

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

MARCH 13, 2023

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

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

Trustees absent: Mr. Bennett Yap, Vice Chair

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. Shanna Sakagawa, Program Specialist
Mr. Keith Miyamoto, Information Services Branch Manager*
Ms. Sandra Straub, Information Services Applications Supervisor*
Ms. Kristin Varela, Chief Investment Officer*
Mr. Anthony Goo, Deputy Chief Investment Officer
Mr. Aaron Au, Investment Officer – Private Equity
Ms. Christine Chang, Investment Officer – Liquid Diversifying Strategies
Mr. Ian Wetzel, Investment Officer – Real Assets
Mr. Andrew Chen, Investment Specialist
Ms. Gerri Konishi, Member Home Loan Assistant
Mr. Roman Mahi, Investment Analyst
Ms. Dale Kehau Kanae, Recording Secretary
Ms. Lori Kim, Secretary*
Ms. Andrea Gasper, Secretary*
Ms. Diana Gomes, Secretary

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

Guests present: Ms. Natalie Fitch, Hamilton Lane Advisors, LLC
(by teleconference) Mr. Peter Hanashiro, KMH LLP*
Mr. Tyson Suehiro, KMH LLP*
Mr. Colin Bebee, Meketa Investment Group, Inc.
Ms. Mika Malone, Meketa Investment Group, Inc.
Mr. Brian Frey, RSM US LLP
Mr. Jack Dowd, Townsend Group, an Aon Company
Mr. Chae Hong, Townsend Group, an Aon Company
Mr. Ivan Torigoe, former Deputy Attorney General

Public present: Mr. Michael Barela
(by teleconference) Mr. Joe Ebisa, WithIntelligence
Mr. Gregg Gethard, Buyouts
Mr. Brian Kwan
Mr. Jason Moss
Mr. Nathan Paulson

*Attended Executive Session.

QUORUM/CALL TO ORDER

A quorum being present (Chair Ley, Trustees Barfield, Chan, Kane, and Mizumoto), Chair Ley called the regular meeting of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 10:08 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 Trustee Chan, 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 Ley called for public comment. There was no public present in person, however, six (6) members of the public were present by teleconference, but they had no public comment. Also, no written testimony was received for this meeting.

Chair Ley announced that meeting agenda items would be discussed out of order to ensure that quorum is present to be able to secure any necessary approvals. The meeting commenced with New Business 4, to be followed by Executive Session items.

REPORT BY THE LEGISLATIVE COMMITTEE

REVIEW LEGISLATIVE PROPOSALS RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM FOR THE 2023 LEGISLATIVE SESSION FOR RECOMMENDATION (INCLUDED ON SCHEDULE A)

As part of the Report by the Legislative Committee, Program Specialist (PS) Bart Asato discussed with the Board the status of Senate Bill 211 (S.B. 211) that would ensure that employment, work, and pay eligibility for the purposes of calculating retirement benefits includes retroactive reinstatement, retroactive rescission of suspension, and retroactive payments that are restored to an employee as part of a judicial, administrative, or arbitral proceeding, or pursuant to a settlement of claims. S.B. 211 was one of the bills included on Schedule A, Review Legislative Proposals Relating to the Employees Retirement System for the 2023 Legislative Session for Recommendation. (A list of Legislative Proposals Relating to the ERS is attached for clarification.)

After PS Asato's report, Chair Ley requested the Board enter into Executive Session for further discussion.

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

Chair Ley provided the reason to enter into Executive Session:

Executive Session, pursuant HRS §92-5(a)(4), (6), and (8), to consult with the Board's attorneys regarding S.B. 211 regarding Settlement Service Credit; to consider information that must be kept confidential pursuant to a state or federal law, to consider sensitive matters related to public safety or security; and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding KMH LLP's Cloud Risk and Security Assessment – Phase 2 Review.; and to deliberate or make a decision on the approval of Executive Session Minutes.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Barfield, seconded by Trustee Chan, and unanimously carried, the Board entered into Executive Session at 10:14 a.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. 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.

EXECUTIVE SESSION

- Pursuant to HRS §92-5(a)(4), the Board of Trustees may enter into Executive Session 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 a Report by the Legislative Committee, Review Legislative Proposals Relating to the Employees' Retirement System for the 2023 Legislative Session for Recommendation (included on Schedule A), S.B. 211 regarding Settlement Service Credit.
- Pursuant to HRS §92-5(a)(4), (6), and (8), to consider information that must be kept confidential pursuant to a state or federal law, to consider sensitive matters related to public safety or security; and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding KMH LLP's Cloud Risk and Security Assessment – Phase 2 Review.

EXECUTIVE SESSION

PURSUANT TO HRS §92-5(a)(4),
THE BOARD OF TRUSTEES
MAY ENTER INTO EXECUTIVE
SESSION 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 A REPORT BY THE
LEGISLATIVE COMMITTEE

REVIEW LEGISLATIVE
PROPOSALS RELATING TO
THE EMPLOYEES'
RETIREMENT SYSTEM FOR
THE 2023 LEGISLATIVE
SESSION FOR
RECOMMENDATION
(INCLUDED ON SCHEDULE
A)

EXECUTIVE SESSION

PURSUANT TO HRS §92-5(a)(4),
(6), AND (8), TO CONSIDER
INFORMATION THAT MUST BE
KEPT CONFIDENTIAL
PURSUANT TO A STATE OR
FEDERAL LAW, TO CONSIDER
SENSITIVE MATTERS
RELATED TO PUBLIC SAFETY
OR SECURITY; AND TO
CONSULT WITH THE BOARD'S
ATTORNEYS ON QUESTIONS
AND ISSUES PERTAINING TO
THE BOARD'S POWERS,
DUTIES, PRIVILEGES,
IMMUNITIES, AND
LIABILITIES REGARDING KMH
LLP'S CLOUD RISK AND
SECURITY ASSESSMENT –
PHASE 2 REVIEW

APPROVAL OF EXECUTIVE
SESSION MINUTES

– JANUARY 19, 2023
– FEBRUARY 23, 2023

EXIT EXECUTIVE SESSION

On a motion made by Trustee Barfield, seconded by Trustee Mizumoto, and unanimously carried, the Board exited Executive Session at 10:34 a.m.

Chair Ley again announced that meeting agenda items would be discussed out of order to ensure that quorum is present to be able to secure any necessary approvals. The meeting continued with New Business Items 3.1., 4.1. (S.B. 211), APPROVAL OF MINUTES, then the remainder of the agenda items.

REPORT BY THE
ADMINISTRATIVE &
AUDIT COMMITTEE

REVIEW KMH LLP'S
INTERNAL AUDIT
UPDATE REPORT
(INCLUDES RISK
ASSESSMENT RE-
EVALUATION & TWO-
YEAR INTERNAL AUDIT
PLAN AND INVESTMENT
GOVERNANCE
STRUCTURE &
OVERSIGHT REVIEW)

Administrative & Audit Committee (Committee) Chair Kane reported to the Board that at its last meeting, the Committee heard and accepted KMH LLP's Internal Audit Update Report (includes Risk Assessment Re-Evaluation and Two-Year Internal Audit Plan, and Investment Governance Structure and Oversight Review. Committee Chair Kane requested KMH LLP's Peter Hanashiro and Tyson Suehiro present a high-level summary of the reports to the Board.

Messrs. Hanashiro and Suehiro presented the oral and written reports to the Board highlighting from the Internal Audit Update Report (includes Risk Assessment Re-Evaluation & Two-Year Internal Audit Plan: Executive Summary, Risk Assessment Re-Evaluation Process, Proposed Two-Year Internal Audit Plan, and the Proposed Two-Year Internal Audit Plan Schedule; Investment Governance Structure & Oversight Review: Summary of Findings and Ratings for Individual Findings, as presented. Mr. Hanashiro also shared with the Board that KMH's new contract with ERS is for a period of three (3) years effective February 1, 2023, to January 1, 2026, with a one-year extension option.

On a motion made by Committee Chair Kane, seconded by Trustee Chan, and unanimously carried, the Board accepted the recommendations by the Committee and approved KMH LLP's Internal Audit Update Report (includes Risk Assessment Re-Evaluation and Two-Year Internal Audit Plan, and Investment Governance Structure and Oversight Review as presented.

After their presentations Messrs. Hanashiro, Suehiro, and Brian Frey left the meeting by ending their teleconferences.

REPORT BY THE
LEGISLATIVE
COMMITTEE

REVIEW LEGISLATIVE
PROPOSALS RELATING
TO THE EMPLOYEES'
RETIREMENT SYSTEM
FOR THE 2023
LEGISLATIVE SESSION
FOR RECOMMENDATION
(INCLUDED ON
SCHEDULE A)

Chair Ley stated, that in Executive Session, it was requested that the Board affirm ERS's position on S.B. 211, and to be authorized to respond to the Union regarding ERS's concerns about acceptance of settlement agreements.

DAG Lori Tanigawa proposed wording for the motion.

On a motion made by Trustee Mizumoto, seconded by Committee Vice Chair Kane, and unanimously carried, the Board reaffirmed support of S.B. 211 with the proposed amendments as presented in a testimony submitted by ERS to the Senate Ways and Means and Judiciary Committees dated March 1, 2023.

APPROVAL OF MINUTES

– JANUARY 19, 2023
– FEBRUARY 23, 2023

On a motion made by Trustee Mizumoto, seconded by Trustee Kane, and unanimously carried, the Board approved the Minutes of January 19, 2023, and February 23, 2023, as presented.

REPORT BY THE
GOVERNANCE POLICY
COMMITTEE

REVIEW AND APPROVE
BOARD COMMITTEE
CHARTERS FOR
ADMINISTRATIVE &
AUDIT, INTERNAL
AUDIT, AND ETHICS &
COMPLIANCE;
~~COMPENSATION REVIEW~~
HUMAN RESOURCES;
GOVERNANCE POLICY;
AND LEGISLATIVE

Governance Policy Committee (Committee) Chair Ley discussed with the Board the Review and Approval of the Committee Charters for the Administrative & Audit, Internal Audit, and Ethics & Compliance; ~~Compensation Review~~ Human Resources; Governance Policy; and Legislative Committees. Chair Ley reported that all of the Charters presented were accepted by the Committee for approval by the Board. (All Committee Charters listed are attached to these minutes for clarification.)

Administrative & Audit Committee (Committee) Chair Kane requested the Board approve, as recommended by the Committee, the Administrative & Audit, Internal Audit, and Ethics & Compliance Charters as presented.

On a motion made by Committee Chair Kane, seconded by Trustee Barfield, and unanimously carried, the Board approved, as recommended by the Committee, the Administrative & Audit, and Internal Audit Charters as presented.

On a motion made by Committee Chair Kane, seconded by Committee Vice Chair Mizumoto, and unanimously carried, the Board approved, as recommended by the Committee, the Ethics & Compliance Charter as presented.

Human Resources Committee (Committee) Chair Ley requested the Board approve, as recommended by the Committee, the Human Resources Committee Charter as presented.

On a motion made by Committee Chair Ley, seconded by Trustee Mizumoto, and unanimously carried, the Board approved, as recommended by the Committee, the Human Resources Committee Charter as presented.

Governance Policy Committee (Committee) Chair Ley requested the Board approve, as recommended by the Committee, the Governance Policy Committee Charter as presented.

On a motion made by Committee Chair Ley, seconded by Trustee Mizumoto, and unanimously carried, the Board approved, as recommended by the Committee, the Governance Policy Charter as presented.

Legislative Committee (Committee) Vice Chair Kane requested the Board approve, as recommended by the Committee, the Legislative Committee Charter as presented.

On a motion made by Committee Vice Chair Kane, seconded by Trustee Barfield, and unanimously carried, the Board approved, as recommended by the Committee, the Legislative Committee Charter as presented.

Chair Ley noted that the Governance Policy Committee agreed to have the Investment Committee Charter approved by both the Committee and the Board once the at the next Board meeting.

REPORT BY THE
LEGISLATIVE
COMMITTEE

REVIEW LEGISLATIVE
PROPOSALS RELATING
TO THE EMPLOYEES'
RETIREMENT SYSTEM
FOR THE 2023
LEGISLATIVE SESSION
FOR RECOMMENDATION

Continuing as part of the Report by the Legislative Committee, Committee Vice Chair Kane discussed with the Board that the Committee reviewed and accepted the List of Legislative Proposals Relating to the ERS for the 2023 Legislative Session and is presenting it for the Board's approval. PS Asato discussed some of the details associated with ERS's positions as noted on the list of bills. (The List of Legislative Proposals Relating to the ERS is attached for clarification.)

On a motion made by Committee Vice Chair Kane, seconded by Trustee Mizumoto, and unanimously carried, the Board approved, as recommended by the Committee, the list of bills of ERS's positions as presented.

(Trustee Mizumoto exited the meeting at 10:50 a.m. by ending his teleconference. Due to loss of quorum (Chair Ley, Trustees Barfield, Chan, and Kane) the Board members were engaged in a permitted interaction pursuant to the HRS §92-2.5 (d), unless quorum is achieved.)

REPORT BY THE
INVESTMENT COMMITTEE

Investment Committee (Committee) Chair Chan reported to the Board that the Committee met on February 21, 2022, and discussed:

- Investment Committee Charter and Performance Assessment. The Charter was reviewed and accepted, however, due to an oversight, a new review is required and the Charter will be presented for approval at the next May meeting. The Performance Assessment was completed and it was agreed that the Committee functioned effectively for 2022.
- Investment Policy Statement. The Committee reviewed changes to Sections C. 7., Responsible Investing. Changes are intended to align with Board approved revisions to Proxy Voting policies. The revisions will be presented at the next Governance Committee and to the Board of Trustees thereafter.
- Fund Performance Review. Meketa Investment Group, Inc. (Meketa) presented their quarterly review of the ERS Fund Performance. Colin Bebee will summarize results for the Board following this update.
- Asset Liability Study. Meketa presented their Asset Liability Study update following the Board of Trustees survey. The Committee provided feedback on process and strategic appetite for various risk/return tradeoffs to consider when constructing different asset allocation options. Meketa will return in May to present optimized portfolios for consideration and adoption.
- Deferred Items. The balance of the agenda was deferred due to time limitations. The Committee and staff will focus on streamlining meetings going forward to accommodate time needs. For today's meeting, consultants Hamilton Lane and Townsend Group, an Aon Company will present summarized results for Private Equity and Real Assets.

Chief Investment Officer (CIO) Kristin Varela introduced each of the consultants before presenting their quarterly reports.

MEKETA INVESTMENT
GROUP, INC. –
QUARTERLY FUND
PERFORMANCE
REVIEW

Meketa's Colin Bebee and Mika Malone entered the meeting and presented an oral and written report to the Board on the Quarterly Fund Performance Review. Mr. Bebee highlighted:

INTRODUCTION

Portfolio Valuation

- Q4 represented a reversal from the first three quarters of 2022 as nearly all asset classes, particularly equities, produced positive returns. While this was a challenging quarter for the ERS compared to peers, the ERS's medium- and long-term performance stand out as proof statements for the portfolio's structure. The ERS Total Portfolio's performance places the ERS in the top percentile of peer performance over the 1- and 3-year trailing periods, while remaining in the top-decile over the 5-year trailing period and barely below it in the 10-year period.
- Over the most recent quarter, the ERS Total Portfolio posted a 0.9%¹ quarterly return, marginally trailing the Policy Benchmark and lagging behind the peer median fund. The Total Portfolio increased in market value by about \$102.2 million during the quarter to end the period at \$21.7 billion in total assets. This includes a cumulative outflow of \$63.7 million over the quarter along with roughly \$165.9 million in investment gains.

MEKETA INVESTMENT
GROUP, INC. –
QUARTERLY FUND
PERFORMANCE
REVIEW (CONT'D)

- The ERS Total Portfolio materially outperformed the Policy Benchmark across all time periods measured except for the most recent quarter where it trailed the Benchmark by about 20 basis points (bps).

Allocation versus Policy Targets

- As part of the evolving policy targets that began taking effect on 7/1/2020, the current phase of policy targets started on 7/1/2022 at the beginning of the fiscal year. In particular, the ERS is continuing to increase the allocations to Diversifying Strategies and Real Assets, with the capital coming from the Public Growth portfolio.
- As of 2022 calendar year end, the Total Portfolio had a slight overweight (+2.5%) to Broad Growth and a modest underweight (–4.5%) to Diversifying Strategies.

Hawaii ERS vs. Public Fund Peers

- On a risk-unadjusted basis, the ERS Total Portfolio outperformed the Median Public Fund across all time periods measured except for the most recent quarter and fiscal year-to-date. This outperformance is even greater in longer time periods (3+ years) once shown on a risk-adjusted basis.
- On a risk-adjusted basis, the ERS Total Portfolio has consistently, and materially, outperformed relative to the Median Public Fund over all time periods, except again for the most recent quarter and fiscal year-to-date. This is indicative of a more efficient (i.e., higher return per unit of risk) portfolio that was explicitly constructed by the ERS over the last several asset-liability studies.

ERS PORTFOLIO REVIEW

Asset Allocation vs. Target

Asset Class Performance Summary

INVESTMENT
COMMITTEE
DEFERRED REPORT:
TOWNSEND GROUP,
AN AON COMPANY –
REAL ASSETS
QUARTERLY REVIEW
FOR PERIOD ENDING
SEPTEMBER 30, 2022

Townsend Group, an Aon Company's Jack Dowd and Chae Hong entered the meeting and together with ERS Investment Officer – Real Assets Ian Wetzel presented an oral and written report to the Board on the Real Assets Quarterly Review for the Period Ending September 30, 2022. Mr. Hong highlighted:

EXECUTIVE SUMMARY

Real Assets Markets Performance and Overview

- The NFI-ODCE trailing one-year return now stands at 21.0% net. NFI-ODCE returns have recovered above long-term expectations of 7.0% to 9.0% gross due to the robust recovery of the Global economy following the COVID-19 pandemic.
- The NCREIF Farmland Index ("NFI") returned 2.0%, up from the prior quarter. Row crops drove performance with a return of 2.7%, while permanent crops returned 0.9%.
- The NCREIF Timberland Index ("NTI") returned 2.4% for the quarter and 12.5% for the trailing one-year return. Regionally, the Northwest (2.6%) was the NTI's top performer while the Lake States (0.8%) lagged for the quarter.

Total Real Asset Portfolio Funding Status and Composition

- Recent infrastructure, agriculture, and real estate commitments should help the portfolio continue to move towards its target allocation irrespective of liquidating investments.
- In general, the portfolio is in compliance with its Statement of Investment Policy with the following exceptions. Timber exceeds the largest asset as a percent of Timber maximum due to Hancock's sale of a large property in December 2017 for roughly \$36M.

INVESTMENT
COMMITTEE
DEFERRED REPORT:
TOWNSEND GROUP,
AN AON COMPANY –
REAL ASSETS
QUARTERLY REVIEW
FOR PERIOD ENDING
SEPTEMBER 30, 2022
(CONT'D)

HIERS Real Summary Estate Performance Summary

- Overall, the portfolio is performing well, outperforming the NFI-ODCE Index on a net of fee basis over majority of the measurement periods with the exception of the year to date, 1-year, and since inception.
- The real estate portfolio has generated an 8.7% net IRR and 1.4x net equity multiple since inception.

HIERS Timber Performance Summary

- Over longer-term periods the portfolio is outperforming the NTI Index on a gross of fee basis, while underperforming slightly on a quarter, year-to-date, and 3-year basis.
 - The near-term underperformance is due to a lack of appreciation during the quarter, which is often captured in the 4th quarter.
- The timber portfolio has generated an 8.1% net IRR and 2.7x net equity multiple since inception.

HIERS Infrastructure Performance Summary

- Overall, the portfolio is performing well, outperforming the CPI + 400 BPS benchmark on a gross basis over-all long-term measurement periods. The portfolio has underperformed slightly in during the quarter and year-to-date and 1-year periods.
- The infrastructure portfolio has generated an 13.4% net IRR and 1.2x net equity multiple since inception.

HIERS Agriculture Performance Summary

- Overall, the portfolio has slightly under performed during the last quarter and year-to-date while outperforming since inception.
- The Agriculture portfolio has generated an 8.0% net IRR and 1.0x net equity multiple since inception.

HIERS Real Estate & Real Asset Portfolio Highlights

- During Q3 2022 and subsequent to quarter end, five new commitments were approved: Two closed-end diversified U.S. Value-Add Funds (\$50 M each), an open-end Agriculture Fund (\$100 M); an open-end Infrastructure Fund (\$100 M), and a closed-end Infrastructure Fund (\$50 M).

INVESTMENT
COMMITTEE
DEFERRED REPORT:
HAMILTON LANE
ADVISORS, LLC –
PRIVATE EQUITY
QUARTERLY REVIEW
FOR PERIOD ENDING
SEPTEMBER 30, 2022

Hamilton Lane Advisors, LLC, (HL) Natalie Fitch entered the meeting and together with ERS Investment Officer – Private Equity Aaron Au presented an oral and written report to the Board on the Private Equity Quarterly Review for Period Ending September 30, 2022. Ms. Fitch highlighted:

PORTFOLIO REVIEW

PE Portfolio Highlights – September 30, 2022

- Portfolio generated quarterly net IRR of (1.34%), or net value decline of \$52.7M.
- Since inception performance declined 31 bps to 12.79% from 13.10% during the quarter but continues to perform above pre-Covid levels.
 - The Portfolio outperformed its public benchmark, MSCI ACWI IMI + 200 bps, by 703 bps on a since inception basis.
 - Over the last 10 quarters, net value increase of \$1.8 B.
- One-year net IRR of 2.12% outperformed public benchmark by 2,264 bps.
 - Net value increase of \$83.0M during the LTM period.

Performance Against Benchmark

- Portfolio outperforming benchmark, MSCI ACWI IMI + 200 bps, across all periods.
 - Portfolio outperforms public benchmark by 703 bps on a since inception basis.
 - Average premium above MSCI + 200 bps of 1,456 bps.
- Portfolio generated double digit performance across all longer-term time periods.

INVESTMENT
COMMITTEE
DEFERRED REPORT:
HAMILTON LANE
ADVISORS, LLC –
PRIVATE EQUITY
QUARTERLY REVIEW
FOR PERIOD ENDING
SEPTEMBER 30, 2022
(CONT'D)

2022 Commitment Summary

- In 2022, HIERS closed on \$600.0M across 16 commitments through HL, in addition to \$95.0M across three funds through Staff.
- Investments are consistent with the themes and recommendations highlighted in HL's Strategic Plan.

Year End Review

- Performance: HL outperforming total Portfolio since inception IRR by 657 bps as of September 30, 2022.
- Legal Win: HL achieved improved economics for two commitments in 2022
- Completed several special projects.

CIO Varela gave the Board a brief update on the Silicon Valley Bank failure. As an update to her e-mail to the Board, the Investment Office (IO) staff have assessed ERS's risk and impact based on market exposure. Market risk was determined to be minimal, and only holding positions in benchmark replication strategies, just basis points on total fund exposure. There is a concern of contagion risk, as other regional banks such as First Republic are facing stress. ERS's total financial exposure within the public allocation is 14%, however, ERS is well diversified across other sectors. IO staff will continue to watch and assess ERS's risks.

Regarding indirect or more direct risk on the depository side, IO staff have monitored cash and associated transactions that flow through Silicon Bank and have stopped any transactions in the works. Quantifying or assessing indirect risk with our managers, at the fund level and their portfolio companies, will take some time, and updates will continue to be provided.

REPORT BY THE
ADMINISTRATIVE &
AUDIT COMMITTEE

Administrative & Audit Committee (Committee) Chair Kane reported to the Board that there was nothing further to report.

REPORT BY THE
LEGISLATIVE
COMMITTEE

Legislative Committee (Committee) Vice Chair Kane reported to the Board there was nothing further to report.

DISCUSS POTENTIAL
LEGISLATIVE
PROPOSALS RELATING
TO THE EMPLOYEES'
RETIREMENT SYSTEM
FOR FUTURE
LEGISLATION

There was no discussion on Potential Legislative Proposals Relating to the Employees' Retirement System for Future Legislation, more to report.

UPDATE ON EMPLOYER
REPORTING
REQUIREMENT BY
ACT 87, SLH 2015

The Update on Employer Reporting Requirement by Act 87, SLH 2015 was presented to the Board as a receive and file.

REPORT BY THE HUMAN
RESOURCES COMMITTEE

Human Resources Committee (Committee) Chair Ley reported to the Board that the Committee continues to evaluate the current compensation structure for exempt and executive staff.

UPDATE OF ELECTED
COMMITTEE CHAIRS AND
VICE CHAIRS FOR 2023

Chair Ley discussed with the Board the Updated Elected Committee Chairs and Vice Chairs for 2023 as presented and asked if there were any comments or changes. The Board had no comments or suggested changes.

RECESS

Chair Ley called for a recess at 11:20 a.m.

RECONVENE	Chair Ley reconvened the meeting at 11:30 a.m. Quorum was not met (Chair Ley, Trustee Barfield, and Kane), however, the Board members engaged in a permitted interaction pursuant to the HRS §92-2.5 (d), unless quorum is achieved.)
PUBLIC COMMENT	Chair Ley called for public comment. There were no public comments from public members attending.
EXECUTIVE DIRECTOR'S REPORT	<p>Executive Director (ED) Williams gave an oral report to the Board as follows:</p> <ul style="list-style-type: none"> • Presented a Resolution and Excellence in Service Award to former DAG Ivan Torigoe on behalf of the ERS and ERS Board of Trustees thanking him for his 4 years of service to the ERS. DAG Torigoe shared parting words with the Board and ERS staff. • Gave a brief overview of and thanked ERS staff and DAGs for their efforts during the 2023 Legislative session. In particular, a bill the City & County of Honolulu introduced related to employer reporting compliance requesting a delay, which was deferred. Also, a bill to be discussed in Executive Session regarding the settlement as it relates to grievance awards and arbitrations. • KMH reports relating to Investment Governance Policy as reported. • Cloud Risk and Security Assessment, which ERS continues to work on a plan to address the vulnerabilities. • Article on Pensions & Investments 1,000 Largest Retirement Plans, ERS ranked 112. • ERS staff met with the Hawaii State Energy Office, Chief Energy Officer Mark Glick to share related ERS activities such as climate change, ESG, and energy transition and activities they are engaged in. • Unclaimed property of \$310,000.00 was identified and will be returned to ERS. ERS will work with the custodial bank as some of the monies were deposited from them. • Met with the GAO (Government Accounting Office) who are researching reforms we instituted subsequent to 2012 as it relates to contribution increases in an effort to stabilize and restore funding of our program. There are a number of plans around the nation not faring as well and they want to learn from what ERS has done. • Silicon Valley Bank and Investment Office monitoring. • Reception for Kristin Varela to be held later today. <p>(Trustee Mizumoto rejoined the meeting at 11:40 a.m. and Trustee Luis Salaveria joined the meeting at 11:45 a.m. both by teleconference. Quorum was attained (Chair Ley, Trustees Barfield, Kane, Mizumoto, and Salaveria) at 11:45 a.m.</p>
DEPUTY EXECUTIVE DIRECTOR'S OPERATIONS REPORT	Deputy Executive Director Kanoe 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 February 2023 Monthly Operations Report.
CHIEF COMPLIANCE OFFICER'S UPDATE REPORT	<p>Chief Compliance Officer (CCO) Kona Mann gave an oral and written report to the Board on the Compliance Quarterly Report and discussed: Defining HIERS Compliance Program Effectiveness, Key Imperatives for Developing ERS' Compliance Program, and Compliance Program Maturity (2023).</p> <p>The Board requested CCO Mann provide a Table of Contents of the overall Policy & Procedures developed for the ERS.</p>

**RETIREMENT BENEFITS
BRANCH REPORT**

Retirement Benefits Branch Manager Karl Kaneshiro gave an oral and written report to the Board on a brief overview of the services the Retirement Benefits Branch provides and discussed: Overview, Core Activities, 2022 Accomplishments, 2023 Projects, RBB Staff, and Challenges.

ADJOURNMENT

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

REDACTED SIGNATURE

Thomas Williams
Executive Director
TW:dkik

#	Bill No	Subject	Title	Summary	Status as of 3/9/2023	Introducer(s)	Current Referral	Comp	ERS Position
1	HB1013 HD1	Employees' Retirement System; Repeal; Act 192, Session Laws of Hawaii 2007	RELATING TO THE REPEAL OF ACT 192, SESSION LAWS OF HAWAII 2007.	Repeals Act 192, Session Laws of Hawaii 2007, which requires the Employees' Retirement System to divest itself of investments in companies that provide support for genocide in Darfur, Sudan, and provide annual reports to the legislature on the status of divestment.	S 3/7/2023: Passed First Reading.	SAIKI (Introduced by request of another party)	LGO, FIN	SB1311	Support
2	SB1311 SD2	Employees' Retirement System; Repeal; Act 192, Session Laws of Hawaii 2007	RELATING TO THE REPEAL OF ACT 192, SESSION LAWS OF HAWAII 2007.	Repeals Act 192, Session Laws of Hawaii 2007, which requires the Employees' Retirement System to divest itself of investments in companies that provide support for genocide in Darfur, Sudan, and provide annual reports to the legislature on the status of divestment.	H 3/7/2023: Received from Senate (Sen. Com. No. 410) in amended form (SD 2).	KOUCHI (Introduced by request of another party)	LBT, JDC/WAM	HB1013	Support
3	HB1014 HD1	Employees' Retirement System; Service-Connected Disability; Accidental Death	RELATING TO EMPLOYEES' RETIREMENT SYSTEM DISABILITY RETIREMENT.	Clarifies the Employees' Retirement System's eligibility requirement definitions for service-connected disability and accidental death benefits.	S 3/7/2023: Passed First Reading.	SAIKI (Introduced by request of another party)	LGO, FIN	SB1312	Support
4	HB1506 HD1	Employees' Retirement System; HiTIP; Investments; Report; Appropriation	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII.	Requires the employees' retirement system, in evaluating venture capital investments, to consider opportunities in industries that will sustain Hawaii's natural environment or produce economic opportunities for its residents, including renewable energy businesses and businesses that use the investment capital to acquire the infrastructure and services needed to become energy sustainable. If the employees' retirement system board of trustees determines that it is not prudent to invest in any Hawaii venture capital meeting this description, requires the board to report the rationale for the decision in its annual report to the legislature. Appropriates funds to the Hawaii targeted investment program.	S 3/7/2023: Passed First Reading.	SAIKI, AMATO, BELATTI, COCHRAN, GANADEN, GARRETT, GATES, HUSSEY-BURDICK, ICHiyAMA, ILAGAN, KAHALOA, KAPELA, KILA, KITAGAWA, KOBAYASHI, LAMOSAO, LOWEN, MARTEN, MATAYOSHI, MIZUNO, MORIKAWA, NISHIMOTO, ONISHI, PERRUSO, POEPOE, TAKAYAMA, TAKENOUCHI, TAM, TARNAS, TODD	EEO, FIN		Support
5	SB423	Coal; Oil; Gas Company Divestment; Fossil Fuel; ERS	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.	Requires the employees' retirement system to divest its investment portfolio of coal, oil, and gas companies within an unspecified number of years and to report certain information to the legislature.	First Lateral Filing Deadline 2/16/2023. Bill was not scheduled for a hearing by AEN/LBT	GABBARD, RHOADS, SHIMABUKURO, Keith-Agaran	AEN/LBT, WAM		Planned to Oppose
6	SB211 SD2	City and County of Honolulu Package; Retirement Benefits; ERS	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.	Clarifies that service and compensation awarded as part of an administrative, arbitral, or judicial proceeding are included in the calculation of retirement benefits and service time for the Employees' Retirement System.	H 3/7/2023: Received from Senate (Sen. Com. No. 105) in amended form (SD 2).	KOUCHI (Introduced by request of another party)	LBT, WAM/JDC	HB101	Support with the proposed ERS changes
7	HB103 HD1	City and County of Honolulu Package; ERS; Reporting Standards; Final Specifications	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.	Allows departments and agencies time to comply with Employees' Retirement System reporting standards based on when final specifications are provided by the Employees' Retirement System.	First Decking Deadline 3/3/2023. Bill was not scheduled for a hearing by FIN	SAIKI (Introduced by request of another party)	LGO, FIN	SB213	Planned to oppose

#	Bill No	Subject	Title	Summary	Status as of 3/9/2023	Introducer(s)	Current Referral	Comp	ERS Position
8	SB1158 SD2	Employees' Retirement System; Police Officers; Retirement; Medical Coverage; Spousal Benefits; Minimum Age; Years of Credited Service	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.	Provides police officers who become members of the ERS after 6/30/2023 with retirement benefits similar to those provided for members of the ERS who became members before 7/1/2012, including but not limited to calculation of retirement allowance, minimum age or years of credited service requirements, and vesting period. Allows retired police officers hired after 6/30/01 to be treated as if employment began before 7/1/01 in order to maintain spousal health benefits.	H 3/7/2023: Received from Senate (Sen. Com. No. 373) in amended form (SD 2).	KEITH-AGARAN, DELA CRUZ, MCKELVEY, SHIMABUKURO, Inouye	PSM/LBT, WAM	HB387	Oppose
9	SB206	Hawaii State Association of Counties Package; ERS; Retirement Age	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.	Repeals the minimum age requirement for individuals who become an Employees' Retirement System member after 6/30/2012, and who have at least 25 years of credited service.	LBT Committee chose to defer the bill	KOUCHI (Introduced by request of another party)	LBT, WAM/JDC	HB115	Oppose
10	SB1161 SD1	Department of Defense; State Activation; Active Duty Military Pay; Basic Allowance for Housing; Service Credit	RELATING TO ACTIVE DUTY MILITARY ENTITLEMENTS.	Requires the State to pay, without delay, military personnel called to active duty at the same rate as their active duty counterparts; provide basic housing allowance; provide service credit for time on active duty; and allow state and county employees to count the time called to active duty in the State toward retirement.	H 3/7/2023: Received from Senate (Sen. Com. No. 374) in amended form (SD 1).	KEITH-AGARAN, DECOITE, MCKELVEY	PSM, WAM	HB902	Monitor
11	HB719 HD1	Commission to Improve Standards of Conduct; Public Records; Duplication; Costs; Disclosure; Public Interest; Waiver; Appropriation	RELATING TO PUBLIC RECORDS.	Beginning 7/1/2024, imposes a cap on charges for the reproduction of certain government records; waives the cost of duplication of government records provided to requestors in an electronic format; imposes a cap on charges for searching for, reviewing, and segregating records; and provides for a waiver of fees when the public interest is served by a record's disclosure. Appropriates funds for positions in the office of information practices.	H 3/7/2023: Passed Third Reading with none voting aye with reservations; none voting no (0) and none excused (0). Transmitted to Senate.	SAIKI	JHA, FIN		Comments
12	SB992 SD1	Judges; Mandatory Retirement Age; Constitutional Amendment	PROPOSING AN AMENDMENT TO ARTICLE VI, SECTION 3, OF THE HAWAII STATE CONSTITUTION TO INCREASE THE MANDATORY RETIREMENT AGE FOR STATE JUSTICES AND JUDGES.	Proposes a constitutional amendment to increase the mandatory retirement age for justices and judges from seventy to seventy-five years of age.	H 3/7/2023: Received from Senate (Sen. Com. No. 329) in amended form (SD 1).	RHOADS	JDC, WAM		Monitor
13	GM507	Director, Department of Budget and Finance		Submitting for consideration and confirmation as the Director, Department of Budget and Finance, Gubernatorial Nominee, LUIS SALAVERIA, for a term to expire 12-07-2026.	S 1/30/2023: Referred to WAM.		WAM		Support
14	GM531	Deputy Director, Department of Budget and Finance		Submitting for consideration and confirmation as the Deputy Director, Department of Budget and Finance, Gubernatorial Nominee, SABRINA NASIR, for a term to expire 12-07-2026.	S 3/2/2023: Referred to WAM.		WAM		Support

#	Bill No	Subject	Title	Summary	Status as of 3/9/2023	Introducer(s)	Current Referral	Comp	ERS Position
15	HB27 HD1	State Budget; Short Form	RELATING TO THE STATE BUDGET.	Short form bill relating to the state budget.	S 3/7/2023: Passed First Reading.	YAMASHITA	FIN		Monitor
16	HB28 HD1	State Programs; Short Form	RELATING TO STATE PROGRAMS.	Short form bill relating to state programs.	S 3/7/2023: Passed First Reading.	YAMASHITA	FIN		Monitor
17	HB40	Mandatory Tax Credit; Emergency and Budget Reserve Fund; Other Post-Employment Benefits Trust Fund; Constitution; Appropriations	RELATING TO THE GENERAL FUND.	Provides a tax credit to taxpayers and makes deposits to the emergency and budget reserve fund and other post-employment benefits trust fund pursuant to article VII, section 6, of the Hawaii State Constitution. Appropriates funds.	H 3/7/2023: Passed Third Reading with none voting aye with reservations; none voting no (0) and none excused (0). Transmitted to Senate.	YAMASHITA	ECD, FIN		Monitor
18	HB57 HD1	Workers' Compensation; Average Weekly Wages; Volunteers; DLIR	RELATING TO WORKERS' COMPENSATION.	Authorizes wages of other employees in comparable employment to be considered when computing the average weekly wages of an injured public board member, reserve police officer, police chaplain, sheriffs' chaplain, volunteer firefighter, volunteer boating enforcement officer, or volunteer conservation and resources enforcement officer. Clarifies computation of average weekly wages of an injured volunteer firefighter for workers' compensation benefits purposes.	S 3/7/2023: Passed First Reading.	TODD, KAHALOA, KAPELA, LOWEN, ONISHI, TARNAS	LGO, CPC, FIN	SB696	Monitor
19	HB300	State Budget	RELATING TO THE STATE BUDGET.	Appropriates funds for the operating and capital improvement budget of the Executive Branch for fiscal years 2023-2024 and 2024-2025.	H 3/8/2023: The committee on FIN recommend that the measure be PASSED, WITH AMENDMENTS. The votes were as follows: 16 Ayes: Representative(s) Yamashita, Kitagawa, Aiu, Chun, Cochran, Garrett, Kahaloa, Kila, Kobayashi, Lamosao, Morikawa, Nishimoto, Poepoe, Takenouchi, Alcos, Ward; Ayes with reservations: none; Noes: none; and Excused: none.	SAIKI (Introduced by request of another party)	FIN	SB354	Monitor
20	HB334 HD1	EUTF; Collective Bargaining; Employer Contribution	RELATING TO EMPLOYER-UNION HEALTH BENEFITS TRUST FUND CONTRIBUTIONS.	Sets the amount of the employer contribution to the Hawaii employer-union health benefits trust fund as a fixed percentage of the health benefits plan or life insurance plan premium cost. Makes conforming amendments to remove the amount of contributions by the State and counties to the Hawaii employer-union health benefits trust fund from the scope of collective bargaining negotiations.	S 3/7/2023: Passed First Reading.	MATAYOSHI, GARRETT	LGO, FIN	SB1049	Monitor

#	Bill No	Subject	Title	Summary	Status as of 3/9/2023	Introducer(s)	Current Referral	Comp	ERS Position
21	HB572 HD1	Administrative Rulemaking; Electronic Notice	RELATING TO ADMINISTRATIVE RULEMAKING.	Requires that prior to the adoption, amendment, or repeal of an administrative rule, electronic notice of the proposed rulemaking be provided to all persons who have made a timely written request of the adopting agency for advance notice of its rulemaking proceedings.	S 3/3/2023: Passed First Reading.	TAKENOUCHI, BELATTI, CHUN, COCHRAN, HASHIMOTO, HUSSEY-BURDICK, ICHiyAMA, KILA, KITAGAWA, LAMOSAO, MARTEN, NAKASHIMA, NISHIMOTO, POEPOE, SAYAMA, TAKAYAMA, TAM, TODD, Amato, Kobayashi	LGO, JHA		Monitor
22	HB712 HD1	Commission to Improve Standards of Conduct; Recordings of Public Meetings; Meeting Minutes; Public Record; Boards	RELATING TO RECORDINGS OF PUBLIC MEETINGS.	Encourages boards to maintain any electronic audio or visual recording of a board meeting as a public record on the board's website regardless of whether the written minutes of the meeting have been posted. Amends the information that must be included as part of the written minutes of board meetings. Requires boards to provide the state archives with a copy of any electronic audio or visual recording of a board meeting before removing the recording from the board's website. Effective 10/1/2023.	H 3/7/2023: Passed Third Reading with none voting aye with reservations; none voting no (0) and none excused (0). Transmitted to Senate.	SAIKI	JHA	SB1426	Monitor
23	HB964 HD1	Apostilles; Certifications; Fees; Special Fund; Appropriation	RELATING TO THE CERTIFICATION OF DOCUMENTS.	Increases the fee for the issuance of an apostille or certification to \$10. Establishes the apostilles and certifications special fund. Authorizes the office of the lieutenant governor to expend moneys in the fund for operational expenses. Effective 6/30/3000. (HD1)	S 3/3/2023: Passed First Reading.	YAMASHITA	LGO, FIN	SB828	Monitor
24	HB1039 HD1	Act 278, Session Laws of Hawaii 2022; Attorney General; Department of the Attorney General; Department of Defense; Department of Health, Department of Human Services; Investigators; Private Security Contracts	RELATING TO ACT 278, SESSION LAWS OF HAWAII 2022.	Amends Act 278, Session Laws of Hawaii 2022, to modify the transfer of the personnel and functions of the Department of the Attorney General to the Department of Law Enforcement, clarify that Act 278 does not amend or abrogate the Attorney General's status as the Chief Legal and Law Enforcement Officer of the State, specify that the Statewide Law enforcement Training Complex will be located at the First Responder Technology Campus rather than the Mililani Technology Park, and transfer the responsibility and management of certain private security contracts under section 26-14.6, Hawaii Revised Statutes, from the Department of Law Enforcement to the Department of Defense, the Department of Health, and the Department of Human Services for their respective facilities.	S 3/3/2023: Passed First Reading.	SAIKI (Introduced by request of another party)	JHA	SB1337	Monitor

#	Bill No	Subject	Title	Summary	Status as of 3/9/2023	Introducer(s)	Current Referral	Comp	ERS Position
25	HB1505 HD1	EUTF; Investments; Appropriation	RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND.	Encourages the EUTF to consider investment opportunities in industries that will sustain Hawaii's natural environment or produce economic opportunities for its residents, including renewable energy businesses and businesses that use investment capital to acquire the infrastructure and services needed to become energy sustainable. Appropriates funds to the EUTF.	S 3/7/2023: Passed First Reading.	SAIKI, AMATO, BELATTI, CHUN, COCHRAN, GANADEN, GARRETT, HUSSEY-BURDICK, ILAGAN, KAHALOA, KAPELA, KILA, KITAGAWA, KOBAYASHI, LAMOSAO, LOWEN, MARTEN, MARTINEZ, MATAYOSHI, MIZUNO, MORIKAWA, NAKASHIMA, NISHIMOTO, PERRUSO, POEPOE, SAYAMA, TAKAYAMA, TAKENOUCI, TAM, TARNAS, TODD	EEP, FIN		Monitor
26	SB306 SD1	Hawaii Administrative Rules; Office of the Lieutenant Governor; Public Information; Online	RELATING TO PUBLIC INFORMATION.	Requires all Hawaii Administrative Rules to be made available on the Office of the Lieutenant Governor's internet website.	H 3/7/2023: Received from Senate (Sen. Com. No. 129) in amended form (SD 1).	DELA CRUZ, AQUINO, CHANG, INOUE, KANUHA, MCKELVEY, RHOADS, Awa, Ihara, Kidani, Richards, Wakai	GVO, JDC/WAM		Monitor
27	SB1196 SD1	Boards; Commissions; Holdover Member; Limitation	RELATING TO BOARDS AND COMMISSIONS.	Clarifies that board and commission holdover members shall not hold office beyond the end of the second regular legislative session following the expiration of the member's term of office regardless of any conflicting statutes.	H 3/7/2023: Received from Senate (Sen. Com. No. 383) in amended form (SD 1).	KIM, CHANG, DELA CRUZ, KEITH-AGARAN, KEOHOKALO, MORIWAKI, WAKAI, Ihara	GVO, JDC	HB545	Monitor
28	SB1313 SD1	Hawaii Employer-Union Health Benefits Trust Fund; Salary Determination	RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND.	Enables the board of trustees of the Hawaii Employer-Union Health Benefits Trust Fund to establish appropriate salaries for the administrator and chief investment officer of the trust fund.	H 2/17/2023: Pass First Reading	KOUCHI (Introduced by request of another party)	LBT, WAM	HB1015	Monitor
29	SB1314 SD2	Hawaii Employer-Union Health Benefits Trust Fund Spousal Medicare Part B Premium Reimbursement	RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND SPOUSAL MEDICARE PART B PREMIUM REIMBURSEMENT.	Amends section 87A-23, Hawaii Revised Statutes, to exclude medicare reimbursement by the State and counties for the spouses of retired employees hired after June 30, 2023.	H 2/21/2023: Pass First Reading	KOUCHI (Introduced by request of another party)	LBT, WAM	HB1016	Monitor
30	SB1315 SD2	Hawaii Employer-Union Health Benefits Trust Fund Medicare Part B Premium Reimbursement	RELATING TO THE HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND MEDICARE PART B PREMIUM REIMBURSEMENT.	Amends section 87A-23, Hawaii Revised Statutes, to exclude medicare income related monthly adjustment amounts reimbursement by the State and counties for retired employees hired after June 30, 2023, and their spouses.	H 3/7/2023: Received from Senate (Sen. Com. No. 411) in amended form (SD 2).	KOUCHI (Introduced by request of another party)	LBT, WAM	HB1017	Monitor
31	SB1513	Executive Meeting; Public Agency Meeting	RELATING TO PUBLIC AGENCY MEETINGS.	Requires a Public Agency Board to report any discussion or final action taken during an executive meeting; provided that such disclosure is not inconsistent with the purpose of convening the executive meeting, but giving the Board discretion to maintain confidentiality.	H 3/7/2023: Received from Senate (Sen. Com. No. 473).	IHARA, MCKELVEY, SHIMABUKURO	GVO, JDC		Monitor



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
ADMINISTRATIVE & AUDIT COMMITTEE CHARTER

I. PURPOSE

The Administrative & Audit Committee (“Committee”) 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 assist the Board in fulfilling its oversight responsibilities relating to:

- A. The integrity of the ERS’s financial statements, ~~and the~~ accounting and financial reporting processes including internal and external audits;
- B. The ERS’s compliance with legal and regulatory requirements;
- C. The qualifications, independence and the performance of the ERS’s Internal and External Auditors;
- D. Monitoring the performance of the systems of internal controls established by Management and the Board;
- ~~E. Monitoring the performance of the ERS’s Internal and External Audits;~~
- ~~FE.~~ The business practices and ethical standards of the ERS; ~~and~~
- ~~GF.~~ The review and monitoring ing of the administration of the ERS; and
- G. The review and monitoring of the Compliance Program.

The Committee provides an avenue of open and free communication between the Board, the Internal Auditors, the External Auditors, the Chief Compliance Officer, and Management of the ERS.

II. COMMITTEE MEMBERSHIP

- A. The membership of the Committee shall consist of at least three members of the Board.
- B. The Board members of the Committee shall be appointed annually by the Board Chair. Committee appointments can be changed at the discretion of the Board Chair at any time. In the event of a vacancy (due to member resignation, removal, or death), the Board Chair will appoint a replacement to serve the remainder of the term.



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- C. The members of the Committee shall be responsible for electing its Chair and Vice Chair.

III. MEETINGS

- A. The Committee must meet at least three (3) times per year or more frequently as circumstances require, with prior notice and publication of the agenda as provided by law.
- B. The Committee may ask members, ERS Management, advisors, and others to attend Committee meetings to provide pertinent information as necessary.

IV. AUTHORITY

The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. In the conduct of any investigation, the Committee shall have the authority to seek information it requires from ERS employees, Management, and external parties; and to engage advisors, or otherwise obtain independent legal, accounting, consulting, or other professional services it requires, at the expense of the ERS, with the approval of the Board.

V. RESPONSIBILITIES

The Committee provides oversight of various ERS functions: Administration, Risk Assessment, Internal Audits, External Audits, and Others. In fulfilling its oversight responsibilities, Committee members need to maintain an independent stance. Members of the Committee shall be considered independent if they have no relationship to the ERS that may interfere with the exercise of their fiduciary responsibilities.

It is the duty of the Committee to report regularly to the Board with respect to any issues that



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arise concerning:

- A. The quality or integrity of the ERS's financial statements;
- B. The ERS's compliance with legal or regulatory requirements;
- C. The performance and independence of the ERS's External Auditors;
- D. The performance of the internal audit function;
- E. The allegations of serious suspected misconduct;
- ~~FF.~~ Or any other matter within the scope of the Committee's function.

In carrying out its oversight responsibilities, the Committee's practices/procedures should remain flexible in order to best react to changing conditions and assure the Board that the risk assessment process, the accounting and financial reporting processes, internal controls, and internal and external auditing are in accordance with all related requirements and are of the highest quality.

Oversight Responsibilities Regarding Administration:

- A. Annually review the ERS strategic goals and objectives adopted by the Board and if appropriate, recommend any changes.
- B. Monitor Administration's implementation of these strategic goals and objectives.
- C. Provide direction to the Executive Director (ED) and Deputy Executive Director (DED) on priorities and actions to successfully execute the responsibilities of the Administrative Branch.
- D. Monitor compliance with administrative policies.
- E. Review and monitor the operating budget and provide recommendations to the full Board as necessary.

Oversight Responsibilities Regarding Risk Assessment:

- A. Inquire of Management, the Internal Auditors, and the External Auditors about significant risks or exposures.



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- B. Meet with the necessary parties to discuss the results of periodic risk assessments and obtain a clear understanding of the risk assessment process.
- C. Assess the steps Management has taken to minimize significant risks or exposures to the ERS.

Oversight Responsibilities Regarding Internal Audits:

- A. Where appropriate, oversee the procurement of internal auditing services and recommend to the Board:
 - 1. The Internal Auditor to be nominated;
 - 2. Approval of fees for the Internal Auditor; and
 - 3. The discharge of the Internal Auditor.
- B. Review the adequacy and effectiveness of the ERS's accounting and financial controls (including information technology and security controls) with:
 - 1. Personnel (from financial, accounting, and information systems);
 - 2. Internal and External Auditors; andelicit any recommendations to improve the system of internal controls or particular areas where new or more detailed controls or procedures are desirable.
- C. Obtain an understanding of any corrective actions to be taken with regard to controls and procedures.
- D. Recommend to the Board any co-sourcing or outsourcing internal audit services.
- E. Review the ERS Internal Audit Charter, including the independence and authority of the internal audit function, and its reporting obligations, qualifications, and staffing for the calendar year.
- F. Review the annual Internal Audit Plan (and all major changes to the plan) and recommend its approval to the Board.
- G. Review the reports and findings/recommendations of the Internal Auditors and the responses of the ERS Management, and monitors completion of Management's action plans.



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- H. Review a summary of major findings from completed internal audits and a progress report on the execution of the Internal Audit Plan and Management's implementation of action plans.
- I. Meet separately with the Chief Audit Executive¹ and/or Management to discuss any matters that the Committee, or these parties, believe should be discussed privately.
- J. Review the effectiveness of the internal audit functions, including compliance with the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.
- K. Report the results of the Internal Audit Plan to the Board. At the invitation of the Committee, the Internal Auditors will attend Board meetings to assist in reporting the results of the Internal Audit Plan and to answer questions.

Oversight Responsibilities Regarding External Audits:

- A. Obtain a basic understanding of government accounting, financial reporting, auditing processes, and critical policies, and ensure that the financial leadership team is qualified and competent.
- B. The State Office of the Auditor is responsible for the procurement of external auditing services and determines:
 - 1. The External Auditor to be nominated;
 - 2. Approval of the audit fees of the External Auditor; and
 - 3. The discharge of the External Auditor.
- C. Review prior year comments from the Government Finance Officers Association (GFOA) in its determination of the ERS's compliance with the requirements for the Certificate of Achievement in Financial Reporting, where applicable.
- D. Review with Management and the External Auditor the draft financial statements to be filed with the GFOA.
- E. Assess the integrity of the annual financial statements and related disclosures, including

¹ The Chief Audit Executive may be an individual employee or a firm contracted to outsource or co-source the internal audit function.



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- significant accounting judgements and estimates.
- F. Review and examine the independence (including any potential conflict of interest) of the External Auditor, including a review of Management consulting services and related fees provided by the External Auditor.
- G. Review with the External Auditor the coordination of audit effort to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
- H. Review, at least annually, with Management and/or the External Auditor:
1. Scope of the proposed audit for the current fiscal year and the procedures to be utilized.
 2. The ERS's annual financial statements and related footnotes.
 3. The External Auditor's audit of the financial statements and audit report thereon.
 4. The adequacy of the ERS's internal financial controls.
 5. Any significant changes required in the External Auditor's scope and audit plan.
 6. Other matters related to the conduct of the audit, which are to be communicated to the Committee under Generally Accepted Government Auditing Standards, including audit adjustments made and passed.
 7. Judgments about the quality, not just the acceptability of accounting principles and the clarity of the financial disclosures.
 8. Any difficulties encountered in the course of the external audits, including any disputes with Management, restrictions on the scope of their work or access to required information.
- I. Consider and review with Management any significant findings during the fiscal year and recommendations of the External Auditor's and Management's responses thereto.
- J. Meet separately with the External Auditor and/or Management to discuss any matters the Committee, or these parties, believe should be discussed privately with the Committee.



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- K. Report the results of the annual external audit to the Board. At the invitation of the Committee, the External Auditor will attend Board meetings to assist in reporting the results of the annual audit and to answer questions.

Oversight Responsibilities Regarding the Ethics and Compliance Program:

- A. Annually review the goals and objectives adopted by the Board and, if appropriate, recommend any changes.
- B. Periodically review the Ethics and Compliance Program Charter and make revisions, if necessary.
- C. Periodically evaluate the program and exercise reasonable oversight with respect to the implementation and effectiveness of the program.

Other Oversight Responsibilities:

- A. Report Committee actions, including any investigative actions, to the Board with such recommendations as the Committee may deem appropriate.
- B. Monitor the implementation of procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, auditing or other matters, including mechanisms for anonymous submission of related concerns by ERS employees or the appropriate bodies.
- C. Consult with the Attorney General on legal matters regarding financial transactions, fraud, or any other issue that could have a significant impact on the annual reports.
- D. Obtain any information and training needed to enhance the Committee members' understanding of the role of Internal and External Auditors, the risk management process, internal controls and a certain level of familiarity in government financial reporting standards and processes.
- E. Obtain the Board's approval of this Charter and, on an annual basis, evaluate the adequacy of this Charter and recommend any proposed changes to the Board for approval.
- F. Confirm annually that the Committee has performed its responsibilities as outlined in this



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Charter.

- G. Coordinate with the Legislative Committee, Investment Committee, Governance Policy Committee, and Compensation Review Committee, as deemed necessary.
- H. Perform such other functions as assigned by the Board.

VI. LIMITATIONS OF THE ADMINISTRATIVE AND AUDIT COMMITTEE'S ROLE

- A. It is not the duty of the Committee to plan or conduct audits or to determine that the ERS's financial statements are complete, accurate, and in accordance with Generally Accepted Accounting Principles. This is the responsibility of Management and the External Auditors.
- B. While the Committee is responsible for reviewing the ERS's policies and practices with respect to risk assessment and management, it is the responsibility of the Executive Director and Senior Management to determine the appropriate level of the ERS's exposure to risk.

Adopted and Approved by the Board of Trustees: June 12, 2012, August 10, 2020, April 11, 2022

Accepted by the Governance Policy Committee: March 28, 2022, March 7, 2023

Revised and Accepted by the Administrative & Audit Committee: July 21, 2020, February 9, 2022, February 22, 2023



Employees' Retirement System of the State of Hawaii BOARD OF TRUSTEES INTERNAL AUDIT CHARTER

I. **INTRODUCTION**

Internal auditing is an independent, objective assurance and consulting activity¹ designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

II. **ROLE OF INTERNAL AUDIT**

The Internal Audit function of the Employees' Retirement System ("ERS") is established by the ERS Board of Trustees ("Board") and its responsibilities are defined in this charter which is approved by the Board. The Chief Audit Executive ("CAE"), which may be an individual employee or a firm contracted to outsource or co-source the internal audit function, reports functionally to the ERS Administrative & Audit Committee ("Committee") and administratively to the ERS Executive Director ("ED") or designee. Approval from the Board is required for the hiring, compensation, removal, or replacement of the CAE.

The objectives of Internal Audit are to assist management and employees of the ERS in the effective discharge of their responsibilities by providing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed and to promote effective internal controls at a reasonable cost.

¹ As defined by the Institute of Internal Auditors, an *assurance* activity is an examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization, while *consulting* refers to advisory and related client service activities intended to add value and improve an organization's processes.



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INTERNAL AUDIT CHARTER**

III. AUTHORITY

The CAE and the Internal Audit staff are authorized to:

- A. Review all areas of the ERS;
- B. Have full, free, and unrestricted access to all of the ERS's activities, records, physical property, and personnel necessary to complete their work;
- C. Have full, free, and unrestricted access to the Board, Committee, ED, Deputy ED, Chief Investment Officer, Branch Chiefs, and all members of management;
- D. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- E. Obtain the necessary assistance of personnel in units of the ERS where they perform audits, as well as other specialized services from within or outside the ERS.

The CAE and the Internal Audit staff are not authorized to:

- F. Perform any operational duties for the ERS;
- G. Initiate or approve accounting transactions external to the internal audit function; nor
- H. Direct the activities of any ERS employee not employed by the internal audit function, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

IV. INDEPENDENCE & OBJECTIVITY

Internal auditors have no direct responsibility or any authority over any of the activities or operations that they review. They should not develop and install procedures, prepare records, or engage in activities that would normally be reviewed by internal auditors.

Internal Audit's objectivity is not adversely affected, however, by recommending standards of controls to be applied in developing systems and procedures, or by evaluating existing



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INTERNAL AUDIT CHARTER

or planned financial and operating systems and related procedures, and making recommendations for modification and improvements thereto in order to improve controls and/or enhance operational effectiveness.

V. SCOPE OF WORK

The scope of work of the Internal Audit function is to determine whether the ERS's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the ERS's control process.
- Significant legislative or regulatory issues impacting the ERS are recognized and addressed properly.

Opportunities for improving management control, process efficiency, and the ERS's image may be identified during audits. They will be communicated to the appropriate level of management.



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INTERNAL AUDIT CHARTER

VI. RESPONSIBILITIES

Internal Audit is responsible for the following activities:

Standards

- A. The CAE is responsible for ensuring that all activities of the internal audit function are carried out in compliance with the Institute of Internal Auditors' ("IIA") mandatory guidance including the "Definition of Internal Auditing," the "Code of Ethics," and

applicable standards found in the "International Standards for the Professional Practice of Internal Auditing."
- B. Conduct a periodic risk assessment for the ERS and present the results to the Committee.
- C. Develop a flexible annual Internal Audit Plan using an appropriate risk-based methodology, which considers risks or control concerns identified by management, and submit the plan to the Committee and the Board for review and approval.
- D. Implement the annual Internal Audit Plan, as approved, including, and as appropriate, any special tasks or projects requested by management, the Committee, and the Board.

Ethics

- E. Review the adequacy of the ERS's adopted code of conduct activities, including the process to receive, retain, and treat complaints received on accounting and auditing matters.
- F. Monitor management's process for ensuring compliance with Hawaii Revised Statutes – Chapter 84, Standards of Conduct ("State Ethics Code").



Employees' Retirement System of the State of Hawaii
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Monitoring & Follow-Up

- G. Evaluate any plans to correct reported conditions for satisfactory improvement of the business process.
- H. Provide adequate follow-up to ensure corrective action is taken and evaluate its effectiveness before recommending closure of an issue.
- I. Monitor and evaluate the effectiveness of the organization's risk management processes.

Reporting

- J. Prepare and issue a written report following the conclusion of each audit and follow-up audit. This report shall include significant findings, recommendations to management, and management's action plan. A copy of the report will be forwarded to the Committee, ED, Deputy ED, Chief Compliance Officer, and appropriate members of management.
- K. Inform and advise management and the Committee as to significant deficiencies or other substantive issues noted in the course of its activities.
- L. Provide periodic reports on Internal Audit's progress on implementing the annual Internal Audit Plan, including management's progress on addressing previously reported matters, the impact of resource limitations, and significant interim changes.
- M. On a regular basis, the CAE will meet separately with the Committee to discuss any matters that is deemed necessary by the Committee or Internal Audit.

Other

- N. Conduct special examinations at the request of management or the Committee.
- O. Perform consulting services, beyond internal auditing assurance services, to assist management in meeting its objectives. Examples may include facilitation, consultation on internal control improvement initiatives, training, and advisory services.



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INTERNAL AUDIT CHARTER

P. Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the Committee of the results.

~~Q. Coordinate audit efforts with those of the ERS's external auditors and other regulatory agencies.~~

R.Q. Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.

S.R. Keep the Committee informed of emerging trends and successful practices in internal auditing.

T.S. Review this Internal Audit Charter on a periodic basis to ensure the purpose, authority, and responsibilities of Internal Audit continue to be adequate in accomplishing its objectives. Modify as appropriate, and submit to the Committee and ED for review and approval.

Adopted and Approved by the Board of Trustees: June 12, 2012, April 11, 2022

Accepted by the Governance Policy Committee: March 28, 2022, March 7, 2023

Revised and Accepted by the Administrative & Audit Committee: June 9, 2020, February 22, 2023



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
ETHICS & COMPLIANCE CHARTER

I. INTRODUCTION

The Employees' Retirement System ("ERS") Ethics and Compliance function is an independent monitoring, advisory, review, and reporting activity established within ERS to assist the organization in fulfilling its mission, vision, and fiduciary responsibilities by complying with laws, regulations, and ERS policies, for which oversight has been assigned. The function strives to ensure, promote and support an organizational culture that builds ethics and compliance awareness into the daily business processes for ERS. ERS's Compliance Program will accomplish this mission by monitoring business activities, policies and procedures, and by establishing an infrastructure that provides additional assurance to management that program areas are in compliance.

The Chief Compliance Officer ("CCO") is authorized to engage in independent reviews and activities for the development and implementation of a comprehensive system of operational controls to prevent illegal, unethical, or improper conduct and to implement compliance policies and procedures relating to standards of ethics and conduct for ERS' Board, employees, and vendors.

II. ROLES & RESPONSIBILITIES

Under the direction of the Executive Director ("ED") and oversight of the Board, the CCO:

- A. Pursuant to the Ethics and Compliance Program Charter, manages day-to-day operation of the compliance program;
- B. Monitor and assess the Policy Management Framework and oversee the completion of the Policy Lifecycle;
- C. Assesses and audits ERS' controls and compliance with all applicable laws, statutes, administrative rules, regulations and best practices outlined in policies;
- D. Collaborates with other divisions to implement compliance policies and procedures and to direct compliance issues to appropriate channels for investigation and resolution;

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- E. Collaborates with the Information Technology Branch Chief to build a strategic security program and coordinates all phases of security projects from requirement definition to design, architecture, implementation, testing, support, and maintenance;
- F. Develops and periodically reviews and updates standards of ethics and conduct to ensure that continuing effective guidance is provided to the Board, management, and employees;
- G. Coordinates with the Department of the Attorney General on legal matters so that ERS may faithfully execute its duties and responsibilities;
- H. Coordinate with IA to monitor and provide independent oversight over the implementation of the approved annual Internal Audit Plan;
- I. Coordinates with management, the Committee, and the Board on any special tasks or projects aligned with the long-term interests of ERS;
- J. Ensures that compliance issues and concerns within the organization are being appropriately evaluated, investigated, and resolved;
- K. Coordinate audit efforts with those of the ERS's external auditors and other regulatory agencies;
- L. Responds to alleged violations of rules, regulations, policies, procedures, and standards of ethics and conduct by evaluating and, if necessary, recommending the initiation of investigative procedures;
- M. Develops and oversees a system for uniform handling of such violations;
- N. Identifies potential areas of compliance vulnerability and risk;
- O. Develops/implements corrective action plans for resolution of problematic issues and provides general guidance on how to avoid or deal with similar situations in the future;
- P. Works in coordination with management and the Branch Chiefs to develop, maintain, and test the disaster recovery, business continuity, risk management and access control needs of the organization;
- Q. Provides reports as directed or requested to keep the Board, Administrative and Audit Committee, and management informed of the operation and progress of compliance efforts;



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- R. Ensures proper reporting of violations or potential violations to duly authorized enforcement agencies as appropriate and/or required; and
- S. Works with the Board, Administrative and Audit Committee, Internal Auditor, Department of the Attorney General, and management to develop an effective compliance training program for Board Members, managers, and employees, including appropriate introductory training for new employees.

