

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

OCTOBER 7, 2021

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

Trustees present: Mr. Bennett Yap, Chair*
(by teleconference) Mr. Lance Mizumoto, Vice Chair*
Mr. Craig Hirai*
Mr. Emmitt Kane*

Staff present: Mr. Thomas Williams, Executive Director (in person)*
(City Financial Tower Ms. Kanoe Margol, Deputy Executive Director (in person)*
by teleconference) Ms. Elizabeth Burton, Chief Investment Officer*
Ms. Donna Curry, Program Specialist
Mr. Bart Asato, Program Specialist
Ms. Shanna Sakagawa, Program Specialist
Mr. Larry Wolfe, Accounting Manager
Ms. Dale Kehau Kanae, Recording Secretary*
Ms. Lori Kim, Secretary

Attorney present: Mr. Ivan Torigoe, Deputy Attorney General*
(by teleconference) Ms. Diane Wong, Deputy Attorney General*

Guests present: Mr. Peter Hanashiro, KMH LLP (in person)
(by teleconference) Mr. Tyson Suehiro, KMH LLP (in person)
Mr. Jason Egami, KPMG LLC
Ms. Erin Takamine, KPMG LLC
Mr. Chuck John, RSM US Alliance
Ms. Alyssa Palazzo, RSM US Alliance

QUORUM/CALL TO ORDER

A quorum being present (Vice Chair Yap, and Trustees Kane and Mizumoto), Vice Chair Yap 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 1:33 p.m.

On a motion made by Trustee Mizumoto, seconded by Trustee Kane, and unanimously carried, the Committee voted 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 Emergency Proclamation Related to the COVID-19 Response, dated August 5, 2021, in order to implement social distancing measures.

PUBLIC COMMENT

Vice Chair Yap called for public comment. There were no members of the public present by teleconference, therefore no public comments. There was also no written public testimony received for this Committee meeting.

ELECTION OF CHAIR TO THE ADMINISTRATIVE & AUDIT COMMITTEE

Vice Chair Yap discussed with the Committee that due to former Chair Genevieve Ley being assigned to another Committee, a new Chair will need to be selected. Vice Chair Yap thanked former Chair Ley for all her hard work while she was Chair of the Committee. Vice Chair Yap asked the Committee for nominations as Chair of the Committee. Trustee Kane nominated and motioned that Vice Chair Yap serve as Chair and Trustee Kane also nominated and motioned that Trustee Mizumoto serve as Vice Chair of the Committee. Trustee Mizumoto seconded the nomination for Vice Chair Yap to serve as Chair and Vice Chair Yap seconded the nomination for Trustee Mizumoto to serve as Vice Chair.

The Committee unanimously elected Vice Chair Yap as Chair and Trustee Mizumoto as Vice Chair.

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

KPMG, LLP's (KPMG) Erin Takamine and Jason Egami, presented to the Committee KPMG's Audit results, draft Financial Statements, draft Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, a ACFR Opinion, and an ICOFR Opinion for the year ending June 30, 2020, including a discussion of findings and issues from the audit.

On a motion made by Vice Chair Mizumoto, seconded by Trustee Kane, 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 Employer Allocations and Schedule of Pension Amounts by Employer, as of and for the year ended June 30, 2020, substantively and in the form presented.

(After their presentation, Ms. Takamine and Mr. Egami left the meeting by ending their teleconference).

KMH LLP's INTERNAL AUDIT UPDATE REPORT

KMH LLP's (KMH) Peter Hanashiro and Tyson Suehiro attended in person and provided the Committee an update from the last meeting of May 7, 2021, on the ERS Internal Audit Report and discussed in summary:

ADMINISTRATIVE AND OTHER MATTERS

One-Year Contract Extension Option on February 1, 2022 ending on January 31, 2023.

Continue to attend monthly Branch Chief's meetings to stay apprised on current ERS initiatives.

STATUS ON CURRENT AND UPCOMING PROJECTS

Follow-Up Review, Business Continuity & Disaster Recovery Plan – Planning, Internal Auditor Recommendation and Implementation Assistance; Employer Communication & Reporting Review; IT Governance Content Development; and Risk Assessment Re-Evaluation & Audit Plan.

2021 INTERNAL AUDIT PLAN RESULTS SUMMARY

MANAGEMENT ACTION DASHBOARD

MANAGEMENT ACTION PLANS – COMPLETION STATUS

CUMULATIVE OBSERVATION ANALYSIS

ISSUED REPORTS FINDING STATUS

KMH requested the Administrative & Audit Committee approve the proposed changes and updates to the 2021 Internal Audit Plan.

On a motion made by Trustee Kane, seconded by Vice Chair Mizumoto, and unanimously carried, the Committee accepted the proposed changes and updates to the 2021 Internal Audit Plan and will be recommending it for approval by the Board.

KMH LLP's FOLLOW-UP REVIEW ON PRIOR AUDIT FINDINGS REPORT

KMH LLP's (KMH) Tyson Suehiro and RSM US Alliance's Alyssa Palazzo discussed with the Committee:

SUMMARY OF RESULTS OF REPORTS COMPLETED

Follow-Up Review – Background and Project Objectives and Overall Assessment

STATUS ON CURRENT AND UPCOMING PROJECTS

Business Continuity & Disaster Recovery Plan – Planning

(After their presentation, Messrs. Hanashiro and Suehiro left the meeting by exiting the room, and Ms. Palazzo left the meeting by ending her teleconference.)

REQUEST FOR EXTENSION OF KMH LLP's CONTRACT

Deputy Executive Director (DED) Kanoe Margol discussed and presented to the Committee a Request for Extension of KMH LLP's Contract.

DED Margol discussed with the Committee that KMH's contract expires on January 31, 2022, with an option to extend for one (1) year from February 1, 2022 to January 31, 2023. Staff is requesting the option to extend for the additional year in order for KMH to complete the various audit projects that are a part of the audit scope.

On a motion made by Trustee Kane, seconded by Vice Chair Mizumoto and unanimously carried, the Committee approved the option to extend KMH's contract for an additional one (1) year from February 1, 2022, to January 31, 2023, and will be recommending it for approval by the Board.

APPROVAL OF MINUTES - JULY 1, 2021

On a motion made by Trustee Kane, seconded by Vice Chair Mizumoto, and unanimously carried, the Committee approved the minutes of the July 1, 2021, meeting as presented.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Kane, seconded by Vice Chair Mizumoto, and unanimously carried, the Committee entered into Executive Session at 2:35 p.m.

(Public participation concluded by ending the teleconference link.)

Chair Yap identified all the participants in Executive Session, the Committee and staff members are noted above with an asterisk (*). Board members confirmed that no other persons are in the room while they are on the teleconference.

APPROVAL OF EXECUTIVE
SESSION MINUTES
- JULY 1, 2021

On a motion made by Trustee Kane, seconded by Vice Chair Mizumoto, and unanimously carried, the Committee approved the Executive Session minutes of the July 1, 2021, meeting as presented.

EXIT EXECUTIVE SESSION

On a motion made by Trustee Kane, seconded by Vice Chair Mizumoto, and unanimously carried, the Committee exited Executive Session at 2:39 p.m.

ADJOURNMENT

On a motion made by Trustee Kane, seconded by Vice Chair Mizumoto, and unanimously carried, Chair Yap adjourned the meeting at 2:40 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik