

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

FEBRUARY 12, 2024

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

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

Trustee absent: Mr. Luis Salaveria

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

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

*Attended Executive Session

QUORUM/CALL TO
ORDER

A quorum being present (Acting Chair Chan, Vice Chair Barfield, and Trustee Ley), Acting Chair Chan called the Human Resources Committee (HR Committee or Committee) of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 2:32 p.m. and identified the Trustees present and had them confirm that they are the only ones present at their remote location and that no one else was able to listen in on their teleconference while attending the meeting.

On a motion made by Vice Chair Barfield, seconded by Trustee Ley, 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

Acting Chair Chan called for public comment. There were no members of the public present in person or by teleconference, therefore no public comment. There was also no written public testimony received for this Committee meeting.

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

Acting Chair Chan presented for discussion, by the Committee, the election of Chair and Vice Chair of the Human Resources Committee. Trustee Ley nominated Vice Chair Barfield as Chair. Trustee Ley also volunteered and nominated herself as Vice Chair.

On a motion made by Acting Chair Chan, seconded by Trustee Ley, and unanimously carried, the Committee approved Vice Chair Barfield as Chair and Trustee Ley as Vice Chair.

Chair Barfield presided over the remainder of the meeting.

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

Chair Barfield presented for discussion, by the Committee, the Human Resources Committee Charter. After discussion, the Committee recommended the following changes to the Charter:

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. ...

IV. AUTHORITY AND RESPONSIBILITIES

The Committee shall ...

- ... guidance.
- To review, ~~and~~ approve, and monitor, the annual goals and objectives of the Executive Director, Deputy Executive Director, and Chief Investment Officer as adopted by the Board. ... Officer.

On a motion made by Trustee Chan, seconded by Vice Chair Ley, and unanimously carried, the Committee accepted the changes as discussed and will present it to the Governance Policy Committee and/or Board for acceptance and/or approval as may be appropriate.

A revised draft of the Human Resources Committee Charter is attached for clarification.

Chair Barfield presented for discussion, by the Committee, the past performance of the Human Resources Committee. Vice Chair Ley briefly discussed the activities of 2023 that included updating the Charter, development of a framework for evaluating and determining compensation for exempt staff noting that once compensation reaches the median relative to peers, performance would become the determining factor. Vice Chair Ley noted that all activities were completed in a timely manner and within the Department of Budget & Finance's deadline to become effective the next fiscal year.

Overall, the Committee decided that their performance for 2023 was excellent and former Chair, Vice Chair Ley was commended for keeping the Committee on task in meeting all required deadlines.

REVIEW THE ACTIVITIES
AND TIMELINE OF THE
HUMAN RESOURCES
COMMITTEE

Chair Barfield presented for discussion, by the Committee, the activities and timeline of the Human Resources Committee. Chair Barfield advised the Committee that several meetings need to be held and determinations of compensation need to be presented for approval by the Board at the May 14, 2024, meeting. Chair Barfield further advised the Committee that a revised timeline will be sent out once the meetings have been scheduled.

DISCUSS THE
COMPENSATION PLAN

Chair Barfield presented for discussion, by the Committee, the Compensation Plan. Vice Chair Ley shared with the Committee that over the last year, the framework of the Compensation Plan was developed based on performance evaluations, a formula based on the current salary variance from the median as provided by Mercer, and compensation based on Union negotiated increases. The Committee agreed that it would use the framework of the Compensation Plan as a guideline and changes could be made by the Committee or Board at any time.

APPROVAL OF MINUTES
– SEPTEMBER 19, 2023

On a motion made by Vice Chair Ley, seconded by Trustee Chan, and unanimously carried, the Committee approved the Minutes of the September 19, 2023, meeting as presented.

PUBLIC COMMENT

Chair Barfield again called for public comment. There was no public present by teleconference or in person, therefore, no public comment.

(Chair Barfield identified attendees of the Executive Session, Committee members Chair Barfield, Vice Chair Ley, and Trustee Chan; ERS staff, Executive Director Thomas Williams, Deputy Executive Director Kanoe Margol, Chief Investment Officer Kristin Varela, Recording Secretary Dale Kehau Kanae, and Secretaries Andrea Gasper and Lori Kim; and Deputy Attorney General (DAG) Lori Tanigawa. All attendees affirmed that no other persons were in their rooms or able to listen in on their audio or audiovisual connection while they were on the teleconference.

Chair Barfield provided the reason to enter into Executive Session:

Executive Session, pursuant to HRS §92-5(a)(8), to make a decision on the approval of Executive Session minutes which are confidential under state law.

Executive Director (ED) Thomas Williams requested and provided additional reasons to enter into Executive Session:

Executive Session, pursuant to HRS §92-5(a)(2), and (4), to consider the hire, evaluation, dismissal, or discipline of an officer or employee or of charges brought against the officer or employee, where consideration of matters affecting privacy will be involved, and to consult with the Board’s attorneys on questions and issues pertaining to the Committee’s powers, duties, privileges, immunities, and liabilities.

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

ENTER EXECUTIVE SESSION

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

(Public participation concluded by ending the teleconference link.)

EXECUTIVE SESSION

- Pursuant to HRS §92-5(a)(4), approval of Executive Session Minutes of September 19, 2023.
- Pursuant to HRS§92-5(a)(2), to consider the hire, evaluation, dismissal, or discipline of an officer or employee or of charges brought against the officer or employee, where consideration of matters affecting privacy will be involved.
- Pursuant to HRS§92-5(a)(4), to consult with the Board’s attorneys on questions and issues pertaining to the Committee’s power, duties, privileges, immunities, and liabilities.

EXECUTIVE SESSION, PURSUANT TO HRS §92-5(a)(4), APPROVAL OF EXECUTIVE SESSION MINUTES OF SEPTEMBER 19, 2023

EXECUTIVE SESSION, PURSUANT TO HRS §92-5(a)(2) TO CONSIDER THE HIRE, EVALUATION, DISMISSAL, OR DISCIPLINE OF AN OFFICER OR

EMPLOYEE OR OF
CHARGES BROUGHT
AGAINST THE OFFICER OR
EMPLOYEE, WHERE
CONSIDERATION OF
MATTERS AFFECTING
PRIVACY WILL BE
INVOLVED

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

EXIT EXECUTIVE
SESSION

On a motion made by Vice Chair Ley, seconded by Trustee Chan, and unanimously carried, the Committee exited Executive Session at 3:45 p.m.

Chair Barfield announced that while in Executive Session, the Committee discussed legislation and personnel matters presented by ED Williams that are considered confidential.

ADJOURNMENT

On a motion made by Vice Chair Ley, seconded by Trustee Chan, and unanimously carried, Chair Barfield adjourned the meeting at 3:46 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik



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

I. PURPOSE

The Human Resources 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 provide oversight of Human Resources Management and to determine and recommend compensation for executive and exempt positions in the 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 least one (1) time a year 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.



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IV. AUTHORITY AND RESPONSIBILITIES

The Committee shall elect from its members a Chairperson and Vice Chairperson. The Committee shall have the following authority and responsibilities:

- To oversee the Executive Director's execution of the human resources management function within the State's policy framework and Budget & Finance's directives and guidance.
- To review, ~~and~~ approve, and monitor, the annual goals and objectives of the Executive Director, Deputy Executive Director, and Chief Investment Officer as adopted by the Board. 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 relative to the goals and objectives 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 performance evaluations of exempt Investment Office staff's goals and objectives 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.
- To review with the Executive Director the implementation of performance goals and Committee recommendations at mid-year.



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- 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.



Employees' Retirement System of the State of Hawaii
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VI. PERFORMANCE EVALUATION

The Committee shall conduct an annual evaluation of the performance of its duties under this Charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.

Adopted and Approved by the Board of Trustees: April 10, 2017, August 10, 2020, April 11, 2022, March 13, 2023

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

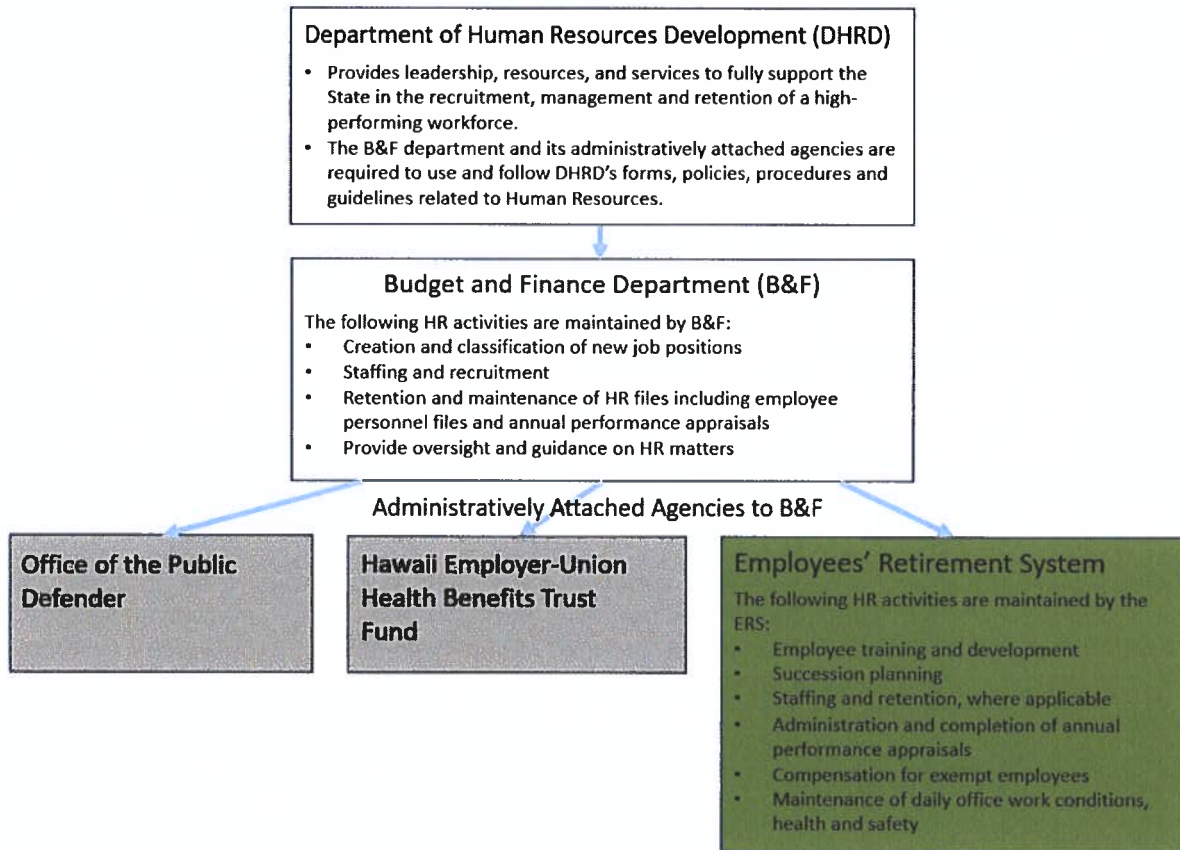
Revised by the Compensation Review Committee: March 23, 2020, February 25, 2021, February 10, 2022, February 6, 2023, February 12, 2024

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