

MINUTES OF THE SPECIAL BOARD MEETING OF THE
BOARD OF TRUSTEES OF THE EMPLOYEES' RETIREMENT SYSTEM (ERS)

JULY 27 – 29, 2016

ANDAZ MAUI AT WAILEA RESORT
MAIN STUDIO
3550 WAILEA ALANUI DRIVE
WAILEA, HAWAII 96753

ROLL CALL
FOR JULY 27,
2016

Trustees present: Mr. Vincent Barfield, Chair
Mr. Emmit Kane, Vice Chair
Ms. Jackie Ferguson-Miyamoto
Mr. Patrick Frane
Mr. Colbert Matsumoto
Mr. Jerome Rauckhorst

Trustees excused: Ms. Catherine Chan
Mr. Wesley Machida

Attorneys present: Mr. Brian Aburano, Deputy Attorney General (Counsel for the Board)
Ms. Diane Kishimoto, Deputy Attorney General (Counsel for the Board)
Ms. Elmira Tsang, Deputy Attorney General (Counsel for the ERS staff)

Staff present: Mr. Thomas Williams, Executive Director
Ms. Kanoe Margol, Deputy Executive Director
Mr. Vijoy Chattergy, Chief Investment Officer
Mr. Aaron Au, Investment Officer
Mr. Anthony Goo, Investment Officer
Mr. Howard Hodel, Investment Officer
Mr. Andrew Chen, Investment Specialist
Mr. Ian Wetzels, Investment Specialist
Ms. Dale Kanae, Secretary
Ms. Wanda Kugiya, Secretary
Ms. Lori Kim, Recording Secretary

Guests present: See Attachment A.

QUORUM/CALL TO ORDER

A quorum being present (Chair Barfield, Vice Chair Kane, and Trustees Ferguson-Miyamoto, Frane, Matsumoto, and Rauckhorst), Chair Vincent Barfield, called the special meeting of the Board of Trustees (Board) of the Employees' Retirement System (ERS) to order at 9:33 a.m. in the Main Studio of The Andaz Maui at Wailea Resort.

PUBLIC COMMENT

Chair Barfield called for public comment. There was no public comment.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Matsumoto, and unanimously carried, the Board entered executive session at 9:34 a.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 Senate Bill 2077, SD1, HD2, CD2; 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 proposed actions in certain federal securities fraud class action lawsuits; appropriate action; and
- Pursuant to HRS § 88-27.5(a)(1) and (3) and HRS § 92-5(a)(4), to consider the following matters that relate to investments or prospective investments made by the ERS that require the consideration of confidential business information or concern the authority of persons designated by the Board to negotiate investments or the sale of property held by or for the benefit of the system, and 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 these matters:
 - A. Heitman Capital Management, LLC – portfolio review and tactical plan; appropriate action;
 - B. Invesco Real Estate – portfolio review and tactical plan; appropriate action;
 - C. Hawaii Targeted Investment Program – portfolio review; appropriate action;
 - D. Hancock Timber Resource Group – portfolio review and tactical plan; appropriate action; and
 - E. Lowe Enterprises Investment Management, LLC – portfolio review and annual plan; appropriate action.

(Guests, hotel staff, and investment staff left the meeting.)

EXECUTIVE SESSION PURUSANT 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 SENATE BILL
2077, SD1, HD2, CD2; 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 CERTAIN FEDERAL
SECURITIES FRAUD CLASS ACTION
LAWSUITS; APPROPRIATE ACTION

EXECUTIVE SESSION, PURSUANT TO
HRS § 88-27.5(a)(1) AND (3) AND HRS
§ 92-5(a)(4) WITH RESPECT TO
HEITMAN CAPITAL MANAGEMENT
LLC – PORTFOLIO REVIEW AND
TACTICAL PLAN

EXECUTIVE SESSION, PURSUANT TO
HRS § 88-27.5(a)(1) AND (3) AND HRS
§ 92-5(a)(4), WITH RESPECT TO
INVESCO ADVISERS, INC. –
PORTFOLIO REVIEW AND TACTICAL
PLAN

RECESS

Chair Barfield called a ten minute lunch recess at 12:38 p.m.

RECONVENE

A quorum being present (Chair Barfield, Vice Chair Kane, and Trustees
Ferguson-Miyamoto, Frane, Matsumoto, and Rauckhorst) Chair Barfield
reconvened the meeting in the Main Studio at 12:56 p.m.

(Mr. Aburano and Ms. Tsang left the meeting at 1:00 p.m.)

EXECUTIVE SESSION, PURSUANT TO
HRS § 88-27.5(a)(1) AND (3) AND HRS
§ 92-5(a)(4), WITH RESPECT TO
HAWAII TARGETED INVESTMENT
PROGRAM – PORTFOLIO REVIEW

RECESS

Chair Barfield called a five minute recess at 2:40 p.m.

RECONVENE

A quorum being present (Chair Barfield, Vice Chair Kane, and Trustees
Ferguson-Miyamoto, Frane, Matsumoto, and Rauckhorst) Chair Barfield
reconvened the meeting in the Main Studio at 2:45 p.m.

EXECUTIVE SESSION, PURSUANT TO
HRS § 88-27.5(a)(1) AND (3) AND HRS §
92-5(a)(4), WITH RESPECT TO
HANCOCK TIMBER RESOURCE
GROUP – PORTFOLIO REVIEW AND
TACTICAL PLAN

EXECUTIVE SESSION, PURSUANT TO
HRS § 88-27.5(a)(1) AND (3) AND HRS §
92-5(a)(4), WITH RESPECT TO LOWE
ENTERPRISES INVESTMENT
MANAGEMENT, LLC – PORTFOLIO
REVIEW AND ANNUAL PLAN

(Ms. Kishimoto left the meeting at 4:25 p.m.)

EXIT EXECUTIVE SESSION

On a motion made by Vice Chair Kane, seconded by Trustee Rauckhorst,
and unanimously carried, the Board exited executive session.

RECESS

Chair Barfield called a recess at 4:45 p.m. and announced that the
meeting would reconvene at 8:30 a.m. on Thursday, July 28, 2016, at the
Main Studio of the Andaz Maui at Wailea Resort.

ROLL CALL
FOR JULY 28,
2016

Trustees present: Mr. Vincent Barfield, Chair
Mr. Emmit Kane, Vice Chair
Dr. Catherine Chan
Ms. Jackie Ferguson-Miyamoto
Mr. Patrick Frane
Mr. Colbert Matsumoto
Mr. Jerome Rauckhorst

Trustees excused: Mr. Wesley Machida

Staff present: Mr. Thomas Williams, Executive Director
Ms. Kanoe Margol, Deputy Executive Director
Mr. Vijoy Chattergy, Chief Investment Officer
Mr. Aaron Au, Investment Officer
Mr. Anthony Goo, Investment Officer
Mr. Howard Hodel, Investment Officer
Mr. Andrew Chen, Investment Specialist
Mr. Ian Wetzel, Investment Specialist
Ms. Dale Kanae, Secretary
Ms. Wanda Kugiya, Secretary
Ms. Lori Kim, Recording Secretary

Guests present: See Attachment B.

RECONVENE

A quorum being present (Chair Barfield, Vice Chair Kane, and Trustees Chan, Ferguson-Miyamoto, Frane, Matsumoto and Rauckhorst) Chair Barfield reconvened the meeting at 8:35 a.m. on Thursday, July 28, 2016 in the Main Studio of the Andaz Maui at Wailea Resort.

WELCOME REMARKS – ALAN
ARAKAWA, MAYOR OF MAUI
COUNTY

Mr. Vijoy Chattergy, Chief Investment Officer, introduced himself, the Board of Trustees, and called the roll of attendees. Mr. Chattergy also announced that Mr. Ian Wetzel, Investment Specialist, would serve as master of ceremonies for the day.

Mr. Wetzel introduced Vice Chair Kane. Vice Chair Kane introduced Alan Arakawa, Mayor of Maui County. Mayor Arakawa welcomed the conferees and discussed infrastructure, tourism, and investing in Maui.

Mr. Wetzel introduced Chair Barfield who presented an overview of the ERS, membership structure, funded status, funded ratio, investment return, market risks, life expectancy, legislative issues, and strategy priorities.

REPORT OF THE ERS EXECUTIVE
DIRECTOR

Mr. Wetzel introduced Thomas Williams, Executive Director. Mr. Williams provided an update on ERS, investments, mortality, defined benefit plans.

PRESENTATION ON “THE RISE
BEFORE THE FALL: HISTORY OF
RISK-BASED ASSET ALLOCATION
AT ERS

Mr. Wetzel introduced Mr. Neil Rue of Pension Consulting Alliance, LLC (PCA), who presented an update on the ERS’s investment portfolio. Mr. Rue stated that ERS has four strategic risk classes. He explained the functions of the four classes, strategy, and how to allocate.

THE OPEN SQUARE DISCUSSION

Mr. Wetzel introduced Mr. Chattergy, who led an open discussion with the Trustees and the investment managers in attendance on current topics in the asset management industry.

