

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

JULY 9, 2018

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

Trustees present: Mr. Emmit Kane, Chair
Mr. Jerome Rauckhorst, Vice Chair
Mr. Vincent Barfield
Dr. Catherine Chan
Ms. Laurel Johnston
Dr. Genevieve Ley
Mr. Wesley Machida

Trustee excused: Ms. Jackie Ferguson-Miyamoto

Staff present: Mr. Thomas Williams, Executive Director
Ms. Kanoë Margol, Deputy Executive Director
Ms. Donna Curry, Program Specialist
Mr. Karl Kaneshiro, Retirement Benefits Manager
Mr. Howard Hodel, Acting Chief Investment Officer
Mr. Aaron Au, Investment Officer – Illiquid Markets
Mr. Andrew Chen, Investment Specialist
Mr. Anthony Goo, Investment Officer – Liquid Markets
Mr. Ian Wetzel, Investment Specialist
Mr. Keith Miyamoto, Information Services Manager
Ms. Lori Misaki, Information Technology Band B
Ms. Sandra Straub, Information Technology Band C
Ms. Dale Kehau Kanae, Recording Secretary
Ms. Lori Kim, Secretary
Ms. Geraldine Konishi, Member Home Loan Assistant
Ms. Wanda Kugiya, Secretary

Attorneys present: Mr. Ivan Torigoe, Deputy Attorney General
Ms. Elmira Tsang, Deputy Attorney General
Ms. Jodi Yi, Deputy Attorney General

Guests present: Ms. Colin Bebee, Pension Consulting Alliance, LLC
Ms. Marie Kumabe, Kumabe HR
Ms. Kim Miyashiro, Kumabe HR
Mr. Chae Hong, Townsend Group, an Aon Company
Three guests intentionally omitted

Public present: Mr. Riley Fujisaki, House Finance Committee

QUORUM/CALL TO ORDER

A quorum being present (Chair Kane, Vice Chair Rauckhorst, and Trustees Barfield, Chan, Johnston, and Ley), Chair Kane called the regular meeting of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 8:00 a.m.

PUBLIC COMMENT

Chair Kane called for public comment. There were no comments from the public in attendance.

AMENDMENT TO
STATUTE REFERENCE IN
EXECUTIVE SESSION

Chair Kane requested that a correction be made to the Hawaii Revised Statutes (HRS) cited in Executive Session items number 1 and 2, based on Deputy Attorney General Tsang's recommendation to omit the number "88" from the statute. The statute cited in both should be:

HRS § 92-5(a)(2) and (4)

On a motion made by Trustee Johnston, seconded by Trustee Barfield, and unanimously carried, the Board agreed to amend the statute for both Executive Session items numbers 1 and 2, as requested by Chair Kane.

RECESS

Chair Kane called for a recess at 8:01 a.m. and announced that the meeting would reconvene following the conclusion of the Chapter 91 Proceedings and the Investment Committee Meeting. It was decided to start with the Investment Committee Meeting, followed by the Chapter 91 Proceedings.

(All in attendance left the meeting except for the Board; Executive Director, Thomas Williams; Retirement Benefits Manager, Karl Kaneshiro; and Deputy Attorneys General, Ivan Torigoe, Elmira Tsang, and Jodi Yi)

RECONVENE

A quorum being present (Chair Kane, Vice Chair Rauckhorst, and Trustees Barfield, Chan, Johnston, Ley and Machida), Chair Kane reconvened the meeting at 8:15 a.m.

TRAINING OF
BOARDWORKS

Information Services Manager, Keith Miyamoto; Information Technology C, Sandra Straub and Information Technology Band B, Lori Misaki, attempted to connect via telephone webex conferencing with BoardWorks, Ms. Jillian Woods. Due to unsuccessful attempts, the BoardWorks training was cancelled and would be reschedule if the Board felt it was needed.

EXECUTIVE DIRECTOR'S
REPORT

Executive Director Williams gave an oral presentation of his report as follows:

- Legislatively, the Governor signed the four primary bills that passed this year. Act 70, Tax Exemption and Purchase of Service; Act 69, Limits Accidental Death and Disability Benefits to individuals who are members of the ERS.
- The ERS Budget has been approved.
- Finalized end of fiscal year procurement for Oracle financials for update of software applications of \$700,000, and for the Vitech V-10 another \$500,000 dollars. Thanks to B&F Director, ARO, Enterprise Technology Services, and the Governor for helping us complete this process. We will, in the near future, plan accordingly, so we do not have to repeat this untimely process again.
- Thanked Trustee Chan, Chair and the Chief Information Officer Ad Hoc Search Committee over the last month regarding the CIO Search leading up to today's interviews. Also thanked Mses. Marie Kumabe and Kimberly Miyashiro of Kumabe HR for their hard work in this process as well.
- Expecting to get \$39 million, now \$40 million in advance payment from

EXECUTIVE DIRECTOR'S
REPORT (CONT'D)

the State. Advance payment of supplemental additional contributions over and above the state's contribution. Made permissible by one of the statutes just passed which allowed for advance contributions on behalf of the employers.

- Working with B&F, the Actuary, and the State Finance Department to determine the annual required contribution for the retirement program. A term that used to have application for our system but under GASB is no longer calculated. The Feds need to know the actual contribution that relates to the plan to reimburse certain Federal contracts. Certain Federal awards include not only the pay for individuals, but reimburses the States for their benefits, but not for unfunded liability. They want to know the annual required contributions for the State only and not the Counties or City of Honolulu. We are expecting to have that calculation available today.
- The Investment Summit is ready and finalized.
- Working on Hawaii Administrative Rules with Program Specialist, Donna Curry, Deputy Attorney General Ivan Torigoe and former Deputy Attorney General Brian Aburano, who met to refine the rules making process relating to:
 - the statute passed to provide alternatives to the Medical Board. Before we move forward we need to ensure that we establish the rules and policies.
 - other issues related to the HiDRO, bill passed including funding, about \$1.5 million. Rules and procedures required for that.
 - interest on finalized retirements and delegation of certain authorities to the Executive Director as it regulates to retirement disability and service-connected disability, which requires promulgation of rules and has to be approved by various state agencies as well as the governor and small business bureau. That process is moving forward.
- Attended Robert F. Kennedy Compass Conference from June 25-27, 2018, focusing on the environmental social and governance issues.

OPERATIONS REPORT –
JUNE 2018

Deputy Executive Director, Kanoe Margol presented a written Operations Report – June 2018, as a receive and file. Retirement Benefits Branch Manager, Karl Kaneshiro, gave clarification on items in the report.

(Mses. Kumabe and Miyashiro of Kumabe HR entered the meeting. Messrs. Hodel and Miyamoto, Mses. Misaki and Straub and all public attendees left the meeting at 8:39 a.m.)

Ms. Kumabe briefed the Board and ERS staff on the interview process of the Chief Investment Officer. Ms. Kumabe reviewed the packet items given to the Board consisting of an agenda, resume, exercise, powerPoint presentation, and a ranking sheet. The following process was explained: applicant will make a presentation, the Board and staff will ask the applicant questions about the presentation, then all attendees except the applicant, the Board, and the Attorneys General will be excused from the meeting for the Board to conduct the formal interview.

Executive Director Williams gave clarification on the process to the Board and ERS staff.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Barfield, seconded by Trustee Machida, and unanimously carried, the Board entered into Executive Session at 8:52 a.m.

- Pursuant to HRS § 92-5(a)(2) and (4), to interview, discuss, deliberate, consider and make decisions relating to the hiring of the Chief Investment Officer of the Employees' Retirement System; appropriate action.
- Pursuant to HRS § 92-5(a)(2) and (4), to discuss, deliberate, evaluate and make decisions relating to recommendations of the Compensation Review Committee regarding compensation for exempt staff of the Employees' Retirement System; appropriate action.

EXECUTIVE SESSION,
PURSUANT TO HRS §92-5(a)(2) AND (4), TO INTERVIEW, DISCUSS, DELIBERATE, CONSIDER AND MAKE DECISIONS RELATING TO THE HIRING OF THE CHIEF INVESTMENT OFFICER OF THE EMPLOYEES' RETIREMENT SYSTEM; APPROPRIATE ACTION

RECESS

After the third applicant, Chair Kane called for a recess for lunch at 11:29 a.m.

RECONVENE

A quorum being present (Chair Kane, Vice Chair Rauckhorst, Trustees Barfield, Chan, Johnston, Ley and Machida), Chair Kane reconvened the meeting at 12:23 p.m.

EXECUTIVE SESSION,
PURSUANT TO HRS §92-5(a)(2) AND (4), TO INTERVIEW, DISCUSS, DELIBERATE, CONSIDER AND MAKE DECISIONS RELATING TO THE HIRING OF THE CHIEF INVESTMENT OFFICER OF THE EMPLOYEES' RETIREMENT SYSTEM; APPROPRIATE ACTION (CONT'D)

EXECUTIVE SESSION,
PURSUANT TO HRS §92-5(a)(2) AND (4), TO DISCUSS, DELIBERATE, EVALUATE AND MAKE DECISIONS RELATING TO RECOMMENDATIONS OF THE COMPENSATION REVIEW COMMITTEE

REGARDING
COMPENSATION FOR
EXEMPT STAFF OF THE
EMPLOYEES'
RETIREMENT SYSTEM;
APPROPRIATE ACTION

EXIT EXECUTIVE SESSION

On a motion made by Trustee Machida, seconded by Trustee Barfield, and unanimously carried, the Board exited Executive Session at 3:04 p.m.

ADJOURNMENT

On a motion made by Trustee Machida, seconded by Trustee Chan, and unanimously carried, the Board adjourned the meeting at 3:05 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik