

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

NOVEMBER 12, 2024

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

Trustees present:
(by teleconference) Mr. Emmet Kane, Chair (in person)*
Mr. Lance Mizumoto, Vice Chair*
Mr. Vincent Barfield*
Dr. Catherine Chan*
Dr. Genevieve Ley*

Trustees absent:
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*
Mr. Keith Miyamoto, Information Services Branch Manager*
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/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. Peter Hanashiro, KMH LLP*
Mr. Tyson Suehiro, KMH LLP*
Mr. Dave Collins, RSM US LLP*
Mr. Alfred Ko, RSM US LLP*

Public present:
(by teleconference) Mr. Douglas Appell, Pensions & Investments
Mr. Joe Ebisa, With Intelligence

*Attended Executive Session.

QUORUM/CALL TO ORDER

A quorum being present (Chair Kane, Vice Chair Mizumoto, Trustees Barfield, Chan, and Ley), 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 10:03 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.

PUBLIC COMMENT

Chair Kane called for public comment. There was no public present in person, however, two (2) 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:

- Last month's ERS Investment Education Summit was well received and next year's ERS Investment Education Summit will be held at the Grand Hyatt Kauai Resort & Spa from September 23 to 26, 2025, and ERS' 100-year anniversary will be celebrated.
- Reminder to continue to utilize the BoardSmart application. The latest of the B-SMRT microlearning series, Shift Happens Fast.
- Discussions with Marie Kumabe of Kumabe HR for potential services regarding recruitment of executive leadership. Details will be discussed in Executive Session.
- Shared information from a news video about the Honolulu Police Department proposed drop program, a supplemental plan aside of the ERS program. No official information has been presented to the ERS.
- ERS Investments are performing well and has recently been reported at the ERS Investment Education Summit. Assets exceed \$24B.
- The customer satisfaction survey has been digitized and is available using a QR code.
- Temporary Hazard Pay and the affects to the ERS such as potential spiking, and recalculations of recent Tier 1 retiree's benefits for eligible contributions. GRS preliminary calculations showed a possible increase to ERS' unfunded liability by \$350M, an extension of the funding period by a year, and lowering the funding ratio by a half percent. ERS should consider ways to prevent this from reoccurring. The Board suggested bringing awareness to government leaders and the public of the negative financial impacts to the ERS of the Temporary Hazard Pay by a letter to the editor before considering introducing legislation.
- The five-year vesting bill may be re-introduced next session. Reviewed past ERS bills introduced this year such as, compliance with IRS requirements of changes in dates of required minimum distribution, and employer reporting and its penalties for non-compliance.
- KMH LLP and RSM US LLP'S Virtual Chief Information Security Officer Project to be discussed in Executive Session.
- Attended a Vitech advisory meeting in New York in October regarding their committed continued support to the ERS on the transition to the V3locity module that is scheduled to take up to 18 months but could take two- to three-years or more.
- Kristin Varela was named by CIO Magazine as a member of the Power 100. She is also a finalist for their Industry Innovation Awards to be presented at the Influential Investor Forum in December in New York.
- Discussions with the supervisor of the Deputy Attorneys General of the Department of the Attorney General regarding Dr. Patricia Chen's concern with their support for the Medical Board.

- Met with a potential candidate for ERS Trustee to be suggested to the Governor for appointment, can be discussed in Executive Session.
- Completed an orientation with the House Legislature by ERS RBB staff and Program Specialist.
- Staff vacancies and major achievements by Branches, as presented in the monthly operations report of October 2024.

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

Chief Compliance Officer Kona Mann presented an oral report to the Board on the Compliance Support Staff Report on General Duties Including Significant Current and Future Projects. A quarterly update report to the Board was deferred from July 8, 2024.

CCO Mann discussed with the Board as a part of the Compliance Support Staff Report a quarterly update that included Business Continuity, Code of Ethics with segments related to Cyber Security, Third-Party Risk Management that involved procurement, and further administrative guidance for policies on policy, as previously reported, as well as identifying and monitoring the regulatory environment and landscape for ERS.

CCO Mann further reported that the Business Continuity and Policies on Policy have been finalized and are in place and the Code of Ethics and Third-Party Risk Management policies are currently being worked on. Other activities being worked on to help bridge gaps within the ERS are, employer reporting, procurement, vCISO, work and planning with accounting, as well as being active with outside organizations such as ETS and with a national AI and CCO groups. Part of accounting’s plans include procurement of a governance risk and compliance platform that would include ERS’ entire data and projects, and external data such as the Internal Audit from KMH LLP. CCO Mann is also currently working on an ER and assessment and noted that other projects mentioned would be discussed in Executive Session.

There was no action required of the Board for this agenda item.

UPDATE REPORT OF
ACTIVITY BY THE
ADMINISTRATIVE &
AUDIT COMMITTEE
CHAIR

Administrative & Audit Committee (Committee) Chair Chan reported to the Board that the Committee met on October 23, 2024, and discussed the Internal Audit Update and Follow-Up Review Reports by KMH LLP, Implementation of the ADOBE Experience Manager, and in Executive Session discussed the Virtual Chief Information Security Officer (vCISCO) Project, Update on the Implementation of ERS’ Compliance Program on Risk Assessment, Policies & Procedures, and Third-Party Risk Management, and Cyber Security Updates, also to be presented in Executive Session.

INTERNAL AUDIT
UPDATE REPORT BY
KMH LLP ON THE
CURRENT STATUS OF
ACTIVITIES
COMPLETED DURING
Q3 2024, AND AN
UPDATE ON THE
COMPLETION STATUS
OF MANAGEMENT
ACTION PLANS FOR
PAST INTERNAL
AUDIT
OBSERVATIONS AND
RECOMMENDATIONS

KMH LLP’s Peter Hanashiro and Tyson Suehiro attended the meeting by teleconference and presented a high-level summary of the Internal Audit Update Report on the Current Status of Activities Completed During Q3 2024, and an Update on the Completion Status of Management Action Plans for Past Internal Audit Observations and Recommendations and the Follow-Up Review Report on the Current Status of Previously “Cleared” Internal Audit Observation and Recommendations that was presented at the Administrative & Audit Committee meeting and discussed in part:

INTERNAL AUDIT UPDATE REPORT
EXECUTIVE SUMMARY

Administrative and Other Matters
Status on Current Projects

- Follow-Up Review
- Continuous Monitoring Tool Development – Part 2
- Investment Manager Selection and Evaluation Review

FOLLOW-UP REVIEW
REPORT BY KMH LLP
ON THE CURRENT
STATUS OF
PREVIOUSLY
“CLEARED” INTERNAL
AUDIT OBSERVATION
AND
RECOMMENDATIONS

- Risk Assessment Re-Evaluation and Audit Plan

The Board shared concerns and agreed that findings with multiple extensions of overdue targeted completion dates are unacceptable and it seems with no consequences and to what degree are the completion dates a priority. In particular, policies and procedures do not seem in alignment with current practices. Executive Director Thomas Williams assured the Board that steps are being taken to clear overdue targeted completion dates and policies and procedures will be reviewed and made in alignment with current practices.

On a motion made by Committee Chair Chan, seconded by Committee Vice Chair Barfield, and unanimously carried, the Board approved the Follow-Up Review Report by KMH LLP on the Current Status of Previously “Cleared” Internal Audit Observations and Recommendations as accepted and recommended by the Administrative and Audit Committee.

REPORT BY PROGRAM
SPECIALIST ON THE
IMPLEMENTATION OF
THE ADOBE
EXPERIENCE
MANAGER FOR
PURPOSES OF
IMAGING EFFICIENCY

Program Specialist (PS) James Greubel presented an oral and written report to the Board on the Implementation of the Adobe Experience Manager for Purposes of Imaging Efficiency that was presented at the Administrative & Audit Committee meeting and discussed:

PROJECT RECAP & EXECUTIVE SUMMARY
PROCESS DISCOVERY FOR ERS
ROADMAP & RECOMMENDATIONS
DEMONSTRATION
ESTIMATED COST
NEXT STEPS

There was no action required of the Board for this agenda item.

