

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 10, 2023

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

Trustees present: (City Financial Tower by teleconference)	Mr. Emmit Kane, Chair* Mr. Lance Mizumoto, Vice Chair* Mr. Bennett Yap* Dr. Catherine Chan
Trustee absent:	Mr. Luis Salaveria*
Staff present: (City Financial Tower by teleconference)	Mr. Thomas Williams, Executive Director (by teleconference)* 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* Ms. Sandra Straub, Information Services Systems Supervisor* Ms. Gwendolyn Carranza, Information Technology Band B* Ms. Dale Kehau Kanae, Recording Secretary* Ms. Lori Kim, Secretary* Ms. Andrea Gasper, Secretary*
Attorney present: (by teleconference)	Ms. Jenny Nakamoto, Deputy Attorney General* Ms. Lori Tanigawa, Deputy Attorney General* Ms. Elmira Tsang, Deputy Attorney General* Ms. Diane Wong, Deputy Attorney General*
Guests present: (City Financial Tower by teleconference)	Mr. Lelan Miller, Eide Bailly LLP Mr. Tyson Suehiro, KMH LLP Ms. Lauren Kawajiri, Hawaii State Office of the Auditor

*Attended Executive Session

QUORUM/CALL TO ORDER

A quorum being present (Chair Kane, Vice Chair Mizumoto, and Trustee 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 9:00 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. Trustee Chan also attended the meeting.

On a motion made by Vice Chair Mizumoto, seconded by Trustee Yap, 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.

(Trustee Chan entered the meeting by joining the teleconference at 9:20 a.m.)

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

Deputy Executive Director (DED) Kanoe Margol shared with the Committee that the Fiscal Year 2022 Audit was completed. Eide Bailly LLP’s Lealan Miller entered the meeting by teleconference and presented an oral and written report to the Committee on a draft Auditor’s Report and Financial Statements of the Employees’ Retirement System and discussed in summary:

Audit Team
Eide Bailly Office and Client Locations
Audit Process and Scope of Work
Accounting Policies and Practices
Areas of Audit Emphasis
New Accounting Pronouncements
Required Communications
Independence Matters

On a motion made by Vice Chair Mizumoto, seconded by Trustee Yap, and unanimously carried, the Committee accepted for recommendation to the Board for approval, the Auditor’s Report and Financial Statement of the Employees’ Retirement System dated June 30, 2022.

After his presentation, Mr. Miller left the meeting by ending his teleconference.

KMH LLP’s INTERNAL AUDIT
UPDATE REPORT

KMH LLP’s Tyson Suehiro entered the meeting by teleconference and presented an oral and written report to the Committee on a review of KMH LLP’s Internal Audit Update Report 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

This update report was provided for the Committee’s information only and no action was required.

After his presentation, Mr. Suehiro left the meeting by ending his teleconference.

COMPLIANCE SUPPORT
STAFF REPORT AND
UPDATES

Chief Compliance Officer Kona Mann presented an oral and written report to the Committee on the Compliance Support Staff Report and Updates and discussed in summary:

Executive Summary
Compliance Timeline

Purpose of a Compliance Program
Understanding Enterprise Risk Management
Strengthening Culture

This update report was provided for the Committee's information only and no action was required.

DISCUSS UPDATING THE
TRUSTEE ELECTION
PROCESS

Chair Kane discussed with the Committee the Updating of the Trustee Election Process that was referred by the Board at its Special Board meeting of August 21, 2023, for further possible action.

DED Margol discussed with the Committee that there were no updates, however, provided a summary of the trustee election process discussion from the Special Board Meeting on August 21, 2023, that addressed concerns expressed by the Board:

- Signature Nomination Form - The form can be made available online or mailed to the members. however, as referenced in the Hawaii Administrative Rules (HAR) Title 6, the candidate must submit the forms of 100 signatures with their petition and certified by the petitioner. Electronic signatures can be allowed but need to be accompanied by required information that includes the last 4 digits of the member's social security number.
- Last 4 Digits of Members Social Security Number – The last 4 digits of the members social security number is required for verification purposes as stated in the HAR and any changes to an alternate identifying number would need to be changed in the Hawaii Administrative Rules Title 6, Department of Budget and Finance Employees' Retirement System Chapter 24, Election of Members and Retirant of the System to the Board of Trustees. ERS does have alternate identification numbers for members, however, that information is primarily used by ERS and not normally known to members. The ERS also uses the last 4 digits of a social security number to verify identification of a member.

In summary, DED Margol stated that the ERS does not recommend making any changes to the Trustee Election Process at this time other than having the signature nomination form available online or by mail.

Chair Kane stated that he would update the Board on the status at its next Board meeting. Vice Chair Mizumoto commented that other elected Board members may not be comfortable with the update and were expecting some changes. Chair Kane sympathized with the concerns, however, mentioned that other factors and security issues are involved, and that the concern is likely targeted towards candidates not endorsed by employee or retirant organizations. Chair Kane suggested that ERS obtain stakeholder viewpoints such as public represented units regarding the current requirement that members signing a petition for a trustee candidate provide the last 4 digits of their social security number, and that after this is done the Committee can reevaluate the current process.

APPROVAL OF MINUTES
- JULY 6, 2023

On a motion made by Trustee Yap, seconded by Vice Chair Mizumoto, and unanimously carried, the Committee approved the minutes of the July 6, 2023, meeting as presented.

(Trustee Chan exited the meeting by ending her teleconference at 10:06 a.m.)

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, and Trustee 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, Information Services Systems Supervisor Sandra Straub, Information Technology Band B Gwendolyn Carranza, Recording Secretary Dale Kehau Kanae and Secretaries Andrea Gasper and Lori Kim; Deputy Attorneys General Jenny Nakamoto, Lori Tanigawa, and Diane Wong.

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 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 Yap, seconded by Vice Chair Mizumoto, and unanimously carried, the Committee entered into Executive Session at 10:08 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.

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

APPROVAL OF EXECUTIVE
SESSION MINUTES
- JULY 6, 2023

EXIT EXECUTIVE SESSION

On a motion made by Vice Chair Mizumoto, seconded by Trustee Yap, and unanimously carried, the Committee exited Executive Session at 10:24 a.m.

Chair Kane announced that while in Executive Session, the Committee discussed Cyber Security Updates with Information Services Systems Supervisor Sandra Straub. The Committee also approved the Executive Session Minutes.

ADJOURNMENT

On a motion made by Trustee Yap, seconded by Vice Chair Mizumoto, and unanimously carried, Chair Kane adjourned the meeting at 10:25 a.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik