

REGULAR MINUTES OF THE REGULAR MEETING
OF THE BOARD OF TRUSTEES OF THE EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF HAWAII
HELD ON TUESDAY, JUNE 12, 2012
CITY FINANCIAL TOWER, 201 MERCHANT STREET, SUITE 1935
HONOLULU, HAWAII

ROLL CALL

Trustees present: Mr. Colbert Matsumoto, Chair
Mr. Vincent Barfield
Ms. Jackie Ferguson-Miyamoto
Mr. Emmitt Kane
Ms. Piliialoha Lee Loy
Mr. Wayne Yamasaki
Mr. Kalbert Young

Trustee excused: Mr. Jerome Rauckhorst

Attorney present: Ms. Diane Kishimoto, Deputy Attorney General

Staff present: Mr. Wesley Machida, Administrator
Ms. Kanoë Margol, Assistant Administrator
Mr. Rodney June, Chief Investment Officer
Mr. Vijoy Chattergy, Investment Specialist
Ms. Gerri Konishi, Member Home Loan Assistant
Ms. Donna Curry, Program Specialist
Ms. Jaime Hirata, Recording Secretary
Ms. Wanda Kugiya, Secretary

Guests present: Mr. Andy Betz) Macquarie Funds Management (USA) Inc.
Ms. Erica Bushner

Ms. Kay Ceserani) Pension Consulting Alliance, Inc.
Mr. Neil Rue

QUORUM/CALL TO ORDER

A quorum being present, Chair Matsumoto called the regular meeting of the Board of Trustees of the Employees' Retirement System (the Board) to order at 12:08 p.m.

AMENDMENT OF AGENDA

On a motion made by Trustee Yamasaki, seconded by Trustee Kane, and unanimously carried, the Board amended the agenda to include:

- Executive session, pursuant to HRS § 92-5(a)(2) and (8), to consider the hire of an employee.

APPROVAL OF THE REGULAR MINUTES
FOR THE BOARD MEETINGS OF
NOVEMBER 8, 2011, DECEMBER 12, 2011,
AND APRIL 10, 2012

On a motion made by Trustee Barfield, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board approved the regular minutes of the following Board meetings:

- November 8, 2011

- December 12, 2011
- April 10, 2012

INVESTMENT MANAGER WATCH LIST STATUS

Mr. Rodney June, the Employees' Retirement System (ERS) Chief Investment Officer (CIO), and Ms. Kay Ceserani and Mr. Neil Rue of Pension Consulting Alliance, Inc. (PCA), the ERS' general investment consultant, reported on the following investment managers that have triggered underperformance criteria in accordance with the ERS Watch List Policy as described in the ERS Investment Policies and Procedures Manual:

- Mercator Asset Management (Mercator); and
- Atalanta Sosnoff Capital, LLC (Atalanta).

PCA and ERS staff recommended that Mercator be placed on the "Watch List" for a 9 to 15 month period and that the CIO conduct a due diligence site inspection with this manager to review the manager's performance and issues.

On a motion made by Trustee Kane, seconded by Trustee Lee Loy, and unanimously carried, the Board placed Mercator Asset Management on watch status for a 9 to 15 month period per the ERS Watch List Policy.

The CIO noted that Atalanta, which is a large cap growth manager, was on watch status at the time the ERS began considering the U.S. large cap growth asset class. When the Board authorized the initiation of a large cap growth manager search, the Board decided to retain Atalanta through the search process, during which Atalanta would be eligible to submit a proposal. Atalanta is aware that, if they are not awarded a contract as the result of the current large cap growth manager search, they will be terminated upon the Board's approval of the priority-listed finalists. Atalanta is not a priority-listed finalist. Atalanta that will therefore be notified that they are being terminated. The assets in Atalanta's portfolio will be transferred to the Mellon large cap growth portfolio.

EMPLOYEES' RETIREMENT SYSTEM'S AUDIT COMMITTEE CHARTER AND INTERNAL AUDIT CHARTER

Mr. Wesley Machida, ERS Administrator, distributed proposed drafts of recommended revisions to the ERS's Audit Committee Charter, and the ERS Internal Audit Charter, as recommended by the ERS's internal auditor, KMH LLP (KMH). ERS staff concurred with KMH and recommended that the ERS's Audit Committee Charter be revised to include the internal audit function and the establishment of an internal audit charter, as well as the proposed internal audit charter.

On a motion made by Trustee Kane, seconded by Trustee Lee Loy, and unanimously carried, the Board adopted the revised ERS Audit Committee Charter and the ERS Internal Audit Charter attached to

these minutes and incorporated by reference.

ENTRY INTO EXECUTIVE SESSION

On a motion made by Trustee Lee Loy, seconded by Trustee Kane, and unanimously carried, the Board entered into Executive Session:

- To approve the Executive Session minutes of the minutes Board meetings of November 8, 2011, December 12, 2011 and April 10, 2012;
- Pursuant to HRS § 92-5(a)(8), to consider, deliberate, and act on Pension Consulting Alliance, Inc.'s reports on potential finalists for the Active Large Cap Growth Equities Manager Search;
- Pursuant to HRS § 92-5(a)(8), to consider, deliberate, and act on Knight Capital Markets, L.P. commission recapture agreement;
- Pursuant to HRS § 92-5(a)(2) and (8), to consider the hire of an employee; and
- Pursuant to HRS § 92-5(a)(8), to hear a status report from Macquarie Funds Management (USA) Inc. on HiTIP.

EXECUTIVE SESSION TO APPROVE THE EXECUTIVE SESSION MINUTES OF THE BOARD MEETINGS OF NOVEMBER 8, 2011, DECEMBER 12, 2011, AND APRIL 10, 2012

EXECUTIVE SESSION TO CONSIDER, DELIBERATE, AND ACT ON PENSION CONSULTING ALLIANCE, INC.'S REPORTS ON POTENTIAL FINALISTS FOR THE ACTIVE LARGE CAP GROWTH EQUITIES MANAGER SEARCH

EXECUTIVE SESSION TO CONSIDER, DELIBERATE, AND ACT ON KNIGHT CAPITAL MARKETS, L.P. COMMISSION RECAPTURE AGREEMENT

EXECUTIVE SESSION, PURSUANT TO HRS § 92-5(a)(2) AND (8), TO CONSIDER THE HIRE OF AN EMPLOYEE

(All ERS staff were excused, except for Ms. Hirata and Ms. Kugiya.)

(Mr. Chattergy returned to the meeting.)

(Trustee Young left the meeting at 1:24 p.m. and did not return for the remainder of the meeting.)

(Chair Matsumoto left the meeting at 1:24 p.m. In the Chair's absence, Vice Chair Kane assumed the role of presiding officer.)

EXECUTIVE SESSION TO HEAR A
STATUS REPORT FROM MACQUARIE
FUNDS GROUP (USA) INC. ON THE
HAWAII TARGETED INVESTMENT
PROGRAM (HiTIP)

EXIT EXECUTIVE SESSION

On a motion made by Trustee Lee Loy, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board exited Executive Session.

RECESS

Vice Chair Kane called a recess at 1:54 p.m.

RECONVENE

Vice Chair Kane reconvened the meeting at 2:05 p.m.

ADMINISTRATOR'S UPDATE ON THE
EMPLOYEES' RETIREMENT SYSTEM
ACTION PLAN

The Administrator provided an update on the ERS Action Plan as of June 12, 2012:

- First project with KMH, internal audit consultant, is expected to be completed by July 31, 2012.
- Administrator and other staff members, will meet with the Governor and employers on Oahu, Maui, Kauai, and Hilo, to discuss the legislation regarding the new benefit structure, employer assessment of "spiking" and treatment of overtime for ERS benefit purposes.
- Letter from Senator Carol Fukunaga regarding concerns raised by Mr. George Berish about the ERS' unfunded liability and decisions and recommendations by the ERS Board, Administrator and Actuary
- Backlog of finalization cases is starting to grow; however, as the end of the fiscal year approaches, the ERS has had stop using its finalization contractors to avoid a budget shortfall.
- 2,100 retirements anticipated for the current fiscal year, versus 2,400 in 2011.
- No response from the Kona County Mayor's office regarding the ERS's invitation to present opening remarks for the ERS's Investment Conference to be held in Kona in July 2012.

- The Administrator will meet with Representative Marcus Oshiro on July 10.

(Chair Matsumoto returned to the meeting.)

ENTRY TO EXECUTIVE SESSION

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Lee Loy, and unanimously carried, the Board entered into Executive Session:

- Pursuant to HRS § 92-5(a)(8), to hear a status report from Heitman Capital Management regarding the Royal Ka'anapali Golf Courses.

(Trustee Kane left the meeting.)

EXECUTIVE SESSION TO HEAR A STATUS REPORT FROM HEITMAN CAPITAL MANAGEMENT REGARDING THE ROYAL KA'ANAPALI GOLF COURSES

EXIT EXECUTIVE SESSION

On a motion made by Trustee Lee Loy, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the Board exited from Executive Session.

(Trustee Kane returned to the meeting.)

NEXT BOARD MEETING – JULY 17, 2012

Chair Matsumoto announced that the next Board meeting is scheduled for July 17, 2012.

ADJOURNMENT

On a motion made by Trustee Lee Loy, seconded by Trustee Ferguson-Miyamoto, and unanimously carried, the meeting was adjourned at 2:38 p.m.

REDACTED SIGNATURE

Wesley K. Machida
Administrator

WKM: jh



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

I. PURPOSE

The Audit Committee of the Employees' Retirement System ("ERS") of the State of Hawaii is a committee of the Board of Trustees ("Board"). Its primary function is to assist the Board in fulfilling its oversight responsibilities relating to:

- A. The integrity of the ERS's financial statements and the accounting and financial reporting processes;
- B. The ERS's compliance with legal and regulatory requirements;
- C. The qualifications, independence and performance of the ERS's external auditors;
- D. Monitoring the performance of the systems of internal controls established by management and the Board;
- E. Monitoring the performance of the ERS's internal audit activities; and
- F. The business practices and ethical standards of the ERS.

It is the responsibility of the Audit Committee to provide an avenue of open and free communication between the Board, the internal auditors, the external auditors and management of the ERS. The Audit Committee shall also perform such other functions set forth in this charter.

II. COMMITTEE MEMBERSHIP

- A. The membership of the Audit Committee shall consist of at least three members of the Board who shall be appointed by the Chair of the Board and may be removed at any time.
- B. The members of the Audit Committee and its Chair shall be approved by the Board annually and shall serve one year terms or until their successors are elected or their earlier resignation or removal. The Board shall approve members for a period shorter than one year in the event of a vacancy.
- C. Audit Committee members shall possess or obtain a basic understanding of governmental financial reporting and auditing.
- D. Members of the Audit Committee shall be considered independent if they have no relationship to the ERS that may interfere with the exercise of their fiduciary responsibilities.



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AUDIT COMMITTEE CHARTER

III. MEETINGS

- A. The Audit Committee must meet at least two times per year or more frequently as circumstances require, with prior notice and publication of the agenda as provided by law. The Audit Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.
- B. The Audit Committee Chair may call a special meeting of the Audit Committee upon due notice to the Chair of the Board and each other member, and with prior notice and publication of the agenda as provided by law.

IV. AUTHORITY

The Audit Committee shall have the power to conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities and shall recommend to the Board, retention of independent counsel, accountants, or others to assist in the conduct of any investigation. The Audit Committee shall have the authority to seek information it requires from employees, management, and external parties; and to engage advisors, or otherwise obtain independent legal, accounting, consulting, or other professional services it requires at the expense of the ERS.

V. RESPONSIBILITIES

In carrying out its oversight responsibilities, the Audit Committee's practices/procedures should remain flexible in order to best react to changing conditions and assure the Board that the risk assessment process, the accounting and financial reporting processes, internal controls, and internal and external auditing are in accordance with all related requirements and are of the highest quality. In addition to fulfilling its duties as a member of the Board, the Audit Committee is expected to:

Risk Assessment

- A. Inquire of management, the internal auditors, and the external auditors about significant risks or exposures.
- B. Meet with the necessary parties to discuss the results of the annual risk assessment and obtain a clear understanding of the risk assessment process.
- C. Assess the steps management has taken to minimize significant risks or exposures to the ERS.



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Accounting and Financial Reporting Processes and Internal Controls

- D. Obtain a clear understanding of the ERS's accounting and financial reporting processes and critical policies, and ensure that the financial leadership team is qualified and competent.
- E. Review the adequacy and effectiveness of the ERS's accounting and financial controls (including information technology and security controls) with financial and accounting personnel, internal auditors, and external auditors, and elicit any recommendations for the improvement of the system of internal controls or particular areas where new or more detailed controls or procedures are desirable. Assess the integrity of the annual financial statements and related disclosures, including significant accounting judgments and estimates.
- F. Obtain an understanding of any corrective actions to be taken with regard to controls and procedures.
- G. Coordinate with the Administrative Committee, Investment Committee, and Legislative Committee, as deemed necessary.

Internal Auditors

- H. Where appropriate, oversee the procurement of internal auditing services and recommend to the Board: (1) the internal auditor to be nominated, (2) approval of the audit fees of the internal auditor, and (3) the discharge of the internal auditor.
- I. Recommend to the Board any co-sourcing or out-sourcing internal audit services.
- J. Review the ERS Internal Audit Charter, including the independence and authority of the internal audit function, and its reporting obligations, qualifications, and staffing for the coming year.
- K. Review and approve the annual internal audit plan and all major changes to the plan.
- L. Review the reports and findings/recommendations of the internal auditors and the responses of the ERS management, and monitor completion of management's action plans.
- M. Review a summary of major findings from completed internal audits and a progress report on the execution of the internal audit plan and management's implementation of action plans (on a quarterly basis).
- N. Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing.



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- O. On a regular basis, meet separately with the Chief Audit Executive¹ to discuss any matters that is deemed necessary by the Audit Committee or the internal auditor.

External Auditors

- P. Review and examine the independence (including any potential conflict of interest) of the external auditor, including a review of management consulting services and related fees provided by the external auditor.
- Q. Oversee the procurement of external auditing services and recommend to the Board: (1) the external auditor to be nominated, (2) approval of the audit fees of the external auditor, and (3) the discharge of the external auditor.
- R. Review with the external auditor the coordination of audit effort to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
- S. Review, at least annually, with management and/or the external auditor:
- i. Scope of the proposed audit for the current year and the procedures to be utilized.
 - ii. The ERS's annual financial statements and related footnotes.
 - iii. The external auditor's audit of the financial statements and his or her audit report thereon.
 - iv. The adequacy of the ERS's internal controls.
 - v. Any significant changes required in the external auditor's scope and audit plan.
 - vi. Other matters related to the conduct of the audit which are to be communicated to the Audit Committee under Generally Accepted Government Auditing Standards, including audit adjustments made and passed.
 - vii. Judgments about the quality, not just the acceptability of accounting principles and the clarity of the financial disclosures practices used or proposed to be used, and particularly the degree of aggressiveness or conservatism of accounting principles and underlying estimates.
 - viii. Any difficulties encountered in the course of their external audits, including any disputes with management, restrictions on the scope of their work or access to required information.
- T. Consider and review with management any significant findings during the year and recommendations of the external auditors and management's responses thereto.

¹ The Chief Audit Executive may be an individual employee or a firm contracted to outsource or co-source the internal audit function.



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- U. Review prior year comments from the Government Finance Officers Association (“GFOA”) in its determination of the ERS’s compliance with the requirements for the Certificate of Achievement in Financial Reporting.
- V. Review with management and the external auditor the draft financial statements to be filed with the GFOA.
- W. Meet with the external auditor and/or management in separate meetings to discuss any matters that the Audit Committee or these groups believe should be discussed privately with the Audit Committee.
- X. Report the results of the annual audit to the Board. If desired by the Board, invite the external auditors to attend a Board meeting to assist in reporting the results of the annual audit or to answer questions.

Other

- Y. Report Audit Committee actions to the Board with such recommendations as the Audit Committee may deem appropriate.
- Z. Monitor the implementation of procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, auditing or other matters, including mechanisms for anonymous submission of related concerns by ERS employees or the appropriate bodies.
- AA. Consult with the Attorney General on legal matters regarding financial transactions, fraud, or any other issue that could have significant impact on the annual reports.
- BB. Obtain any information and training needed to enhance the Audit Committee members’ understanding of the role of internal and external auditors, the risk management process, internal controls and a certain level of familiarity in government financial reporting standards and processes.
- CC. Obtain the Board’s approval of this Charter and, on an annual basis, evaluate the adequacy of this Charter and recommend any proposed changes to the Board for approval.
- DD. Confirm annually that all responsibilities outlined in this Charter have been carried out.
- EE. Perform such other functions as assigned by the Board.



Employees' Retirement System of the State of Hawaii
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AUDIT COMMITTEE CHARTER

VI. LIMITATIONS OF THE AUDIT COMMITTEE'S ROLE

It is not the duty of the Audit Committee to plan or conduct audits or to determine that the ERS's financial statements are complete, accurate, and in accordance with Generally Accepted Accounting Principles. This is the responsibility of management and the external auditors. Furthermore, while the Audit Committee is responsible for reviewing the ERS's policies and practices with respect to risk assessment and management, it is the responsibility of the Administrator and senior management to determine the appropriate level of the ERS's exposure to risk. It is the duty of the Audit Committee to report regularly to the Board with respect to any issues that arise concerning the quality or integrity of the ERS's financial statements, the ERS's compliance with legal or regulatory requirements, the performance and independence of the ERS's external auditors, the performance of the internal audit function, or any other matter within the scope of the Audit Committee's function.

Last Revised: May 14, 2012

Employees' Retirement System of the State of Hawaii INTERNAL AUDIT CHARTER

I. INTRODUCTION

Internal auditing is an independent, objective assurance and consulting activity¹ designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

II. ROLE OF INTERNAL AUDIT

The Internal Audit function of the Employees' Retirement System ("ERS") is established by the ERS Board of Trustees ("Board") and its responsibilities are defined in this charter which is approved by the Board. The Chief Audit Executive ("CAE"), which may be an individual employee or a firm contracted to outsource or co-source the internal audit function, reports functionally to the ERS Audit Committee ("Audit Committee") and administratively to the ERS Administrator ("Administrator") or designee. Approval from the Board is required for the hiring, compensation, removal, or replacement of the CAE.

The objectives of Internal Audit are to assist management and employees of the ERS in the effective discharge of their responsibilities by providing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed and to promote effective internal controls at a reasonable cost.

III. AUTHORITY

The CAE and the Internal Audit staff are authorized to:

- A. Review all areas of the ERS;
- B. Have full, free, and unrestricted access to all of the ERS's activities, records, physical property, and personnel necessary to complete their work;
- C. Have full, free, and unrestricted access to the Board, Audit Committee, Administrator, Assistant Administrator, Chief Investment Officer, Branch Chiefs, and all members of management;
- D. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and

¹ As defined by the Institute of Internal Auditors, an *assurance* activity is an examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization, while *consulting* refers to advisory and related client service activities intended to add value and improve an organization's processes.

Employees' Retirement System of the State of Hawaii INTERNAL AUDIT CHARTER

- E. Obtain the necessary assistance of personnel in units of the ERS where they perform audits, as well as other specialized services from within or outside the ERS.

The CAE and the Internal Audit staff are not authorized to:

- A. Perform any operational duties for the ERS;
- B. Initiate or approve accounting transactions external to the internal audit function; nor
- C. Direct the activities of any ERS employee not employed by the internal audit function, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

IV. INDEPENDENCE & OBJECTIVITY

Internal auditors have no direct responsibility or any authority over any of the activities or operations that they review. They should not develop and install procedures, prepare records, or engage in activities that would normally be reviewed by internal auditors.

Internal Audit's objectivity is not adversely affected, however, by recommending standards of controls to be applied in developing systems and procedures, or by evaluating existing or planned financial and operating systems and related procedures, and making recommendations for modification and improvements thereto in order to improve controls and/or enhance operational effectiveness.

V. SCOPE OF WORK

The scope of work of the Internal Audit function is to determine whether the ERS's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.

Employees' Retirement System of the State of Hawaii INTERNAL AUDIT CHARTER

- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the ERS's control process.
- Significant legislative or regulatory issues impacting the ERS are recognized and addressed properly.

Opportunities for improving management control, process efficiency, and the ERS's image may be identified during audits. They will be communicated to the appropriate level of management.

VI. RESPONSIBILITIES

Internal Audit is responsible for the following activities:

Standards

- A. The CAE is responsible for ensuring that all activities of the internal audit function are carried out in compliance with the Institute of Internal Auditors' ("IIA") mandatory guidance including the "Definition of Internal Auditing," the "Code of Ethics," and applicable standards found in the "International Standards for the Professional Practice of Internal Auditing."
- B. Conduct a periodic risk assessment for the ERS and present the results to the Audit Committee.
- C. Develop a flexible annual Internal Audit Plan using an appropriate risk-based methodology, which considers risks or control concerns identified by management, and submit the plan to the Audit Committee and the Board for review and approval.
- D. Implement the annual Internal Audit Plan, as approved, including, and as appropriate, any special tasks or projects requested by management, the Audit Committee, and the Board.

Ethics

- E. Review the adequacy of the ERS's adopted code of conduct activities, including the process to receive, retain, and treat complaints received on accounting and auditing matters.
- F. Monitor management's process for ensuring compliance with Hawaii Revised Statutes – Chapter 84, *Standards of Conduct* ("State Ethics Code").

Employees' Retirement System of the State of Hawaii INTERNAL AUDIT CHARTER

Monitoring & Follow-Up

- G. Evaluate any plans to correct reported conditions for satisfactory improvement of the business process.
- H. Provide adequate follow-up to ensure corrective action is taken and evaluate its effectiveness before recommending closure of an issue.
- I. Monitor and evaluate the effectiveness of the organization's risk management processes.

Reporting

- J. Prepare and issue a written report following the conclusion of each audit and follow-up audit. This report shall include significant findings, recommendations to management, and management's remediation plan. A copy of the report will be forwarded to the Audit Committee, Administrator, Assistant Administrator, Chief Investment Officer, and appropriate members of management.
- K. Inform and advise management and the Audit Committee as to significant deficiencies or other substantive issues noted in the course of its activities.
- L. Provide quarterly reports on Internal Audit's progress on implementing the annual Internal Audit Plan, including management's progress on addressing previously reported matters, the impact of resource limitations, and significant interim changes.
- M. On a regular basis, the CAE will meet separately with the Audit Committee to discuss any matters that is deemed necessary by the Audit Committee or Internal Audit.

Other

- N. Conduct special examinations at the request of management or the Audit Committee.
- O. Perform consulting services, beyond internal auditing assurance services, to assist management in meeting its objectives. Examples may include facilitation, consultation on internal control improvement initiatives, training, and advisory services.
- P. Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the Audit Committee of the results.

Employees' Retirement System of the State of Hawaii INTERNAL AUDIT CHARTER

- Q. Coordinate audit efforts with those of the ERS's external auditors and other regulatory agencies.
- R. Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- S. Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- T. Review this Internal Audit Charter on an annual basis to ensure the purpose, authority, and responsibilities of Internal Audit continue to be adequate in accomplishing its objectives. Modify as appropriate, and submit to the Board and Administrator for review and approval.

Last Revised: May 14, 2012