

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

MAY 8, 2023

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

Trustees present:  
(by teleconference) Dr. Genevieve Ley, Chair\*  
Mr. Bennett Yap, Vice Chair\*  
Mr. Vincent Barfield\*  
Dr. Catherine Chan\*  
Mr. Lance Mizumoto\*  
Mr. Luis Salaveria\*

Trustees absent: Mr. Emmit Kane\*

Staff present:  
(City Financial Tower  
by teleconference) Mr. Thomas Williams, Executive Director\*  
Mr. Kona Mann, Chief Compliance Officer\*  
Mr. Bart Asato, Program Specialist  
Mr. James Greubel, Program Specialist  
Ms. Shanna Sakagawa, Program Specialist  
Mr. Keith Miyamoto, Information Services Branch Manager\*  
Ms. Sandra Straub, Information Services Systems Supervisor\*  
Ms. Gwendolyn Carranza, Information Technology Band B\*  
Ms. Kristin Varela, Chief Investment Officer\*  
Mr. Anthony Goo, Deputy Chief Investment Officer  
Mr. Howard Hodel, Senior Investment Officer (by telephone)  
Mr. Aaron Au, Investment Officer – Private Equity  
Ms. Christine Chang, Investment Officer – Liquid Diversifying Strategies  
Mr. David Okamoto, Investment Officer – Credit Markets  
Mr. Ian Wetzel, Investment Officer – Real Assets  
Ms. Gerri Konishi, Member Home Loan Assistant  
Ms. Dale Kehau Kanae, Recording Secretary\*  
Ms. Lori Kim, Secretary\*  
Ms. Andrea Gasper, Secretary\*  
Ms. Diana Gomes, Secretary

Attorneys present:  
(City Financial Tower  
by teleconference) Ms. Jenny Nakamoto, Deputy Attorney General\*  
Ms. Lori Tanigawa, Deputy Attorney General\*  
Ms. Elmira Tsang, Deputy Attorney General\*  
Ms. Diane Wong, Deputy Attorney General\*

Guests present:  
(City Financial Tower  
by teleconference) Mr. Vincent Hoang, Chief Information Security Officer\*  
Mr. Dennis Kim, Wellington Management Company LLP  
Mr. Mike Trovato, Wellington Management Company LLP

Public present:  
(by teleconference) Mr. Douglas Appell  
Mr. Zack Cziryak, Financial Investment News  
Mr. Joe Ebisa, WithIntelligence  
Mr. Gregg Gethard, Buyouts  
Mr. Walker Phillips  
Mr. Alton Wallace

\*Attended Executive Session.

QUORUM/CALL TO ORDER

A quorum being present (Chair Ley, Vice Chair Yap, Trustees Barfield, Chan, and Mizumoto), Chair Ley called the regular meeting of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii

QUORUM/CALL TO ORDER  
(CONT'D)

(ERS) to order at 10:03 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 Mizumoto, seconded by Trustee Barfield, 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.

EXECUTIVE DIRECTOR'S  
REPORT

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

- Chair Ley, Chief Investment Officer (CIO) Kristin Varela, and Senior Investment Officer (SIO) Howard Hodel will represent ERS at the 20<sup>th</sup> Annual Hedge Fund Industry Awards in New York on May 11, 2023. ERS is nominated as a finalist for Public Plan of the Year.
- The 2023 Legislative activities to be presented by the Legislative Committee, however emphasized, SB 211, as it relates to ensuring the employment, work, and pay eligibility for the purpose 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 has passed final reading as amended in both the Senate and House. Thanked Program Specialist Bart Asato and the Deputy Attorneys General (DAG) for all their hard work during the past session.
- Met with Stafford, institutional banks, managers, as well as local banks doing business with ERS to discuss their process regarding disaster recovery business continuity efforts. ERS was assured of their stability and strength during periods such as the Silicon Valley Bank collapse.
- Participated in an educational session with DAGS by the Medical Board regarding long Covid as possible service-connected disability retirement applications could be received. The survey of other public funds found that no applications have been granted for service-connected disability retirement based on long-Covid.
- An agenda item in Executive Session will be discussed in detail regarding ERS's Cyber Security test by Microsoft and the State Enterprise Technology Services with our Information Services Branch where potential vulnerabilities were discussed.
- Welcomed and introduced the new DAG Jenny Nakamoto to the Board and she gave a brief history of her background.
- Discussed with our Actuary the recent teacher-pay increases negotiated over a 4-year period and its impact on our unfunded liability or contribution rates. The Actuary assured us there were no concerns.
- Also, to be discussed in Executive Session by the Human Resources Committee, evaluations and compensation recommendations for exempt Investment Office staff.
- Trustee, Budget & Finance Director Luis Salaveria and Deputy Director Sabrina Nasir have both been confirmed by the Senate.
- The State budget was approved and a new ERS Program Specialist position was included.

EXECUTIVE DIRECTOR'S REPORT (CONT'D)	<ul style="list-style-type: none"> <li>Investment Office staff met with State Energy Office Administrator Mark Glick to discuss investment manager Blackstone Energy Transition Partners.</li> <li>Updating a presentation scheduled with Fitch, a bond rating agency.</li> </ul>
DEPUTY EXECUTIVE DIRECTOR'S OPERATIONS REPORT	ED Williams reported in Deputy Executive Director Kanoe Margol's absence and gave updates to the Board on ERS staffing and projects of Administration, Accounting, Information Services, Retirement Benefits and Staff Support Services Branches as presented in the April 2023 Monthly Operations Report.
INFORMATION SYSTEMS BRANCH REPORT	Chair Ley announced that this agenda item would be discussed as part of Executive Session Item 1.
EDUCATIONAL DISCUSSION ON BANKING DISRUPTION	<p>Wellington Management Company LLP's (Wellington) Dennis Kim and Mike Trovato joined the meeting by teleconference. Chief Investment Officer (CIO) Kristin Varela gave a brief introduction on Banking Disruption and Wellington's Messrs. Kim and Trovato presented an oral and written report to the Board on Review and Outlook: US Banking Industry and discussed: Poor Capital Allocation, De-regulation, Deposit Outflows, Bank Failures, Government Response, and Stock Price Performance.</p> <p>CIO Varela informed the Board that ERS staff are proactively managing risks with managing partners and will continue to be diligent and will update the Board on any risk exposures.</p> <p>After their presentation Messrs. Kim and Trovato left the meeting by ending their teleconferences.</p>
PUBLIC COMMENT	Chair Ley called for public comment. There were no public comments from public members attending.
REPORT BY THE GOVERNANCE POLICY COMMITTEE	Governance Policy Committee (Committee) Chair Ley reported to the Board that the Committee last met on March 7, 2023, of which a report was given at the last Board Meeting of March 13, 2023, and that there was nothing new to report.
REPORT BY THE ADMINISTRATIVE & AUDIT COMMITTEE	Administrative & Audit Committee (Committee) Vice Chair Mizumoto, in Chair Kane's absence, reported to the Board that the Committee last met on February 22, 2023, of which a report was given at the last Board Meeting of March 13, 2023, and that there was nothing new to report.
REPORT BY THE LEGISLATIVE COMMITTEE	Legislative Committee (Committee) Chair Yap reported to the Board that the Committee last met on January 31, 2023, of which a report was given at the last Board Meeting of March 13, 2023, however, he thanked the ERS Staff and DAGs for their hard work this past session.
UPDATE ON EMPLOYEES' RETIREMENT SYSTEM RELATED BILLS DURING THE 2023 LEGISLATIVE SESSION	<p>Program Specialist (PS) Bart Asato discussed with the Board an updated status of select ERS-Initiated and ERS-Related Bills for the 2023 Legislative Session which ended May 4, 2023, as presented. (The list is attached for clarification). PS Asato stated that Governor Green has until July 11, 2023, to sign or veto a Bill and if he intends to veto, he must let the Legislature know by June 26, 2023.</p> <p>Chair Ley also thanked the ERS staff for their hard work this past session.</p>
REPORT BY THE HUMAN RESOURCES COMMITTEE	Human Resources Committee (Committee) Chair Ley reported to the Board that the Committee has met several times since the last Board Meeting, however, an agenda item will be presented in Executive Session.

REPORT BY THE  
INVESTMENT COMMITTEE

Investment Committee (Committee) Chair Chan reported to the Board that the Committee last met on February 21, 2022, of which a report was given at the last Board Meeting of March 13, 2023, however, she stated that at the next meeting scheduled for May 22, 2023, the Committee would discuss:

- Agenda items that were deferred from the February 21, 2022, meeting.
- Investment Committee Charter and Performance Assessment. The Charter will be reviewed and accepted and will be presented for approval at the next Board Meeting on July 10, 2023. (Note: The Governance Policy Committee agreed at its meeting of March 7, 2023, that once the Charter was accepted by the Investment Committee, the Charter would then go directly to the Board for approval. The Performance Assessment was reported at the Board Meeting of March 13, 2023, and the Committee agreed that it functioned effectively for 2022.)

CHIEF INVESTMENT  
OFFICER UPDATE

CIO Varela reported to the Board on agenda items for the next Committee meeting that may take place on May 19, 2023, due to scheduling conflicts and the ability to maintain quorum.

- Streamline reporting and presentations as requested by members of the Committee.
- Review the final phase of the Asset Liability Study for recommendation to the Board for approval. The focus is on further diversification of ERS growth allocation to be able to drive further value and capture a better risk adjusted return.
- Review and adopt an Annual Work Plan to be able to set strategic goals and expectations for the year.
- Review the latest Investment Committee Charter as edits to a previous Charter were made to an older version in error. Measures will be put into place to assure administrative errors won't happen going forward.

APPROVAL OF MINUTES  
– MARCH 13, 2023  
– MARCH 16, 2023

On a motion made by Trustee Barfield, seconded by Trustee Salaveria, and unanimously carried, the Board approved the Minutes of March 13, 2023, and March 16, 2023, as presented.

RECESS

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

RECONVENE

A quorum being present (Chair Ley, Vice Chair Yap, Trustees Barfield, Chan, Mizumoto, and Salaveria), Chair Ley reconvened the meeting at 11:17 a.m.

PUBLIC COMMENT

Chair Ley called for public comment. There were no public comments from public members attending.

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 to HRS §92-5(a)(2), (4), (6), and (8), to consider sensitive matters related to Cyber Security; to consider information that must be kept confidential pursuant to State law with respect to updates on ongoing litigation; and to discuss the performance evaluation and compensation recommendations of Chapter 76, HRS exempt investment staff of the Employees' Retirement System, where matters affecting privacy will be involved; and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and

liabilities; and to deliberate or make a decision on the approval of Executive Session Minutes.

## ENTER EXECUTIVE SESSION

On a motion made by Trustee Chan, seconded by Vice Chair Yap, and unanimously carried, the Board entered into Executive Session at 11:19 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), and (a)(6) to consider and consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities, and to consider sensitive matters related to Cyber Security.
- Pursuant to HRS §92-5(a)(4) and (8), to consider information that must be kept confidential pursuant to State law, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities with respect to updates on ongoing litigation.
- Pursuant to HRS§92-5(a)(2) and (4), to discuss the performance evaluation and compensation recommendations of Chapter 76, HRS exempt investment staff of the Employees' Retirement System, where matters affecting privacy will be involved, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities; appropriate action.

EXECUTIVE SESSION,  
PURSUANT TO HRS §92-5(a)(4),  
AND (a)(6) TO CONSIDER AND  
CONSULT WITH THE BOARD'S  
ATTORNEYS ON QUESTIONS  
AND ISSUES PERTAINING TO  
THE BOARD'S POWERS,  
DUTIES, PRIVILEGES,  
IMMUNITIES, AND  
LIABILITIES, AND TO  
CONSIDER SENSITIVE  
MATTERS RELATED TO  
CYBER SECURITY

INFORMATION SYSTEMS  
BRANCH REPORT

EXECUTIVE SESSION  
PURSUANT TO HRS §92-5(a)(4),  
AND (8), TO CONSIDER  
INFORMATION THAT MUST BE  
KEPT CONFIDENTIAL  
PURSUANT TO STATE LAW,  
AND TO CONSULT WITH THE  
BOARD'S ATTORNEYS ON  
QUESTIONS AND ISSUES  
PERTAINING TO THE BOARD'S  
POWERS, DUTIES, PRIVILEGES,  
IMMUNITIES, AND  
LIABILITIES WITH RESPECT  
TO UPDATES ON ONGOING  
LITIGATION

APPROVAL OF EXECUTIVE  
SESSION MINUTES  
– MARCH 13, 2023  
– MARCH 16, 2023

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

EXIT EXECUTIVE SESSION

On a motion made by Trustee Barfield, seconded by Trustee Barfield, and  
unanimously carried, the Board exited Executive Session at 12:34 p.m.

ADJOURNMENT

On a motion made by Vice Chair Yap, seconded by Trustee Chan, and  
unanimously carried, Chair Ley adjourned the meeting at 12:35 p.m.

**REDACTED SIGNATURE**

Thomas Williams  
Executive Director

TW:dkik