PRESENTATION ON “PREMIUM GOODS: FACTORS DRIVING RETURNS ACROSS ASSET CLASSES

Mr. Wetzel introduced Mr. Williams who moderated a discussion with Mr. Phil Hodges of BlackRock on the similarities and differences of factor-based investing, macro-factor investing, style-factor investing, and smart data.

RECESS

Chair Barfield called a recess for lunch at 12:05 p.m. and announced that the meeting would reconvene at 1:30 p.m.

(Trustee Matsumoto left the meeting during the recess.)

RECONVENE

A quorum being present (Chair Barfield, Vice Chair Kane, and Trustees Chan, Ferguson-Miyamoto, France, and Rauckhorst), Chair Barfield reconvened the meeting in the Main Studio at 1:38 p.m.

PRESENTATION ON “UNREAL RETURNS: INFLATION, NEGATIVE RATES, AND OTHER HEAD SCRATCHERS

Mr. Wetzel introduced Moderator Mr. Humphrey, and panelists Mr. John Bellows of Western Asset Management Co, Dan Helfin of Torchlight Investors, and Olin Needle of Heitman Capital Management, LLC. The moderator and panelists participated in the discussion titled “Unreal Returns: Inflation, Negative Rates, and Other Head Scratchers.”

PRESENTATION ON “PRIVATE MARKETS: ASSET CLASS FORMERLY KNOWN AS REAL ESTATE AND PRIVATE EQUITY

Mr. Wetzel introduced Moderator Mr. Aaron Au, Investment Officer, panelists Michael Humphrey of Courtland Partners, Ltd, Paul Yett of Hamilton Lane Advisors, LLC., and Colin Bebee of Pension Consulting Alliance, LLC. The moderator and panelists participated in the discussion titled “Private Markets: Asset Class Formerly Known as Real Estate and Private Equity.

RECESS

Chair Barfield called a recess at 3:35 p.m. and announced that the meeting would reconvene at 8:30 a.m. on Friday, July 29, 2016, at the Main Studio of the Andaz Maui at Wailea Resort.

ROLL CALL
FOR JULY 29,
2016

Trustees present: Mr. Vincent Barfield, Chair
Mr. Emmit Kane, Vice Chair
Dr. Catherine Chan
Ms. Jackie Ferguson-Miyamoto
Mr. Patrick Frane
Mr. Jerome Rauckhorst

Trustees excused: Mr. Wesley Machida
Mr. Colbert Matsumoto

Staff present: Mr. Thomas Williams, Executive Director
Ms. Kanoe Margol, Deputy Executive Director
Mr. Vijoy Chattergy, Chief Investment Officer
Mr. Aaron Au, Investment Officer
Mr. Anthony Goo, Investment Officer
Mr. Howard Hodel, Investment Officer
Mr. Andrew Chen, Investment Specialist
Mr. Ian Wetzels, Investment Specialist
Ms. Dale Kanae, Secretary
Ms. Wanda Kugiya, Secretary
Ms. Lori Kim, Recording Secretary

Guests present: See Attachment C.

Public present: See Attachment C1.

RECONVENE

A quorum being present (Chair Barfield, Vice Chair Kane, and Trustees Chan, Ferguson-Miyamoto, Frane, and Rauckhorst) Chair Barfield reconvened the meeting at 8:45 a.m. on Friday, July 29, 2016 in the Main Studio of the Andaz Maui at Wailea Resort.

REPORT OF THE CHIEF INVESTMENT
OFFICER, VIJOY CHATTERGY

Mr. Vijoy Chattergy, Chief Investment Officer, presented an update on the ERS's investment office which included investment performance, strategic portfolio allocation, and new creative ideas. Mr. Chattergy announced that Mr. Andrew Chen, Investment Specialist, would serve as master of ceremonies for the day.

PRESENTATION ON "STABILIZING
GROWTH: RETURNS BY OTHER
MEANS

Mr. Chen introduced Moderator, Mr. Anthony Goo, Investment Officer, and panelists Ronnie Amici of Western Asset Management Co., Derek Devens of Neuberger Berman Investment Advisers, LLC, Jan Sytze Mosselaar of Robecco Institutional Asset Management – U.S., Inc., and Michael Warsh, Chicago Board Options Exchange. The moderator and panelists participated in a discussion titled, "Stabilizing Growth: Returns by Other Means."

PRESENTATION ON "SPOILER
ALERT: OFFSETTING RISKS IN A
CRISIS"

Mr. Chen introduced Moderator Mr. Howard Hodel, Investment Officer, and panelists John Linder of Pension Consulting Alliance, LLC, Graham Rennison of Pacific Investment Management Company LLC, and Jonathan Hobbs of BlackRock. The moderator and panelists participated in a discussion titled, "Spoiler Alert: Offsetting Risks in a Crisis."

