

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

APRIL 14, 2020

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

Trustees present: Mr. Emmit Kane, Chair  
(by teleconference) Mr. Jerome Rauckhorst, Vice Chair  
Mr. Vincent Barfield  
Dr. Catherine Chan  
Dr. Genevieve Ley  
Mr. Wesley Machida  
Mr. Bennett Yap

Trustee absent: Mr. Craig Hirai

Staff present: Mr. Thomas Williams, Executive Director  
(City Financial tower Ms. Kanoe Margol, Deputy Executive Director  
by teleconference) Ms. Donna Curry, Program Specialist  
Mr. Bart Asato, Program Specialist  
Ms. Shanna Sakagawa, Program Specialist  
Mr. Karl Kaneshiro, Retirement Benefits Manager  
Ms. Elizabeth Burton, Chief Investment Officer  
Ms. Gerri Konishi, Member Home Loan Assistant  
Ms. Diana Gomes, Secretary  
Ms. Dale Kehau Kanae, Recording Secretary  
Ms. Lori Kim, Secretary

Staff present: Mr. Aaron Au, Investment Officer – Illiquid Markets  
(by teleconference) Mr. Anthony Goo, Investment Officer – Liquid Markets  
Mr. Howard Hodel, Investment Officer – Risk Management  
Mr. David Okamoto, Investment Officer – Credit Markets  
Mr. Ian Wetzel, Investment Officer  
Mr. Andrew Chen, Investment Specialist (audio only)

Attorneys present: Mr. Ivan Torigoe, Deputy Attorney General  
(by teleconference) Ms. Elmira Tsang, Deputy Attorney General (audio only)  
Mr. Clayton Zane, Deputy Attorney General (audio only)

Guests present: Mr. Colin Bebee, Meketa Investment Group, Inc.  
(by teleconference) Ms. Mika Malone, Meketa Investment Group, Inc.  
Mr. Neil Rue, Meketa Investment Group, Inc.

QUORUM/CALL TO ORDER

A quorum being present (Chair Kane, Vice Chair Rauckhorst, Trustees Barfield, Chan, Ley, Machida, and Yap), 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 9:19 a.m.

A motion was made by Trustee Machida, seconded by Trustee Ley, and unanimously carried, to be able to hold a meeting closed to the public and allow Trustees to participate by teleconference or other remote meeting technology, pursuant to Section 4 of the Governor of the State of Hawaii's Supplementary Proclamation dated March 16, 2020, in order to implement social distancing measures.

RECESS

Chair Kane called for a recess at 9:27 a.m. and announced that the meeting would reconvene following the conclusion of the Investment Committee Meeting.

RECONVENE

A quorum being present (Chair Kane, Vice Chair Rauckhorst, Trustees Barfield, Chan, Ley, Machida, and Yap), Chair Kane reconvened the meeting at 10:39 a.m.

PUBLIC COMMENT

Chair Kane called for public comment. There were no members of the public present, therefore no public comments. There was also no public written testimony received by e-mail for this meeting.

EXECUTIVE DIRECTOR'S  
REPORT

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

- Financial crisis due to the Pandemic and how it has affected the ERS operationally, its investments, and the acquisition of additional technology and equipment to support remote communications.
- ERS has identified to the Department of Human Resources Development that all its employees are essential workers, as well as those that are able to work remotely.
- Administrative and Investment Offices have been able to proceed with their work with little to no interruption.
- The Crisis Risk Offset Strategy has performed as anticipated.
- Resources and tools are needed for the Investment Office to work more effective and efficiently. A resolution is being presented at this meeting to give flexibility to the Investment Office to take advantage of some of the current market opportunities.
- Communicated to ERS staff the Governor and Budget & Finance's guidelines and direction on the pandemic crisis as it relates to ERS operations and addressed staff's concerns regarding steps being taken to ensure their health and safety.
- Communications were issued to external parties: membership, agencies, and counties of our changes in operations to adhere to the social distancing policies while still continuing to provide services.
- Communications were also sent to the Governor and Legislature updating them on ERS operations and investment performance.
- Travel has been restricted to only essential and emergency travel, subject to approval by the Agency Director and the Comptroller. ERS has no essential travel planned.
- Due to the uncertainty and concerns regarding the pandemic, the Investment Summit in July has been cancelled.
- Several national conferences, staff and Trustees were to attend, have been cancelled or rescheduled.
- Received a call from Senator Schatz 's office regarding Federal Reserve efforts and ED Williams will continue communications.
- A virtual meeting with the Maui County Council was held on the impacts of the economic crisis on the pension fund, implications for their contributions, and fiscal status.
- Met with and updated the Bond Rating Agencies on ERS' financial condition.
- There is a state government hiring freeze, due to the State financial crisis. The Governor is considering salary roll backs, furloughs, and possible layoffs.
- Deputy Attorney General Diane Wong will be coming on board to assist with serving the ERS.
- The Compensation Consultant procurement, to be discussed later in this

EXECUTIVE DIRECTOR'S  
REPORT (CONT'D)

meeting, has been put on hold.

- Administrative and Investment staff have been relocated to the 15<sup>th</sup> Floor with thanks to our IS staff and Building Management.

DEPUTY EXECUTIVE  
DIRECTOR'S OPERATIONS  
REPORT

Deputy Executive Director (DED) Kanoe Margol reported that there was no written operations report to present due to staff being on a rotation schedule with their primary focus on meeting the day-to-day operational needs. A report will be provided next month when staff has more time to compile statistics for the report. DED Margol gave updates on projects of Administration and the Accounting, Information Services, and Retirement Benefits and Staff Support Branches.

Chair Kane announced that the New Business agenda items would be taken out of order, starting with item No. 4, then item Nos. 1, 2, and 3.

REPORTS BY BOARD  
COMMITTEES:  
COMPENSATION REVIEW  
AND KAAHAPALI AD-HOC

Compensation Review Committee, Chair Rauckhorst reported that he will continue to be the Chair and Trustee Barfield will be the Vice Chair of the Committee. Chair Rauckhorst continued to report that the Charter was reviewed and amended and the Timeline was also reviewed and discussed. However, due to the current conditions, the timeline will need to be revised and the acquisition of the Compensation Consultant will need to be postponed.

Legislative Committee, Chair Chan reported that no Committee meeting has been held, however, the next agenda item discusses legislation.

LEGISLATIVE PROPOSALS  
RELATING TO THE  
EMPLOYEES'  
RETIREMENT SYSTEM  
FOR THE 2020  
LEGISLATIVE SESSION

Program Specialist (PS) Donna Curry, discussed with the Board that due to the COVID-19 pandemic, the Legislature has suspended its session and it is not known when it will resume. PS Curry presented, on behalf of the Legislative Committee an oral and written report to the Board on legislative proposals relating to the Employees' Retirement System for the 2020 Legislative Session.

PS Curry reviewed the status of the lists of ERS and ERS-Related Bills as of April 14, 2020. See attached lists (Attachment A).

After discussion, and at the Boards request, Chair Kane referred the list of Bills to the Legislative Committee for review and to reaffirm the positions and recommendations to be presented for Board approval at the next Board meeting. In particular, the forfeiture of benefits for employees and beneficiaries convicted of an employment related felony.

HAWAII DOMESTIC  
RELATIONS ORDERS  
PURSUANT TO ACT 30,  
SESSION LAWS OF  
HAWAII 2018, FORMS AND  
PROCEDURES

Chair Kane noted that this item should be a part of the Administrative and Audit Committee instead of the Legislative Committee. Administrative and Audit Committee Chair Ley reported that the last Committee meeting held on February 7, 2020, did not discuss this agenda item, however, did discuss matters relating to the internal audit.

Program Specialist (PS) Bart Asato, presented an oral and written report to the Board on the Hawaii Domestic Relations Order (HiDRO) Pursuant to Act 30, Session Laws of Hawaii 2018, Forms and Procedures.

PS Asato updated the Board on the approval and signing process of the Administrative Rules and that he will monitor the status to keep with the timeline. He discussed with the Board that staff is working on presentations for staff and Family Court, request for information forms and instructions, and programming of V3 in Version 10. The HiDRO program is scheduled to

begin on July 1, 2020. He then discussed in detail the HiDRO Model Forms for Pre-Retirement and Post-Retirement and requested the Board's approval.

On a motion made by Trustee Machida, seconded by Trustee Ley, and unanimously carried, the Board approved both HiDRO Model Forms for Pre-Retirement and Post-Retirement as presented. For the record, Chair Kane polled the Board for their votes: 7 Aye(s): Trustee(s) Barfield, Chan, Ley, Machida, Rauckhorst, Yap, and Kane; and 1 Excused: Trustee Hirai.

INVESTMENT POLICY  
REVISIONS:  
INTRODUCTION AND  
OVERVIEW

Chief Investment Officer (CIO) Elizabeth Burton, presented an oral report to the Board regarding the Investment Policy Revisions: Introduction and Overview.

CIO Burton discussed with the Board the need for revisions to the Investment Policy Statement, however, the plan needs to be reviewed and edited by the Investment Office, Executive Director, and Consultants before being sent to the Board. Due to the size of the document, the plan will be sent in parts via e-mail to the Board for their review over the next few months. It is hoped, that by July, this Policy will be completed and the Board could approve the Plan as a part of a Governance agenda item. No action is required at this time, however, Board members should expect an e-mail with the first set of revisions within the next few weeks.

REPORTS BY BOARD  
COMMITTEES:  
COMPENSATION REVIEW  
AND KAAPALI AD-HOC  
(CONT'D)

Chair Kane noted that the Kaanapali Ad Hoc Committee will be reporting next. Kaanapali Ad Hoc Committee Chair Barfield reported that there was no Committee meeting held, however, there were updates that will be presented in Executive Session.

Chair Kane noted that the final Governance Committee is now formed, as a result of all Committees having Chairs.

ENTER EXECUTIVE  
SESSION

On a motion made by Trustee Machida, seconded by Vice Chair Rauckhorst, and unanimously carried, the Board entered into Executive Session at 11:36 a.m.

(Trustee Chan left the meeting by ending her teleconference at 11:36 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 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; 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 temporary and limited delegation of authority to the Employees' Retirement System of the State Hawaii's (ERS) Executive Director to approve and execute on behalf of the ERS Certain Transient and Opportunistic Investments; 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

EXECUTIVE SESSION  
(CONT'D)

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 Pension Obligation Bonds; appropriate action.

- 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 Employer Reporting; report and update.
- 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, and status with respect to Securities Litigation and Potential Securities Litigation; 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; 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 TEMPORARY AND LIMITED DELEGATION OF AUTHORITY TO THE EMPLOYEES' RETIREMENT SYSTEM OF THE STATE HAWAII'S (ERS) EXECUTIVE DIRECTOR TO APPROVE AND EXECUTE ON BEHALF OF THE ERS CERTAIN TRANSIENT AND OPPORTUNISTIC INVESTMENTS; 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 PENSION OBLIGATION BONDS; 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  
EMPLOYER REPORTING;  
REPORT AND UPDATE

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, AND STATUS  
WITH RESPECT TO  
SECURITIES LITIGATION AND  
POTENTIAL SECURITIES  
LITIGATION; APPROPRIATE  
ACTION

APPROVAL OF EXECUTIVE  
SESSION MINUTES  
– FEBRUARY 10, 2020

EXIT EXECUTIVE SESSION

On a motion made by Vice Chair Rauchorst, seconded by Trustee Ley, and unanimously carried, the Board exited Executive Session at 12:20 p.m.

APPROVAL OF MINUTES  
– FEBRUARY 10, 2020

On a motion made by Trustee Barfield, seconded by Trustee Machida, and unanimously carried, the Board approved the Minutes of February 10, 2020, as presented.

ADJOURNMENT

On a motion made by Trustee Barfield, seconded by Trustee Machida, and unanimously carried, Chair Kane adjourned the meeting at 12:22 p.m.

**REDACTED SIGNATURE**

Thomas Williams  
Executive Director

TW:dkik