

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

JUNE 5, 2025

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

Committee Member	Mr. Lance Mizumoto, Chair
Trustees present:	Mr. Bennett Yap, Vice Chair
(via teleconference)	Mr. Vince Barfield
Absent:	Mr. Emmit Kane
Visiting Trustees	None
present:	
(via teleconference)	
Attorneys present:	Ms. Jenny Nakamoto, Deputy Attorney General
(via teleconference)	
Staff present:	Ms. Kristin Varela, Chief Investment Officer
(City Financial Tower)	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
	Mr. AJ Senaga, Student Intern
	Ms. Andrea Gaspar, Administrative Assistant
	Ms. Lori Kim, Administrative Assistant
	Ms. Diana Gomes, Administrative Assistant
Guest present:	Mr. Colin Bebee, Meketa Investment Group, Inc.
(via teleconference)	Mr. Ilene Levinson, Hamilton Lane
	Mr. Owen Burns, Hamilton Lane
	Mr. Andrew Betz, Stafford Capital
Public present:	Mr. Joe Ebisa, With Intelligence
(via teleconference)	

CALL TO ORDER

A quorum being present (Chair Mizumoto, Vice Chair Yap, and Trustee Barfield), Chair Mizumoto 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 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.

PRESENTATIONS

- MEKETA INVESTMENT GROUP, INC. – TOTAL FUND PERFORMANCE REVIEW FOR PERIOD ENDING MARCH 31, 2025

Mr. Colin Bebee of Meketa Investment Group presented the Total Fund Performance Review for period ending March 31, 2025. The following is a summary of the presentation:

- The ERS Total Portfolio consistently outperformed the Median Public Fund across nearly all time periods. ERS steadily outpaces its national peer set.
- The portfolio is constructed to produce steady compounding returns over time. ERS has consistently generated steady, compounded growth since its inception.
- Risk mitigation is important to guarantee the long-term sustainability and growth of ERS.
- The portfolio’s market value as of March 31, 2025, was \$24 billion.

- ROTATING ALTERNATIVE ASSET CLASS REVIEW: PRIVATE EQUITY QUARTERLY REVIEW FOR PERIOD ENDING DECEMBER 31, 2024

IO Au presented the details of the score card for Private Equity:

- \$330 million net capital appreciation over a one-year period.
- Asset allocation is in line with the strategic targets.
- Long-term returns are consistent and exceed the benchmarks.

IO Au introduced the Rotating Alternative Asset Class Review for the Private Equity portfolio for period ending December 31, 2024, along with consultant Ms. Ilene Levinson and Mr. Owen Burns from Hamilton Lane. The following is a summary of the presentation:

- ERS portfolio outperformed its public benchmark by 498 bps since inception.
- Quarterly net IRR of 0.81% or net value increase of \$38.5 million.
- Portfolio generated positive performance during one-year period with gains of \$247.9 million.
- PE portfolio represents 20.0% of total plan assets and up 7.0% over the one-year period ending 12/31/2024.
- ERS portfolio outperformed the public market benchmark (MSCI ACWI IMI by 498 bps) for all periods.
- Contributions outweighed distributions by \$42.8 million in Q1 2025.
- Foundation managers continue to represent most of the portfolio value and outperformed the total portfolio by 234 bps.
- Hamilton Lane portfolio outperformed total portfolio by 256 bps.
- ERS on track to achieve the approved pacing plan.

- EDUCATION – RISK BUDGETING (CONTINUED)

Risk Officer Lynn Kamimoto of ERS and Mr. Colin Bebee 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 is a primary tool for valuable oversight and monitoring, and it relates to managing a portfolio based on risk contribution levels.
- Risk budgets guide the decisions that the ERS Staff makes at the implementation level and helps manage expectations for actual portfolio results relative to portfolio benchmarks.
- For most peers, risk budgets are created at various asset class levels with the primary focus of the Board on the total fund risk budget. Risk budgets at sub-levels are needed in order to develop the total fund risk budget.
- Meketa and ERS Staff developed a risk budget for the Public Growth portfolio with an active risk (tracking error) of 1.5%.
- The process of developing risk budgets for the total portfolio is expected to take until the end of calendar year 2026 for full implementation.

Risk Budgeting creates the following opportunities:

- Cost consciousness.
- Consistent risk approach in manager mandates.
- Listed hurdle for managers and portfolio.
- Cross-asset accountability and communications.
- Strategic action for remedies.

Implementation Challenges:

- Ramp up period of 2-3 years.
- Operational clean up.
- New oversight responsibilities.
- Learning curve for Board and Investment Team.
- Alignment of Managers and ERS.
- Risk Budgeting serves as a strategic defense to help direct decisions.

CIO UPDATE

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

APPROVAL OF MINUTES – FEBRUARY 18, 2025

On a motion made by Trustee Barfield and seconded by Vice Chair Yap, and unanimously carried, the Investment Committee approved the minutes of February 18, 2025, meeting as presented.

[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 Barfield, seconded by Vice Chair Yap, and unanimously carried, the Investment Committee entered Executive Session at 10:26 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 AND (2) INVESTMENT OFFICE UPDATES.

APPROVAL OF EXECUTIVE SESSION MINUTES – FEBRUARY 18, 2025

On a motion made by Trustee Barfield, seconded by Vice Chair Yap and unanimously carried, the Investment Committee approved the confidential Executive Session minutes of the February 18, 2025, as presented.

EXIT EXECUTIVE SESSION

On a motion made by Trustee Barfield, seconded by Vice Chair Yap, and unanimously carried, the Investment Committee exited Executive Session at 10:54 a.m.

SUMMARY OF EXECUTIVE SESSION

Chair Mizumoto summarized what was discussed in Executive Session:

- Update on Stanley Capital Partners Fund Investment.
- Investment office staffing update.
- Approved Executive Session minutes.

ADJOURNMENT

On a motion made by Trustee Barfield, seconded by Vice Chair Yap, and unanimously carried, Chair Mizumoto adjourned the meeting at 10:55 a.m.

**REDACTED
SIGNATURE**

Kristin Varela
Chief Investment Officer
KV/dlg