

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

AUGUST 15, 2019

CITY FINANCIAL TOWER
201 MERCHANT STREET, SUITE 1400
HONOLULU, HAWAII 96813

Trustees present: Dr. Genevieve Ley, Chair
Ms. Jackie Ferguson-Miyamoto
Mr. Emmit Kane

Staff present: Mr. Thomas Williams, Executive Director
Ms. Kanoë Margol, Deputy Executive Director
Mr. Larry Wolfe, Accounting Manager
Ms. Lori Kim, Recording Secretary

Attorneys present: Mr. Ivan Torigoe, Deputy Attorney General

Guests present: Mr. Nelson Lau, KPMG LLP
Ms. Kimberly Miyoshi, KPMG LLP
Mr. Peter Hanashiro, KMH LLP
Mr. Kenny Lee, KMH LLP
Mr. Tyson Suehiro, KMH LLP

QUORUM/CALL TO ORDER A quorum being present (Chair Ley and Trustee Kane), Chair Ley called the meeting of the Audit Committee (Committee) of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 2:37 p.m.

PUBLIC COMMENT Chair Ley called for public comment. There were no members of the public present, therefore no public comment.

(Trustee Ferguson-Miyamoto joined the meeting at 2:40 p.m.)

DRAFT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE EMPLOYEES' RETIREMENT SYSTEM Mr. Nelson Lau and Ms. Kimberly Miyoshi, of KPMG, LLP (KPMG), presented to the Committee a draft of KPMG's independent audit of the financial statements of the Employees' Retirement System (ERS), as of and for the year ended June 30, 2018, including a discussion of findings and issues from the audit.

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Kane, and unanimously carried, the Committee voted to recommend that the Board accept KPMG's draft audit of the financial statements of the ERS, as of and for the year ended June 30, 2018, substantively in the form presented.

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Kane, and unanimously carried, the Committee voted to recommend that the Board accept KPMG's draft Schedule of Allocation and Pension Amounts, as of and for the year ended June 30, 2018, substantively in the form presented.

(Mr. Lau and Ms. Miyoshi left the meeting at 3:07 p.m.)

**KMH LLP'S INTERNAL
AUDIT UPDATE REPORT**

Mr. Peter Hanashiro of KMH LLP (KMH) gave an oral and written report of the Internal Audit status as of August 15, 2019, on the following areas:

- Proposed changes to Internal Audit Plan
- Changes to Internal Audit Report Rating Scale
- Connecting with External Pension System Resource
- Communications and Community Relations Review

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Kane, and unanimously carried, the Committee voted to recommend that the Board approve KMH's changes to the Internal Audit Plan, substantively in the form presented.

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Kane, and unanimously carried, the Committee voted to recommend that the Board approve KMH's Audit Committee Update Report, substantively in the form presented.

**KMH LLP'S INVESTMENT
CONSULTANT SELECTION
AND EVALUATION REVIEW**

Mr. Kenny Lee of KMH LLP (KMH) gave an oral and written report of the Investment Consultant Selection and Evaluation Review which included scope & objectives, summary of findings and planned follow up by management and internal audit.

(Mr. Hanashiro and Mr. Lee left the meeting at 4:07 p.m.)

**APPROVAL OF MINUTES
- MARCH 20, 2019**

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Kane, and unanimously carried, the Committee approved the minutes of the March 20, 2019, meeting, as presented.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Kane, and unanimously carried, the Committee entered into Executive Session at 4:07 p.m.

**APPROVAL OF EXECUTIVE
SESSION MINUTES
- MARCH 20, 2019**

EXIT EXECUTIVE SESSION

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Kane, and unanimously carried, the Committee exited Executive Session at 4:07 p.m.

ADJOURNMENT

On a motion made by Trustee Ferguson-Miyamoto, seconded by Trustee Kane, and unanimously carried, Chair Ley adjourned the meeting at 4:08 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:ltk