

More detailed information regarding the Private Growth component can be found in the Appendix of this section.

**B. Modifications to Component Structure**

Modifications to the Broad Growth class's component structure can take four forms:

- i. Adding or deleting a specific investment strategy within a specific component;
- ii. Adding or deleting a specific component;
- iii. Establishing allocation levels and ranges among the components;
- iv. Establishing strategy allocation levels and ranges within the components.

Modifications to the Broad Growth's component structure will occur only with approval of the Board of Trustees.

**C. Components' Allocations and Allocation Ranges**

The Broad Growth class's allocation targets and allocation ranges among its three major components are as follows (as a percent of total Broad Growth class assets):

Long-term Broad Growth Class Component Allocation Policy

<u>Component</u>	<u>Lower Limit</u>	<u>Allocation Target</u>	<u>Upper Limit</u>
Traditional Growth	20%	<b>35.5%</b>	50%
Stabilized Growth	20%	<b>35.5%</b>	50%
Private Growth		<b>29%*</b>	

\* Due to the illiquid nature of the *Private Growth* component, its allocation will be based on pre-established policy allocation ranges, and likely not fluctuate dramatically

Interim Broad Growth Class Component Allocation Policies

	<u>Target Structure</u> <u>7/1/2016</u>	<u>Target Structure</u> <u>1/1/2018</u>	<u>Target Structure</u> <u>1/1/2019</u>	<u>Target Structure</u> <u>1/1/2020</u>	<u>Target Structure</u> <u>1/1/2021</u>
Traditional Growth	45%	43%	41%	38.5%	35.5%
Stabilized Growth	45%	43%	41%	38.5%	35.5%
Private Growth	10%	14%	18%	23%	29%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**D. Management of Components**

To manage the assets assigned to the Broad Growth class components, the Board of Trustees (“Board of Trustees” or “Board”) of the Employees’ Retirement System of the State of Hawaii (“ERS”) utilizes a combination of active and passive external managers. Per policy, the Board delegates the manager selection process to the ERS’s general investment consultant (“General Investment Consultant”) and the ERS’s investment staff (“Investment Staff”), but retains final decision authority for selecting managers for a specific investment mandate. Investment Staff is also expected to manage the components’ allocations to align with their respective allocation targets over time. From time-to-time, based on market dynamics and trends, Investment Staff has the discretion to vary each respective component’s allocation away from the allocation target, but always within the upper and lower limits as shown in the table under Section C. above. Investment Staff is responsible for reporting to the Board component allocation levels that vary materially from their allocation targets.

Within each component, assets are allocated across a series of mandates and/or investment styles. In combination, these mandates and styles capture a broad, representative sampling of the available investment opportunity set within the specified component. The mandate/style allocations within each component are as follows:

*Traditional Growth Component Allocation Policy*

Long-only Public Equity – 100%	
Global – 100%	
Passive	
Mid-Large Cap	100%
Small Cap	0%
Active	
Mid-Large Cap	62%
Small Cap	38%
Total Passive	60%
Total Active	40%

*Stabilized Growth Component Allocation Policy*

Covered Calls – 17%		Public Extended Global Credit – 17%		Cash-Secured Put-Writing – 34%	
Passive	0%	Passive	0%	Passive	0%
Active	100%	Active	100%	Active	100%

Low Volatility Equity – 17%		Core Real Estate – 15%	
Passive	0%	Passive	0%
Active	100%	Active	100%

*Private Growth Component Allocation Policy\**

Private Markets – 100%	
Private Growth – 100%	
Passive	0%
Active	100%

\*See the Appendix of this section for further detail on the structure of the Private Growth component

**E. Components' Managers and Managers' Allocations**

To manage the assets allocated to each strategic class and its underlying components, the Board delegates investment authority to external investment managers (“investment managers”). The General Investment Consultant and Investment Staff have joint authority for identifying and selecting investment manager candidates for specific investment mandates. The Board has final authority over the selection of specific managers for each mandate. Investment Staff has the authority to manage the allocation to each investment manager. Under this authority, Staff may reduce funding to one or more specific manager(s) and/or increase funding to one or more specific manager(s) as long as the risk profile of the component or sub-component is maintained. The investment manager allocations within each component mandate are as follows:

*Traditional Growth Component Manager Allocation Policy*

Long-only Public Equity – 100%	
Global – 100%	
Within Passive (60%)	
LGIMA (market cap)	55%
BlackRock (enhanced index)	45%
Within Active (40%)	
QMA (mid-large cap)	35%
Longview (mid-large cap)	27%
Fidelity (small cap)	19%
Wellington (small cap)	19%