

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

MAY 10, 2022

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

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

Trustees present: Dr. Genevieve Ley, Vice Chair*
(by teleconference) Dr. Catherine Chan*
Mr. Emmit Kane*
Mr. Lance Mizumoto*
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) Mr. Kona Mann, Chief Compliance Officer
Mr. Bart Asato, Program Specialist
Ms. Elizabeth Burton, Chief Investment Officer*
Mr. Aaron Au, Investment Officer – Private Equity
Ms. Christine Chang, Investment Officer – Operations
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: Ms. Lori Tanigawa, Deputy Attorney General*
(by teleconference) Mr. Ivan Torigoe, Deputy Attorney General*
Ms. Elmira Tsang, Deputy Attorney General*
Ms. Diane Wong, Deputy Attorney General*

Public present: Mr. Joe Ebisa, withIntelligence
(by teleconference)

*Attended Executive Session.

QUORUM/CALL TO ORDER

A quorum being present (Chair Barfield, Vice Chair Ley, Trustees Chan, Kane, Mizumoto, and Yap), Chair Barfield called the regular meeting of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 10:05 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 Ley, seconded by Trustee Emmit Kane, and unanimously carried, to be able to hold a meeting allowing Trustees and members of the public to participate by interactive conference technology, pursuant to HRS § 92-3.7, with at least one meeting location open to the public that has audiovisual connection.

PUBLIC COMMENT

Chair Barfield called for public comment. There was one (1) member of the public present by teleconference, however, no public comment. There was also no public written testimony received at this meeting.

EXECUTIVE DIRECTOR'S REPORT

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

- Legislative:
 - Budget has been approved by the Legislature, however, we have not received the final report. ERS was granted three (3) new positions, two (2) investment officers and one (1) investment accounting. In the process, four (4) ERS positions thought vacant were eliminated, however, they were successfully reinstated as three of the four positions had been recently filled.
 - SB 2819 SD2 HD2 CD1, related to teacher compensation to appropriate funds to make necessary discretionary salary adjustments for certain teachers and for various teacher differentials to help address various labor shortages. Salary increases may impact unfunded liability and GRS calculates a \$372M increase in unfunded liability. We asked the Legislature to include funding to cover the increase in liability. This year's budget did include \$300M direct allocation to the ERS to the pension accumulation fund.
- Request to the Governor was submitted through Budget & Finance for three (3) Requests for Proposals for our investment consultants for next year. The requests were returned with no action informing us it was too early and to re-submit after to the start of the next fiscal year.
- Attended a meeting, as a member of the Executive Committee, the National Council on Teacher Retirement, held on March 24-26, 2022, in Tucson, Arizona. The strategic plan and upcoming conferences were reviewed.
- Business Continuity and Disaster Recovery Plan developed with KMH has been completed and will be presented to the Board. A tabletop exercise is planned for June or July which the results will be reported to the Board.
- Met with the City & County of Honolulu to discuss the inability to honor settlements that they may independently enter into with a grieved employee. Based on statute, ERS will no longer honor those settlements.
- An ongoing series of employer reporting meetings continue of which the deadline is June 2022. Kona Mann will be an additional support with Phase I.
- Congratulations to Trustee Mizumoto who was confirmed by the full Senate on May 5, 2022.
- Save the date for the Investment Summit planned for July 20 and 21, 2022, likely to be held at the Ala Moana Hotel. We are encouraging in-person attendance.
- Reviewed a draft of the Experience Study by the Actuaries an overview of the past three years to determine disparity between the assumed and actual results. The proposed changes are minor and relate to new mortality assumptions and salary increase changes in the assumed rate. The assumed investment return was affirmed by data from at least ten (10) long-term and five (5) short-term capital market forecasting organizations.
- Requested the Actuaries review the tier-2 retirement plan to see how it's impacting our primary mission of achieving retirement security. Members are leaving before vesting 10 years with only their contributions for higher pay and better benefits. The goal of recruitment and retention of qualified employees may not be accomplished. We will be reviewing

EXECUTIVE DIRECTOR'S
REPORT (CONT'D)

- how this might be changed and the cost and will report back to the Board.
- Congratulations to the Investment team. For the first quarter as reported by Colin Bebe of Meketa, ERS is one of the top 1% performing plans in the Country based on over half of the peer groups. Markets are trending down and most plans are down between 2% and 3%. ERS is down 6 basis points, which represents hundreds of millions of dollars of preserved value to be available when the markets turn up. We ascribe it as due largely to emphasis on real assets, increase in exposure to private equity, and to the diversified strategies of the portfolio.

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 April 2022 Monthly Operations Report.

The Board requested a high-level report generated from the new telephone system be added to the operations report.

REPORTS BY THE
ADMINISTRATIVE &
AUDIT, HUMAN
RESOURCES, AND
LEGISLATIVE
COMMITTEES

Administrative & Audit Committee (Committee) Chair Yap, reported to the Board that the Committee did not meet and there was nothing to report, however, it would be meeting sometime in late June to review the status and updated of the internal audit.

Human Resources Committee (Committee) Chair Ley, reported to the Board that she will discuss her report in Executive Session.

Legislative Committee (Committee) Chair Kane reported to the Board that the Committee did not meet, however, the Legislative session has ended and ED Williams highlighted items of interest in his report. The Board was also provided an update on legislation via e-mail from Program Specialist Bart Asato.

REPORT BY THE
INVESTMENT COMMITTEE

Investment Committee (Committee) Chair Chan reported to the Board that the Committee did not meet, however, the next meeting will be May 23, 2022.

BUDGET RELATING TO
THE EMPLOYEES'
RETIREMENT SYSTEM
2022 INVESTMENT
SUMMIT

ED Williams discussed with the Board the budget of the ERS Investment Summit to be held on July 20 and 21, 2022, of approximately Ten Thousand Dollars (\$10,000) as Neighbor Island travel and hotel are not involved, as in previous years. However, ED Williams is requesting a budget of up to Fifteen Thousand Dollars (\$15,000).

On a motion made by Committee Chair Chan, seconded by Committee Vice Chair Mizumoto, and unanimously carried, the Board approved the budget for the ERS Investment Summit to be held on July 20 and 21, 2022, for up to Fifteen Thousand Dollars (\$15,000) to cover unexpected contingencies.

REPORT BY THE
GOVERNANCE POLICY
COMMITTEE

Governance Policy Committee (Committee) Chair Barfield reported to the Board that the Committee met on May 9, 2022.

DISCUSSION OF AND
PROPOSED RESOLUTION
FOR DELEGATION OF
AUTHORITY TO THE
EXECUTIVE DIRECTOR,
DEPUTY EXECUTIVE
DIRECTOR, AND CHIEF
INVESTMENT OFFICER
SPECIFIED CONTRACT

Chair Barfield discussed with the Board the Proposed Resolution for Delegation of Authority to the Executive Director, Deputy Executive Director, and Chief Investment Officer specified Contract Signing Authority on Behalf of the Employees' Retirement System of the State of Hawaii. The Committee is recommending the Board's approval of the Resolution as outlined in the Resolution and Attachment A as provided.

On a motion made by Trustee Mizumoto, seconded by Trustee Yap, and unanimously carried, the Board approved the Resolution and Attachment A

SIGNING AUTHORITY ON
BEHALF OF THE
EMPLOYEES'
RETIREMENT SYSTEM OF
THE STATE OF HAWAII

for Delegation of Authority to the Executive Director, Deputy Executive Director, and Chief Investment Officer Specified Contract Signing Authority on Behalf of the Employees' Retirement System of the State of Hawaii as submitted. A copy of the Resolution and Attachment A is attached for clarification.

Chair Barfield identified all the participants in Executive Session, the Board and staff members are noted with an asterisk on these minutes and listed on the Executive Session Minutes.

(Public participation concluded by ending the teleconference link.)

ENTER EXECUTIVE
SESSION

On a motion made by Vice Chair Ley, seconded by Trustee Mizumoto, and unanimously carried, the Board entered into Executive Session at 10:48 a.m.

Board members and DAGs confirmed that no other persons were in their rooms or able to listen in on their audio or audiovisual connection while they were on the teleconference. The Board Secretary Dale Kehau Kanae also confirmed that no unauthorized persons were in the conference room or able to listen in via audio or audiovisual connection while on the teleconference.

EXECUTIVE SESSION

- Pursuant to HRS § 92-5(a)(4) and (a)(6) to consider rehire and evaluation of an officer or employee where matters affecting privacy will be involved and consult with the Board's attorneys on legal advice regarding questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities, Relating to the Medical Board Contracts Option to Extend.
- 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 Update 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)(4) AND (a)(6) TO
CONSIDER REHIRE AND
EVALUATION OF AN
OFFICER OR EMPLOYEE
WHERE MATTERS
AFFECTING PRIVACY WILL
BE INVOLVED AND
CONSULT WITH THE
BOARD'S ATTORNEYS ON
LEGAL ADVICE REGARDING
QUESTIONS AND ISSUES
PERTAINING TO THE
BOARD'S POWERS, DUTIES,
PRIVILEGES, IMMUNITIES,
AND LIABILITIES, RELATING
TO THE MEDICAL BOARD
CONTRACTS OPTION TO
EXTEND

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

APPROVAL OF EXECUTIVE
SESSION MINUTES
– APRIL 11, 2022

EXIT EXECUTIVE SESSION

On a motion made by Trustee Mizumoto, seconded by Trustee Chan, and unanimously carried, the Board exited Executive Session at 11:27 a.m.

APPROVAL OF MINUTES
– APRIL 11, 2022

On a motion made by Trustee Yap, seconded by Trustee Mizumoto, and unanimously carried, the Board approved the Minutes of April 11, 2022, as presented.

ADJOURNMENT

On a motion made by Trustee Mizumoto, seconded by Trustee Kane, and unanimously carried, Chair Barfield adjourned the meeting at 11:28 a.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director
TW:dkik

RESOLUTION

RESOLVED, that any of the following:

- (1) The Executive Director of the Employees' Retirement System of the State of Hawaii (the "System"); or
- (2) The Deputy Executive Director of the System, upon written delegation by the Executive Director of the System, or in the absence from the office of the Executive Director of the System; or
- (3) The Chief Investment Officer of the System; upon written delegation by the Executive Director of the System, or in the absence from the office of both the Executive Director and the Deputy Executive Director of the System;

Are hereby authorized to sign and execute, for and on behalf of the System, any written contracts or agreements or other instruments necessary or proper for the conduct of the business of said System, as set forth in the Delegation of Contract Signing Authority, version May 10, 2022, which is incorporated into this Resolution and attached to this Resolution as Attachment "A"; and

FURTHER RESOLVED, that all documents heretofore executed as provided above, or as heretofore provided in the HAWAII ERS PRELIMINARY INVESTMENT GOVERNANCE FRAMEWORK, in any version having been heretofore approved by the Board of Trustees of the Employees' Retirement System of the State of Hawaii, are hereby ratified and confirmed; and

FURTHER RESOLVED, that except as authority to execute is specifically stated, authorized or delegated herein, these resolutions do not supersede any other specific or general resolutions with respect to the execution of documents on behalf of the System; and

FURTHER RESOLVED, that the Executive Director or Deputy Executive Director of the System may provide certificates of these resolutions.

Adopted by the Board of Trustees of the Employees' Retirement System of the State of Hawaii at its meeting held on May 10, 2022.

Delegation of Contract Signing Authority, v. May 10, 2022

Type of Contract	May be Signed by:	Signator(s)
<i>I.</i> <i><u>Investment contracts</u></i> for which the <i>Executive Director (“E.D.”) or Chief Investment Officer (“C.I.O”). or Investment Staff</i> are delegated <i>approval authority</i> within <i>specified dollar limits</i> , as stated in the ERS Investment Governance Framework	The E.D. <i>or</i> the Deputy.E.D. (“D.E.D.”) <i>or</i> the C.I.O., ■ <i>In that order</i> if present; or ■ <i>By written delegation</i> from the E.D., for that identified contract; or ■ If the higher signator(s) are <i>absent</i> from the office	One (1)
<i>II.</i> <i><u>Investment Contracts</u></i> for which the <i>Investment Committee or the Board of Trustees</i> are delegated <i>approval authority</i> in the ERS Investment Governance Framework And, <i><u>Professional Goods or Services, or Financial Contracts of major importance</u></i> , for which the <i>Board of Trustees retains approval authority</i> , e.g. Investment Consultants, Actuarial, Custodial Bank.	<i>Upon approval</i> to enter into the Contract: any <i>TWO (2) of the below</i> in the following order of priority: The E.D. <i>or</i> the D.E.D. <i>or</i> the C.I.O., ■ <i>In that order</i> if present; or ■ <i>By written delegation</i> from the E.D., for that identified contract; or ■ If the higher signator(s) are <i>absent</i> from the office	Two (2)
<i>III.</i> Other <i>general goods and services contracts</i> , e.g. other consultants	The E.D. <i>or</i> the D.E.D. <i>or</i> the C.I.O., ■ <i>In that order</i> if present; or ■ <i>By written delegation</i> from the E.D., for that identified contract; or ■ If the higher signator(s) are <i>absent</i> from the office;	One (1)

Attachment “A”