

MINUTES OF THE SPECIAL MEETING
OF THE BOARD OF TRUSTEES OF THE EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF HAWAII
HELD ON WEDNESDAY, JULY 13, 2011
AT THE KAHALA HOTEL & RESORT
HONOLULU, HAWAII

ROLL CALL

Trustees present: Mr. Colbert Matsumoto, Chair
Ms. Jackie Ferguson-Miyamoto
Mr. Emmit A. Kane
Mr. Alton Kuioka
Ms. Pili aloha Lee Loy
Mr. Jerome E. Rauckhorst
Mr. Wayne J. Yamasaki
Mr. Kalbert K. Young

Attorneys: Diane Kishimoto, Deputy Attorney General
Brian Aburano, Deputy Attorney General

Staff: Mr. Wesley K. Machida, Administrator
Ms. Kanoe Margol, Assistant Administrator
Mr. Rodney June, Chief Investment Officer
Mr. Vijoy Chattergy, Investment Specialist
Ms. Donna Curry, Program Specialist
Mr. Karl Kaneshiro, Retirement Benefits Manager
Ms. Gerri Konishi, Member Home Loan Assistant
Mr. Larry Wolfe, Accounting Manager
Ms. Jaime Hirata, Recording Secretary
Ms. Wanda Kugiya, Secretary

Guests: Mr. Nigel Emmett) J.P.Morgan Asset Management
Mr. Joel Damon)

Mr. Allan Emkin) Pension Consulting Alliance, Inc.
Mr. Neil Rue)

Ms. Lourdes Canlas) Courtland Partners, Ltd.
Mr. Michael Humphrey)
Mr. Daniel P. Moore)

Mr. Eugene Natali, Jr., C.S. McKee

Mr. Lewis Ward, Gabriel Roeder Smith & Co.

Mr. David Vick, Metropolitan West Asset Management, LLC

QUORUM

A quorum being present, Chair Colbert Matsumoto called the meeting to order at 9:03 a.m.

APPROVAL OF MINUTES –
REGULAR MEETING, APRIL 11, 2011 AND
SPECIAL MEETING, MAY 25, 2011.

On a motion made by Ms. Lee Loy, seconded by Ms. Ferguson-Miyamoto, and unanimously carried, the Board approved the minutes of the Regular Meeting of April 11, 2011 and the Special Meeting of May 25, 2011, as circulated. Consideration of the minutes of the Regular Meeting of May 10, 2011 was deferred.

EXECUTIVE SESSION

On a motion made by Mr. Kuioka, seconded by Ms. Ferguson-Miyamoto, and unanimously carried, the Board entered into Executive Session:

- pursuant to HRS § 92-5(a)(8), to hear and consider the Actuary's preliminary findings on the ERS funded status, and estimated outcomes on actuarial assumptions and recommendations;
- pursuant to HRS § 92-5(a)(4), to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding Lehman Brothers, Inc. and Lehman Brothers Holdings, Inc.;
- pursuant to HRS § 92-5(a)(8), to consider, deliberate, and act on Pension Consulting Alliance, Inc.'s reports on potential finalists for the Covered Calls Manager search; and
- to consider and act on the approval of the Executive Session minutes of the Regular Meeting of April 11, 2011 and the Special Meeting of May 25, 2011. Consideration of the Executive Session minutes of the Regular Meeting of May 10, 2011 was deferred.

EXECUTIVE SESSION TO CONSIDER THE
ACTUARY'S PRELIMINARY FINDINGS
ON THE ERS FUNDED STATUS, AND
ESTIMATED OUTCOMES ON ACTUARIAL
ASSUMPTIONS AND
RECOMMENDATIONS.

APPROVAL OF EXECUTIVE SESSION
MINUTES –
REGULAR MEETING, APRIL 11, 2011 AND
SPECIAL MEETING, MAY 25, 2011.

EXECUTIVE SESSION TO CONSULT WITH THE BOARD'S ATTORNEYS ON QUESTIONS AND ISSUES PERTAINING TO THE BOARD'S POWERS, DUTIES, PRIVILEGES, AND IMMUNITIES, AND LIABILITIES REGARDING LEHMAN BROTHERS, INC. AND LEHMAN BROTHERS HOLDINGS, INC.

EXECUTIVE SESSION TO CONSIDER, DELIBERATE, AND ACT ON PENSION CONSULTING ALLIANCE, INC.'S REPORTS ON POTENTIAL FINALISTS FOR THE COVERED CALLS MANAGER SEARCH.

AMENDMENT OF AGENDA

REPORT BY METROPOLITAN WEST ASSET MANAGEMENT, LLC ON THE TALF PORTFOLIO

(Mr. Aburano left the meeting at this time.)

On a motion made by Mr. Kuioka, seconded by Ms. Ferguson-Miyamoto, and unanimously carried, the Board emerged from Executive Session.

Chair Matsumoto called a recess for lunch at 11:10 a.m. and announced that the meeting would reconvene at 11:30 a.m. in the Maile Ballroom.

A quorum being present, Chair Matsumoto reconvened the meeting at 11:42 a.m.

On a motion made by Mr. Kane, seconded by Ms. Lee Loy, and unanimously carried, the Board amended the agenda to consider the following item in open session: Report by Metropolitan West Asset Management, LLC on the TALF portfolio.

NEW BUSINESS

Mr. David Vick of Metropolitan West Asset Management, LLC (MetWest) reported on the TALF portfolio as of March 31, 2011:

- Investment History (\$mm)
 - Initial Commitment 2009 \$50.0
 - Original Invested Principal \$17.1
 - % of Initial Investment 34%
 - Principal Returned \$0.2
 - Remaining Principal Balance \$16.9
 - Current Market Value \$19.2

- Performance
 - Cash Yield (at purchase) 9.3%
 - Cash Yield (current) 9.3%
 - 1-year Return 9.7%
 - Since Inception Return (cumulative) 24.0%
 - Since Inception Return (annualized) 13.8%

Upon completion of Mr. Vick's presentation, the Chair thanked Mr. Vick and Mr. Vick left the meeting.

REAL RETURN CLASS POLICY

The CIO presented to the Board for the Board's approval a proposed Investment Policy addressing the Real Return Class (RR Policy). The RR Policy was designed to provide guidance on investment class management by addressing performance objectives, investment parameters, risk, and eligible strategies. The RR Policy also includes the GILS Policy adopted by the Board on February 14, 2011.

On a motion made by Ms. Lee Loy and seconded by Ms. Ferguson-Miyamoto, and unanimously carried, the Board approved the proposed RR Policy as presented.

HITIP POLICY REVISIONS

The CIO and Mr. Rue presented to the Board for approval proposed revisions to the HiTIP Policy. The revisions to the HiTIP policy include:

- Consideration of co-investments and non-HiTIP investment opportunities designed to conform with the HiTIP goals while addressing risk factors related to co-investments.
- Appropriate operational controls and process, and the appropriation of responsibilities among the Board, staff, and the HiTIP manager.

Mr. Rue told the Board that the revisions are intended to provide the HiTIP manager with "discretion in a box" by allowing the manager to make an investment that is within the parameters set by the revised policy. The Board would have no veto power with respect to these investments. The CIO told the Board that the manager would have to go the Board for any investments that are outside of the parameters set by the revised policy.

On a motion made by Ms. Lee Loy, seconded by Ms. Ferguson-Miyamoto, and unanimously carried; the Board approved the revised HiTIP policy as presented.

EXECUTIVE SESSION

On a motion made by Ms. Lee Loy, seconded by Ms. Ferguson-Miyamoto, and unanimously carried, the Board entered into executive session, pursuant to HRS § 92-5(a)(4), to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding the conduct of the meeting.

EXECUTIVE SESSION TO CONSULT
WITH THE BOARD'S ATTORNEYS ON
QUESTIONS AND ISSUES PERTAINING
TO THE BOARD'S POWERS, DUTIES,
PRIVILEGES, IMMUNITIES, AND
LIABILITIES REGARDING THE CONDUCT
OF THE MEETING

On a motion made by Ms. Lee Loy, seconded by Ms. Ferguson-Miyamoto, and unanimously carried, the Board emerged from executive session.

(Mr. Young arrived at the meeting at this time.)

NEW BUSINESS

INVESTMENT STRATEGIC PLAN
2011 - 2014

The Chair welcomed Neil Rue and Alan Emkin of Pension Consulting Alliance, Inc. (PCA) for a discussion of the Investment Strategic Plan that was presented by PCA at the June 13, 2011 Investment Committee meeting.

- The plan is designed to assist in identifying and prioritizing major strategic investment issues facing the investment portfolio over the next three years by focusing on key risk management issues and class structuring issues. The plan's recommendations rely upon recommendations from by PCA as ERS's general investment consultant, PCA's private equity staff, ERS's real estate consultant Courtland Partners, and ERS staff.
- PCA suggested an adjustment to the policy language for the primary goal of the investment portfolio to emphasize producing a "sustainable long-term investment return" rather than have the main priority be to preserve capital.

If the Board affirms the strategic plan, PCA and investment office staff will develop action plans to implement the strategic plan.

In the past, the ERS (as well as the large majority of its peers) adopted an investment policy and then managed the risks relative to that policy. Going forward, if the ERS approves the recommendations in the proposed Investment Strategic Plan, the ERS would begin to place a higher priority on managing the risks within the investment policy.

Summary of Risk Management Recommendations:

- Develop an overall multi-dimensional risk management framework.
- Develop more proactive rebalancing procedures and review rebalancing ranges.

- Develop currency risk measurement and management procedures.
- Address plan liquidity risks.
- Address leverage risks, particularly for Real Estate.

Summary of Public Equity Class Recommendations:

- Establish a more global footprint.
- Consider shifting passive investments to a higher proportional weighting.
- Research market segments where active management may add value.

Summary of Public Fixed-Income Class Recommendations:

- Adjust WAMCO's mandate to better reflect the firm's strengths.
- Re-adjust weightings of managers within the diversified/core segments.
- Broaden fixed income's global footprint further, but consider making policy benchmark more conservative.

Summary of Real Return Class Recommendations:

- Conduct additional education on purpose and structure of class.
- Add components/strategies that respond to different forms of inflation.
- Develop proactive strategic weighting/rebalancing approach.

Summary of Private Equity Class Recommendations:

- Increase annual commitment levels.
- Invest in larger individual partnership commitment amounts.
- Seek incremental improvement in Private Equity portfolio liquidity.
- Pursue broader opportunity set of investments.
- Expand consultant mandate(s) to provide more investment flexibility.
- Consider further policy adjustments to the HiTIP.

Summary of Covered Call Class Recommendations:

- Conduct additional education on protective use of derivatives.
- Develop proactive strategic weighting/rebalancing approach.

Mr. Humphrey presented the strategic considerations for the Real Estate class:

- Enhance leverage policy.
- Focus on income.
- Focus on capital preservation.
- Focus on maintaining/improving inflation-hedging characteristics.
- Maintain current risk/return mix.
- Maintain strategic allocation level.
- Consider international/emerging markets exposure.

In closing discussion, Chair Matsumoto suggested a 7.1% expected return and that the Investment Strategic Plan reflect a longer historical period than four years to provide greater context. In addition, the Plan should be more proactive with risk management and accurate data and include risk management strategies. The Board also discussed:

- Resource requirements, i.e. investment staff, risk and management computer software.
- How much discretion to give to the Chief Investment Officer to change allocations.
- Priority levels for sources of funds needed to pay obligations.

TAX COUNSEL FEE CAP INCREASE

The Administrator requested the Board's approval to increase the fee cap by \$55,000 (from \$140,000 to \$195,000) for additional and continued services from the ERS's tax attorney, J. Thomas Maloney Jr., of D'Amato and Maloney, L.L.P. This contract was effective on July 1, 2009 and will expire on June 30, 2012. On a motion made by Ms. Lee Loy, seconded by Ms. Ferguson-Miyamoto, and unanimously carried, the Board approved an increase, to \$195,000 of the fee cap for Mr. Maloney.

MEMORANDUM OF UNDERSTANDING
BETWEEN THE DEPARTMENT OF
COMMERCE AND CONSUMER AFFAIRS
AND ERS REGARDING THE HIRING OF
HEARING OFFICERS

The Administrator requested the Board's approval to hire the Department of Commerce and Consumer Affairs (DCCA) Office of Administrative Hearings (OAH) to conduct administrative hearings on appeals to the ERS Board of Trustees. ERS would still control assignment of cases, but because of current and future anticipated workload requirements, OAH will be used as well as contracted hearing officers when needed for more timely disposition of cases on appeal.

On a motion made by Ms. Lee Loy, second Ms. Ferguson-Miyamoto, and unanimously carried, the Board authorized the retention of hearing officers from the Office of Administrative hearings for disability retirement and accidental death benefit cases and other administrative hearings for the Board.

PRESENTATIONS

J.P.MORGAN CHASE – INTERNATIONAL
DEVELOPED MARKETS PORTFOLIO
REVIEW

The CIO welcomed and introduced Mr. Nigel Emmett and Mr. Joel Damon of J.P. Morgan Asset Management to present a review of the international developed markets portfolio managed by J.P. Morgan Investment Management, Inc. for the ERS.

Upon completion of their presentation, Chair Matsumoto thanked Mr. Emmett and Mr. Damon and they left the meeting.

C.S. MCKEE – LARGE CAP VALUE
PORTFOLIO REVIEW

The CIO welcomed and introduced Mr. Eugene Natali of C.S. McKee, L.P. to present a review of the large cap value portfolio managed by C.S. McKee for the ERS.

Upon completion of Mr. Natali's presentation, Chair Matsumoto thanked Mr. Natali and Mr. Natali left the meeting.

PENSION CONSULTING ALLIANCE, INC.
– REPORT ON PRIVATE EQUITY
PROGRAM PACING

Neil Rue presented PCA's report on private equity program pacing and on PCA's review of Abbott Capital's 2011 summary and outlook for the ERS program. Mr. Rue reported that, although Abbott Capital's portfolio is well diversified across vintage year, geography, and strategy, and while Abbott Capital has been prudent in putting ERS's commitments to work, additional commitment levels will be necessary for ERS to meet its new target for private equity of 7%. Therefore, PCA recommends that ERS consider additional strategic options for the private equity program.

REPORTS BY STAFF, CHAIR, TRUSTEE(S) AND DEPUTY
ATTORNEY GENERAL

MANAGER ORGANIZATIONAL CHANGES

The CIO reported on manager organizational changes:

- Bradford & Marzec, LLC announced addition of Drew Sweeney as portfolio manager of yield bonds and senior loans. This addition should have no impact on the way the ERS portfolio is managed.
- Mercator Asset Management, L.P. announced addition of Charles Radtke to partnership status of the firm. ERS portfolio management team remains the same under the direction of James Chaney and Robin Kollannur.

CHIEF INVESTMENT OFFICER'S REPORT OF INVESTMENT OFFICE ACTIVITY

The CIO reported on the status of activities of the Investment Office for July 2011. Highlights include:

- Asset Classes:
 - Public Equities searches approved the Board on October 25, 2010:
 - Global Inflation Linked Securities Manager Search - pending State tax clearance
 - Passive Global Equity Manager Search – transition of assets to occur in late July
 - Active Developed Markets Manager Search - contracting phase with two selected managers
 - Real Estate – BlackSand Capital final review taking place with outside legal counsel
 - HiTIP/Macquarie Funds Management (USA) Inc. – revisions addressing co-investments and non-HiTIP investment opportunities are incorporated into final draft for Board consideration.
 - Covered Calls – finalist list to be presented at the July 2011 meeting; further due diligence to be conducted in early August 2011; finalist presentations projected for mid-August 2011
 - Real Return Assets – funding for GILS manager will come from R1000 ETF's and waiting on tax clearance of manager
- Policy:
 - HiTIP Policy: seeking Board approval, July 2011
 - Rebalancing: small cap managers will be rebalanced within the next 30 days
 - Watch Status: Acadian, Atalanta Sosnoff, Goldman Sachs, Philadelphia International, and Rexiter
 - Due Diligence Site Inspections: follow-up meeting with Bishop Street Capital Management on June 20, 2011
- Operational and Risk Management:
 - Transition Management
 - Global Inflation-Linked Securities portfolio – pending contract finalization
 - Passive Global Equity – evaluating rebalancing amounts and target managers

- Bloomberg: Training conducted for Accounting and Investment staff at the end of June 2011
- Cash Flow Model: Will provide update of model at the August 2011 meeting
- Administration:
 - Contract Status
 - PIMCO – change in fee structure, July 2009
 - State Street Transition Management – February 2010 nearing finalization
 - J.P.Morgan Chase – reduced fee structure, September 2010
 - Global Inflation Linked Securities – waiting on tax clearance, February 2011
 - Passive Global Equities – contract complete; waiting on agency agreement
 - BlackSand Capital – finalizing review of LPA and side letter by outside legal counsel
 - Request for Proposal (RFP) released for general consultant, real estate consultant, and non-discretionary private equity advisor on July 11, 2011
 - The CIO will be on vacation July 21, 2011 to August 2, 2011.
- Investment Agenda Outlook:
 - August 2011
 - PCA 2Q2011 Performance Review
 - Courtland Partners 1Q2011 Performance Measurement Report
 - Bishop Street Capital Management Portfolio Review
 - Covered Calls Policy
 - 2012 ERS Investment Summit
 - October 2011
 - Courtland Partners 2Q2011 Performance Measurement Report
 - November 2011
 - Pacific Income Advisors Portfolio Review
 - Jennison Associates Portfolio Review
- Calendar of Events
 - October 25 – 26, 2011 ERS Real Estate Symposium, venue to be announced.

CHIEF INVESTMENT OFFICER'S REPORT
OF INVESTMENT MANAGER MEETINGS,
2ND QUARTER 2011

The CIO reported on the investment meetings with managers under contract and potential investment managers and other service providers for second quarter 2011 (ending June 30, 2011).

ERS ACTION PLAN UPDATE

The Administrator presented an update of the ERS action plan as of July 13, 2011:

- Outstanding Finals Calculations:
 - 719 pending cases on estimated payment.
 - Approximately 400 of the pending cases are June 2011 retirees.

- 1,839 cases were completed for the past 6 months.
- Efficiency Review draft is being reviewed by ERS staff.
- Internal Audit target date is December 16, 2011.
- V3 upgrade target completion date is September 30, 2011.
- Hybrid Plan Upgrade Program
 - Initial goal was to obtain 30% participation rate and between \$150 million to \$250 million in transfers and payments. 4,329 members (20% participation rate) upgraded their service resulting in \$243.9 million of transfers and payments to the ERS.
- Secretary to Administrator position was filled on June 29, 2011.
- Accounting Manager position was filled on June 6, 2011.
- Target date to hire Retirement Claims Examiner Supervisor is September 1, 2011; consideration is being made to change qualifications of the position.
- Fully staffing the Call Center remains an issue.
- Completion of Performance Standards to be incorporated into the ERS Strategic Plans for 2011, expected October 1, 2011.
- Voluntary Correction Program is pending final IRS review.
- Completion of the Strategic Plan update is expected September 30, 2011.
- Expected completion of financial audit with KPMG is August 31, 2011.

RECESS

There being no objections, Chair Matsumoto called a recess of the meeting at 3:40 p.m. and announced the meeting will reconvene at 8:30 a.m. on Thursday, July 14, 2011 in the Maile Ballroom.

MINUTES OF THE SPECIAL MEETING
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OF THE STATE OF HAWAII
HELD ON WEDNESDAY, JULY 13, 2011
AT THE KAHALA HOTEL & RESORT
HONOLULU, HAWAII.

RECONVENED ON THURSDAY, JULY 14, 2011 IN THE MAILE BALLROOM

ROLL CALL

Trustees present:

Mr. Colbert Matsumoto, Chair
Ms. Jackie Ferguson-Miyamoto
Mr. Emmitt A. Kane
Mr. Alton Kuioka
Ms. Pili'alo'ha Lee Loy
Mr. Jerome E. Rauckhorst
Mr. Wayne J. Yamasaki
Mr. Kalbert K. Young

Staff:

Mr. Wesley K. Machida, Administrator
Ms. Kanoe Margol, Assistant Administrator
Ms. Donna Curry, Program Specialist
Mr. Rodney June, Chief Investment Officer
Mr. Vijoy Chattergy, Investment Specialist
Mr. Larry Wolfe, Accounting Manager
Ms. Gerri Konishi, Member Home Loan Assistant
Ms. Amy Nishimura, Information Technology Specialist
Ms. Jaime Hirata, Secretary
Ms. Wanda Kugiya, Recording Secretary

Guests:

Lt. Governor Brian Schatz, State of Hawaii
Ms. Kimberley Yoshimoto, Chief of Staff, Lt. Governor's Office

Senator David Ige, Ways and Means Committee Chair
Representative Karl Rhoads, Labor and Public Employment Chair

Mr. Kyle Datta, The Ulupono Initiative

Mr. Nainoa Thompson, Polynesian Voyaging Society

See attached list.

QUORUM

A quorum being present, Chair Matsumoto reconvened the meeting at 8:30 a.m. on Thursday, July 14, 2011, in the Maile Ballroom at the Kahala Hotel & Resort in Honolulu, Hawaii.

PRESENTATIONS

WELCOME REMARKS – LT. GOVERNOR
BRIAN SCHATZ

The Chair introduced and welcomed Lt. Governor Brian Schatz. Lt. Governor Schatz welcomed the conferees to Honolulu.

The Chair took a roll call of the conference participants and recognized the following individuals who have attended all of the ERS' Investment Summits:

- Mike Hirai of Bishop Street Capital Management
- Zee Marzec of Bradford & Marzec
- Lloyd McAdams of Pacific Income Advisors
- Astrid Vogler of Oechsle International Advisors

The Chair turned the gavel over to Mr. Rauckhorst to serve as presiding officer.

REPORT OF THE ERS ADMINISTRATOR –
WESLEY MACHIDA

Mr. Rauckhorst introduced Mr. Wesley Machida, ERS Administrator. The Administrator introduced the trustees, Representative Karl Rhoads and Senator David Ige. He also gave a brief update of the ERS's operational activities and changes in State laws affecting member benefits.

JAPAN – A LAND OF MANY
CHALLENGES – JIM CHANEY AND
ROBIN KOLLANNUR, MERCATOR ASSET
MANAGEMENT

Mr. Rauckhorst introduced Mr. Jim Chaney and Mr. Robin Kollannur of Mercator Asset Management who gave a presentation and discussed Japan's many challenges.

AUSTRALIA AND NEW ZEALAND –
INCREASING THEIR FOOTPRINT IN
GLOBAL MARKETS – MICHAEL LUKIN,
MACQUARIE FUNDS GROUP (USA), INC.

Mr. Rauckhorst said that there will be a change in the presentation order. He introduced Mr. Michael Lukin of Macquarie Funds Group (USA), Inc. who gave a presentation and discussed Australia and New Zealand global markets.

Mr. Rauckhorst called a recess at 10:35 a.m. The meeting resumed at 11:14 a.m.

ALTERNATIVE ENERGY FORMS – KYLE
DATTA, THE ULUPONO INITIATIVE

Mr. Rauckhorst introduced Mr. Kyle Datta of The Ulupono Initiative who gave a presentation and discussed Alternative Energy Forms.

2011 SUMMIT KEYNOTE ADDRESS –
NAINOA THOMPSON, POLYNESIAN
VOYAGING SOCIETY

Mr. Kane introduced Mr. Nainoa Thompson, of the Polynesian Voyaging Society, who gave the keynote address for the 2011 Investment Summit.

Mr. Rauckhorst called a recess at 1:15 p.m. He announced that the meeting would immediately reconvene in the Maile Ballroom Foyer for lunch and further business, and that after lunch the meeting would reconvene in the Maile Ballroom.

The meeting reconvened in the Maile Ballroom Foyer at 1:25 p.m.

TRUSTEE PRESENTATION

Ms. Lee Loy read proposed Resolutions recognizing former Trustee Darwin Hamamoto. On a motion made by Mr. Kuioka, seconded by Ms. Lee Loy, and unanimously carried, the Board adopted the Resolutions, a copy of which is attached to these Minutes and incorporated by reference.

QUORUM

A quorum being present, Mr. Rauckhorst reconvened the meeting in the Maile Ballroom at 1:50 p.m.

AFRICA AND THE MIDDLE EAST – DON
GERVAIS, GOLDMAN SACHS ASSET
MANAGEMENT

Mr. Rauckhorst introduced Mr. Don Gervais of Goldman Sachs Asset Management who gave a presentation and discussed Africa and the Middle East.

TALK STORY “AMERICA: A NEW ROLE
IN THE GLOBAL ECONOMY” – NEIL RUE,
PENSION CONSULTING ALLIANCE, INC.;
ROBERT ARNOTT, RESEARCH
AFFILIATES; NIGEL EMMET, J.P.
MORGAN; CHARLIE JACKLIN, MELLON
CAPITAL MANAGEMENT

Mr. Rauckhorst turned the gavel over to Mr. Kane, who served as the Talk Story moderator. Mr. Kane welcomed Mr. Neil Rue of Pension Consulting Alliance, Inc., Mr. Robert Arnott of Research Affiliates, Mr. Nigel Emmet of J.P. Morgan, and Mr. Charlie Jacklin of Mellon Capital Management, to participate in a discussion on the role of the United States in global markets in light of the financial crisis, whether the United States can maintain its role as a global leader, and what this means to public pension plans.

Mr. Rauckhorst relinquished the gavel to Chair Matsumoto who called a recess at 2:35 p.m. and announced that the meeting would reconvene at 8:50 a.m. on Friday, July 15, 2011, in the Maile Ballroom.

MINUTES OF THE SPECIAL MEETING
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HELD ON WEDNESDAY, JULY 13, 2011
AT THE KAHALA HOTEL & RESORT
HONOLULU, HAWAII

RECONVENED ON FRIDAY, JULY 15, 2011 IN THE MAILE BALLROOM

ROLL CALL

Trustees present: Mr. Colbert Matsumoto, Chair
Ms. Jackie Ferguson-Miyamoto
Mr. Emmit A. Kane
Mr. Alton Kuioka
Ms. Pilialoa Lee Loy
Mr. Kalbert K. Young

Trustee Excused: Mr. Jerome E. Rauckhorst
Mr. Wayne J. Yamasaki

Staff: Mr. Wesley K. Machida, Administrator
Ms. Kanoe Margol, Assistant Administrator
Ms. Donna Curry, Program Specialist
Mr. Rodney June, Chief Investment Officer
Mr. Vijoy Chattergy, Investment Specialist
Mr. Larry Wolfe, Accounting Manager
Ms. Gerri Konishi, Member Home Loan Assistant
Ms. Amy Nishimura, Information Technology Specialist
Ms. Jaime Hirata, Secretary
Ms. Wanda Kugiya, Recording Secretary

Guests: Senator David Ige, Ways and Means Committee Chair

See attached list.

QUORUM

A quorum being present, Chair Matsumoto, reconvened the meeting at 8:53 a.m. on Friday, July 15, 2011, in the Maile Ballroom at the Kahala Hotel & Resort in Honolulu, Hawaii.

The Chair turned the gavel over to Mr. Kuioka to serve as presiding officer.

REPORT OF THE CHIEF INVESTMENT OFFICER

The CIO presented the Investment Office update.

INFLATION – WHEN WILL THE BARKING DOG BITE? – NIC JOHNSON, PIMCO

Mr. Kuioka introduced Mr. Nic Johnson of PIMCO who gave a presentation and discussed Inflation.

FIXED INCOME MARKETS – A NOT SO QUIET EVOLUTION – GRAHAM ALLEN, BRADFORD & MARZEC

Mr. Kuioka introduced Mr. Graham Allen of Bradford & Marzec who gave a presentation and discussed Fixed Income Markets.

RISK MANAGEMENT – KEEPING UP WITH THE CHANGING MARKET DYNAMICS – NEIL RUE, PENSION CONSULTING ALLIANCE, INC.

Mr. Kuioka introduced Mr. Neil Rue of Pension Consulting Alliance, Inc. who gave a presentation and discussed Risk Management.

Mr. Kuioka turned the gavel over to Ms. Lee Loy.
Ms. Lee Loy reported that Mr. Kuioka will be leaving the Board. Ms. Lee Loy thanked Mr. Kuioka for his years on the Board.

Ms. Lee Loy relinquished the gavel to the Chair who thanked everyone for attending and commended the ERS staff for an outstanding job in coordinating this event.

On a motion made by Ms. Lee Loy, seconded by Mr. Kuioka, and unanimously carried, Chair Matsumoto adjourned the Board meeting at 11:20 a.m.

REDACTED

Rodney June
Chief Investment Officer *RJ*

CONFEREES
2011 SPECIAL BOARD MEETING
JULY 13 – 15, 2011

NAME	COMPANY NAME
Katie Stokel	Abbott Capital Management, LLC
Jenny Scharfeld Timothy Jenkins	Angelo Gordon & Co.
Kamani Kuala'au Rob Ruland	Atalanta Sosnoff Capital, LLC
Shane Kaopua	Bank of Hawaii
Cory Martin Ray Nixon, Jr.	Barrow Hanley Mewhinney and Strauss, Inc.
Michael Hirai Jason Haruki Elmer Nakao	Bishop Street Capital Management
Kevin O'Donnell Jason Gordon Brian Weinstein	BlackRock, Inc.
BJ Kobayashi Ian MacNaughton	BlackSand Capital
Kim Smallwood	BNY ConvergeX Group
Zee Marzec Graham Allen	Bradford & Marzec, LLC
Niall Kilcommons Debra Chun	C.M. Bidwell & Associates
Gene Natali, Jr. Greg Melvin	C.S. McKee, L.P.
Michael McMenomy	CB Richard Ellis Investors, LLC
Michael Humphrey Lourdes Canlas Daniel P. Moore	Courtland Partners, Ltd.
Charles Shaffer Anthony Giordano	Credit Suisse Securities
Nick Efstratis Chris Stone	EPIC Ventures
Don Huber Sandi Schoren-Testa	Franklin Templeton Institutional, LLC
Stephanie Ivy Don Gervais	Goldman Sachs Asset Management
Jonathan Aggett	Hancock Timber Resource Group
Jim Proud Mary Ludgrin	Heitman Capital Management
Jeff Cavanaugh Deirdre Perez Max Swango	Invesco Real Estate

NAME	COMPANY NAME
Rick Mastain John Mullman	Jennison Associates, LLC
Joel Damon Nigel Emmett Rick Lauchnor Michael Milmoe	J.P. Morgan Asset Management
Dan McLaughlin	Kohlberg Kravis Roberts & Co.
Kristin Schneider Allison McFaul Matthew Walley	LaSalle Investment Management
Andy Betz Michael Lukin	Macquarie Funds Management (USA) Inc.
Bill Richardson	Manoa Venture
Charlie Jacklin Greg Lindsey	Mellon Capital Management
Robin Kollannur Jim Chaney	Mercator Asset Management, L.P.
Ryan Krauch	Mesa West Capital
Julie Gonsch Laurie Neu	Northern Trust Company
Anthony Harrington	Oaktree
Astrid Vogler	Oechsle International Advisors, LLC
Tim Tarpenting Lloyd McAdams Bradley Schlutter	Pacific Income Advisors
Neil Rue Allan Emkin Paul Mouchakkaa Jeremy Thiessen	Pension Consulting Alliance, Inc.
Rick Fulford Mike Chandra Nic Johnson	Pacific Investment Management Company
Brad Allinson	Quantitative Management Associates, LLC
Robert Arnott Jeff Wilson	Research Affiliates, LLC

David Beach	State Street Global Markets
Eoin Middaugh	Systematic Financial Management, L.P.
John Plowright Ken Brooks Stephen Jackson	T. Rowe Price Associates
David Vick	TCW/Metropolitan West Asset Management, LLC
Joe Carieri	Western Asset Management Co.

Resolution



Employees' Retirement System
of the State of Hawaii

WHEREAS, DARWIN J. HAMAMOTO became a member of the Board of Trustees of the Employees' Retirement System of the State of Hawaii on January 3, 1994 and served until December 31, 2009; and

WHEREAS, during his tenure, he served as Chair of the Board, Chair of the Legislative and Administrative Committee, and member of the Investment Committee, Audit Committee, Kaanapali Ad Hoc Committee, and the Aries Computer Ad Hoc Committee.

WHEREAS, during his tenure the Employees' Retirement System's assets grew from \$5.7 billion to \$10.5 billion with positive investment returns for 13 years, its membership increased from 58,890 to 67,912, and the number of pensioners grew from 22,905 to 36,999 with the average pension payment increasing from \$1,039 to \$1,832.

WHEREAS, during his years of service, the Hybrid Plan was implemented in July 1, 2006 and more than 27,000 members switched to the Hybrid Plan to receive a better pension benefit while being cost neutral to the employers; and the "Pop Up" feature to the joint and survivor retirement option was implemented to allow retirees to get a higher pension should the beneficiary pass away before the retiree; and the funding methodology changed in 2005 to percentage of pay, allowing for a more consistent and steady stream of employer contributions to better fund the Employees' Retirement System.

WHEREAS, Darwin Hamamoto was a public servant in the true sense of the word, committing himself to serving the people of Hawaii with dedication and unselfishness, and worked relentlessly and diligently to insure that the quality of life of retired public employees was of the highest standard; and dedicated himself to improving the resources of the program which would enable the members to retire knowing that such years would be lived with dignity; and

WHEREAS, under his stewardship, the Employees' Retirement System continued to be nationally recognized and emulated by sister states; and

WHEREAS, during his tenure as a Trustee, he won the respect and admiration of his peers; and his distinguished and exemplary service merits the highest recognition;

NOW THEREFORE BE IT RESOLVED by the Board of Trustees of the Employees' Retirement System that it commends and congratulates Darwin J. Hamamoto for his outstanding leadership and service to the Employees' Retirement System and the people of Hawaii; and that sincerest best wishes be extended to Darwin J. Hamamoto for a distinguished career in public service;

BE IT FURTHER RESOLVED that a certified copy of this Resolution be transmitted to **Mr. Darwin J. Hamamoto**.

BOARD OF TRUSTEES:

Chair

Member

Member

Member

REDACTED

Member

Member

Member

Member

REDACTED