

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

OCTOBER 13, 2020

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

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

Staff present: Mr. Thomas Williams, Executive Director  
(City Financial tower Ms. Kanoe Margol, Deputy Executive Director  
by teleconference) Ms. Donna Curry, Program Specialist  
Mr. Bart Asato, Program Specialist  
Ms. Shanna Sakagawa, Program Specialist  
Mr. Keith Miyamoto, Information Services Manager  
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: Mr. Ivan Torigoe, Deputy Attorney General  
(by teleconference) Ms. Elmira Tsang, Deputy Attorney General (audio only)  
Ms. Diane Wong, Deputy Attorney General

Guests present: Mr. Peter Hanashiro, KMH LLP  
(by teleconference) Mr. Tyson Tsuehiro, KMH LLP  
Mr. Jason Egami, KPMG LLP  
Mr. Nelson Lau, KPMG LLP  
Mr. Colin Bebee, Meketa Investment Group, Inc.  
Mr. Tad Fergusson, Meketa Investment Group, Inc.  
Ms. Mika Malone, Meketa Investment Group, Inc.  
Mr. Neil Rue, Meketa Investment Group, Inc.  
Mr. Ethan Samson, Meketa Investment Group, Inc.  
Mr. Jack Dowd, Townsend Group, an Aon Company  
Mr. Chae Hong, Townsend Group, an Aon Company

Public present: Mr. Riley Fujisaki, Staff, House Finance Committee  
(by teleconference) Mr. Albert Vargas, House Finance Committee

QUORUM/CALL TO ORDER

A quorum being present (Chair Kane, Vice Chair Rauckhorst, Trustees Barfield, Ley, and Machida), Chair Kane called the regular meeting of the

QUORUM/CALL TO ORDER  
(CONT'D)

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 Machida, seconded by Trustee Ley, and unanimously carried, to be able to hold a meeting closed to the public and allow Trustees to participate by teleconference or other remote meeting technology, pursuant to the Governor of the State of Hawaii's Thirteenth Supplementary Proclamation Related to the COVID-19 Emergency, dated September 22, 2020, in order to implement social distancing measures.

PUBLIC COMMENT

Chair Kane called for public comment. There were two (2) 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 9:02 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 10:35 a.m. noting that Trustees Chan, Hirai, and Yap have joined the meeting.

EXECUTIVE DIRECTOR'S  
REPORT

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

- Administrative Rules applicable to Chapter 91, delegating to the Executive Director the initial level of decision making while allowing the Board to retain the responsibility of hearing appeals. Ken Takeyama will be training ERS staff on Administrative Rules drafting on October 22, 2020.
- Possible exempt staff compensation increases proportional to civil service staff increases.
- Participated in the Climate Action Forum on September 22, 2020, for national public pension plans on how to support green and ESG investments.
- ERS staff met with State Representatives Aaron Johanson, Labor and Public Employment Chair and Sylvia Luke, Finance Chair on September 22, 2020, coordinated by Trustee Machida to discuss ERS investment office resources and performance, State budget for FY 2021-2023, and was asked to review the retirement program and provide possible suggestions that would result in savings to the State.
- Mr. Paul Yett of Hamilton Lane has been promoted to Director of ESG and Sustainability. Ms. Natalie Fitch will assume primary relationship responsibilities.
- ERS staff met with Governor Ige to discuss proposed ERS's legislative proposals, same as last year, for submittal during the next legislative session.
- Administrative and Investment Offices 15<sup>th</sup> Floor blessing will be held on October 23, 2020.
- ERS ESG Education session will be held on October 28<sup>th</sup>, 2020, to include participation by Meketa, CalPERS and CalSTRS.
- The Chief Compliance Officer position was established with the Department of Human Resources Division and ERS will pursue an exemption with the Governor to proceed with recruitment.
- A number of national virtual conferences have been conducted, NCTR has their annual meeting from Monday – Thursday this week.
- ERS has submitted budgets to B&F representing reductions to the budget of 10%, 15%, or 20% up to FY 2023, and could include furloughs.

EXECUTIVE DIRECTOR'S  
REPORT (CONT'D)

- The Permitted Interaction Group of the Investment Committee met last week with recommendations to the Board of the Investment Committee reformation and delegation to staff to be reported on by the Chair of the Committee.

DEPUTY EXECUTIVE  
DIRECTOR'S OPERATIONS  
REPORT

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

INFORMATON SERVICES  
BRANCH CHIEF'S REPORT

Information Services (IS) Branch Manager (BM) Keith Miyamoto presented an oral report to the Board on IS responsibilities, branch staffing, goals, project updates, and major accomplishments.

REPORT BY  
ADMINISTRATIVE &  
AUDIT COMMITTEE  
CHAIR

Chair Kane requested reports from the Committee Chairs starting with the Administrative & Audit Committee.

Administrative & Audit Committee (Committee) Chair Ley introduced and reported that KMPG, LLP's Mr. Nelson Lau, after 34 years, 15 working with ERS, has retired and is here to advise ERS for the last time.

DRAFT AUDITOR'S  
REPORT AND FINANCIAL  
STATEMENTS OF THE  
EMPLOYEES'  
RETIREMENT SYSTEM;  
APPROPRIATE ACTION

Mr. Lau reported that KPMG presented the Draft Auditor's Report and Financial Statement at the Committee meeting of September 21, 2020, and summarized that report and statement for the Board. The Committee recommended the Board approve the Draft Auditor's Report and Financial Statement as submitted.

The Board recommended a change in the Draft Financial Statement on page 7 of the chart under percentage, "100.1%" should be "100%."

On a motion made by Trustee Ley, seconded by Trustee Machida, and unanimously carried, the Board approved the Draft Auditor's Report and Financial Statement as presented, including the correction to the Financial Statement as noted above.

After his presentation, Mr. Lau left the meeting be ending his teleconference connection.

KMH LLP's INTERNAL  
AUDIT UPDATE REPORT  
AND HUMAN RESOURCES  
– PERSONNEL  
DEVELOPMENT AND  
RETENTION REVIEW;  
APPROPRIATE ACTION

Committee Chair Ley continued and presented a summary of KMH LLP's Internal Audit Update Report and Human Resources – Personnel Development and Retention Review that was accepted by the Committee and recommended approval by the Board.

KMH LLP's Peter Hanashiro clarified for the Board that the Report and Review were updates presented in detail to the Administrative & Audit Committee on September 21, 2020, noting that updates are done quarterly.

On a motion made by Trustee Machida, seconded by Trustee Yap, and unanimously carried, the Board approved the Internal Audit Update Report and Human Resources – Personnel Development and Retention Review as presented.

After the presentation, Mr. Hanashiro left the meeting be ending his teleconference connection.

REPORT BY THE  
GOVERNANCE POLICY  
COMMITTEE CHAIR

Chair Kane reported that there was no Governance Policy Committee meeting, however a meeting will be held before the next Board meeting. Chair Kane clarified his report to the Board last month with regard to

streamlining of the Investment Committee, that will be reported on by the Investment Committee Chair by way of the Permitted Interaction Group.

Chair Kane left the meeting at 12:00 p.m. by exiting the teleconference and Vice Chair Rauckhorst presided over the remainder of the meeting. Quorum was maintained (Vice Chair Rauckhorst, Trustees Barfield, Chan, Hirai, Ley, Machida, and Yap.)

REPORT BY THE  
LEGISLATIVE  
COMMITTEE CHAIR

Legislative Committee (Committee) Chair Chan reported that the Committee did not meet, however discussed the proposed Bills related to the Employees' Retirement System approved by the Board at its last meeting that will be re-introduced for the 2021 Legislative session.

REPORT BY THE  
PERMITTED INTERACTION  
GROUP, INVESTMENT  
COMMITTEE, AND  
KAANAPALI AD HOC  
COMMITTEE CHAIR

Investment Committee (Committee) Chair Barfield reported to the Board on the Permitted Interaction Group's meeting of October 8, 2020

INVESTMENT COMMITTEE  
CHARTER DEVELOPMENT  
AND DELEGATION BY  
BOARD OF LIMITED  
INVESTMENT DECISION-  
MAKING AUTHORITY TO  
A NEWLY  
RECONSTITUTED  
INVESTMENT COMMITTEE  
AND TO STAFF

Chair Barfield discussed with the Board the new structure of the Investment Committee and Charter of that Committee which will be presented to the Governance Policy Committee for recommendation to the Board and final approval and adoption.

Chair Barfield also discussed the delegation of limited investment decision-making authority to the new reconstituted Investment Committee and to staff using a matrix and report devised by Meketa Investment Group, Inc., and Investment Staff. The Committee then considered the structure of the general consultant and decided that no modifications were needed, however it could always be made in the future.

Chair Barfield then reported that the above actions will be brought before the Governance Policy Committee at its next meeting

REPORT BY THE  
COMPENSATION REVIEW  
COMMITTEE CHAIR

Compensation Review Committee (Committee) Chair Rauckhorst reported that there were no meetings held, however, at the next meeting the Committee will discuss the overall process over the past year and to make any changes moving forward to include monitoring the progress of the goals and plans.

ENTER EXECUTIVE  
SESSION

On a motion made by Trustee Barfield, seconded by Trustee Machida, and unanimously carried, the Board entered into Executive Session at 12:08 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 the acquisition 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 HRS § 92-5(a)(4), to conduct discussions and deliberations relating to, and if appropriate, to make decisions on investments or prospective investments by the system that require the consideration of information or records that are exempt from disclosure under Chapter 92F, including information and records that are proprietary information or confidential business information, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities relating to Real Estate Fund Commitment.
- 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 decisions on investments or prospective investments by the system that require the consideration of information or records that are exempt from disclosure under Chapter 92F, including information and records that are proprietary information or confidential business information, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities relating to Approval of a Reinsurance Manager.

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 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 ACQUISITION 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 HRS § 92-5(a)(4),  
TO CONDUCT DISCUSSIONS  
AND DELIBERATIONS  
RELATING TO, AND IF  
APPROPRIATE, TO MAKE  
DECISIONS ON INVESTMENTS  
OR PROSPECTIVE  
INVESTMENTS BY THE  
SYSTEM THAT REQUIRE THE  
CONSIDERATION OF  
INFORMATION OR RECORDS  
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DISCLOSURE UNDER  
CHAPTER 92F, INCLUDING  
INFORMATION AND RECORDS  
THAT ARE PROPRIETARY  
INFORMATION OR  
CONFIDENTIAL BUSINESS  
INFORMATION, AND TO  
CONSULT WITH THE BOARD'S  
ATTORNEYS ON QUESTIONS

AND ISSUES PERTAINING TO  
THE BOARD'S POWERS,  
DUTIES, PRIVILEGES,  
IMMUNITIES, AND  
LIABILITIES RELATING TO  
REAL ESTATE FUND  
COMMITMENT

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  
DECISIONS 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 RELATING TO  
APPROVAL OF A  
REINSURANCE MANAGER

APPROVAL OF EXECUTIVE  
SESSION MINUTES AND  
CONFIDENTIAL  
SUPPLEMENTAL MINUTES  
– AUGUST 10, 2020

EXIT EXECUTIVE SESSION

On a motion made by Trustee Machida, seconded by Trustee Chan, and unanimously carried, the Board exited Executive Session at 1:43 p.m.

APPROVAL OF MINUTES  
– AUGUST 10, 2020

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

ADJOURNMENT

On a motion made by Trustee Barfield, seconded by Trustee Chan, and unanimously carried, Vice Chair Rauckhorst adjourned the meeting at 1:44 p.m.

**REDACTED SIGNATURE**

Thomas Williams  
Executive Director

TW:dkik