

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

JULY 6, 2023

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

Trustees present:
(City Financial Tower
by teleconference)

Mr. Emmit Kane, Chair (in person)*
Mr. Lance Mizumoto, Vice Chair*
Mr. Luis Salaveria*
Mr. Bennett Yap*

Staff present:
(City Financial Tower
by teleconference)

Mr. Thomas Williams, Executive Director*
Ms. Kanoë Margol, Deputy Executive Director*
Mr. Kona Mann, Chief Compliance Officer*
Mr. Bart Asato, Program Specialist*
Mr. James Greubel, Program Specialist*
Ms. Shanna Sakagawa, Program Specialist*
Ms. Kristin Varela, Chief Investment Officer*
Mr. Anthony Goo, Deputy Chief Investment Officer*
Mr. Keith Miyamoto, Information Services (IS) Branch Manager*
Ms. Sandra Straub, IS Applications Supervisor*
Ms. Dale Kehau Kanae, Recording Secretary*
Ms. Lori Kim, Secretary*
Ms. Andrea Gasper, Secretary*

Attorney present:
(by teleconference)

Ms. Lori Tanigawa, Deputy Attorney General*
Ms. Diane Wong, Deputy Attorney General*

Guests present:
(City Financial Tower
by teleconference)

Mr. Peter Hanashiro, KMH LLP

*Attended Executive Session

QUORUM/CALL TO ORDER

A quorum being present (Chair Kane, Vice Chair Mizumoto, and Trustees Salaveria and Yap), Chair Kane 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 10:00 a.m. and identified the Trustees present and had them confirm that they are the only ones present at their remote location and that no one else was able to listen in on their teleconference while attending the meeting.

On a motion made by Vice Chair Mizumoto, seconded by Trustee Salaveria, and unanimously carried, the Committee voted to hold a meeting allowing Trustees and members of the public to participate by interactive conference technology, pursuant to the HRS §92-3.7, with at least one meeting location open to the public that has audiovisual connection.

PUBLIC COMMENT

Chair Kane called for public comment. There was no public present by teleconference or in person, therefore, no public comment. There was also no written public testimony received for this Committee meeting.

KMH LLP's INTERNAL AUDIT
UPDATE REPORT

KMH LLP's (KMH) Peter Hanashiro attended in person and presented an oral and written report to the Committee on a review of KMH LLP's Internal Audit Update Report, dated June 21, 2023, and discussed in summary:

Executive Summary
Summary of Tasks Completed
2023 Internal Audit Plan Results Summary
Management Action Dashboard
Management Action Plans – Completion Status
Cumulative Observation Analysis
Issued Reports Finding Status

UPDATE ON INTERNAL
AUDIT RISK FINDINGS,
STRATEGIC PLANS TO
MANAGE RISK FINDINGS,
AND ACT 87, SLH 2015,
COMPLIANCE STANDARDS

Chief Compliance Officer (CCO) Kona Mann presented an oral and written report to the Committee on the Update on Internal Audit Risk Findings, Strategic Plans to Manage Risk Findings, and Act 87, SLH 2015, compliance Standards in his Compliance Quarterly Update, and discussed in summary:

Objectives
Executive Summary
Next Steps
Managing Audit Findings: CAPA

The Committee suggested that due to long outstanding risks, needed additional resources should be identified and documented to show steps and actions being taken.

REQUEST TO ACQUIRE AN
EMPLOYEES' RETIREMENT
SYSTEM AUDIT PLATFORM

Based on the Compliance Quarter Update presented, CCO Mann Requested to Acquire an Employees' Retirement System Audit Platform. CCO Mann shared with the Committee two platforms being considered, AuditBoard and IBM® OpenPages. Although not budgeted for this year, this item will be included in the budget for the next Legislative session.

The Committee requested this platform be in compliance with State Information Technology requirements and that an expectation on what deliverables will be in implementing this system, i.e., reports that will be produced and presented to the Committee and Board.

On a motion made by Trustee Salaveria, seconded by Trustee Yap, and unanimously Carried, the Committee accepted to acquire a compliance and audit software platform for the ERS subject to reporting to the Administrative & Audit Committee, as well as the ERS Board, and will be recommending it for approval by the Board.

UPDATE ON TRUSTEE
ELECTION

Deputy Executive Director (DED) Kanoe Margol presented an oral report to the Committee on an Update on the Trustee Election. DED Margol reported that services for the Trustee election were cancelled due to only one nomination or petition being received for the seat to be vacant January 1, 2024, by Dr. Genevieve Ley. DED Margol further

reported that if no other nominations or petitions are received within sixty (60) days of the posting of the notice deadline, according to HRS §88-24 (2) “... if after the close of filing of petitions for candidacy, a member is unopposed for election to a trustee position, the member shall be deemed and declared to be duly and legally elected to the position of trustee without an election.” Therefore, Trustee Genevieve Ley was declared the winner.

APPROVAL OF MINUTES
- FEBRUARY 22, 2023

On a motion made by Trustee Yap, seconded by Vice Chair Mizumoto, and unanimously carried, the Committee approved the minutes of the February 22, 2023, meeting as presented.

PUBLIC COMMENT

Chair Kane called for public comment. There was no public present by teleconference or in person, therefore, no public comment.

(Chair Kane identified attendees of the Executive Session, Committee members Chair Kane, Vice Chair Mizumoto, Trustees Salaveria and Yap, and ERS staff Executive Director Thomas Williams, Deputy Executive Director Kanoe Margol, Chief Compliance Officer Kona Mann, Program Specialists Bart Asato, James Greubel, and Shanna Sakagawa, Chief Investment Officer Kristin Varela, Deputy Chief Investment Officer Anthony Goo, Information Services (IS) Branch Manager Keith Miyamoto, IS Systems Supervisor Sandra Straub, Recording Secretary Dale Kehau Kanae and Secretaries Andrea Gasper and Lori Kim; Deputy Attorneys General Jenny Nakamoto, Lori Tanigawa, and Diane Wong; and Office of Enterprise Technology Services Vincent Hoang.

Chair Kane provided the reason to enter into Executive Session:

Executive Session, pursuant to HRS §92-5(a)(4) and (6), to consider and consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities and to consider sensitive matters relating to Cyber Security Updates; and with respect to Extension of the Implementation Period of Core Reporting Requirements and Status of Current Compliance Including Outstanding Issues with HRS §88-103.7, as Amended by Act 87, SLH 2015; and to deliberate or make a decision on the approval of Executive Session Minutes which are confidential under State law.)

ENTER EXECUTIVE SESSION

On a motion made by Trustee Salaveria, seconded by Trustee Yap, and unanimously carried, the Committee entered into Executive Session at 10:52 a.m.

(Chair Kane requested, and all attendees confirmed, that no other persons were in their rooms or able to listen in on their audio or audiovisual connection while they were on the teleconference. Board Secretary Dale Kehau Kanae also confirmed that no unauthorized persons were in the conference room or able to listen in by audio or audiovisual connection while on the teleconference. Attendees are noted with an asterisk on these minutes and listed on the Executive Session Minutes.)

(Public participation concluded by ending the teleconference link.)

- Pursuant to HRS §92-5 (a)(4) and (6), to consider and consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities and to consider sensitive matters related to Cyber Security Updates.
- Pursuant to HRS §92-5 (a)(4), to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities with respect to Extension of the Implementation Period of Core Reporting Requirements and Status of Current Compliance Including Outstanding Issues with HRS §88-103.7, as Amended by Act 87, SLH 2015; for appropriate action.

EXECUTIVE SESSION PURSUANT TO HRS §92-5 (a)(4) AND (6), TO CONSIDER AND CONSULT WITH THE BOARD'S ATTORNEYS ON QUESTIONS AND ISSUES PERTAINING TO THE BOARD'S POWERS, DUTIES, PRIVILEGES, IMMUNITIES, AND LIABILITIES AND TO CONSIDER SENSITIVE MATTERS RELATED TO CYBER SECURITY UPDATES

EXECUTIVE SESSION PURSUANT TO HRS §92-5 (a)(4), TO CONSULT WITH THE BOARD'S ATTORNEYS ON QUESTIONS AND ISSUES PERTAINING TO THE BOARD'S POWERS, DUTIES, PRIVILEGES, IMMUNITIES, AND LIABILITIES WITH RESPECT TO EXTENSION OF THE IMPLEMENTATION PERIOD OF CORE REPORTING REQUIREMENTS AND STATUS OF CURRENT COMPLIANCE INCLUDING OUTSTANDING ISSUES WITH HRS §88-103.7, AS AMENDED BY ACT 87, SLH 2015; FOR APPROPRIATE ACTION

APPROVAL OF EXECUTIVE SESSION MINUTES
- FEBRUARY 22, 2023

EXIT EXECUTIVE SESSION

On a motion made by Trustee Yap, seconded by Vice Chair Mizumoto, and unanimously carried, the Committee exited Executive Session at 11:20 a.m.

Chair Kane announced that while in Executive Session, the Committee discussed Cyber Security Updates with Information Services Branch Manager Keith Miyamoto who will continue to work with the Office of Enterprise Technology Services Vincent Hoang on securing needed software relating to Cyber Security. The Committee also discussed the Extension of the Implementation Period of Core Reporting Requirements and the Status of Current Compliance Including Outstanding Issues with HRS §88-103.7, as Amended by Act 87, SLH 2015 that was provided for the Committee's information and no

EXIT EXECUTIVE SESSION
(CONT'D)

action was required. The Committee also approved Executive Session Minutes.

ADJOURNMENT

On a motion made by Trustee Salaveria, seconded by Trustee Yap, and unanimously carried, Chair Kane adjourned the meeting at 11:21 a.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik