

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

JUNE 12, 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. Jackie Ferguson-Miyamoto  
Ms. Laurel Johnston  
Dr. Genevieve Ley

Trustee excused: Mr. Wesley Machida

Staff present: Mr. Thomas Williams, 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  
Ms. Tami Ikegami-Stuart, Information Technology Band B  
Ms. Kathleen Shiroma, Information Technology Band C  
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

Staff absent: Ms. Kanoë Margol, Deputy Executive Director

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

Guests present: Ms. Kristen Chase, Pension Consulting Alliance, LLC  
Mr. Neil Rue, Pension Consulting Alliance, LLC  
Ms. Marie Kumabe, Kumabe HR  
Ms. Kim Miyashiro, Kumabe HR  
Mr. Chae Hong, Townsend Group, an Aon Company

Public present: Ms. Brenda Staton, Member  
Mr. Riley Fujisaki, House Finance Committee  
Two members did not want to be identified

QUORUM/CALL TO ORDER A quorum being present (Chair Kane, Vice Chair Rauckhorst, and Trustees Barfield, Chan, Ferguson-Miyamoto, 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 9:00 a.m.

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

RECESS Chair Kane called for a recess at 9:00 a.m. and announced that the meeting would reconvene following the conclusion of the Chapter 91 Proceedings and the Investment Committee Meeting.

(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, Ferguson-Miyamoto, Johnston, and Ley), Chair Kane reconvened the meeting at 11:00 a.m.

PROXY VOTING SERVICES Acting Chief Investment Officer (CIO), Howard Hodel gave some background information and Investment Specialist (IS), Ian Wetzel gave a brief introduction. Mr. Neil Rue and Ms. Kristen Chase of Pension Consulting Alliance, LLC, (PCA), gave an oral and written presentation on the Proxy Voting Services:

**PROXY VOTING OVERVIEW**

*Three basic options for proxy voting implementation:*

- Delegate to managers
- Proxy policy developed internally, implemented by internal resources
- Proxy policy developed internally, implemented by 3<sup>rd</sup> party administrator.

**REVIEW OF ERS HOLDINGS**

**IMPLEMENTATION**

**REVIEW OF GLASS LEWIS SERVICES**

**LEGISLATIVE PROPOSALS  
RELATED TO THE  
EMPLOYEES'  
RETIREMENT SYSTEM  
FOR THE 2018  
LEGISLATIVE SESSION**

Program Specialist, Donna Curry and Executive Director Williams presented for the Boards review, a list of related proposals which were passed by the 2018 State Legislature and enrolled to the Governor for his review as follows:

- HB 2336 HD1 SD2, Relating to Employer Contributions to the Employees' Retirement System, Companion Bill SB 2763;
- HB 2341 HD1 SD2 CD1, Relating to Qualified Domestic Relations Orders, Companion Bill SB 2768;
- SB 2766 SD2 HD1 CD1, Relating to the Employees' Retirement System, Companion Bill HB2339; and
- SB 2767 SD2 HD1 CD1, Relating to the Employees' Retirement System, Companion Bill HB 2340.

Ms. Curry mentioned that HB 2336 was signed by Governor Ige on June 4, 2018, and is now Act 19, and the ERS can receive advanced contributions starting as of July 1, 2018. The other three bills are awaiting the Governor's

LEGISLATIVE PROPOSALS  
RELATED TO THE  
EMPLOYEES'  
RETIREMENT SYSTEM  
FOR THE 2018  
LEGISLATIVE SESSION  
(CONT'D)

signature and he has until July 10, 2018, to sign or allow them to become law without his signature.

Trustee Johnston shared that Governor Ige just signed HB 2341 HD1 SD2 CD1 and he should be signing the other two bills.

Ms. Curry is working on next year's legislative proposals and will be presenting it at the next Board's Administrative and Legislative Committee meeting.

UPDATE OF CHIEF  
INVESTMENT OFFICER  
SEARCH

Executive Director Williams, member and Trustee Chan, Chair of the Chief Investment Officer (CIO) Search Ad Hoc Committee introduced Ms. Marie Kumabe and Kim Miyashiro of Kumabe HR. Ms. Kumabe reported that they conducted a national search and a total of 111 candidates applied for the position. Kumabe HR reviewed and ranked all applications. The search committee reviewed the rankings and identified eleven candidates, three local and eight national to move to the next phase of the process. Of the eleven, three applicants withdrew. The committee interviewed eight candidates and the top five were identified. Four have been invited to interview with the Board on July 9, 2018. The interview will include a short presentation and a Q&A session afterwards. Each interview will take no more than one hour. The Board will be given a set of questions to ask and a scoring sheet to rate each candidate. Following the interviews, a debriefing of the interviews and subsequent rank of the candidates will be solicited. Reference checks will be made on the four finalists and subsequently an offer will be made to the top finalist.

Trustee Chan, Chair of the CIO Search Ad Hoc Committee thanked Ms. Kumabe on a fantastic job.

After the update, Ms. Kumabe and Ms. Miyashiro left the meeting.

WIRELESS ACCESS, PLANS  
FOR DISTRIBUTION OF  
WIRELESS DEVICES, AND  
TRAINING OF  
BOARDWORKS

Executive Director Williams gave a brief update and introduced the Information Services staff, Ms. Tami Ikegami-Stuart, Kathleen Shiroma, and Sandra Straub. Ms. Ikegami-Stuart gave an oral and written presentation on the Meraki Authentication Wireless User Account. Ms. Straub gave an oral and powerpoint presentation on the plans for distribution for wireless devices and training of BoardWorks. The BoardWorks training will be presented at the July 9, 2018, meeting.

After their presentation Ms. Ikegami-Stuart, Shiroma, and Straub left the meeting.

APPROVAL OF FUNDS FOR  
SPECIAL DEPUTY  
CONTRACT TO PROVIDE  
LEGAL SERVICES  
RELATING TO  
INVESTMENTS IN  
PRIVATE EQUITY AND  
REAL ESTATE FUNDS

Deputy Attorney General Jodi Yi updated the Board on the approval of funds for Special Deputy Attorney General Contract to provide legal services relating to investments in private equity and real estate funds. The current law firm is Reinhart.

Deputy Attorney General Yi recommended the Board approve \$400,000 for the retention of special deputy attorney general for legal services relating to investments in private equity and real estate funds.

Executive Director Williams mentioned that this amount is to be set aside for budgeting purposes. Hamilton Lane will provide support for private equity

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REAL ESTATE FUNDS  
(CONT'D)

ENTER EXECUTIVE  
SESSION

EXECUTIVE SESSION,  
PURSUANT TO HRS § 88-  
27.5(a)(1), TO CONDUCT  
DISCUSSIONS,  
DELIBERATIONS, AND IF  
APPROPRIATE, TO MAKE  
DECISIONS RELATING TO  
THE PROXY VOTING  
SERVICE PROVIDER  
REQUEST FOR  
INFORMATION PROCESS;  
APPROPRIATE ACTION

EXECUTIVE SESSION,  
PURSUANT TO HRS § 88-  
27.5(a)(1), TO CONDUCT  
DISCUSSIONS RELATING  
TO THE 2017 ANNUAL

and analysis going forward and this would defray some expenses under this contract.

On a motion made by Trustee Johnston, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board approved funds for Special Deputy Attorney General Contract as recommended by Deputy Attorney General Yi.

On a motion made by Vice Chair Rauckhorst, seconded by Trustee Barfield, and unanimously carried, the Board entered into Executive Session at 11:32 a.m.

- Pursuant to HRS § 88-27.5(a)(1), to conduct discussions, deliberations, and if appropriate, to make decisions relating to the Proxy Voting Service Provider Request for Information Process; appropriate action.
- Pursuant to HRS § 88-27.5(a)(1), to conduct discussions relating to the 2017 Annual Public Market Managers Fee Review; appropriate action.
- Pursuant to HRS § 88-27.5(a)(1), to conduct discussions, deliberations, and if appropriate, to make decisions relating to the Employees' Retirement System Principal Protection U.S. Mandate, Bank of Hawaii.
- Pursuant to HRS § 88-27.5(a)(1), to conduct discussions, deliberations, and if appropriate, to make decisions related to the selection of a custodial bank to provide Global Custody and Securities Lending Services, Finalists; appropriate action.
- Pursuant to HRS § 92-5(a)(4), to consult with the Board's attorneys regarding developments in class-action securities lawsuit, 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 such lawsuit; appropriate action.
- Pursuant to HRS § 92-5(a)(4), to consult with the Board's attorneys regarding developments in an administrative appeal, 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 such administrative appeal; appropriate action.

PUBLIC MARKET  
MANAGERS FEE REVIEW;  
APPROPRIATE ACTION

EXECUTIVE SESSION,  
PURSUANT TO HRS § 88-  
27.5(a)(1), TO CONDUCT  
DISCUSSIONS,  
DELIBERATIONS, AND IF  
APPROPRIATE, TO MAKE  
DECISIONS RELATING TO  
THE EMPLOYEES'  
RETIREMENT SYSTEM  
PRINCIPAL PROTECTION  
U.S. MANDATE, BANK OF  
HAWAII

EXECUTIVE SESSION,  
PURSUANT TO HRS § 88-  
27.5(a)(1), TO CONDUCT  
DISCUSSIONS,  
DELIBERATIONS, AND IF  
APPROPRIATE, TO MAKE  
DECISIONS RELATED TO  
THE SELECTION OF A  
CUSTODIAL BANK TO  
PROVIDE GLOBAL  
CUSTODY AND  
SECURITIES LENDING  
SERVICES, FINALISTS;  
APPROPRIATE ACTION

EXECUTIVE SESSION,  
PURSUANT TO HRS § 92-  
5(a)(4), TO CONSULT WITH  
THE BOARD'S  
ATTORNEYS REGARDING  
DEVELOPMENTS IN  
CLASS-ACTION  
SECURITIES LAWSUIT,  
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 SUCH  
LAWSUIT; APPROPRIATE  
ACTION

EXECUTIVE SESSION,  
PURSUANT TO HRS § 92-  
5(a)(4), TO CONSULT WITH  
THE BOARD'S  
ATTORNEYS REGARDING  
DEVELOPMENTS IN AN  
ADMINISTRATIVE  
APPEAL, 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 SUCH  
ADMINISTRATIVE  
APPEAL; APPROPRIATE  
ACTION

EXIT EXECUTIVE SESSION

On a motion made by Trustee Barfield, seconded by Trustee Johnston, and unanimously carried, the Board exited Executive Session at 12:08 p.m.

RECESS

Chair Kane called for a recess for lunch at 12:08 p.m.

RECONVENE

A quorum being present (Chair Kane, Vice Chair Rauckhorst, and Trustees Chan, Ferguson-Miyamoto, Johnston, and Ley), Chair Kane reconvened the meeting at 12:26 a.m.

EXECUTIVE DIRECTOR'S  
REPORT

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

- Performance Appraisals for the Executive Director, Deputy Executive Director, and Investment Office done by the Compensation Review Committee.
- Search for Chief Investment Officer being done by Kumabe HR as reported earlier.
- Update on City Financial Tower Land Holdings LLC, transactions have been processed as reported last month.
- Impact on overtime regarding ERS liabilities.
- Number of meetings related to service disability and the implications on how to address this to the Board and its fiscal impacts.
- Presented at the State Capitol to last month and spoke about the pension plan, invited by the Grass Roots Institute.
- Attended a number of meetings to discuss the advance payment of employer contributions with the Counties.
- Thom will be going to the NCTR Director's meeting in Atlanta Georgia tonight.
- Update on pending contracts (KMH and Vitech)

EXECUTIVE DIRECTOR'S  
REPORT (CONT'D)

OPERATIONS REPORT

Retirement Benefits Manager, Karl Kaneshiro presented the written operations report as receive and file. Mr. Kaneshiro commented on the recruitment positions for ERS as stated in the report and positive progress

with the medical board processes.

ADJOURNMENT

On a motion made by Vice Chair Rauckhorst, seconded by Trustee Johnston, and unanimously carried, the Board adjourned the meeting at 12:48 p.m.

**REDACTED SIGNATURE**

Thomas Williams  
Executive Director

TW:dkik