

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

MAY 4, 2021

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

Trustees present: Mr. Jerome Rauckhorst, Chair  
(City Financial Tower Mr. Vincent Barfield, Vice Chair  
by teleconference)

Trustees present: Dr. Genevieve Ley  
(by teleconference) Mr. Wesley Machida

Staff present: Mr. Thomas Williams, Executive Director  
(City Financial Tower Ms. Kanoe Margol, Deputy Executive Director  
by teleconference) Ms. Elizabeth Burton, Chief Investment Officer  
Ms. Dale Kehau Kanae, Recording Secretary  
Ms. Lori Kim, Secretary

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

QUORUM/CALL TO ORDER

A quorum being present (Chair Rauckhorst, Vice Chair Barfield, Trustees Ley and Machida), Chair Rauckhorst called the Compensation Review Committee (CR Committee or Committee) of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 1:00 p.m.

On a motion made by Vice Chair Barfield, seconded by Trustee Machida, and unanimously carried, the Committee voted 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 Nineteenth Proclamation related to the COVID-19 Emergency, dated April 9, 2021, in order to implement social distancing measures.

PUBLIC COMMENT

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

Chair Rauckhorst discussed the agenda of the meeting.

REVIEW THE  
COMPENSATION REVIEW  
COMMITTEE  
(COMMITTEE) CHARTER,  
DISCUSS POSSIBLE  
COMMITTEE NAME  
CHANGE, REVIEW 2020  
COMMITTEE ACTIVITIES,  
AND DISCUSS

Chair Rauckhorst discussed with the Committee that prior to the meeting, the timeline was revised by deleting the 360 Appraisal, it will be done on a two-year cycle. The revised Charter and new Committee name have been discussed at previous meetings and are ready to be presented at the next Governance Policy Committee meeting. The Committee had no further comments as it related to these items.

COMMITTEE GOALS FOR  
2021

DISCUSS GENERALLY  
AND IDENTIFY BROAD  
RECOMMENDATIONS FOR  
COMPENSATION  
ADJUSTMENTS AND  
TIMING OF  
COMPENSATION STUDY

Chair Rauckhorst commented that recommendations for compensation adjustments would be discussed in Executive Session.

Chair Rauckhorst discussed the Compensation Study and asked the Committee if there was enough information to establish compensation recommendations without the Study? The Committee agreed that there was not enough information from current resources and that additional research would be needed to support any compensation adjustments. The Committee requested ERS staff look into other information sources in order to move forward, as procurement of a formal Compensation Study is not able to be secured at this time.

REVIEW AND REVISE, AS  
NECESSARY, THE  
EMPLOYEES'  
RETIREMENT SYSTEM'S  
COMPENSATION  
PHILOSOPHY

Chair Rauckhorst and ED Williams discussed with the Committee the ERS Investment and Executive Staff Compensation Philosophy, as presented and previously discussed at past meetings, noting that no action was taken by the Committee or Board. The Committee decided that the Compensation Philosophy would be used as a tool and should emphasize, within the narrative, the exempt nature of the positions as well as specialty skills necessary to perform the job. ED Williams requested that the exempt administrative staff also be included in the Compensation Philosophy, that being the Executive Director's position.

Chair Rauckhorst confirmed with the Committee that revisions will be made, based upon today's discussion, and after Committee approval it will be presented to the Board for approval.

REVIEW ANALYSIS OF  
COMPARABLE  
COMPENSATION FROM  
OTHER PUBLIC PENSION  
SYSTEMS AND IDENTIFY  
THOSE OBJECTIVES MET,  
OR NOT, IN RELATION TO  
THE SYSTEM'S  
COMPENSATION  
PHILOSOPHY

Chair Rauckhorst and ED Williams discussed with the Committee how ED Williams and Chief Investment Officer (CIO) Elizabeth Burton utilized the McLagan Report to establish comparable compensation for exempt staff that will be discussed in more detail in Executive Session. CIO Burton did comment that the specimen compensation recommendations are conservative and are at or below the lowest quartile.

The Committee discussed the importance for ERS and the Board to be able to communicate its mission and compensation philosophy to the Legislature and stakeholders. The Committee suggested determining the best study to use and to also include the list CIO Burton compiled of what managers are doing to invest in Hawaii. The Committee also suggested the possibility of having the Employees Union Trust Fund join ERS, as combined they make up 30-35% of the total state general fund tax revenues needed to make contributions to sustain both benefit systems.

(Trustee Ley left the meeting at 1:30 p.m. by ending her teleconference. CIO Burton also left the meeting at 1:47 p.m.)

APPROVAL OF MINUTES  
– FEBRUARY 25, 2021

On a motion made by Vice Chair Barfield, seconded by Trustee Machida, and unanimously carried, the Committee approved the Minutes of February 25, 2021, 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 1:58 p.m.

(Public participation concluded by ending the teleconference link. Chair Rauckhorst requested staff exit the meeting and only the Committee, Executive Director Thomas Williams, Deputy Executive Director Kanoe Margol, and Deputy Attorney General (DAG) Ivan Torigoe remained. DAG Torigoe was the notetaker of the minutes for the remainder of the meeting.)

## EXECUTIVE SESSION

- Pursuant to HRS§ 92-5(a)(2) and (4), to discuss and monitor implementation of performance goals, objectives, success indicators for Employees' Retirement System's exempt and non-exempt staff, 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 with respect to Review Three-Year History of Compensation Earned by Exempt Staff; appropriate action.
- Pursuant to HRS§ 92-5(a)(2) and (4), to discuss and monitor implementation of performance goals, objectives, and success indicators for Employees' Retirement System's exempt and non-exempt staff, 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 with respect to Discuss the Current Budget and Fiscal Environment Affecting Compensation Increases; appropriate action.
- Pursuant to HRS§ 92-5(a)(2) and (4), to discuss and monitor implementation of performance goals, objectives, and success indicators for Employees' Retirement System's exempt and non-exempt staff, 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 with respect to Develop a Framework for a Compensation Support Case to Meet Employees' Retirement System Objectives, Where System Objectives Have Not Been Met; appropriate action.

EXECUTIVE SESSION,  
PURSUANT TO HRS§ 92-  
5(a)(2) AND (4), TO DISCUSS  
AND MONITOR  
IMPLEMENTATION OF  
PERFORMANCE GOALS,  
OBJECTIVES, SUCCESS  
INDICATORS FOR  
EMPLOYEES' RETIREMENT  
SYSTEM'S EXEMPT AND  
NON-EXEMPT STAFF, 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 WITH RESPECT

TO REVIEW THREE-YEAR  
HISTORY OF  
COMPENSATION EARNED BY  
EXEMPT STAFF;  
APPROPRIATE ACTION

EXECUTIVE SESSION,  
PURSUANT TO HRS§ 92-  
5(a)(2) AND (4), TO DISCUSS  
AND MONITOR  
IMPLEMENTATION OF  
PERFORMANCE GOALS,  
OBJECTIVES, AND SUCCESS  
INDICATORS FOR  
EMPLOYEES' RETIREMENT  
SYSTEM'S EXEMPT AND  
NON-EXEMPT STAFF, 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 WITH RESPECT  
TO DISCUSS THE CURRENT  
BUDGET AND FISCAL  
ENVIRONMENT AFFECTING  
COMPENSATION INCREASES;  
APPROPRIATE ACTION

EXECUTIVE SESSION,  
PURSUANT TO HRS§ 92-  
5(a)(2) AND (4), TO DISCUSS  
AND MONITOR  
IMPLEMENTATION OF  
PERFORMANCE GOALS,  
OBJECTIVES, AND SUCCESS  
INDICATORS FOR  
EMPLOYEES' RETIREMENT  
SYSTEM'S EXEMPT AND  
NON-EXEMPT STAFF, 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 WITH RESPECT  
TO DEVELOP A  
FRAMEWORK FOR A

COMPENSATION SUPPORT  
CASE TO MEET EMPLOYEES'  
RETIREMENT SYSTEM  
OBJECTIVES, WHERE  
SYSTEM OBJECTIVES HAVE  
NOT BEEN MET;  
APPROPRIATE ACTION

(Trustee Ley rejoined the meeting by teleconference at 2:45 p.m.)

APPROVAL OF  
SUPPLEMENTAL  
CONFIDENTIAL  
EXECUTIVE SESSION  
MINUTES  
– FEBRUARY 25, 2021

APPROVAL OF  
EXECUTIVE SESSION  
MINUTES  
– FEBRUARY 25, 2021

EXIT EXECUTIVE SESSION

On a motion made by Vice Chair Barfield, seconded by Trustee Machida, and unanimously carried the Committee exited Executive Session at 2:47 p.m.

ADJOURNMENT

On a motion made by Trustee Ley, seconded by Trustee Machida, and unanimously carried, Chair Rauckhorst adjourned the meeting at 2:47 p.m.

**REDACTED SIGNATURE**

Thomas Williams  
Executive Director

TW:dkik