

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

MAY 12, 2020

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

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

Staff present:
(City Financial tower
by teleconference) Mr. Thomas Williams, Executive Director
Ms. Kanoë Margol, Deputy Executive Director
Ms. Donna Curry, 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:
(by teleconference) Mr. Aaron Au, Investment Officer – Illiquid Markets
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

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

Guests present:
(by teleconference) Ms. Natalie Fitch, Hamilton Lane
Mr. Paul Yett, Hamilton Lane
Mr. Colin Bebee, Meketa Investment Group, Inc.
Mr. Neil Rue, Meketa Investment Group, Inc.
Mr. Daniel Heflin, Torchlight Debt Fund VII, LP
Mr. Michael Romo, Torchlight Debt Fund VII, LP
Ms. Jennifer Yuen, Torchlight Debt Fund VII, LP
Mr. Jack Dowd, Townsend Group, an Aon Company
Mr. Chae Hong, Townsend Group, an Aon Company

QUORUM/CALL TO ORDER

A quorum being present (Chair Kane, Vice Chair Rauckhorst, Trustees Barfield, Chan, Hirai, 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 9:00 a.m.

On a motion made by Trustee Barfield, seconded by Trustee Yap, 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 the Governor of the State of Hawaii's Supplementary Proclamations dated March 16, and April 25, 2020, in order to implement social distancing measures.

PUBLIC COMMENT

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

RECESS

Chair Kane called for a recess at 9:07 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, Hirai, Ley, Machida, and Yap), Chair Kane reconvened the meeting at 10:33 a.m.

TOWNSEND GROUP, AN
AON COMPANY – FOURTH
QUARTER 2019 REAL
ESTATE PERFORMANCE
REVIEW

Investment Officer (IO), Ian Wetzel, and Townsend Group, an Aon Company (Aon), Chae Hong, presented an oral and written report to the Board on the 4th Quarter 2019 Real Estate Performance Review and discussed:

EXECUTIVE SUMMARY

Real Estate Market Performance and Overview

- The NFI-ODCE trailing one-year return now stands at 4.4% net. While 5-year real estate returns are generally in line with the sector's long-run average of 7-9% gross, continued moderation is expected, and returns have begun to dip below long-term averages.
- Real Estate fundamentals remain healthy, but valuations across real estate and other asset classes are rich. Return expectations have normalized, with go forward expectations below historical norms. Historically low cap 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 rental income. Townsend prefers investments that offer relatively strong rental income growth, or value-add potential with near-term income generation potential.
- Subsequent to quarter end, the novel coronavirus (COVID-19) swept the world's countries and their respective economies. To combat the spread of the virus politicians enacted Shelter-In-Place orders, forcing the closure of businesses reliant upon consumer foot traffic. The implications of this order sent shockwaves through the global economy, and is expected to impact real estate valuations throughout the remainder of the year. As such, the Townsend Group has advised its clients defer new capital in funds with pre-specified assets. Instead, we recommend clients consider moving up the risk/return spectrum and consider blind pool funds as they offer the potential to invest new capital when a new opportunity set presents itself.

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 quarter, year-to-date, one-, three-, and five-year time periods. For the quarter, the strong returns are attributable to the outperformance of the Opportunistic portfolio. The total portfolio has generated an 8.1% net IRR and 1.43x net equity multiple since inception.

TOWNSEND GROUP, AN
AON COMPANY – FOURTH
QUARTER 2019 REAL
ESTATE PERFORMANCE
REVIEW (CONT'D)

HIERS' Real Estate Portfolio Highlights

During Q4 2019 and subsequent to quarter end, two new commitments were made:

- A U.S. Diversified Value-add Fund (\$40 million)
- A U.S. Diversified Opportunity Zone Fund (up to \$100 million, but no greater than 20% of fund commitments)

Significant Events

- During the quarter, a Value-Add Fund entered into an agreement to sell the firm to a private, and independent, diversified investment management firm. Townsend has reviewed the transaction, and is comfortable with the acquisition.
- During the quarter, an Opportunistic Fund and a global investment banking, securities, and investment management firm entered into an agreement to acquire a minority stake in the Opportunistic Fund's real estate platform. No investor action is required, but we will continue to monitor and report if any issues arise.
- Subsequent to quarter end, the novel coronavirus (COVID-19) swept the world's countries and their respective economies. The implications of this virus are expected to impact real estate valuations with Retail and Leisure hit hardest. As a result, the Townsend Group has recommended its clients defer new capital investments in funds with pre-specified assets. Blind pool funds, such as closed-end funds higher on the risk/return spectrum, offer a potential to have capital available when a new opportunity set presents itself.

MARKET OVERVIEW

REAL ESTATE AND TIMBER PORTFOLIOS

LOWE AND REAL ESTATE SEPARATE ACCOUNTS

HAMILTON LANE
ADVISORS, LLC –
PRIVATE EQUITY
PROGRAM UPDATE – FOR
PERIOD ENDING
DECEMBER 31, 2019

Investment Officer – Illiquid Markets (IO-IM), Aaron Au, and entering the meeting by teleconference, Hamilton Lane Advisors, LLC, (HL), Natalie Fitch and Paul Yett, presented an oral and written report to the Board on the Private Equity Program Update – For Period Ending December 31, 2019.

Ms. Fitch and Mr. Yett discussed the Portfolio Review, Strategic Plan Update, and Private Equity Market Brief:

PORTFOLIO REVIEW

PE Portfolio Highlights – December 31, 2019

- Performance
 - Strong since inception performance continues.
 - Strong one-year net IRR of 17.46%, with each quarter achieving positive results.

Portfolio Snapshot

- Q4 2019: Continued value creation, market value, growth, and meaningful liquidity.

Portfolio Summary

- Q4 2019 represents the 30th consecutive quarter of positive results.
- 2019 cash activity – largest contributions on record with \$485.5M and second largest distributions on record at \$272.3M

Performance Against Benchmark

- Portfolio outperforming benchmark, MSCI ACWI IMI +200 bps, across all periods except 1-year period.

- Portfolio generated double digit performance across 1-year, 3-year, 5-year, 10-year and since inception periods.

Foundation Manager Performance

2020 Commitment Summary

- Investments are consistent with the themes and recommendations highlighted in Hamilton Lane's Strategic Plan.
- On track to execute approved 2020 commitment pacing range of \$550M - \$650M

COVID-19 Projected Impact: Industry

Hamilton Lane has created a model to help identify the evolving and potential impact of COVID-19 on client portfolios through analyzing industries and geographic regions affected

MARKET UPDATE

2020 STRATEGIC PLAN

Key Initiatives were highlighted in November:

- Commitment Pacing – 2020 commitment pacing of \$550M-\$650M approved by the Board at July 2019 Summit.
- General Partner Relationships – Concentrate commitments with Foundation Managers.
- Commitment Sizing – Maintain larger average commitment size for Foundation Managers; Consider larger commitments (>\$50M) to top performing Foundation Managers.
- Strategic Diversification – Primary commitment focus on Buyout investments; Basket approach to SMID investments; and Opportunistically invest in high-conviction Venture Capital managers.
- Geographic Diversification – Maintain current geographic exposure, with primary commitments to North America; Opportunistically assess additional Western Europe and Asia relationships.

The Board requested an assessment and Hamilton Lane will provide how business investments will be impacted in the near future due to the current conditions.

After their presentation, Ms. Fitch and Mr. Yett left the meeting by exiting the teleconference.

Meketa Investment Group, Inc. (Meketa), Colin Bebee presented an oral and written report to the Board on the Quarterly Performance for the 1st Quarter of 2020:

INTRODUCTION

Performance vs. Policy Benchmark and Median Public Fund

- The ERS Total Portfolio underperformed the Policy Benchmark over the most recent quarter and trailing 1-year period. The Total Portfolio outperformed the Policy Benchmark over the trailing 3- and 5-year periods while matching the Policy Benchmark over the trailing 10-year period. Shorter-term underperformance is attributable to the Private Growth component whereas longer-term outperformance is primarily attributable to the Crisis Risk Offset, Traditional Growth, and Private Growth components. As a reminder, the Private Growth component is benchmarked to MSCI ACWI + 2% (quarter lagged), and it is not expected to keep up with this benchmark over shorter time periods when

public equity produces extraordinary results.

- The ERS Total Portfolio outperformed the Median Public Fund across all time periods measured. This outperformance is attributable to the ERS's more risk-focused portfolio construction. As desired by the ERS Board, the Total Portfolio is constructed to generate as smooth of a return pattern as possible, and one of the corresponding expected benefits is outperforming peers during significant equity market drawdown periods. Over long periods of time, this approach is expected to produce the best result for the ERS as a total system.
- 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 targets. The ERS's overlay program also assists the ERS in staying closer to policy targets. As part of the new strategic allocation that was approved during the 2019 Asset-Liability Study, the ERS approved new evolving policy targets that will begin to be implemented near July 1, 2020.

ERS PORTFOLIO REVIEW

Performance Attribution vs. Policy Benchmark – Gross of Fees

- The Total Portfolio underperformed the Policy Benchmark over the most recent quarter and trailing 1-year period by (1.7%) over both time periods.
- Implementation within the Broad Growth class detracted from relative performance over the quarter and 1-year periods, but its impact was partially offset by strong implementation within the Crisis Risk Offset class during both time periods. Weighted (i.e., overweight Broad Growth and underweight safer classes) detracted from relative performance over the quarter and 1-year periods.

Strategic Class Performance as of March 31, 2020

- The Broad Growth class underperformed its policy benchmark over the most recent quarter and trailing 1-year periods but continue to outperform over the longer trailing periods measured. Over the quarter, significant relative underperformance within the Private Growth segment detracted from results. As mentioned earlier in this report, there are challenges with benchmarking Private Growth segment to MSCI ACWI + 2% (quarter lagged) during shorter time periods where public equity produces extraordinary results. The Traditional Growth segment trailed its benchmark over the shorter time periods measured but outperformed over the trailing 3- and 5-year periods. The Stabilized Growth segment outperformed over all time periods measured.
- The Principal Protection class underperformed over all time periods except the trailing 5-year period. The class's two longer-standing managers trailed their benchmarks over the quarter and trailing 1-, 3-, and 5-year periods. The class's newest global manager underperformed its benchmark by (4.1%) over the quarter.
- The Crisis Risk Offset class outperformed the policy benchmark across all time periods measured. The class's largest segment, Alternative Return Capture, outperformed its benchmark over the most recent quarter and trailing 3-year periods but underperformed over the trailing 1-year period. The Systematic Trend Following (STF) segment outperformed across all time periods, including outperforming its benchmark by 5.0% over the most recent quarter. The Treasury

MEKETA INVESTMENT
GROUP, INC. –
QUARTERLY
PERFORMANCE REPORT
(CONT'D)

Duration Capture outperformed over the most recent quarter and trailing 1-year period, but trailed its benchmark over the trailing 3-year period.

- The Real Return class outperformed its benchmark over the most recent quarter but underperformed over the longer trailing time periods

After their presentation, Messrs. Bebee and Rue left the meeting by exiting the teleconference.

EXECUTIVE DIRECTOR'S
REPORT

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

- Engaged with B&F on reviews on behalf of the Rating Agencies, each S&P, Fitch, and Moody's on revising debt and credit outlook on the State.
- Budget restrictions imposed by the Governor to State agencies mandating that, unless essential or urgent, money should not be spent and any exceptions would require Governor's approval. ERS will be seeking exception approval for the V3 upgrade to V10 and the telephone system. The restrictions included a hiring freeze and prohibited travel. Each agency was asked to start identifying and prepare to reduce their budget by 16-, 25- or possibly 35%. ERS was also asked to identify vacant staff positions, however, the Legislature will await more fiscal information before making any decisions.
- The Governor established and appointed Alan Oshima to lead the Economic and Community Recovery Task Force. State agencies were asked to provide a liaison to be a part of this Task Force, of which Anthony Goo will represent ERS and David Okamoto will be the alternate.
- Update on employer reporting. With the Board's recommendation that ED Williams document and outline potential impacts if unsuccessful in resolving the issues, ED Williams discussed with the Department of Accounting and General Services Comptroller Curt Otaguro who provided electronic files and agreed to propositions made. Accounting staff developed logic that will enable ERS to use files that were unable to be processed since last July through March which is also used for the actuarial valuation, GASB, and audit purposes.
- In addition to an added Deputy Attorney General, the Attorney General's Office has issued a solicitation of services from a firm that could support our Investment Office in review of investment contracts and transactions. Responses are due back by June 1.
- National conferences continue to be cancelled and rescheduled and NCTR has decided to hold its conference virtually.
- The Investment Summit, cancelled due to travel and budget restrictions and the current pandemic, CIO Burton and the Investment staff will be working on a Strategic Educational Retreat to be held sometime in July.
- Received a call from Representative Sylvia Luke's Office regarding ERS's position on Pension Obligation Bonds and would like feedback from the Board. The State is currently discussing using the Bonds to make their current year's contribution of approximately \$780M.
- Legislature reconvened on Monday and they will be focusing on budget, capital improvements, and confirmation of appointments to Boards and Commissions. Trustee Machida's appointment will be heard by the Committee on Labor, Culture and the Arts Chaired by Senator Taniguchi.
- A request by the statewide Climate Change Mitigation and Adaptation Commission to contact CalPERS or CalSTRS to determine if they would participate in a July forum. CalSTRS has a staff person in contact with the Commission and who will also meet with our Investment team to discuss our portfolio investment decisions and educational opportunity for our Board members.
- The Investment and Administrative teams are working on a Strategic

Educational Retreat.

DEPUTY EXECUTIVE
DIRECTOR’S OPERATIONS
REPORT

Deputy Executive Director (DED) Kanoe Margol presented her Operations Report and gave updates on ERS staffing and projects of Administration, Accounting, Information Services, Retirement Benefits and Staff Support Services Branches.

The Board asked what the risks are to the system regarding payroll reporting issues and the DED reported that there are still some risks but there are alternative actions to minimize the risks. The Board also asked if the drop in percentage standards for the activities of the Retirement Benefits Branch was anticipated or due to ERS staff’s ability to work remotely? The DED reported that it was partly due to payroll reporting issues and staff’s staggered work schedule, however, ERS is working towards all staff being able to work remotely.

REPORTS BY BOARD
COMMITTEE CHAIRS:
ADMINISTRATIVE &
AUDIT, COMPENSATION
REVIEW, GOVERNANCE
POLICY, LEGISLATIVE,
AND KAA NAPALI AD-HOC

Administrative & Audit Committee, Chair Ley reported to the Board that the internal auditors, KMH LLP, have advised ERS that they will continue to defer the IA project activities until July 1, 2020, to allow staff to focus on their daily workload and organizational priorities due to the State shutdown because of the COVI-19 pandemic. Projects include our IT Cloud Risk and Security Assessment, Human Resources – Personnel Development and Retention Review, Budgeting Process Review, as well as any implementation assistance efforts. A second Committee meeting will be scheduled sometime in July to review the Committee Charter. Regarding our financial auditors, KPMG LLP, we anticipate that report will also be delayed possibly expected by September.

Compensation Review Committee, Chair Rauckhorst reported to the Board that the Committee met on May 4, 2020, and reviewed the Committee activities and Timeline. Chair Rauckhorst continued to report that the Timeline needs to be revised and extended due to the COVID-19 impact on face-to-face evaluations. In consideration of the State budget, the Committee also decided to postpone acquisition of the Compensation Consultant to a later time. The Committee will also review the ERS Succession Plan as mandated by the Charter and the Charter was reviewed and approved by the Committee and will be presented to the Board.

Governance Policy Committee has yet to be convened, no report was given.

Chair Kane advised that the Kaanapali Ad Hoc will be addressed later as part of the Executive Session.

Legislative Committee, Chair Chan reported to the Board that the Committee met on April 30, 2020, and elected Trustee Yap as Vice Chair. Chair Chan continued to report that the potential legislative proposals relating to ERS for the 2020 Legislative Session was provided for recommendations by the Board as the next agenda item, however, the positions and recommendations have not changed from last month, as “neutral” recommendations were only reworded to “monitoring.” Chair Chan concluded that the Committee discussed possible potential future ERS legislative proposals to be considered by the Committee and Board at a later date.

REVIEW OF BOARD OF
TRUSTEES’ POSITIONS
AND RECOMMENDATIONS
REGARDING LEGISLATIVE

Chair Kane advised the Board that, as discussed above, the Legislative Committee re-affirmed the positions and recommendations as provided with minor changes as noted and presented.

On a motion made by Trustee Ley, seconded by Trustee Yap, and

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

ENTER EXECUTIVE
SESSION

EXECUTIVE SESSION

unanimously carried, the Board re-affirmed the Legislative Committee's recommendations to the ERS related proposals for the 2020 Legislative Session as provided (see Attachment A).

On a motion made by Trustee Barfield, seconded by Trustee Ley, and unanimously carried, the Board entered into Executive Session at 12:32 a.m.

(Public participation was ended by closing the link to the meeting)

- 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 Real Estate Fund Commitment; 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 Equity Fund Commitment; 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 Investments Pursuant to the Resolution dated April 14, 2020, Granting 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.
- 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 Credit 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 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 REAL ESTATE FUND COMMITMENT; APPROPRIATE ACTION

(Trustee Hirai left the meeting by ending his teleconference at 12:57 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 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 FUND COMMITMENT; 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 INVESTMENTS PURSUANT TO THE RESOLUTION DATED APRIL 14, 2020, GRANTING 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

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 CREDIT INVESTMENT

APPROVAL OF EXECUTIVE
SESSION MINUTES
– MARCH 9, 2020

EXIT EXECUTIVE SESSION

On a motion made by Vice Chair Rauchorst, seconded by Trustee Barfield, and unanimously carried, the Board exited Executive Session at 1:47 p.m.

APPROVAL OF MINUTES
– MARCH 9, 2020

On a motion made by Trustee Barfield, seconded by Trustee Ley, and unanimously carried, the Board approved the Minutes of March 9, 2020, as presented.

ADJOURNMENT

On a motion made by Vice Chair Rauckhorst, seconded by Trustee Barfield, and unanimously carried, Chair Kane adjourned the meeting at 1:48 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik

ERS Legislative Committee Recommendations as of 04-30-2020

	Measure #	Title	Description	Status	Legislative Committee Recommendations	Reason for Position
ERS Bills						
1	HB2312 HD1	RELATING TO QUALIFIED DOMESTIC RELATIONS ORDERS.	Clarifies benefits to alternate payees, advisory review determinations of Hawaii domestic relations orders, and the priority of multiple orders. Effective 1/1/2050. (HD1)	S 3/3/2020: Referred to LCA, JDC/WAM.	Support	ERS Initiated, Administration Bill. H.B. 2312, H.D. 1 proposes to amend section 88-93.5, HRS, to clarify specific benefit- and processing-related details to facilitate its implementation and to provide transparency to ERS members, retirants, beneficiaries, and alternate payees regarding Hawaii Domestic Relations Orders. The ERS Board of Trustees strongly supports this proposal.
2	HB2314 HD1	RELATING TO EMPLOYEES' RETIREMENT SYSTEM DISABILITY RETIREMENT.	Clarifies the employees' retirement system's eligibility requirement definitions for service-connected disability and accidental death benefits. Effective 1/1/2050. (HD1)	S 3/10/2020: The committee(s) on LCA deferred the measure until 03-17-20 2:45PM in conference room 224.	Support	ERS Initiated, Administration Bill. Based upon a plain reading of the legislative intent as stated in governing statutes, H.B. 2314, H.D.1 clarifies the requirements of service-connected disability retirement and accidental death benefits of the ERS by amending sections 88-21, 88-79, 88-82, 88-85.5, 88-261(a), and 88-336, HRS. As the ERS has been required by recent court rulings to award these benefits beyond the statutes' legislative intent, this clarification will help the ERS preserve these benefits and control its unfunded liability. The ERS Board of Trustees strongly supports this legislation.
3	SB2867 SD2	RELATING TO COMPENSATION FOR THE PURPOSES OF THE EMPLOYEES' RETIREMENT SYSTEM.	Clarifies how compensation is calculated for the purposes of retirement benefits. Effective 7/1/2050. (SD2)	H 3/12/2020: Bill scheduled to be heard by LAB on Tuesday, 03-17-20 9:10AM in House conference room 309.	Support	ERS Initiated, Administration Bill. S.B. 2867, S.D.2 amends sections 88-21 and 88-21.5, HRS, to clarify the definition of "compensation" for retirement benefit computation purposes, to help ensure that retirement benefits are computed fairly and equitably for all public employees and to facilitate employer reporting of compensation on a consistent and timelier basis. It will also help ensure ERS compliance with its tax-exempt status requirements. The Board of Trustees of the ERS strongly supports this bill.

	Measure #	Title	Description	Status	Legislative Committee Recommendations	Reason for Position
4	SB2868 SD1	RELATING TO QUALIFIED DOMESTIC RELATIONS ORDERS.	Amendments to clarify benefits to alternate payees, advisory review determinations of Hawaii Domestic Relations Orders and the priority of multiple orders. Effective date 7/1/51. (SD1)	H 3/12/2020: Bill scheduled to be heard by LAB on Tuesday, 03-17-20 9:10AM in House conference room 309.	Support	See HB2312 above.

	Measure #	Title	Description	Status	Legislative Committee Recommendations	Reason for Position
ERS-Related Bills						
5	SB2142 SD1	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.	Allows departments more time to comply with new ERS reporting standards. Effective 7/1/2050. (SD2)	H 3/12/2020: Bill scheduled to be heard by LAB on Tuesday, 03-17-20 9:10AM in House conference room 309.	Monitoring	This bill seeks to amend section 88-103.7(c), the primary intent of which was to encourage reporting compliance, not to impose a penalty of advanced payments of employer contributions, nor to impose additional interest for late payments. The ERS has been working collaboratively with employers to address the many and complex challenges attendant to employer reporting of ERS contributions. We agree with the extension the employers' evaluation period by three additional years during which each department will be required to progress toward full ERS compliance. After which, the aforementioned penalties would apply.
6	SB2866 SD2	RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND EMPLOYEE-BENEFICIARY MONTHLY CONTRIBUTIONS.	Amends section 87A-40, Hawaii Revised Statutes, to mandate that new retired employees pay their share of health benefits premiums through monthly electronic deductions from their Employees' Retirement System pension or their financial institution. Effective 7/1/2050. (SD2)	H 3/12/2020: Bill scheduled to be heard by LAB on Tuesday, 03-17-20 9:10AM in House conference room 309.	Monitoring	ERS is supportive of the intent of this bill and provides technical comments.
7	HB2485 HD1	RELATING TO HAWAII NATIONAL GUARD RETIREMENT BENEFITS.	Requires the board of trustees of the employees' retirement system to conduct a study to determine and provide retirement benefits for Hawaii national guard members who are activated under state active duty orders, and submit findings and recommendations to the legislature prior to the regular session of 2022. Appropriates funds. Takes effect on 1/1/2050. (HD1)	S 3/3/2020: Referred to LCA/PSM, WAM.	Opposed	Although the ERS Board recognizes the supportive intent of the bill to research possible retirement programs for the national guard program, the Board must respectfully oppose the bill as its implementation would represent a benefit enhancement precluded by Act 29, SLH 2011, utilize ERS resources for other than the "exclusive benefit of its members" (an Internal Revenue Service requirement of ERS's tax exempt status), possibly extend benefits to otherwise ineligible individuals as these individuals are not employees of the State or the counties and their inclusion may adversely impact the unfunded liability of the system.
8	HB1998 HD1	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.	Authorizes forfeiture of certain ERS benefits, pursuant to court order, for state or county employees and designated beneficiaries who are convicted of an employment-related felony. Takes effect on 1/1/2050. (HD1)	S 3/3/2020: Referred to LCA, JDC/WAM.	Monitoring	Supportive of court-ordered decrees as the most fair and judicial application of judgments on felony decisions. Current version provides for court-ordered forfeiture of benefits for members, former members or retirants and full benefits to beneficiaries of members, former members or retirants.

	Measure #	Title	Description	Status	Legislative Committee Recommendations	Reason for Position
9	SB2402 SD2	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.	Authorizes a court to order the forfeiture of Employees' Retirement System benefits of an ERS member, former member, or retirant upon conviction of the individual for a felony related to the State or county employment of the individual. Authorizes designated beneficiaries to receive ERS benefits upon the death of the ERS member, former member, or retirant convicted of the felony. Takes effect upon approval. (SD2)	H 3/12/2020: Bill scheduled to be heard by LAB on Tuesday, 03-17-20 9:10AM in House conference room 309.	Monitoring	Supportive of court-ordered decrees as the most fair and judicial application of judgments on felony decisions. Current version provides for 1/2 benefit forfeiture to members, former members or retirants, and in addition for 1/2 benefit forfeiture to beneficiaries of members, former members or retirants. ERS provides technical comments.