

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

NOVEMBER 14, 2022

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

Trustees present:
(by teleconference) Mr. Vincent Barfield, Chair*
Dr. Genevieve Ley, Vice Chair*
Dr. Catherine Chan*
Mr. Emmit Kane*
Mr. Lance Mizumoto*

Trustees absent:
Mr. Craig Hirai
Mr. Bennett Yap

Staff present:
(City Financial Tower
by teleconference) Mr. Thomas Williams, Executive Director*
Ms. Kanoe Margol, Deputy Executive Director*
Mr. Kona Mann, Chief Compliance Officer
Mr. James Greubel, Program Specialist
Ms. Shanna Sakagawa, Program Specialist
Mr. Howard Hodel, Acting Chief Investment Officer
Mr. Anthony Goo, Deputy Chief Investment Officer
Mr. Aaron Au, Investment Officer – Private Equity
Ms. Christine Chang, Investment Officer – Operations
Mr. David Okamoto, Investment Officer – Credit Markets
Mr. Ian Wetzel, Investment Officer – Real Assets
Mr. Andrew Chen, Investment Specialist
Ms. Gerri Konishi, Member Home Loan Assistant
Mr. Roman Mahi, Investment Student Intern
Ms. Dale Kehau Kanae, Recording Secretary
Ms. Andrea Gasper, Secretary
Ms. Diana Gomes, Secretary

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

Guests present:
(by teleconference) Mr. Randy Miller, Board Smart LLC
Ms. Rachel Tillman, Board Smart LLC
Mr. Arturo Frausto, Glass, Lewis & Co.
Ms. Courteney Keatinge, Glass, Lewis & Co.
Ms. Shraddha Sankh, Glass, Lewis & Co.
Mr. Tyson Suehiro, KMH LLP
Mr. Mark McComb, KPMG LLC
Ms. Jennifer Sasaki, KPMG LLC
Mr. Orlando Torres, KPMG LLC
Mr. Colin Bebee, Meketa Investment Group, Inc.
Mr. Chuck John, RSM US Alliance
Ms. Alyssa Palazzo, RSM US Alliance

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

*Attended Executive Session.

QUORUM/CALL TO ORDER

A quorum being present (Chair Barfield, Vice Chair Ley, Trustees Chan, Kane, and Mizumoto), 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 10:10 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 Mizumoto, 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, they had no public comment. There was also no public written testimony received for this meeting.

EXECUTIVE DIRECTOR'S REPORT

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

- On September 19, 2022, the ERS staff participated in a tabletop exercise for its Business Continuity Plan coordinated by Chief Compliance Officer (CCO) Kona Mann and conducted by KMH and RSM US Alliance staff. The results will be shared in this meeting by CCO Mann in his staff report.
- ERS established a Data and Analytics Team that will improve data literacy and utilization to identify data and technology solutions to foster a collaborative environment and to build and construct a data and analytics roadmap. Updates will be shared as the team progresses.
- The Consultants Request for Proposals for Private Equity, General Investment, and Real Assets Investment are progressing, on track, and will be scheduled for final selection by the Board next year.
- The Chief Investment Officer search is scheduled for a final selection by the Board on Monday, November 21, 2023, at 8:45 a.m. There were over 250 applicants that applied for the position reviewed by the Chief Investment Officer Search Ad Hoc Committee and assisted by Kumabe HR.
- ERS will be submitting two Legislative bills for the Governor's package, one relates to Service-Connected Disability and Accidental Death being resubmitted from last year that was heard and passed only by the House. The second bill relates to Act 192/2007 regarding Direct Holdings in Sudan Scrutinized Companies that the ERS is requesting to be repealed. The Board will be updated on any bills introduced that could impact the ERS.
- The Medical Board vacancy was filled by Dr. Bernard K. Chun.
- The ERS has received from the Public Pension Coordinating Council its Public Pension Standards Award for Funding and Administration 2022 in October.
- The ERS Investment Summit, discussed with several of the Trustees requesting its return to in-person attendance, will be coordinated by Acting Deputy Chief Investment Officer Anthony Goo with assistance by Lori Kim, Diana Gomes, and Gerri Konishi. Proposals have been received from several Maui properties. The Board will be updated on the status.

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 October 2022 Monthly Operations Report.

COMPLIANCE SUPPORT
STAFF REPORT

Chief Compliance Officer (CCO) Kona Mann gave an oral and written report to the Board on a brief overview of the services he provides and discussed the ERS Compliance Program. He then stated that RSM US Alliance (RSM) will give a brief report on the Business Continuity Exercise.

RSM's, Chuck John and Alyssa Palazzo entered the meeting by teleconference and presented an oral and written report to the Board on the Business Continuity Exercise After Action Report and highlighted: the Exercise Planning, Objectives, Business Continuity and Disaster Recovery Defined, Exercise Scenario and Injects, Executive Summary, Prioritized Response Activities, Information Systems, and Immediate Next Steps.

The Board requested timelines of recommended actions and updates be reported quarterly. The Board also requested updates on the overall Compliance Program as well.

After their presentations, CCO Mann, RSM's Mr. John and Ms. Palazzo left the meeting by ending their teleconferences.

PUBLIC COMMENT

Chair Barfield called for public comment. There were no requests from the public for comments in person or by teleconference.

BOARDSMART TRUSTEE
EDUCATION PLATFORM

Board Smart LLC, Funston Advisory Services LLC (Funston), Randy Miller and Rachel Tillman entered the meeting by teleconference and presented an oral and written report to the Board on the BoardSmart Version 2.0 Enterprise Governance software platform and highlighted: the System Specific Legislation & Policies/Orientation & Continuing Education, Purpose/Vital Functions, Fiduciary Duties, Executive Staff, and 21st Century Uncertainties.

The Board suggested all new Board members should familiarize themselves with BoardSmart prior to their start.

After their presentations, Funston's Mr. Miller and Ms. Tillman left the meeting by ending their teleconferences.

GLASS, LEWIS & CO.
PROXY VOTING ANNUAL
REPORT AND DISCUSSION
OF PROXY POLICY
CHANGE

Acting Chief Investment Officer (ACIO) Howard Hodel and Investment Officer – Operations (IO-O) Christine Chang introduced to the Board, Glass, Lewis & Co., and discussed the Proxy Voting Annual Report, and Proxy Policy Change.

Glass, Lewis & Co., Arturo Frausto, Courteney Keatinge, and Shraddha Sankhe entered the meeting by teleconference and presented an oral and written report to the Board on the Glass Lewis 2022 Annual Review Industry-Leading Proxy Research, Engagement and Proxy Voting Platform and highlighted: the Glass Lewis Company Update, Review of ERS 2021-2022 Voting Activity, and 2022 Proxy Season & Policy Review.

IO-O Chang discussed and requested any comments from the Board on the Proxy Policy change that will be presented at the next Investment Committee meeting. The Proxy Policy change is to be made from the Public Pension Policy template to a slightly customized version of the ESG Policy. The Board had no comments.

After their presentation, Glass, Lewis & Co.'s Mr. Frausto, and Ms. Keatinge and Sankhe left the meeting by ending their teleconferences.

RECESS

Chair Barfield called for a recess at 11:51 a.m.

RECONVENE

A quorum being present (Chair Barfield, Vice Chair Ley, Trustees Chan, Kane, and Mizumoto). Chair Barfield reconvened the meeting at 12:02 p.m.

PUBLIC COMMENT

Chair Barfield called for public comment. There were no requests from the public for comments in person or by teleconference.

DISCUSSION OF SCHEDULE OF MEETINGS AND ELECTION OF OFFICERS & COMMITTEE ASSIGNMENTS FOR 2023

Chair Barfield discussed with the Board the 2023 Schedule of Board Meetings and Election of Officers & Committee Assignments. Chair Barfield suggested that the Election of Officers & Committee Assignments be approved at the next Board Meeting in January as Vice Chair Ley will become Board Chair and finalize Committee Assignments for 2023. Vice Chair Ley requested Board members state their preferences for Committee assignments. Chair Barfield reminded the Board that Committee Charters should be reviewed and accepted with a recommendation to the Governance Policy Committee for final approval by the Board at the March 2023 meeting. Chair Barfield also stated that Committee performance assessments need to be completed.

On a motion made by Trustee Chan, seconded by Trustee Kane, and unanimously carried, the Board approved the 2023 Schedule of Board Meetings as presented.

REPORTS BY THE GOVERNANCE POLICY AND LEGISLATIVE COMMITTEES

Governance Policy Committee (Committee) Chair Barfield reported to the Board that the Committee did not meet and that there was nothing to report, however, it is anticipated that there will be a meeting to approve the Committee Charters.

Legislative Committee (Committee) Chair Kane reported to the Board that the Committee did not meet, however, he mentioned the two Legislative Bills to be introduced with the Governor's package as reported by the ED. Chair Kane also reported that after the start of the Legislature, the Board will be updated on any bills introduced that could impact the ERS.

REPORT BY THE ADMINISTRATIVE & AUDIT COMMITTEE

In absence of **Administrative & Audit Committee** (Committee) Chair Yap, DED Margol reported to the Board that the Committee met on October 12, 2022 and accepted the Auditor's Report and Financial Statements of the ERS.

AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE EMPLOYEES' RETIREMENT SYSTEM ACCEPTED BY THE ADMINISTRATIVE & AUDIT COMMITTEE

KPMG LLC's (KPMG) Mark McComb, Jennifer Sasaki, and Orlando Torres entered the meeting by teleconference and presented an oral and written report to the Board on the Auditor's Report and Financial Statements of the ERS and highlighted: Summary, Uncorrected Audit Misstatements, Significant Accounting Estimates and Financial Statement Disclosures.

On a motion made by Vice Chair Ley, seconded by Trustee Mizumoto, and unanimously carried, the Board approved the Auditor's Report and Financial Statements of the ERS as presented.

After their presentation, KPMG's Ms. Sasaki and Messrs. McComb and Torres left the meeting by ending their teleconferences.

REPORT BY THE HUMAN RESOURCES COMMITTEE

Human Resources Committee (Committee) Chair Ley, reported to the Board that the Mercer Report has been completed and a performance -based compensation structure is being formulated for the exempt staff.

REPORT BY THE INVESTMENT COMMITTEE

TRUSTEE SURVEY UPDATE

Investment Committee (Committee) Chair Chan reported to the Board that the Committee did not meet, however, ACIO Hodel and Meketa Investment Group, Inc. (Meketa) Colin Bebee discussed with the Board an update on the Trustee Survey.

ACIO Hodel reminded the Board that two members have not completed the survey and urged the importance of its completion. Mr. Bebee also urged Board members to complete the survey by the end of the week as a presentation will be

TRUSTEE SURVEY
UPDATE (CONT'D)

done at the November 28, 2022, Investment Committee meeting. Mr. Bebee stated the presentation will include the views and preferences on risk implementation and an introduction to the development of the framework for the capital market assumptions, the expected returns, the volatility, and correlation among asset classes.

Chair Barfield also encouraged Board members to complete the survey.

APPROVAL OF MINUTES
– SEPTEMBER 12, 2022

On a motion made by Vice Chair Ley, seconded by Trustee Kane, and unanimously carried, the Board approved the Minutes of September 12, 2022, as presented.

PUBLIC COMMENT

Chair Barfield called for public comment. There were no requests from the public for comments in person or by teleconference.

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

Chair Barfield provided the reason to enter into Executive Session:

Executive Session, pursuant to HRS§ 92-5(a)(2), (4), and (8), to consider information that must be kept confidential pursuant to state law, to discuss the Compensation Study of Chapter 76, HRS exempt staff of the Employees' Retirement System, and to evaluate and take action regarding such staff, as may be necessary, where matters affecting privacy will be involved, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities; and to make a decision on the approval of Executive Session Minutes where the consideration of information must be kept confidential.

ENTER EXECUTIVE
SESSION

On a motion made by Trustee Chan, seconded by Trustee Mizumoto, and unanimously carried, the Board entered into Executive Session at 12:22 p.m.

(Public participation concluded by ending the teleconference link.)

All attendees participating by teleconference affirmed that no other persons were in their rooms or able to listen in on their audio or audiovisual connection. Before exiting the meeting, Board Secretary Dale Kehau Kanae confirmed that no unauthorized persons were in the conference room or able to listen in via audio or audiovisual connection while on the teleconference. Deputy Attorney General Lori Tanigawa was the notetaker of the remainder of the meeting.

EXECUTIVE SESSION

- Pursuant to HRS§ 92-5(a)(4) and (8), to consider information that must be kept confidential pursuant to state law, and 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 ongoing litigation; appropriate action.
- Pursuant to HRS§ 92-5(a)(2) and (4), to discuss the Compensation Study of Chapter 76, HRS exempt staff of the Employees' Retirement System, and to evaluate and take action regarding such staff, as may be necessary, where matters affecting privacy will be involved, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities; appropriate action.

EXECUTIVE SESSION
PURSUANT TO HRS§ 92-5(a)(4)
AND (8), TO CONSIDER
INFORMATION THAT MUST BE
KEPT CONFIDENTIAL
PURSUANT TO STATE LAW,
AND 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
ONGOING LITIGATION;
APPROPRIATE ACTION

EXECUTIVE SESSION
PURSUANT TO HRS§ 92-5(a)(2)
AND (4), TO DISCUSS THE
COMPENSATION STUDY OF
CHAPTER 76, HRS EXEMPT
STAFF OF THE EMPLOYEES'
RETIREMENT SYSTEM, AND TO
EVALUATE AND TAKE ACTION
REGARDING SUCH STAFF, AS
MAY BE NECESSARY, WHERE
MATTERS AFFECTING PRIVACY
WILL BE INVOLVED, AND TO
CONSULT WITH THE BOARD'S
ATTORNEYS ON QUESTIONS
AND ISSUES PERTAINING TO
THE BOARD'S POWERS, DUTIES,
PRIVILEGES, IMMUNITIES, AND
LIABILITIES; APPROPRIATE
ACTION

APPROVAL OF EXECUTIVE
SESSION MINUTES
– SEPTEMBER 12, 2022

APPROVAL OF
CONFIDENTIAL EXECUTIVE
SESSION MINUTES
– SEPTEMBER 12, 2022

EXIT EXECUTIVE SESSION

On a motion made by Trustee Kane, seconded by Trustee Mizumoto, and unanimously carried, the Board exited Executive Session at 12:48 p.m.

ADJOURNMENT

On a motion made by Trustee Mizumoto, seconded by Trustee Kane, and unanimously carried, Chair Barfield adjourned the meeting at 12:48 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director
TW:dkik