

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

JUNE 27, 2023

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

Committee Member	Dr. Catherine Chan, Chair
Trustees present: (via teleconference)	Mr. Lance Mizumoto, Vice Chair Mr. Vincent Barfield Mr. Emmit Kane
Visiting Trustees present: (via teleconference)	Dr. Genevieve Ley
Attorneys present: (via teleconference)	Ms. Lori Tanigawa, Deputy Attorney General
Staff present: (City Financial Tower)	Mr. Thomas Williams, Executive Director Ms. Kanoe Margol, Deputy Executive Director Ms. Kristin Varela, Chief Investment Officer Mr. Anthony Goo, Deputy Chief Investment Officer Mr. Howard Hodel, Senior Investment Officer Mr. Aaron Au, Investment Officer – Illiquid Markets Mr. David Okamoto, Investment Officer – Credit Mr. Ian Wetzel, Investment Officer – Real Assets Ms. Christine Chang, Investment Officer – Liquid Diversifying Mr. Andrew Chen, Investment Specialist Ms. Gerri Konishi, Member Home Loan Assistant Ms. Lori Kim, Secretary Ms. Kehau Kanae, Secretary Ms. Diana Gomes, Secretary
Guest present: (via teleconference)	Mr. Colin Bebee, Meketa Investment Group, Inc. Ms. Mika Malone, Meketa Investment Group, Inc.
Public present: (via teleconference)	No public present.

CALL TO ORDER

A quorum being present (Chair Chan, Vice Chair Mizumoto, Trustees Barfield and Kane), Chair Chan called the Investment Committee meeting to order at 9:00 a.m. and requested Board members to identify themselves and confirm that no other individuals are present in the room. Committee members present confirmed. Chair Chan read the following statement, “Motion to hold the 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.” On a motion made by Trustee

Barfield, seconded by Trustee Kane and unanimously carried, the Investment Committee meeting continued.

## PUBLIC COMMENT PERIOD

Chair Chan called for public comment. There was no public comment.

## PRESENTATIONS

- MEKETA INVESTMENT GROUP, INC. – ASSET LIABILITY STUDY UPDATE

Mr. Colin Bebee of Meketa Investment Group gave an update of the 2022/2023 Asset-Liability Study. The following is a summary of the presentation:

The results will serve as a foundation for the asset-liability model and support the current path of ERS.

- This meeting concludes the asset liability study and will establish the 2024 strategic policy.
- For ERS, the asset allocation design is the most important decision on the asset side.
- A few major assumptions are:
  - ERS is well positioned to maintain consistent funding.
  - ERS is comfortable with its risk-focused strategic direction.
  - ERS is comfortable with its current risk and return profile.
  - ERS would allocate more to alternatives to maximize risk-adjusted return.
- Some of the recommendations are:
  - Diversify risk contribution in Broad Growth class to acquire favorable risk-adjusted opportunities and balance growth risk factors.
  - More beta composition in Diversifying Strategies to expand risk contribution and allow for measurement of idiosyncratic active strategy allocation.
- For all proposed options (Options #1-3):
  - Increase illiquid/private markets.
  - Streamline sub-strategies with certain components.
  - Liquid Diversifying strategies will change to be active risk/implementation decisions.
  - Option #1 provides less risk; Option #2 provides same risk and Option #3 provides more risk.
- Some allocation changes that would impact are:
  - Decrease Public Equity.
  - Slight Increase Private Equity.
  - Increase Liquid Credit.
  - Increase Private Credit.
  - Increase Real Assets.
  - Increase Diversifying Strategies – Liquid Defensive.
  - Eliminate Diversifying Strategies – Liquid Diversifying.
  - Decrease Diversifying Strategies – Illiquid Diversifying.
- Policy portfolios embody the desired risk level and general portfolio build determined by the governing body and should align with the characteristics for an actual benchmark; however, it is a challenge to achieve all of the attributes of an ideal benchmark.
- The final portfolio recommendation reflects:
  - Continuous conversations between Staff, Meketa and FRM.
  - Liquidity stress tests

- Funding status projections based on Meketa’s asset-liability simulation methodology.
  - Historical and hypothetical market stress tests.
- Of the three options offered, Staff and Meketa recommends Option #2.

On a motion made by Trustee Barfield, seconded by Trustee Kane and unanimously carried, the Investment Committee approved Option #2 of the Asset Liability Study as presented and will go to the full Board of Trustees for approval at the July 10, 2023 meeting. Upon approval from the Board of Trustees, the plan will take effect January 1, 2024.

APPROVAL OF MINUTES – MAY 22, 2023

Deferred to the August 21, 2023 meeting.

ENTER EXECUTIVE SESSION

[Did not enter Executive Session.]

EXECUTIVE SESSION

APPROVAL OF EXECUTIVE SESSION MINUTES – MAY 22, 2023

Deferred to the August 21, 2023 meeting.

ADJOURNMENT

On a motion made by Trustee Barfield, seconded by Trustee Kane, and unanimously carried, Chair Chan adjourned the meeting at 10:02 a.m.

**REDACTED  
SIGNATURE**

Kristin Varela  
Chief Investment Officer  
KV/dlg