

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF TRUSTEES OF THE EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF HAWAII

OCTOBER 12, 2021

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

Trustees present:
(by teleconference)

Mr. Emmit Kane, Chair
Mr. Vincent Barfield
Dr. Catherine Chan
Mr. Craig Hirai
Dr. Genevieve Ley
Mr. Lance Mizumoto
Mr. Bennett Yap

Staff present:
(City Financial tower
by teleconference)

Mr. Thomas Williams, Executive Director
Ms. Kanoe Margol, Deputy Executive Director
Ms. Donna Curry, Program Specialist
Mr. Bart Asato, Program Specialist
Ms. Shanna Sakagawa, Program Specialist
Mr. Keith Miyamoto, Information Systems Manager
Mr. Larry Wolfe, Accounting Manager
Ms. Elizabeth Burton, Chief Investment Officer
Mr. Howard Hodel, Deputy Chief Investment Officer
Mr. Aaron Au, Investment Officer – Illiquid Markets
Mr. Anthony Goo, Investment Officer – Liquid Markets
Mr. Ian Wetzel, Investment Officer – Real Assets
Mr. Andrew Chen, Investment Specialist
Ms. Gerri Konishi, Member Home Loan Assistant
Ms. Diana Gomes, Secretary
Ms. Dale Kehau Kanae, Recording Secretary
Ms. Lori Kim, Secretary
Ms. Andrea Gasper, Secretary

Attorneys present:
(by teleconference)

Mr. Ivan Torigoe, Deputy Attorney General
Ms. Elmira Tsang, Deputy Attorney General
Ms. Diane Wong, Deputy Attorney General

Guests present:
(by teleconference)

Mr. Jerome Rauckhorst, former ERS Trustee (in person)
Mr. Craig D'Alessio, Financial Recovery Technologies
Mr. John Mendard, Financial Recovery Technologies
Mr. Arturo Frausto, Glass, Lewis & Co.
Ms. Courteney Keatinge, Glass Lewis & Co.
Mr. Peter Hanashiro, KMH LLP
Mr. Tyson Suehiro, KMH LLP
Mr. Jason Egami, KPMG
Ms. Erin Takamine, KPMG
Mr. Colin Bebee, Meketa Investment Group, Inc.

Public present:
(by teleconference)

Mr. Oscar Sheehan, Journalist, Pageant Media
Mr. Riley Fujisaki, Staff, House Finance Committee
SVC Teams User

QUORUM/CALL TO ORDER

A quorum being present (Chair Kane, Vice Chair Barfield, Trustees Chan, Ley, Mizumoto, and Yap), Chair Kane called the regular meeting of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii

QUORUM/CALL TO ORDER
(CONT'D)

(ERS) to order at 9:01 a.m. and requested each Trustee identify themselves and confirm that they are the only one present at their remote location while attending the meeting. Each of the Trustees confirmed same.

On a motion made by Trustee Mizumoto, seconded by Trustee Yap, 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 Emergency Proclamation Related to the COVID -19 Response, dated August 5, 2021, in order to implement social distancing measures.

RESOLUTION PRESENTED
TO JEROME RAUCKHORST

Chair Kane presented, on behalf of the ERS Board of Trustees, a Resolution to former Trustee Jerome Rauckhorst, acknowledging his service on the Board for just over 11 years, since April 21, 2010. Executive Director (ED) Thomas Williams and Deputy Executive Director (DED) Kanoe Margol also presented a Proclamation and Excellence in Service Award on behalf of Governor David Ige and the ERS respectively.

Trustee Jerome Rauckhorst shared parting words with the Board and ERS staff and then departed from the meeting.

PUBLIC COMMENT

Chair Kane called for public comment. There were three (3) members of the public present by teleconference, however, none of the public present had any comments. There was also no public written testimony received for this meeting.

GLASS LEWIS PROXY
VOTING ANNUAL REPORT

Deputy Chief Investment Officer Howard Hodel and Glass, Lewis & Co., Courteney Keatinge and Arturo Frausto, entered the meeting by teleconference and presented an oral and written report to the Board on the 2021 Annual Review and discussed:

INTRODUCTION

Business Update, Policy Gradient, Public Pension vs ESG Policy, Case Study: Policy Differences.

REVIEW OF 2020-2021 VOTING ACTIVITY

2021 Proxy Season Highlights and State of Hawaii ERS Voting Statistics

GLASS LEWIS VOTING ACTIVITY REPORT FOR THE STATE OF HAWAII
ERS

After their presentation, Ms. Keatinge and Mr. Frausto left the meeting by ending their teleconference.

FINANCIAL RECOVERY
TECHNOLOGIES ANTI-
TRUST LITIGATION
UPDATE

Deputy Chief Investment Officer Howard Hodel and Financial Recovery Technologies (FRT), Craig D'Alessio and John Menard, entered the meeting by teleconference and presented an oral and written report to the Board on the Anti-Trust Litigation Update and discussed:

FRT TEAM

ABOUT FINANCIAL RECOVERY TECHNOLOGIES

Singular Focus Enables Technology Innovation & Unmatched Expertise to Manage Class Action Recoveries

COMPREHENSIVE MONITORING AND CLAIMS FILING SERVICES

Governance and Recovery Solutions to Address the Growing Complexities of the Global Securities Class Action Landscape.

ANTI-TRUST PIPELINE: UPCOMING

FINANCIAL RECOVERY
TECHNOLOGIES ANTI-
TRUST LITIGATION
UPDATE (CONT'D)

STATUS REPORT FOR HAWAII EMPLOYEES' RETIREMENT SYSTEM

ANTI-TRUST PIPELINE: PREVIOUS

TRENDS IN ANTITRUST CLASS ACTIONS

FRT ANTI-TRUST: CASE ALERTS

*Comprehensive Monitoring and Filing of Claims Involving Anti-Trust Law and
Commodity Exchange Act*

After their presentation, Messrs. D'Alessio and Menard left the meeting by ending their teleconference.

EXECUTIVE DIRECTOR'S
REPORT

Executive Director (ED) Williams gave an oral presentation of his report to the Board as follows:

- Received a letter from and responded to the Kaanapali Operator's Association (KOA) expressing their dissatisfaction in ERS's decision to publicly market the parcel known as the quarry instead of transferring it to them, details to be discussed in Executive Session.
- Received approval by the Governor in mid-September of our request to hire an exempt Investment Officer (Operations) and a blanket request to hire all non-exempt positions.
- Budget & Finance (B&F) Information Technology personnel will be working on updating an outdated FAMIS financial system and requests from ERS may be delayed.
- CIO Burton was named Advocate of the Year at the Allocators' Choice Awards on September 22, 2021. Congratulations to her and her staff.
- The Governor on October 1, 2021, issued another Emergency Proclamation relating to the State's COVID-19 Delta Response.
- September 27, 2021 Investment Committee meeting was cancelled due to accessibility language not being included on the agenda. Going forward all agendas will have the accessibility language included. ERS staff will also look into accessibility services for all meetings.
- Meetings are being scheduled with Branches to discuss their concerns and priorities, to ensure on-going communication.
- Met with KPMG and discussed the annual audit to be presented by the Administrative & Audit Committee Chair.
- Met with B&F regarding ERS budget and requested a database tool for the Investment Office.
- ERS will be having a Halloween Costume Contest on October 29, 2021, the Board is invited to attend.
- Discussions between DAG Torigoe, KMH and Funston regarding signing responsibility of documents by Trustees are being reviewed and recommendations will be made to the Governance Policy Committee.
- Virtually attending a NCTR's 99th Annual Conference and is being nominated and likely appointed to the Executive Board of The National Council on Teachers Retirement, a nationwide not-for-profit organization. No approval is required by the Board. CIO Burton participated on a panel with other Chief Investment Officers.
- City Financial Tower has been awarded the Well Health Safety Rating.

DEPUTY EXECUTIVE
DIRECTOR'S OPERATIONS
REPORT

Deputy Executive Director (DED) Margol gave updates to the Board on ERS staffing and projects of Administration, Accounting, Information Services, Retirement Benefits and Staff Support Services Branches as presented in the September 2021 Monthly Operations Report.

DED Margol also discussed with the Board the process of the mailing of the ERS Board Election ballots, returns, researching those returns, and re-mailing.

APPOINTMENT OF EXECUTIVE DIRECTOR TO SERVE AS A PRESIDING OFFICER AT THE PUBLIC HEARING FOR DRAFT HAWAII ADMINISTRATIVE RULES FOR AMENDMENTS TO CHAPTERS 6-20, 6-21, 6-22, 6-23, 6-26, AND 6-29, PURSUANT TO ACT 23, SESSION LAWS OF HAWAII (SLH) 2013; ACT 263, SHL 2016; ACT 17, SLH 2017; AND ACT 30, SLH 2018.

Chair Kane discussed with the Board that in the past, delegation of appointment to the Executive Director to serve as a presiding officer at a public hearing was granted by the Board. ED Williams further discussed with the Board that he would serve as the presiding officer at the public hearing on behalf of the Board for the draft Hawaii Administrative Rules for amendments to Chapters 6-20, 6-21, 6-22, 6-23, 6-26 and 6-29 pursuant to Act 23, Session Laws of Hawaii (SLH) 2013; Act 263, SLH 2016; Act 17, SLH 2017 and Act 30, SLH 2018.

On a motion made by Vice Chair Barfield, seconded by Trustee Ley, and unanimously carried, the Board approved appointment of the Executive Director to serve as presiding officer at the public hearing for the draft Hawaii Administrative Rules for amendments to Chapters 6-20, 6-21, 6-22, 6-23, 6-26 and 6-29 pursuant to Act 23, Session Laws of Hawaii (SLH) 2013; Act 263, SLH 2016; Act 17, SLH 2017 and Act 30, SLH 2018.

REPORT BY ADMINISTRATIVE & AUDIT COMMITTEE

Administrative & Audit Committee (Committee) Chair Yap reported that the Committee met on October 7, 2021, and elected Vice Chair Yap as Chair and Trustee Mizumoto as Vice Chair of the Committee. Chair Yap thanked former Chair Ley for all her hard work as Chair for the past two (2) years.

DRAFT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE EMPLOYEES' RETIREMENT SYSTEM

KPMG's Erin Takamine and Jason Egami discussed with the Board the Draft Auditor's Report and Financial Statements of the Employees' Retirement System and discussed: Summary: Audit Results Required Communications and other matters; and Uncorrected Audit Misstatements, ERS Financial Statement.

On a motion made by Committee Chair Yap, seconded by Vice Chair Mizumoto, and unanimously carried, the Board accepted the Committees recommendation and approved KPMG's Auditors Report and Financial Statements.

KMH LLP 'S INTERNAL AUDIT UPDATE REPORT

KMH's Peter Hanashiro and Tyson Suehiro discussed with the Board the Internal Audit Update Report and discussed: Executive Summary, 2021 Internal Audit Plan Results Summary, and Summary Results of Reports Completed. This report did not need Board approval.

KMH LLP'S FOLLOW-UP REVIEW ON PRIOR AUDIT FINDINGS REPORT

KMH's Peter Hanashiro and Tyson Suehiro then discussed with the Board the Follow-Up Review on Prior Audit Findings Report and discussed: Executive Summary, Follow-Up Review Processing, Findings Reviewed and Summary of Results of Reports Completed. All prior findings were addressed.

On a motion made by Committee Vice Chair Mizumoto, seconded by Chair Yap, and unanimously carried, the Board accepted the Committees recommendation and approved KMH LLP's Follow-Up Review on Prior Audit Findings Report.

REQUEST FOR EXTENSION OF KMH LLP'S CONTRACT

Committee Chair Yap and ED Williams discussed with the Board a Request for Extension of KMH LLP's contract for one year. The contract allows for an option to extend for an additional year and ERS staff would like to exercise that option.

On a motion made by Chair Yap, seconded by Trustee Barfield, and unanimously carried the Board accepted the Committees recommendation and approved the extension of KMH LLP's contract for one (1) year from February 1, 2022 to January 31, 2023.

After their presentations, Messrs. Hanashiro and Suehiro left the meeting by ending their teleconference.

REPORT BY THE
COMPENSATION REVIEW
COMMITTEE

APPROVAL TO REISSUE
REQUEST FOR PROPOSAL
FOR CONSULTANT
SERVICES FOR
COMPENSATION AND
PAY REVIEW FOR
INVESTMENT
PROFESSIONALS, CHIEF
INVESTMENT OFFICER,
AND EXECUTIVE
DIRECTOR

DISCUSS
COMPENSATION
CONSULTANT SERVICES
BUDGET ALLOCATION

REPORTS BY THE
GOVERNANCE POLICY,
INVESTMENT AND
KAANAPALI AD HOC,
LEGISLATIVE
COMMITTEES

ENTER EXECUTIVE
SESSION

EXECUTIVE SESSION

Compensation Review Committee (Committee) Chair Ley reported that the Committee met on October 5, 2021.

Committee Chair Ley discussed with the Board the prior Request for Proposal for Consultant Services for Compensation and Pay Review for Investment Professionals, Chief Investment Officer, and Executive Director and not being able to provide increases due to COVID circumstances. Chair Ley is requesting a reissue of that same Request for Proposal for a compensation study and in anticipation of being able to award compensation to staff.

On a motion made by Committee Chair Ley, seconded by Trustee Barfield, and unanimously carried, the Board accepted the Committees recommendation to proceed with the Request for Proposal for Consultant Services for Compensation and Pay Review for Investment Professionals, Chief Investment Officer, and the Executive Director.

Committee Chair Ley then discussed with the Board the Compensation Consultant Services Budget Allocation for the above Request for Proposal and the Committee's recommendation that it not allocate a specific dollar sum budget prior to the compensation consultant study. ED Williams requested a discussion in Executive Session.

Chair Kane stated there was no report by the **Governance Policy Committee**.

Legislative Committee (Committee) Chair Chan discussed that the Committee has not met.

Program Specialist Donna Curry updated the Board on the ERS legislation for the upcoming 2022 Legislative session. The Service-Connected Disability/Accidental Death Benefits proposal, BUF-16 is with B&F and being prepared for inclusion in the Governor's administrative package for the 2022 Legislative Session. The Legislative Committee will meet at the end of January to discuss other potential proposals for the Board's approval.

Investment and Kaanapali Ad Hoc Committees (Committee) Chair Barfield reported to the Board that the Committee meeting in September was cancelled due to accessibility language not being included on the agenda. Chair Barfield did state that the recommendation to cancel was advised by the Deputy Attorney General.

Regarding the sale of the remaining Kaanapali parcel, the process is still proceeding.

(Public participation concluded by ending the teleconference link.)

Chair Kane identified all the participants in Executive Session, the Board and staff members are listed on the Executive Session minutes. Board members confirmed that no other persons are in the room while they are on the teleconference.

On a motion made by Trustee Mizumoto, seconded by Trustee Yap and unanimously carried, the Board entered into Executive Session at 10:51 a.m.

- Pursuant to HRS § 88-27.5(a)(1) and HRS § 92-5(a)(4), the Board of Trustees may enter into Executive Session to conduct discussions and deliberations relating to, and if appropriate, to make a decision on investments or prospective investments by the system that require the consideration of information or records that are exempt from disclosure under Chapter 92F, including information and records that are proprietary information or confidential business information, and to consult with the Board's attorneys on questions

**EXECUTIVE SESSION
(CONT'D)**

and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities with respect to this matter.

- Pursuant to HRS § 92-5(a)(4) and (8), the Board of Trustees may enter into Executive Session to consider information that must be kept confidential pursuant to a state or federal law, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding this matter.

**REPORTS BY THE
INVESTMENT AND
KAANAPALI AD HOC
COMMITTEE**

**REPORT BY THE
COMPENSATION REVIEW
COMMITTEE**

(Trustee Hirai entered the meeting at 11:10 a.m. by joining the teleconference.)

DISCUSS
COMPENSATION
CONSULTANT SERVICES
BUDGET ALLOCATION

**APPROVAL OF EXECUTIVE
SESSION CONFIDENTIAL
SUPPLEMENTAL MINUTES**

- JUNE 14, 2021
- JULY 12, 2021

**APPROVAL OF EXECUTIVE
SESSION MINUTES**

- JULY 28-29, 2021
- AUGUST 9, 2021
- SEPTEMBER 13, 2021

EXIT EXECUTIVE SESSION

On a motion made by Trustee Mizumoto, seconded by Trustee Ley, and unanimously carried, the Board exited Executive Session at 11:13 a.m.

APPROVAL OF MINUTES

- JULY 28-29, 2021
- AUGUST 9, 2021
- SEPTEMBER 13, 2021

On a motion made by Trustee Yap, seconded by Trustee Ley, and unanimously carried, the Board approved the Minutes of July 28-29, 2021, August 9, 2021, and September 13, 2021.

ADJOURNMENT

On a motion made by Trustee Mizumoto, seconded by Trustee Yap, and unanimously carried, Chair Kane adjourned the meeting at 11:14 a.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik