

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

SEPTEMBER 9, 2019

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

Trustees present: Mr. Vincent Barfield  
Ms. Jackie Ferguson-Miyamoto  
Dr. Genevieve Ley  
Mr. Wesley Machida  
Mr. Neal Miyahira

Trustees absent: Mr. Emmit Kane, Chair  
Mr. Jerome Rauckhorst, Vice Chair  
Dr. Catherine Chan

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. Keith Miyamoto, Information Services Manager  
Ms. Kathleen Shiroma, Information Services, Systems Supervisor  
Ms. Sandra Straub, Information Services, Applications Supervisor  
Mr. Larry Wolfe, Accounting Manager  
Ms. Elizabeth Burton, Chief Investment Officer  
Mr. Aaron Au, Investment Officer – Illiquid Markets  
Mr. Andrew Chen, Investment Specialist  
Mr. Anthony Goo, Investment Officer – Liquid Markets  
Mr. Howard Hodel, Investment Officer – Risk Management  
Mr. Ian Wetzell, 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. Elmira Tsang, Deputy Attorney General  
Mr. Clayton Zane, Deputy Attorney General

Guests present: Ms. Jasmine Nachtigall-Fournier, GovInvest, Inc.  
Mr. Tyler Loughlin, GovInvest, Inc.  
Mr. Peter Hanashiro, KMH LLP  
Mr. Kenny Lee, KMH LLP  
Mr. Tyson Suehiro, KMH LLP  
Mr. Nelson Lau, KPMG LLP  
Ms. Kimberly Miyoshi, KPMG LLP  
Mr. Colin Bebee, Meketa Investment Group, Inc.  
Mr. Neil Rue, Meketa Investment Group, Inc.  
Mr. Chae Hong, Townsend Group, an Aon Company  
Mr. Vincent Hoang, Office of Enterprise Technology Services

Public present: Mr. Jordan Fein, UNITE HERE, Local 11  
Ms. Araceli Dela Rosa, UNITE HERE, Local 11, Irvine Marriott  
Mr. Benjamin Sadoski, UNITE HERE, Local 5  
Mr. Dane Wicker, Senate Ways and Means Committee

QUORUM/CALL TO ORDER A quorum being present (Acting Chair Barfield, Ferguson-Miyamoto, Ley, Machida, and Miyahira), 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 the three-minute time limit.

Members of the public making comments identified themselves as UNITE HERE, Local 11, Jordan Fein and Araceli Dela Rosa.

Ms. Dela Rosa, with translation by Mr. Fein, presented an oral statement to the Board describing her complaints regarding working conditions at the Irvine Marriott. Mr. Fein also presented an oral statement to the Board urging the Board to have CBRE resolve labor disputes with the Irvine Marriott and Pullman Hotels.

Acting Chair Barfield thanked Ms. Dela Rosa and Mr. Fein for their statements.

RECESS Acting Chair Barfield called for a recess at 9:09 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, Elmira Tsang, and Clayton Zane; Executive Director, Thomas Williams; Deputy Executive Director, Kanoe Margol; and Retirement Benefits Manager, Karl Kaneshiro).

RECONVENE A quorum being present (Acting Chair Barfield, Trustees Ferguson-Miyamoto, Ley, Machida, and Miyahira), Acting Chair Barfield reconvened the meeting at 10:25 a.m..

DRAFT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE EMPLOYEES' RETIREMENT SYSTEM KPMG LLP's (KPMG), Nelson Lau and Kimberly Miyoshi entered the meeting and presented an oral and written report to the Board, accepted and recommended by the Audit Committee on August 15, 2019. The KPMG final draft included independent audit results, financial statements, and a schedule of employer allocations and pension amounts by employer of the ERS, as of and for the year ending June 30, 2018, including a discussion of findings and issues from the audit.

On a motion made by Trustee Machida, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board accepted the KPMG's audit results, financial statements, and schedule of employer allocations and pension amounts by employer of the ERS, as of and for the year ending June 30, 2018.

Mr. Lau and Ms. Miyoshi left the meeting after their presentation.

KMH LLP 's INTERNAL  
AUDIT UPDATE REPORT

KMH LLP's (KMH), Peter Hanashiro, Kenny Lee, and Tyson Suehiro entered the meeting and presented an oral and written ERS Internal Audit Update Report to the Board, accepted and recommended by the ERS Audit Committee on August 15, 2019.

Mr. Hanashiro discussed with the Board, the Executive Summary, Proposed Changes to Internal Audit Plan, Changes to Internal Audit Report Rating Scale, Connecting with External Pension System Resource, Status on Current Projects, and Audit Plan Results Summary as of July 31, 2019. Information Services Manager, Keith Miyamoto, also discussed with the Board the information technology projects relating to Cloud Risk Assessment and Security, part of the proposed changes to the Internal Audit Plan.

On a motion made by Trustee Ley, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board accepted the proposed changes and updates in project hours to the ERS Internal Audit Plan as presented, subject to clarification on the Cloud Project with the ERS Information Services Manager.

KMH LLP's INVESTMENT  
CONSULTANT SELECTION  
AND EVALUATION  
REVIEW

KMH LLP's (KMH) Peter Hanashiro, Kenny Lee, and Tyson Suehiro presented an oral and written report to the Board on the Investment Consultant Selection and Evaluation Review as part of the Internal Audit Report.

Mr. Lee discussed with the Board the Summary Results of Reports Completed as it relates to the Investment Consultant Selection and Evaluation Review and covered the Background and Project Objectives and the Summary Results.

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Machida, and unanimously carried, the Board accepted the Investment Consultant Selection and Evaluation Review.

Messrs. Hanashiro, Lee, and Suehiro left the meeting after their presentation.

Acting Chair Barfield announced that agenda items would be taken out of order from this point forward to assure quorum for items that need approval, thus Presentation Nos. 4 and 5 would be presented later in the meeting.

POTENTIAL LEGISLATIVE  
PROPOSALS RELATING TO  
THE EMPLOYEES'  
RETIREMENT SYSTEM  
FOR THE 2020  
LEGISLATIVE SESSION  
FOR REVIEW AND  
APPROVAL TO BE  
CONSIDERED FOR THE  
GOVERNOR'S  
ADMINISTRATIVE  
PACKAGE OF

Program Specialist, Donna Curry, presented to the Board on behalf of Executive Director Williams and as accepted and recommended by the ERS Administrative and Legislative Committee, potential legislative proposals relating to the Employees' Retirement System for the 2020 Legislative Session for review and approval to be considered for the Governor's Administrative Package.

Ms. Curry discussed four proposed legislative bills:

- Relating to Qualified Domestic Relations Orders;
- Relating to Employees' Retirement System Disability Retirement;
- Relating to the Definition of Compensation for the Purposes of the Employees' Retirement System; and

## LEGISLATION

- Relating to Employees' Retirement System Investments.

Ms. Curry also discussed a fifth bill proposal that is being drafted:

- Relating to the Definition of Employees' Retirement System Membership.

On a motion made by Trustee Machida, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board approved the four draft ERS-related proposals as presented to be considered for the Governor's Administrative Package for the 2020 Legislative Session.

## DRAFT HAWAII ADMINISTRATIVE RULES FOR HAWAII DOMESTIC RELATIONS ORDERS PURSUANT TO ACT 30, SESSION LAWS OF HAWAII 2018 FOR REVIEW AND APPROVAL TO PROCEED WITH THE RULE-MAKING PROCESS

Program Specialist, Bart Asato, presented an oral and written report to the Board on behalf of Executive Director Williams and as accepted and recommended by the ERS Administrative and Legislative Committee, on the Draft Hawaii Administrative Rules for Hawaii Domestic Relations Orders Pursuant to Act 30, Session Laws of Hawaii 2018 for Review and Approval to Proceed with the Rule-Making Process.

Mr. Asato discussed the Draft Chapter 6-40, Hawaii Administrative Rules, Hawaii Domestic Relations Orders, and the process to proceed with rule making which requires the Draft to be sent to the Departments of Budget & Finance, the Attorney General, and then to the Governor's Office for their review and comment before holding a public hearing.

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Machida, and unanimously carried, the Board approved to proceed with the rule-making process of the Chapter 6-40, Hawaii Administrative Rules, Hawaii Domestic Relations Orders by holding a public hearing, following the approval process as stated above.

## 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 11:38 a.m.

Acting Chair Barfield announced that Executive Session Item No. 3 would be presented first.

## 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 the Employees' Retirement System's Global Mid/Large Cap Equity 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 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 THE  
EMPLOYEES' RETIREMENT  
SYSTEM'S GLOBAL  
MID/LARGE CAP EQUITY  
MANDATE

Acting Chair Barfield announced that Executive Session Item No. 5 would be presented next, followed by Item Nos. 1, 2, and 4.

APPROVAL OF  
EXECUTIVE SESSION  
MINUTES

– MARCH 11, 2019  
– APRIL 8, 2019  
– MAY 14, 2019

EXECUTIVE SESSION  
(CONT'D)

- 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 § 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 Investment.

- 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, Oracle Financials, V10, Data Security; report and update.

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 § 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 INVESTMENT

RECESS

Acting Chair Barfield called for a lunch recess at 11:52 a.m.

RECONVENE

A quorum being present (Acting Chair Barfield and Trustees Ferguson-Miyamoto, Ley, Machida, and Miyahira), Acting Chair Barfield reconvened the meeting at 12:09 p.m.

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, ORACLE FINANCIALS, V10, DATA SECURITY; REPORT AND UPDATE

EXIT EXECUTIVE SESSION

On a motion made by Trustee Machida, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board exited Executive Session at 12:37 p.m.

APPROVAL OF MINUTES  
– MARCH 11, 2019

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Ley, and unanimously carried, the Board approved the March 11, 2019, and

– APRIL 8, 2019  
– MAY 14, 2019

MEKETA INVESTMENT  
GROUP, INC. – ASSET  
LIABILITY SURVEY  
RESULTS

April 8, 2019, minutes as presented. The May 14, 2019, minutes were not available and was deferred to the next meeting.

Acting Chair Barfield announced that Presentations Nos. 4 and 5 would be the last two agenda items.

Investment Officer – Risk Management (IO-RM), Howard Hodel and Meketa Investment Group, Inc. (Meketa), Neil Rue and Collin Bebee presented an oral and written report to the Board on the Asset Liability Survey Results.

Meketa’s Collin Bebee reviewed and discussed the Asset Liability Study Update results with the Board and covered: Overview of Current Long-Term Policy Portfolio, Review of Survey Results and Modeling Considerations, and Potential Outcomes and Implementation Considerations.

Meketa’s Collin Bebee explained that the Survey confirmed that a significant goal of the Board is to build a portfolio that maintains progress along the funding path and utilizes alternative strategies. Meketa is incorporating projections provided by GRS in their portfolio modeling to simulate outcomes for different portfolio options. Major class levels such as Broad Growth, Principle Protection, CRO, and Real Return may have only marginal changes to their current allocations; however, there will be new investment themes within the underlying components that will result in new strategies being recommended. CRO will broaden its purpose from crisis mitigation to diversifying the significant growth risk in the current portfolio and become a Diversifying Strategies Class; the allocations to the components within the Stabilized Growth Class (Credit, Options, Low Volatility Equity Strategies, and Core Real Estate) will likely change as well.

In September, staff and Meketa will continue analyzing portfolios and asset-liability impacts. In October, staff and Meketa will present portfolio recommendations to the Board, and in November/December, staff and Meketa plan to present a preliminary Evolving Policy Plan for transitioning the portfolio.

Trustee Neal Miyahira exited the meeting at 12:46 p.m., officially ending the meeting, as Quorum was lost. The rest of the meeting was for informational purposes only.

GOVINVEST ACTUARIAL  
TECHNOLOGY TOOL  
DEMONSTRATION.  
SOFTWARE SIMPLIFIES  
ANALYSIS OF COMPLEX  
ACTUARIAL IMPACTS  
RESULTING FROM  
CHANGES IN  
CONTRIBUTION LEVELS,  
SALARY INCREASES,  
DISCOUNT RATE,  
INVESTMENT RETURN,  
AMORTIZATION METHOD,  
AND OTHER FACTORS

ED Williams and GovInvest Inc.’s (GovInvest), Jasmine Nachtigall-Fournier and Tyler Loughlin gave an oral presentation to the Board on the GovInvest Actuarial Technology Tool Demonstration.

GovInvest, Jasmine Nachtigall-Fournier demonstrated and discussed with the Board software that simplifies analysis of complex actuarial impacts resulting from changes in contribution levels, salary increases, discount rate, investment return, amortization methods, and other factors.

After their presentation, Ms. Nachtigall-Fournier and Mr. Loughlin left the meeting.



## EXECUTIVE DIRECTOR'S REPORT

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

- Discussed that quarterly presentations will be made to the Board by the different ERS Branches: Accounting, Information Services, Retirement Benefits, and Staff Support Services.
- Training to be scheduled for the Board by BNY Mellon and Funston Advisory Services LLC in the upcoming months.
- ERS has received more inquiries to participate as lead counsel in Securities Litigation. Trustee Barfield and ED Williams met with local counsel to discuss ERS possibly being more involved.
- The Audit Committee has been meeting with KMH and KPMG findings.
- The Compensation Review Committee has been meeting on the goals for 2020.
- ED Williams and ERS staff met with the City & County of Honolulu, Managing Director, Roy Amemiya and County staff to discuss pension spiking.
- Met with Jordon Fein of UNITE HERE, Local 11, who shared his disappointment with ERS re-investing with CBRE.
- Trustee Machida, ED Williams, and CIO Burton met with and presented the Strategic Investment Office Plan to Representative Sylvia Luke's staff.
- A recent ruling on a denied appeal for a request for information of judges and IRA's was upheld, ERS did not need to disclose the requested information.
- An Office Staff Meeting was held on August 29<sup>th</sup>, as Branches presented an update on their activities.
- ERS travel budget by Branch has been developed and uploaded to BoardWorks. The Board has requested it be presented at least once a year in Executive Session.
- Investment Primer distributed and added to Trustee education.
- New Trustee orientation planned for Trustee Miyahira.
- Memorandum on Employer reporting and its impacts will serve as an outline for discussions with the key leadership that will occur on September 11, 2019.
- Congratulations to CIO Burton, on her nomination for CIO of the year.

## OPERATIONS REPORT

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

## ADJOURNMENT

No formal adjournment, quorum ended at 12:46 p.m. upon departure of Trustee Miyahira, no actions were taken by the Board thereafter, only informational presentations were made. The meeting ended at 2:15 p.m.

## REDACTED SIGNATURE

Thomas Williams  
Executive Director

TW:dkik