In carrying out these responsibilities, the CCO shall:

- A. Ensure objectivity and independence;
- B. Remain free of actual or perceived conflicts of interest;
- C. Discharge professional responsibilities with due care, competence, and diligence;.
- D. Have access to all functions, records, property, and personnel necessary to complete responsibilities; and
- E. Have full and free access to the Board and the Administrative & Audit Committee.

III. CHARTER REVIEW & HISTORY

The Board shall review this Charter at least every three years to ensure it remains relevant and appropriate.

Adopted and Approved by the Board of Trustees:

Accepted by the Governance Policy Committee: March 7, 2023

Accepted by the Administrative & Audit Committee: February 22, 2023



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
BOARD OF TRUSTEES
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 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~~



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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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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 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, March 7, 2023

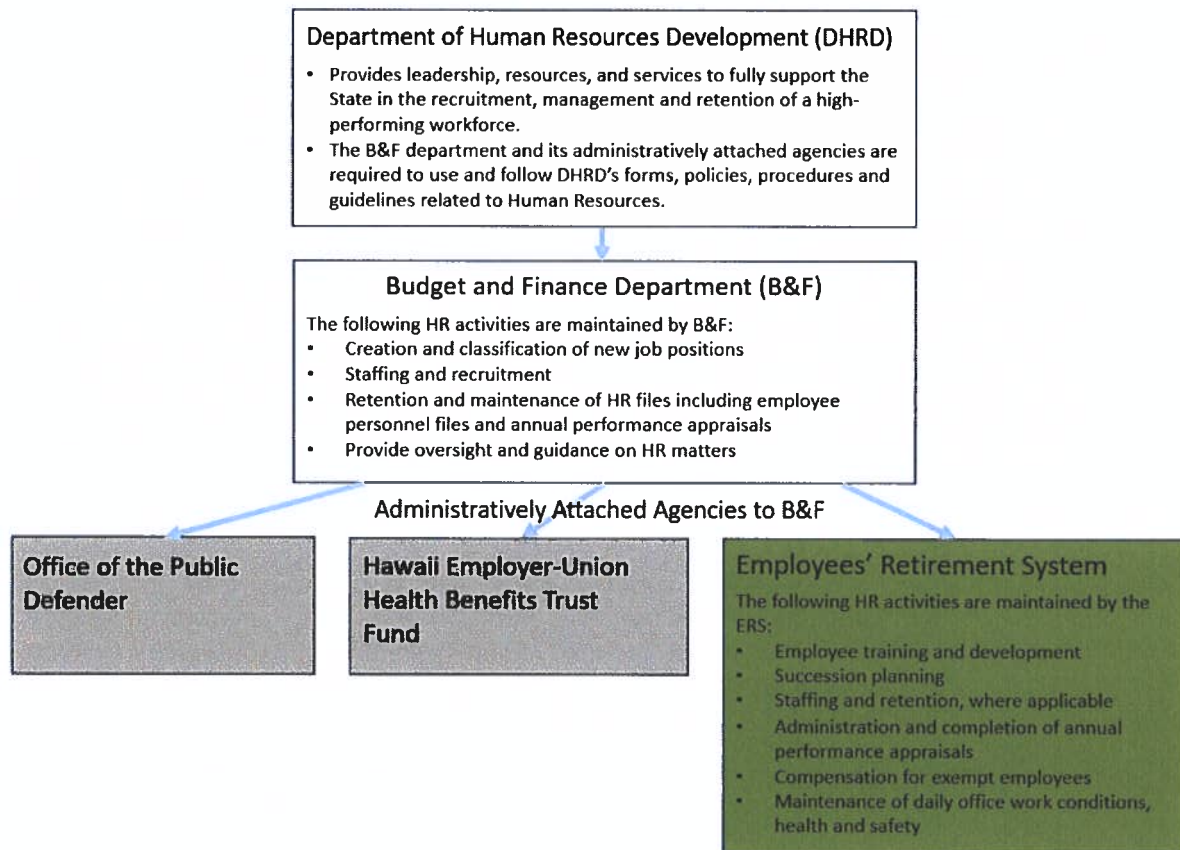
*Revised by the Compensation Review Committee: March 23, 2020, February 25, 2021,
February 10, 2022, February 6, 2023*

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



**Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
GOVERNANCE POLICY COMMITTEE CHARTER**

I. PURPOSE

The purpose of the Governance Policy 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”) relating to research, implementation and monitoring of best practices for governance toward fulfillment of fiduciary duties, oversight of investment policies and guidelines, and the efficient, effective administration of the Employees’ Retirement System of the State of Hawaii (“ERS”).

II. COMMITTEE MEMBERSHIP

The Committee shall be composed of the Chairpersons of the standing committees of the Board. The Board Chair and Board Vice Chair will be the Governance Policy Committee Chair and Vice Chair, however, if the Board Vice Chair is not a chair of a standing committee, the Governance Committee will appoint the Board Vice Chair as a member and to serve as Vice Chair of the Committee. 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 least one (1) time a year at such times and places as it deems necessary to fulfill its responsibilities. The Committee shall report regularly to the Board regarding its actions and make recommendations to the Board as appropriate. The Committee may invite such members of management and advisors to its meetings as it deems appropriate. The Committee shall review this Charter at least annually and recommend any proposed changes to the Board for approval.



**Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
GOVERNANCE POLICY COMMITTEE CHARTER**

IV. AUTHORITY AND RESPONSIBILITIES

The Committee shall have the following authority and responsibilities regarding the administration of the ERS:

- To review annually the ERS's Governance Plans and Procedures.
- To assign and provide direction to the Executive Director and Deputy Executive Director on priorities and actions to successfully execute the governance responsibilities of the Administrative Branch.
- To review and draft governance policies, guidelines and recommendations for the Boards consideration.

The Committee shall have the following authority and responsibilities regarding ERS Legislation:

- To recommend and review proposed legislation relating to the ERS governance introduced by the ERS and by other parties, and to assign and provide direction for the Executive Director and Deputy Executive Director on priorities and actions to successfully support such legislative goals and responsibilities of the ERS.
- To recommend support, opposition, or monitor of proposed legislation relating to the ERS governance to the full Board for its consideration.

V. OUTSIDE ADVISORS

The Committee shall have the authority, in its sole discretion, to obtain the advice of any ERS consultant or ERS service provider as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Committee shall have the authority, in its sole discretion, to obtain the advice and the assistance of ERS's legal counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall not be required to implement



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or act consistently with the advice or recommendations of its consultant, legal counsel or other advisor to the Committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter. The consultant(s), outside counsel and any other advisors retained by, or providing advice to, the Committee (other than the ERS's in-house counsel) shall be independent as determined in the discretion of the Committee.

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: December 9, 2019, September 14, 2020, April 11, 2022, March 13, 2023

Revised and Accepted by the Governance Policy Committee: July 24, 2020, March 28, 2022, March 7, 2023



Employees' Retirement System of the State of Hawaii

BOARD OF TRUSTEES

LEGISLATIVE COMMITTEE CHARTER

I. PURPOSE

The ~~purpose of the~~ Legislative Committee ("Committee") ~~is to carry out the responsibilities delegated 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 assist the Board in fulfilling its fiduciary oversight responsibilities by reviewing and advising on recommendations on proposed legislation.

II. COMMITTEE MEMBERSHIP

The Committee shall consist of no fewer than three (3) trustees. The members of the Committee shall be appointed by the Board. The members of the Committee shall be appointed for a one-year term 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 least one (1) time a year at such times and places as it deems necessary to fulfill its responsibilities. The Committee shall report regularly to the Board regarding its actions and make recommendations to the Board as appropriate. The Committee may invite such members of management and advisors to its meetings as it deems appropriate. The Committee shall review this Charter at least annually and recommend any proposed changes to the Board for approval.



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

IV. AUTHORITY AND RESPONSIBILITIES

The members of the Committee shall elect its Chairperson and Vice Chairperson.

The Committee shall have the following authority and responsibilities regarding ERS Legislation:

- To review and approve annually the ERS's goals and objectives applicable to the legislative process.
- To review proposed legislation introduced by the ERS and by other parties, and to assign and provide direction for the Executive Director and Deputy Executive Director on priorities and actions to successfully support the legislative goals and responsibilities of the ERS.
- To recommend support or opposition of proposed legislation to the full Board for its consideration.

V. OUTSIDE ADVISORS

The Committee shall have the authority, in its sole discretion, to obtain the advice of any ERS consultant or ERS service provider as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Committee shall have the authority, in its sole discretion, to obtain the advice and assistance of ERS's legal counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall not be required to implement or act consistently with the advice or recommendations of its consultant, legal counsel or other advisor to the Committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter. The consultant(s), outside counsel and any other advisors retained by, or providing advice to, the Committee (other than the ERS's in-house counsel) shall be independent as determined in the discretion of the Committee.



Employees' Retirement System of the State of Hawaii
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LEGISLATIVE 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 and Approved by the Board of Trustees on February 13, 2017, August 10, 2020, April 11, 2022
Accepted by the Governance Policy Committee: March 28, 2022, March 7, 2023
Revised and Accepted by the Legislative Committee: August 10, 2020, February 7, 2022, January 31, 2023