

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

JANUARY 10, 2022

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

Trustees present: Mr. Emmit Kane, Chair (former)\*  
(by teleconference) Mr. Vincent Barfield, Vice Chair (former), Chair (elected)\*  
Dr. Genevieve Ley, Vice Chair (elected)\*  
Dr. Catherine Chan\*  
Mr. Craig Hirai\*  
Mr. Lance Mizumoto\*  
Mr. Bennett Yap\*

Staff present: Mr. Thomas Williams, Executive Director\*  
(City Financial tower Ms. Kanoe Margol, Deputy Executive Director\*  
by teleconference) Ms. Shanna Sakagawa, Program Specialist  
Ms. Elizabeth Burton, 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. Dale Kehau Kanae, Recording Secretary\*  
Ms. Lori Kim, Secretary\*  
Ms. Andrea Gasper, Secretary\*  
Ms. Diana Gomes, Secretary

Attorneys present: Mr. Ivan Torigoe, Deputy Attorney General\*  
(by teleconference) Ms. Elmira Tsang, Deputy Attorney General\*  
Ms. Diane Wong, Deputy Attorney General\*

Guests present: Ms. Joe Newton, Gabriel Roeder Smith  
(by teleconference) Mr. Lewis Ward, Gabriel Roeder Smith  
Ms. Nancy Neuffer, Hawaii State Ethics Commission  
Ms. Lynn Santiago, Hawaii State Ethics Commission

Public present: Mr. Kevin Balaod, withIntelligence  
(by teleconference) Mr. Jack Boren, Epic Ventures  
Mr. Riley Jarman  
Mr. Nick

\*Attended Executive Session.

QUORUM/CALL TO ORDER

A quorum being present (Chair Kane, Vice Chair Barfield, Trustees Chan, Hirai, 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 (ERS) to order at 10:01 a.m. and requested each Trustee identify themselves and confirm that they are the only ones present at their remote location while attending the meeting. Each of the Trustees present confirmed same.

On a motion made by Vice Chair Barfield, seconded by Trustee Mizumoto, and unanimously carried, to be able to hold a meeting closed to the public and

QUORUM/CALL TO ORDER  
(CONT'D)

allow Trustees to participate by teleconference or other remote meeting technology, pursuant to Act 220, Hawaii Session Laws 2021, and the Governor of the State of Hawaii's Emergency Proclamation Related to Sunshine Law In-Person Meetings, dated December 29, 2021, in order to implement social distancing measures.

PUBLIC COMMENT

Chair Kane called for public comment. There were four (4) members of the public present by teleconference, however, no public comment. There was also no public written testimony received for this meeting.

Chair Kane announced that the meeting items would be taken out of order as he started with New Business.

DISCUSSION OF 2022  
ELECTION OF OFFICERS  
AND COMMITTEE  
ASSIGNMENTS

Chair Kane requested nominations from the Board for the 2022 Election of Officers for Chair and Vice Chair and nominated Vincent Barfield for Chair and Genevieve Ley for Vice Chair. Hearing no other nominations, on a motion made by Trustee Yap, seconded by Trustee Mizumoto, and unanimously carried, the Board accepted Trustee Barfield as Chair, and Trustee Ley as Vice Chair.

Newly elected Chair Barfield presided over the remainder of the meeting.

Chair Barfield discussed with the Board the Committee Assignments for 2022 noting some changes: Newly elected Board Chair Barfield and Vice Chair Ley; Governance Policy Committee Chair Barfield; Investment Committee will need to elect a new Chair to be vacated by Chair Barfield and addition of Chair Kane as a member.

EXECUTIVE DIRECTOR'S  
REPORT

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

- Due to recent ransomware attacks throughout the State, meetings were conducted with ERS Staff regarding cyber security vulnerability. Additional training was provided to ERS staff. Information Services staff continues to work on the backup system for ERS and should be available by mid to late February.
- An inquiry was responded to by House Finance Staff, Riley Fujisaki relating to the impact of changes relating to the investment assumptions at the beginning of 2017 and how it would affect the unfunded liability.
- Letters were sent to State Department Directors and Human Resource Officers explaining that the ERS will no longer support settlements and negotiated agreements between Employers and Employees that offer ERS benefits that don't comply with ERS rules and statutory requirements that could jeopardize our tax exemption and create an unfunded liability.
- ERS has had five (5), potentially six (6) cases of COVID exposure of and we are following Budget and Finance protocols, continuing to take the necessary precautions to limit the spread by social distancing and following CDC guidelines.
- Donna Curry of Administration and Shirlyn Young of the Retirement Benefits Branch retired at the end of December. Their knowledge and experience will be difficult to replace but we wish them well.
- Budget & Finance Director testified at two budget hearings with the Senate Ways and Means and House Finance. ERS has two items, investment accounting position and database for the Investment Office.
- Congratulations to Catherine Chan on her re-election to the ERS Board of Trustees taking her Oath of Office on January 6, 2022.

EXECUTIVE DIRECTOR'S  
REPORT (CONT'D)

- A public hearing for the Administrative Rules is being presented on Tuesday, January 18, 2022.
- Hiring of Chief Compliance Officer and Investment Officer Operations continue.

DEPUTY EXECUTIVE  
DIRECTOR'S OPERATIONS  
REPORT

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

PRESENTATION ON  
ETHICS FOR STATE  
BOARDS BY HAWAII  
STATE ETHICS  
COMMISSION

Hawaii State Ethics Commission, Staff Attorney Nancy Neuffer, and Secretary Lynn Santiago entered the meeting by teleconference. Ms. Neuffer presented an Ethics for State Employee Refresher Course to the Board and discussed in detail: the Background of the State Ethics Commission, Gifts and Reporting, Fair Treatment, Private Business Activities, State Sponsored Fundraising, Misappropriation of State Property, Confidential Information, Conflicts of Interests, State Contracts, Penalties for Ethics Violations, and Financial Disclosures Statements.

After her presentation, Messrs. Neuffer and Santiago left the meeting by exiting their teleconference.

REPORT BY THE  
ADMINISTRATIVE &  
AUDIT COMMITTEE

**Administrative & Audit Committee** Chair Yap, reported to the Board that the Committee met on Friday, January 7, 2022, and reviewed and accepted for approval by the Board, the Annual Actuarial Valuation Report for the Year Ending June 30, 2021, which will be presented by Messrs. Joe Newton and Lewis Ward of Gabriel, Roeder, Smith and Company (GRS).

ANNUAL ACTUARIAL  
VALUATION REPORT  
FOR THE YEAR ENDING  
JUNE 30, 2021

GRS, Messrs. Newton and Ward entered the meeting by teleconference and presented an oral and written report to the Board regarding the Annual Actuarial Valuation Report for the Year Ending June 30, 2021.

*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*

ANNUAL ACTUARIAL VALUATION REPORT FOR THE YEAR ENDING JUNE 30, 2021 (CONT'D)

- 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 Trustee Yap, seconded by Trustee Kane, and unanimously carried, the Board Approved the Annual Actuarial Valuation Report for the Year Ending June 30, 2021.

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

GRS, Messrs. Newton and Ward presented an oral and written report to the Board on the Annual Report to the Legislature Required by Act 85/2017 Regarding the Actuarial Asset and Liability Stress Test 2021.

Messrs. Newton and Ward discussed, in detail, the requirements of the Annual Stress Test Report as presented. This report was a receive and file, no approval was needed by the Board.

After their presentation, Messrs. Newton and Ward left the meeting by exiting the teleconference.

REPORTS BY THE COMPENSATION REVIEW, GOVERNANCE POLICY, INVESTMENT COMMITTEES

**Compensation Review Committee** Chair Ley, **Governance Policy Committee** newly appointed Chair Barfield on behalf of former Chair Kane, each stated that the Committee did not meet and that there were no items to report. **Investment Committee** Chair Barfield stated that the Committee also did not meet, however, did give an update on the Kaanapali sale stating that the last remaining parcel has been sold.

REPORT BY THE LEGISLATIVE COMMITTEE

**Legislative Committee** Chair Chan reported to the Board that the Committee did not meet, however, discussed that HB 931, SB 1085, Employees' Retirement System; Service-Connected Disability; Accidental Death was carried over to the 2022 legislative session. This bill clarifies the Employees' Retirement System's eligibility requirement definitions for service-connected disability and accidental death benefits.

ANNUAL REPORT TO THE LEGISLATURE REQUIRED BY ACT 192/2007 REGARDING DIRECT HOLDINGS IN SUDAN SCRUTINIZED COMPANIES

Chief Investment Officer Elizabeth Burton and Investment Officer – Liquid Markets Anthony Goo provided an oral and written report to the Board on the Annual Report to the Legislature Required by Act 192/2007 Regarding Direct Holdings in Sudan Scrutinized Companies. This was reported as a receive and file.

ANNUAL REPORT TO THE LEGISLATURE REQUIRED BY ACT 260/2007 REGARDING THE HAWAII TARGETED INVESTMENT PROGRAM (HiTIP)

Investment Officer – Illiquid Markets Aaron Au provided an oral and written report to the Board on the Annual Report to the Legislature Required by Act 260/2007 Regarding the Hawaii Targeted Investment Program (HiTIP). This was reported as a receive and file.

(Public participation concluded by ending the teleconference link.)

**ENTER EXECUTIVE SESSION**

On a motion made by Vice Chair Ley, seconded by Trustee Chan and unanimously carried, the Board entered into Executive Session at 11:46 a.m.

Chair Barfield identified all the participants in Executive Session, the Board and staff members are noted with an asterisk on these minutes. Board members confirmed that no other persons are in the room while they are on the teleconference.

**EXECUTIVE SESSION**

- Pursuant to HRS § 92-5(a)(4), to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities with respect to Updates on Trustees' Fiduciary Duties and Immunities, Appeals and Sunshine Law.

**EXECUTIVE SESSION,  
PURSUANT TO HRS § 92-  
5(a)(4) TO CONSULT WITH  
THE BOARD'S ATTORNEYS  
ON QUESTIONS AND ISSUES  
PERTAINING TO THE  
BOARD'S POWERS, DUTIES,  
PRIVILEGES, IMMUNITIES,  
AND LIABILITIES WITH  
RESPECT TO UPDATES ON  
TRUSTEES' FIDUCIARY  
DUTIES AND IMMUNITIES,  
APPEALS AND SUNSHINE  
LAW**

(Trustee Mizumoto exited the meeting at 12:00 p.m. by ending his teleconference.)

**APPROVAL OF EXECUTIVE  
SESSION MINUTES  
– DECEMBER 13, 2021**

**EXIT EXECUTIVE SESSION**

On a motion made by Trustee Yap, seconded by Vice Chair Ley, and unanimously carried, the Board exited Executive Session at 12:15 p.m.

**APPROVAL OF MINUTES  
– DECEMBER 13, 2021**

On a motion made by Trustee Kane, seconded by Trustee Yap, with the exception of Trustee Chan abstaining, the Board approved the Minutes of December 13, 2021.

**ADJOURNMENT**

Before adjourning the meeting, Chair Barfield thanked former Chair Kane for his leadership serving as Chair of the Board for the past three (3) years.

On a motion made by Vice Chair Ley, seconded by Trustee Yap, and unanimously carried, Chair Barfield adjourned the meeting at 12:17 p.m.

**REDACTED SIGNATURE**

Thomas Williams  
Executive Director  
TW:dkik