

MINUTES OF THE MEETING OF THE
HUMAN RESOURCES COMMITTEE OF THE
BOARD OF TRUSTEES OF THE
EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII

FEBRUARY 6, 2023

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

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

Trustee absent: Mr. Luis Salaveria

Staff present: Mr. Thomas Williams, Executive Director*
(City Financial Tower Ms. Kanoe Margol, Deputy Executive Director*
by teleconference) Ms. Kristin Varela, Chief Investment Officer*
Mr. Howard Hodel, Deputy Chief Investment Officer*
Ms. Dale Kehau Kanae, Recording Secretary*
Ms. Lori Kim, Secretary
Ms. Andrea Gasper, Secretary

Attorney present: Ms. Lori Tanigawa, Deputy Attorney General*
(by teleconference)

*Attended Executive Session

QUORUM/CALL TO ORDER

A quorum being present (Chair Ley, Vice Chair Barfield, and Trustee Chan), Chair Ley called the Human Resources Committee (HR Committee or Committee) of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 2:30 p.m. and identified the Trustees present and had them confirm that they are the only ones present at their remote location and that no one else was able to listen in on their teleconference while attending the meeting.

On a motion made by Vice Chair Barfield, seconded by Trustee Chan, and unanimously carried, the Committee voted 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 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.

DISCUSSION AND
ELECTION OF CHAIR AND
VICE CHAIR OF THE
HUMAN RESOURCES
COMMITTEE

Chair Ley presented for discussion, by the Committee, the election of Chair and Vice Chair of the Human Resources Committee. Trustee Chan nominated Chair Ley to remain as Chair and Chair Ley nominated Vice Chair Barfield to remain as Vice Chair. Vice Chair Barfield nominated Trustee Chan as Vice Chair stating that he is on a holdover status and the Governor could appoint a replacement at any time. After some discussion, however, Vice Chair Barfield agreed to remain as Vice Chair until he is replaced and Trustee Chan agreed to become Vice Chair at that time.

REVIEW AND DISCUSS
THE HUMAN RESOURCES
COMMITTEE CHARTER TO
INCLUDE HUMAN
RESOURCES COMMITTEE
PERFORMANCE

On a motion made by Trustee Ley, seconded by Trustee Chan, and unanimously carried, the Committee approved Chair Ley and Vice Chair Barfield remain as Chair and Vice Chair respectively, and until such time that Vice Chair Barfield is replaced, Trustee Chan would become Vice Chair.

Chair Ley presented for review and discussion, by the Committee, the Human Resources Committee Charter with revisions. The Committee reviewed and discussed the revisions as presented.

On a motion made by Vice Chair Barfield, seconded by Trustee Chan, and unanimously carried, the Committee accepted the revisions to the Charter and will be presenting it for acceptance by the Governance Policy Committee and then for final approval by the Board. The edited Charter is attached to these minutes for clarification.

Chair Ley also discussed and reviewed the Human Resources Committee Performance for 2022 stating that the Committee was productive and updated the Charter, acquired and started implementation of the Compensation Study by creating a structure to be able to increase compensation of the Investment Officers, and attended many meetings and completed activities as outlined in the 2022 Human Resources Committee Timeline.

REVIEW THE ACTIVITIES
AND TIMELINE OF THE
HUMAN RESOURCES
COMMITTEE

Chair Ley presented for review and discussion, by the Committee, a draft Activities and Timeline for the Human Resources Committee for 2023. Chair Ley stated that the 2023 Timeline draft is based on the 2022 Timeline, however, it needs to be updated. Also, it may not require as many meetings due to the reduction of Board meetings, and if any action needs to be effective July 1, 2023, it will need approval by the Board at the May meeting. Chair Ley anticipates scheduling two meetings in April to meet the deadline.

Executive Director (ED) Thomas Williams proposed adding to the 2023 Timeline in July or August a discussion of reorganization of the Investment Office. Chair Ley acknowledged the proposed addition.

DISCUSS THE
COMPENSATION PLAN

Chair Ley stated there was no discussion for this agenda item, and if any, it may be discussed in Executive Session.

APPROVAL OF MINUTES
– NOVEMBER 22, 2022

On a motion made by Vice Chair Barfield, seconded by Chair Ley, and unanimously carried, the Committee approved the Minutes of the November 22, 2022, meeting as presented.

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.

(Chair Ley identified attendees of the Executive Session, Committee members Chair Ley, Vice Chair Barfield, and Trustee Chan; ERS staff ED Thomas Williams, Chief Investment Officer Kristin Varela, Deputy Chief Investment Officer Howard Hodel; and Deputy Attorney General (DAG) Lori Tanigawa. All attendees affirmed 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.

Chair Ley provided the reason to enter into Executive Session:

Executive Session, pursuant to HRS § 92-5(a)(2) and (4) and (8), to discuss the Compensation Study of Chapter 76, HRS exempt staff for the Employees' Retirement System, and to evaluate 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

Committee's powers, duties, privileges, immunities, and liabilities, and to make a decision on the approval of executive session minutes which are confidential under state law.

Before exiting the meeting, Board Secretary Dale Kehau Kanae confirmed that no unauthorized persons were in the conference room or able to listen in by audio or audiovisual connection while on the teleconference. DAG Tanigawa was the notetaker of the remainder of the meeting. Attendees are noted with an asterisk on these minutes and listed on the Executive Session Minutes.)

ENTER EXECUTIVE SESSION

On a motion made by Trustee Chan, seconded by Vice Chair Barfield, and unanimously carried, the Committee entered into Executive Session at 3:15 p.m.

(Public participation concluded by ending the teleconference link.)

EXECUTIVE SESSION

- Pursuant to HRS§ 92-5(a)(2) and (4), to discuss the Compensation Study of Chapter 76, HRS exempt staff for the Employees' Retirement System, and to evaluate 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 Committee's powers, duties, privileges, immunities, and liabilities, appropriate action.

EXECUTIVE SESSION,
PURSUANT TO HRS§ 92-5(a)(2)
AND (4), TO DISCUSS THE
COMPENSATION STUDY OF
CHAPTER 76, HRS EXEMPT
STAFF FOR THE EMPLOYEES'
RETIREMENT SYSTEM, AND TO
EVALUATE 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 COMMITTEE'S POWERS,
DUTIES, PRIVILEGES,
IMMUNITIES, AND LIABILITIES;
APPROPRIATE ACTION

(See DAG Lori Tanigawa's Confidential Executive Session Minutes for this portion of the meeting.)

APPROVAL OF EXECUTIVE
SESSION MINUTES
– NOVEMBER 22, 2022

APPROVAL OF
CONFIDENTIAL EXECUTIVE
SESSION MINUTES
– NOVEMBER 22, 2022

EXIT EXECUTIVE SESSION

On a motion made by Trustee Chan, seconded by Vice Chair Barfield, and unanimously carried, the Committee exited Executive Session at 4:05 p.m.

ADJOURNMENT

On a motion made by Trustee Chan, seconded by Vice Chair Barfield, and unanimously carried, Chair Ley adjourned the meeting at 4:06 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik



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

I. PURPOSE

The ~~purpose of the~~ Human Resources Committee (“Committee”) ~~is to carry out the responsibilities delegated to it by the Board of Trustees~~ of the Employees’ Retirement System (“ERS”) of the State of Hawaii is a committee of the Board of Trustees (“Board”). Its primary function is to provide oversight of Human Resources Management, and to determine and recommend ~~executive compensation and~~ compensation for executive and 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
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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 annual goals and objectives of the Executive Director, Deputy Executive Director, and Chief Investment Officer. Successful accomplishment of the goals and objectives shall be the basis of compensation recommendations for 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~~ relative to the goals and objectives ~~applicable to~~ of their positions and those of the ERS.
- 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 evaluations of exempt Investment Office staff ~~s in light of the~~ goals and objectives ~~applicable to those of~~ staff's positions and those of the ERS.
- The Committee shall consult with the Executive Director and Chief Investment Officer regarding compensation recommendations for exempt Investment Office 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~~



Employees' Retirement System of the State of Hawaii
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~~and objectives of the ERS.~~

- 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.



