

MINUTES OF THE MEETING OF THE
COMPENSATION REVIEW COMMITTEE OF THE
BOARD OF TRUSTEES OF THE
EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII

MARCH 23, 2020

CITY FINANCIAL TOWER
201 MERCHANT STREET, SUITE 1400
HONOLULU, HAWAII 96813

Trustees present: Mr. Jerome Rauckhorst, Chair
(by teleconference) Mr. Vincent Barfield
Dr. Genevieve Ley
Mr. Wesley Machida

Staff present: Mr. Thomas Williams, Executive Director
(City Financial Tower Ms. Kanoë Margol, Deputy Executive Director
by teleconference) Ms. Dale Kehau Kanae, Recording Secretary

Staff present: Ms. Elizabeth Burton, Chief Investment Officer
(by teleconference)

Attorney present: Mr. Ivan Torigoe, Deputy Attorney General
(by telephone)

Pursuant to Section 4 of the Governor of the State of Hawaii's Supplementary Proclamation dated March 16, 2020, in order to implement social distancing measures, this meeting was held closed to the public and allowed Trustees to participate by teleconference or other remote technology.

QUORUM/CALL TO ORDER

A quorum being present (Chair Rauckhorst, Trustees Barfield, Ley, and Machida), Chair Rauckhorst called the Compensation Review Committee (Committee) of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 1:03 p.m.

PUBLIC COMMENT

Chair Rauckhorst called for public comment. There were no members of the public present, therefore no public comments. There was also no public testimony received by e-mail for this Committee meeting.

ELECTION OF CHAIR AND
VICE CHAIR OF THE
COMMITTEE

Chair Rauckhorst asked for nominations for Chair of the Committee. Trustee Barfield nominated and motioned that Chair Rauckhorst continue as Chair of the Committee and Trustee Machida seconded the nomination and motion, unanimously carried, Chair Rauckhorst was re-elected as Chair of the Compensation Review Committee.

Chair Rauckhorst then asked for nominations for Vice Chair of the Committee. Trustee Machida nominated and motioned Trustee Barfield as Vice Chair, and Trustee Ley seconded the nomination and motion, unanimously carried, Trustee Barfield was elected Vice Chair of the Compensation Review Committee.

For the record, there was no Vice Chair of the previous Compensation Review Committee.

REVIEW THE CHARTER OF THE COMMITTEE; DISCUSS AND APPROVE ANY RECOMMENDED CHANGES TO THE CHARTER

The Committee reviewed and discussed the Charter and recommended changes to the following sections:

II. COMMITTEE MEMBERSHIP. The Committee should consist of at least one appointed and one elected Board member.

The Committee suggested that this structure should apply to all Committees and will recommend the same to the Board and that it should be monitored by the Governance Committee.

III. MEETINGS. Delete the third sentence and the word [However] starting the fourth sentence, and capitalize the word “the” as the start of the fourth sentence.

~~(The Committee shall meet regularly without ERS officers and employees present. However, t~~The ...)

IV. AUTHORITY AND RESPONSIBILITIES. Delete from the first sentence, the words [Board shall designate a member of the] and add after the word “Committee”, “shall elect from its membership a”, delete the words (as the), capitalize the word “chairperson”, and after that word add “and Vice Chairperson.”

~~(The Board shall designate a member of the~~ Committee shall elect from its membership a as the eChairperson and Vice Chairperson.)

The Committee also discussed and recommended that the Charter, as well as all other Committee Charters, should be approved by the Board annually. This amended Charter will be presented to the Board for approval.

On a motion made by Trustee Machida, seconded by Vice Chair Barfield, and unanimously carried, the Committee recommended modifications to the Charter, as described above, to be presented for final approval by the Board. (A revised Charter is attached for clarification).

DETERMINE THE PROCESS AND PROCEDURES BY WHICH THE COMMITTEE WILL CARRY OUT ITS RESPONSIBILITIES

Chair Rauckhorst determined that the next two agenda items would be combined. Chair Rauckhorst discussed and reviewed the 2020 Timeline with the Committee members noting and confirming the meeting dates, for attendance purposes. Minor changes were made to the Timeline and a follow-up meeting in “August/September” will be added for the purpose of evaluating the process of the current year and making any recommendations for the next year.

DEVELOP A TIMELINE FOR THE COMMITTEE TO COMPLETE ITS EVALUATIONS AND RECOMMENDATIONS REGARDING COMPENSATION FOR THE EXECUTIVE DIRECTOR AND EXEMPT INVESTMENT OFFICE STAFF, AND ITS EVALUATION OF THE DEPUTY EXECUTIVE DIRECTOR; IDENTIFY NEXT STEPS AND TASKS TO BE PERFORMED AND ASSIGN RESPONSIBILITIES

STATUS UPDATE ON THE
RETENTION OF A
COMPENSATION
CONSULTANT

Executive Director (ED) Williams updated the Committee on the retention of a compensation consultant discussing that a Request for Proposal was issued and contractor selected, however, the potential contract amount exceeded the approved amount requiring additional approval by the Governor, which ERS is still awaiting. Based on this delay, ED Williams suggested the Committee use the same process for determining compensation as it did in the past year.

After discussion, the Committee asked to review the Request for Proposal with details of what services would be provided within the contracted amount, and the estimated fee for annual updates to the study. The Committee decided that until the requested information is provided and due to the fiscal uncertainty that the State is facing, this matter will be discussed at the next meeting.

APPROVAL OF MINUTES
- SEPTEMBER 26, 2019

On a motion made by Vice Chair Barfield, seconded by Chair Rauckhorst, and unanimously carried, the Committee approved the minutes for the September 26, 2019, meeting as presented.

ENTER EXECUTIVE
SESSION

On a motion made by Trustee Machida, seconded by Vice Chair Barfield, and unanimously carried, the Committee entered into Executive Session at 1:45 p.m.

EXECUTIVE SESSION

- Pursuant to HRS§ 92-5(a)(2) and (4), to discuss evaluation and performance compensation, where matters affecting privacy will be involved, and to consult with the Board's attorneys on questions and issues pertaining to the Committee's powers, duties, privileges, immunities, and liabilities; appropriate action.

EXECUTIVE SESSION,
PURSUANT TO HRS§ 92-
5(a)(2) AND (4), TO DISCUSS
EVALUATION AND
PERFORMANCE
COMPENSATION, WHERE
MATTERS AFFECTING
PRIVACY WILL BE
INVOLVED, AND TO
CONSULT WITH THE
BOARD'S ATTORNEYS ON
QUESTIONS AND ISSUES
PERTAINING TO THE
COMMITTEE'S POWERS,
DUTIES, PRIVILEGES,
IMMUNITIES, AND
LIABILITIES; APPROPRIATE
ACTION

APPROVAL OF EXECUTIVE
SESSION MINUTES
– SEPTEMBER 26, 2019

EXIT EXECUTIVE SESSION

On a motion made by Trustee Machida, seconded by Vice Chair Barfield, and unanimously carried the Committee exited Executive Session at 1:48 p.m.

ADJOURNMENT

On a motion made by Trustee Machida, seconded by Trustee Ley, and unanimously carried, Chair Rauckhorst adjourned the meeting at 1:50 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
COMPENSATION REVIEW
COMMITTEE CHARTER

I. PURPOSE

The purpose of the Compensation Review Committee (“Committee”) is to carry out the responsibilities delegated to it by the Board of Trustees of the Employees’ Retirement System of the State of Hawaii (“Board”) relating to the review and determination of executive compensation and/or compensation for exempt positions in the Employees’ Retirement System of the State of Hawaii (“ERS”).

II. COMMITTEE MEMBERSHIP

The Committee shall consist of no more than four (4) trustees. The members of the Committee shall be appointed by the Board. The members of the Committee shall be appointed for one-year terms and shall serve for such term or terms as the Board may determine or until earlier resignation. The Board may remove any member from the Committee at any time with or without cause.

III. MEETINGS

The Committee shall meet at such times and places as it deems necessary to fulfill its responsibilities. After each meeting, the Committee shall report to the Board regarding its actions and recommendations. ~~The Committee shall meet regularly without ERS officers and employees present. However,~~ The Committee may invite ERS officers and employees to its meetings as it deems appropriate. Except as otherwise directed by the Committee, the Executive Director, Deputy Executive Director, the Chief Investment Officer, and exempt Investment Office staff shall not be present at Committee meetings at which their compensation or performance is discussed or determined.



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IV. AUTHORITY AND RESPONSIBILITIES

The Board shall designate a member of the Committee ~~shall elect from its members a~~ as ~~the~~ Chairperson and Vice Chairperson.

The Committee shall have the following authority and responsibilities:

- To review and approve annually the ERS's goals and objectives applicable to the Executive Director, Deputy Executive Director, and Chief Investment Officer. These goals and objectives shall be applicable to the compensation of the Executive Director and the Chief Investment Officer.
- Evaluate at least annually the Executive Director's, Deputy Executive Director's, and Chief Investment Officer's performance in light of the goals and objectives applicable to their positions.
- The Committee shall make recommendations to the Board regarding the compensation of the Executive Director and Chief Investment Officer.
- The Committee shall consult with the Executive Director on the goals and objectives applicable to the Deputy Executive Director, Chief Investment Officer, and exempt Investment Office staff.
- To review at least annually the Executive Director's and Chief Investment Officer's evaluations of the performance of exempt Investment Office staff in light of the goals and objectives applicable to those staff.
- The Committee shall make recommendations to the Board regarding the compensation of exempt Investment Office staff.
- In evaluating and making recommendations regarding compensation, the Committee shall consider the results of the most recent performance reports applicable to the goals and objectives of the ERS.



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- To review and make recommendations to the Board regarding the adoption, amendment, or termination of employment agreements and severance arrangements or plans, including any benefits to be provided in connection with the appointment of the Executive Director and Chief Investment Officer.
- To develop and recommend to the Board for approval a succession plan ("Succession Plan"), to review the Succession Plan periodically with the Executive Director, to develop and evaluate potential candidates for the Executive Director, Deputy Executive Director, and Chief Investment Officer positions, and to recommend to the Board any changes to, and any candidates for succession under, the Succession Plan.

V. OUTSIDE ADVISORS

The Committee shall have the authority, in its sole discretion, to select, retain and obtain the advice of compensation consultants as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Committee shall set the compensation, and oversee the work, of each compensation consultant. The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of legal counsel and other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of its legal counsel and other advisors. The Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant(s), legal counsel, or other advisors, and the authority granted in this Part V shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter.



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VI. PERFORMANCE EVALUATION

The Committee shall conduct an annual evaluation of the performance of its duties under this Charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.

Last Revised: March 23, 2020