DISCUSS THE 2025 BOARD
OF TRUSTEES ELECTION
OF OFFICERS AND
COMMITTEE
ASSIGNMENTS AND
APPROVE THE SCHEDULE
OF MEETINGS

Chair Kane presented to the Board a proposed 2025 Schedule of Meetings for approval.

On a motion made by Vice Chair Mizumoto, seconded by Trustee Ley, and unanimously carried, the Board approved the Employees’ Retirement System’s Board of Trustees 2025 Schedule of Meetings as presented.

Chair Kane discussed the 2025 Board of Trustees Election of Officers and Committee Assignments and requested the Trustees submit to him their preferences on Committees they would like to serve on. Election of Officers and Committee Assignments will be determined and approved by the Board at the next meeting in January.

APPROVAL OF MINUTES
– SEPTEMBER 9, 2024
– OCTOBER 15-18, 2024

On a motion made by Trustee Barfield, seconded by Trustee Ley, and unanimously carried, the Board approved the Minutes of September 9, 2024, and October 15-18, 2024, as presented.

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, and where consideration of matters affecting privacy will be involved, and to deliberate and make a decision upon matters that require the consideration of information that must be kept confidential pursuant to state law, and with respect to sensitive matters related to the Roadmap Report prepared as part

of the Internal Audit’s Virtual Chief Information Security Officer Project; Cyber Security Updates; an Update on the Implementation of ERS’ Compliance Program on Risk Assessment, Policies & Procedures, and Third-Party Risk Management; an Update on Ongoing Litigation; Recruitment and Search for Executive Leadership; and to discuss and to make a decision on the approval of Executive Session Minutes of September 9, 2024, and October 16, 2024.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Ley, seconded by Trustee Chan, and unanimously carried, the Board entered into Executive Session at 11:08 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 §92-5(a)(4), and (6), to consider and consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities, and to consider sensitive matters related to the Roadmap Report prepared as part of the Internal Audit’s Virtual Chief Information Security Officer (vCISO) Project.
- Pursuant to HRS §92-5(a)(4) and (6), to consider and consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities, and to consider sensitive matters related to Cyber Security Updates.
- Pursuant to HRS §92-5(a)(4) and (6), to consider and consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities, and to consider sensitive matters related to an Update on the Implementation of ERS’ Compliance Program on Risk Assessment, Policies & Procedures, and Third-Party Risk Management.
- Pursuant to HRS §92-5(a)(4) and (8), to consider and consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities, and to consider information that must be kept confidential pursuant to state law, with respect to an Update on Ongoing Litigation for Cynthia Giebink vs. ERS, Civil No. 2CCV-23-0000113.
- Pursuant to HRS § 92-5(a)(2), (4), and (8), to consider and consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities, and where consideration of matters affecting privacy will be involved, and to deliberate and make a decision upon matters that require the consideration of information that must be kept confidential pursuant to state law, with respect to Recruitment and Search for Executive Leadership.
- Pursuant to HRS §92-5(a)(8), to Review and Approve Executive Session Minutes of September 9, 2024.
- Pursuant to HRS §92-5(a)(8), to Review and Approve Executive Session Minutes of the Special Board Meeting of October 16, 2024.

EXECUTIVE SESSION,
PURSUANT TO §92-5(a)(4), AND
(6), TO CONSIDER AND
CONSULT WITH THE BOARD’S
ATTORNEYS ON QUESTIONS
AND ISSUES PERTAINING TO
THE BOARD’S POWERS,
DUTIES, PRIVILEGES,
IMMUNITIES, AND
LIABILITIES, AND TO
CONSIDER SENSITIVE
MATTERS RELATED TO THE
ROADMAP REPORT PREPARED
AS PART OF THE INTERNAL
AUDIT’S VIRTUAL CHIEF

INFORMATION SECURITY
OFFICER (vCISO) PROJECT

EXECUTIVE SESSION,
PURSUANT TO HRS §92-5(a)(4)
AND (6), TO CONSIDER AND
CONSULT WITH THE BOARD'S
ATTORNEYS ON QUESTIONS
AND ISSUES PERTAINING TO
THE BOARD'S POWERS,
DUTIES, PRIVILEGES,
IMMUNITIES, AND
LIABILITIES, AND TO
CONSIDER SENSITIVE
MATTERS RELATED TO
CYBER SECURITY UPDATES

EXECUTIVE SESSION,
PURSUANT TO HRS §92-5(a)(4)
AND (6), TO CONSIDER AND
CONSULT WITH THE BOARD'S
ATTORNEYS ON QUESTIONS
AND ISSUES PERTAINING TO
THE BOARD'S POWERS,
DUTIES, PRIVILEGES,
IMMUNITIES, AND
LIABILITIES, AND TO
CONSIDER SENSITIVE
MATTERS RELATED TO AN
UPDATE ON THE
IMPLEMENTATION OF ERS'
COMPLIANCE PROGRAM ON
RISK ASSESSMENT, POLICIES
& PROCEDURES, AND THIRD-
PARTY RISK MANAGEMENT

EXECUTIVE SESSION,
PURSUANT TO HRS §92-5(a)(4)
AND (8), TO CONSIDER AND
CONSULT WITH THE BOARD'S
ATTORNEYS ON QUESTIONS
AND ISSUES PERTAINING TO
THE BOARD'S POWERS,
DUTIES, PRIVILEGES,
IMMUNITIES, AND
LIABILITIES, AND TO
CONSIDER INFORMATION
THAT MUST BE KEPT
CONFIDENTIAL PURSUANT TO
STATE LAW, WITH RESPECT
TO AN UPDATE ON ONGOING
LITIGATION FOR CYNTHIA
GIEBINK VS. ERS, CIVIL NO.
2CCV-23-0000113

EXECUTIVE SESSION,
PURSUANT TO HRS § 92-5(a)(2),
(4), AND (8), TO CONSIDER
AND CONSULT WITH THE
BOARD'S ATTORNEYS ON
QUESTIONS AND ISSUES
PERTAINING TO THE BOARD'S
POWERS, DUTIES, PRIVILEGES,
IMMUNITIES, AND
LIABILITIES, AND WHERE
CONSIDERATION OF MATTERS

AFFECTING PRIVACY WILL BE INVOLVED, AND TO DELIBERATE AND MAKE A DECISION UPON MATTERS THAT REQUIRE THE CONSIDERATION OF INFORMATION THAT MUST BE KEPT CONFIDENTIAL PURSUANT TO STATE LAW, WITH RESPECT TO RECRUITMENT AND SEARCH FOR EXECUTIVE LEADERSHIP

EXECUTIVE SESSION, PURSUANT TO HRS §92-5(a)(8), TO REVIEW AND APPROVE EXECUTIVE SESSION MINUTES OF SEPTEMBER 9, 2024

EXECUTIVE SESSION, PURSUANT TO HRS §92-5(a)(8), TO REVIEW AND APPROVE EXECUTIVE SESSION MINUTES OF THE SPECIAL BOARD MEETING OF OCTOBER 16, 2024

EXIT EXECUTIVE SESSION

On a motion made by Trustee Barfield, seconded by Trustee ley, and unanimously carried, the Board exited Executive Session at 12:55 p.m.

Chair Kane announced that while in Executive Session, the Board discussed the Roadmap Report prepared as part of the Internal Audit’s Virtual Chief Information Security Officer Project, sensitive matters related to Cyber Security Updates, and an Update on the Implementation of ERs’ Compliance Program on Risk Assessment, Policies & Procedures, and Third-Party Risk Management, an Update on Ongoing Litigation for Cynthia Giebink vs. ERS, Civil No. 2CCV-23-0000113, and Search and Recruitment for Executive Leadership, and the Board also approved Executive Session Minutes of September 9, 2024, and October 16, 2024.

ADJOURNMENT

On a motion made by Trustee Barfield, seconded by Trustee Ley, and unanimously carried, Chair Kane adjourned the meeting at 12:56 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik