

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

FEBRUARY 25, 2021

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

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

Trustees present: Mr. Jerome Rauckhorst, Chair  
(by teleconference) 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. 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 Trustee Machida, seconded by Vice Chair Barfield, 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 Eighteenth Supplementary Proclamation related to the COVID-19 Emergency, dated February 12, 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 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

Chair Rauckhorst discussed and reviewed with the Committee the current Charter and proposed changes that included the new Committee name as presented.

On a motion made by Vice Chair Barfield, seconded by Trustee Machida and unanimously carried, the Committee accepted the Charter with the proposed changes including the new Committee name and will provide a revised Charter

COMMITTEE ACTIVITIES,  
AND DISCUSS  
COMMITTEE GOALS FOR  
2021

to the Governance Policy Committee for acceptance and final approval by the Board. A copy of the revised Charter is attached to these minutes for clarification.

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

ED Williams discussed with the Committee that due to current State fiscal constraints and restrictions, it was suggested to defer proceeding with the Compensation Study. The Committee agreed to defer the Compensation Study until the State's fiscal situation improves.

APPROVAL OF MINUTES  
– NOVEMBER 20, 2020

On a motion made by Trustee Machida, seconded by Trustee Ley, and unanimously carried, the Committee approved the Minutes of November 20, 2020, as presented.

ENTER EXECUTIVE  
SESSION

On a motion made by Trustee Machida, seconded by Trustee Ley, and unanimously carried, the Committee entered into Executive Session at 1:55 p.m.

(Public participation concluded by ending the teleconference link. Chair Rauckhorst requested staff exit the meeting and only the Committee 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; 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; APPROPRIATE  
ACTION

APPROVAL OF  
EXECUTIVE SESSION  
MINUTES  
– NOVEMBER 20, 2020

**EXIT EXECUTIVE SESSION**

On a motion made by Trustee Machida, seconded by Trustee Ley, and unanimously carried the Committee exited Executive Session at 2:35 p.m.

**ADJOURNMENT**

On a motion made by Trustee Machida, seconded by Trustee Ley, and unanimously carried, Chair Rauckhorst adjourned the meeting at 2:35 p.m.

**REDACTED SIGNATURE**

Thomas Williams  
Executive Director

TW:dkik



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

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**I. PURPOSE**

The purpose of the ~~Compensation Review~~Human Resources 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”) to provide oversight of Human Resources Management, and relating to the review and to determination of and recommend executive compensation and ~~or~~ compensation for exempt positions in the Employees’ Retirement System of the State of Hawaii (“ERS”) for Board approval based on annual performance assessments.

**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 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.



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

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IV. AUTHORITY AND RESPONSIBILITIES

The Committee shall elect from its members a Chairperson and Vice Chairperson. The Committee shall have the following authority and responsibilities:

- To review and approve ~~the~~ annually ~~the ERS's~~ goals and objectives ~~applicable to~~ of the Executive Director, Deputy Executive Director, and Chief Investment Officer. ~~Successful accomplishment of the~~ These goals and objectives shall be ~~the~~ basis of compensation recommendations ~~applicable to the compensation of~~ for 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.
- To review with the Executive Director the implementation of performance goals and Committee recommendations at mid year.



**Employees' Retirement System of the State of Hawaii**  
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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.
- To review the Training and Development Plan annually with the Executive Director and report on plan implementation to the Board.

**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.



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

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**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.

*Adopted by the Board of Trustees on April 10, 2017*

*Revised by the Compensation Review Committee on March 23, 2020, Feb 25, 2021*

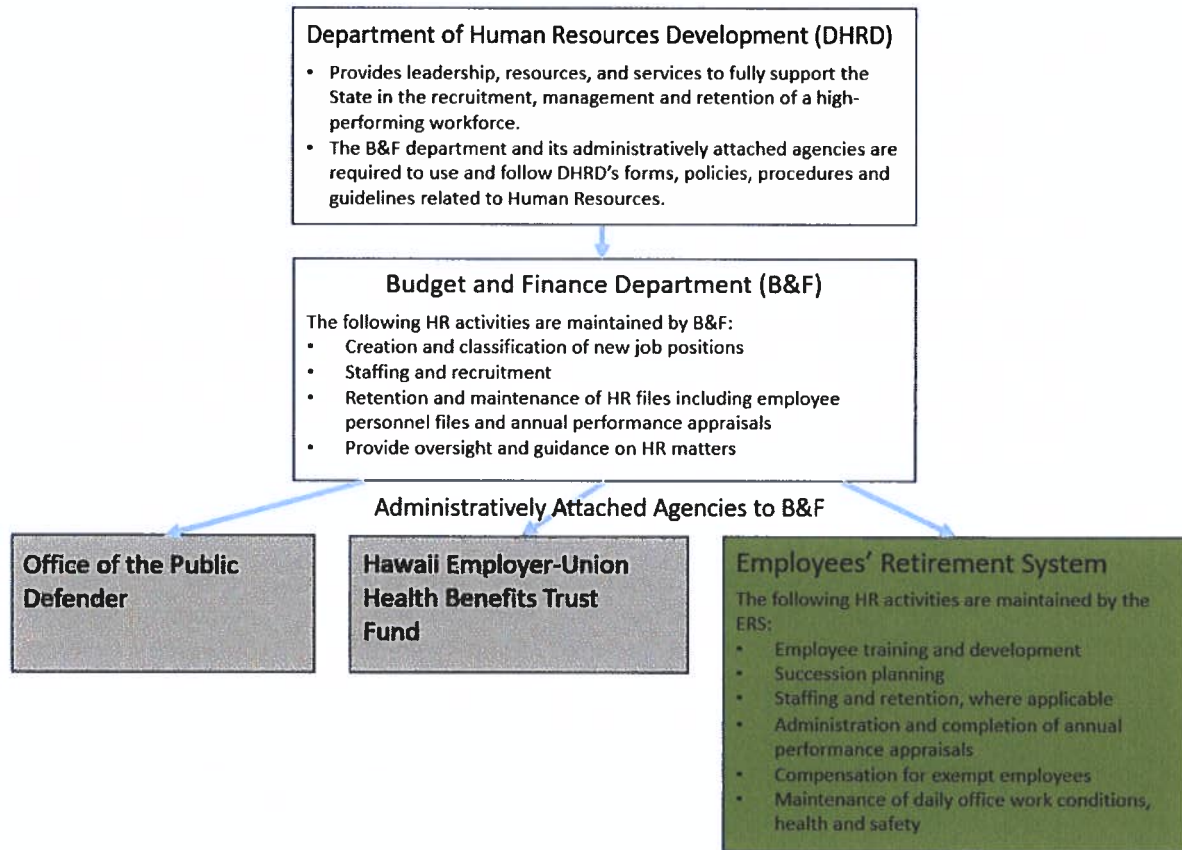
*Approved by the Board of Trustees on August 10, 2020,*

*Attached for Reference:*

*Page 2, Human Resources Personnel Development and Retention Review, Internal Audit Report, September 2020, Report No.: STA011-XX-XX*

The Performance Appraisal System is the annual employee review process required by the State of Hawaii (Section 76-41, Hawaii Revised Statutes). The purpose of the system is to evaluate the performance of employees in the civil service system and to improve employee performance. The ERS' managers and supervisors are responsible for performing and completing annual reviews of their staff member. Once completed, the employee performance appraisal forms are submitted to B&F. B&F is responsible for the tracking, collection and file maintenance of the performance appraisal form. Copies of each performance appraisal are provided to the ERS and individual employees. This process is the primary performance management tool used by the ERS to provide periodic feedback to its employees.

**Human Resources Role Hierarchy for the Employees' Retirement System**



The updated ERS Strategic Plan includes certain strategic HR initiatives. One of the Plan's Objectives is to "Maintain Plan Sustainability" and it includes the strategic initiative to "Optimize Operational Effectiveness." The measures and targets related to this initiative include:

- Develop, implement and maintain new and ongoing comprehensive staff training plan
  - Make job appropriate training available to all staff
- Institute an annual staff resources assessment, including a succession plan to maintain operational effectiveness
  - Assess staff resources annually, including a succession plan by FY 2020, updated annually