

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

JUNE 8, 2020

CITY FINANCIAL TOWER  
201 MERCHANT STREET, SUITE 1500  
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 (late)  
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  
Mr. Karl Kaneshiro, Retirement Benefits Manager  
Ms. Diane Tengan, Staff Support Services Supervisor  
Ms. Elizabeth Burton, Chief Investment Officer  
Mr. Aaron Au, Investment Officer – Illiquid Markets  
Ms. Dale Kehau Kanae, Recording Secretary  
Ms. Lori Kim, Secretary

Staff present:  
(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  
Ms. Gerri Konishi, Member Home Loan Assistant (audio only)  
Ms. Diana Gomes, Secretary

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. Stephanie Spector Cohen, Goldman Sachs Asset Management  
Mr. Robert Hamilton Kelly, Goldman Sachs Asset Management  
Ms. Stephanie Ivy Sandford, Goldman Sachs Asset Management  
Mr. Luke Sarsfield, Goldman Sachs Asset Management  
Ms. Lisa Spear, Goldman Sachs Asset Management  
Mr. Colin Bebee, Meketa Investment Group, Inc.  
Mr. Neil Rue, Meketa Investment Group, Inc.  
Mr. Jack Dowd, Townsend Group, an Aon Company  
Mr. Chae Hong, Townsend Group, an Aon Company

Public present:  
(by teleconference) Ms. Lindsay Saienni, Reporter of Financial Investment News  
Mr. Brian B (no other identifiable information provided)

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 9:04 a.m.

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

QUORUM/CALL TO ORDER  
(CONT'D)

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 Ninth Supplementary Proclamation dated May 18, 2020, in order to implement social distancing measures.

PUBLIC COMMENT

Chair Kane called for public comment. There were two members of the public present by teleconference, however, none of the public present had any public comments. There was also no public written testimony received by e-mail for this meeting.

RECESS

Chair Kane called for a recess at 9:10 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 10:08 a.m.

EXECUTIVE DIRECTOR'S  
REPORT

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

- Welcomed and congratulated Trustee Wesley Machida for being confirmed by the State Senate Committee on Labor, Culture and the Arts for a six-year term and will continue as ERS Trustee.
- ERS has also supported Trustee Jerome Rauckhorst and is also awaiting confirmation by the Legislature when they resume on June 22, 2020.
- ERS is reviewing its budget with B&F, the Executive Branch, and the Legislature to reduce costs incurred as it relates to personnel. Possible furloughs, pay reductions, and elimination of vacant positions are being considered. ERS has eleven (11) vacant positions, however, they are not general funded. An exception to the Governor is being requested to continue to fill these positions, even though a hiring freeze continues to be in effect. Kanoe Margol and her staff were instrumental in working with B&F staff on this task.
- ERS also responded to B&F scenario requests regarding programming and how furloughs would impact our program operations. ERS responded that it would be detrimental, as we are understaffed and with limited resources.
- After the Quarterly Performance Report to the Board in April, information routinely was provided to the local press as retirement members were concerned with the security of their pensions. ED Williams was quoted in the Star Advertiser, that "members need not worry," however the Hawaii Tribune Herald and Associated press mis-quoted "members need worry," that caused an uproar. ED has asked that corrections be made to those mis-quotes.
- Shared precautionary steps ERS and building management are taking to slow the spread of COVID-19 by acquiring personal protective equipment and supplies for use by staff, posting of signs to reinforce social distancing, and changes made for better air quality within the building. These steps will help to ensure staff that we are prepared for them to return to their normal work schedule safely. On a separate note, employee unions are asking employers for safety standards.
- An ERS press release was issued regarding the additional investment with HiTIP III, allowing support to the State's economic recovery. Additional opportunities are being considered by the Investment Office.
- ED Williams participated in a presentation with Trustee Machida to Oahu teachers and they were provided information on the Council of Revenues Report regarding the projected future shortfalls in State revenue.

EXECUTIVE DIRECTOR'S  
REPORT (CONT'D)

- The Legislature is scheduled to return on June 22<sup>nd</sup> and will be looking at Bills that are non-controversial or priority, in particular, those that relate to the budget and appointments to Boards and Commissions.
- ERS has asked the Governor for an exception from his prohibition on new expenditures applicable to several large procurements such as oracle financials, licenses, maintenance agreements, Vitech, pension administration upgrade system, and telephone system replacement.

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 if the low percentage for enrollment for the last two months could create a problem? The DED reported that it shouldn't create a problem as ERS awaits payroll information submitted by departments. The Board also asked about the increase in pending service-connected disability cases and if there were any problems with the Medical Board process? The DED reported that the increase is partly due to COVID-19 and possible complexities of the cases, however, the process is lengthy and the delay was not attributed to the Medical Board. The Board also asked about the backlog of finals cases over 6-months and concerns with interest being paid. The DED reported that the delay is caused by the payroll reporting system and staff being on a staggered schedule, and the interest paid out is being carefully monitored by ERS staff.

STAFF SUPPORT  
SERVICES SUPERVISOR'S  
REPORT

Staff Support Services Supervisor, Diane Tengan gave an oral and written report to the Board on a brief overview of the services her branch provides.

After her presentation, Ms. Tengan left the meeting.

RATIFY 2020 BOARD  
OFFICERS AND  
COMMITTEE  
ASSIGNMENTS LIST; AND  
REPORTS BY BOARD  
COMMITTEE CHAIRS:  
ADMINISTRATIVE &  
AUDIT, COMPENSATION  
REVIEW, GOVERNANCE  
POLICY, LEGISLATIVE,  
AND KAA NAPALI AD-HOC

Chair Kane presented to the Board a revised 2020 Board Officers & Committee Assignments List for ratification and noted now that the Chairs and Vice Chairs of each Committee have been selected, the Governance Policy Committee, comprised of Committee Chairs can now meet and select a Chair and Vice Chair.

On a motion made by Trustee Machida, seconded by Trustee Chan, and unanimously carried, the Board ratified the 2020 Board Officers and Committee Assignments List as presented

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

Chair Kane requested reports from Committee Chairs.

Administrative & Audit Committee, Chair Ley reported to the Board that the next meeting will be held tomorrow, June 9, 2020, and will be reviewing the Committee and Internal Audit Charters, the ERS Internal and External Communications Plan.

Compensation Review Committee, Chair Rauckhorst reported to the Board that the Committee has not met since May 4th, however, the next meeting will be at the end of the month and beginning early July.

Chair Kane commented that since the Governance Policy Committee has recently been formed it has not yet convened and will be scheduled to meet soon.

REPORTS BY BOARD  
COMMITTEE CHAIRS:  
ADMINISTRATIVE & AUDIT,  
COMPENSATION REVIEW,  
GOVERNANCE POLICY,  
LEGISLATIVE, AND  
KAANAPALI AD-HOC  
(CONT'D)

Legislative Committee, Chair Chan reported to the Board that the Committee has not met since April 30, 2020.

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

INVESTMENT POLICY  
REVISIONS:  
INTRODUCTION AND  
OVERVIEW

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

CIO Burton discussed with the Board that changes to the Policy would be done in sections and have made edits starting with Sections A-C. It is anticipated that the Investment Policy will be reviewed in the next Governance Policy Committee Meeting.

After discussion, the Board requested that this Policy be vetted through the Governance Committee and that a summarized table with changes to include categories of who will be responsible.

RELATING TO AN  
EMPLOYEES'  
RETIREMENT SYSTEM'S  
STRATEGIC  
EDUCATIONAL RETREAT

Investment Officer – Credit Markets (IO-CM) David Okamoto presented an oral and written report to the Board relating to an Employees' Retirement System's Strategic Educational Retreat.

IO-CM Okamoto discussed with the Board that due to the COVID-19 pandemic, the Summit will be modified to two one-day Strategic Education Retreats (Retreat) focusing on governance and ESG policies. ERS Trustees and staff will convene in-person and outside speakers will join via videoconference. The Retreat will be held at a to be determined location on Oahu, July 23-24, 2020.

The primary cost of the Retreat will be the venue and meals for ERS Trustees and Staff estimated from \$9,000 to \$14,000 based on 25 total attendees over the two-day period. Staff is also considering the possibility of holding the Retreat on ERS premises or other State of Hawaii facilities which could significantly reduce the overall cost to below \$2,000.

Staff requested that the usual quarterly presentations done at the Summit be moved to the July Board meeting instead of being a part of the Retreat. The Board agreed to move the presentations to the July Board meeting.

RECESS

Chair Kane called for a recess at 11:28 a.m.

RECONVENE

A quorum being present (Chair Kane, Vice Chair Rauckhorst, Trustees Barfield, Chan, Ley, Machida, and Yap), Chair Kane reconvened the meeting at 11:36 a.m.

ENTER EXECUTIVE  
SESSION

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

(Public participation was ended by closing the link to 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

EXECUTIVE SESSION  
(CONT'D)

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 Private Equity Fund Commitment; appropriate action.
- Pursuant to HRS § 92-5(a) (2) (4) and (8), to consider information that must be kept confidential pursuant to State or Federal law, 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 Pending Request for Public Records Relating to a Personnel Matter, Involving Consideration of Matters Affecting Privacy.

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 PRIVATE EQUITY FUND COMMITMENT; APPROPRIATE ACTION

EXECUTIVE SESSION, PURSUANT TO HRS § 92-5(a) (2) (4) AND (8), TO CONSIDER INFORMATION THAT MUST BE KEPT CONFIDENTIAL PURSUANT TO STATE OR FEDERAL LAW, 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 PENDING REQUEST FOR PUBLIC RECORDS RELATING TO A PERSONNEL MATTER, INVOLVING CONSIDERATION OF MATTERS AFFECTING PRIVACY

APPROVAL OF EXECUTIVE SESSION MINUTES  
– APRIL 14, 2020

EXIT EXECUTIVE SESSION

On a motion made by Vice Chair Rauckhorst, seconded by Trustee Chan, and unanimously carried, the Board exited Executive Session at 12:45 p.m.

APPROVAL OF MINUTES  
– APRIL 14, 2020

On a motion made by Trustee Yap, seconded by Vice Chair Rauckhorst, and carried by the remaining Board members with one abstention by Trustee Chan, the Board approved the Minutes of April 14, 2020, as presented.

ADJOURNMENT

On a motion made by Vice Chair Rauckhorst, seconded by Trustee Machida, and unanimously carried, Chair Kane adjourned the meeting at 12:46 p.m.

**REDACTED SIGNATURE**

Thomas Williams  
Executive Director

TW:dkik