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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 and Approved by the Board of Trustees: April 10, 2017, August 10, 2020, April 11, 2022

Accepted by the Governance Policy Committee: March 28, 2022

Revised by the Compensation Review Committee: March 23, 2020, February 25, 2021,

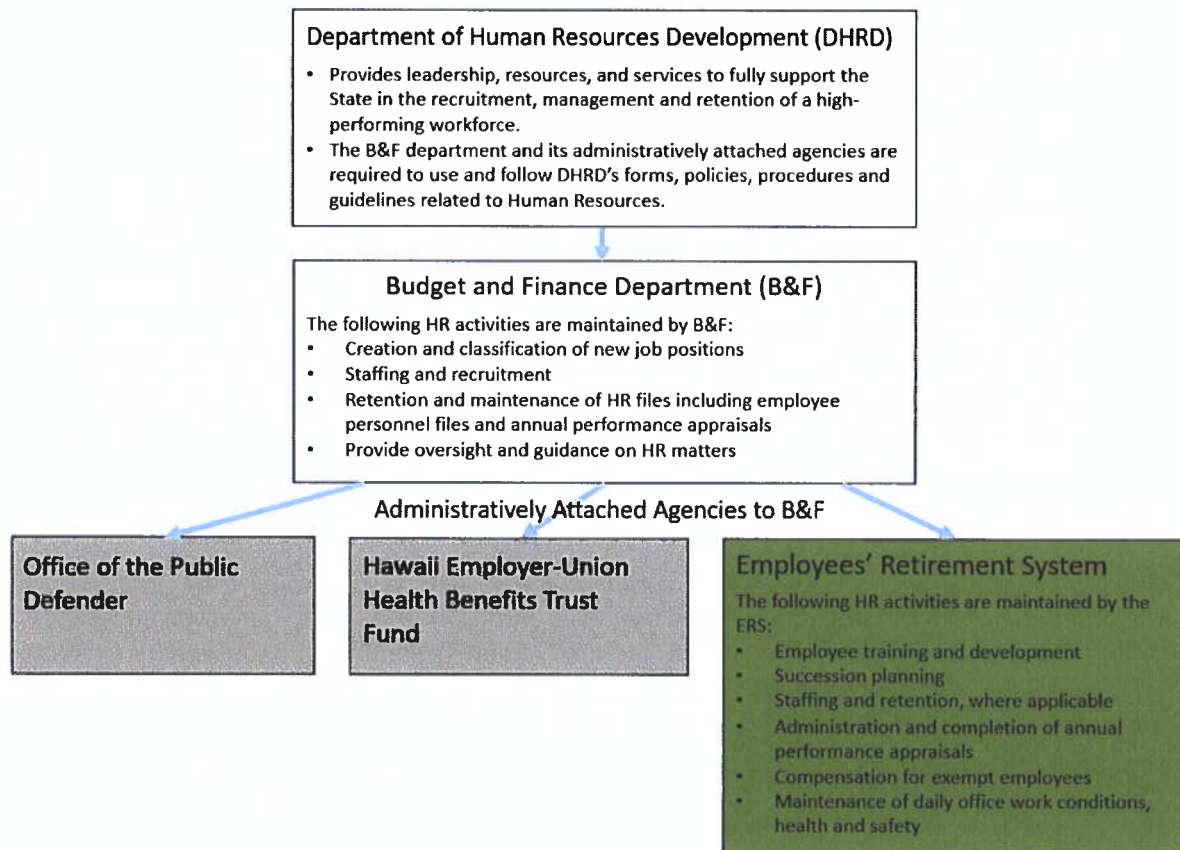
February 10, 2022, February 6, 2023

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