

Employees' Retirement System of the State of Hawaii
AUDIT COMMITTEE OF THE BOARD OF TRUSTEES
CHARTER

The Audit Committee is a committee of the board of trustees. Its primary function is to assist the board in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to the members, employers, and other interested parties; the systems of internal controls which management and the board of trustees have established; and the audit process.

In meeting its responsibilities, the Audit Committee is expected to:

1. Provide an open avenue of communication between the independent accountant and the board of trustees.
2. Review and update the committee's charter periodically.
3. Oversee the procurement of auditing services and then recommend to the board of trustees: (1) the independent auditors to be nominated, (2) approval of the audit fees of the independent accountant, and (3) the discharge of the independent auditors.
4. Review and examine the independence (including any potential conflict of interest) of the independent accountant, including a review of management consulting services and related fees provided by the independent accountant.
5. Inquire of management and/or the independent accountant about significant risks or exposures and assess the steps management has taken to minimize such risk to the ERS.
6. Consider, in consultation with the independent accountant, the audit scope and plan of the independent accountant.
7. Consider with management and/or the independent accountant the rationale for employing audit firms other than the principal independent accountant.
8. Review with the independent accountant the coordination of audit effort to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
9. Consider and review with the independent accountant:
 - The adequacy of the ERS' internal controls.
 - Any related significant findings and recommendations of the independent accountant together with management's responses thereto.
10. Review with management and/or the independent accountant at the completion of the annual examination:
 - The ERS' annual financial statements and related footnotes.
 - The independent accountant's audit of the financial statements and his or her report thereon.

- Any significant changes required in the independent accountant's audit plan.
 - Any serious difficulties or disputes with management encountered during the course of the audit.
 - Other matters related to the conduct of the audit which are to be communicated to the committee under generally accepted government auditing standards.
11. Consider and review with management:
 - Significant findings during the year and management's responses thereto.
 - Any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.
 - Any changes required in the planned scope of their audit plan.
 12. Review prior year comments from the Government Finance Officers Association in its determination of the ERS' compliance with the requirements for the Certificate of Achievement in Financial Reporting.
 13. Review with management and the independent accountant the draft financial statements to be filed with the Government Finance Officers Association.
 14. Meet with the independent accountant and/or management in separate meetings to discuss any matters that the committee or these groups believe should be discussed privately with the audit committee.
 15. Report committee actions to the board of trustees with such recommendations as the committee may deem appropriate.
 16. The audit committee shall have the power to conduct or authorize investigations into any matters within the committee's scope of responsibilities. The committee shall recommend to the board of trustees, retention of independent counsel, accountants, or others to assist it in the conduct of any investigation.
 17. The committee shall meet at least two times per year or more frequently as circumstances require. The committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.
 18. The committee will perform such other functions as assigned by the board of trustees.

The membership of the Audit Committee shall consist of at least three members of the board of trustees who shall be appointed by the Chair of the Board and serve at the pleasure of the board of trustees.

The duties and responsibilities of a member of the Audit Committee are in addition to those duties set out for a member of the board of trustees.