

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

SEPTEMBER 21, 2020

CITY FINANCIAL TOWER
201 MERCHANT STREET, SUITE 1500
HONOLULU, HAWAII 96813

Trustees present: Dr. Genevieve Ley, Chair
(by teleconference) Mr. Bennett Yap, Vice Chair
Mr. Jerome Rauckhorst

Trustee absent: Mr. Craig Hirai

Staff present: Mr. Thomas Williams, Executive Director (in person)
(City Financial Tower Ms. Kanoë Margol, Deputy Executive Director (in person)
by teleconference) Ms. Elizabeth Burton, Chief Investment Officer
Ms. Donna Curry, Program Specialist (in person)
Mr. Larry Wolfe, Accounting Manager (in person)
Mr. Keith Miyamoto, Information Services Manager (in person)
Ms. Dale Kehau Kanae, Recording Secretary
Ms. Lori Kim, Secretary

Attorney present: Mr. Ivan Torigoe, Deputy Attorney General
(by teleconference)

Guests present: Mr. Peter Hanashiro, KMH LLP (in person)
(by teleconference) Mr. Tyson Suehiro, KMH LLP (in person)
Mr. Nelson Lau, KPMG LLC
Mr. Jason Egami, KPMG LLC
Mr. Alfred Ko, RSM US Alliance
Ms. Lauren Kawajiri, Administrative Deputy Auditor, Office of the Auditor

Public present: Mr. Riley Fujisaki, Staff, House Finance Committee
(by teleconference)

QUORUM/CALL TO ORDER

A quorum being present (Chair Ley, Vice Chair Yap, Trustee Rauckhorst), Chair Ley called the meeting of the Administrative and Audit Committee (Committee) of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 1:03 p.m.

On a motion made by Vice Chair Yap, seconded by Trustee Rauckhorst, and unanimously carried, to be able to hold a meeting closed to the public and allow Trustees to participate by teleconference or other remote meeting technology, pursuant to the Governor of the State of Hawaii's Twelfth Supplementary Proclamation dated August 20, 2020, in order to implement social distancing measures.

PUBLIC COMMENT

Chair Ley called for public comment. Although there was one (1) member of the public present by teleconference, there were no public comments. There was also no public testimony received by e-mail or mail for this Committee meeting.

DRAFT AUDITOR'S REPORT
AND FINANCIAL
STATEMENTS OF THE
EMPLOYEES' RETIREMENT
SYSTEM

KPMG, LLP's (KPMG) Nelson Lau, presented to the Committee a draft of KPMG's independent audit and financial statements of the Employees' Retirement System (ERS), as of and for the year ended June 30, 2019, including a discussion of findings and issues from the audit.

On a motion made by Trustee Rauckhorst, seconded by Vice Chair Yap, and unanimously carried, the Committee voted to accept the draft audit and will recommend that the Board approve KPMG's draft audit of the financial statements, draft Schedule of Allocation and Pension Amounts of the ERS, as of and for the year ended June 30, 2019, substantively and in the form presented.

(After his presentation, Mr. Lau left the meeting by ending his teleconference).

Chair Ley announced that the next New Business agenda item would be Approval of the Minutes, followed by Agenda Item No. 2.

APPROVAL OF MINUTES
- JULY 21, 2020

On a motion made by Trustee Rauckhorst, seconded by Vice Chair Yap, and unanimously carried, the Committee approved the minutes of the July 21, 2020, meeting as presented.

KMH LLP's INTERNAL AUDIT
UPDATE REPORT

KMH LLP's (KMH) Messrs. Peter Hanashiro and Tyson Suehiro attended in person, Alfred Ko attended by telephone, provided the Committee an update from the last meeting of July 21, 2020, on the ERS Internal Audit Report and discussed in summary:

STATUS ON CURRENT PROJECTS

Human Resources – Personnel Development and Retention Review, Cloud Risk and Security Assessment – Phase 1, Benefit Estimate & Final Benefit Calculation Processing Review, Risk Assessment Re-Evaluation & Audit Plan, and other Administrative Matters.

2020 INTERNAL AUDIT PLAN RESULTS SUMMARY

SUMMARY OF RESULTS OF REPORT COMPLETED

Human Resources – Personnel Development and Retention Review,

Updates and detailed information on the projects were given to the Committee by Executive Director Thomas Williams, Deputy Executive Director Kanoe Margol, and Information Services Manager Keith Miyamoto.

KMH requested the Administrative & Audit Committee approve the proposed changes and updates to the 2020 Internal Audit Plan.

On a motion made by Vice Chair Yap, seconded by Trustee Rauckhorst, and unanimously carried, the Committee accepted the proposed changes and updates to the 2020 Internal Audit Plan and will be recommending it for approval by the Board.

(After their presentation, Messrs. Hanashiro and Suehiro left the meeting by exiting the room, and Mr. Ko left the meeting by ending his teleconference.)

ENTER EXECUTIVE SESSION

On a motion made by Trustee Rauckhorst, seconded by Vice Chair Yap, and unanimously carried, the Committee entered into Executive Session at 2:58 p.m.

(Public participation concluded by ending the teleconference link. All parties were excused from the meeting both in room and by teleconference except for the Committee and Deputy Attorney General (DAG) Ivan Torigoe.)

(See DAG Torigoe's Confidential Supplemental Minutes for July 21, 2020, for this portion of the meeting that were approved by the Committee. There were no additional items discussed.) (DAG Torigoe recorded the minutes for the remainder of the meeting.)

EXIT EXECUTIVE SESSION

On a motion made by Vice Chair Yap, seconded by Trustee Rauckhorst, and unanimously carried, the Committee exited Executive Session at 3:12 p.m.

ADJOURNMENT

On a motion made by Trustee Rauckhorst, seconded by Vice Chair Yap, and unanimously carried, Chair Ley adjourned the meeting at 3:12 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik