

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

MAY 14, 2024

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

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

Trustees absent: Mr. Emmit Kane, Chair
Mr. Bennett Yap

Staff present: Mr. Thomas Williams, Executive Director*
(City Financial Tower Mr. Kona Mann, Chief Compliance Officer*
by teleconference) 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. Lori Kobayashi, Retirement Benefits Branch Manager*
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 – Diversifying Strategies
Mr. Andrew Chen, Investment Officer – Credit Markets
Ms. Lynn Kamimoto, Investment Officer – Risk
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: Ms. Jenny Nakamoto, Deputy Attorney General*
(by teleconference) Ms. Lori Tanigawa, Deputy Attorney General*
Ms. Elmira Tsang, Deputy Attorney General*
Ms. Diane Wong, Deputy Attorney General*

Public present: Mr. Joe Ebisa, With Intelligence
(by teleconference)

*Attended Executive Session.

QUORUM/CALL TO ORDER

A quorum being present (Vice Chair Mizumoto, Trustees Barfield, Chan, Ley, and Salaveria), Vice Chair Mizumoto called the regular meeting of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 10:00 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 Salaveria, seconded by Trustee Ley, 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

Vice Chair Mizumoto called for public comment. There was no public present in person, however, one (1) members of the public was present by teleconference, but they had no public comment. Also, no written testimony was received for this meeting.

RESOLUTION
PRESENTATION TO
KANOE MARGOL

Vice Chair Mizumoto announced that this agenda item would be deferred as Kanoë Margol was unable to attend.

PUBLIC COMMENT

Vice Chair Mizumoto again called for public comment. There were no public comments from public members attending.

EXECUTIVE DIRECTOR'S
REPORT

Executive Director (ED) Williams gave an oral report to the Board and a brief report of operational matters usually covered by the Deputy Executive Director's Report as follows:

DEPUTY EXECUTIVE
DIRECTOR'S REPORT

- Auditor Eide Bailly LLP's 3-year contract has been terminated by the State Auditor as they did not have a permit to practice in Hawaii. An RFP to acquire a new auditor for the final 2-years of the contract is in the process. The 2023 ERS Audit will have to be performed by the newly contracted firm.
- Retired as of April 1, 2024, Deputy Executive Director (DED) Kanoë Margol and Retirement Benefits Manager Karl Kaneshiro who will be succeeded by Lori Kobayashi. The search for the DED commenced in March with advertisements with the National Council on Teacher Retirement, National Association of State Retirement Administrators, National Conference on Public Employee Retirement Systems, and the State Department of Human Resources Development. Attempts to fill the DED and other ERS positions continue.
- Congratulations to Trustee Barfield who was appointed by Governor Green and confirmed by the State Senate and Legislature for a third term, effective May 9, 2024, and continuing until June 30, 2030.
- The ERS Medical Board is comprised of three physicians, due to a member recently passing and contracts ending, an RFP was issued and selection of candidates and establishing a budget will be discussed in Executive Session.
- As the State Budget was being finalized, \$300M which was to be allocated to the ERS by the 2022 Legislature was not made as the Governor elected it to lapse and it was returned to the General Fund. The \$300M would have been a supplemental contribution and in addition to the generally required contribution.
- A recently completed ERS Trustee survey noted the need for more educational opportunities, a list is provided in BoardWorks. The Board may want to consider the NCTR Annual Trustee Workshop in July.
- An in-person presentation will be made to the Kauai County Council on the status of ERS and its Investments. Similar presentations have been made to the Maui County Council.
- Legislative updates have been periodically e-mailed to the Trustees from Program Specialist Bart Asato on the Status of Bills ERS is monitoring. SB 3070, Relating to the ERS Funding Period, would reduce the funding period from 30 to 20 years has been passed. ERS may be requesting a signing ceremony from the Governor on this Bill.
- As of May 1, 2024, ERS has 28 vacant positions which can impact the operations and level of services ERS provides. Overtime is being used across the organization to address staffing shortfalls in an attempt to keep up with workloads. ERS has also attended job fairs to try to fill the vacancies. More details regarding staffing will be discussed in Executive Session.

DEPUTY EXECUTIVE
DIRECTOR'S REPORT

This agenda item was deferred, however, operational matters were presented to the Board by ED Williams in his oral report.

INFORMATION SYSTEMS
BRANCH REPORT

Information System's (IS) Systems Supervisor Sandra Straub and IS Branch Manager Keith Miyamoto entered the room and IS Branch Manager Miyamoto presented an oral and written report to the Board on a brief overview of the services the IS Branch provides and discussed: Current Staffing, Vendor Assistance, Current Projects, and Other Activities.

(After his presentation, Mr. Miyamoto and Ms. Straub left the meeting.)

PUBLIC COMMENT

Vice Chair Mizumoto again called for public comment. There were no public comments from public members attending.

REPORT BY THE
ADMINISTRATIVE &
AUDIT COMMITTEE

Vice Chair Mizumoto announced that this agenda item would be deferred, as this Committee has not met since reporting to the Board at its last meeting.

REPORT BY THE
LEGISLATIVE
COMMITTEE

Vice Chair Mizumoto announced that this agenda item would be deferred, as this Committee has not met since reporting to the Board at its last meeting.

UPDATE ON
EMPLOYEES'
RETIREMENT SYSTEM
RELATED BILLS
DURING THE 2024
LEGISLATIVE SESSION

REPORT BY THE
INVESTMENT COMMITTEE

Vice Chair Mizumoto announced that this agenda item would be deferred, as this Committee has not met since reporting to the Board at its last meeting.

REPORT BY THE HUMAN
RESOURCES COMMITTEE

DISCUSS THE EXEMPT
STAFF
COMPENSATION PLAN

Human Resources Committee (Committee) Chair Barfield reported to the Board that the Committee met on April 9, 16, and May 6, 2024, and reviewed the Committee's timeline for 2024, discussed the exempt staff compensation supported by performance review recommendations, refined the exempt staff Compensation Plan, both were to be discussed in Executive Session, and finally the Committee also reviewed the Public, Executive, and Confidential Executive Session Minutes.

APPROVAL OF MINUTES
– MARCH 11, 2024

On a motion made by Trustee Barfield, seconded by Trustee Ley, and unanimously carried, the Board approved the Minutes of March 11, 2024, as presented.

PUBLIC COMMENT

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

Vice Chair Mizumoto 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.

Vice Chair Mizumoto provided the reason to enter into Executive Session: Executive Session, pursuant to HRS §92-5(a)(2), (4), and (8), and HRS §88-27.5(a)(2), to conduct discussions, deliberate, or make a decision regarding the designation, compensation, and procurement of members of the Employees' Retirement System's (ERS) Medical Board; the ERS Budget, Staffing, and Consulting Services; the use of Not-to-Exceed Employment

Dates; the performance evaluations and compensation recommendations for the ERS Executive Director, Chief Investment Officer, Deputy Chief Investment Officer, and Investment Officers, 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 regarding such matters; and to make a decision on the approval of Executive Session Minutes.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Salaveria, seconded by Trustee Ley, and unanimously carried, the Board entered into Executive Session at 10:27 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. 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.

EXECUTIVE SESSION

- Pursuant to HRS § 92-5(a)(2) and (4), to discuss the Employees' Retirement System's Budget, Staffing, and Consulting Services, 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.
- Pursuant to HRS § 92-5(a)(4) and (8) and HRS § 88-27.5(a)(2), to deliberate or make a decision regarding the designation and compensation of members of the Employees' Retirement System Medical Board which requires the consideration of information that must be kept confidential pursuant to State law and, to the extent applicable, to conduct discussions and deliberations relating to procurements that are exempt from Chapter 103D, to the extent that it would be required to be done confidentially if subject to Chapter 103D, 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 the foregoing; appropriate action.
- Pursuant to HRS § 92-5(a)(2) and (4), to discuss the Chapter 76, HRS exempt staff of the Employees' Retirement System, with respect to the Evaluations and use of Not-to-Exceed Employment Dates, 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.
- Pursuant to HRS § 92-5(a)(2) and (4), to discuss the compensation recommendations of Chapter 76, HRS exempt Executive Director, Chief Investment Officer, Deputy Chief Investment Officer, and Investment Officers of the Employees' Retirement System, and to evaluate such staff, as may be necessary, 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.
- Pursuant to HRS § 92-5(a)(8), to Review and Approve Executive Session Minutes of March 11, 2024.

EXECUTIVE SESSION,
PURSUANT TO HRS §92-5(a)(2)
AND (4), TO DISCUSS THE
EMPLOYEES' RETIREMENT
SYSTEM'S BUDGET,
STAFFING, AND CONSULTING
SERVICES, 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 (8), AND HRS § 88-
27.5(A)(2), TO DELIBERATE OR
MAKE A DECISION
REGARDING THE
DESIGNATION AND
COMPENSATION OF MEMBERS
OF THE EMPLOYEES'
RETIREMENT SYSTEM
MEDICAL BOARD WHICH
REQUIRES THE
CONSIDERATION OF
INFORMATION THAT MUST BE
KEPT CONFIDENTIAL
PURSUANT TO STATE LAW
AND, TO THE EXTENT
APPLICABLE, TO CONDUCT
DISCUSSIONS AND
DELIBERATIONS RELATING
TO PROCUREMENTS THAT
ARE EXEMPT FROM CHAPTER
103D, TO THE EXTENT THAT IT
WOULD BE REQUIRED TO BE
DONE CONFIDENTIALLY IF
SUBJECT TO CHAPTER 103D,
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 THE FOREGOING;
APPROPRIATE ACTION

EXECUTIVE SESSION,
PURSUANT TO HRS § 92-5(a)(2)
AND (4), TO DISCUSS THE
CHAPTER 76, HRS EXEMPT
STAFF OF THE EMPLOYEES'
RETIREMENT SYSTEM, WITH
RESPECT TO THE
EVALUATIONS AND USE OF
NOT-TO-EXCEED
EMPLOYMENT DATES, 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)(2)
AND (4), TO DISCUSS THE
COMPENSATION
RECOMMENDATIONS OF
CHAPTER 76, HRS EXEMPT
EXECUTIVE DIRECTOR, CHIEF

INVESTMENT OFFICER,
DEPUTY CHIEF INVESTMENT
OFFICER, AND INVESTMENT
OFFICERS OF THE
EMPLOYEES' RETIREMENT
SYSTEM, AND TO EVALUATE
SUCH STAFF, AS MAY BE
NECESSARY, 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)(8),
TO REVIEW AND APPROVE
EXECUTIVE SESSION
MINUTES OF MARCH 11, 2024

EXIT EXECUTIVE SESSION

On a motion made by Trustee Salaveria, seconded by Trustee Chan, and unanimously carried, the Board exited Executive Session at 11:54 a.m.

Vice Chair Mizumoto announced that while in Executive Session, the Board discussed ERS staffing concerns, the Use of Not-to-Exceed Employment Date for an exempt Investment Officer, approved compensation recommendations for Investment Officers, and the Board also approved Executive Session Minutes of March 11, 2024.

Vice Chair Mizumoto also announced the recommended salary increase of 6.8% (\$25,000) for ED Williams, and a salary increase of 10% (\$33,000) for Chief Investment Officer Kristin Varela.

On a motion made by Trustee Barfield, seconded by Trustee Chan, and unanimously carried, the Board approved the salary increase of 6.8% (\$25,000) for Executive Director Thomas Williams, and a salary increase of 10% (\$33,000) for Chief Investment Officer Kristin Varela, subject to an adjustment to ensure that it is divisible by 24 for payroll purposes.

ADJOURNMENT

On a motion made by Trustee Salaveria, seconded by Trustee Chan, and unanimously carried, Vice Chair Mizumoto adjourned the meeting at 11:56 a.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik