HIERS private equity program for two distinct reasons. First, the Act stipulates that the HIERS provide specific updates to the State with respect to the HiTIP. Second, the investment directives that apply to the HiTIP are different than those that apply to the broader HIERS private equity investment portfolio. The Act stipulates that the HIERS require that the HiTIP earn returns for the HIERS investment portfolio by making investments in emerging growth and growth-oriented businesses in traded sector industries in Hawaii.

In accordance with Chapter 88 of the Hawaii Revised Statutes, the Board of Trustees of HIERS (Board) determines the investment policies and procedures for all HIERS investment activities, including the HiTIP. HIERS employees will act as staff overseeing HiTIP and its fund-of-funds advisor and report HiTIP activities to the HIERS Board, in conjunction with the fund-of-funds advisor. In this capacity, Staff and/or the fund-of-funds advisor may periodically recommend new or updated HiTIP investment policies and procedures to the HIERS Board for review and comment. HiTIP investment policies and procedures, which are attached, reflect the following principles:

1. The purpose of the HiTIP is to produce competitive risk-adjusted investment returns for the HIERS by making investments in emerging growth and growth-oriented businesses in traded sector industries, with specific emphasis on Hawaii. The HiTIP's mission is not economic development, but economic development may be one significant byproduct of the investment program.
2. HiTIP funds will be invested only through external general partners/managers.
3. General partners/managers will be fully discretionary, i.e., after funds are allocated to the limited partnership or limited liability company (LLC), they are totally responsible for the investment of these funds within the partnership's or LLC's investment guidelines.

The HIERS Board and Staff will delegate the selection, retention and monitoring of external partnerships or LLCs to a dedicated fund-of-funds advisor (or manager-of-manager) and will not entertain individual investment proposals from individual businesses or for particular projects, except as a result of in-kind distributions of assets to the HiTIP by external partnerships/LLCs. Except as described in the preceding sentence, individual investment decisions will be left to the general partnership or LLC managers.