

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

FEBRUARY 18, 2025

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

Committee Member	Mr. Lance Mizumoto, Chair
Trustees present:	Mr. Vince Barfield
(via teleconference)	Mr. Emmit Kane

Absent:	Mr. Bennett Yap, Vice Chair
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Visiting Trustees present: (via teleconference)	Dr. Genevieve Ley
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Attorneys present: (via teleconference)	Ms. Jenny Nakamoto, Deputy Attorney General
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Staff present: (City Financial Tower)	Ms. Kristin Varela, Chief Investment Officer Mr. Anthony Goo, Deputy Chief Investment Officer Mr. Aaron Au, Investment Officer – Private Equity Mr. Ian Wetzel, Investment Officer – Real Assets Ms. Christine Chang, Investment Officer – Diversifying Strategies Mr. Andrew Chen, Investment Officer - Credit Ms. Gerri Konishi, Member Home Loan Assistant Ms. Masayo Zabinski, Investment Accountant Ms. Andrea Gaspar, Administrative Assistant Ms. Lori Kim, Administrative Assistant Ms. Diana Gomes, Administrative Assistant
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Guest present: (via teleconference)	Ms. Mika Malone, Meketa Investment Group, Inc. Mr. Jonathan Daffron, Man Group Mr. Matt Silverio, Hamilton Lane Mr. Mitesh Pabari, Hamilton Lane Mr. Paul Yett, Hamilton Lane Mr. Andrew Betz, Stafford Capital
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Public present: (via teleconference)	Mr. Joe Ebisa, With Intelligence
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CALL TO ORDER

Chair Mizumoto requested Board members to identify themselves and confirm that no other individuals are present in the room. The Committee members present confirmed accordingly. Chair Mizumoto 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 Chair Mizumoto, seconded by Trustee Barfield and unanimously carried, the Investment Committee meeting commenced.

PUBLIC COMMENT PERIOD

Chair Mizumoto called for both written and public comment. There was no public comment or written testimony submitted.

The meeting started without quorum and the Chair started the meeting with items not requiring action at 9:05 am.

PRESENTATIONS

- MEKETA INVESTMENT GROUP, INC. – TOTAL FUND PERFORMANCE REVIEW FOR PERIOD ENDING DECEMBER 31, 2024

Ms. Mika Malone of Meketa Investment Group presented the Total Fund Performance Review for period ending December 31, 2024. The following is a summary of the presentation:

- The ERS Total Portfolio consistently outperformed the Median Public Fund across nearly all time periods.
- The portfolio efficiently improved because of recent ERS-led asset-liability studies.
- On a risk-adjusted basis, the portfolio outperformed the Median Public Fund Peer Group for the quarter and over the 3, 5 and 10-year periods.
- The portfolio’s market value as of December 31, 2024, was \$23.9 billion, with a net return of 2.2% for the quarter.

- MAN GROUP – DIVERSIFYING STRATEGIES PORTFOLIO REVIEW FOR PERIOD ENDING DECEMBER 31, 2024

IO Chang introduced the Rotating Alternative Asset Class Review for the Diversifying Strategies portfolio for period ending December 31, 2024, along with consultant Mr. Jonathan Daffron from Man Group. The following is a summary of the presentation:

- 2024 was a challenging year for Diversifying Strategies (DS) amid strong growth in equity markets. Despite this, the portfolio performed within expectation, with a loss of less than a 1% - a relatively strong result given broader market conditions.
- The portfolio had a strong first half of the year. However, a significant market downturn in April negatively impacted trend-following strategies, which were challenged during that period.
- Discretionary strategies within DS contributed positively to performance. Crisis risk indicators remained within established limits throughout the year.
- Gold rallied significantly throughout the year driven by geopolitical uncertainty, central bank actions and inflationary pressures.
- Mr. Jonathan Daffron from Man Group explained that their research team evaluates the full investment universe, narrowing options to a short list and then to an approved list. The team holds quarterly meetings with portfolio and risk management teams to assess strategies and determine optimal allocation of additional capital.

Trustee Kane joined the meeting at 9:15 am and quorum was established. The Chair continued the meeting by starting at the top of the agenda with the action items.

NEW BUSINESS

- DISCUSSION & ELECTION OF CHAIR & VICE CHAIR OF THE INVESTMENT COMMITTEE

A discussion took place between committee members and Trustee Barfield nominated for a second term Trustee Mizumoto as Chair of the Investment Committee and Trustee Yap as Vice Chair. Trustee Kane concurred.

On a motion made by Trustee Barfield, seconded by Trustee Kane and unanimously carried, the Investment Committee approved the election of Trustee Mizumoto for Chair and Trustee Yap for Vice Chair. Chair Mizumoto thanked the committee for their confidence.

- REVIEW OF THE INVESTMENT COMMITTEE CHARTER

CIO Varela noted that the Investment Committee Charter provided in the packet was approved in February 2024. No changes to recommend.

On a motion made by Trustee Barfield, seconded by Trustee Kane and unanimously carried, the Investment Committee approved the Investment Committee Charter as presented.

- ADOPTION OF THE INVESTMENT COMMITTEE ANNUAL PERFORMANCE ASSESSMENT

CIO Varela presented the Investment Committee Annual Performance Assessment. In the Summary Assessment, present on page 2, the Committee reviewed Committee Management, Committee Effectiveness, and Notable Accomplishments over the past year.

On a motion made by Trustee Barfield, seconded by Trustee Kane and unanimously carried, the Investment Committee approved the Annual Performance Assessment as presented.

- ADOPTION OF ANNUAL INVESTMENT COMMITTEE WORKPLAN

The Annual Workplan has not changed from last year and subject to modifications at the discretion of the committee. This document outlines the goals and initiatives for the upcoming year. Some of the projects for this year include streamlining the Investment Policy Statement and creating an Investment Belief Statement both for adoption in November. The Investment Belief Statement, a foundation of ERS investment strategies, would also go to the Board of Trustees for approval.

On a motion made by Trustee Barfield, seconded by Trustee Kane and unanimously carried, the Investment Committee approved the Annual Investment Committee Workplan as presented.

PRESENTATIONS

- EDUCATION – RISK BUDGETING (CONTINUED)

Ms. Lynn Kamimoto of ERS and Ms. Mika Malone of Meketa Investment Group presented the continuation of educational content on risk budgeting at the total portfolio level. The following is a summary of the presentation:

- Risk budgeting involves managing a portfolio based on the contribution or level of risk from each asset class component.

- Risk budgeting and active risk are closely related concepts. Risk budgeting is a strategic process where the total risk allocation is distributed among the various components of the portfolio. Active risk refers to the deviation of a portfolio's returns from its benchmark and is commonly referred to as tracking error. It should be measured and budgeted as part of the risk management process.
- Risk budgets guide the decisions that the ERS Staff makes at the implementation level relative to portfolio benchmarks.
- Risk budgeting is the process by which the Board/IC will be able to discuss, monitor, and set thresholds for various levels of active risk.
- This concept gained a lot of traction in the last seven years, particularly with large institutions as it helps simplify complex portfolio discussions.
- Volatility, a key measure of risk, reflects the degree of variation around the midpoint - higher volatility implies greater potential deviation.
- Once the risk budgeting process is finalized, the ERS Investment Committee (IC) will shift its focus to the Total Portfolio Active Risk.
- The IC will establish an acceptable range for active risk, within which ERS staff will be responsible for maintaining the portfolio.
- Active risk reports presented to IC will consist of the historical data, its sources, and forward-looking expectations. ERS staff and Meketa will provide regular updates on the progress throughout 2025.
- Risk Budgeting serves as a strategic guard rail to help direct decisions.

CIO UPDATE

CIO Varela informed the Investment Committee that there is nothing new to cover.

APPROVAL OF MINUTES – NOVEMBER 18, 2024

On a motion made by Trustee Barfield and seconded by Trustee Kane, and unanimously carried, the Investment Committee approved the minutes of November 18, 2024, meeting as presented, with the removal of Lori Tanigawa from the attendee list.

[Before entering Executive Session, Chair Mizumoto read the names of all authorized participants. All unauthorized participants were asked to leave the meeting.]

ENTER EXECUTIVE SESSION

On a motion made by Trustee Kane, seconded by Trustee Barfield, and unanimously carried, the Investment Committee entered Executive Session at 11:10 a.m.

EXECUTIVE SESSION

[At the beginning of Executive Session, Chair Mizumoto asked each participant individually to confirm no unauthorized person is present or able to hear them at their remote locations or via another audio or audiovisual connection. All responded they were by themselves.]

EXECUTIVE SESSION, PURSUANT
TO HRS § 88-27.5(A)(1), AND HRS §
92-5(A)(4), TO CONDUCT
DISCUSSIONS AND
DELIBERATIONS RELATING TO,
AND IF APPROPRIATE, TO MAKE A

DECISION ON INVESTMENTS OR PROSPECTIVE INVESTMENTS BY THE SYSTEM THAT REQUIRE THE CONSIDERATION OF INFORMATION OR RECORDS THAT ARE EXEMPT FROM DISCLOSURE UNDER HRS CHAPTER 92F, INCLUDING INFORMATION AND RECORDS THAT ARE PROPRIETARY INFORMATION OR CONFIDENTIAL BUSINESS INFORMATION, 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 UPDATES ON STATUS OR ISSUES RELATED TO CONFIDENTIAL ERS INVESTMENT PORTFOLIO UPDATES REGARDING CHANGES IN (1) STANLEY CAPITAL PARTNERS FUND INVESTMENT UPDATE, (2) UPDATE ON CLOSURE OF WEISS ASSET MANAGEMENT, (3) ANNUAL INVESTMENT ACTIVITY UPDATE (4) INVESTMENT OFFICE STAFFING UPDATES.

APPROVAL OF EXECUTIVE SESSION MINUTES – NOVEMBER 18, 2024

On a motion made by Trustee Kane, seconded by Trustee Barfield and unanimously carried, the Investment Committee approved the confidential Executive Session minutes of the November 18, 2024, as presented.

EXIT EXECUTIVE SESSION

On a motion made by Trustee Barfield, seconded by Trustee Kane, and unanimously carried, the Investment Committee exited Executive Session at 11:59 a.m.

SUMMARY OF EXECUTIVE SESSION

Chair Mizumoto summarized what was discussed in Executive Session:

- Update on Stanley Capital Partners Fund Investment.
- Update on closure of Weiss Asset Management.
- Annual investment activity update
- Investment office staffing update.
- Approved Executive Session minutes.

ADJOURNMENT

On a motion made by Trustee Kane, seconded by Trustee Barfield, and unanimously carried, Chair Mizumoto adjourned the meeting at 12:00 p.m.

**REDACTED
SIGNATURE**

Kristin Varela
Chief Investment Officer
KV/dlg