

MINUTES OF THE MEETING OF THE
ADMINISTRATIVE AND AUDIT COMMITTEE OF THE BOARD OF TRUSTEES OF THE
EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII

JANUARY 7, 2022

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

Trustees present: Mr. Bennett Yap, Chair
(by teleconference) Mr. Lance Mizumoto, Vice Chair
Mr. Craig Hirai
Mr. Emmit Kane
Ms. Catherine Chan

Staff present: Mr. Thomas Williams, Executive Director (in person)
(City Financial Tower Ms. Kanoe Margol, Deputy Executive Director (in person)
by teleconference) Ms. Elizabeth Burton, Chief Investment Officer
Mr. Bart Asato, Program Specialist
Mr. Larry Wolfe, Accounting Manager
Ms. Dale Kehau Kanae, Recording Secretary
Ms. Lori Kim, Secretary

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

Guests present: Mr. Mehdi Riazi, Gabriel Roeder Smith & Company
(by teleconference) Mr. Joe Newton, Gabriel Roeder Smith & Company (audio only)

QUORUM/CALL TO ORDER

A quorum being present (Chair Yap, Vice Chair Mizumoto, and Trustees Hirai and Kane), Chair Yap called the meeting of the Administrative and Audit Committee (Committee) of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 2:01 p.m.

On a motion made by Trustee Kane, seconded by Vice Chair Mizumoto, 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 Emergency Proclamation Related to Sunshine Law In-Person Meetings, and Act 220, Hawaii Session Laws 2021, dated December 29, 2021, in order to implement social distancing measures.

PUBLIC COMMENT

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

(Trustee Catherine Chan and Deputy Executive Director Kanoe Margol entered the room at 2:27 p.m.)

ANNUAL ACTUARIAL
VALUATION REPORT FOR

Gabriel Roeder Smith & Company (GRS), Messrs. Mehdi Riazi and Joe Newton entered the meeting by teleconference and telephone, respectively, and presented an oral and written report to the Committee

THE YEAR ENDING JUNE 30,
2021

regarding the Annual Actuarial Valuation Report for the Year Ending
June 30, 2021.

Mr. Riazi discussed with the Committee:

Purpose of the Actuarial Valuation

- Annual Health Checkup of ERS, Primary Purpose, and Funding Period.

Sources of Impact

- Investments, Liabilities, Contributions

Act 17 (SB 936) Contribution Rates

Estimated Yields on Market Value of Assets

Market and Actuarial (Smoothed) Values of Assets

Projected Growth of Market and Actuarial Assets

2021 Actuarial Valuation Results

*Projection of Funding Period from 2016 Legislative Impact Statement vs
Actual Valuation Outcomes*

By Employee Group

*Impact of New Benefit Tiers: All Other Employees: Counts by group
and by age*

*Impact of New Benefit Tiers: All Other Employees: Liability by group
and by age*

History of the ERS Unfunded Actuarial Accrued Liability

Actual vs Projected UAAL

History of Funded Ratio

*Projection of Funded Ratio Compared to Original Legislative
Communications*

Probabilities of Future Outcomes

Valuation Summary

- The strong FY21 investment performance, along with the disciplined commitment to follow the contribution schedule from Act 17 (SB 936) have continued the process of strengthening the financial outlook for ERS.
- The scheduled employer contribution rates are expected to be adequate to satisfy Hawaii Revised Statutes §88-122(e)(1). The Statutory Stress Test shows this is true even with substantial adverse experience.
- However, all of the positive outlook assumes the scheduled contribution rates occur and investment income objective are achieved. It is imperative that the currently scheduled funding strategies are sustained.
- Next experience study before June 30, 2022 valuation based on this valuation data as of June 30, 2021.

On a motion made by Vice Chair Mizumoto, seconded by Trustee Kane, and unanimously carried, the Committee accepted the Annual Actuarial Valuation Report for the Year Ending June 30, 2021 and will be recommending it for approval by the Board.

ANNUAL REPORT TO THE
LEGISLATURE REQUIRED BY
ACT 85/2017 REGARDING
THE ACTUARIAL ASSET AND
LIABILITY STRESS TEST 2021

Executive Director (ED) Thomas Williams presented to the Committee the Annual Report to the Legislature Required by Act 85/2017 Regarding the Actuarial Asset and Liability Stress Test 2021 prepared by GRS Lewis Ward and Joe Newton as submitted.

After this presentation, Messrs. Riazi and Newton left the meeting by exiting their teleconference and telephone connections.

APPROVAL OF MINUTES
- OCTOBER 7, 2021

On a motion made by Vice Chair Mizumoto, seconded by Trustee Kane, and unanimously carried, the Committee approved the minutes of the October 7, 2021, meeting as presented.

ADJOURNMENT

On a motion made by Vice Chair Mizumoto, seconded by Trustee Kane, and unanimously carried, Chair Yap adjourned the meeting at 2:46 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik