

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 10, 2022

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

Trustees present: Dr. Genevieve Ley, Chair*
(by teleconference) Mr. Vincent Barfield, Vice Chair*
Mr. Bennett Yap*

Trustees absent: Mr. Craig Hirai

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)

*Attended Executive Session.

QUORUM/CALL TO ORDER

A quorum being present (Chair Ley, Vice Chair Barfield, and Trustee Yap), Chair Ley 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 1:03 p.m. and identified the Trustees present and had them confirm that they are the only ones present at their remote location while attending the meeting.

On a motion made by Trustee Yap, seconded by Vice Chair Barfield, 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 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 January 26, 2022, in order to implement social distancing measures.

PUBLIC COMMENT

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

REVIEW AND DISCUSS
THE COMPENSATION
REVIEW COMMITTEE
CHARTER TO INCLUDE
COMPENSATION REVIEW
COMMITTEE
PERFORMANCE

Chair Ley presented for review and discussion the Compensation Review Committee Charter (Charter) to Include Compensation Review Committee Performance.

The Committee reviewed the Charter presented with edits accepted from a previous Committee meeting and now awaits acceptance by the Governance Policy Committee and final approval by the Board. The Committee requested an additional item to be added under Section IV. AUTHORITY AND RESPONSIBILITIES to read as follows:

REVIEW AND DISCUSS
THE COMPENSATION
REVIEW COMMITTEE
CHARTER TO INCLUDE
COMPENSATION REVIEW
COMMITTEE
PERFORMANCE (CONT'D)

- To oversee the Executive Director's execution of the human resources management function within the States policy framework and Budget & Finance directives and guidance.

On a motion made by Trustee Yap, seconded by Vice Chair Barfield, and unanimously carried, the Committee accepted the changes to the Charter with edits as presented, and also included an additional edit as stated above under Section IV. AUTHORITY AND RESPONSIBILITIES. The Charter will be presented for acceptance by the Governance Policy Committee and then final approval by the Board. The edited Charter is attached to these minutes for clarification.

Chair Ley then discussed and reviewed the Committee's performance of the past year as meeting its goals and objectives and discussed how future performances could be measured. It was noted that the Timeline and minutes of the meetings could be used in documenting the measurement of the performance.

The Committee discussed Section V. OUTSIDE ADVISORS and requested ERS staff review all Committee Charters for consistency and format. It was noted that the Administrative and Audit Committee Charter did not include such a section.

REVIEW THE ACTIVITIES
AND TIMELINE OF THE
COMPENSATION REVIEW
COMMITTEE AND
DISCUSS COMMITTEE
GOALS FOR 2022

Chair Ley presented for review by the Committee the Activities and Timeline of the Compensation Review Committee and Discuss Committee Goals for 2022.

The Committee had no comments, however, Chair Ley noted that the dates on the Timeline could change throughout the process.

APPROVAL OF MINUTES
– OCTOBER 5, 2021

On a motion made by Vice Chair Barfield, seconded by Trustee Yap, and unanimously carried, the Committee approved the Minutes of the October 5, 2021, meeting as presented.

(Public participation concluded by ending the teleconference link.)

Chair Ley identified all the participants in Executive Session, all members in attendance are noted with an asterisk on these minutes and are also listed on the Executive Session minutes.

ENTER EXECUTIVE
SESSION

On a motion made by Trustee Yap, seconded by Vice Chair Barfield, and unanimously carried, the Committee entered into Executive Session at 1:25 p.m.

Board members confirmed that no other persons were in the room or able to listen in on their teleconference. ERS Staff and Deputy Attorney General also confirmed that no other persons were in their rooms or able to listen in on their teleconference. The Executive Director also confirmed that no other persons were in the room and the Board Secretary also confirmed no one else was able to listen in on their teleconference.

EXECUTIVE SESSION

- Pursuant to HRS§ 92-5(a)(2) and (4), to discuss the procedures and process of performance evaluations, goals, objectives, and compensation for Employees' Retirement System's exempt employees covered by Chapter 76, HRS, and review and update the proposal to procure a compensation consultant, where matters affecting privacy will be involved, and to consult

EXECUTIVE SESSION
(CONT'D)

with the Board’s attorneys on questions and issues pertaining to the Committee’s powers, duties, privileges, immunities, and liabilities, including but not limited to:

- Review Status and Updated Proposal to Procure a Compensation Study, and
- Review Status of Compensation of Chapter 76 HRS Exempt Investment Staff.

EXECUTIVE SESSION,
PURSUANT TO HRS§ 92-5(a)(2)
AND (4), TO DISCUSS THE
PROCEDURES AND PROCESS
OF PERFORMANCE
EVALUATIONS, GOALS,
OBJECTIVES, AND
COMPENSATION FOR
EMPLOYEES’ RETIREMENT
SYSTEM’S EXEMPT
EMPLOYEES COVERED BY
CHAPTER 76, HRS, AND TO
REVIEW AND UPDATE THE
PROPOSAL TO PROCURE A
COMPENSATION
CONSULTANT, 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 INCLUDING BUT
NOT LIMITED TO:

REVIEW STATUS AND
UPDATED PROPOSAL TO
PROCURE A
COMPENSATION STUDY,
AND
REVIEW STATUS OF
COMPENSATION OF
CHAPTER 76 HRS EXEMPT
INVESTMENT STAFF

APPROVAL OF EXECUTIVE
SESSION MINUTES
– OCTOBER 5, 2021

EXIT EXECUTIVE SESSION

On a motion made by Trustee Yap, seconded by Vice Chair Barfield, and unanimously carried the Committee exited Executive Session at 2:06 p.m.

ADJOURNMENT

On a motion made by Vice Chair Barfield, seconded by Trustee Yap, and unanimously carried, Chair Ley adjourned the meeting at 2:06 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

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

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 oversee the Executive Director's execution of the human resources management function within the State's policy framework and Budget & Finance's directives and guidance.
- 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~~ 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.



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

- To review with the Executive Director the implementation of performance goals and Committee recommendations at mid year.
- 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
~~COMPENSATION REVIEW~~HUMAN RESOURCES
COMMITTEE CHARTER

VI. 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, February 25, 2021, February 10, 2022

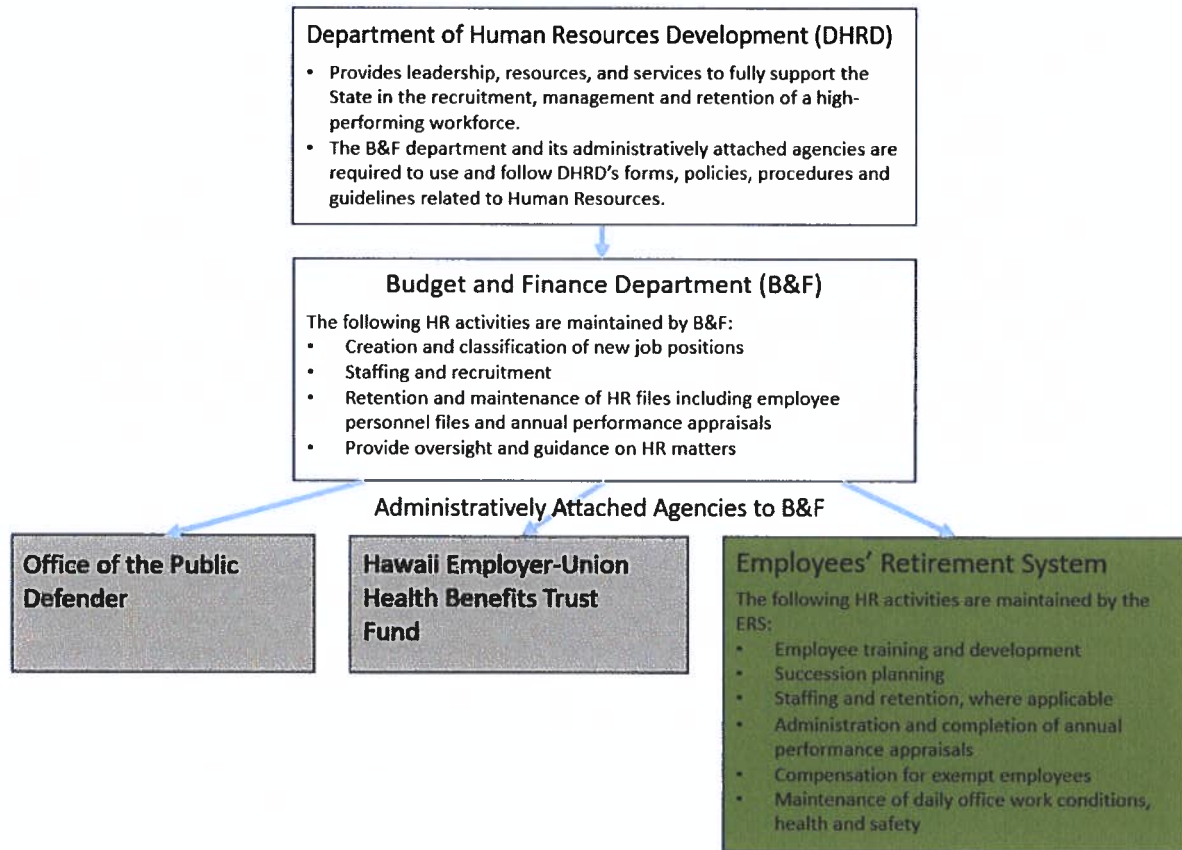
Approved by the Board of Trustees on August 10, 2020,

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