

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

JUNE 10, 2019

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

Trustees present: Mr. Emmitt Kane, Chair
Mr. Jerome Rauckhorst, Vice Chair
Mr. Vincent Barfield
Dr. Catherine Chan
Ms. Jackie Ferguson-Miyamoto
Dr. Genevieve Ley
Mr. Wesley Machida
Mr. Robert Yu

Staff present: Mr. Thomas Williams, Executive Director
Ms. Kanoe Margol, Deputy Executive Director
Mr. Bart Asato, Program Specialist
Mr. Karl Kaneshiro, Retirement Benefits Manager
Mr. Keith Miyamoto, Information Services Manager
Ms. Elizabeth Burton, Chief Investment Officer
Mr. Aaron Au, Investment Officer – Illiquid Markets
Mr. Anthony Goo, Investment Officer – Liquid Markets
Mr. Ian Wetzel, Investment Officer
Ms. Geraldine Konishi, Member Home Loan Assistant
Ms. Diana Gomes, Secretary
Ms. Dale Kehau Kanae, Recording Secretary
Ms. Lori Kim, Secretary

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

Guests present: Mr. Michael McMenomy, CBRE Global Investors
Mr. Robert Perry, CBRE Global Investors
Mr. Dan Gluck, Hawaii State Ethics Commission
Ms. Mary Bates, Meketa Investment Group, Inc.
Mr. Neil Rue, Meketa Investment Group, Inc.
Mr. Chae Hong, Townsend Group, an Aon Company (via telephone)

Public present: Mr. Benjamin Sadoski, UNITE HERE, Local 5
Mr. Riley Fujisaki, House Finance Committee

QUORUM/CALL TO ORDER A quorum being present (Chair Kane, Vice Chair Rauckhorst, and Trustees Barfield, Ferguson-Miyamoto, Ley, Machida, and Yu), 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 and asked that comments be limited to three minutes.

Mr. Benjamin Sadoski of UNITE HERE, Local 5, addressed the Board on the labor disputes with CBRE owned hotels. He stated that UNITE HERE, Local 5 would like the Board to decline investing in Fund 9 and any subsequent Funds until CBRE resolves the disputes. He also stated that all the properties CBRE invests in: hotels, office buildings, apartment buildings, retail properties, are all maintained by working people and the fact that CBRE hasn't responded to human capital risks at its hotels suggest a head in the sand approach rather than pro-active management of capital risks. Given CBRE's forecast regarding the U.S. hotel market and the continued interest of CBRE peers, ERS should question the firm's rationale for ending U.S. hotel investments through Fund 9. CBRE should instead take the lead in trying to resolve the disputes.

Chair Kane asked the Board if they had any questions for Mr. Sadoski. The Board did not have any questions. Chair Kane thanked Mr. Sadoski for his presentation, Mr. Sadoski thanked the Board for their time and then exited the meeting.

There were no additional public comments.

AMENDMENT TO AGENDA

Chair Kane requested that an amendment be made to add additional language to Executive Session Item No. 6, to read as follows (added language underlined for clarity):

“6. 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 relating to terms and conditions of procurement of database support and maintenance and file conversion, and governance consultant, and, if appropriate, to make related decisions.”

On a motion made by Trustee Barfield, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board approved the amendment as noted.

RECESS

Chair Kane called for a recess at 9:04 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; Deputy Attorneys General, Ivan Torigoe and Jodi Yi; Executive Director, Thomas Williams; Deputy Executive Director, Kanoe Margol; and Retirement Benefits Manager, Karl Kaneshiro).

RECONVENE

A quorum being present (Chair Kane, Vice Chair Rauckhorst, and Trustees Barfield, Chan, Ferguson-Miyamoto, Ley, Machida, and Yu), Chair Kane reconvened the meeting at 9:55 a.m.

HAWAII STATE ETHICS CODE REFRESHER (HRS CHAPTER 84)

Executive Director (ED) Williams introduced Dan Gluck of the Hawaii State Ethics Commission. Mr. Gluck presented an oral and written presentation to the Board entitled “General Ethics for State Employees” that covered: Confidential Information, Gifts/Gifts Reporting, Fair Treatment, Conflicts of Interests, Contracts, Financial Disclosures, and Post Employment.

Mr. Gluck also provided quick guide handouts for easy reference.

Mr. Gluck left the meeting after his presentation.

RECESS

Chair Kane called for a recess at 10:47 a.m. and announced that the meeting would reconvene following a short break.

RECONVENE

A quorum being present (Chair Kane, Vice Chair Rauckhorst, and Trustees Barfield, Chan, Ferguson-Miyamoto, Ley, Machida, and Yu), Chair Kane reconvened the meeting at 10:53 a.m.

ERS TRAVEL APPROVAL
AND EXPENSE
MONITORING

ED Williams presented an oral report to the Board regarding ERS Travel Approval and Expense Monitoring. ED Williams discussed the State travel policies, the process Budget & Finance (B&F) applies to ERS travel.

Trustee Yu shared with the Board that he did not know the intricacies of ERS staff's duties and requested that prior to the fiscal or calendar year, a tentative schedule of out-of-state travel for ERS staff and Board be submitted to B&F with prior approval by the Board. This gives the Board an idea of the anticipated travel and it would make the B&F Director more comfortable approving travel being requested.

The Board agreed with the suggested request of submitting a tentative prior calendar/fiscal year schedule and that the ERS travel function should be planned for and identified by categories such as: due diligence, conferences, etc. and monitored. The Board also agreed that it did not want responsibility for approving individual travel request, those requests should be approved by the ED and CIO and in turn be reported back to the Board.

ED Williams stated that submitting an advance travel schedule to B&F would not make a material difference in the approval process and instead would like to have the authority delegated to the ED or the Board. Trustee Yu addressed the prospect of delegating authority to the ERS Director stating that the B&F DAG has advised against it, however, if both the B&F and ERS DAGs can come to an agreement, the B&F Director would be willing to delegate the authority to the Board. Trustee Yu believes the Board should have the final authority to approve or disapprove travel for ERS. Chair Kane asked ERS DAG, Ivan Torigoe for guidance and to follow-up with the B&F DAG on this matter.

RECESS

Chair Kane called for a lunch recess at 11:21 a.m.

RECONVENE

A quorum being present (Chair Kane, Vice Chair Rauckhorst, and Trustees Barfield, Chan, Ferguson-Miyamoto, Ley, Machida, and Yu), Chair Kane reconvened the meeting at 11:40 a.m.

ENTER EXECUTIVE
SESSION

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Ley, and unanimously carried, the Board entered into Executive Session at 11:40 a.m.

EXECUTIVE SESSION

- Pursuant to HRS § 88-27.5(a)(1) and HRS § 92-5(a)(4), to conduct discussions and deliberations relating to, and if appropriate, to make a decision on investments or prospective investments by the system that require the consideration of information or records that are exempt from disclosure under Chapter 92F, including information and records that are

EXECUTIVE SESSION
(CONT'D)

proprietary information or confidential business information, 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 a private equity investment advised by Hamilton Lane; appropriate action.

- Pursuant to HRS § 88-27.5(a)(1) and HRS § 92-5(a)(4), to conduct discussions and deliberations relating to, and if appropriate, to make decisions on investments or prospective investments by the system that require the consideration of information or records that are exempt from disclosure under Chapter 92F, including information and records that are proprietary information or confidential business information, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities relating to Real Estate Fund Commitment.
- Pursuant to HRS § 88-27.5(a)(1), and HRS § 92-5(a)(4), to conduct discussions and deliberations relating to, and if appropriate, to make a decision on investments or prospective investments by the system that require the consideration of information or records that are exempt from disclosure under Chapter 92F, including information and records that are proprietary information or confidential business information, 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 a Private Investment.
- Pursuant to HRS § 88-27.5(a)(1) and HRS § 92-5(a)(4), to conduct discussions and deliberations relating to, and if appropriate, to make decisions on investments or prospective investments by the system that require the consideration of information or records that are exempt from disclosure under Chapter 92F, including information and records that are proprietary information or confidential business information, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities relating to Meketa Investment Group's 2019 Annual Public Market Managers Fee Review.
- Pursuant to HRS § 88-27.5(a)(1) and HRS § 92-5(a)(4), to conduct discussions and deliberations relating to, and if appropriate, to make decisions on investments or prospective investments by the system that require the consideration of information or records that are exempt from disclosure under Chapter 92F, including information and records that are proprietary information or confidential business information, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities relating to the Employees' Retirement System's Stabilized Growth Class – Contingent Fund Mandate.
- 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 relating to terms and conditions of procurement of database support and maintenance and file conversion, and, if appropriate, to make related decisions.

EXECUTIVE SESSION,
PURSUANT TO HRS § 88-
27.5(a)(1) AND HRS § 92-
5(a)(4), TO CONDUCT
DISCUSSIONS AND
DELIBERATIONS RELATING

TO, AND IF APPROPRIATE,
TO MAKE A DECISION ON
INVESTMENTS OR
PROSPECTIVE INVESTMENTS
BY THE SYSTEM THAT
REQUIRE THE
CONSIDERATION OF
INFORMATION OR RECORDS
THAT ARE EXEMPT FROM
DISCLOSURE UNDER
CHAPTER 92F, INCLUDING
INFORMATION AND
RECORDS THAT ARE
PROPRIETARY
INFORMATION OR
CONFIDENTIAL BUSINESS
INFORMATION, 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 A PRIVATE
EQUITY INVESTMENT
ADVISED BY HAMILTON
LANE; APPROPRIATE
ACTION

EXECUTIVE SESSION,
PURSUANT TO HRS § 88-
27.5(a)(1) AND HRS § 92-
5(a)(4), TO CONDUCT
DISCUSSIONS AND
DELIBERATIONS RELATING
TO, AND IF APPROPRIATE,
TO MAKE DECISIONS ON
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CONSULT WITH THE
BOARD'S ATTORNEYS ON
QUESTIONS AND ISSUES
PERTAINING TO THE
BOARD'S POWERS, DUTIES,
PRIVILEGES, IMMUNITIES,
AND LIABILITIES RELATING

TO REAL ESTATE FUND
COMMITMENT

EXECUTIVE SESSION,
PURSUANT TO HRS § 88-
27.5(a)(1), AND HRS § 92-
5(a)(4), TO CONDUCT
DISCUSSIONS AND
DELIBERATIONS RELATING
TO, AND IF APPROPRIATE,
TO MAKE A DECISION ON
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BOARD'S ATTORNEYS ON
QUESTIONS AND ISSUES
PERTAINING TO THE
BOARD'S POWERS, DUTIES,
PRIVILEGES, IMMUNITIES,
AND LIABILITIES WITH
RESPECT TO A PRIVATE
INVESTMENT

EXECUTIVE SESSION,
PURSUANT TO HRS § 88-
27.5(a)(1) AND HRS § 92-
5(a)(4), TO CONDUCT
DISCUSSIONS AND
DELIBERATIONS RELATING
TO, AND IF APPROPRIATE,
TO MAKE DECISIONS ON
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INFORMATION, AND TO
CONSULT WITH THE

BOARD'S ATTORNEYS ON
QUESTIONS AND ISSUES
PERTAINING TO THE
BOARD'S POWERS, DUTIES,
PRIVILEGES, IMMUNITIES,
AND LIABILITIES RELATING
TO MEKETA INVESTMENT
GROUP'S 2019 ANNUAL
PUBLIC MARKET
MANAGERS FEE REVIEW

EXECUTIVE SESSION,
PURSUANT TO HRS § 88-
27.5(a)(1) AND HRS § 92-
5(a)(4), TO CONDUCT
DISCUSSIONS AND
DELIBERATIONS RELATING
TO, AND IF APPROPRIATE,
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CONSULT WITH THE
BOARD'S ATTORNEYS ON
QUESTIONS AND ISSUES
PERTAINING TO THE
BOARD'S POWERS, DUTIES,
PRIVILEGES, IMMUNITIES,
AND LIABILITIES RELATING
TO THE EMPLOYEES'
RETIREMENT SYSTEM'S
STABILIZED GROWTH CLASS
– CONTINGENT FUND
MANDATE

(All in attendance left the meeting except for the Board; Deputy Attorneys General, Ivan Torigoe and Jodi Yi; Executive Director, Thomas Williams; and Deputy Executive Director, Kanoe Margol. Information Services Manager, Keith Miyamoto entered the meeting.)

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 RELATING
TO TERMS AND CONDITIONS
OF PROCUREMENT OF
DATABASE SUPPORT AND
MAINTENANCE AND FILE
CONVERSION, AND, IF
APPROPRIATE, TO MAKE
RELATED DECISIONS

APPROVAL OF
EXECUTIVE SESSION
MINUTES
– NOVEMBER 13, 2018

EXIT EXECUTIVE SESSION

At Chair Kane's request, the Board exited Executive Session. On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Barfield, and unanimously carried, the Board exited Executive Session at 2:19 p.m.

EXECUTIVE DIRECTOR'S
REPORT

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

- Attended the NCPERS Annual Conference in Austin, Texas, last month with Chair Kane.
- Issued an RFI for the governance contract and was awarded to Funston Advisory Services LLC.
- Was able to address Oracle Financials and database issues regarding backup of financial database with the help of PAXA, Microsoft, and internal ERS staff.
- Met with House Speaker and Trustee Machida regarding the sale of Ka'anapali Golf Course.
- Participated with Trustee Yu in a Governor's legislative bill review.
- Attended Compensation Review Committee meetings and reviewed the Investment Officer performance and goals for the coming year.
- Deputy Attorney General Jodi Yi has elected to be reassigned to another State department.
- In relation to the Governance contract, two documents were presented. A self-assessment survey will be sent by the end of June to staff, telephone interviews will also be done in July-August, a draft report in September, and a presentation in October.
- ED Williams has also been summoned for jury duty on June 17th.

OPERATIONS REPORT

Deputy Executive Director, Kanoe Margol presented the written operations report as receive and file. DED Margol, updated the Board on the annual audit and CAFR and that ERS met with the auditors KPMG and will be giving them the remaining information requested, the audit financials and CAFR draft will be completed and presented to the Audit Committee in July or August.

The Board was concerned with the prior citations of the internal audit and asked ED Margol if the deadlines will be met and suggested that if resources are needed. The Board also asked why the auditors did not include the backup of the accounting financials in their report, and requested that it be included.

APPROVAL OF MINUTES
– NOVEMBER 13, 2018

The November 13, 2018, minutes were not available and thus deferred to the next Board meeting.

ENTER EXECUTIVE
SESSION

On a motion made by Trustee Ferguson-Miyamoto, seconded by Vice Chair Rauckhorst, and unanimously carried, the Board entered into Executive Session at 2:32 p.m.

(All in attendance left the meeting except for the Board; Deputy Attorneys General, Ivan Torigoe and Jodi Yi; Executive Director, Thomas Williams; and Deputy Executive Director, Kanoe Margol.

EXECUTIVE SESSION
(CONT'D)

- Pursuant to HRS § 88-92-5(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 § 88-92-
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 Ferguson-Miyamoto, seconded by Trustee Chan, and unanimously carried, the Board exited Executive Session at 3:26 p.m.

ADJOURNMENT

On a motion made by Vice Chair Rauckhorst, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, Chair Kane adjourned the meeting at 3:27 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik