

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

SEPTEMBER 9, 2024

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

Trustees present:
(by teleconference)

Mr. Emmitt Kane, Chair (in person)*
Mr. Lance Mizumoto, Vice Chair*
Mr. Vincent Barfield*
Dr. Catherine Chan*
Dr. Genevieve Ley*
Mr. Luis Salaveria*
Mr. Bennett Yap*

Staff present:
(City Financial Tower
by teleconference)

Mr. Thomas Williams, Executive Director*
Mr. Kona Mann, Chief Compliance Officer
Mr. James Greubel, Program Specialist*
Ms. Shanna Sakagawa, Program Specialist*
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. Gerri Konishi, Member Home Loan Assistant
Ms. Dale Kehau Kanae, Recording Secretary/Administrative Assistant*
Ms. Lori Kim, Administrative Assistant
Ms. Andrea Gasper, Administrative Assistant
Ms. Diana Gomes, Administrative Assistant

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. Colin Bebee, Meketa Investment Group, Inc.

Public present:
(by teleconference)

Mr. Douglas Appell, Pensions & Investments
Mr. Kevin Balaod, With Intelligence
Ms. Christine Giordano, U.S. News & World Report
Mr. Kevin Gordon
Ms. Lindsay Saienni – Financial Investment News
Ms. Stacey Tagala
Mr. Heath Williams

*Attended Executive Session.

QUORUM/CALL TO ORDER

A quorum being present (Chair Kane, Vice Chair Mizumoto, Trustees Barfield, Chan, Ley, Salaveria, and Yap), Chair Kane called the regular meeting of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 10:21 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 Vice Chair Mizumoto, seconded by Trustee Barfield, 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.

AMENDMENT TO AGENDA

Chair Kane announced an amendment to the agenda pursuant to HRS §92-7(d) adding Executive Session Item No. 4, as follows:

- “4. Executive Session, pursuant to HRS §88-27.5(a)(1) and (2), to conduct discussions or deliberations relating to, or to make a decision upon, investments or prospective investments by the system that require the consideration of information or records that are exempt from disclosure under Chapter 92F, including without limitation information and records that are proprietary information or confidential business information, and to conduct discussions and deliberations or to make decisions relating to procurements that are exempt from Chapter 103D to the same extent that the discussion, deliberation, and decision would be required to be conducted or made confidentially if the procurement were subject to Chapter 103D, regarding ERS’ Global Custody Services and Securities Lending Request for Expression of Interest 2024, appropriate action.”

Chair Kane noted that the added agenda item was not of major importance and would not affect a significant number of persons.

On a motion made by Vice Chair Mizumoto, seconded by Trustee Yap, and unanimously carried, the Board approved amending the agenda by adding Executive Session Item No. 4, as noted.

PUBLIC COMMENT

Chair Kane called for public comment. There was no public present in person, however, seven (7) members of the public were present by teleconference, but they had no public comment. Also, no written testimony was received for this meeting.

EXECUTIVE DIRECTOR’S REPORT ON THE OPERATIONS AND ADMINISTRATION OF THE SYSTEM WITH RESPECT TO ISSUES AFFECTING MEMBER SERVICES, ACCOUNTING, AND INFORMATION TECHNOLOGY SYSTEMS, TO INCLUDE SIGNIFICANT DEVELOPMENTS IN INVESTMENTS, POLICY, STAFFING, POTENTIAL LEGISLATION, AND REGULATORY MATTERS

Executive Director (ED) Williams gave an oral report to the Board on the Operations and Administration of the System with Respect to Issues Affecting Members Services, Accounting, and Information Technology Systems, to Include Significant Developments in Investments, Policy, Staffing, Potential Legislation, and Regulatory Matters as follows:

- Participating in development of next year’s fiscal biennial budget and legislative proposals.
- Next month’s ERS Investment Summit is on track with full registration and a nearly completed program.
- As reported in the July Board meeting, the 2022 Legislative allocation of \$300 M to ERS lapsed and was returned to the general fund. The appropriation could only be extended for two years. Also as previously reported, HB 40 of \$135 M, and an additional \$300 M appropriated for the emergency reserve fund were both reduced to \$1 by the Governor, likely to balance the budget. ERS’ main objective is to receive the monthly required contributions on a regular basis. The reasons for the lapses could be due to the HGEA Temporary Hazard Pay Settlement.
- Also in July, the Governor signed an HGEA re-pricing bill that would allow certain identified non-competitive positions to be reviewed and repriced to

increase compensation in order to improve recruiting in positions such as IT and accounting, which ERS has had difficulty in recruiting.

- ERS received a letter from House Judiciary Committee, Jim Jordan and Thomas Massie who sent letters to all blue state public pension plans alleging there was left-wing collusion, collaboration, or conspiracy with the Principle for Responsible Investments Climate Action 100+ and those organizations were engaging in anti-competitive behaviors that had the effect of reducing the competitiveness of fossil fuels. ERS staff (Chief Investment Officer (CIO) Kristin Varela, Investments Officer – Diversifying Strategies Christine Chang, and ED Williams) spoke with other public pension plans and did research before responding denying allegations of collusion, collaboration, or conspiracy and focused on ERS’ independence, not acting under any other entity aside from our Board and the primacy of our fiduciary responsibility and asserted that we were in compliance with all state and federal regulations.
- Upgrade to Vitech’s v10 pension administration system to V3locity will take from 18-24 months and require a Request for Proposal (RFP) for external support, however, Information Services Branch Manager Keith Miyamoto will head the internal project. The upgrade cost of several million dollars for the next biennium budget have been discussed with the Director and appropriate staff of Budget & Finance. A Vitech client meeting is scheduled in October to discuss plans towards a new unified system and any custom features will require additional costs.
- Staff vacancies, as presented in the monthly operations report of August 2024.
- Identifying and reviewing possible candidates for the vacant ERS Board seat.
- RFPs for a new employer reporting and audit compliance, and external support for Vitech’s upgrade to the pension administration system, are being worked on. Also, an Expression of Interest (EOI) for Global Custody Services and Securities Lending will be discussed in Executive Session. A report to the Board on a roadmap to enhance Cyber Security and the current ERS status will be presented by the Virtual Chief Information Security Officer.
- Employed Adobe to provide an efficiency analysis with recommendations relating to technology, equipment, and policies concerning audit findings related to Staff Support Services’ ability to digitize and locate incoming documents, etc.
- By the end of September, an ERS draft auditor’s report from the newly hired KKDLY LLC, will be available for approval by the Board at its October ERS Investment Summit to be included in the larger State auditor’s report.

PROGRAM SUPPORT
STAFF REPORT ON
GENERAL DUTIES
INCLUDING SIGNIFICANT
CURRENT AND FUTURE
PROJECTS

Program Specialist (PS) James Greubel presented an oral and written report to the Board on Program Support Staff’s General Duties, and Current Major- and Future-Projects as submitted.

The Board requested reports should include priorities, timelines with deadlines, current status, and challenges of the projects. The Board also noted as a third reminder to staff that any submitted reports should consist of their name and title on the cover page.

UPDATE REPORT OF
ACTIVITY BY THE
ADMINISTRATIVE &
AUDIT COMMITTEE
CHAIR

Administrative & Audit Committee (Committee) Chair Chan reported to the Board that the Committee has not met since June 25, 2024, just prior to the last July Board meeting, however, due to time constraints, requested the Board’s action on the Appointment of Executive Director to Serve as Presiding Officer at a Public Hearing on Draft Amendments to Hawaii Administrative Rules, Title 6, Chapter 24.

