

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

MAY 14, 2019

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

Trustees present: Mr. Emmit Kane, Chair
Mr. Vincent Barfield
Dr. Catherine Chan
Dr. Genevieve Ley
Mr. Wesley Machida
Mr. Robert Yu

Trustee Absent Mr. Jerome Rauckhorst, Vice Chair
Ms. Jackie Ferguson-Miyamoto

Staff present: Mr. Thomas Williams, Executive Director
Ms. Kanoë Margol, Deputy Executive Director
Ms. Donna Curry, Program Specialist
Mr. Bart Asato, Program Specialist
Mr. Karl Kaneshiro, Retirement Benefits Manager
Ms. Elizabeth Burton, Chief Investment Officer
Mr. Aaron Au, Investment Officer – Illiquid Markets
Mr. Ian Wetzel, Investment Officer
Mr. Andrew Chen, Investment Specialist
Ms. Geraldine Konishi, Member Home Loan Assistant
Ms. Dale Kehau Kanae, Recording Secretary
Ms. Lori Kim, Secretary
Ms. Diana Gomes, Secretary

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

Guests present: Mr. Andre Fenet, Blackstone Real Estate Partners
Mr. Paul Yett, Hamilton Lane Advisors, LLC
Mr. Collin Bebee, Meketa Investment Group, Inc.
Mr. Neil Rue, Meketa Investment Group, Inc.
Mr. Chae Hong, Townsend Group, an Aon Company

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

QUORUM/CALL TO ORDER A quorum being present (Chair Kane and Trustees Barfield, Chan, Ley, 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 9:04 a.m.

Chair Kane welcomed the Acting Director of Budget & Finance, Mr. Robert Yu, upon departure of Director, Mr. Roderick Becker.

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, presented handouts and updated the Board on CBRE regarding sexual harassment and labor disputes with Irvine Marriott and the Pullman San Francisco Hotels. UNITE HERE, Local 5 would like the Board to decline investing Funds with CBRE until they resolve the disputes.

Mr. Sadoski suggested the Board ask CBRE the following questions:

- Was the Pullman Hotel taken off the market? Why? What are the current obstacles to settling the dispute? Is CBRE's operator EGI a significant obstacle?
- Why did CBRE tell staff a key limited partner to remain neutral and allow hotel management of Irvine Marriott to engage in an anti-union campaign?
- CBRE's competitors: Blackstone, Brookfield, CIM, Rockpointe, found a way to invest in hospitality while providing their investors with guarantee of labor peace, protecting investors from labor disputes? Why can't CBRE do the same?
- Has CBRE approached the Board about investing in Fund 9? Given the issues described above, and sexual harassment lawsuit at the Irvine Marriott, can the Board direct staff to ensure the public discussion of these issues? The allegations are being investigated and a fair and appropriate resolution is expected to be achieved. ERS has not made any decisions on whether they will continue to invest in CBRE. Companies like CBRE will not meaningfully move to mitigate sexual harassment risks unless they are held accountable by their investors and waiting for the course to resolve the sexual harassment claim is not being held accountable. Disputes with CBRE are escalating and reporters will continue to ask ERS and other CBRE limited partners what they are doing to address the risks of sexual harassment and labor disputes and what those risks are to their investments? ERS could be an example of how an investor mitigates the sexual harassment risks or it could be on the way to giving more money to a company that is currently not addressing the problem.

Chair Kane ask 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.

Seeing no other public in attendance, there were no additional public comments.

RECESS

Chair Kane called for a recess at 9:11 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 (DAG), Ivan Torigoe, Elmira Tsang and Jodi Yi; Executive Director (ED), Thomas Williams; Deputy Executive Director (DED), Kanoe Margol;

and Retirement Benefits Branch Manager (RBB), Karl Kaneshiro).

RECONVENE

A quorum being present (Chair Kane, and Trustees Barfield, Chan, Ley, and Yu), Chair Kane reconvened the meeting at 10:16 a.m.

MEKETA INVESTMENT
GROUP, INC. –
QUARTERLY
PERFORMANCE REPORT

Meketa Investment Group, (Meketa), Neil Rue, presented an oral and written report to the Board on the Quarterly Performance Report for the 1st Quarter of 2019. The ERS Total Portfolio exceeded the Policy Benchmark across all periods measured. Relative outperformance in the Broad Growth, Crisis Risk Offset, and Real Return classes contributed to short-term results. Note, strong relative results posted in Broad Growth was particularly attributable to outperformance in the Private Growth segment due to a divergence between the segment and its lagged public markets benchmark. The ERS Total Portfolio tracked or trailed the Median Public Fund over each period reported. Overall implementation decisions contributed positively to relative results over the short-term periods, while asset allocation differences detracted. The ERS adopted new evolving policy targets that took effect January 1, 2019. As of the latest quarter end, the Total Portfolio ended the latest quarter overweight the Broad Growth class, while underweight Principal Protection and Real Return. All other strategic classes were near the policy target.

MEKETA INVESTMENT
GROUP, INC. – ASSET
LIABILITY SURVEY
RESULTS

Meketa Investment Group (Meketa), Colin Bebee and Neil Rue, presented an oral and written report to the Board on the Results of the 2019 Asset-Liability Survey. Mr. Rue gave a review of the DB Plan Projections and background of the Survey reporting that Meketa received the actuarial model from GRS and are putting it together with the asset assumptions to be presented at the next Board meeting. A key step in calibrating the model is using the tool and focus of the survey. We will be confirming the consensus views from the survey to be sure we are going in the right direction.

Mr. Bebee reviewed, with the Board, the Survey results and discussed:

- Big Themes from Survey Results;
- Priority Rankings of Objectives;
- Risk Mitigation Questions;
- Implementation Questions; and
- Conclusions

Conclusions received from the Survey:

- Diversifying the portfolio to stay on the funding path remains the #1 priority.
 - Another key (and related) goal is to avoid material drawdowns
- The ERS should take advantage of a broader set of investments (e.g., illiquid investments, opportunistic investments, diversifying strategies, etc.)
- Staff needs to be well-resourced and empowered to execute in-line with the Board's priorities
- In aggregate, the survey results were in-line with those from 2015 and consistent with Staff's vision for the portfolio
- Survey provided a concrete mechanism for reflection and, ultimately, confirmed the ERS's current planning path.

RECESS

Chair Kane called for a brief recess at 11:04 a.m.

RECONVENE

A quorum being present (Chair Kane, and Trustees Barfield, Chan, Ley, and Yu), Chair Kane reconvened the meeting at 11:16 a.m.

TOWNSEND GROUP, AN
AON COMPANY – FOURTH
QUARTER 2018 REAL
ESTATE PERFORMANCE
REVIEW

Investment Officer, Ian Wetzel, and Townsend Group, an Aon Company (Aon), Chae Hong, presented an oral and written report to the Board on the Fourth Quarter 2018 Real Estate Performance Review:

EXECUTIVE SUMMARY

Real Estate Market Performance and Overview

- The NFI-ODCE trailing one-year return now stands at 7.4% net. While real estate returns are generally in line with the sector's long-run average of 7-9% gross, continued moderation is expected with returns potentially dipping below average over the next year.
- Real Estate fundamentals remain healthy, but valuations across real estate and other asset classes are rich. Return expectations have normalized, with go forward expectations in line with historical norms. Rising interest rates have led to asset value correction fears across various asset classes; within real estate, investors can mitigate these risks by shifting preference to investments that can participate and benefit from economic growth, with downside protection offered by current income. Townsend prefers investments that offer relatively strong rental income growth, or value-add potential with near-term income generation potential.

HIERS' Summary of Portfolio Returns (Time-Weighted)

Overall the portfolio is performing well, outperforming the NFI-ODCE Index on a net of fee basis over the year-to-date, one-, three-, and five-year time periods. The total portfolio has generated an 8.1% net IRR and 1.45x net equity multiple since inception.

HIERS' Real Estate Portfolio Highlights

During Q4 2018 and subsequent to quarter end, two new commitments were made:

- LaSalle Income & Growth Fund VIII.
- Prudential Senior Housing Partnership VI.

Significant Events

- During the quarter, H/2 Core Real Estate Debt Fund L.P. announced that it will be returning the full balance of HIERS' capital over the coming quarters. The full amount of these distributions will not be recallable subsequent to a 5 day recall period.
- During the quarter, Cerberus announced that Ron Kravit, the firm's co-head of US real estate investing, will retire at the end of the year.

TIMBER PORTFOLIO

Hancock Timber Separate Account

LOWE SEPARATE ACCOUNT

HAMILTON LANE
ADVISORS, LLC –
PRIVATE EQUITY
PROGRAM UPDATE – FOR
PERIOD ENDING
DECEMBER 31, 2018

Investment Officer – Illiquid Markets (IO-IM), Aaron Au, and Hamilton Lane Advisors, LLC, (HL), Paul Yett, presented an oral and written report to the Board on the Private Equity Program Update – For Period Ending December 31, 2018. Mr. Yett discussed the Portfolio Review and Private Equity Market Brief:

PORTFOLIO REVIEW

PE Portfolio Highlights - December 31, 2018

- Performance
 - Portfolio outperformed HIERS' public benchmark (MSCI ACWI IMI + 200 bps) by 525 bps for the since inception period ended 12/31/2018
 - Strong one-year net IRR of 15.4%, with each quarter achieving positive results
- Value Creation
 - Portfolio generated \$268.3M of market value growth in 2018, with \$177.9M in positive net value
 - Top five funds driving net value gain generated \$51.1M, or 29% of total value gains for the LTM

Portfolio Snapshot

- 2018: continued value creation, market value growth and meaningful liquidity
- Measured growth towards 13.5% target allocation

Portfolio Summary

- Q4 2018 represents the 26th consecutive quarter of positive returns
 - Portfolio generated positive performance during Q4 2018 despite volatility in public markets
- Recent vintage years driving results:
- 2018 cash flow activity - largest on record with \$369.1M in contributions and \$278.7M in distributions

Foundation Manager Performance

2019 Commitment Summary

MARKET BRIEF

Private Market Consumption Continues

Steady Fundraising

- Looking behind the totals, this is an evolving market
 - Largest growth equity fund ever: Insight Venture Partners X closed on \$6.3B (PitchBook)
 - Geographic shift away from U.S.: less than a third of the \$5B funds raised were from the U.S. in 2018 (Pitchbook)

Deal Activity Pops

- 2018 highlights
 - Uptick in aggregate buyout deal value to \$456B, nearing 2015 high of \$460B
 - Plus, record number of deals: 5,106 (Preqin)
- Is public market pricing stifling take privates?
 - Take private buyouts at decade low

Little Relief on Pricing

- With a robust fundraising market and growing competition for deals, prices may remain high

Keeping an Eye on Leverage

- Leverage multiples still moving up, closer to 2007 highs
- Despite active deal market, traditional loan issuance slows

Will Liquidity Moderate More?

- 2018 distribution activity down

LEGISLATIVE PROPOSALS
RELATED TO THE
EMPLOYEES'
RETIREMENT SYSTEM
FOR THE 2019
LEGISLATIVE SESSION

Before updating the Board on the Legislative Proposals, Program Specialist, Donna Curry introduced the new Program Specialist, Bart Asato. After the introduction, Ms. Curry presented to the Board on behalf of ED Williams, an update on Legislative Proposal HB 981 HD1, SD1, CD1, Relating to the ERS Retirement Benefit Overpayments Recovery. The bill specifies that overpayments of refunds and retirement benefits constitute a debt due and owing to the ERS by recipients of overpayments. It authorizes the ERS to adopt and enforce rules to recover retirement benefit overpayments. It also authorizes waiver of recovery in cases of hardship or where the costs of recovery exceed the amount to be recovered. This bill was approved by the Legislature on May 1, 2019, and is awaiting Governor's signature.

INVESTMENT POLICY
REVISIONS: SOCIALLY
RESPONSIBLE INVESTING

Investment Officer (IO), Ian Wetzel presented an oral and written report to the Board on the Investment Policy Revisions: Socially Responsible Investing:

ERS Staff has worked with General Consultant, Meketa, to come up with proposed policy revisions to the Socially Responsible Investing section (IPS Section C.12). There are three primary changes: 1) Proxy Voting Administrator (Glass Lewis); 2) United Nations-Supported Principles for Responsible Investment (PRI); and 3) Overview section.

The first change (Proxy Voting) is being made to reflect that ERS has hired a proxy voting administrator (Glass Lewis). In August 2018, the ERS engaged Glass Lewis as a proxy voting administrator which shifted the proxy voting responsibility from the ERS's public market managers to Glass Lewis (on behalf of the ERS). ERS onboarded Glass Lewis in September 2018 and has selected Glass Lewis's Public Pension policy/proxy voting template. The second change (PRI) is being made to reflect that ERS became a signatory of the PRI in May 2018 and states the six Principles for Responsible Investment. The third change (Overview) is being made to move away from the overall reference to this section as "Socially Responsible Investing" to a more general term "Responsible Investing," as it is more encompassing of the broad coverage of policies and practices in this policy section.

ERS staff and Meketa have consulted with Glass Lewis and PRI on their respective sections, who were also supportive of the changes. ERS staff is supportive of these changes and Meketa concurs and recommends the Board approve the proposed investment policy statement revisions related to responsible investing as submitted.

On a motion made by Trustee Barfield, seconded by Trustee Ley, and unanimously carried, the Board approved the policy revisions as presented and outlined above.

RECESS

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

RECONVENE

A quorum being present (Chair Kane and Trustees Barfield, Chan, Ley, and Yu), Chair Kane reconvened the meeting at 12:25 p.m.

ENTER EXECUTIVE
SESSION

On a motion made by Trustee Barfield, seconded by Trustee Ley, and unanimously carried, the Board entered into Executive Session at 12:25 p.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 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 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 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 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 Crisis Risk Offset – Treasury Duration Capture Mandate.
- 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 – Global Low Volatility Equity Mandate.
- Pursuant to HRS § 92-5(a)(4), to consult with the Board's attorneys regarding the ERS's securities litigation policy, and questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities with respect to securities litigation and the ERS's securities litigation policy; appropriate action.

EXECUTIVE SESSION
(CONT'D)

- Pursuant to HRS § 92-5(a)(4), and (a)(6) to consider and consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding ERS Migration to the Cloud and Data Security; report and update.
- Pursuant to HRS § 92-5(a)(2) and (4) and HRS §88-27.5(a)(2), to consider the designation and compensation of members of the Employees' Retirement System Medical Board where consideration of matters affecting privacy will be involved, and to conduct deliberations relating to procurements that are exempt from Chapter 103D, to the extent that it would be required to be done confidentially if subject to Chapter 103D, 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 the foregoing; appropriate action.
- Pursuant to HRS § 92-5(a)(2) and (4), to evaluate the performance of duties and compensation of Employees' Retirement System's personnel, where matters affecting privacy will be involved, 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 the evaluations and the use of not-to-exceed employment dates; 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 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

(Trustee Machida entered the meeting at 12:52 p.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
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

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
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

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 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 CRISIS RISK OFFSET – TREASURY DURATION CAPTURE MANDATE

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 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 – GLOBAL LOW VOLATILITY EQUITY MANDATE

EXIT EXECUTIVE SESSION AND RECESS

Chair Kane requested exiting Executive Session, and on a motion made by Trustee Barfield, seconded by Trustee Machida, and unanimously carried, the Board exited Executive Session. Chair Kane also called for a short recess at 1:40 p.m.

RECONVENE AND ENTER EXECUTIVE SESSION

A quorum being present (Chair Kane and Trustees Barfield, Chan, Ley, Machida and Yu), Chair Kane reconvened the meeting. Chair Kane also, requested to re-enter into Executive Session and on a motion made by Trustee Barfield, seconded by Trustee Chan, and unanimously carried, the Board re-entered Executive Session at 1:46 p.m.

Note: Executive Session agenda items, from this point forward, as noted, were taken out of order.

APPROVAL OF EXECUTIVE SESSION MINUTES
– OCTOBER 9, 2018
– NOVEMBER 13, 2018

Agenda item numbered 10 was presented as item number 6.

EXECUTIVE SESSION, PURSUANT TO HRS § 92-5(a)(2) AND (4) AND HRS §88-27.5(a)(2), TO CONSIDER THE DESIGNATION AND COMPENSATION OF MEMBERS OF THE EMPLOYEES' RETIREMENT SYSTEM MEDICAL BOARD WHERE CONSIDERATION OF MATTERS AFFECTING PRIVACY WILL BE INVOLVED, AND TO CONDUCT DELIBERATIONS RELATING TO PROCUREMENTS THAT ARE

Agenda item numbered 8 was presented as item number 7.

EXEMPT FROM CHAPTER 103D, TO THE EXTENT THAT IT WOULD BE REQUIRED TO BE DONE CONFIDENTIALLY IF SUBJECT TO CHAPTER 103D, 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 THE FOREGOING; APPROPRIATE ACTION

EXECUTIVE SESSION, PURSUANT TO HRS § 92-5(a)(4), TO CONSULT WITH THE BOARD'S ATTORNEYS REGARDING THE ERS'S SECURITIES LITIGATION POLICY, AND QUESTIONS AND ISSUES PERTAINING TO THE BOARD'S POWERS, DUTIES, PRIVILEGES, IMMUNITIES, AND LIABILITIES WITH RESPECT TO SECURITIES LITIGATION AND THE ERS'S SECURITIES LITIGATION POLICY; APPROPRIATE ACTION

EXECUTIVE SESSION, PURSUANT TO HRS § 92-5(a)(4), AND (a)(6) TO CONSIDER AND CONSULT WITH THE BOARD'S ATTORNEYS ON QUESTIONS AND ISSUES PERTAINING TO THE BOARD'S POWERS, DUTIES, PRIVILEGES, IMMUNITIES, AND LIABILITIES REGARDING ERS MIGRATION TO THE CLOUD AND DATA SECURITY; REPORT AND UPDATE

EXECUTIVE SESSION, PURSUANT TO HRS § 92-5(a)(2) AND (4), TO EVALUATE THE PERFORMANCE OF DUTIES AND COMPENSATION OF EMPLOYEES' RETIREMENT SYSTEM'S PERSONNEL, WHERE MATTERS AFFECTING PRIVACY WILL

Agenda item number 6 was presented as item number 8.

Agenda item number 7 was presented as item number 9.

Agenda item number 9 was presented as item number 10.

BE INVOLVED, 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 THE EVALUATIONS AND THE USE OF NOT-TO-EXCEED EMPLOYMENT DATES; APPROPRIATE ACTION

(Trustee Chan left the meeting at 2:48 p.m.)

EXIT EXECUTIVE SESSION

On a motion made by Trustee Machida, seconded by Trustee Ley, and unanimously carried, the Board exited Executive Session at 2:48 p.m.

APPROVAL OF MINUTES
– OCTOBER 9, 2018
– NOVEMBER 13, 2018

On a motion made by Trustee Machida, seconded by Trustee Barfield, and unanimously carried, the Board approved the minutes for the October 9, 2018, meeting, as presented.

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

EXECUTIVE DIRECTOR'S REPORT

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

- Introduced the new Secretary of the Investment Office, Diana Gomes.
- Trustees Chan, Ley, CIO Burton and the ED attended the Pension Bridge Conference held in San Francisco on April 9 & 10, 2019. CIO Burton and ED Williams were both panel participants. Trustee Ley shared her thoughts on the Conference, in particular risk mitigation strategies and using hedge funds, emerging markets (invest in companies, not with countries), and promoting gender ethnic diversity.
- Securities litigation, libor settlement vs. Deutsche Bank. We hired a firm to represent us in international recoveries and received a check of \$4,663.20.
- Jennifer Tanaka of our accounting office was named B&F Employee of the Year.
- The Governor signed our budget HB 2, that included all our requests for movement of technology to the cloud, significantly two retirement claims examiners, and one investment officer. We can proceed with recruitment but can only hire effective July 1, 2019, with funding for the entire year.
- Overpayments Bill passed conferences and is awaiting Governor's signature.
- Cloud migration and data security reported on.
- Not-to-Exceed Dates of Employment was also reported on.
- Information received from Heitman's, Paul Rezentes manager of the City Financial Tower regarding transfer of title from a private entity to the ERS making us eligible for certain property tax exemption as an entity of the State which has been approved by the Property Tax Division. We are saving for the period 2017 and 2018, \$318,000. We also asked for a reduction related to reduced occupancy. Our occupancy

EXECUTIVE DIRECTOR'S
REPORT (CONT'D)

level went down below 70%, when Central Pacific Bank and Hawaiian Dredging moved out of the building. We are now back at 98.9% with Tradewinds and Atlas Insurance moving in. That resulted in another \$87,000 of savings.

- A Private Credit Roundtable was held and well received, CIO Burton hosted, co-sponsored by Axia, Private Equity Consulting Firm, HILPA, PIMCO, and Breakwater.
- Ethics Commission's, Dan Gluck, will provide a refresher training for the Board on June 10, 2019.
- The United Nations Principles for Responsible Investing Annual Conference will be held in September in Paris France. ED will explore attendance as it relates to ESG and ERS's portfolio.
- The Compensation Review Committee held several meetings, regarding the Investment Officer's compensation and recommendations, as well as performance reviews for the CIO, DED, and ED.
- Procurement and Supply Specialist individual terminated employment, as mentioned earlier.
- Investment Officer recruitment has begun for the recently approved position.

OPERATIONS REPORT

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

ADJOURNMENT

On a motion made by Tustee Barfield, seconded by Trustee Ley, and unanimously carried, Chair Kane adjourned the meeting at 2:58 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik