

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

JULY 8, 2019

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
Dr. Genevieve Ley
Mr. Wesley Machida
Mr. Robert Yu substitute for Mr. Neal Miyahira

Staff present: Mr. Thomas Williams, Executive Director
Mr. Bart Asato, Program Specialist
Mr. Karl Kaneshiro, Retirement Benefits Manager
Ms. Shirlyn Young, Retirement Claims Examiner
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
Mr. Conner Barfield, Volunteer Student Intern
Ms. Diana Gomes, Secretary
Ms. Dale Kehau Kanae, Recording Secretary
Ms. Lori Kim, Secretary

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

Guests present: Mr. Colin Bebee, Meketa Investment Group, Inc.
Ms. Sarah Bernstein, Meketa Investment Group, Inc.
Mr. Neil Rue, Meketa Investment Group, Inc. (by telecom)
Mr. Chae Hong, Townsend Group, an Aon Company (via telephone)

Public present: Mr. Riley Fujisaki, House Finance Committee
Ms. Amy Perruso, House Representative, District 46
Ms. Katerina Camit, KITV4
Mr. Benjamin Sadoski, UNITE HERE, Local 5, Hawaii
Ms. Mitra Elie, UNITE HERE, Local 2, Pullman Hotel
Mr. Jordan Fein, UNITE HERE, Local 11, Irvine Marriott
Ms. Liliana Rodriguez, UNITE HERE, Local 11, Irvine Marriott

QUORUM/CALL TO ORDER A quorum being present (Chair Kane, Vice Chair Rauckhorst, and Trustees Barfield, Chan, Ferguson-Miyamoto, Ley, Machida, and B&F Deputy Director Yu serving in official capacity for Trustee Miyahira), 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.

Members of the public making comments identified themselves as representing: UNITE HERE - Jordan Fein, Liliana Rodriguez, Mitra Elie; and Hawaii State Legislator - Amy Perruso.

Ms. Rodriguez, with translation by Mr. Fein, presented an oral and written statement to the Board describing her complaints regarding working conditions at the Marriott hotel. Ms. Elie also presented an oral and written statement to the Board on her complaints of working conditions at the Pullman Hotel. Both presenters asked that the Board not invest again with CBRE until the disputes are resolved.

Chair Kane thanked the two speakers for their statements. The Board members asked Ms. Rodriguez if she was a union member when the alleged incident happened and if it was reported to law enforcement. Ms. Rodriguez responded no to both questions. Mr. Fein stated that Ms. Rodriguez reported the incident to management, however, they did nothing and asked her to go back to work. The Board members thanked the speakers for their statements.

Representative Amy Perruso addressed the Board and supported the UNITE HERE members and requested the ERS reconsider investing with CBRE in Fund 9 until the disputes have been resolved.

Chair Kane thanked Ms. Perruso for her statements.

Mr. Fein also presented an oral and written statement including several informational handouts to the Board.

Chair Kane again thanked those who presented statements to the Board and hearing no further questions excused all public present.

(Ms. Rodriguez, Ms. Elie, Ms. Perruso, Mr. Fein, as well as all other public in attendance left the meeting).

RECESS

Chair Kane called for a recess at 9:19 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 Elmira Tsang; Executive Director, Thomas Williams; Retirement Benefits Manager, Karl Kaneshiro; and Retirement Claims Examiner, Shirlyn Young).

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 9:49 a.m.

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE (ESG)
OVERVIEW AND UPDATE

Investment Officer (IO), Ian Wetzel and Meketa Investment Group, (Meketa), Collin Bebee and Sarah Bernstein presented an oral and written report to the Board on the Environmental Social and Governance (ESG) Policy Overview and Update. Before Meketa's presentation, Chief Investment Officer (CIO), Elizabeth Burton shared with the Board that the Investment Office has already taken steps to incorporate ESG into its investment decision-making, however, ideally we could afford dedicated staff to support the process.

Ms. Bernstein and Mr. Bebee reviewed the plan with the Board and discussed in detail:

- U.S. Public Pension Plans ESG Approach Evolution
- ESG Investing Encompasses Three General Investment Approaches
 - Integrate – Financial
 - Values – ESG
 - Impact – Financial and ESG
- Private Market Investment Management is Also Evolving
 - A number of public pension plans maintain Responsible Contractor Policies in their Real Assets investments.
 - Responsible Contractor Policies are being publicly embraced by large real estate managers.

The Board discussed whether ESG considerations should be established as a requirement of investment managers. CIO Burton commented to the Board that by doing so it may limit investment options, however, the Investment Office staff has and will continue to incorporate ESG into its investment decision making process. The Board recommends that this become a subject for the next ERS Summit and requested recommendations from the Governance Policy Ad-Hoc Committee.

ENTER EXECUTIVE
SESSION

On a motion made by Trustee Barfield, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board entered into Executive Session at 10:38 a.m.

(All public present exited the meeting).

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 HRS 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 § 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 with respect to potential claims relating to the Employees' Retirement System; appropriate action.
- 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 § 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 HRS
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 § 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 WITH RESPECT
TO POTENTIAL CLAIMS
RELATING TO THE
EMPLOYEES' RETIREMENT
SYSTEM; 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

APPROVAL OF EXECUTIVE
SESSION MINUTES

- NOVEMBER 13, 2018
- DECEMBER 10, 2018
- JANUARY 14, 2019

EXIT EXECUTIVE SESSION
AND RECESS

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Ley, and unanimously carried, the Board exited Executive Session. Chair Kane called for a lunch recess at 11:42 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 12:14 p.m.

EXECUTIVE DIRECTOR'S
REPORT

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

- Renewal of the Vitech Contract for database maintenance and the other for PIF conversion, including limitation of liability provisions. Deputy Attorney General, Ivan Torigoe, initially proposed the limitation of liability equal the amount of the contract, however Executive Director Williams was able to negotiate liability equal to two times the contract amount and executed the contract given the authority delegated by the Board.
- Attended an Overpayment Recovery Bill, HB 981 signing by the Governor defining overpayment as debts due and payable to ERS.
- Through the Governance Policy Ad Hoc Committee, all Trustees and staff were sent the Funston Advisory Services LLC survey. Most of the survey responses have been received. When all surveys are received, Funston will compile the results.
- Received a request from Kauai Councilman Mason Chock, regarding legislation he would like ERS to review and support limiting pension spiking and overtime. Explained to Councilman Chock that the Board determines legislation ERS submits which in turn is submitted through B&F and is proposed a part of the Governor's package.
- Discussed with Attorney General Clare Conner, replacement of ERS Deputy Attorney General (DAG) Jodi Yi and a possibility of adding a fourth DAG.
- Governor David Ige is not able to attend the ERS Summit, however, Lt. Governor Josh Green will attend in his place.
- Received an advisory opinion from the Ethics Office clearing the potential issue regarding the legislative Representative on the sale of the Kaanapali Golf Course. Currently there are 25 to 30 potential buyers interested in the sale.

EXECUTIVE DIRECTOR'S
REPORT (Cont'd)

- Regarding the Trustee Election, there will be two vacancies at the end of the year. June 26th was the last day to submit nominations. There are two positions, one retiree and one general employee. There are three nominees for the general employee position and one nominee for the retiree position. Mr. Emmet Kane is the sole nominee running for the retiree position. The election will be held in the Fall.

OPERATIONS REPORT

Benefits Manager, Karl Kaneshiro presented the written operations report to the Board as a receive and file.

APPROVAL OF MINUTES
– NOVEMBER 13, 2018
– DECEMBER 10, 2018
– JANUARY 14, 2019

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Barfield, and unanimously carried, the Board approved the November 13, 2018, and January 14, 2019, minutes as presented.

The December 10, 2018, minutes were not available and thus deferred to the next Board meeting.

ADJOURNMENT

On a motion made by Vice Chair Rauckhorst, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, Chair Kane adjourned the meeting at 1:05 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik