

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF TRUSTEES OF THE EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF HAWAII

AUGUST 8, 2016

CITY FINANCIAL TOWER
201 MERCHANT STREET, SUITE 1200
HONOLULU, HAWAII 96813

- Trustees present: Mr. Vince Barfield, Chair
Mr. Emmit Kane, Vice Chair
Dr. Catherine Chan
Ms. Jackie Ferguson-Miyamoto
Mr. Patrick Frane
Mr. Colbert Matsumoto
- Trustees excused: Mr. Wesley Machida
Mr. Jerome Rauckhorst
- Staff present: Ms. Kanoe Margol, Acting Executive Director
Mr. Vijoy Chattergy, Chief Investment Officer
Mr. Karl Kaneshiro, Branch Manager, Enrollment, Claims & Benefits
Mr. Aaron Au, Investment Officer
Mr. Anthony Goo, Investment Officer
Mr. Howard Hodel, Investment Officer
Mr. Andrew Chen, Investment Specialist
Mr. Ian Wetzal, Investment Specialist
Ms. Donna Curry, Program Specialist
Mr. Keith Miyamoto, Information Technology Manager
Mr. Larry Wolfe, Accounting Manager
Ms. Wanda Kugiya, Secretary
Ms. Dale Kanae, Secretary
Ms. Lori Kim, Recording Secretary
- Staff excused: Mr. Thomas Williams, Executive Director
- Attorneys present: Ms. Diane Kishimoto, Deputy Attorney General (Counsel for the Board)
Mr. Brian Aburano, Deputy Attorney General (Counsel for the Board)
Ms. Elmira Tsang, Deputy Attorney General (Counsel for ERS Staff)
- Guests present: Mr. Neil Rue, Pension Consulting Alliance, LLC
Ms. Kay Ceserani, Pension Consulting Alliance, LLC
Mr. Michael Humphrey, Courtland Partners, Ltd.
Mr. Tom Hester, Courtland Partners, Ltd.

QUORUM/CALL TO ORDER	A quorum being present (Chair Barfield, Vice Chair Kane, and Trustees Chan, Ferguson-Miyamoto, and Frane), Chair Barfield called the regular meeting of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 9:00 a.m.
PUBLIC COMMENT	Chair Barfield called for public comment. There were no members of the public present.
RECESS	Chair Barfield called for a recess and announced that the meeting would reconvene after the Chapter 91 proceedings and the Investment Committee meeting.
RECONVENE	A quorum being present (Chair Barfield, Vice Chair Kane, and Trustees Chan, Ferguson-Miyamoto, and Frane), Chair Barfield reconvened the meeting at 10:21 a.m.
ENTER EXECUTIVE SESSION	On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Frane, and unanimously carried, the Board entered into Executive Session at 10:21 a.m.: <ul style="list-style-type: none"> • Pursuant to HRS § 88-27.5(a)(1), to conduct discussions and deliberations and, if applicable, to make a decision upon, an investment in DRA Growth & Income Fund IX, L.L.C. (real estate fund).
EXECUTIVE SESSION, PURSUANT TO HRS § 88- 27.5(a)(1), TO CONDUCT DISCUSSIONS AND DELIBERATIONS AND, IF APPLICABLE, TO MAKE A DECISION UPON, AN INVESTMENT IN DRA GROWTH & INCOME FUND IX, L.L.C. (REAL ESTATE FUND)	
EXIT EXECUTIVE SESSION	On a motion made by Trustee Ferguson-Miyamoto, seconded by Vice Chair Kane, and unanimously carried, the Board exited Executive Session at 11:22 p.m.
RECESS	Chair Barfield called a five minute recess at 11:28 a.m.
RECONVENE	A quorum being present (Chair Barfield, Vice Chair Kane, and Trustees Chan, Ferguson-Miyamoto, and Frane), Chair Barfield reconvened the meeting at 11:33 a.m.
GASB STATEMENT 67 ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS FOR THE FISCAL YEAR ENDING JUNE 30, 2015	Ms. Kanoe Margol, Acting Executive Director, presented for the Board's information and review the report, prepared by ERS's actuary Gabriel, Roeder, Smith and Company (GRS), providing the information required by the ERS in connection with Government Accounting Standards Board Statement No. 67 (GASB 67 Report). The GASB 67 Report complements

PROVIDED BY ERS'S
ACTUARY GABRIEL,
ROEDER, SMITH &
COMPANY

the actuarial valuation report presented to the Board by GRS in July.

INTERNAL AUDIT
REMEDATION STATUS

Mr. Keith Miyamoto, Information Technology Manager, reported that staff is working to comply with the recommendations in internal audit review of information technology and internal network security. There are no new issues.

PENSION CONSULTING
ALLIANCE, LLC –
INVESTMENT PORTFOLIO
PERFORMANCE FOR 2ND
QUARTER 2016

Mr. Neil Rue of Pension consulting Alliance, LLC (PCA) gave an oral and written report on the ERS's investment portfolio performance for the 2nd quarter of 2016.

The portfolio outperformed the Policy Benchmark for the quarter. The portfolio trailed the benchmark over the 1-year period, primarily due to disappointing security selection by ERS's managers in the Broad Growth class in early 2016, underperformance in Principal Protection, and overall weighting decisions. The portfolio exceeded the benchmark over the 3-year period, trailed the benchmark over the 5-year period, and matched the benchmark over the 10-year period. The portfolio trailed the Median Public Fund return over the recent quarter and 1-year period, but outperformed the Median Fund over the 3-year period. Longer-term results were in-line with the Median Public fund.

(Trustee Matsumoto joined the meeting at 11:58 a.m.)

ENTER EXECUTIVE SESSION

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Frane, and unanimously carried, the Board entered into Executive Session at 12:01 p.m.):

- Pursuant to HRS § 92-5(a)(4), to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities with respect to Act 1, Special Session Laws of Hawaii 2016; appropriate action.

EXECUTIVE SESSION
PURSUANT TO HRS § 92-
5(a)(4), TO CONSULT WITH
THE BOARD'S ATTORNEYS
ON QUESTIONS AND ISSUES
PERTAINING TO THE
BOARD'S POWERS, DUTIES,
PRIVILEGES, IMMUNITIES,
AND LIABILITIES WITH
RESPECT TO ACT 1, SPECIAL
SESSION LAWS OF HAWAII
2016; APPROPRIATE ACTION

EXIT EXECUTIVE SESSION

On a motion made by Trustee Chan, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board exited Executive Session at 1:07 p.m.

COURTLAND PARTNERS,

Mr. Humphrey gave an oral and written presentation on the performance

LTD. – REAL ESTATE
PORTFOLIO MEASUREMENT
REPORT FOR 1ST QUARTER
2016

of the ERS’s real estate portfolio for the 1st quarter of 2016. Returns were strong; however, Mr. Humphrey noted that strong returns cannot be expected to continue indefinitely. Mr. Humphrey will discuss separate accounts and allocations at the September Board meeting.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Chan, and unanimously carried, the Board entered into Executive Session at 1:18 p.m.:

- Pursuant to HRS § 88-27.5(a)(2), to conduct discussions and deliberations and to make decisions relating to the Crisis Risk Offset Request for Information (RFI);
- Pursuant to HRS § 88-27.5(a)(2), to conduct discussions and deliberations and to make decisions relating to the Global Small Cap Equity manager searches;
- Pursuant to HRS § 92-5(a)(4), to consult with the Board’s attorney on questions and issues pertaining to the Board’s power, duties, and privileges, immunities, and liabilities with respect to proposed action for the request to forgive the overpayments for Tara and Jaime Correa; appropriate action;
- Pursuant to HRS § 92-5(a)(4), to consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities with respect to extension of Special Deputy Attorney General contract with Nossaman LLP; appropriate action;
- Pursuant to HRS § 92-5(a)(4), to consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities with respect to extension of Special Deputy Attorney General contract with D’Amato & Maloney, A Limited Liability Law Partnership; appropriate action; and
- Pursuant to HRS § 92-5(a)(4), to consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities with respect to proposed actions in or related to certain federal securities fraud class action lawsuits; appropriate action.

EXECUTIVE SESSION,
PURSUANT TO HRS § 88-
27.5(a)(1), TO CONDUCT
DISCUSSIONS AND
DELIBERATIONS AND TO
MAKE DECISIONS
RELATING TO THE CRISIS
RISK OFFSET REQUEST FOR
INFORMATION (RFI)

EXECUTIVE SESSION,
PURSUANT TO HRS § 88-
27.5(a)(2), TO CONDUCT
DISCUSSIONS AND
DELIBERATIONS AND TO
MAKE DECISIONS
RELATING TO THE GLOBAL

SMALL CAP EQUITY
MANAGER SEARCHES

EXECUTIVE SESSION,
PURSUANT TO HRS § 92-
5(a)(4), TO CONSULT WITH
THE BOARD'S ATTORNEY
ON QUESTIONS AND ISSUES
PERTAINING TO THE
BOARD'S POWER, DUTIES,
PRIVILEGES, IMMUNITIES,
AND LIABILITIES WITH
RESPECT TO PROPOSED
ACTION FROM THE REQUEST
TO EXTENSION OF SPECIAL
DEPUTY ATTORNEY
GENERAL CONTRACT WITH
NOSSAMAN LLP;
APPROPRIATE ACTION

EXECUTIVE SESSION,
PURSUANT TO HRS § 92-
5(a)(4), TO CONSULT WITH
THE BOARD'S ATTORNEYS
ON QUESTIONS AND ISSUE
PERTAINING TO THE
BOARD'S POWERS, DUTIES,
PRIVILEGES, IMMUNITIES,
AND LIABILITIES WITH
RESPECT TO EXTENSION OF
SPECIAL DEPUTY
ATTORNEY GENERAL
CONTRACT WITH D'AMATO
& MALONEY, A LIMITED
LIABILITY LAW
PARTNERSHIP;
APPROPRIATE ACTION

EXECUTIVE SESSION,
PURSUANT TO HRS § 92-
5(a)(4), TO CONSULT WITH
THE BOARD'S ATTORNEYS
ON QUESTIONS AND ISSUES
PERTAINING TO THE
BOARD'S POWERS, DUTIES,
PRIVILEGES, IMMUNITIES,
AND LIABILITIES WITH
RESPECT TO PROPOSED
ACTIONS IN OR RELATED
TO CERTAIN FEDERAL
SECURITIES FRAUD CLASS
ACTION LAWSUITS;
APPROPRIATE ACTION

EXECUTIVE SESSION,
PURSUANT TO HRS § 92-
5(a)(4), TO CONSULT WITH
THE BOARD'S ATTORNEY
ON QUESTIONS AND ISSUES
PERTAINING TO THE
BOARD'S POWER, DUTIES,
PRIVILEGES, IMMUNITIES,
AND LIABILITIES WITH
RESPECT TO PROPOSED
ACTION FOR THE REQUEST
TO FORGIVE THE
OVERPAYMENTS FOR TARA
AND JAIME CORREA;
APPROPRIATE ACTION

EXIT EXECUTIVE SESSION

On a motion made by Trustee Matsumoto, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board exited Executive Session at 1:48 p.m.

EXECUTIVE DIRECTOR'S
REPORT

Ms. Margol gave the Executive Director's report for Mr. Thomas Williams that included the following:

- Memorandum of Understanding all processed except for Maui.
- Mr. Williams continues to meet with business leaders from First Hawaiian Bank, Central Pacific Bank, American Savings and Gary Kai from the Hawaii Business Roundtable.
- ERS has a meeting on Monday, August 15 at Senator Gilbert Keith-Agaran's office regarding the Raj Kumar case.
- B&F will be issuing bonds; therefore, ERS has to update Functional Statement.

OPERATIONS REPORT

Ms. Margol reported that although ERS staff is catching up on retirement applications for June and July, the ERS needs more resources. Mr. Williams has spoken to Mr. Machida regarding the situation and will be submitting a formal budget request.

ADJOURNMENT

On a motion made by Trustee Matsumoto, seconded by Trustee Ferguson-Miyamoto and unanimously carried, Chair Barfield adjourned the meeting at 1:53 p.m.

REDACTED SIGNATURE

Kanoe Margol
Acting Executive Director

KM:ltk