APPOINTMENT OF EXECUTIVE DIRECTOR TO SERVE AS PRESIDING OFFICER AT A PUBLIC HEARING ON DRAFT AMENDMENTS TO HAWAII ADMINISTRATIVE RULES, TITLE 6, CHAPTER 24

ED Williams discussed with the Board a request to be appointed to serve as the presiding officer at a public hearing for the draft amendments to the Hawaii Administrative Rules, Title 6, Chapter 24, previously discussed and presented at the last July Board meeting. Noting that a copy of the potential amendments being considered are available for viewing in the ERS Office and also posted at <https://ers.ehawaii.gov/resources/all-publications>, under “Hawaii Administrative Rules (HAR)”.

On a motion made by Committee Chair Chan, seconded by Committee Vice Chair Barfield, and unanimously carried, the Board approved appointing the Executive Director to serve as presiding officer at a public hearing on draft amendments to Hawaii Administrative Rules, Title 6, Chapter 24.

UPDATE REPORT OF ACTIVITY BY THE LEGISLATIVE COMMITTEE CHAIR

Legislative Committee (Committee) Chair Yap reported to the Board that the Committee was scheduled to meet on August 29, 2024, however, due to scheduling conflicts and failure to achieve quorum, the meeting was cancelled. Committee Chair Yap presented the agenda items for that Committee meeting to the Board noting that the items required no action.

DISCUSSION OF POTENTIAL FUTURE LEGISLATIVE PROPOSALS RELATING TO THE EMPLOYEES’ RETIREMENT SYSTEM

PS Greubel discussed and presented to the Board two (2) potential legislative proposals relating to the Employees’ Retirement System for the next session.

CONFORM HAWAII REVISED STATUTES (HRS) CHAPTER 88, TO ENSURE COMPLIANCE WITH THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, REGARDING AUTOMATIC DISBURSEMENTS

The first proposed bill entitled, Relating to Automatic Cashouts of the Employees’ Retirement System, amends Chapter 88, HRS to conform to updated required beginning dates and automatic cashout requirements in the Internal Revenue Code of 1986, as amended. The purpose of this bill is to maintain the ERS’ Federal tax qualification requirements by updating Chapter 88 to follow stipulations of the Internal Revenue Code (IRC) of 1986, as amended, regarding automatic disbursements. Specifically, the bill proposes to reference the IRC definition of the Required Beginning Dates for the tiered increase in ages for Required Minimum Distributions and remove the automatic distribution requirement for non-vested Hybrid members so as not to mandate administration of a third-party retirement account vendor as instituted by the Setting Every Community Up for Retirement Enhancement Act 2.0 of 2019.

AMEND HRS CHAPTER 88, TO PROVIDE CLARIFICATION REGARDING EMPLOYER REPORTING REQUIREMENTS; AND

The second proposed bill entitled, Relating to the Employees’ Retirement System Employer Reporting Audit, adds a year between the audit period and the billing due date and changes reporting of audit results from during the current fiscal year to after the previous fiscal year. The purpose of this bill is to extend the time between the employer audit period, the mandated reporting of the audit results, and the billing date of the contribution pre-payment for those reporting departments or agencies which failed to provide the information in the required format.

IDENTIFICATION OF FUTURE LEGISLATIVE PROPOSALS DETERMINED TO BE NECESSARY OR DESIRABLE FOR THE SYSTEM’S INVESTMENTS, ADMINISTRATION, AND/OR OPERATIONS

There were no new potential future legislative proposals discussed.

UPDATE REPORT OF ACTIVITY BY THE

Investment Committee (Committee) Chair Mizumoto reported to the Board that the Committee met on August 19, 2024, and discussed an Educational Presentation on Benchmarking Updates; Total Fund Performance Review for

INVESTMENT COMMITTEE
CHAIR

Period Ending June, 30, 2024; Private Credit Portfolio Review for Period Ending March 31, 2024; Updates on: the Closure of an Asset Manager, Change in Organizational Structure of a Fund Manager, Manager Activity and Organization, and Investment Office Staffing, however, only a brief update on the Total Fund Performance Review and Private Credit Portfolio Review was presented to the Board.

Chief Investment Officer (CIO) Kristin Varela shared with the Board, that brief updates would be given to the Board on the Total Fund Performance Review and Private Credit Portfolio Review by ERS Investment Staff and Meketa.

TOTAL FUND
PERFORMANCE
REVIEW FOR PERIOD
ENDING JUNE 30, 2024

Meketa Investment Group Inc’s (Meketa) Colin Bebee joined the meeting by teleconference and presented an oral and written report to the Board on the Total Fund Performance Review for period ending June 30, 2024, entitled 2024 Q2 Performance Report and discussed in summary:

- INTRODUCTION
- Portfolio Valuation*
- ERS Total Fund Relative Performance*
- Asset Allocation vs. Target*
- Hawaii ERS vs. Public Fund Peers*
- Annualized Risk-Return*

- ERS PORTFOLIO REVIEW
- Performance Attribution vs. Policy Benchmark*
- Asset Class Performance Summary*

PRIVATE CREDIT
PORTFOLIO REVIEW
FOR PERIOD ENDING
MARCH 31, 2024

CIO Varela shared with the Board that as a larger initiative within Broad Growth, ERS staff continue to expand the Credit Portfolio and Infrastructure Portfolio. Investment Officer – Credit Markets Andrew Chen provided an update to the Board noting that the portfolio is performing well and generating strong cash flow that contribute directly to the ERS total fund. ERS staff are actively seeking new managers to expand the program, in line with the strategic direction set by the Board. ERS staff are also working closely with the existing manager to strengthen partnerships with a goal of maximizing returns, while carefully managing downside risks.

Meketa’s Mr. Bebee presented an oral and written report to the Board on the Private Credit Portfolio Review for Period Ending March 31, 2024, and discussed in summary:

HISTORY OF THE CREDIT CYCLE

- OVERVIEW
- Introduction*

- RECENT ACTIVITY
- Commitments*
- Cash Flows*

- PERFORMANCE ANALYSIS
- Since Inception Performance Over Time*

- FUND DEVERSIFICATION
- By Strategy*

APPROVAL OF MINUTES
– JULY 8, 2024

On a motion made by Trustee Salaveria, seconded by Vice Chair Mizumoto, and unanimously carried, the Board approved the Minutes of July 8, 2024, as presented.

PUBLIC COMMENT

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

Chair Kane 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 Kane provided the reason to enter into Executive Session:

Executive Session, pursuant to HRS §92-5(a)(4), (6), and (8), to consider and to consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities on information that must be kept confidential pursuant to State law with respect to an Update on Ongoing Litigation; on Temporary Hazard Pay and the Potential Impacts to the Employees’ Retirement System; to make a decision on the approval of Executive Session Minutes; and to Delegate the Authority to the Executive Director, or his Designee, to Make a Final Selection of the Vendor for Global Custody Services and Securities Lending.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Yap, seconded by Trustee Ley, and unanimously carried, the Board entered into Executive Session at 11:32 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.

Chair Kane announced that Executive Session Items would be taken out of order starting with Executive Session Item 3, 4, 2, and then 1.

EXECUTIVE SESSION

- Pursuant to HRS §92-5(a)(8), to Review and Approve Executive Session Minutes of July 8, 2024.
- Pursuant to HRS§88-27.5(a)(1) and (2), to conduct discussions or deliberations relating to, or to make a decision upon, investments or prospective investments by the system that require the consideration of information or records that are exempt from disclosure under Chapter 92F, including without limitation information and records that are proprietary information or confidential business information, and to conduct discussions and deliberations or to make decisions relating to procurements that are exempt from Chapter 103D to the same extent that the discussion, deliberation, and decision would be required to be conducted or made confidentially if the procurement were subject to Chapter 103D, regarding ERS’ Global Custody Services and Securities Lending Request for Expression of Interest 2024, appropriate action.
- Pursuant to HRS §92-5(a)(4), and (8), to consider information that must be kept confidential pursuant to state law, 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 Temporary Hazard Pay and the Potential Impacts to the Employees’ Retirement System; appropriate action.
- Pursuant to HRS §92-5(a)(4) and (8), to consider information that must be kept confidential pursuant to State law, 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 an Update on Ongoing Litigation; appropriate action for Cynthia Giebink vs. ERS, Civil No. 2CCV-23-0000113. Pursuant to HRS §92-5(a)(4) and (8), to consider information that must be kept confidential pursuant to State law, 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 an Update on Ongoing Litigation; appropriate action for Cynthia Giebink vs. ERS, Civil No. 2CCV-23-0000113.

EXECUTIVE SESSION,
PURSUANT TO HRS §92-5(a)(8),
TO REVIEW AND APPROVE

EXECUTIVE SESSION
MINUTES OF JULY 8, 2024

EXECUTIVE SESSION,
PURSUANT TO HRS §§88-
27.5(a)(1) AND (2), TO
CONDUCT DISCUSSIONS OR
DELIBERATIONS RELATING
TO, OR TO MAKE A DECISION
UPON, INVESTMENTS OR
PROSPECTIVE INVESTMENTS
BY THE SYSTEM THAT
REQUIRE THE
CONSIDERATION OF
INFORMATION OR RECORDS
THAT ARE EXEMPT FROM
DISCLOSURE UNDER
CHAPTER 92F, INCLUDING
WITHOUT LIMITATION
INFORMATION AND RECORDS
THAT ARE PROPRIETARY
INFORMATION OR
CONFIDENTIAL BUSINESS
INFORMATION, AND TO
CONDUCT DISCUSSIONS AND
DELIBERATIONS OR TO MAKE
DECISIONS RELATING TO
PROCUREMENTS THAT ARE
EXEMPT FROM CHAPTER 103D
TO THE SAME EXTENT THAT
THE DISCUSSION,
DELIBERATION, AND
DECISION WOULD BE
REQUIRED TO BE CONDUCTED
OR MADE CONFIDENTIALLY
IF THE PROCUREMENT WERE
SUBJECT TO CHAPTER 103D,
REGARDING ERS' GLOBAL
CUSTODY SERVICES AND
SECURITIES LENDING
REQUEST FOR EXPRESSION OF
INTEREST 2024, APPROPRIATE
ACTION

EXECUTIVE SESSION,
PURSUANT TO HRS §92-5(a)(4)
AND (8), TO CONSIDER
INFORMATION THAT MUST BE
KEPT CONFIDENTIAL
PURSUANT TO STATE LAW,
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 TEMPORARY HAZARD PAY
AND THE POTENTIAL
IMPACTS TO THE EMPLOYEES'
RETIREMENT SYSTEM;
APPROPRIATE ACTION

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

AND (8), TO CONSIDER
INFORMATION THAT MUST BE
KEPT CONFIDENTIAL
PURSUANT TO STATE LAW,
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 AN UPDATE ON ONGOING
LITIGATION; APPROPRIATE
ACTION FOR CYNTHIA
GIEBINK vs. ERS, CIVIL NO.
2CCV-23-0000113

EXIT EXECUTIVE SESSION

On a motion made by Trustee Barfield, seconded by Vice Chair Mizumoto, and unanimously carried, the Board exited Executive Session at 12:15 p.m.

Chair Kane announced that while in Executive Session, the Board discussed an Update on Ongoing Litigation; Temporary Hazard Pay and the Potential Impacts to the Employees' Retirement System, Delegated Authority to the Executive Director or his Designee to make the final selection of the vendor(s) for Global Custody Services and Securities Lending, and the Board also approved Executive Session Minutes of July 8, 2024.

ADJOURNMENT

On a motion made by Trustee Yap, seconded by Trustee Barfield, and unanimously carried, Chair Kane adjourned the meeting at 12:16 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik