

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

FEBRUARY 21, 2014

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

Trustees present: Ms. Piliialoha Lee Loy, Chair
Mr. Vincent Barfield, Vice Chair
Ms. Jackie Ferguson-Miyamoto
Mr. Patrick Frane
Mr. Emmit Kane
Mr. Colbert Matsumoto
Mr. Kalbert Young

Trustee excused: Mr. Jerome Rauckhorst

Staff present: Mr. Wesley Machida, Executive Director
Ms. Kanoe Margol, Assistant Administrator
Mr. Vijoy Chattergy, Chief Investment Officer
Ms. Donna Curry, Program Specialist
Ms. Gerri Konishi, Member Home Loan Assistant
Ms. Jaime Hirata, Recording Secretary
Ms. Raechele Joyo, Secretary
Ms. Wanda Kugiya, Secretary

Attorneys present: Mr. Brian Aburano, Deputy Attorney General
Ms. Diane Kishimoto, Deputy Attorney General

QUORUM/CALL TO ORDER

A quorum being present, Trustee Lee Loy, called the special meeting of the Board of Trustees of the Employees' Retirement System (the Board), to order at 9:31 a.m.

AMENDMENT OF THE AGENDA

On a motion made by Trustee Kane, seconded by Trustee Barfield, and unanimously carried, the Board amended the agenda to add the following to New Business:

- Assignment of members of the Board, pursuant to HRS § 92-2.5(e), to attend the Chartered Financial Analyst (CFA) Society Hawaii 9th Annual Economic Forecast.
- Assignment of members of the Board, pursuant to HRS § 92-2.5(b), to meet with representatives of Loomis, Sayles & Company, L.P.

(Trustee Matsumoto joined the meeting.)

LEGISLATIVE PROPOSALS
AFFECTING THE EMPLOYEES'
RETIREMENT SYSTEM

Mr. Wesley Machida, ERS Executive Director (Executive Director), reported on the issues, comments, and concerns that the legislators and employer organizations expressed on House Bill (H.B.) 2263 and Senate Bill (S.B.) 2812 relating to unused sick leave for public employees who become members of the ERS after June 30, 2014. For educational and informational purposes, the Executive Director planned to send letters to the legislators and employer organizations. The letters would include statistics and other information on the history of unused sick leave and the positive effects it would have on the ERS's unfunded liability and operations.

The Executive Director further reported on the status of the following ERS-related proposals that have been introduced in the legislature:

- H.B. 2386
Proposal to require the ERS to submit annual reports to the State Department of Budget and Finance on the status of the ERS, has died.
- S.B. 1038 Senate Draft (S.D.) 1 Proposed
Proposal to require forfeiture of the employers contribution and interest portion of a member's retirement benefits upon a member's final conviction of or pleading guilty or nolo contendere to a felony, has passed with ERS's suggested clarification on technical and operational concerns.
- S.B. 2916
Proposal to require the ERS to require any State department or agency or counties to furnish to ERS certain payroll and personnel transaction information, including any changes or errors in payments that require correcting or updating, has passed with ERS's suggested penalty imposed for non-compliance.

ASSIGNMENT OF MEMBERS OF THE BOARD TO MEET WITH REPRESENTATIVES OF BRADFORD & MARZEC, LLC TO INVESTIGATE ORGANIZATIONAL CHANGES AFFECTING BRADFORD & MARZEC, LLC, TO ATTEND THE CHARTERED FINANCIAL ANALYST (CFA) SOCIETY HAWAII 9TH ANNUAL ECONOMIC FORECAST, AND TO MEET WITH REPRESENTATIVES OF LOOMIS, SAYLES & COMPANY, L.P.

Chair Lee Loy appointed the following trustees to attend a meeting with representatives of Bradford & Marzec, LLC to investigate organizational changes affecting Bradford & Marzec, LLC:

- Jackie Ferguson-Miyamoto
- Patrick Frane; and
- Piliialoha Lee Loy.

In addition, Chair Lee Loy appointed the following trustees to attend the Chartered Financial Analyst (CFA) Society Hawaii 9th Annual Economic Forecast:

- Jackie Ferguson-Miyamoto
- Patrick Frane
- Emmit Kane; and
- Jerry Rauckhorst;

and appointed the following trustees to attend a meeting with representatives of Lomis, Sayles & Company L.P. to learn more about the company which is primarily known as a fixed income firm:

- Jackie Ferguson-Miyamoto; and
- Piliialoha Lee Loy.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Kane, seconded by Trustee Barfield, and unanimously carried, the Board entered 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 regarding filing a possible securities fraud action against BP p.l.c. and related entities and persons; appropriate action.

EXECUTIVE SESSION TO CONSULT WITH THE BOARD'S ATTORNEYS ON QUESTIONS AND ISSUES PERTAINING TO THE BOARD'S POWERS, DUTIES, PRIVILEGES, IMMUNITIES, AND LIABILITIES REGARDING FILING A POSSIBLE SECURITIES FRAUD ACTION AGAINST BP P.L.C. AND RELATED ENTITIES AND PERSONS

EXIT EXECUTIVE SESSION

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

NEXT BOARD MEETING
- MARCH 10, 2014

Chair Lee Loy announced that the next board meeting is scheduled for March 10, 2014.

ADJOURNMENT

On a motion made by Trustee Kane, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, Chair Lee Loy adjourned the meeting at 10:13 a.m.

**REDACTED
SIGNATURE**

Wesley K. Machida
Executive Director

WKM: jh