

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

APRIL 9, 2018

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

Trustees present: Mr. Vincent Barfield  
Dr. Catherine Chan  
Ms. Jackie Ferguson-Miyamoto  
Ms. Laurel Johnston  
Dr. Genevieve Ley  
Mr. Wesley Machida

Trustees excused: Mr. Emmit Kane, Chair  
Mr. Jerome Rauckhorst, Vice Chair

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  
Ms. Dale Kehau Kanae, Recording Secretary  
Ms. Lori Kim, Secretary  
Ms. Geraldine Konishi, Member Home Loan Assistant  
Ms. Wanda Kugiya, Secretary

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

Guests present: Mr. Chae Hong, Aon Hewitt Investment Consulting, Inc.  
Mr. Bert “BJ” Kobayashi, Jr., BlackSand Capital LLC  
Mr. Ian MacNaughton, BlackSand Capital LLC  
Mr. Will Nguyen, BlackSand Capital LLC  
Mr. Michael Purpura, BlackSand Capital LLC  
Mr. Alistair Graham, Longview Partners LLP  
Ms. Marina Lund, Longview Partners LLP  
Mr. Neil Rue, Pension Consulting Alliance, LLC  
Mr. Kenneth Abrams, Wellington Management Co., LLC  
Mr. Michael Trovato, Wellington Management Co., LLC

Public present: Mr. Keola Diaz, UNITE HERE Local 5  
Mr. Ivan Hou, UNITE HERE Local 5  
Ms. Marge Jovellanos, UNITE HERE, Local 5  
Ms. Joan Lazo, UNITE HERE, Local 5

QUORUM/CALL TO ORDER

A quorum being present (Acting Chair Barfield and Trustees Chan, Ferguson-Miyamoto, Johnston, and Ley), Acting Chair Barfield 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

Acting Chair Barfield called for public comment and asked that each person adhere to a three-minute time limit. Acting Chair Barfield noted that there was no agenda item related to the intended area of comment, however, he will nonetheless allow the public comment to proceed.

Mr. Ivan Hou, Research Analyst from UNITE HERE Local 5, commented regarding concerns with a private equity investment firm KKR, that the ERS is a partner with. Mr. Hou introduced two hotel employees, Ms. Marge Jovellanos and Ms. Joan Lazo who both shared comments on their working conditions and why they want to become Union members and hopes that KKR will give them a fair contract negotiation. Mr. Keola Dias, Community Political Organizer, for UNITE HERE Local 5, thanked the Board for their time and for allowing their potential members to voice their concerns even though there was no specific agenda item related to their public comments.

(Trustee Wesley Machida entered the meeting at 9:06 a.m.)

RECESS

Acting Chair Barfield called for a recess 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 Mr. Thomas Williams, Retirement Benefits Manager Mr. Karl Kaneshiro and Deputy Attorney General Ms. Jodi Yi)

RECONVENE

A quorum being present (Acting Chair Barfield, Chan, Ferguson-Miyamoto, Johnston, Ley, and Machida), Trustee Barfield reconvened the meeting at 10:31 a.m.

WELLINGTON  
MANAGEMENT  
COMPANY, LLC

ERS Acting Chief Investment Officer (CIO) Howard Hodel, and Investment Specialist Ian Wetzal, presented a brief introduction of Wellington Management Company, LLC (Wellington), one of two global small cap managers that manage funds on behalf of ERS. Messrs. Michael Trovato and Kenneth Abrams of Wellington gave an oral and written presentation on the firm's investment strategy, process and performance results. Both Messrs. Trovato and Abrams answered questions from the Board after which Acting Chair Barfield thanked them for their presentation.

Following their presentation, Messrs Abrams and Travato left the meeting.

ESTABLISHMENT OF  
CHIEF INVESTMENT  
OFFICER SEARCH AD HOC  
COMMITTEE AND  
NAMING OF MEMBERS

Acting Chair Barfield and Executive Director Williams, on behalf of the Compensation Review Committee, suggested that the Board create a Chief Investment Officer (CIO) Search Ad Hoc Committee to expedite the Chief Investment Officer search process.