(Trustee Chan left the meeting at 11:00 a.m.)

**PRESENTATION ON
“IDIOSYNCRATIC OPPORTUNITIES:
EVEN MORE RISKS”**

Mr. Chen introduced Moderator Mr. Chattergy and panelists Brian Chee of Polaris Partners, Mr. Russell Munn of Lowe Enterprises Investment Management, LLC, Mr. Greg Hagood of Nephila Capital Ltd./Kohlberg Kravis Roberts, and Edward Chestnut of Providence Equity Partners. The moderator and panelists participated in a discussion titled, “Idiosyncratic Opportunities: Even More Risks.”

Chair Barfield announced that, when he and Trustee Frane leave the meeting, the meeting would be terminated due to loss of quorum; however, pursuant to HRS § 92-2.5(d), the Trustees present would continue to receive testimony and presentations on the remaining items on the agenda.

(Chair Barfield and Trustee Frane left the meeting at 11:45 a.m.)

The moderator and panelists continued with their presentation.

CLOSING REMARKS

Mr. Chattergy thanked the investment managers and guests for attending. Mr. Chattergy also thanked the trustees and ERS staff for an outstanding job participating in and coordinating the event. Mr. Chattergy announced that next year’s Investment Summit will be in Kona.

Receipt of presentations concluded at 12:00 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:ltk

Attachments

ATTACHMENT A

GUESTS PRESENT DURING EXECUTIVE SESSION

WEDNESDAY, JULY 27, 2016

Tom Hester Michael Humphrey	Courtland Partners, Ltd.
Paul Yett	Hamilton Lane Advisors, LLC
Keith Balter Eric Dooley	Hancock Timber Resource Group
Jennifer Boss David Maki John Mancuso Olin Needle Paul Rezens Melanie Varrato	Heitman, LLC
David Farmer	Invesco
Jeff Cavanaugh Deidre Perez	Invesco Real Estate
Ted Lennon Russell Munn Janeane O'Dell	Lowe Enterprises Investors
Neil Rue	Pension Consulting Alliance, LLC
Andrew Betz Rick Fratus	Stafford Capital Partners

ATTACHMENT B

GUESTS PRESENT DURING PUBLIC SESSION

THURSDAY, JULY 28, 2016

Andrew Silberstein	Almanac Realty Investors
George Matthews Paul Runge	Analytic Investors, LLC
Jeana Corker Jon Tanaka	Angelo, Gordon & Company
David Okamoto Edwin Quan	Bank of Hawaii
David Ganucheau Cory Martin	Barrow, Hanley, Mewhinney & Strauss, LLC
Jonathan Hobbs Philip Hodges Samantha Taylor	BlackRock
Angela Cantu Melissa Skidell	The Blackstone Group
Eoin Gill Linda McAtee Sam Oh	The Bank of New York (BNY) Mellon Asset Servicing
David Gullen	Boston Partners
Graham Allen Zelda Marzec	Bradford & Marzec, LLC
Lynsey Register	Charterhouse Capital Partners
Michael Warsh	Chicago Board Options Exchange
Niall Kilcommons	C.M. Bidwell & Associates, Ltd.
Tom Hester Michael Humphrey	Courtland Partners, Ltd.
Michael Hirai	First Hawaiian Bank
Bill Deakyne	Franklin Templeton Institutional
Michael Buckius	Gateway Investment Advisers, LLC
Jessica Lee Jessica Overlander	H/2 Capital Partners
Paul Yett	Hamilton Lane Advisors, LLC
Eric Dooley	Hancock Timber Resource Group
Jennifer Boss David Maki John Mancuso Olin Needle Paul Rezens Melanie Varrato	Heitman Capital Management, LLC
David Farmer Delia Roges	Invesco
Jeff Cavanaugh Deidre Perez	Invesco Real Estate
Richard Mastain	Jennison Associates
Nigel Emmett	J.P. Morgan
Christopher Hawkins Darren Smith	J.P. Morgan Asset Management

John Kim	Kelso & Company
Cedric Lucas Dan McLaughlin	Kohlberg Kravis Roberts & Co.
Jim Hutchinson Matthew Walley	LaSalle Investment Management
Shaun Murphy Christy Whittington	LGIMA
Russell Munn Janeane O'Dell	Lowe Enterprises Investors
Mayor Alan Arakawa	Maui County
Ryan Krauch	Mesa West Capital
Paul Anderson	Natixis Global Asset Management
Derek Devens Paul Sauer	Neuberger Berman Investment Advisors, LLC
Roman Kostal Astrid Vogler	Oechsle International Advisors, LLC
Lloyd McAdams Tim Tarpenting	Pacific Income Advisers
Shauna Lambright Michael Young	Pavillion Global Markets, Ltd.
Colin Bebee Allan Emkin John Linder Neil Rue	Pension Consulting Alliance, LLC
Taylor Alan-Lee Michael Candra Graham Rennison	Pacific Income Management Company
Brian Chee	Polaris Partners
Edward Chestnut	Providence Equity
Marcus Berry Noah Levy Mark Oczkus	Prudential Real Estate Investors
Renee Alberti Jan Sytze Mosselaar Bart van der Gienn	Robeco
Andrew Betz Rick Fratus	Stafford Capital Partners
Ken Brooks David Orlando	T. Rowe Price
Francis Verpouche	Tobam
Dan Heflin Michael Romo	Torchlight Investors
Luke Browne Renee McGrail Tracey Monroe	UBS Asseet Management
Ronnie Amici John Bellows	Western Asset Management Co.

ATTACHMENT C

GUESTS PRESENT DURING PUBLIC SESSION

FRIDAY, JULY 29, 2016

Andrew Silberstein	Almanac Realty Investors
Jeana Corker Jon Tanaka	Angelo, Gordon & Company
David Okamoto Edwin Quan	Bank of Hawaii
David Ganucheau Cory Martin	Barrow, Hanley, Mewhinney & Strauss, LLC
Jonathan Hobbs Samantha Taylor	BlackRock
Angela Cantu Melissa Skidell	The Blackstone Group
Eoin Gill Linda McAtee Sam Oh	The Bank of New York (BNY) Mellon Asset Servicing
David Gullen	Boston Partners
Graham Allen Zelda Marzec	Bradford & Marzec, LLC
Lynsey Register	Charterhouse Capital Partners
Michael Warsh	Chicago Board Options Exchange
Niall Kilcommons	C.M. Bidwell & Associates, Ltd.
Tom Hester Michael Humphrey	Courtland Partners, Ltd.
Michael Hirai	First Hawaiian Bank
Bill Deakyne	Franklin Templeton Institutional, LLC
Michael Buckius	Gateway Investment Advisers, LLC
Jessica Lee	H/2 Capital Partners
Paul Yett	Hamilton Lane Advisors, LLC
Eric Dooley	Hancock Timber Resource Group
Jennifer Boss John Mancuso Olin Needle Paul Rezens Melanie Varrato	Heitman Capital Management, LLC
David Farmer Delia Roges	Invesco
Jeff Cavanaugh Deidre Perez	Invesco Real Estate
Nigel Emmett	J.P. Morgan
Christopher Hawkins Darren Smith	J.P. Morgan Asset Management
Cedric Lucas Dan McLaughlin	Kohlbern Kravis Roberts & Co.
Jim Hutchinson Matthew Walley	LaSalle Investment Management
Shaun Murphy Christy Whittington	LGIMA

Russell Munn Janeane O'Dell	Lowе Enterprises Investors
Ryan Krauch	Mesa West Capital
Paul Anderson	Natixis Global Asset Management
Greg Hagood	Nephila Advisors
Derek Devens Paul Sauer	Neuberger Berman Investment Advisors, LLC
Roman Kostal Astrid Vogler	Oechsle International Advisors, LLC
Lloyd McAdams Tim Tarpending	Pacific Income Advisors
Shauna Lambright	Pavilion Global Markets, Ltd.
Colin Bebee John Linder Neil Rue	Pension Consulting Alliance, LLC
Taylor Alan-Lee Michael Candra Graham Rennison	Pacific Income Management Company
Brian Chee	Polaris Partners
Edward Chestnut	Providence Equity
Marcus Berry Noah Levy Mark Oczkus	Prudential
Renee Alberti Jan Sytze Mosselaar Bart van der Gienn	Robeco
Andrew Betz Rick Fratus	Stafford Capital Partners
David Orlando	T. Rowe Price
Francis Verpouche	Tobam
Michael Romo	Torchlight Investors
Luke Browne Renee McGrail Tracey Monroe	UBS Asset Management
Ronnie Amici	Western Asset Management Co.

ATTACHMENT C-1

MEMBERS OF THE PUBLIC PRESENT DURING PUBLIC SESSION

FRIDAY, JULY 29, 2016

Pilialoha Lee Loy	DOE
Jessica Rennison	PIMCO
Jackson Hagood	Nephila Capital