

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

AUGUST 28, 2023

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

Trustees present:
(by teleconference) Mr. Bennett Yap, Chair
Dr. Catherine Chan
Dr. Genevieve Ley

Trustee absent: Mr. Emmit Kane, Vice Chair

Staff present:
(City Financial Tower
by teleconference) Mr. Thomas Williams, Executive Director
Ms. Kristin Varela, Chief Investment Officer
Mr. Kona Mann, Chief Compliance Officer
Mr. Bart Asato, Program Specialist
Mr. James Greubel, Program Specialist
Ms. Shanna Sakagawa, Program Specialist
Ms. Dale Kehau Kanae, Recording Secretary
Ms. Lori Kim, Secretary
Ms. Andrea Gasper, Secretary

Attorney present:
(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:
(by teleconference) Mr. Joe Newton, Gabriel Roeder Smith & Company

Public present:
(by teleconference) Ms. Stacey Tagala

QUORUM/CALL TO ORDER

A quorum being present (Chair Yap, Trustees Chan and Ley), Chair Yap called the meeting of the Legislative Committee (Committee) of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 12:01 p.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. Chair Yap reminded the Committee to please be sure that they are visible on their video cameras and that they remain on while the meeting is in session.

On a motion made by Trustee Ley, seconded by Trustee Chan, and unanimously carried, the Committee voted to hold a meeting allowing Trustees and members of the public to participate by interactive conference technology, pursuant to HRS §92-3.7, with at least one meeting location open to the public that has audiovisual connection.

PUBLIC COMMENT

Chair Yap called for public comment. There was no public attending in person, one (1) person attended by teleconference, however, there was no

LEGISLATIVE PROPOSALS
RELATING TO THE
EMPLOYEES' RETIREMENT
SYSTEM FOR THE 2024
LEGISLATIVE SESSION FOR
RECOMMENDATION TO THE
BOARD OF TRUSTEES

public comment. There was also no written public testimony received for this Committee meeting.

Program Specialist (PS) Bart Asato discussed and presented to the Committee Legislative Proposals Relating to the Employees' Retirement System for the 2024 Legislative Session for Recommendation to the Board of Trustees.

PS Asato shared with the Committee, as part of the presentation for discussion, two (2) Legislative Proposals:

- Moving the vesting period from 10 years to 5 years for members hired after 2012.
- Lowering the maximum allowable amortization period from 30 years to a value closer to current industry practices.

PS Asato also mentioned that the Service-Connected Disability Retirement legislation submitted last session will likely be submitted again for next session.

Gabriel Roeder Smith & Company's (GRS) Joe Newton attended the meeting by teleconference and continued the presentation in detail:

- Impact of Reinstating the 5-year vesting for members hired on or after July 1, 2012.

Trustee Ley shared that at the last Board meeting of August 21, 2023, it was voiced by the Board that it may be inappropriate for the ERS to make recommendations, rather, the ERS is to just implement the plans. The Committee agreed that the employers should be introducing such changes.

The Committee suggested looking into who will be benefitting from changing the vesting period. Possibly, 5 years may be too short a time, and suggested exploring 7 or 8 years. However, the Committee agrees that they are likely to support any benefits introduced by the employers that are positive for the employees or members.

The Committee has no recommendation at this time and the ERS staff will monitor and provide information to the Committee and Board on any related bills that are introduced during the next Legislative session.

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

GRS's Mr. Newton continued the presentation and discussed with the Committee Potential Legislative Proposals Relating to the Employees' Retirement System for Future Legislation:

- Amortization Strategy.
- Negative Amortization in Public Discussion.
- Industry Guidance on Appropriate Funding Policies.
- New Actuarial Standards of Practice No. 4.
- Illustrative UAAL Projection: Comparison of Amortization Periods.
- Illustrated: Annual Cost vs Total Savings.
- Transition Plan.
- HIERS: Projection of Funding Period and Funded Ratio Sensitivity from Investment Returns.
- Alternatives with Lower Maximum Funding Periods.

- Comparison of Projected Funding Period to Alternative Strategies, 6% Actual Returns, and 5% Actual Returns.
- Projection of Funded Ratio with 5% Actual Returns Based on Alternative Funding Strategies.
- Probabilities of Future Outcomes: Impact of Illustrated Alternative Amortization Policies.
- Illustrated Alternatives.

The Committee had no other future potential Legislative proposals relating to the ERS that they wanted introduced in the next 2024 session. The legislative proposals would be discussed at the next Board meeting on September 11, 2023.

ED Williams shared with the Committee possible other Legislation that could include, depending on any HRS changes, the Trustee Election Process that would involve coordination with the Administrative and Audit Committee. He further stated that the ERS is exploring the conversion of positions from civil service to exempt such as the Chief Compliance Officer and Senior Management positions, this could affect the yearly ERS budget submitted to the Legislature and would involve coordination with the Human Resources Committee.

PUBLIC COMMENT

Chair Yap called for public comment. There were no public comments from those attending by teleconference. There was also no written public testimony received for this Committee meeting.

APPROVAL OF MINUTES - JANUARY 31, 2023

On a motion made by Trustee Ley, seconded by Trustee Chan, and unanimously carried, the Committee approved the Minutes of the January 31, 2023, meeting as presented.

ADJOURNMENT

On a motion made by Trustee Ley, seconded by Trustee Chan, and unanimously carried, Chair Yap adjourned the meeting at 1:11 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik