

MINUTES OF THE REGULAR BOARD MEETING OF THE  
BOARD OF TRUSTEES OF THE EMPLOYEES' RETIREMENT SYSTEM (ERS)  
JUNE 10, 2013  
CITY FINANCIAL TOWER, 201 MERCHANT STREET, SUITE 1200  
HONOLULU, HAWAII

Trustees present: Mr. Emmit Kane, Chair  
Mr. Vincent Barfield, Vice Chair  
Ms. Jackie Ferguson-Miyamoto  
Ms. Piliialoha Lee Loy  
Mr. Jerome Rauckhorst  
Mr. Wayne Yamasaki  
Mr. Kalbert Young

Trustee excused: Mr. Colbert Matsumoto

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

Staff present: Mr. Wesley Machida, Administrator  
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. Wanda Kugiya, Secretary

Guests present: Mr. Michael Humphrey ) Courtland Partners, Ltd.  
Mr. Daniel Moore

Mr. Jonathan Aggett ) Hancock Timber Resources Group

Mr. John Lender ) Pension Consulting Alliance, Inc.  
Mr. Neil Rue

CHANGE IN MEETING LOCATION The meeting location was moved from City Financial Tower, Suite 1935 to Suite 1200. A notice of the change in location was posted at Suite 1935.

CALL TO ORDER/QUORUM A quorum being present, Mr. Emmit Kane, Chair of the Board of Trustees of the Employees' Retirement System (ERS), called the regular meeting of the Board of Trustees of the ERS (the Board) to order at 9:40 a.m.

PRESENTATION BY PENSION CONSULTING ALLIANCE, INC. ON BROAD GROWTH RISK CLASS GUIDELINES Mr. John Lender and Mr. Neil Rue of Pension Consulting Alliance, Inc. (PCA), ERS's investment consultant, presented PCA's report on broad growth risk class guidelines. The report was requested by the Board at its April 8, 2013 meeting to assist the Board in the Board's consideration of shifting from the Board's current asset class investment framework to a risk class investment framework.

(Trustee Young joined the meeting at 10:22 a.m.)

Chair Kane asked PCA to provide at the August Board meeting a pro forma report of the portfolio allocations under a risk-based asset allocation framework and draft policy language.

ENTER EXECUTIVE SESSION

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

- pursuant to HRS § 92-5(a)(8), to consider, and if appropriate to act on, Hancock Timber Resources Group's Tactical Plan and Portfolio Review.
- pursuant to HRS § 92-5(a)(8), to consider, and if appropriate to act on, BlackSand Capital, LLC's request for consents and CIO's report on BlackSand Capital Opportunity Fund I, LP Advisory Committee meeting and annual investors meeting; appropriate action.
- pursuant to HRS § 92-5(a)(4), to consult with the ERS's attorneys on questions and issues pertaining to a site inspection of Royal Ka'anapali Golf Courses; appropriate action.
- pursuant to HRS § 92-5(a)(4), to consult with the ERS's attorneys on questions and issues pertaining to application to the Internal Revenue Service for a Determination Letter; appropriate action.
- pursuant to HRS § 92-5(a)(4) to consult with the ERS's attorneys on questions and issues pertaining to the provision of legal services; appropriate action.
- pursuant to HRS § 92-(a)(4) and (8) to consult with the ERS's attorneys on questions and issues pertaining to, and to consider staff's preliminary recommendations relating to trustee elections.

EXECUTIVE SESSION TO  
CONSIDER AND IF APPROPRIATE,  
TO ACT ON HANCOCK TIMBER  
RESOURCES GROUP'S TACTICAL  
PLAN AND PORTFOLIO REVIEW

EXECUTIVE SESSION TO  
CONSIDER AND IF APPROPRIATE,  
TO ACT ON BLACKSAND CAPITAL,  
LLC'S REQUEST FOR CONSENTS  
AND THE ERS'S CHIEF  
INVESTMENT OFFICER'S REPORT  
ON BLACKSAND CAPITAL  
OPPORTUNITY FUND I, LP  
ADVISORY COMMITTEE MEETING  
AND ANNUAL INVESTORS  
MEETING

EXECUTIVE SESSION TO CONSULT  
WITH THE ERS'S ATTORNEYS ON  
QUESTIONS AND ISSUES  
PERTAINING TO A SITE  
INSPECTION OF ROYAL  
KA'ANAPALI GOLF COURSES

EXECUTIVE SESSION TO CONSULT  
WITH THE ERS'S ATTORNEYS ON  
QUESTIONS AND ISSUES  
PERTAINING TO APPLICATION TO  
THE INTERNAL REVENUE  
SERVICE FOR A DETERMINATION  
LETTER

EXECUTIVE SESSION TO CONSULT  
WITH THE ERS'S ATTORNEYS ON  
QUESTIONS AND ISSUES  
PERTAINING TO THE PROVISION  
OF LEGAL SERVICES

EXECUTIVE SESSION TO CONSULT  
WITH THE ERS'S ATTORNEYS ON  
QUESTIONS AND ISSUES  
PERTAINING TO AND TO  
CONSIDER STAFF'S PRELIMINARY  
RECOMMENDATIONS RELATING  
TO TRUSTEE ELECTIONS

EXIT EXECUTIVE SESSION

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

INVESTMENT MANAGER "WATCH  
STATUS"

Mr. Vijoy Chattergy, ERS Chief Investment Officer (CIO) and PCA reported on the status of Mercator Asset Management. Mercator Asset Management was hired in November 2003 to manage a developed international markets equity strategy. Mercator was placed on the "Watch List Status" for triggering medium-term underperformance criteria in June 2012. Although Mercator's performance has improved, performance results, are still mixed. In addition, Mercator has announced the addition of a new fund, without the hiring of

additional staff. The CIO and PCA therefore recommended that Mercator remain on “Watch List Status” to be closely monitored for another six months.

On a motion made by Trustee Barfield, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board approved the extension of Mercator’s “Watch List Status” for an additional six months.

## TRUSTEE ELECTIONS

Mr. Wesley Machida, ERS Administrator (Administrator) announced that a trustee election will be held this year to fill a general employee seat and the retirant seat for six year terms beginning January 2, 2014 and presented the tentative election timetable that was approved by the Board:

Public notice of Trustee Election	- June 28, 2013
Invitation letter to employee organizations to provide a candidate	- June 28, 2013
Post notice of Trustee Election on ERS website	- June 28, 2013
Nomination papers must be received by ERS no later than 4:30 p.m.	- August 28, 2013
Review signatures on petition; printing and insertion of election materials	- September & October 2013
Mail 115, 000 ballots	- October 16, 2013
Postmark deadline	- November 6, 2013
Ballot Tally	- November 13, 2013
Results presented at Board of Trustees Meeting	- December 9, 2013

## ADMINISTRATOR’S UPDATE ON ERS OPERATIONS – MAY 2013

The Administrator reported on the status of ERS operations for May 2013. Highlights included:

- ERS office move from 9<sup>th</sup> and 16<sup>th</sup> floors to 2<sup>nd</sup> and 12<sup>th</sup> floors was completed.
- Administrator’s title will change to Executive Director effective July 1, 2013.

## NEXT BOARD MEETING - JULY 16, 2013

Chair Kane announced that the next Board meeting is scheduled for July 16, 2013.

ADJOURNMENT

On a motion made by Trustee Lee Loy, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Chair adjourned the meeting at 1:19 p.m.

**REDACTED  
SIGNATURE**

Wesley K. Machida  
Administrator

WKM: jh