

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

MARCH 17, 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. Colbert Matsumoto
Mr. Emmit Kane
Mr. Jerome Rauckhorst

Trustees excused: Mr. Patrick Frane
Mr. Kalbert Young

Staff present: Mr. Wesley Machida, Executive Director
Ms. Kanoë 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
Mr. Karl Kaneshiro, Benefits Manager
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 (Counsel for the Board)
Ms. Diane Kishimoto, Deputy Attorney General (Counsel for the Board)
Ms. Elmira Tsang, Deputy Attorney General (Counsel for ERS Staff)

Guests present: Mr. Michael Humphrey) Courtland Partners, Ltd.
Mr. Dan Moore (via conference call)
Mr. Marc Rivitz (via conference call)

QUORUM/CALL TO ORDER

A quorum being present, Chair Lee Loy, called the special meeting of the Board of Trustees of the Employees' Retirement System (the Board), to order at 9:00 a.m.

AMENDMENT OF THE AGENDA

On a motion made by Trustee Matsumoto, seconded by Trustee Barfield, and unanimously carried, the Board amended the agenda to add the following to executive session:

- 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 an offer to settle an ERS claim for overpayment; appropriate action.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Matsumoto, seconded by Trustee Barfield, and unanimously carried, the Board entered executive session:

- Pursuant to HRS § 92-5(a)(8), to meet with and evaluate respondents to the request for information regarding the management and development of the Royal Ka'anapali Golf Courses property, and, if appropriate, to make decisions regarding the manager for, and the development of, the property; 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 regarding an offer to settle an ERS claim for overpayment; appropriate action.

EXECUTIVE SESSION TO MEET WITH AND EVALUATE RESPONDENTS TO THE REQUEST FOR INFORMATION REGARDING THE MANAGEMENT AND DEVELOPMENT OF THE ROYAL KA'ANAPALI GOLF COURSES PROPERTY AND TO MAKE DECISIONS REGARDING THE MANAGER FOR, AND THE DEVELOPMENT OF THE PROPERTY.

(Mr. Aburano arrived at the meeting.)

(Mr. Kaneshiro arrived at the meeting.)

(All guests, Ms. Tsang, all ERS staff except for the Executive Director, Ms. Margol, Mr. Kaneshiro, Ms. Hirata, Ms. Joyo, and Ms. Curry, were excused from the meeting.)

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 AN OFFER TO
SETTLE AN EMPLOYEES'
RETIREMENT SYSTEM'S CLAIM
FOR OVERPAYMENT.

EXIT EXECUTIVE SESSION

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Barfield, and unanimously carried, the Board exited from executive session.

(Mr. Aburano left the meeting.)

LEGISLATIVE PROPOSALS
AFFECTING THE EMPLOYEES'
RETIREMENT SYSTEM

Mr. Wesley Machida, ERS' Executive Director (Executive Director), reported that the proposals introduced at the ERS' request passed and have been referred to their respective subject-matter committees: (1) House Bill (H.B.) 2263, House Draft 2 relating to unused sick leave for public employees who become members of the ERS after June 30, 2014 was passed by the House committees and was referred to the Senate committees; (2) H.B. 2264 and Senate Bill (S.B.) 2813 relating to the investment authority of the ERS to repeal the limitation on the holding period of real estate acquired by the ERS by foreclosure, enforcement of security, or in satisfaction of debts.

The Executive Director reported that S.B. 2916, Senate Draft (S.D.) 2, requiring State and counties to pay employer contributions at the beginning of the fiscal year, instead of on a monthly basis, if they fail to furnish the ERS with certain payroll and personnel information, is scheduled for hearing in the House Labor committee. The bill was amended in the Senate to require that the contribution requirement be made at the department or agency level. The Executive Director asked whether this amendment is acceptable to the Board.

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Barfield, and unanimously carried, the Board decided to support S.B. 2916, S.D. 2.

The Executive Director further reported that House Resolution 88 and House Concurrent Resolution 123 were introduced on March 7, 2014, requesting that the ERS hire a consultant to review and evaluate its current actuarial methods and assumptions and to report on its findings and to make recommendations on the contribution rates and other funding sources to ensure the sustainability and solvency of the ERS. The trustees indicated that they believe that they are already doing this, through regular experience studies, valuations and reviews of actuarial assumptions, including the investment assumption, which is now set by the Board. The next experience study is scheduled for 2015. The trustees would like to further address the process for evaluating the investment return assumption at the ERS' July 2014 investment conference.

(Mr. Kaneshiro left the meeting.)

ASSIGNMENT OF MEMBERS OF
THE BOARD TO MEET WITH
REPRESENTATIVES OF INVESCO
REAL ESTATE TO INVESTIGATE
THE STATUS OF THE CORE
SEPARATE REAL ESTATE
ACCOUNT

Chair Lee Loy appointed the following trustees to meet with representatives of Invesco Real Estate to investigate the status of the ERS' core separate real estate account:

- Jackie Ferguson-Miyamoto
- Emmit Kane
- Piliialoha Lee Loy; and
- Jerry Rauckhorst.

(The Courtland Partners, Ltd. representatives, ERS Investment Office staff and Ms. Tsang returned to the meeting.)

ENTER EXECUTIVE SESSION

On a motion made by Trustee Kane, seconded by Trustee Rauckhorst, and unanimously carried, the Board entered executive session pursuant to HRS § 92-5(a)(8), to meet with and evaluate respondents to the request for information regarding the management and development of the Royal Ka'anapali Golf Courses property, and, if appropriate, to make decisions regarding the manager for, and the development of, the property.

EXECUTIVE SESSION TO MEET WITH AND EVALUATE RESPONDENTS TO THE REQUEST FOR INFORMATION REGARDING THE MANAGEMENT AND DEVELOPMENT OF THE ROYAL KA'ANAPALI GOLF COURSES PROPERTY AND TO MAKE DECISIONS REGARDING THE MANAGER FOR, AND THE DEVELOPMENT OF THE PROPERTY.

EXIT EXECUTIVE SESSION

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

AMENDMENT OF THE AGENDA

On a motion made by Trustee Matsumoto, 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(b), to meet with representatives of Macquarie Funds Management (USA) Inc. to investigate organizational changes affecting Macquarie Funds Management (USA) Inc.

ASSIGNMENT OF MEMBERS OF THE BOARD TO MEET WITH REPRESENTATIVES OF MACQUARIE FUNDS MANAGEMENT (USA) INC.

Chair Lee Loy appointed the following trustees to meet with representatives of Macquarie Funds Management (USA) Inc. (Macquarie) to investigate organizational changes affecting Macquarie:

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

NEXT BOARD MEETING
– APRIL 14, 2014

Chair Lee Loy announced that the next Board meeting is scheduled for April 14, 2014.

ADJOURNMENT

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Barfield, and unanimously carried, the Chair Lee Loy adjourned the meeting at 2:30 p.m.

**REDACTED
SIGNATURE**

Wesley K. Machida
Executive Director

WKM: jh