ESTABLISHMENT OF  
CHIEF INVESTMENT  
OFFICER SEARCH AD HOC  
COMMITTEE AND  
NAMING OF MEMBERS  
(CONT'D)

Acting Chair Barfield, stated "Pursuant to HRS § 92-2.5(b)(1), I hereby establish the CIO Search Ad Hoc Committee (Committee) and assign Trustees Machida, Chan, Ley, Barfield, and Executive Director Thomas Williams as members of the Committee. The Committee members shall investigate candidates for the currently vacant Chief Investment Officer position, and present the results and recommendations of the Committee to the Board at a meeting of the Board." Acting Chair Barfield also suggested that Trustee Chan serve as the Chair of the Committee.

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

Executive Director Williams presented for the Boards review, two (2) listings of ERS-initiated and ERS-related House and Senate Bill proposals for the 2018 Legislative Session that ERS continues to monitor as of March 29, 2018, prepared by Program Specialist, Ms. Donna Curry.

Bills recommended that the ERS Board SUPPORT:  
SB 2228 SD1 HD1, SB 2764 SD2 HD1, SB 2765 SD1 HD1, SB 2766 SD2 HD1, SB 2767 SD2 HD1, HB 2336 HD1 SD1, and HB 2341 HD1 SD1.

Bills recommended that the ERS Board OPPOSE:  
HB 629 SD1, and HB 913 HD2 SD1.

Bills recommended that the ERS Board MONITOR:  
SB 2333 SD2 HD1, SB 2585 SD2 HD1, SB 2598 SD2 HD1, SB 2660 HD1, HB 887 HD1, and HB 1778 HD1 SD1, HR 59, and HCR 74.

And finally, Bills that did not crossover and are no longer moving for this session:

SB 249 SD2 HD1, SB 250, SB 383 SD1, SB 927, SB 929, SB 931, SB 933, SB 1226, SB 2181, SB 2236, SB 2253, SB 2357, SB 2555 SD1, SB 2660, SB 2763 SD1, SB 2768, SB 2982, SB 2983, HB 987, HB 2116, HB 2140, HB 2337, HB 2338, HB 2339, HB 2340, HB 2496, and HB 2544 HD1.

RECEIPT OF GASB  
STATEMENT 67 AND 68,  
ACCOUNTING AND  
FINANCIAL REPORTING  
FOR PENSIONS FOR YEAR  
ENDING JUNE 30, 2017,  
PROVIDED BY ERS'S  
ACTUARY GABRIEL,  
ROEDER, SMITH &  
COMPANY AND  
NECESSARY ACTION

Executive Director Williams presented the Governmental Accounting Standards Board (GASB) Statement No. 67 and 68 report as of June 30, 2017 as prepared by Gabriel, Roeder, Smith and Company, actuaries for the Employees' Retirement System of the State of Hawaii.

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Machida, and unanimously carried, the Board accepted the GASB Statement No. 67 and 68 report as of June 30, 2017.

CONSIDERATION ON  
BECOMING A SIGNATORY  
TO THE PRINCIPLES FOR  
RESPONSIBLE  
INVESTMENT (PRI) AND  
NECESSARY ACTION

Executive Director Williams presented to the Board considerations on the benefits of becoming a signatory to the Principles for Responsible Investment (PRI). Pension Consulting Alliance, LLC (PCA), Neil Rue concurred with Executive Director Williams' recommendation on becoming a PRI signatory.

On a motion made by Trustee Machida, seconded by Trustee Johnston, and unanimously carried, the Board approved the ERS to become a signatory to the Principles for Responsible Investment.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Machida, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board entered into Executive Session at 11:33 p.m.

- Pursuant to HRS § 88-27.5(a)(1), to conduct discussions, deliberations, and if appropriate, to make decisions relating to the Employees' Retirement System Real Return Global Inflation-Linked Securities manager, BlackRock;
- Pursuant to HRS § 88-27.5(a)(1), to conduct discussions, deliberations, and if appropriate, to make decisions relating to the Employees' Retirement System Traditional Growth global small cap manager, Fidelity Institutional Asset Management, LLC.
- Pursuant to HRS § 88-27.5(a)(1), to conduct discussions, deliberations, and if appropriate, to make decisions regarding the Global Equity-oriented Options-Based Manager Search Update (Semi-Finalists).
- Pursuant to HRS § 88-27.5(a)(1), to conduct discussions, deliberations, and if appropriate, to make decisions relating to an investment by the Employees' Retirement System in BlackSand Capital Opportunity Fund II; and
- Pursuant to HRS § 92-5(a)(4), to consult with the Board's attorneys regarding developments in a securities class action suit, 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 securities class action suit; appropriate action.

EXECUTIVE SESSION,  
PURSUANT TO HRS § 88-27.5(A)(1), TO CONDUCT DISCUSSIONS, DELIBERATIONS, AND IF APPROPRIATE, TO MAKE DECISIONS RELATING TO AN INVESTMENT BY THE EMPLOYEES' RETIREMENT SYSTEM IN BLACKSAND CAPITAL OPPORTUNITY FUND II

RECESS

Acting Chair Barfield called for a recess for lunch at 12:13 p.m.

RECONVENE

A quorum being present (Acting Chair Barfield, and Trustees Chan, Ferguson-Miyamoto, Johnston, Ley, and Machida), Acting Chair Barfield reconvened the meeting at 12:31 p.m.

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

REAL RETURN GLOBAL  
INFLATION-LINKED  
SECURITIES MANAGER,  
BLACKROCK

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  
TRADITIONAL GROWTH  
GLOBAL SMALL CAP  
MANAGER, FIDELITY  
INSTITUTIONAL ASSET  
MANAGEMENT, LLC

EXECUTIVE SESSION,  
PURSUANT TO HRS § 88-  
27.5(A)(1), TO CONDUCT  
DISCUSSIONS,  
DELIBERATIONS, AND IF  
APPROPRIATE, TO MAKE  
DECISIONS REGARDING  
THE GLOBAL EQUITY-  
ORIENTED OPTIONS-  
BASED MANAGER  
SEARCH UPDATE (SEMI-  
FINALISTS)

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

APPROVAL OF  
EXECUTIVE SESSION  
MINUTES  
– DECEMBER 11, 2017

EXIT EXECUTIVE SESSION

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Ley, and unanimously carried, the Board exited Executive Session at 1:05 p.m.

EXECUTIVE DIRECTOR'S  
REPORT

Executive Director Williams gave an oral presentation of the Executive Director's report as follows:

- Acting CIO Hodel and Executive Director Williams met with Ms. Leanna Orr from Institutional Investor for interviews and await another article expected in a week or two.
- Received a certificate of transparency based on the National Council on Public Employee Retirement Systems' survey of Best Practices.
- Met and discussed with representatives of PRI ERS becoming a signatory and will send out a press release regarding such.
- Regarding budget, we had three primary requests: Chief Compliance Officer, along with funding of the internal audit, and HiDRO. Legislature has not modified our budget as of this reporting.
- Hired Kumabe HR, LLC as executive search firm.
- HiTIP, Stafford has attracted Builders Venture Capital to Hawaii, holding monthly meetings inviting Mainland CEOs and other entrepreneurs to consult with local entrepreneurs.
- Highlights on Senate vote for Wes Machida to be appointed to our Board.
- Other informational handouts in your packets.
- Considering enlarging our reception area and possibly other areas at ERS to be presented at a later meeting.
- BoardWorks software contract executed and tablets to be purchased are at B&F for their approval.
- Security cameras at ERS are up and working in the lobbies and counseling rooms.
- Will attend Pension Bridge Conference with Trustee Kane.

OPERATIONS REPORT

Deputy Executive Director, Ms. Kanoë Margol presented the written operations report as receive and file.

APPROVAL OF MINUTES  
– DECEMBER 11, 2017

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Machida, and unanimously carried, the Board approved the minutes for the December 11, 2017 meeting as presented.

ADJOURNMENT

On a motion made by Trustee Machida, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board adjourned the meeting at 1:30 p.m.

**REDACTED SIGNATURE**

Thomas Williams  
Executive Director

TW:dkik