

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

AUGUST 10, 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
Dr. Genevieve Ley
Mr. Wesley Machida
Mr. Bennett Yap

Trustee absent: Mr. Craig Hirai

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
Ms. Elizabeth Burton, Chief Investment Officer
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
Ms. Gerri Konishi, Member Home Loan Assistant (audio only)
Ms. Diana Gomes, Secretary
Ms. Dale Kehau Kanae, Recording Secretary
Ms. Lori Kim, Secretary

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

Guests present:
(by teleconference) Mr. Russell Munn, Broadshore Capital Partners
Ms. Janeane Odell, Broadshore Capital Partners
Mr. Peter Hanashiro, KMH LLP
Mr. Brian Gildea, Hamilton Lane Advisors, LLC
Ms. Natalie Fitch, Hamilton Lane Advisors, LLC
Mr. Paul Yett, Hamilton Lane Advisors, LLC
Mr. Colin Bebee, Meketa Investment Group, Inc.
Ms. Mika Malone, 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
Mr. Storm Klyve-Underkofler, Townsend Group, an Aon Company

Public present:
(by teleconference) Ms. Jacqueline, Finance
Mr. Peter Benson
Mr. Kevin Del Mauro, Leucadia Asset Management LLC
Mr. Richard Fong, Parametric
Mr. Griffin Rolander, Monashee Investment Management LLC
Ms. Lindsay Saienni, Reporter, Financial Investment News

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 9:03 a.m.

On a motion made by Trustee Machida, seconded by Trustee Barfield, 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 Tenth Proclamation Related to the COVID-19 Emergency, dated July 17, 2020, in order to implement social distancing measures.

PUBLIC COMMENT

Chair Kane called for public comment. There were eight (8) 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 9:06 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 11:51 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), Jack Dowd and Chae Hong, entered the meeting by teleconference and presented an oral and written report to the Board on the 1st Quarter 2020 Real Estate Performance Review and discussed:

EXECUTIVE SUMMARY

Real Estate Market Performance and Overview

- The NFI-ODCE trailing one-year return now stands at 3.9% 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.
- During the quarter, a novel coronavirus (COVID-19) spread throughout 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 disoriented the global economy, and is expected to impact real estate valuations through the remainder of the year. As such, the Townsend Group has advised its clients cautiously approach new capital invested 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 medium-term. For the quarter, the negative returns are attributable to write downs that are the direct result of market distress created by the COVID-19 pandemic. The total portfolio has generated an 7.9% net IRR and 1.39x net equity multiple since inception.

HIERS' Real Estate Portfolio Highlights

During Q1 2020 and subsequent to quarter end, two new commitments were

made:

- A U.S. Diversified Opportunity Zone Fund (up to \$100 million, but no greater than 20% of fund commitments)
- A High Return Real Estate Debt Fund (\$50 million)

Significant Events

- During the 1st quarter, an Opportunistic Fund CEO and co-founder resigned from their position, resulting in the other co-founder assuming both of their responsibilities. Furthermore, an incident involving the other co-founder was reported in a local trade journal. Townsend has had discussions with the fellow co-founder and is actively monitoring the situation.
- During the 1st quarter, a novel coronavirus (COVID-19) spread throughout 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.
- Subsequent to quarter end, a multinational financial services firm which provides fund administration services to some of HIERS' Investment Managers, has reported a ransomware attack in which confidential data was improperly exposed. No investor action is required, but we will continue to monitor and report if any issues arise.

MARKET OVERVIEW

REAL ESTATE, INFRASTRUCTURE, AND TIMBER PORTFOLIOS LOWE AND REAL ESTATE SEPARATE ACCOUNTS

There were no questions of the Board for Mr. Hong.

Meketa Investment Group, Inc. (Meketa), Colin Bebee, Neil Rue, and Mika Malone entered the meeting by teleconference and presented an oral and written report to the Board on the Quarterly Performance for the 2nd Quarter of 2020:

INTRODUCTION

Performance vs. Policy Benchmark and Median Public Fund

- The ERS Total Portfolio outperformed the Policy Benchmark over the most recent quarter and trailing 1-, 3-, 5-, and 10-year periods. Shorter-term outperformance is largely attributable to the Private Growth component. As a reminder, the Private Growth component is benchmarked to MSCI ACWI + 2% (quarter lagged), and short-term differences between the two should not be overly scrutinized as it is a very long-term oriented component. The Traditional Growth, Crisis Risk Offset, and Real Return portfolios have also been consistent contributors to the Total Portfolio's relative outperformance over the majority of trailing periods.
- The ERS Total Portfolio underperformed the Median Public Fund over the most recent quarter by (4.2%) but matched or outperformed across all other time periods measured. This underperformance is attributable to the ERS's more risk-focused and globally-orientated portfolio construction. As desired by the ERS Board, the Total Portfolio is constructed to generate as smooth of a return pattern as possible, and this approach will result in lagging peers during periods of strong market performance (such as the quarter ending 6/30/20). As a reminder, the

ERS produced a near top decile return relative to peers during the severe Q1 drawdown. 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 Crisis Risk Offset, Principal Protection, and Real Return. While not explicitly shown, 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. Moreover, the strategic class framework will experience modest naming convention changes during fiscal year 2021 as the evolving policy targets are implemented.

ERS PORTFOLIO REVIEW

Performance Attribution vs. Policy Benchmark – Gross of Fees

- The Total Portfolio outperformed the Policy Benchmark over the most recent quarter and trailing 1-year period by 2.0% and 0.6% respectively.
- Implementation within the Broad Growth class (i.e., Traditional Growth and Private Growth) contributed to relative performance over the most recent quarter and 1-year periods. Implementation within the Crisis Risk Offset class detracted from results over the quarter but contributed to relative results over the 1-year period. An overweight to the Broad Growth class versus policy marginally detracted from relative performance over the 1-year period.

Strategic Class Performance as of June 30, 2020

- The Broad Growth class outperformed its policy benchmark over all time periods measured. Significant relative outperformance within the Private Growth segment contributed to results throughout the periods. The Traditional Growth segment posted positive returns and outperformed its benchmark over all time periods measured. The Stabilized Growth segment outperformed over the trailing 1- and 5-year periods but underperformed over the recent quarter and trailing 3-year periods.
- The Principal Protection class outperformed its policy benchmark over the recent quarter but underperformed over the remaining time periods measured. The longer-term underperformance is largely attributable to one manager (Eaton Vance/Oechsle) that is no longer a part of the ERS's portfolio. The class's current managers generated performance in-line with expectations over all periods.
- The Crisis Risk Offset class underperformed the policy benchmark over the quarter by (1.8%) but outperformed the policy benchmark across the longer trailing time periods. The CRO class was the portfolio's strongest returning component over the fiscal year. The class's largest segment, Alternative Return Capture, underperformed its benchmark over the most recent quarter and trailing 1-year period but outperformed over the trailing 3-year period. The Systematic Trend Following (STF) segment outperformed across all time periods, including outperforming its benchmark by 7.7% over the trailing 1-year period. The Treasury Duration Capture marginally trailed across all time periods measured.
- The Real Return class outperformed its benchmark over all time periods measured.

There were no questions of the Board for Mr. Bebee.

Investment Officer – Illiquid Markets (IO-IM), Aaron Au, and Hamilton Lane Advisors, LLC, (HL), Natalie Fitch, Brian Gildea, and Paul Yett, entered the meeting by teleconference and presented an oral and written report to the Board on the Private Equity Program Update – For Period Ending March 31, 2020.

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

MARKET UPDATE

Public Markets in 2020 – Q2 Rebounds

- Global equities plummeted during the outset of the COVID-19 crisis, but have since pared much of their losses.
 - Government stimulus measures have supported equity market performance since most programs begin in April.
- High yield debt experienced its largest decline since the GFC and defaults are expected to rise, but there are questions around the ultimate volume and timing of defaults.
- Unlike the other asset classes, commodity performance was generally more muted during the second quarter.

COVID-19 – Containment Strategies Vary

- In North America: the U.S. remains a major epicenter for COVID-19, with large sections of the country rolling back some re-opening measures due to increased spread.
- In Europe: most countries are in advanced phases of re-opening with borders opening for travelers from areas with lower case counts and restrictions remaining in place for those with higher ones.
- We are in the early days in understanding what the impact on world economies will be or how consumer behaviors will change. Early data indicates results vary by country based largely on their virus responses.

COVID-19 – Where Do We Go From Here?

- Positive recent developments related to vaccines with several candidates showing promising data in Phase II.
- While the odds against any one therapeutic or vaccine being effective are high, the odds that none of the many being tested will be effective are low.
- Countries with a Control strategy are unlikely to have effective contact tracing programs given it is predicated on managing a lower number of overall cases.

Key Private Markets Observations

- GP & LP activity continues but cautiously.

Portfolio Reviews Ongoing

- GP and Hamilton Lane portfolio reviews are ongoing.

Q1 Valuations – Meaningful Declines Depending on Strategy

- Data indicates Q1 2020 valuations see declines in the mid-to-high single digits for most strategies.

Cash Flows – Limited Cause for Alarm

- To date we have not seen the surge of capital calls discussed in the news or feared by LPs.

Challenging Market, But Opportunities Exist

- The new investment opportunity set will shift over time, requiring flexibility, expertise, capital and speed of execution.

Dry Powder Remains Robust

- Private markets well positioned to take advantage of dry powder.

PORTFOLIO REVIEW

PE Portfolio Highlights

- PE Portfolio value impacted by COVID-19 pandemic
 - Net value decline of \$232.9M during Q1, although Portfolio continues to beat its public benchmark.
 - One-year net IRR of -1.95%, with first three quarters achieving positive results followed by outsized negative return in Q1.

Portfolio Snapshot

- Q1 2020: Portfolio markdowns resulted in Portfolio value contraction, although some bright spots.
- Continued growth towards 13.5% target allocation.

Portfolio Summary

- Q1 2020 represents the first quarter of negative performance following 30 consecutive quarters of positive returns.
- Q1 2020 cash activity – Contributions of \$132.4M outpaced distributions of \$51.5M by \$80.9M.

Performance Against Benchmark

- HIERS' Portfolio outperforming public benchmark.

Quarterly Cash Flow Summary

- Continued commitment activity and new investment activity causes consistent negative cash flow QoQ for now.
- Q1 2020 did not see outsized surge of capital calls compared to other quarters, as many expected

Foundation Manager Performance

- Foundation Managers continue to represent majority of Portfolio value.
- Foundation Managers outperforming total Portfolio by 160 bps.

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

There were no questions of the Board for Ms. Fitch and Mr. Yett.

EXECUTIVE DIRECTOR'S
REPORT

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

- ED and DED have been focusing on assuring staff that everything is being done to protect them against the risk of being infected by COVID-19. It's important that ERS staff feel the employer is doing everything it can to protect them, their families, and the membership, especially due to increased exposures across the Islands. We've had five (5) internal cases where employees have had to quarantine themselves due to indirect exposure by their child, spouse, brother, friend, or other family member. We had one employee immediately quarantine until they've produced a negative test result. Fortunately, all outcomes were negative, none of the individuals of

EXECUTIVE DIRECTOR'S
REPORT (CONT'D)

concern contracted COVID-19. We, as well as ERS staff, are very concerned that any internal exposure would result in a significant number of staff being out which would adversely affect work. We've done a lot with regard to PPE, disinfectants, face shields, sneeze guards, etc., and we are working with building management to see if there is more that we can do. Technology allows us to have a monitor outside the reception area that would allow communication, visibility, and be able to take the temperature of the visitor. It would also allow us to see whether or not they are wearing a face mask. We are hopeful to change the entry electronically, right now our doors are locked and members cannot just walk in. Even though we've discouraged on-site counseling, we've gotten anywhere from 300 to 400 walk-in members a month dropping off documents or seeking counseling. We will create a lock box so documents can be left outside our doors. We've also added phones to the counseling rooms to be able to speak with a retirement claims examiner. These attempts will help enforce social distancing and will lessen the exposure to our staff and members. We will continue to do whatever we can to assure staff that we are trying to keep them safe.

- As reported last month, ten (10) of the twelve (12) vacancies requested in the exemption to the Governor regarding vacant positions, as a result of the hiring freeze, were approved. Three (3) vacancies each within the Accounting, Information Services, and Retirement Benefits, and one (1) within the Staff Support Services Branches have been announced for recruitment both internally and externally. Due to the hiring freeze, it would be at ERS's advantage to hire externally so as not to create another vacancy.
- The Governance Policy Committee met on July 24, 2020, to discuss the Investment Policy Statement, delegations to the Investment Team, and a presentation made by Funston Advisory Services on BoardSmart. Also discussed were the roles and functions of the Board Committees.
- ED Williams has been involved with the Bond rating presentations and has gotten positive feedback from the presentations. Fitch and S&P both announced they were maintaining the State's AA+ rating, however, they both changed the outlook for our general obligation bonds to negative related to the COVID-19 and its impact on our economy, employment, and tourism. Moody's downgraded us one notch from AA1 to AA2 and defined our outlook as stable. This is a modest downgrade and interest rates won't increase our end cost significantly.
- The NASRA Annual meeting started today. Last week, the virtual System Director's meeting was well attended with 60-65 Directors participating from around the country. One of the key elements is the Director's Roundtable which focused on issues that we're facing and whether or not contributions will be able to be continued with the revenue impacts that all of the State's and municipalities are incurring. Of particular concern are retirements and whether they are experiencing an increase, neutral, or decrease. In our own instance, there may be an increase in teacher retirement particularly depending on what happens when they go back to school. Discussions included assumed investment return rates and pension reforms.
- The Compensation Review Committee met to discuss evaluations of Investment Officers and Branch Chiefs which will be discussed in Executive Session.

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.

DED Margol also updated the Board on the current vacancies of fourteen

DEPUTY EXECUTIVE
DIRECTOR'S OPERATIONS
REPORT (CONT'D)

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

APPROVAL OF BOARD
COMMITTEE CHARTERS:
**ADMINISTRATIVE &
AUDIT, COMPENSATION
REVIEW, GOVERNANCE
POLICY, INVESTMENT,
AND LEGISLATIVE**

(14) instead of twelve (12) due to two (2) recent vacancies.

The Committee asked if improvements are being made with employer reporting issues. DED Margol responded that the employers and ERS are both making work around modifications to resolve issues due to the lack of funding on both sides to modify their computer systems, etc. ED Williams also responded that a Bill being re-introduced to the Legislature would help clarify what could be reportable as compensation due to a number of employers reporting differently. One of the causes for issues is the capturing, auditing, and reporting of information on a consistent basis.

Chair Kane requested reports from the Committee Chairs.

Administrative & Audit Committee (Committee) Chair Ley reported that at its meeting of July 21, 2020, the Committee accepted the following and presented to the Board for approval:

Program Specialist Donna Curry presented in summary the ERS Communications Plan for the Board's approval.

The Board had one correction to the Plan on Page 1, under Purpose, 3., Goal 4, Objective A, second line change the first letter of the word Customer to lower case "c".

On a motion made by Committee Chair Ley, seconded by Vice Chair Rauckhorst, and unanimously carried, with the exception of Trustee Hirai being absent, the Board accepted and approved the ERS Communications Plan as presented with the noted correction as suggested.

Chair Ley presented in summary the Internal Audit Update Report of July 2020 for the Board's approval and KMH LLP's Peter Hanashiro joined the meeting by teleconference to answer any questions by the Board.

On a motion made by Committee Chair Ley, seconded by Committee Vice Chair Yap, and unanimously carried, with the exception of Trustee Hirai being absent, the Board accepted and approved the Internal Audit Report of July 2020 as presented.

Chair Ley continued and presented the Administrative & Audit Committee Charter for the Board's approval.

On a motion made by Committee Chair Ley, seconded by Trustee Chan, and unanimously carried, with the exception of Trustee Hirai being absent, the Board accepted and approved the Administrative & Audit Committee Charter as presented.

Chair Ley then presented the updated Internal Audit Charter for the Board's approval.

On a motion made by Committee Chair Ley, seconded by Vice Chair Rauckhorst, and unanimously carried, with the exception of Trustee Hirai being absent, the Board accepted and approved the updated Internal Audit Charter as presented.

KMH LLP's Peter Hanashiro left the meeting by ending his teleconference.

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

APPROVAL OF BOARD
COMMITTEE CHARTERS:
ADMINISTRATIVE &
AUDIT, **COMPENSATION
REVIEW**, GOVERNANCE
POLICY, INVESTMENT,
AND **LEGISLATIVE**
(CONT'D)

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

REPORTS BY BOARD
COMMITTEE CHAIRS:
ADMINISTRATIVE &

Compensation Review Committee (Committee) Chair Rauckhorst reported to the Board that an item will be presented in executive session and then discussed the Compensation Review Committee Charter accepted by the Committee and presented to the Board for approval.

On a motion made by Committee Chair Rauckhorst, seconded by Trustee Ley, and unanimously carried, with the exception of Trustee Hirai being absent, the Board accepted and approved the Compensation Review Committee Charter as presented.

Legislative Committee (Committee) Chair Chan reported to the Board that there were no Committee meetings held, however, presented and requested the Legislative Committee Charter (Charter) be approved by the Board noting it was not accepted through and by the Committee due to only minor changes.

Chair Kane commented that the Charter would normally be accepted by the Committee and then recommended to the Board for approval, however, being that there were minimal changes and if the Board had no objections, requested approval of the Charter.

The Board having no objections, on a motion made by Vice Chair Rauckhorst, seconded by Committee Vice Chair Yap, and unanimously carried, with the exception of Trustee Hirai being absent, the Board accepted and approved the Legislative Committee Charter as presented.

Chair Chan continued with an update of the Proposed Bills for the 2021 Legislative session which were already approved by the Board for this session, however, due to the short session this year, the proposals will be resubmitted for next year and need to be submitted by September 3, 2020 to be included with the Governor's package. Program Specialist Donna Curry discussed the four (4) proposed Bills:

- Compensation for the Purposes of the Employees' Retirement System (Amends the definition of compensation for retirement benefits.);
- 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);
- Investment Records of the Employees' Retirement System (Exempts certain specific types of alternative investment fund information from disclosure under Chapter 92f, the disclosure of which would put the system at a competitive disadvantage and frustrate its legitimate government function.
- Service-Connected Disability and Accidental Death Benefits (Clarifies the Employees' Retirement System's eligibility requirement definitions for service-connected disability and accidental death benefits.

The Board requested that the title of one of the bills be revised to "Relating to the Employees' Retirement System" to allow for additional "housekeeping" revisions.

On a motion made by Trustee Machida, seconded by Vice Chair Rauckhorst, and unanimously carried, with the exception of Trustee Hirai being absent, the Board reaffirmed approval of the Bills as discussed.

Governance Policy Committee (Committee) was reported on by Chair Kane stating that at its meeting held on July 24, 2020, a Chair and Vice Chair were selected. The Committee selected Chair Kane and Vice Chair Chan.

**AUDIT, COMPENSATION
REVIEW, GOVERNANCE
POLICY, LEGISLATIVE,
AND KAA NAPALI AD-
HOC (CONT'D)**

On a motion made by Vice Chair Rauckhorst, seconded by Trustee Yap, and unanimously carried, with the exception of Trustee Hirai being absent, the Board approved and acknowledged Chair Kane as Chair and Trustee Chan as Vice Chair of the Governance Policy Committee.

Chair Kane also reported that the Committee is working on changes to the composition of the Investment Committee to be recommended and presented to the Board for approval. ED Williams also provided his support and insight on the changes being proposed to the composition of the Investment Committee which guidelines will be reflected in the ERS Investment Policy Statement. Chair Kane also discussed the history and transition in concept to the Board of how the proposed Investment Committee will function. Chair Kane polled the Board for their thoughts on the transition of the re-composition of the Investment Committee. With the exception of Trustee Hirai being absent, Trustees Barfield, Chan, Ley, Machida, Rauckhorst, and Yap supported the concept. Chair Kane will appoint the remaining members of the Investment Committee, keeping Trustee Barfield as Chair and Trustee Chan as Vice Chair.

Chair Kane also discussed that the Committee viewed a presentation of BoardSmart by Funston Advisory Services that will be discussed later as an agenda item. Chair Kane also noted that the Kaanapali Ad Hoc 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 on the Investment Policy Statement (IPS) Revisions: Introduction and Overview.

CIO Burton discussed with the Board the IPS Changes Matrix and Revisions to Sections A-C (Introduction, ERS Plan Overview, and ERS General Investment Overview), and H (Crisis Risk Offset Program). CIO Burton requested approval of the revisions by the Board as presented with the exception of the Corporate Governance Policies in all sections.

On a motion made by Chair Kane, seconded by Trustee Barfield, and unanimously carried, with the exception of Trustee Hirai being absent, the Board approved the changes to the Investment Policy Statement as presented with the exception of the Corporate Governance Policies in all sections.

**FEEDBACK ON
BOARDSMART TRUSTEE
EDUCATION PLATFORM
AND REQUEST APPROVAL
OF LIABILITY
LIMITATION WAIVER;
APPROPRIATE ACTION**

Executive Director (ED) Williams discussed with the Board a presentation made to the Governance Policy Committee by Funston Advisory Services LLC on BoardSmart as one component of Board education. ED Williams supports this platform and requested feedback from the Board on their recent use of the system. ED Williams also discussed the Liability Limitation Waiver and that Deputy Attorney General (DAG) Ivan Torigoe is working with ED Williams on details of the waiver.

ED Williams requested the Board approve procurement of a subscription as an educational component and to allow negotiation of the Liability Limitation Waiver to be able to secure BoardSmart.

After discussion, the Board requested a subscription for a year and to be re-evaluated at the end of that year. The Board also cautioned to be sure that procurement guidelines are followed and documented.

On a motion made by Trustee Barfield, seconded by Trustee Ley, and unanimously carried, with the exception of Trustee Hirai being absent, the

FEEDBACK ON
BOARDSMART TRUSTEE
EDUCATION PLATFORM
AND REQUEST APPROVAL
OF LIABILITY
LIMITATION WAIVER;
APPROPRIATE ACTION
(CONT'D)

Board approved to pursue the setup of BoardSmart subject to State procurement rules.

Regarding the Liability Limitation Waiver, Chair Kane suggested that it be addressed after the procurement process of BoardSmart.

RECESS

Chair Kane requested a five-minute recess at 2:16 p.m.

(Trustee Machida left the meeting during the break.)

RECONVENE

A quorum being present (Chair Kane, Vice Chair Rauckhorst, Trustees Barfield, Chan, Ley, and Yap), Chair Kane reconvened the meeting at 2:24 p.m.

ENTER EXECUTIVE
SESSION

On a motion made by Trustee Ley, seconded by Vice Chair Rauckhorst, and unanimously carried, with the exception of Trustees Hirai and Machida being absent, the Board entered into Executive Session at 2:24 p.m.

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

EXECUTIVE SESSION

- Pursuant to HRS § 88-27.5(a)(1) and (3), 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; or to deliberate concerning the authority of persons designated by the Board to negotiate investments or the sale of property held by or for the benefit of the system, or during the conduct of such negotiations; 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 (3), 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; or to deliberate concerning the authority of persons designated by the Board to negotiate investments or sale of property held by or for the benefit of the system, or during the conduct of such negotiations; 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 Hamilton Lane Advisors, LLC, and The Townsend Group, an Aon Company, Pacing Plan Update; 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 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

EXECUTIVE SESSION
(CONT'D)

- respect to a Employees' Retirement System's Crisis Risk Offset Manager.
- 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 an Extension of 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 § 92-5(a)(4) and (a)(8), to consult with the Board's attorneys for legal advice regarding procurement and funding of Special Deputy Attorney General contracts for legal services relating to investments in private equity and real estate funds, hedge funds, separate accounts, investment service providers and similar sophisticated investment transactions, and involving consideration of information that must be kept confidential pursuant to state law; appropriate action.
- Pursuant to HRS § 88-92-5(a)(2) and (4), Report of the Compensation Review Committee relating to the performance, evaluation, goals and objectives established for certain exempt and non-exempt staff of the Employees' Retirement System; appropriate action.

EXECUTIVE SESSION,
PURSUANT TO HRS § 88-
27.5(a)(1) AND (3), 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; OR TO
DELIBERATE CONCERNING
THE AUTHORITY OF PERSONS
DESIGNATED BY THE BOARD
TO NEGOTIATE INVESTMENTS
OR THE SALE OF PROPERTY
HELD BY OR FOR THE BENEFIT
OF THE SYSTEM, OR DURING
THE CONDUCT OF SUCH
NEGOTIATIONS; 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 (3), 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; OR TO
DELIBERATE CONCERNING
THE AUTHORITY OF PERSONS
DESIGNATED BY THE BOARD
TO NEGOTIATE INVESTMENTS
OR SALE OF PROPERTY HELD
BY OR FOR THE BENEFIT OF
THE SYSTEM, OR DURING THE
CONDUCT OF SUCH
NEGOTIATIONS; 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 HAMILTON LANE
ADVISORS, LLC, AND THE
TOWNSEND GROUP, AN AON
COMPANY, PACING PLAN
UPDATE; APPROPRIATE
ACTION

(Trustee Ley left the meeting at 3:17 p.m. by exiting the teleconference, however, Quorum was still maintained (Chair Kane, Vice Chair Rauckhorst, Trustees Barfield, Chan, and Yap. Hamilton Lane Advisors, LLC's (Hamilton Lane) Ms. Fitch and Messrs. Gildea and Yett re-entered the meeting by re-entering the teleconference.)

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 EMPLOYEES' RETIREMENT SYSTEM'S CRISIS RISK OFFSET MANAGER

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 AN EXTENSION OF 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 § 92-5(a)(4) AND (a)(8), TO CONSULT WITH THE BOARD'S ATTORNEYS FOR LEGAL ADVICE REGARDING PROCUREMENT AND FUNDING OF SPECIAL DEPUTY ATTORNEY GENERAL CONTRACTS FOR LEGAL SERVICES RELATING TO INVESTMENTS IN PRIVATE EQUITY AND REAL ESTATE FUNDS, HEDGE FUNDS, SEPARATE ACCOUNTS, INVESTMENT SERVICE PROVIDERS AND SIMILAR SOPHISTICATED INVESTMENT TRANSACTIONS, AND INVOLVING CONSIDERATION OF INFORMATION THAT MUST BE KEPT CONFIDENTIAL PURSUANT TO STATE LAW; APPROPRIATE ACTION

APPROVAL OF EXECUTIVE SESSION MINUTES
– JUNE 8, 2020

(Everyone was excused from the meeting except for Committee members and Deputy Attorney General Ivan Torigoe at 3:40 p.m.)

EXECUTIVE SESSION, PURSUANT TO HRS § 88-92-5(a)(2) AND (4), REPORT OF

(See DAG Torigoe's Confidential Supplemental Minutes for this portion of the meeting)

THE COMPENSATION REVIEW
COMMITTEE RELATING TO
THE PERFORMANCE,
EVALUATION, GOALS AND
OBJECTIVES ESTABLISHED
FOR CERTAIN EXEMPT AND
NON-EXEMPT STAFF OF THE
EMPLOYEES' RETIREMENT
SYSTEM; APPROPRIATE
ACTION

EXIT EXECUTIVE SESSION

On a motion made by Trustee Barfield, seconded by Trustee Yap, and unanimously carried, with the exception of Trustee Hirai being absent, and Trustees Ley and Machida being excused, the Board exited Executive Session at 4:09 p.m.

**APPROVAL OF MINUTES
– JUNE 8, 2020**

On a motion made by Trustee Barfield, seconded by Trustee Chan, and unanimously carried, with the exception of Trustee Hirai being absent, and Trustees Ley and Machida being excused, the Board approved the Minutes of June 8, 2020, as presented.

ADJOURNMENT

On a motion made by Vice Chair Rauckhorst, seconded by Trustee Barfield, and unanimously carried, with the exception of Trustee Hirai being absent, and Trustees Ley and Machida being excused, Chair Kane adjourned the meeting at 4:10 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik