

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

NOVEMBER 13, 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. Emmit Kane  
Mr. Lance Mizumoto\*

Trustees absent: Mr. Luis Salaveria

Staff present:  
(City Financial Tower  
by teleconference) Ms. Kanoe Margol, Deputy Executive Director\*  
Mr. Bart Asato, Program Specialist\*  
Mr. James Greubel, Program Specialist\*  
Ms. Shanna Sakagawa, Program Specialist\*  
Mr. Larry Wolfe, Accounting Manager  
Mr. Keith Miyamoto, Information Services Branch Manager\*  
Ms. Sandra Straub, Information Services Systems Supervisor\*  
Mr. Anthony Goo, Deputy Chief Investment Officer  
Ms. Christine Chang, Investment Officer – Liquid Diversifying Strategies  
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

Attorney present:  
(by teleconference) Ms. Jenny Nakamoto, Deputy Attorney General\*  
Ms. Lori Tanigawa, Deputy Attorney General\*  
Ms. Diane Wong, Deputy Attorney General\*

Guests present:  
(by teleconference) Mr. Lealan Miller, Eide Bailly (in person)  
Mr. Rick Funston, Funston Advisory Services LLC  
Mr. Douglas Hatcher, Funston Advisory Services LLC  
Mr. Randy Miller, Funston Advisory Services LLC  
Mr. Peter Hanashiro, KMH LLP  
Mr. Tyson Suehiro, KMH LLP  
Ms. Lauren Kawajiri, Hawaii State Office of the Auditor

Public present:  
(by teleconference) Mr. Joe Ebisa, With Intelligence  
Mr. Ryan Estalilia  
Ms. Radhika Iyer

\*Attended Executive Session.

QUORUM/CALL TO ORDER

A quorum being present (Chair Ley, Vice Chair Yap, Trustees Barfield, 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 10:04 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 Vice Chair Yap, 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, one (1) member of the public was present by teleconference, but they had no public comment. Also, no written testimony was received for this meeting.

Chair Ley announced that agenda items would be taken out of order due to Quorum concerns and started with New Business Item 3.1.

(Trustee Chan joined the meeting by teleconference at 10:15 a.m.)

#### REPORT BY THE ADMINISTRATIVE & AUDIT COMMITTEE

Administrative & Audit Committee (Committee) Chair Kane reported to the Board that the Committee last met on October 10, 2023, and accepted the Auditor's Report and Financial Statements of the Employees' Retirement System, reviewed KMH LLP's Internal Audit Update Report, the Compliance Officer's Update Report, and the Update of the Trustee Election Process being presented.

#### AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE EMPLOYEES' RETIREMENT SYSTEM

Eide Bailly LLP's Lealan Miller attended the meeting in person and presented an oral and written report to the Board on an Auditor's Report and Financial Statements of the Employees' Retirement System and discussed in summary:

*Audit Team*  
*Eide Bailly Office and Client Locations*  
*Audit Process and Scope of Work*  
*Accounting Policies and Practices*  
*Areas of Audit Emphasis*  
*New Accounting Pronouncements*  
*Required Communications*  
*Independence Matters*

Chair Ley requested clarification of page 17 of the Financial Statements dated June 30, 2022, of the Employees' Retirement System of the State of Hawaii, "Note A – Description of the ERS (continued)

#### 3. Class Description and Funding Policy (continued)

The three membership classes provide a monthly retirement allowance (maximum allowance) equal to the benefit multiplier % (generally 1.25% or 2%, ..."

Chair Ley asked if the percentage should be 1.75%? Mr. Miller deferred to Accounting Manager Larry Wolfe who will verify the percentage and correct if needed.

On a motion made by Committee Chair Kane, seconded by Committee Vice Chair Mizumoto, and unanimously carried, the Board approved the Auditor's Report and Financial Statements of the Employees' Retirement System as presented pending verification of Chair Ley's clarification of the benefit multiplier %, (1.25% or 2%), or should it be 1.75%.

After his presentation, Mr. Miller of Eide Bailly and Accounting Manager Larry Wolfe left the meeting.

DISCUSS 2024 BOARD OF  
TRUSTEES ELECTION OF  
OFFICERS AND  
COMMITTEE  
ASSIGNMENTS, AND  
APPROVE SCHEDULE OF  
MEETINGS

APPROVAL OF MINUTES  
– AUGUST 21, 2023  
– SEPTEMBER 11, 2023

REPORT BY THE  
ADMINISTRATIVE &  
AUDIT COMMITTEE  
(CONT'D)

KMH LLP'S INTERNAL  
AUDIT UPDATE  
REPORT

BOARDSMART TRUSTEE  
EDUCATION PLATFORM

EXECUTIVE DIRECTOR'S  
REPORT

Chair Ley presented the Board of Trustees 2024 Schedule of Meetings for approval.

On a motion made by Trustee Kane, seconded by Trustee Mizumoto, and unanimously carried, the Board approved the Board of Trustees 2024 Schedule of Meetings as presented.

On a motion made by Trustee Barfield, seconded by Trustee Mizumoto, and unanimously carried, the Board approved the Minutes of August 21, 2023, and September 11, 2023, as presented.

Committee Chair Kane reported to the Board that KMH LLP's Internal Audit Update Report was reviewed by the Committee on October 10, 2023, and is being presented for the Board's information.

KMH LLP's Peter Hanashiro and Tyson Suehiro entered the meeting by teleconference and briefly reviewed the 2023 Internal Audit Plan Results Summary of the Report and were available for questions. There were no questions by the Board on the Update Report.

After their review, Messrs. Hanashiro and Suehiro left the meeting by ending their teleconference.

(Trustee Chan left the meeting by ending her teleconference at 10:37 a.m. Quorum was maintained with Chair Ley, Vice Chair Yap, Trustees Barfield, Kane, and Mizumoto in attendance.)

Funston Advisory Services LLC's Rick Funston and Randy Miller entered the meeting by teleconference and presented an oral and written report to the Board on BoardSmart and discussed:

*Board Smart 3.0*  
*HIERS Governance Cornerstone*  
*Governance Essentials*  
*Individual CE Recommendations*  
*On Demand*  
*Track & Report Progress*

The Board requested and suggested the following: compile and maintain any required State training, monitor Board usage in a report that can be viewed by Trustees to see how they compare with their peers, a way to measure and be sure on-line resources for education are exhausted before authorizing funds for travel to minimize expenses, and send out periodic e-mail announcements suggesting educational topics to be viewed.

Mr. Funston responded that he is receptive to tailor any needs of the Board. Messrs. Funston and Miller left the meeting by ending their teleconference.

(Trustee Kane left the meeting by ending his teleconference at 10:58 a.m. Quorum was lost as only Chair Ley, Vice Chair Yap, Trustees Barfield and Mizumoto were in attendance.)

Deputy Executive Director (DED) Kanoe Margol stated that the Executive Director's Report will be deferred due to ED Williams absence.

DEPUTY EXECUTIVE  
DIRECTOR'S REPORT

DED Margol 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 October 2023 Monthly Operations Report.

COMPLIANCE SUPPORT  
STAFF REPORT

Chief Compliance Officer Kona Mann presented an oral and written report to the Board on the Compliance and Risk Program Update of the Compliance Support Staff Report recently presented to the Administrative & Audit Committee on October 10, 2023, also a part of New Business 3. Report by the Administrative & Audit Committee, 3.3. Compliance Officer's Update Report, and discussed in summary:

REPORT BY THE  
ADMINISTRATIVE &  
AUDIT COMMITTEE  
(CONT'D)

COMPLIANCE  
OFFICER'S UPDATE  
REPORT

*Executive Summary*  
*Compliance Timeline*  
*Purpose of a Compliance Program*  
*Understanding Enterprise Risk Management*  
*Strengthening Culture*

This update report was provided for the Board's information only and no action was required.

UPDATE OF THE  
TRUSTEE ELECTION  
PROCESS

DED Margol discussed with the Board an Update of the Trustee Election Process and provided a summary of concerns expressed by the Board in the Special Board Meeting on August 21, 2023, and at the Administrative & Audit Committee Meeting of October 10, 2023:

- Signature Nomination Form - The form can be made available online or mailed to the members. however, as referenced in the Hawaii Administrative Rules (HAR) Title 6, the candidate must submit the forms of 100 signatures with their petition and certified by the petitioner. Electronic signatures can be allowed but need to be accompanied by required information that includes the last 4 digits of the member's social security number. The Signature Nomination Forms only apply to candidates that are not endorsed by a Union.
- Last 4 Digits of Members Social Security Number – The last 4 digits of the members social security number is required for verification purposes as stated in the HAR and any changes to an alternate identifying number would need to be changed in the Hawaii Administrative Rules Title 6, Department of Budget and Finance Employees' Retirement System Chapter 24, Election of Members and Retirant of the System to the Board of Trustees. ERS does have alternate identification numbers for members, however, that information is primarily used by ERS and not normally known to members. The ERS uses the last 4 digits of a social security number and birthdate to verify identification of a member.

In summary, DED Margol stated that at this time the ERS does not recommend making any changes to the Trustee Election Process other than having the signature nomination form available online or by mail. However, if the Board chooses to proceed with any changes, ERS staff would like to do a thorough analysis of the processes involved of not only revisions to the HAR but communication to all members (active, retired, and their beneficiaries) notifying them first of a potential change moving from the last 4 digits of a social security number to an alternate identification number. These processes and implementations would be a major project that would require ERS staff resources across branches that is already currently stretched thin. Analysis would need to consider whether the alternate identification could apply to other

UPDATE OF THE  
TRUSTEE ELECTION  
PROCESS (CONT'D)

aspects such as income verification and other processes. The next Trustee Election involving this process will be done in 2025 to fill two seats coming up for re-election in 2026.

The Board recognizes the limited staff resources and that changes will take time, however, ERS needs to keep up with the times and the Board is requesting that the ERS staff continue to proceed with modernizing the current process. The ERS staff will continue to analyze and work on the process.

REPORT BY THE  
GOVERNANCE POLICY  
COMMITTEE

Governance Committee (Committee) Chair Ley reported to the Board that the Committee has not met since March 7, 2023, however, a topic for discussion regarding the Board of Trustee Vacancy and Composition will be in Executive Session.

REPORT BY THE  
ADMINISTRATIVE &  
AUDIT COMMITTEE  
(CONT'D)

Accounting Manager Larry Wolfe returned to the meeting to address Chair Ley's question, "Should the percentage be 1.75%?", regarding clarification of page 17 of the Financial Statements dated June 30, 2022, of the Employees' Retirement System of the State of Hawaii, "Note A – Description of the ERS (continued)

AUDITOR'S REPORT  
AND FINANCIAL  
STATEMENTS OF THE  
EMPLOYEES'  
RETIREMENT SYSTEM

3. Class Description and Funding Policy (continued)

The three membership classes provide a monthly retirement allowance (maximum allowance) equal to the benefit multiplier % (generally 1.25% or 2%, ..."

Accounting Manager Wolfe stated that the first sentence on page 17 could be edited to specify the membership classes specific to the 1.25% or 2% and that further explanation by class descriptions are explained on pages 18 and 19. Accounting Manager Wolfe further stated that for Fiscal Year 2023, going forward, that first sentence will be edited to reflect those specific membership classes.

REPORT BY THE  
LEGISLATIVE  
COMMITTEE

Legislative Committee (Committee) Chair Yap reported to the Board that the Committee last met on August 28, 2023, and discussed an Update on Potential 2024 Legislative Proposals Relating to the Employees' Retirement System, and Potential Future Legislative Proposals Relating to the Employees' Retirement System being presented.

UPDATE ON  
POTENTIAL 2024  
LEGISLATIVE  
PROPOSALS RELATING  
TO THE EMPLOYEES'  
RETIREMENT SYSTEM

Program Specialist Bart Asato discussed with the Board as presented, the two legislative proposals for 2024 were accepted as part of the administration's executive branch package to be introduced for next session. One of the proposed bills is to decrease the maximum projected funding period limit to amortize the total unfunded accrued liability of the Employees' Retirement System from thirty (30) years to twenty (20) years. The other proposed bill is to support the legislative intent and clarify the requirements of the Employees' Retirement System benefits such as service-connected disability retirement and accidental death benefits, as proposed from last session.

PS Asato also mentioned that there are three (3) parties interested in introducing legislation on reducing the vesting period from ten (10) to five (5) years for Tier 2 employees.

DISCUSS POTENTIAL  
FUTURE LEGISLATIVE  
PROPOSALS RELTING  
TO THE EMPLOYEES'  
RETIREMENT SYSTEM

There were no new potential future legislative proposals discussed.

REPORT BY THE HUMAN  
RESOURCES COMMITTEE

Human Resources Committee (Committee) Chair Ley reported to the Board that the Committee last met on September 19, 2023, and discussed and is recommending continued use of the current evaluation process in determining future exempt employee compensation increases.

REPORT BY THE  
INVESTMENT COMMITTEE

Investment Committee (Committee) Vice Chair Mizumoto reported to the Board that the Committee last met on August 21, 2023, which was already reported on at the last Board meeting and that the next Committee meeting will be on November 20, 2023.

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)(4), (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 Updates; Board of Trustee Vacancy and Composition; and to deliberate or make a decision on the approval of Executive Session Minutes which are confidential under State law.

ENTER EXECUTIVE  
SESSION

On a motion made by Trustee Barfield, seconded by Vice Chair Yap, and unanimously carried, the Board entered into Executive Session at 11:26 a.m.

(Quorum was re-established with Chair Ley, Vice Chair Yap, Trustees Barfield, Chan, and Mizumoto in attendance.)

(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. Recording 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.

APPROVAL OF EXECUTIVE  
SESSION MINUTES  
– AUGUST 21, 2023  
– SEPTEMBER 11, 2023

EXECUTIVE SESSION

- Pursuant to HRS §92-5(a)(4) and (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 Updates.
- Pursuant to HRS §92-5(a)(4), to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities related to the Board of Trustee Vacancy and Composition.

EXECUTIVE SESSION,  
PURSUANT TO HRS §92-5(a)(4)  
AND (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 UPDATES

EXECUTIVE SESSION  
PURSUANT TO HRS §92-5(a)(4),  
TO CONSULT WITH THE  
BOARD'S ATTORNEYS ON  
QUESTIONS AND ISSUES  
PERTAINING TO THE BOARD'S  
POWERS, DUTIES, PRIVILEGES,  
IMMUNITIES, AND  
LIABILITIES RELATED TO THE  
BOARD OF TRUSTEE  
VACANCY AND COMPOSITION

EXIT EXECUTIVE SESSION

On a motion made by Trustee Barfield, seconded by Trustee Mizumoto, and unanimously carried, the Board exited Executive Session at 12:05 p.m.

Chair Ley announced that while in Executive Session, the Board discussed matters related to ERS Cyber Security Updates and the Board of Trustee Vacancy and Composition. The Board also approved Executive Session Minutes of August 21, 2023, and September 11, 2023.

DISCUSS 2024 BOARD OF  
TRUSTEES ELECTION OF  
OFFICERS AND  
COMMITTEE  
ASSIGNMENTS, AND  
APPROVE SCHEDULE OF  
MEETINGS

Chair Ley discussed with the Board the 2024 Board of Trustees Election of Officers and Committee Assignments.

The Board, as previously agreed, discussed alternating terms served as Chair between an appointed and an elected Trustee, as well as possibly extending the length of the term from one (1) year to two (2) years. Chair Ley requested Board members inform her if they are interested in serving on a specific Committee. The 2024 Board of Trustees Election of Officers and Committee Assignments will be discussed and approved at the next Board meeting in January.

ADJOURNMENT

On a motion made by Trustee Chan, seconded by Vice Chair Yap, and unanimously carried, Chair Ley adjourned the meeting at 12:10 p.m.

**REDACTED SIGNATURE**

Thomas Williams  
Executive Director

TW:dkik