

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

AUGUST 25, 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. Colbert Matsumoto
Mr. Emmit Kane
Mr. Jerome Rauckhorst
Mr. Kalbert Young

Staff present: Mr. Wesley Machida, 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
Mr. Larry Wolfe, Accounting 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

Staff excused: Ms. Kanoë Margol, Deputy Executive Director

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. Paul Yett) Hamilton Lane Advisors
Mr. Neil Rue) Pension Consulting Alliance, Inc.
Mr. Andy Betz) Stafford Capital Partners

Member(s) of Public present: Mr. Dan Purcell

QUORUM/CALL TO ORDER

A quorum being present, Chair Lee Loy, called the regular meeting of the Board of Trustees (Board) of the Employees' Retirement System (ERS) to order at 9:39 a.m.

AMENDMENT OF THE AGENDA

On a motion made by Trustee Barfield, seconded by Trustee Ferguson-Miyamoto and unanimously carried (Trustee Matsumoto was not present for the vote), the Board amended the agenda to add the following in 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 litigation with respect to Intuitive Surgical, Inc.; appropriate action.

Mr. Dan Purcell, member of the public, commented on the amendment of the Board meeting agenda.

PRESENTATION BY PENSION CONSULTING ALLIANCE, INC. ON THE PERFORMANCE OF THE EMPLOYEES' RETIREMENT SYSTEM'S INVESTMENT PORTFOLIO AND RISK MANAGEMENT FOR 2ND QUARTER 2014

Mr. Neil Rue of Pension Consulting Alliance, Inc. (PCA), ERS's general investment consultant, presented PCA's reports on the performance of the ERS's investment portfolio and risk management for the 2nd quarter of 2014. Highlights included:

- Aggregate portfolio value of \$14.1 billion as of June 30, 2014.
- Portfolio increased by \$0.4 billion during the second quarter and by \$1.8 billion over the latest year.
- Portfolio outperformed its Policy Benchmark by 50 basis points and the Median Public Fund by 50 basis points for the second quarter.
- Over the 1-year period, the portfolio performed in line with the Policy Benchmark and outperformed the Median Public Fund by 30 basis points. Performance over the 1-year period was attributed to performance in domestic equity, fixed income, real estate, and international equity. Longer-term performance gaps have begun to narrow as a result of the near-term outperformance.
- Four of eleven domestic equity managers matched or exceeded their respective benchmarks over the second quarter, and seven of eleven domestic equity managers matched or outperformed over the 1-year period. Underperformance over longer periods (3- and 5-year) due to managers no longer retained by the ERS.
- Restructuring of the international equity portfolio reduced the number of international equity managers and increased the level of passive management in 2011. Four of six international equity managers outperformed their respective benchmarks over the second quarter.

- Four of six fixed income managers exceeded their respective benchmarks during the second quarter and over the 1-year period.
- Real Estate strategic class exceeded its policy benchmark across all reported periods except over the 1-year.
- As compared to its peers, the ERS has more allocated to public equities and less allocated to private equities; this will change as ERS progresses with its private equity program.
- Risk allocation is consistent with asset allocation.
- Growth risk is 35% of the policy portfolio's explainable risk; interest rate risk of 22% and market liquidity risk of 13%.

(Trustee Matsumoto joined the meeting during Mr. Rue's presentation.)

(Mr. Yett arrived at the meeting.)

PRESENTATION BY COURTLAND
PARTNERS, LTD. ON THE
PERFORMANCE OF THE
EMPLOYEES' RETIREMENT
SYSTEM'S REAL ESTATE
PORTFOLIO FOR 1ST QUARTER 2014

Mr. Michael Humphrey of Courtland Partners, Ltd. (Courtland Partners), ERS's real estate investment consultant, presented Courtland Partners' report on the performance of the ERS's real estate portfolio for the first quarter of 2014. Highlights included:

- Portfolio market value of \$907,536,211 for the period ended March 31, 2014.
- Total number of current investments: 16 (18 last quarter).
- Total net return was 2.6% for the quarter; 2.6% year-to-date.
- Total portfolio inception to date was a 7.3% internal rate of return.
- Portfolio is 6.6% of total plan assets (versus 7.0% target allocation).
- Portfolio income was 1.7%, 1.7%, 7.5%, 7.2%, 7.1%, and 7.1% for the current-quarter, year-to-date, 1-, 2-, 3-, and 5-year periods, respectively.
- Portfolio is committed 72.2% to core, 19.4% to value, and 8.4% to opportunistic investments.
- Quarterly gross return adjusted for inflation underperformed the National Council of Real Estate Investment Fiduciaries (NCREIF) property index (NPI) 1.5% to 2.7%, respectively; the portfolio outperformed the NCREIF benchmark in all other measurement periods.

PRESENTATION BY HAMILTON
LANE ADVISORS, LLC ON AN
UPDATE OF THE EMPLOYEES'
RETIREMENT SYSTEM'S PRIVATE
EQUITY PROGRAM

Mr. Paul Yett of Hamilton Lane Advisors, LLC (Hamilton Lane), ERS's private equity consultant, reported on the progress of Hamilton Lane's strategic plan and 2014 tactical plan for the ERS's private equity program, as approved by the Board at its January 13, 2014 meeting. Highlights included:

- Hamilton Lane's review of the ERS's private equity investment portfolio reported a strong performance over the quarter ended March 31, 2014, with a point-point internal rate of return (IRR) of 3.72% for the quarter (20.50% for the year) and \$19.3 million in value generated during quarter (\$93.6 million for the year); highest value over the past four quarters.
- Since inception IRR increased by 80 basis points over the past year, from 9.07% to 9.18%
- Portfolio market value increased by nearly 5% over the past quarter to \$543 million as of March 31, 2014, and continues to grow with total exposure increasing \$61.9 million during the past quarter.
- To-date in 2014, closed on 5 investments, \$135 million in committed capital
 - \$35 million each to Waterton Precious Metals Fund II, L.P. (corporate finance buyout), American Securities Opportunities Fund III, L.P. (distressed debt control), and Providence Debt Opportunity Fund III, L.P. (distressed debt non-control).
 - \$15 million each to Polaris Partners VII, L.P. (venture capital), and JMI Equity Fund VIII, L.P. (growth equity).
- Status of Tactical Plan
 - On track to commit approximately \$250 million during 2014 to approximately 10 partnerships.
 - On track to establish "foundation managers" and increase commitment sizes to \$15 - \$35 million for foundation managers.
 - On track to maintain existing relationship with strong-performing general partners.
 - On track to target exposure to buyouts, credit and energy investments.
 - On track to identify small and middle-market managers with specialized expertise in unique opportunity sets.
 - Planning to diversity the portfolio geographically with a goal of prudently increasing exposure to internal and emerging markets exhibiting strong economic fundamentals; to-date, new commitments are primarily targeting U.S. investments.

Mr. Yett provided a review of the private equity market and described four investment opportunities that Hamilton Lane is considering for the ERS:

- Veritas Capital Fund V, L.P. (corporate finance buyout – mid)
- Hellman & Friedman Capital Partners VIII, L.P. (corporate finance buyout – mega)
- Blackstone Energy II, L.P. (corporate finance buyout – large)
- American Securities Partners VII, L.P. (corporate finance buyout – mid)

Mr. Yett reported that Hamilton Lane has been working with ERS staff on marketing the ERS as a “choice investor” by educating fund sponsors about the ERS portfolio and ERS’s private equity investment process.

(Mr. Betz arrived at the meeting during Mr. Yett’s report.)

REGULATORY INVESTIGATION OF PRIVATE EQUITY FEES AND TRENDS

Mr. Yett reported on the recent regulatory investigation by the Securities and Exchange Commission (SEC) on the private equity industry. Highlights included:

- SEC has initiated examinations of more than 150 private equity advisers, many of which have become registered entities in the past 12 to 18 months, following the requirement as part of the Dodd-Frank Act.
- Hamilton Lane has been actively engaged in discussions with private equity firms to better understand the nature of the examinations and to gain insight into their findings.
- Examinations have been focusing on operating expenses, fees, valuation policies, and allocation of opportunities.
- Blackstone Real Estate, one of ERS’s real estate investment managers and prospect for an energy investment mandate, is currently being examined.

In closing, Mr. Yett noted that as a result of the on-going examinations and findings, Hamilton Lane is reviewing, refining and adjusting its policies and procedures; for example, by updating due diligence questions and contract language. Overall, Hamilton Lane believes that increased focus by the SEC will leave the private equity industry in a better place with more disclosure to limited partners and increased transparency.

(Trustee Rauckhorst left the meeting.)

Mr. Purcell commented on the private equity report and on the conduct of the meeting.

Chair Lee Loy announced that she would entertain a motion for executive session and that the executive session would be closed to members of the public.

ENTER EXECUTIVE SESSION

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

- Pursuant to HRS § 92-5(a)(4) and (8), to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding, and to hear a status report from Stafford Capital Partners on, the Hawaii Targeted Investment Program; 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 regarding *Eden L. Panado v. Board of Trustees, Employees' Retirement System, State of Hawaii*.
- 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 litigation with respect to *Intuitive Surgical, Inc.*; 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 executive sessions.
- Executive Session, pursuant to HRS § 92-5(a)(4) and (8), to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding and to hear Pension Consulting Alliance, Inc.'s preliminary report with respect to, sharing of investment information and services by the Employer-Union Health Benefits Trust Fund and the Employees' Retirement System.
- Approval of June 9, 2014 executive session minutes.

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, AND TO HEAR A STATUS REPORT FROM STAFFORD CAPITAL PARTNERS ON, THE HAWAII TARGETED INVESTMENT PROGRAM (HiTIP)

(Mr. Betz left the meeting after providing his report.)

(All consultants and ERS staff, except the Executive Director, Ms. Hirata, Ms. Curry and Ms. Joyo, were excused from the meeting; Mr. Kaneshiro and Mr. Wolfe joined 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 EDEN L. PANADO V. BOARD OF TRUSTEES, EMPLOYEES' RETIREMENT SYSTEM, STATE OF HAWAII

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 LITIGATION WITH RESPECT TO INTUITIVE SURGICAL, INC.

EXECUTIVE SESSION TO CONSULT WITH THE BOARD'S ATTORNEYS ON QUESTIONS AND ISSUES TO PERTAINING TO THE BOARD'S POWERS, DUTIES, PRIVILEGES, IMMUNITIES, AND LIABILITIES WITH RESPECT TO EXECUTIVE SESSIONS

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, AND TO HEAR PENSION CONSULTING ALLIANCE, INC.'S PRELIMINARY REPORT WITH RESPECT TO, SHARING OF INVESTMENT INFORMATION AND SERVICES BY THE EMPLOYER-UNION HEALTH BENEFITS TRUST FUND AND THE EMPLOYEES' RETIREMENT SYSTEM

(Mr. Rue was excused prior to the end of the discussion.)

(The CIO and investment staff returned to the meeting during the discussion.)

APPROVAL OF EXECUTIVE SESSION MINUTES
– JUNE 9, 2014

EXIT EXECUTIVE SESSION

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

RECESS

Chair Lee Loy called a recess for lunch at 12:55 p.m.

RECONVENE

A quorum being present, Chair Lee Loy reconvened the meeting at 1:15 p.m.

APPROVAL OF MINUTES
– JUNE 9, 2014

On a motion made by Trustee Kane, seconded by Trustee Barfield, and unanimously carried, the Board approved the minutes of the June 9, 2014 meeting.

APPROVAL OF CORRECTED MINUTES
– MAY 13, 2014

On a motion made by Trustee Kane, seconded by Trustee Barfield, and unanimously carried, the Board approved the correction of the May 13, 2014 minutes, as circulated.

REAL ESTATE APPRAISAL POLICIES
AND PROCEDURES

Mr. Humphrey and Mr. Vijoy Chattergy, ERS's Chief Investment Officer (CIO), presented, for the Board's review and approval, appraisal policies and procedures for the core real estate separate account managers. The policy provides a streamlined way to measure real estate portfolio value and relate the fund manager's performance fee to its overall skill in managing a collection of real estate assets. The new, more detailed appraisal process is necessary because of the re-negotiated real estate investment management agreements, with more favorable fee structures, that Courtland and ERS staff negotiated as previously authorized by the Board.

On a motion made by Trustee Barfield, seconded by Trustee Kane, and unanimously carried, the Board adopted the appraisal policies and procedures for the core real estate separate account managers for inclusion as part of the ERS *Investment Policy, Guidelines, and Procedures* manual in Section D.C.1, as presented, subject to editing for consistency in form and terminology with the rest of the ERS *Investment Policy, Guidelines, and Procedures* manual.

REAL ESTATE INVESTMENT
PACING, OPPORTUNITIES, AND
STRATEGIES

Mr. Humphrey presented a portfolio model of the ERS's real estate investments for 2014. Mr. Humphrey also presented portfolio models of the ERS's real estate portfolio under various scenarios to show how the current and targeted allocations would affect the real estate portfolio's diversification, risks, and returns. The current portfolio model indicated reduced allocation to real estate investments over the next 3 to 4 years and that the current real estate targeted allocation of 7% would be reduced to 3.4% for 2016 if the ERS makes no new commitments from present to 2017 (underfunded by about \$600 million). Mr. Humphrey noted that, if the Board would like to make changes to the current portfolio model, Courtland Partners will further research and present recommendations at a future Board meeting.

Mr. Purcell stated that he believes that the Sunshine Law requires that meal breaks be included on the agenda.

RESTRUCTURING OF THE
EMPLOYEES' RETIREMENT
SYSTEM'S INVESTMENT POLICY,
GUIDELINES, AND PROCEDURES

Mr. Rue presented for the trustees' review and consideration, the redesigned ERS *Investment Policy, Guidelines, and Procedures* manual, which reflects the re-alignment of the ERS's investment portfolio from an asset class framework to a risk/functional framework. Six main changes within the newly redesigned manual are:

1. Consolidated several redundancies into one main conflict-of-interest section.
2. Created several "program" sections that pertain to various strategic classes and/or sub-classes, depending on their level of complexity, to provide clearer insights into the near-term and short-term risk associated with investment performance.
3. Added manager-specific guidelines within each relevant program section to allow for cleaner communications with each respective manager, as well as with ERS's entire collection of managers.
4. Increased focus on risk management and risk budgeting that are the ERS staff and investment consultants are responsible for managing and monitoring.
5. Clarified delegation, discretion, and authority of specific investment decisions to ERS staff (ie. maintain class segment ranges, rebalancing, manager selection) - with consultant oversight and participation.
6. Edited cosmetic and formatting changes to ensure better flow, and maintenance of consistent policy language.

ERS staff commented that if the Board approves the redesigned manual as presented, the Board would also approve diversifying real returns asset class, including allocations to global inflation linked securities, timber, agriculture lands, and infrastructure. The CIO commented that the changes better identify the risk profile of investments, and delegates and outlines the ERS staff's duties and discretion for executing on policy directives. It establishes new measures for evaluating investment performance from a risk budget perspective.

Mr. Purcell commented on ERS investment policies and procedures.

On a motion made by Trustee Barfield, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board accepted the redesigned ERS *Investment Policy, Guidelines, and Procedures* manual, as presented, subject to non-substantive revision by ERS staff and legal counsel, effective October 1, 2014.

EMPLOYEES' RETIREMENT
SYSTEM'S ACTUARIAL
ASSUMPTIONS AND PRELIMINARY
ACTUARIAL PROJECTIONS AND
ESTIMATES

Mr. Wesley Machida, ERS's Executive Director (Executive Director), presented a report on a review of public pension plan investment return assumptions for over 100 public pension funds throughout the United States. The Executive Director also presented a preliminary review of the estimated impact of the ERS's investment returns on the ERS's

unfunded actuarial accrued liability, funded ratio, and funded period, for the Board's consideration in evaluating the adequacy of the current approved investment return rate assumption of 7.75%. The preliminary review was based on the investment returns of the ERS as of the fiscal year to date ended March 31, 2014. The next 5-year actuarial experience study will be issued in 2016, based on experience as of June 30, 2015.

The Executive Director reminded the trustees that the Board has the option to keep the current investment return rate assumption, lower it, or raise it. The ERS's actuary needs the Board's decision before December 2014, for the 2014 Annual Valuation Report.

PCA has concluded that the ERS's long-term investment outlook is lower than the current investment assumption return. Gabriel, Roeder, Smith and Company (GRS), the ERS's actuary, suggested that the Board look to the 2016 5-year experience study to make a determination of the adequacy of the investment return assumption; however, if the Board is considering a reduction of the assumption, GRS recommends that the assumption be phased-in over a period of time.

(Mr. Aburano left the meeting.)

EMPLOYEES' RETIREMENT SYSTEM STRATEGIC PLAN

The Executive Director requested the trustees' input on the latest draft of the ERS Strategic Plan (Plan) for fiscal years 2016 to 2020. ERS administrative staff (Administration and Branch Chiefs) updated the completed accomplishments of the current Plan and outstanding issues. Based on suggestions from the Board's Administrative and Legislative Committee and from trustees at previous meetings, the objectives and strategic initiatives regarding operational efficiencies were revised to include evaluation of the ERS's neighbor island locations and video conferencing facilities and a 5-year action plan was developed.

LEGISLATIVE PROPOSALS AFFECTING THE EMPLOYEES' RETIREMENT SYSTEM

The Executive Director presented a summary of the ERS's possible legislative proposals for the 2015 Legislative Session. The Board's Administrative and Legislative Committee discussed the following proposals at its June 20, 2014 meeting and recommended that the Board authorize the proposals:

- Pensioner's Bonus. At the Board's discretion and upon its approval, a one-time bonus may be paid to pensioners after the fund becomes 100% fully funded (or upon other criteria as determined by the Board).
- ERS Qualified Domestic Relations Orders (QDRO) Implementation. As QDRO's will likely be introduced in this and future sessions, the ERS could introduce a proposal for the implementation of QDRO's that would be administratively practical and feasible for the System.

- ERS Benefit Forfeiture. Re-introduce legislation regarding the forfeiture of ERS benefits for members convicted of work-related felonies.
- Change in Formula for Crediting Unused Sick Leave. Re-introduce legislation regarding crediting 50% of unused sick leave credit towards retirement benefits for new employees.
- Chapter 88 Housekeeping. Correction to § 88-341(c) for death benefits to beneficiaries of terminated Hybrid former members who became members after June 30, 2012 (Act 163/2011). Add death benefit requirement for 10 years to receive former member's hypothetical account balance.

ERS staff also proposed the following legislation for the Board's consideration:

- Revise § 88-59: Acquisition of Membership Service. Change the following for current and/or future members:
 - Purchase cost for service credit is currently based on the member's current salary and contribution rate. The proposed formula would be based on an actuarial calculation to include the present value cost of this additional service credit.
 - Currently members may apply to acquire service that was previously not eligible for membership (i.e., hourly, per-diem, short-term, emergency hire, etc.). Propose to limit service credit acquisition to previous "membership" service, if eligible.
 - Allow for lump sum purchase of service only and eliminate purchase of service by payroll deduction.
 - Contributory employees who terminate and refund their contributions will permanently forfeit their service credit and the forfeited service will not be eligible for acquisition.
- Revise the method of calculating service credit and average final compensation (AFC) for teachers (9-month, 10-month and 11-month employees). In contrast to salaries paid to members by other departments, the Department of Education pays teachers according to a daily rate schedule paid over the number of duty days worked during the school year. ERS proposes to differentiate the calculation of service credit and AFC for this group based on their method of pay. Proposed method would be to calculate service credit and monthly salaries based on the percentage of the school year worked, and distribute the total school year salaries over the months of earned service.

- Revise § 88-81: AFC. Propose to change the calculation of a member’s AFC to the last 3 or 5 years (12-month periods) of credited service rather than “highest paid years” (12-month periods) of credited service.

The Executive Director reported that the legislative proposals go through a review process with the Department of Budget and Finance and the Department of the Attorney General. ERS staff will continue to meet with the Administrative and Legislative Committee to provide formal 2015 legislative proposals and recommendations at future Board meetings.

REPORT BY TRUSTEES AND STAFF APPOINTED PURSUANT TO HRS § 92-2.5(b)(1), TO MEET WITH THE REPRESENTATIVES OF PACIFIC INVESTMENT MANAGEMENT COMPANY, SANDS CAPITAL MANAGEMENT, LLC, WESTERN ASSET MANAGEMENT COMPANY, AND RESEARCH AFFILIATES, LLC, IN JULY 2014

ERS investment staff reported on the meetings by trustees and investment staff with the ERS’s fund managers, pursuant appointment made pursuant to HRS § 92-2.5(b)(1) at the June 9, 2014 Board meeting:

Investment Specialist Andrew Chen: Pacific Investment Management Company (PIMCO) and Research Affiliates – Trustees Lee Loy and Barfield;

Investment Specialist Ian Wetzel: Sands Capital Management – Trustees Ferguson-Miyamoto and Rauckhorst;

Investment Officer Howard Hodel: Western Asset Management -- Trustees Frane and Young; Investment Officer Aaron Au; and

Investment Officer Tony Goo: JP Morgan Asset Management – Trustee Kane (Trustee Matsumoto was unable to attend the meeting).

The meetings provided the trustees and staff with the opportunity to discuss with the fund managers, market conditions, investment themes, strategies, and trends and opportunities in the marketplace.

Trustees and ERS investment staff commented that the experience was valuable and that they would consider similar meetings in the future, rotating managers.

PUBLIC PENSION FUNDING FORUM

Chair Lee Loy presented her report on her attendance at a joint conference by the National Conference on Public Employee Retirement System (NCPERS) and the Institute on Public Pension Solutions (IPPS), titled “2014 Public Pension Funding Form”, held at Columbia University’s Faculty House in New York from April 21, 2014 to April 22, 2014.

OPERATIONS REPORT – JULY 2014

The Executive Director presented a report on the ERS’s operations and website statistics (top 10 viewed pages) for July 2014. Highlights included:

- On schedule for the fiscal year 2013 audit; draft issued and final expected to be completed fall 2014.

- Starting with the September 2014 ERS quarterly newsletter, “Holomua”, the Active and Retiree newsletters will be combined; combining the newsletters provided savings of over \$17,000.
- Conducted first “Brown Bag” informational session for 30+ Hybrid Plan ERS members including staff from ERS’ Information Systems (IS) Branch.
- Completed site visit of the ERS’ Hilo office to evaluate the staff’s counseling activities, as recommended by the ERS’ internal auditor, to ensure that the Hilo staff is providing current and consistent information.
- The final bill to the State and Counties for Act 153 expected to go out late August 2014 to include finalization though June 2014; payment is due by June 30, 2015.
- Completed the ERS 2014 Investment Summit (special Board meeting) that was held on Kauai.
- Status of ERS’s approved administrative budget for fiscal year 2015.
- Top ten viewed web pages of the ERS’ website included the benefits calculator still holding at number; update to benefits calculator to include data for new ERS members is currently underway.
- Executive Director requested the trustees to volunteer for the first segment of the ERS ‘Ōlelo program series, to discuss the mission, vision, and direction of and for the ERS; at a future Board meeting, Chair Lee Loy will appoint no more than 3 trustees to participate in the first segment.

ADJOURNMENT

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Barfield, and unanimously carried, Chair Lee Loy adjourned the meeting at 3:52 p.m.

REDACTED SIGNATURE

Wesley K. Machida
Executive Director

WKM: jh