Board Packet List of Documents

Board of Trustees Meeting
July 8, 2024

- Meeting Agenda

- Staff Reports
  R 1 ERS Operations Report – June 2024
  R 1.1 ERS Customer Satisfaction Survey
  R 1.2 Travel Report to NCPERS ACE Conference from Trustee Barfield

- New Business
  NB 1.1 Board Self-Evaluation
  NB 2.1 2024 Preliminary Annual Actuarial Valuation Report by GRS
  NB 2.2 Member Enrollment & Re-Enrollment Process Review Report by KMH LLP
  NB 2.3 Internal Audit Update Report by KMH LLP
  NB 2.4 Potential Amendments to Hawaii Administrative Rules Chapter 6-24
  NB 3.1 Total Fund Performance Review by Meketa Investment Group, Inc.
  NB 3.2 Private Equity Quarterly Review by Hamilton Lane Advisors, LLC

- APPROVAL OF MINUTES – May 14, 2024

Board Packet Documents are available to the public for inspection on the Employees' Retirement System's Website: https://ers.ehawaii.gov/board-and-committee-agendas-and-meeting-packets, and in the Employees' Retirement System's Office, 201 Merchant Street, Suite 1400, Honolulu, HI 96813

NOTICE OF REGULAR MEETING

AGENCY: Board of Trustees of the Employees' Retirement System of the State of Hawaii

DATE: Monday, July 8, 2024; 10:00 a.m.

PLACE: City Financial Tower, 201 Merchant Street, Suite 1200, Honolulu, Hawaii 96813

The meeting will be conducted pursuant to HRS §92-3.7, under which Members of the Board of Trustees may participate via interactive conference technology; and members of the public may also participate via interactive conference technology or in person at the meeting place stated above.

Members of the public may also attend the meeting and provide testimony in person or by teleconference, either audio or video, at the following link or phone number: https://teams.microsoft.com/l/meetup-join/19%3ameeting_NTcyOGFhMTktY2JmYi00MTY3LTgwN2ItMTY5YjI5MjM5MDMz%40thread.v2/0?context=%7b%22Tid%22%3a%223847dec6-63b2-43f9-a6d0-58a40aaa1a10%22%2c%22Oid%22%3a%228f795840-377f-479d-bb5d-6ec41c4a01bc%22%7d

Or join by entering meeting ID: 242 645 867 065   Passcode: s825oN

Individuals testifying at the meeting are requested to limit their testimony to three (3) minutes or an amount of time otherwise designated by the Chairperson.

Or +1 808-829-4853 United States, Honolulu (Toll)
Conference ID: 774 894 506#

In the event audiovisual communication cannot be maintained with participating Trustees and quorum is lost, the meeting shall be automatically recessed for up to 30 minutes, during which time, an attempt to restore audiovisual communication will be made. If such attempt is unsuccessful, all Trustees, members of the public, staff and other interested individuals may continue to participate in the meeting via telephone using the above-listed telephone and conference ID numbers, whereby audio-only communication will be established for all participants and the meeting will continue. If reconvening the meeting is not possible because neither audiovisual nor audio-only communication can be re-established, the meeting will be terminated.

AGENDA

QUORUM/CALL TO ORDER

Motion to hold the meeting allowing Trustees and members of the public to participate by interactive conference technology, pursuant to HRS §92-3.7, with at least one meeting location open to the public that has audiovisual connection.

PUBLIC COMMENT

Members of the public may submit written testimony on these agenda items via e-mail or postal mail with receipt recommended by 4:30 p.m. on Friday, July 5, 2024, in order to ensure it is distributed in time for consideration. Please address written testimony if by e-mail to: dale.kanae@hawaii.gov or by postal mail to: Employees' Retirement System of the State of Hawaii, Board of Trustees, 201 Merchant Street, Suite 1400, Honolulu, HI 96813.

REPORT BY STAFF

1. Executive Director's Report on the Operations and Administration of the System with Respect to Issues Affecting Member Services, Accounting, and Information Technology Systems, to Include Significant Developments in Investments, Policy, Staffing, Potential Legislation, and Regulatory Matters.

Pursuant to HRS §92-5(a)(4), the Board of Trustees may enter into Executive Session 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 these matters.

NEW BUSINESS

1. Update Report of Activity by the Governance Policy Committee Chair.

    1.1. Discussion Related to Board Self-Evaluation.

    Pursuant to HRS §92-5(a)(2) and (4), the Board of Trustees may enter into Executive Session where matters affecting privacy will be involved, and 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 this matter.

2. Update Report of Activity by the Administrative & Audit Committee Chair.

    2.1. Preliminary Annual Actuarial Valuation Report by Gabriel Roeder Smith & Company for the Year Ending June 30, 2024.

    2.2. Member Enrollment & Re-Enrollment Process Review Report by KMH LLP.

    2.3. Internal Audit Update Report by KMH LLP on the Current Status of Activities Completed During Q1 and Q2, 2024, and an Update on the Completion Status of Management Action Plans for Past Internal Audit Observations and Recommendations.

    2.4. Consideration and Discussion of Potential Amendments to Title 6 of Hawaii Administrative Rules for Chapter 6-24 "Election of Members and Retirant of the System to the Board of Trustees" to include additional identifiers of nominator validation and clarify independent balloting agents' roles in Board elections; for review and recommendation to the Board of Trustees. A copy of the potential amendments being considered is available to be viewed in person at the ERS office and is also posted at ers.ehawaii.gov/resources/all-publications under "Hawaii Administrative Rules (HAR)".

    2.5. Compliance Support Staff Report and Update on Implementation of ERS' Compliance Program on Risk Assessment, Policies & Procedures, and Third-Party Risk Management.

    Pursuant to HRS §92-5(a)(4), the Board of Trustees may enter into Executive Session 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 these matters.

3. Update Report of Activity by the Investment Committee Chair.
    3.1. Total Fund Performance Review for Period Ending March 31, 2024.

    3.2. Private Equity Quarterly Review for Period Ending December 31, 2023.

    Pursuant to HRS §88-27.5(a)(1) and HRS §92-5(a)(4), the Board of Trustees may enter into Executive Session to conduct discussions and deliberations relating to, and if appropriate, to make a decision on investments or prospective investments by the system that requires the consideration of information or records that are exempt from disclosure under HRS Chapter 92F, including information and records that are proprietary information or confidential business information, and 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 these matters.

APPROVAL OF MINUTES – May 14, 2024

EXECUTIVE SESSION

1. 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.

2. Executive Session, pursuant to HRS §92-5(a)(4) and (8), to consider information that must be kept confidential pursuant to State law, and 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 Updates on Ongoing Litigation; appropriate action for: (1) Kirk Flores, Sr. vs. ERS, Civil No. 3CCV-24-0000028; (2) Cynthia Giebink vs. ERS, Civil No. 2CCV-23-0000113; (3) Debra Robertson vs. ERS CAAP-20-0000740; and (4) Josephine M. Rondolos-Elizares vs. ERS, Civil No. 3CCV-19-0000076.

3. 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 the Closure of Weiss Asset Management.

4. Executive Session, pursuant to HRS §92-5(a)(8), to Review and Approve Executive Session Minutes of May 14, 2024.

5. Executive Session, pursuant to HRS §92-5(a)(8), to Review and Approve Confidential Executive Session Minutes of May 14, 2024.

ADJOURNMENT

If you require auxiliary aid/service or other accommodation due to a disability, please contact Dale Kehau Kanae at (808) 586-1706 or dale.kanae@hawaii.gov as soon as possible, preferably by Wednesday, July 3, 2024, and the ERS will try to obtain the auxiliary aid/service or accommodation, but cannot guarantee that the request can be fulfilled.

Upon request, this notice can be made available in large print.

Employees' Retirement System
Monthly Operations Report Highlights – June 2024

- **STAFFING (updated through 7/1/2024)**

	Position Title	Vacant Date	Recruitment Status
1.	Retirement System Deputy Executive Director	4/1/24	5/1/24 – awaiting Cert. list from DHRD.
2.	Program Specialist VI	6/1/24	5/24/24 – request sent to ARO-HR to open recruitment.
3.	Account Clerk V	10/17/22	89 day hire NTE 7/26/24; rev. PD in review w/ ARO since 9/26/23.
4.	Investment Accountant V	New pos.	12/20/23 –cond. offer declined; rqst. new Cert list.
5.	Secretary II	7/25/23	11/22/23 – revised PD in review w/ARO-HR
6.	Account Clerk V	5/1/24	5/1/24 – in process of updating position description
7.	Information Technology Band C (Applications Supervisor)	3/22/23	6/11/24 – selected applicant accepted another job offer; rqst. New Cert list.
8.	Information Technology Band B (Systems)	2/16/24	2/20/24 – rqst new Cert list.
9.	Information Technology Band B (Systems)	12/23/22	2/22/24 – rcvd list, 20 applicants; found otr. job/no longer interested; rqst new list.
10.	Information Technology Band B (Programmer)	1/1/24	4/4/24 – rcvd list, 8 applicants; found otr. job/no longer interested; rqst new list.
11.	Information Technology Band B (Programmer)	1/25/24	6/2/24 – new employee to start on 7/16/24.
12.	Secretary II	1/1/24	4/4/24 – rcvd new list, 20 applicants; found otr. job/no longer interested; rqst new list.
13.	General Professional VI	4/16/24	In process of opening recruitment.
14.	General Professional VI (NIOSS)	5/16/20	6/27/24 – TA rqst approved for period 7/1 – 9/30/24; awaiting ARO-HR to open recruitment.
15.	General Professional VI	3/16/22	2/14/24 – applicant not selected; rqst external list.
16.	Retirement Claims Examiner III	6/17/24	6/20/24 – in process of opening recruitment.
17.	Retirement Claims Examiner III	6/17/23	5/31/24- selection made; awaiting ARO-HR review before conditional offer is made.
18.	Retirement Claims Examiner III	8/16/23	5/31/24- selection made; awaiting ARO-HR review before conditional offer is made
19.	Retirement Claims Examiner V	1/1/24	6/27/24 – TA rqst approved for period 7/1 – 9/30/24; awaiting ARO-HR to open recruitment.
20.	Retirement Claims Examiner III	1/1/24	5/31/24- selection made; awaiting ARO-HR review before conditional offer is made
21.	Retirement Claims Examiner III	2/24/24	5/31/24- selection made; awaiting ARO-HR review before conditional offer is made
22.	Retirement Claims Examiner III	5/1/24	5/31/24 – selected applicant found other job; rqst new Cert list.
23.	Office Assistant IV	2/24/24	4/23/24 – rqst sent to ARO-HR to open recruitment.
24.	Office Assistant IV	1/1/24	3/25/24 – 89-day hire, 2nd appointment until 7/8/24;awaiting new Cert list.
25.	Office Assistant IV	1/23/24	5/20/24 – selected applicant found other job; rqst new Cert list.
26.	Office Assistant III	2/16/24	6/27/24 -5 selected applicants found other jobs; in process of contacting applicants on new Cert list.
27.	Investment Officer	New pos.	In process of establishing PD
28.	Senior Investment Officer	9/1/23	In process of revising PD & opening recruitment
29.	Investment Specialist	10/3/23	6/10/24 – DHRD in process of screening 15 applicants

- **MAJOR ACHIEVEMENTS, etc.**
  - A. <u>Retirement Benefits Branch (RBB)</u>
    - Finals – The Team finalized 208 retirees on estimated pension with 741 pending pension adjustments. As a result, we now have 3% (23) applications over the 6-month standard, compared to 4% (24) applications in the prior month. The Team is finalizing December 2023 retirements.

    - Actuary Valuation – RBB worked on requesting assistance from Employers for the missing demographic data (birthdate, gender & address). The data is needed for our membership file to provide the Actuary with the completed membership information to determine our funding liability.

    - Medical Board Members RFP completed and awarded. 3 members selected. New contract effective August 1, 2024 through July 31, 2027.

    - Neighbor Island Activities
      - ☐ Hilo – 6/27 (Kona Counseling)

  - B. <u>Accounting Branch</u>
    - Staff has started working on the FY 2023 audit. Eide Bailly LLP contract was terminated. Office of Auditor issued RFP and is in the process of awarding contract. Field work to start in July upon contract signing. Plan/target is to still issue FY 2023 audit in October 2024 to meet State and County Employers financial reporting deadlines.

    - FY 2024 priority procurements in progress and awaiting approvals.

    - Work in progress for Tax Reclaims.

    - In collaboration with Admin & RBB on-going work regarding Employer Reporting issues ("Work Reports Team" led by Supervisor of Accounting's Disbursement and Benefits Section).

    - On-going support for Investment Operations, e.g., capital calls, account openings, tax forms, investment reporting for audit purposes, investment manager payments, etc.

  - C. <u>Information Systems Branch (IS)</u>
    - Class Code Reports Processed: 131

    - Completed Computers and Servers patching.
      - o Patching are updates made to computers and servers to minimize security vulnerabilities.

    - Completed Pension Administration System Production & non-Production Patching and Backups
      - o Patching are updates made to servers to minimize security vulnerabilities.
      - o Backups are made prior to the updates as an extra precaution.

- Completed Accounting System Production & Non-Production Critical Patch Updates (CPU) and Backups
    - Critical Patch Updates (CPU) are security fixes for multiple security vulnerabilities.
    - Backups are made prior to the CPU as an extra precaution.

- Completed the Annual Post Retirement Increase (PRI) process.

D.   Administration
- Our banking contract was awarded to Bank of Hawaii for 3 years with an option to extend for 2 additional years.

- 14th Floor Renovations – Renovations to the former Administration area to expand RBB has been completed with some modifications requested by ERS.

- Hawaii Domestic Relations Order reviews and Requests for Information completed; see attached semi-annual reporting of statistics (January - June 2024)

- ERS Customer Satisfaction Survey Stats; see attached quarterly report (April - June 2024)

- Completed 3 Uniform Information Practices Act research and responses.

- Holomua newsletter (Summer 2024) production completed, distributed to membership.

- Met to discuss Act 46 process with C&CH on June 12, 2024

- Provided responses to NASRA disability survey on June 19, 2024

- Contested cases support.

- HRS 88-64 (Act 46, SLH 2023) implementation, process requests to review related cases, tax treatment of reported contributions.

- Act 87 (SLH 2015) Employer Reporting Requirements (with Retirement Benefits and Accounting branches)

E.   Staff Support Services Branch (SSS)
- Walk in members: 457 in June, compared to 533 in May.

- Document Scanning and Indexing (on-going) – major backlog (approx. +2 million)

Activities (June)	Documents Completed
Time Sensitive	4,803
Indexed (backlog)	2102

*Due to V3 upgrade QA count no longer available

- **.WEB STATISTICS FOR June 2024**

  - Member Information – Sessions = 16,619
  - General ERS Website – Sessions = 19,165

  Top 12 viewed site pages (descending order):

	Page	Page views
1.	Benefits Calculator	**6,482**
2.	Members > Planning for Retirement	**6,248**
3.	Members > Member Forms	**4,738**
4.	Resources > Contact Us	**3,237**
5.	Members > Active	**3,174**
6.	Resources > All Forms	**2,793**
7.	Members > Member FAQs	**1,697**
8.	Home > Administration	**1,690**
9.	Retirees > Pension Info	**1,562**
10.	Retirees > Retirees FAQs	**1,319**
11.	Members > Leaving Employment	**1,076**
12.	About the ERS	**966**

RETIREMENT BENEFITS BRANCH ACTIVITIES – June 2024

Activities	Standard	Completed	Standard Percentage	Pending	Remarks
1. Enrollment	Within 1 month of receipt - Enrollment Forms	140	0% (May 24%)	350	Lead staff out-extended leave since May 7. Backlog from May 2024. OT requested for July still pending approval as of June 30, 2024.
2. Estimates Requests	Within 6 months of retirement date	153	100% (May 100%)	261	Pending
3. Initial Payments	After 1 month of retirement date	270	100% (May 100%)	0	Increase in initial payments due to June retirements. End of school year for DOE & UH employees.
4. Refund Requests	Within 1 month after request, send letter	121	100% (May 100%)	21	.
5. Refund Payments	Within 2 months after receipt of applications	110	100% (May 100%)	64	17 out of 64 Pending cases: Incomplete applications, work reports not updated, member still employed, miscoding, and vesting status.
6. Deaths (Active members)	Within 1 month of report of death, send letter	21	86% (May 73%)	8	31 of 60 deaths reported – No benefits.
7. Death Payment (Active members)	Within 1 month of receipt of death claim form(s)	14	100% (May 100%)	232	Pending cases: Claim forms not received/other required documents.
8. Deaths (Retiree/Beneficiary)	Within 1 month of report of death, send letter	144	100% (May 100%)	0	
9. Death Payments (Beneficiary)	Within 1 month of receipt of death claim form(s)	40	100% (May 100%)	191	Pending – No death claims and forms from beneficiaries and estates
10. Ordinary Disability	Within 6 months complete application	0	0% (May 71%)	38	0 of 0 met the 6-month standard. Medical board (4) were received 6/24 by ERS for review. Cases will be included in July 2024.
11. Service-Connected Disability/ Death	Within 14 months complete application	0	0% (May 83%)	57	0 of 0 met the 14-month standard

Disability Standard – Below are the disability applications completed in June 2024 by the ERS Administration (Executive Director) based on the revised Chapter 23, Hawaii Administrative Rules, on the Preliminary Decisions by the Medical Board (MB).   All applications are now reviewed by the Deputy Attorney General (DAG) after staff's review.

Disability	Initials	Date Application Filed	Date Completed	Months	Reason for Delay
Ordinary					
			Average	**0**	
Service-Connected					
			Average	**0**	

NOTE: Four (4) Ordinary Disability cases were received from the Medical Board on June 24, 2024. These cases are currently being reviewed and will be completed in July 2024.

Finals Report
Board of Trustees Meeting
June 30, 2024

Finals Production as of June 30, 2024

2024													
Retirements Filed	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Total**
LY Finalized	150	225	245	269	284	250	273	301	282	270	214	215	2978
TY Projection	170	180	200	220	220	220	220	230	230	230	230	230	2580
Actual (filed)	242	286	179	185	204	203							1299
Ord. Death	11	6	0	7	0	5							29
RMD	6	0	1	0	0	0	0	0	0		0		7
Total Finalized	259	292	180	192	204	208	0	0	0	0	0		1335
Begin Pending	794	1139	937	847	786	674							
New Retirements	580	83	82	112	86	264							1207
Add'l (BOT & svc adj.)	7	1	7	12	6	6							39
Completion	-242	-286	-179	-185	-204	-203	0	0	0	0	0	0	-1299
End Pending	1139	937	847	786	674	741	0	0	0	0	0	0	

1. **Highlights**
   o 208 cases were finalized and paid in June.
   o 203 Retirements, including 6 disability retirements.
   o 5 Active death monthly pension

   • 10 cases were finalized with Act 134 Interest paid totaling $955.31.
     o $95.53 average interest paid.

   • 32 Anti-spiking (Act 153) cases

   • 741 Service and Disability retirements pending finalization.
     o Continue finalizing December 2023 retirements with 97% of the cases within benchmark.

   • Resources are currently at 6 Retirement Claims Examiner IV at full-time status.

2. **Aging Status Standard: To finalize pensions within 6 months or interest starts on the 7th month.**
   Pending Status:
   Backlog Cases over 6 months: 23 (3%) including 1 Disability retirements.
   Benchmark Cases within 6 months: 718 (97%) including 13 Disability retirements.
                                             741

3. **Re-Finalization (On Hold)**
   o Pay adjustments due to late HIP reporting and retroactive pay increases per CBA add to backlog.
   o Hazard Pay refinals.

Domestic Relations Orders (DROs) submitted to ERS for review (1/1/2024 - 6/30/2024)

Type of DRO Rec'd

Court-Filed Pre-Retirement	8
Court-Filed Post-Retirement	7
Proposed Pre-Retirement	2
Proposed Post-Retirement	5
Total Rec'd	**22**

Status of DRO

Total Pending Review (Waiting for $300 fee to be cleared)	0
Total Rejected (Court-Filed and Proposed DROs) (Preliminary review does not pass and DRO & payment is returned)	9
Total Qualified (Court-Filed DROs)	10*
Total Denied (Court-Filed DROs) (Preliminary review passes but DRO does not meet our ERS requirements, payment is kept)	1
Total Meets Requirements (Proposed DROs)	3
Total Does Not Meet (Proposed DROs) (Preliminary review passes but DRO does not meet our ERS requirements, payment is kept)	0
Total Rescinded/Cancelled by Requestor	0
Total	**23***

*Count is 1 higher as it includes 1 that was pending review from 7/1/2023 - 12/31/2023 stats

DROs qualified and payments processed to Alternate Payees (APs)

Total Processed in 2024 (1/1/2024 - 6/30/2024)	4
Total	**4**

Request for Information (RFI) (1/1/2024 - 6/30/2024)

RFI Submitted by

Submitted by Member/Retirant or Attorney for Member/Retirant	4
Submitted by Alternate Payee (AP) or Attorney for AP	18
Total Rec'd	**22**

Status of RFI

Total Pending Review/Response	0
Total Rejected	9
Total Fulfilled	13
Total	**22**

ERS Customer Satisfaction Survey Feedback for 2024 (April - June 2024)

	April	May	June	TOTAL
TOTAL WALK INS (FROM OPS REPORT)	590	533	457	1580

REASON FOR VISIT				
Questions about benefits & eligibility	44	56	63	163
Filing for retirement	73	89	92	254
Pension/tax info	32	34	30	96
Other	46	66	50	162
TOTAL	**195**	**245**	**235**	675

HAVE AN APPOINTMENT?				
YES	20	24	31	75
NO	151	132	154	437

QUESTIONS ANSWERED CLEARLY?				
SATISFIED :D	194	155	198	547
NEUTRAL :|	4	6	0	10
UNSATISFIED :(	0	0	0	0

RATE OVERALL EXPERIENCE				
EXCELLENT :D	189	187	169	545
GOOD :)	6	12	11	29
NEUTRAL :|	3	3	1	7
POOR :(	0	0	0	0

As of 6/30/2024

ERS Customer Survey Comments
April - June 2024

#	Month	Comment
1	April	Very knowledgeable.
2	April	You folks are doing fine and I am very satisfied with the questions I asked. The RCE is excellent, in addition he can speak fluent Cantonese (Chinese).
3	April	Very quick and efficient. Made the entire process stress free and painless. Very happy with the service we received.
4	April	Excellent
5	April	Excellent service, Mahalo!
6	April	First - the receptionist female was very polite and efficient, thank you. The RCE was not friendly. I didn't feel valued as a customer.
7	April	Please check basin water faucet.
8	April	The RCE is always very informative. Always explaining things the way I can understand.
9	April	My second experience with this department was just as perfect as my first. Staff are all so pleasant, helpful and efficient. They know what's going on. Accommodations (valid parking) are first rate - all departments should be so comfortable.
10	April	The RCE was very helpful and supportive. He explained clearly and answered all questions.
11	April	The RCE and the receptionist - very professional and courteous. Did an excellent job in my opinion.
12	April	Good service.
13	April	The RCE was very patient and clear with explanations and service was good. Very helpful.
14	April	Very good.
15	April	Nothing to improve. Everyone is nice and courteous.
16	April	Thank you so much to the RCE for explaining the retirement options thoroughly and patiently. Excellent service!
17	April	Excellent customer service from the moment we arrived. Office staff was friendly and helpful. The RCE was very knowledgeable and answered all of our questions. Mahalo!!!
18	April	Great on all accounts!
19	April	Good. Helpful.
20	April	You guys are wonderful and kind. Everyone I spoke to was very helpful and informative. Mahalo!
21	April	The RCE was very knowledgeable and easy to talk with. Front Desk was nice and went over forms for completion and asked for missing signatures and dates.
22	April	Very helpful with all questions I came with and more. Thanks to the RCE.
23	April	Great service from beginning of the process to final signing of papers.
24	April	Excellent customer service! The RCE was efficient and informative and kind and has a good sense of humor.
25	April	Happy someone could help us without an appointment.
26	April	The RCE is most patient, kind and helpful in helping a senior retiree in distress at tax time. Thanks! Mahalo to the RCE! I can't thank you enough. PS: Your Receptionist is likewise friendly and kind.
27	April	The RCE was so very patient and very smart, very informative. Provided me what I need to know for retirement process.
28	April	You may want to consider being more confidential with your sign-in sheet. Some customers may not want their info out for anyone to see, like phone number, email, address and reason for visit.
29	April	Wonderful!!!
30	April	It was a lot more painless than I thought it would be, Thank You
31	April	Great!!! No improvement needed from my standpoint.
32	April	Very helpful.
33	April	The RCE is just amazing and wonderful. She is extremely efficient and thorough. Her patience, helpfulness and kindness has made this whole retirement process less stressful. Thank You very much to the RCE.
34	April	Thanks to the RCE.
35	April	The RCE was very informative and helpful in explaining my retirement status and the retirement process for me. The areas that involved EUTF, she referred me these providing context. My meeting with her greatly enabled me to proceed with making some life and work decisions through options explained to me. Mahalo for you help. Greatly appreciated!
36	April	I was very satisfied with the receptionist's courteous and expeditious processing of my paperwork. She made sure I made necessary corrections.
37	April	ERS Staff are helpful and friendly. Thank You.
38	April	Spoke to a couple of different agents over the phone on two separate occasions. Both were very polite, nice, helpful, patient.
39	April	Very well done. All questions were answered excellently.
40	April	Of great assistance, patient and informative.
41	April	Everyone was very helpful and made this process easy.

ERS Customer Survey Comments
April - June 2024

#	Month	Comment
42	April	Good job!
43	April	The RCE was very professional when handling my questions. She was very pleasant and knowledgeable. Thank you for your understanding my situation.
44	April	Answered additional questions for me very well. Receptionist was very good and nice.
45	April	I understand things are a priority, but wish an estimated time could be given to how many years I "actually" need to retire.
46	April	Over the phone the RCE was so helpful and caring. At the front desk the receptionist was so kind and friendly. The RCE who saw me when I walked in was professional and helpful and friendly.
47	April	Very thorough explanation. Helpful and knowledgeable. Answered all questions. Thank you.
48	April	Agent/Examiner was very well informed about material and answered all questions clearly. Very supportive and caring attitude.
49	April	Explained thoroughly and answered all the questions that I had addressed. Very nice. Thank You.
50	April	Very satisfied with the information I received from the RCE.
51	April	Excellent! The RCE was helpful and answered all my questions.
52	April	ERS Team are the best!!! Very knowledgeable and professional. Always have all the answers.
53	April	Answered all my questions and I understood her.
54	April	Give possible samples on different scenarios of people's living situation and what the best payment would be.
55	April	Please keep up the great work
56	April	The RCE was very helpful and clear in explaining the retirement process, what to expect and addressing my questions. It was very comfortable speaking with him and I appreciate him giving me his contact info should I need clarification on anything. The staff here is very polite, professional, and helpful. Thank you!
57	April	Information that was provided was very helpful.
58	April	No concerns, everything went well.
59	April	Very helpful, kind, patient and informative.
60	April	Everyone is friendly. Questions were answered.
61	April	The RCE is so helpful, knowledgeable, caring and thoughtful. He helped make my experience for the process easier and less stressful.
62	April	Extremely pleased not to have extreme wait times before being serviced. Perhaps more phone lines to field questions before coming would be helpful.
63	April	Excellent service!
64	April	Don't have to change anything.
65	April	All good, Thx
66	April	Good service.
67	April	Excellent work!
68	April	None at this time. Thank you.
69	April	Very helpful - Thank you! Ease the stress of filing. Have a great day!
70	April	The RCE is such a help to explaining the form. He was so patient and helpful to us. We greatly appreciate his assistance and knowledge.
71	April	Doing Great!!!
72	April	Very easy process!
73	April	The RCE was very helpful in helping me file my retirement papers. Thank you very much.
74	April	I loved the prompt service and the RCE's expertise. Thank you.
75	April	Very helpful representative.
76	April	The RCE and receptionist answered all my questions and did so in an expeditious manner!
77	April	Great experience, no wait, rooms were icy cold. We're all old guys and like it warm.
78	April	Great counseling and advice, very helpful.
79	April	Fast and friendly receptionist. Excellent service, Thank you to the RCE.
80	April	Excellent service!
81	April	Doing Great! Very helpful.
82	April	Good job. Thank you.
83	April	I was helped and I didn't have to wait.
84	April	Service and information provided is excellent.
85	April	Very friendly and knowledgeable info.
86	April	Instructions were great. For me it involved much research and re-reading. Parking instructions were also good. Thank you all for what you folks do for us.
87	April	Keep up the good work.
88	April	You're doing great - no need to do more.
89	April	The RCE was very helpful, awesome!

ERS Customer Survey Comments
April - June 2024

#	Month	Comment
90	April	Excellent customer service.
91	April	Really helpful! Patient, willing to assist with anything.
92	April	Great Job. Thank you for this service.
93	April	The RCE answered my many questions, demonstrated wide knowledge base and articulated responses well. I was able to understand all with patience and desire to help.
94	April	I am extremely happy with the service I received from the RCE
95	April	Kind person, informative - likes what he is doing.
96	April	Excellent service.
97	April	Excellent service, outstanding customer service. Wonderful transparency and processing paperwork.
98	April	Great communication!
99	April	No change needed at this time.
100	April	Great service and efficient handling of questions, Thank you.
101	April	The RCE was patient and answered all my questions. Very grateful and thankful for his expertise in assisting in my retirement process.
102	April	The RCE was excellent. She provided me information that was very informative.
103	April	The RCE and the receptionist are amazing. They both are extremely caring and helpful. Dealing with the death of a loved one is difficult and made me feel welcomed and comfortable. In addition, the RCE settled all my questions in one visit.
104	May	Very professional - short wait.
105	May	The RCE and the Front Office staff were so welcoming, friendly and informative - lots of smiles !!! Thank You to the RCE!
106	May	The RCE is outstanding!
107	May	Good job.
108	May	The RCE Supervisor assisted me today with my retirement and she advised me to first to do retirement planning and follow the process. I truly appreciate her knowledge, accuracy, attention to detail, articulation and response to my questions all in her personable positive attitude and humble style. Mahalo! The RCE Supervisor deserves a raise in her Year-14 at ERS.
109	May	The RCE explained things in plain language using examples.
110	May	The RCE was a wonderful representative who answered my questions efficiently and with confidence, Mahalo!
111	May	Fast and friendly service! Thank You !
112	May	The RCE was very helpful and friendly.
113	May	Excellent presentation. The RCE was so patient and knowledgeable. She saved me $9,144.00 by printing out the benefit of retiring in July rather than August 2024.
114	May	Everything went smoothly and the staff was gracious and friendly.
115	May	OK. Came to drop off the verification letter because I called couple days ago and no one contacted me but the Receptionist was awesome and the Clerk was very helpful.
116	May	Super great experience every time and nice people. Great service!
117	May	Terrific! Always good!
118	May	The RCE was open to answering additional question.
119	May	Great service!
120	May	The RCE was clear and thorough in explaining each form line by line. I appreciate his help. Thank you.
121	May	Great service!
122	May	Thank you so very much today and days that I have come to discuss and file my retirement application. I have had very good/well informed information and feedback to my many questions. I appreciate you all. You are an asset to our State! Mahalo!
123	May	Gladly answered all questions.
124	May	Customer service is great!☺
125	May	The RCE was amazing! Very knowledgeable☺
126	May	Doing well with answering my questions. She answered all my questions.
127	May	The RCE was excellent in his customer service, friendly and knowledgeable.
128	May	Explain information slower and more clearly. I felt rushed and don't do well being rushed.
129	May	Excellent!
130	May	Great service!
131	May	Great!
132	May	Super fast - impressed with the timely process.
133	May	Great!

ERS Customer Survey Comments
April - June 2024

#	Month	Comment
134	May	The RCE was extremely helpful and knowledgeable in explaining the process. Very open and willing to accommodate.
135	May	Very clear with service.
136	May	Doing good.
137	May	Flow chart of process would help navigating system - ERS/EUTF-HR, Thank you.
138	May	The RCE answered my questions. My only input would be for someone to answer the telephone and give parking directions.
139	May	For me everything was good.
140	May	The RCE was easy to talk to and very knowledgeable. I have no negative things to say.
141	May	The RCE was very patient, informative and supportive - making me feel comfortable while reviewing and filling out all paperwork toward retiring on July 01, 2024.
142	May	Doing very good!
143	May	Excellent help!
144	May	Doing a great job and a very personable employee. Thanks for the shout out by the welcome desk Clerk for Teacher Appreciation Day.
145	May	Thank you!
146	May	I appreciate that you do another retirement conference for your members. Much thanks.
147	May	Customer service was very good and professional.
148	May	Very helpful and knowledgeable.
149	May	Great!
150	May	Keep it up to the RCE!!!
151	May	Very easy to talk to and very helpful.
152	May	The RCE was very thorough in switching my mindset to thinking about my current/future and needs (monetary) to decide to have for me or take less dollars goes to beneficiary. Thank you so much! I most likely will change to maximum option. And thanks for the reference to the EUTF Office - my questions and next steps were answered.
153	May	Doing great! The RCE was very helpful.
154	May	The RCE was so helpful and patient with me. She answered all of my questions.
155	May	Professional and kind service is appreciated beyond words.
156	May	Very efficient in and out. Receptionist was very friendly and gave me the forms as needed.
157	May	Be able to audit the same day and fill out the form immediately.
158	May	Very good service and the option of having more of my questions answered at a later time.
159	May	The RCE was great! So was the other RCE on the phone.
160	May	Questions about break in service answered fully, explored three different scenarios I put out. It was good that they pulled up my profile and a little check up as well. It was good to know the days/month worked to remain an active member as well.
161	May	Great!
162	May	Excellent service!
163	May	Very positive experience "Feel the Love" ☺
164	May	I really appreciate the customer service and professionalism that I received.
165	May	Everything went well - very informative.
166	May	Amazing! The RCE supervisor was wonderful. She was patient and explained everything and overall wonderful.
167	May	The RCE was very knowledgeable, patient and provided valuable information regards to my questions. Excellent customer service!
168	May	The RCE gave information to help me make correct choices. The receptionist was very pleasant and helpful.
169	May	Doing great with straight answers.
170	May	Doing great!
171	May	Excellent service by the RCE.
172	May	Terrific absolutely, so very pleasant helping me with filling out forms. Most awesome customer service.
173	May	We received great service from the RCE
174	May	Superb !!! Very clear, comprehensive and patient. Helpful, as this is an anxiety generating process.
175	May	We appreciate the receptionist for the work she does for all of us. She does the footwork prior to us going into meet with our ERS Representative. The RCE was so helpful and appreciated him making a 7:15 am phone appointment to help us. We are blessed.
176	May	Very pleasant experience with phone calls and in-person - Great! Thank you.
177	May	It's nice to have a walk-in basis to get thorough information. I am very pleased with my service with the RCE. She was very thorough and explained everything with patience and she is very knowledgeable.

ERS Customer Survey Comments
April - June 2024

#	Month	Comment
178	May	Service is excellent - keep up the good work.
179	May	She was great - very clear about what will happen next.
180	May	Excellent customer service.
181	May	Service was fine.
182	May	The RCE was the consummate professional.
183	May	Super helpful and friendly! Made this life changing process so much better! Thank you!
184	May	Friendly - very professional and very informative.
185	May	Doing a great job, pleasant and helpful.
186	May	Possibly processing retirement papers 2-months prior instead of 1-month for convenience of the applicant.
187	May	The RCE was great.
188	May	Thank you so much for your help. Your receptionist was incredible and the RCE was awesome - incredibly helpful and patient.
189	May	Patient, knowledgeable and personable.
190	May	I am new to all of this so the RCE was very helpful.
191	May	Very helpful!
192	May	Great job! Thanks for the water, RCE!!!
193	May	Info given was very useful. Representative was very knowledgeable and polite. I give it an A +
194	May	Okay. Examiners and Verifiers need to be on the same page. I was told one thing and later told another. Even paperwork was deemed good, then later it was no good.
195	May	The RCE was very friendly and helpful. Appreciated all his assistance. Receptionist was very friendly and cordial as well.
196	May	I have been here on three (3) occasions and each time I have been warmly welcomed and assistance provided has been second to none.
197	May	Very excellent service.
198	May	If I had come in prepared I would have asked better questions. Customer service superb - friendliness was shown at all times.
199	May	Excellent!
200	May	The RCE and the receptionist - excellent assistance, Thank you.
201	May	I would say going back to in-person seminars.
202	May	The RCE was very helpful and was able to answer my questions.
203	May	Fast with lots of good advice, Thank You.
204	May	Unsure why the mail was undeliverable, maybe an email option in future.
205	May	Thank you to the RCE for your info and explanation.
206	May	Excellent service.
207	May	Very receptive, willing to be assistive, very friendly and everyone so helpful.
208	May	Great job!
209	May	Very friendly and knowledgeable, Mahalo!
210	May	ERS Staff has always been professional and knowledgeable.
211	May	Great service! The RCE caught that my beneficiary had not changed since 2004 and helped me change my designation, Mahalo!
212	May	Explaining my retirement process was very clear.
213	May	The RCE was awesome, very knowledgeable and patient.
214	May	The RCE was great, patient and personable. It was a great experience.
215	May	This office is very offering to provide service (i.e. answering questions, detailing info with explanation)
216	May	Good explanation on the laws.
217	May	Friendly, courteous, very accommodating. I am so grateful and thankful, Mahalo!
218	May	Thank you for being patient and helpful.
219	May	It was a very good interview, Thank You.
220	May	Outstanding!!!
221	May	The RCE was Great!
222	May	I am super satisfied with the help from this Examiner.
223	May	Patient and knowledgeable.
224	May	Excellent! Not sure if there is anything to improve in this service.
225	May	The RCE is terrific! Thank You!
226	May	She's Da' Best! Very knowledgeable and friendly.
227	May	The RCE took the extra steps needed to answer our questions in a compassionate manner.
228	May	I am super satisfied with the great customer service. I got answered well for all my questions. The Examiner is very passionate and explained all my concerned thoroughly.

ERS Customer Survey Comments
April - June 2024

#	Month	Comment
229	May	Excellent service! Provided info and answered all my questions.
230	May	Good member service.
231	June	Great service! Thank you!
232	June	I'm very satisfied with the service. Very explainable .
233	June	Front Office was kind and greeted me with a friendly welcome. Friendly person had me sign-in, asked me why I am here and immediately serviced my request with attention. ERS has excellent customer service.
234	June	Great service!
235	June	Very helpful.
236	June	Thank you very much for your guidance, patience and support.
237	June	Wow!!! Great information. All questions were answered. Nice braddah to talk to! Thanks!!!
238	June	Excellent!
239	June	All staff on multiple visits have been so diligent, patient and kind, Mahalo!
240	June	Excellent!
241	June	All good.
242	June	Very professional advice.
243	June	The RCE is knowledgeable, patient and he explained what I needed to do moving forward.
244	June	Retiring and filing session was very pleasant. All of my questions were answered. The RCE was wonderful! The website is also very helpful. Can't think of anything else.
245	June	Very timely & helpful.
246	June	Everyone was very nice and helpful. They are really awesome!
247	June	Quick service and informative
248	June	The staff here are all doing an awesome job!!!
249	June	Good service.
250	June	More visits to State Offices to prepare employees.
251	June	Service was excellent.
252	June	Everything is OK.
253	June	The RCE demonstrated impeccable customer service. He was also able to answer all of my questions with clarity and depth.
254	June	I was happy I could see someone without an appointment to check on my pension status for retirement on June 1st.
255	June	Very thorough - anticipated my questions☺
256	June	In my opinion, the RCE went above and beyond to make sure all my documents were in order. He spotted mistakes and made sure I became aware of them. Made himself available for correction. Excellent customer service!
257	June	You're doing great!!!
258	June	Informative.
259	June	The RCE answered all my questions and explained in details. She provided more info that will help me to the decisions. Excellent !
260	June	The RCE answered all of our questions. Very courteous and professional. Made this process very easy.
261	June	Great!
262	June	Awesome information - very helpful, outstanding, thorough and very patient. He answered and advised me very well, Thank you.
263	June	Great service! Always get good answers from the staff.
264	June	Awesome explanation, clear concise, service was great, Mahalo!
265	June	Awesome! The RCE was very clear and concise, very personable with good spirit around her.
266	June	Everything is perfect. Your packet is so complete and the RCE is very helpful. Thank you.
267	June	The on-boarding process is challenging and unclear - not the fault of the evaluator.
268	June	Very friendly and answered all my questions calmly and orderly☺ Excellent service! Thank you.
269	June	The RCEs are the best
270	June	Excellent service when I called. I was greeted by the front office reception and I met with the RCE. The RCE was very professional, kind compassionate and knowledgeable. I appreciate her working with me. Thank you.
271	June	Very informative and helpful.
272	June	Awesome representative! Effective, helpful, happy and awesome customer service, Mahalo!
273	June	The RCE was very knowledgeable. He explained everything very well. Great information. I was very impressed with the service I received. The RCE was very knowledgeable.
274	June	Good response to telephone messages.
275	June	Professional, efficient, patient and knowledgeable. I was a little stressed coming in and not knowing what to expect, but the experience was very pleasant, Thanks to the RCE.

ERS Customer Survey Comments
April - June 2024

#	Month	Comment
276	June	You are all good!!!
277	June	Great!!!
278	June	Great customer service.
279	June	Very informative and able to answer all questions clearly, very understandable when giving details and information with specifics. Very nice!
280	June	The entire process from phone call to signing in appointment has been very helpful, friendly and safe☺
281	June	Great info ! Very helpful.
282	June	You are doing good!
283	June	Everything went great! Thank You.
284	June	This was an amazing meeting that helped me with my planning. The RCE was very helpful and answered all my questions.
285	June	Excellent explanation of benefits.
286	June	Very excellent information and explanation on my retirement.
287	June	This person was very helpful.
288	June	I am really satisfied with all information and questions I had today.
289	June	Everything was so easy! Thank you for providing driver parking, validation instructions. The RCE accessible via phone and email was such a relief. Clear and complete explanations by the RCE. He made every step of the process as easy to manage as possible. His knowledge, communication skills are top notch. May thanks to the RCE.
290	June	All good.
291	June	Doing Great!
292	June	The customer service today was extraordinary.
293	June	Very knowledgeable, patient and helpful.
294	June	Very helpful and informative.
295	June	You are doing great! My question wasn't answered but I was very happy I came.
296	June	Helpful ! Thank you.
297	June	The receptionist as the first point of contact was stellar! especially with parking validation. The first RCE helped to explain the difference between the different retirement options. The second RCE was helpful in getting my documents in order and explaining tax forms, Mahalo!
298	June	Great help, excellent customer service and explanation on questions I had. Awesome job!.
299	June	I remember when my wife and I first retired we had a lot of questions when I had to call here. The RCE was as excellent over the phone as she is in person. Thank You to the RCE ☺
300	June	Appointments are always best for clients. I understand they are very short staffed but the RCE is very pleasant, efficient and patient with all my questions. It's been a pleasure to have her as my ERS Advisor.
301	June	No problems - staff nice.
302	June	Great service! My questions were all answered.
303	June	The receptionist is excellent at the Front Desk. She notices and services customer quickly. The RCE is the best! Smart and answered all questions regarding retirement. Great info.
304	June	The RCE and the receptionist are very nice. All your staff are pleasant and courteous - makes the process less stressful.
305	June	The RCE was so knowledgeable and helpful.
306	June	The RCE was thorough and pleasant. He addressed all our questions. Aloha and Mahalo!
307	June	Excellent! All Examiners are patient and explained options very well. And Examiners on the phone are thorough and patient.
308	June	Excellent service and information.
309	June	The RCE was super helpful and really sweet, very good. Mahalo to the RCE for your help.
310	June	Terrific! Processed all my paperwork, changes, explanations, made everything easier than I thought.
311	June	Introduction, communication, explanations were very helpful in understanding the retirment process. Excellent customer service.
312	June	Great! Greeted by Receptionist, very helpful.
313	June	Very helpful. The RCE was great, great help, damn good worker☺
314	June	Everyone was helpful.
315	June	All good.
316	June	Great! Got everything that I needed.
317	June	First Rate - amazing office, Mahalo!
318	June	Easier to use website.

ERS Customer Survey Comments
April - June 2024

#	Month	Comment
319	June	The receptionist was very conscientious, professional and cared for my needs. She explained the protocols to prepare me during this office visit. The RCE is wholeheartedly a special soul at ERS. He made me feel safe in my retirement planning preparation, Mahalo!
320	June	After speaking with two previous Claims Examiners who gave me incorrect information, the RCE came to the rescue. He was extremely knowledgeable, thorough and went above and beyond. I recommend him for any pay-raise or a promotion! Mahalo!
321	June	Excellent!

May 2024

REASON FOR VISIT

Questions about benefits & eligibility	56
Filing for retirement	89
Pension/tax info	34
Other	66

Filing death claim. Inquiring about retirement. Contribution refund paperwork. Account information. Help filing for service connected disability.

TOTAL	245

HAVE AN APPOINTMENT?

YES	24
NO	132

QUESTIONS ANSWERED CLEARLY?

SATISFIED :D	155
NEUTRAL :|	6
UNSATISFIED :(	0

RATE OVERALL EXPERIENCE

EXCELLENT :D	187
GOOD :)	12
NEUTRAL :|	3
POOR :(	0

#	STAFF NAME (please put unknown if staff who assisted is not known)	CUSTOMER NOTES/REVIEWS (field has been formatted to wrap the text and expand automatically)
n/a	*example: unknown*	*Service was great from the front desk reception to the counselor who assisted me with completing my retirement forms. Thank you*
1	Greer	Very professional - short wait.
2	Martin	Martin and the Front Office staff were so welcoming, friendly and informative - lots of smiles !!! Thank You Martin!
3	Keith	Keith is outstanding!
4	Heather	Good job.
5	Reyna	Reyna assisted me today with my retirement and she advised me to first to do retirement planning and follow the process. I truly appreciate her knowledge, accuracy, attention to detail, articulation and response to my questions all in her personable positive attitude and humble style. Mahalo! Reyna deserves a raise in her Year-14 at ERS.
6	Keith	Keith explained things in plain language using examples.
7	logan	Logan was a wonderful representative who answered my questions efficiently and with confidence, Mahalo!
8	Jasmine	Fast and friendly service! Thank You !
9	Keith	Keith was very helpful and friendly.
10	Debby	Excellent presentation. Debby was so patient and knowledgeable. She saved me $9,144.00 by printing out the benefit of retiring in July rather than August 2024. (Mahalo! Lavern Moore)
11	Jasmine	Everything went smoothly and the staff was gracious and friendly.
12	Drew	OK. Came to drop off the verification letter because I called couple days ago and no one contacted me but the Receptionist was awesome and the Clerk was very helpful.
13	Gwen	Super great experience every time and nice people. Great service!
14	Keith	Terrific! Always good!
15	Linda	Linda was open to answering additonal question.
16	Keith	Great service!
17	Logan	Logan was clear and thorough in explaining each form line by line. I appreciate his help. Thank you.
18	Andy	Great service!
19	Heather	Thank you so very much today and days that I have come to discuss and file my retirement application. I have had very good / well informed information and feedback to my many questions. I apprecaite you all. You are an asset to our State!, Mahalo!
20	Logan	Gladly answered all questions.

#	STAFF NAME (please put unknown if staff who assisted is not known)	CUSTOMER NOTES/REVIEWS (field has been formatted to wrap the text and expand automatically)
21	Carl	Customer service is great!☺
22	Logan	Logan was amazing! Very knowledgeable☺
23	Linda	Doing well with answering my questions. She answered all my questions.
24	Martin	Martin was excellent in his customer service, friendly and knowledgeable.
25	Kristen	Explained information slower and more clearly. I felt rushed and don't do well being rushed.
26	Keith	Excellent!
27	Linda	Great service!
28	Greer	Great!
29	Jasmine	Super fast - impressed with the timely process.
30	Kristen	Great!
31	Keith	Keith was extremely helpful and knowledgeable in explaining the process. Very open and willing to accommodate.
32	Geoff	Very clear with service.
33	Debby	Doing good.
34	Gwen	Flow chart of process would help navigating system - ERS/EUTF-HR, Thank you.
35	Farrell	Ms Farrell answered my questions. My only input would be for someone to answer the telephone and give parking directions. (T. Wilson)
36	Michael	For me everything was good.
37	Geoff	Geoff ws easy to talk to and very knowledgeable. I have no negative things to say.
38	Debby	Debby was very patient, informative and supportive - making me feel comfortable while reviewing and filling out all paperwork toward retiring on July 01, 2024.
39	Judy	Doing very good!
40	Carl	Excellent help!
41	Farrell	Doing a great job and a very personable employee. Thanks for the shout out by the welcome desk Clerk for Teacher Appreciation Day.
42	Linda	Thank you!
43	Judy	I appreciate that you do another retirement conference for your members. Much thanks.
44	Heather	Customer service was very good and professional.
45	logan	Very helpful and knowledgeable.
46	Carl	Great!
47	Debby	Keep it up Debby!!!
48	Greer	Very easy to talk to and very helpful.
49	Geoff	Geoff was very thorough in switching my mindset to thinking about my current/ future and needs (monetary) to decide to have for me or take less dollars goes to beneficiary. Thank you so much! I most likely wil change to maximum option. And thanks for the reference to the EUTF Office - my questions and next steps were answered.
50	Keith	Doing great! Keith was very helpful.
51	Karen	Karen was so helpful and patient with me. She answered all of my questions.
52	Keith	Professional and kind service is appreciated beyond words.
53	Kristen	Very efficient in and out. Receptionist was very friendly and gave me the forms as needed.
54	Gwen	Be able to audit the same day and fill out the form immediately.
55	Greer	Very good service and the option of having more of my questions answered at a later time.
56	Judy	Judy was great! So was Mr. Logan on the phone.

#	STAFF NAME (please put unknown if staff who assisted is not known)	CUSTOMER NOTES/REVIEWS (field has been formatted to wrap the text and expand automatically)
57	Keith	Questions about break in service answered fully, explored three different scenarios I put out. It was good that they pulled up my profie and a little check up as well. It was good to know the days / month worked to remain an active member as well.
58	Karen	Great!
59	Reyna	Excellent service!
60	Debby	Very positive experience "Feel the Love" ☺
61	Lori Kobayashi	I really appreciate the customer service and professionalism that I received.
62	Keith	Everything went well - very informative.
63	Reyna	Amazing! Reyna was wonderful. She was patient and explained everything and overall wonderful.
64	Logan	Logan was very knowledgeable, patient and provided valuable information regards to my questions. Excellent customer service!
65	Carl	Carl gave information to help me make correct choices. AmyR was very pleasant and helpful.
66	Linda	Doing great with straight answers.
67	Jasmine	Doing great!
68	Logan	Excellent service by Logan.
69	Carl	Terrific absolutely, so very pleasant helping me with filling out forms. Most awesome customer service.
70	Jasmine	We received great service from Jasmine.
71	Keith	Superb !!! Very clear, comprehensive and patient. Helpful, as this is an anxiety generating process.
72	Martin / AmyR	We appreciate AmyR for the work she does for all of us. She does the footwork prior to us going into meet with our ERS Representative. Martin was so helpful and appreciated him making a 7:15 am phone appointment to help us. We are blessed.
73	Debby	Very pleasant experience with phone calls and in-person - Great! Thank you.
74	Farrell	It's nice to have a walk-in basis to get thorough information. I am very pleased with my service with Farrell. She was very thorough and explained everything with patience and she is very knowlegeable.
75	Andy	Service is excellent - keep up the good work.
76	Jasmine	She was great - very clear about what will happen next.
77	Keith	Excellent customer service.
78	Kristen	Service was fine.
79	Greer	Greer was the consumate professional.
80	Keith	Super helpful and friendly! Made this life changing process so much better! Thank you!
81	Greer / AmyR	Friendly - very professional and very informative.
82	Jasmine	Doing a great job, pleasant and helpful.
83	Debby	Possibly processing retirement papers 2-months prior instead of 1-month for convenience of the applicant.
84	Logan	Logan was great.
85	Keith	Thank you so much for your help. Your Receptionist was incredible and Keith Christy was awesome - incredibly helpful and patient.
86	Judy	Patient, knowedgeable and personable.
87	Greer	I am new to all of this so Greer was very helpful.
88	Heather	Very helpful!
89	Debby	Great job! Thanks for the water, Debby!!!
90	Greer	Info given was very useful. Representative was very knowledgeable and polite. I give it an A +
91	Michael	Okay. Examiners and Verifiers need to be on the same page. I was told one thing and later told another. Even paperwork was deemed good, then later it was no good.
92	Logan	Logan was very friendly and helpful. Appreciated all his assistance. Receptionist was very friendly and cordial as well.

#	STAFF NAME (please put unknown if staff who assisted is not known)	CUSTOMER NOTES/REVIEWS (field has been formatted to wrap the text and expand automatically)
93	Carl	I have been here on three (3) occasions and each time I have been warmly welcomed and assistance provided has been second to none.
94	Andy	Very excellent service.
95	Heather	If I had come in prepared I would have asked better questions. Customer service superb - friendlyness was shown at all times.
96	Carl	Excellent!
97	Keith / AmyR	Keith and AmyR - excellent assistance, Thank you.
98	Carl	I would say going back to in-person seminars.
99	Kristen	Kristen was very helpful and was able to answer my questions.
100	Keith	Fast with lots of good advice, Thank You.
101	Jasmine	Unsure why the mail was undeliverable, maybe an email option in future.
102	Farrell	Thank you Farrell for your info and explanation.
103	Gwen	Excellent service.
104	Receptionist (AmyR)	Very receptive, willing to be assistive, very friendly and everyone so helpful.
105	Joann	Great job!
106	Gwen	Very friendly and knowledgeable, Mahalo!
107	LoriK	ERS Staff, Karl Kaneshiro, Carl and LoriK has always been professional and knowledgeable.
108	Michael	Great service! Michael caught that my beneficiary had not changed since 2004 and helped me change my designation, Mahalo!
109	Debby	Explaining my retirement process was very clear.
110	Logan	Logan was awesome, very knowledgeable and patient.
111	Debby	Debby was great, patient and personable. It was a great experience.
112	Logan	This office is very offering to provide service (i.e. answering questions, detailing info with explanation.
113	Heather	Good explanation on the laws.
114	Debby	Friendly, courteous, very accommodating. I am so grateful and thankful, Mahalo!
115	Shana	Thank you for being patient and helpful.
116	Joann	It was a very good interview, Thank You.
117	Keith	Outstanding!!!
118	Martin	Martin was Great!
119	Michael	I am super satisfied with the help from this Examiner.
120	Debby	Patient and knowledgeable.
121	Geoff	Excellent! Not sure if there is anything to improve in this service.
122	Martin	Martin is terrific! Thank You!
123	Debby	She's Da' Best! Very knowledgeable and friendly.
124	Farrell	Farrell took the extra steps needed to answer our questions in a compassionate manner.
125	Debby	I am super satisifed with the great customer service. I got answered well for all my questions. The Examiner is very passionate and explained all my concerned thorougly.
126	Farrell	Excellent service! Provided info and answered all my questions.
127	Varden	Good member service.

Date: May 29, 2024

To: File

Via: Thom Williams, Exec Dir HIERS

From: Vince Barfield, Trustee

SUBJ: 2024 NCPERS ANNUAL CONFERENCE & EXHIBITION (ACE)
       MAY 19-22, 2024

This memo documents my attendance at the NCPERS 2024 Annual Conference. The following provides a summary of the conference and my key takeaways:

Date	May 19-22, 2024
Location	Westin Seattle
Audience	State & municipal fund trustees and staff, asset managers, consultants, state & local officials, and law firms (800 attendees)
Theme	Key pension plan topics including investment, risk, legal, plan structure, and fiduciary trends. (Agenda attached)
Value	<u>High networking and educational value for new and experienced trustees</u>. NCPERS is the largest trade association for public pension funds and has 500 members in the US and Canada. It is focused on advocacy, research, and education. The breadth of topics covered at this forum and the diverse attendance reflects NCPERS strong resources and industry support.
Takeaways	This conference's breath of topics and excellent speakers and panels were impressive. I often found myself challenged to select a single break-out session topic as the offerings were all so good. I would also add that the integration of a mobile app with agenda, speaker bios, presentation slides, attendee lists, message board, and activity updates was highly effective in keeping attendees informed and on schedule.

Several speakers addressed market and economic updates with similar themes:

- US growth estimates are significantly outpacing world major economies.

- US economy is not slowing and is less interest rate sensitive than expected.

- Labor markets remain tight with continuing impact from the retirement surge started during pandemic.

- Housing shortage continues and will increase the shelter component of inflation... housing prices will go up.

- Financial markets facing loose conditions driven by a FED balance sheet that is still too large, US fiscal deficit running at 6% of GDP (other major markets are 2%), and household net worth up 30% from pre-pandemic.

- Expect upward sloping interest rate curve in coming months.

- Corporate earnings will grow along with equity markets in 2nd half of 2024. Soft landing expectations are gone and a recession may be needed in late 2025.

Several breakout sessions offered updates on <u>recent public plan trends.</u> Some key metrics discussed were the continued trend in reduced amortization, now averaging less than 21 years; national funded ratios are approximately 75% (Hawaii is more than 10 points lower), and national asset allocation continue to reflect a strong mix of alternative assets to strengthen diversification and return.

Asset Allocation for State and Local Pensions, 2023

	Percent
ASSET ALLOCATION, 2023	
Equities	42.2
Fixed Income	20.5
Private Equity	14.0
Real Estate	10.5
Cash	1.8
Other	0.1
Commodities	2.7
Hedge Fund	6.6
Misc. Alternatives	1.8

Source: Public Plans Database
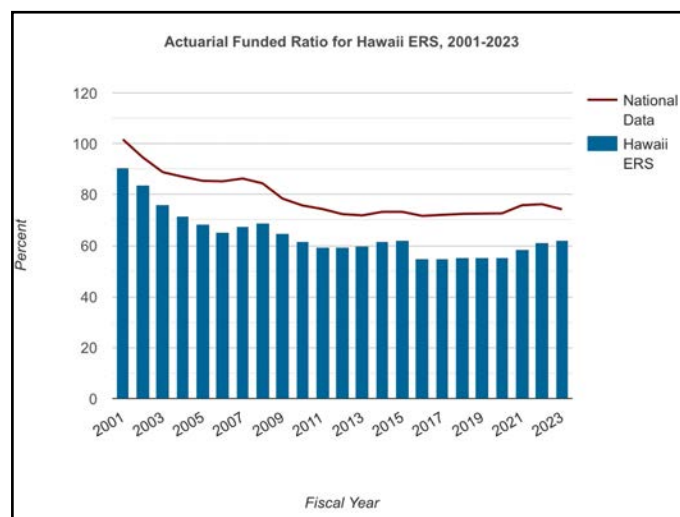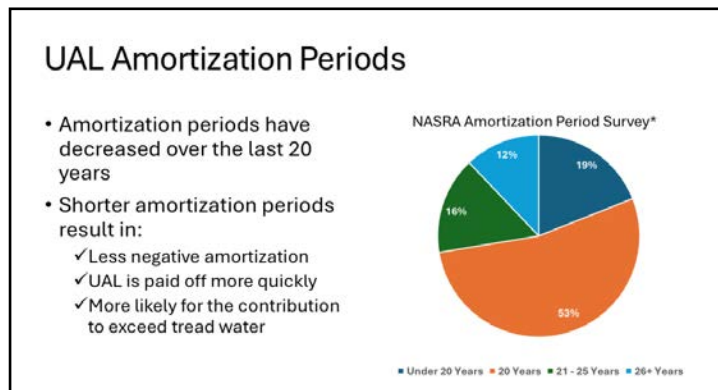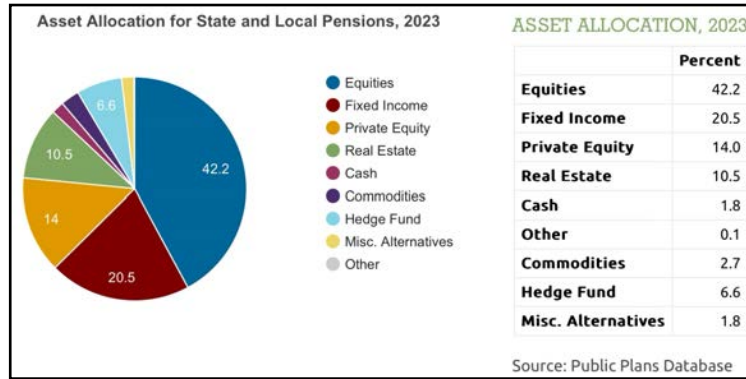
<u>Alternative asset classes present opportunities and risks</u> in the current environment:

- Increasing yields, economic growth, and banks pulling back because of new BASEL requirements are creating <u>historical credit opportunities</u> in both public and private markets. Three key private credit principles - diversify duration, prioritize liquidity, and be intentional with risk.

- <u>Real estate is suffering</u> massive devaluations since interest rates began to rise in 2022. Office vacancies are exceeding GFC levels while retail is stabilizing and the residential thesis is intact particularly for multi-family. Sub-sectors such as cold storage, data centers and medical office present opportunities.

Among the expert panel sessions was "Behind the Scenes with Public Plan CIOs," featuring our own Kristin Varela. The panel included Seattle City ERS ($4B) CIO Jason Malinowski, Oregon State Treasury ($140B) CIO Rex Kim, and Washington Sate Investment Board ($193B) CIO Chris Hanak. This was an excellent opportunity to hear insights into their challenging jobs which

included discussions on markets, portfolio construction, leadership and governance. Kristen represented HIERS superbly with keen insights and depth of knowledge which may have been surprising to some considering her short tenure with us.

My final takeaways came from an interesting session on "Questions, Observations and Challenges Facing Trustees." In addition to several issues in portfolio construction (active vs passive; balancing fixed income, liquid credit and private credit; and the right amount of private investments), trustees must also consider mitigating risk across the organizations and portfolio: benefits admin, political, governance, controls, info security, pension funding, stakeholders, and talent management. Furthermore, enhancing a plan's capabilities will require addressing several key areas and ensuring trustees are taking a 30K foot view of their organization's strategy and mission.

How do we enhance our plan's capabilities?

Talent	Infrastructure	Budget Independence
Strategic Partnerships	Managing Externalities	Networking & Development
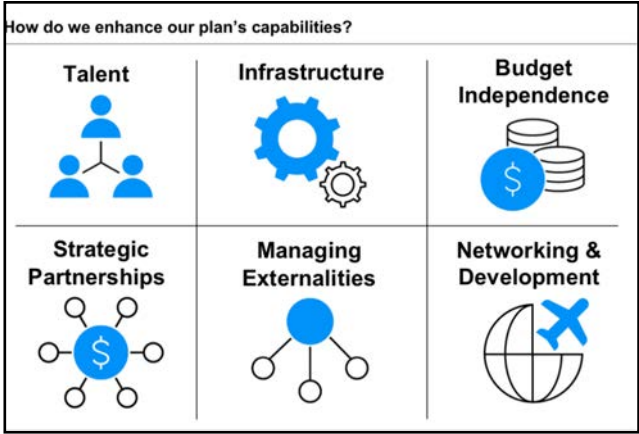
In conclusion, I found this conference to be highly educational and an excellent opportunity to network and discuss issues with fellow trustees and industry professionals from across the country. I highly recommend future trustee attendance.

FINAL AGENDA

SUNDAY, MAY 19

2:00 PM – 6:00 PM   **REGISTRATION |** Grand Ballroom Foyer (4th Floor)

2:00 PM – 3:00 PM   **FIRST TIMERS MEET & GREET |** Fifth Avenue Room (4th Floor)

3:00 PM – 4:00 PM   **OPENING GENERAL SESSION I|** Grand Ballroom I&II (4th Floor)

3:00–3:15   *Welcome and Opening Address*
Speaker: Mike Pellicciotti, Washington State Treasurer

3:15–4:00   *Getting Candid with Paul Angelo: Lessons Learned from 25 Years as a Public Pension Actuary*
A revered legend in the public pension actuarial community, Paul Angelo, Senior Vice President, and Actuary at Segal, has announced his retirement for later this year. He will share some of his experience – both professional and political - gained from over 25 years of practice serving public retirement systems.
Speakers: Paul Angelo, Segal
Hank Kim, NCPERS

4:00 PM – 6:00 PM   **EXHIBITION |** Grand Ballroom III (4th Floor)

4:00 PM – 6:00 PM   **OPENING RECEPTION |** Grand Ballroom III (4th Floor)

MONDAY, MAY 20

6:30 AM – 5:30 PM   **REGISTRATION |** Grand Ballroom Foyer (4th Floor)

6:30 AM – 7:45 AM   **BREAKFAST |** Cascade Ballroom (2nd Floor)

10:30 AM – 5:30 PM **EXHIBITION |** Grand Ballroom III (4th Floor)

8:00 AM – 9:30 AM   GENERAL SESSION II | Grand Ballroom I&II (4th Floor)

8:00–8:30   *Economic Overview: A Look at What's Ahead*
Gain valuable insights as Lee Ferridge, head of macro strategy at State Street Global Markets, provides his unique perspective on the outlook for the US and global economies. Gain insights into the November election's potential impact on stocks, bonds, credit, and the dollar. Attendees will leave with specific investment ideas and a deeper understanding of our economic challenges.
Speaker: Lee Ferridge, State Street Global Markets

8:30– 9:00   *The Intersection of Public and Private Credit*
Join us for a deep dive into credit investing with Bruce Richards, CEO of Marathon Asset Management. In this session, Bruce will explore the advantages and challenges of investing in both public and private credit.
Speaker: Bruce Richards, Marathon Asset Management

9:00–9:30   *Fireside Chat with Marcie Frost, CEO of California Public Employees' Retirement System (CalPERS)*
An industry veteran, Marcie Frost is a trailblazer and an inspirational leader for many. In a candid conversation with Julie Truck Tatge, of Pensions & Investments, Marcie shares her views on leadership and the culture of success that she brings leading the largest and one of the most complex pension plans in the country.

Session Facilitator: Sharon Hendricks, California State Teachers Retirement System (CalSTRS)
Moderator: Julie Truck Tatge, Pensions & Investments
Speaker: Marcie Frost, California Public Employees' Retirement System

9:45 AM – 10:45 AM   BREAKOUT SESSION A | Grand Ballroom I&II (4th Floor)
Are We There Yet? Has the Recovery in Real Estate Values Begun? And What Comes Next?
Over the past 24+ months, since the most recent peak in values for the major real estate sectors in the fourth quarter of 2021, real estate values have fallen in a range of 10% to 25%, not including office. In the office sector, values have fallen 90% in some cases. However, signs of stabilization are emerging, hinting at a potential recovery and upturn in values later this year. This session, led by Peter and Sean, will explore current real estate market trends, forecasted market conditions, and the implications for pensions when considering commercial real estate investments. Attendees will gain insights into commercial real estate fundamentals, the evolving opportunity landscape, and the growth of subsectors. Peter and Sean will also analyze the impact of rising interest rates on capitalization rates and property values, offering perspectives on investment opportunities within the private real estate space and the trajectory of the asset class in the years ahead.

Session Facilitator: Thomas Ross, Somerville Retirement Board
Speakers: Peter Palandjian, Intercontinental Real Estate
Sean Armstrong, Westport Capital Partners

9:45 AM – 10:45 AM   **BREAKOUT SESSION B** | Fifth Avenue Room (4th Floor)
What Do You Get When You Cross an Actuary and An Investment Officer?
In this session, the presenters will discuss how the actuaries and the investment teams come together for important retirement system initiatives like setting the investment return assumption and working through assumptions for asset-liability modelling.

Session Facilitator: John Neal, Arkansas Local Police & Fire Retirement System (LOPFI)
Speakers: Ryan Falls, Milliman
Derrick Dagnan, Fort Worth Employees' Retirement Fund

9:45 AM – 10:55 AM   **BREAKOUT SESSION C** | Elliott Bay Room (lobby level)
Session Facilitator: Ginger Sigler, Oklahoma Police Pension and Retirement System

9:45–10:15   **Express Talk:** *Asset Allocation: Building Resilient Portfolios*
This Express Talk will discuss a unique approach Wilshire has developed to complement the asset allocation study pension plans undertake every 1-5 years. Standard inputs generally will revolve around asset class forecasts related to return, risk, and correlation. However, as investors have experienced in recent years, relationships between these assumptions don't always hold true during periods of economic stress.
Speaker: Christopher S. Tessman, Wilshire

10:25–10:55   **Express Talk:** *Private Equity Investing in Infrastructure 2.0*
In this session, you will learn about the importance of investing in infrastructure for the next generation. This investment is crucial for fostering economic growth, ensuring sustainability, and addressing the evolving needs of society. The session will emphasize the integration of various aspects such as digital infrastructure, energy transition, circular economy principles, and overall sustainability.
Speaker: Mina Nazemi, Barings

11:00 AM – 11:30 AM **EXHIBIT BREAK** | Grand Ballroom III (4th Floor)

11:45 AM – 12:45 PM **BREAKOUT SESSION A** | Grand Ballroom I&II (4th Floor)
US Energy Transition
This session will be a discussion of the trends and research in US energy transition with a focus on wind, solar, storage, bioenergy, and renewable heat. Coen will highlight the natural progression towards low-cost electricity and discuss the buildout of renewable energy infrastructures with use of responsible contractor policy in the United States. Lastly, the session will help to explore investment opportunities with strong environmental credentials.
Session Facilitator: David Kazansky, United Federation of Teachers
Speaker: Coen Weddepohl, Schroders

11:45 AM – 12:45 PM **BREAKOUT SESSION B** | Fifth Avenue Room (4th Floor)

Implementing Private Credit for Plan Diversification

Diversification is a key driver of allocations to private credit by public funds, moving away from public equity and fixed-income options. With predictions that these private credit assets will outperform U.S. government and corporate bonds (by 70%), commercial real estate (by 62%) and residential real estate (by 44%) with yields over 10%. The private credit market offers investors more opportunities to generate income higher than obtained in the public market, often with a similar risk profile. Fresno County Employees' Retirement Association will share how their board implemented credit and continues to look at differentiated credit strategies to help them find alpha and surpass their plan goals.

Session Facilitator: William Whitmanh, NCPERS

Speakers: Leanne Schmitt, Star Mountain Capital

Donald Kendig, Fresno County Employees' Retirement Association

11:45 AM – 12:55 PM **BREAKOUT SESSION C** | Elliott Bay Room (lobby level)

Session Facilitator: Sherry Mose, Houston Municipal Employees Pension System

11:45–12:15 **Express Talk:** *Diversifying Your Portfolio with Emerging Managers*

Jasmine Richards, Head of Diverse Manager Research at Cambridge Associates, will provide insights on the state of the private equity market and highlight how public plans can maximize portfolio returns through emerging managers. She will discuss the opportunities presented by investing with emerging managers, what to know when beginning to incorporate emerging managers into your portfolio, and how to best use emerging markets to diversify your portfolio and generate returns.

Speaker: Jasmine Richards, Cambridge Associates

12:25–12:55 **Express Talk:** *The Important Role of Venture Capital in Public Employee Retirement Systems*

This presentation will examine the role that venture capital exposure can play in addressing the long-term goals of public employee retirement systems. It will describe the asset class, the investable universe, current trends and innovation in venture capital, case studies of successful venture backed companies, and ways institutional investors can access venture capital efficiently.

Speakers: Michele Chow-Tai, Fairview Capital

Kwesi Quaye, Fairview Capital

1:00 PM – 2:00 PM   **LUNCH & LECTURE SERIES |** Cascade Ballroom (2nd Floor)
(This event is not open to guest registrants)
Money Matters: Empowering Your Team Through Financial Wellness Benefits
Elevate your workforce with the gift of financial wellness. In this talk, we will explore how offering financial education and support as an employee benefit can boost morale, productivity, and retention. Learn how investing in your employees' financial well-being can lead to a happier, more engaged and financially secure team.

Speaker: Sherrie Grabot, GuidedChoice

2:15 PM – 3:25 PM   **BREAKOUT SESSION A |** Grand Ballroom I&II (4th Floor)
The Other Side of Passive: Negative Consequences and Limitations of Passive Investment
The audience will benefit from the presentation's explanation of how value indices are constructed, how they have been poor proxies for value stock returns, and how value stocks have outperformed while value indices have underperformed. With a deeper understanding of value stock returns, the audience can make more informed decisions about style box asset allocation, and construct more efficient risk-reward portfolios. This session will also highlight key changes in both equity and fixed-income market behavior and structure tied to the government-sponsored growth of passive investing.

Session Facilitator: Ryk Tierney, The Educational Employees' Supplementary Retirement System of Fairfax County

Speakers: Andrew Wellington, Lyrical Asset Management
Michael Green, Simplify Asset Management

2:15 PM – 3:15 PM   **BREAKOUT SESSION B |** Fifth Avenue Room (4th Floor)
What's New in the World of Securities Litigation? Examining the Most Underutilized Corporate Governance Tools in the Shareholder Toolbox
The session will look at the status of the securities market and provide an update on the trends as they pertain to the securities litigation space. It will examine the forgotten tools that shareholders have in their corporate governance toolbox, and how shareholder litigation represents a real opportunity to effect change and maximize investment returns.

Session Facilitator: David Harer, Professional Firefighters of Alabama
Moderator: Henry Wilson, Wayne County Employees' Retirement System
Speakers: Joshua Ruthizer, Partner, Wolf Popper LLP
Serena Hallowell, Partner, Motley Rice

2:15 PM – 3:25 PM   **BREAKOUT SESSION C |** Elliott Bay Room (lobby level)
Session Facilitator: Adele Tagaloa, Orange County Employees Retirement System (OCERS)

        2:15–2:45   **Express Talk:** *Riding the Curve: Bond Investors Worldwide Can Use Three Basic Principles to Manage Risk in Portfolios*
Bond investors worldwide can use three basic principles to manage risk in 2024:

- **Diversify duration**. A relatively flat yield curve reduces the opportunity cost of extending or shortening duration but increases the risk of being too concentrated in one part of the curve.
- **Prioritize flexibility**. A wide range of macro risks has increased the dispersion of expected outcomes. Implementing many small decisions across multiple sectors and maintaining investment flexibility is preferable to investing based on one big macro view.
- **Be intentional with risk.** High nominal yields and generous real yields create an opportunity to build durable, inflation-beating cash flow streams over the coming years.

Speaker: George Bory, Allspring Global Investments

        2:55–3:25   **Express Talk:** *Healthcare in your Investment Portfolio: Terms and Investment Themes*
Attending this session will provide you with a deep understanding of the healthcare industry and its investment landscape. You'll learn about the different sectors within healthcare, stages of clinical trials, and the FDA approval process. The session will also cover specific investment themes such as GLP-1s, the effects of the Inflation Reduction Act, changing interest rates, China's impact on healthcare, and election considerations. Furthermore, you'll gain insights into evaluating your investment portfolio, including assessing exposure to specific sectors and regions. Overall, the session aims to equip you with the knowledge and tools needed for strategic and informed healthcare investing.
Speaker: Ryan Dunnegan, Kennedy Capital Management

3:30 PM – 4:15 PM   **SERVICE PROVIDER TOWN HALL |** Fifth Avenue Room (4th Floor)

3:30 PM – 4:15 PM   **NATIONAL COMMITTEE ELECTION** | Grand Ballroom I&II (4th Floor)

4:30 PM – 5:30 PM   **EXHIBIT HALL NETWORKING RECEPTION** | Grand Ballroom III (4th Floor)

TUESDAY, MAY 21

6:30 AM – 5:30 PM   **REGISTRATION**| Grand Ballroom Foyer (4th Floor)

6:30 AM – 7:45 AM   **BREAKFAST**| Cascade Ballroom (2nd Floor)

10:30 AM – 12:30 PM EXHIBITION | Grand Ballroom III (4th Floor)

Agenda as of 5/15/2024. Subject to change.

8:00 AM – 9:30 AM   **GENERAL SESSION III** | Grand Ballroom I&II (4th Floor)

      8:00–8:40   *Index Investing: Not Such a Passive Decision*
With more frequent and extreme volatility over the past decade, investors have witnessed a profound transformation in the investment landscape, challenging the resilience of popular indices. These dynamic shifts are having far-reaching implications on asset allocation and diversification strategies, bringing new risks into question around index investing. We may be at a tipping point where a nonchalant approach to indexing might have worked in the past, but now there is a greater need for more intention and precision to achieve desired outcomes.

This session will uncover hidden risk exposures in indexing, and how public funds can breathe new life into their passive allocations.

Speakers: Michael Hunstad, Northern Trust Asset Management
Austin Guy, Northern Trust Asset Management

      8:40– 9:30   *Behind the Scenes with Public Plan CIOs*
Don't miss this session with four outstanding public plan Chief Investment Officers who will discuss challenges ahead, provide context to trends, and offer insights on the markets and beyond.

Moderator: Jason Malinowski, CIO, Seattle City Employees' Retirement System
Panelists: Rex Kim, CIO, Oregon State Treasury
Kristin Varela, CIO, Hawaii Employees' Retirement System
Chris Hanak, CIO, Washington State Investment Board

9:45 am – 10:45 am   **BREAKOUT SESSION A** | Grand Ballroom I&II (4th Floor)
Ahead of the Curve: Identifying Opportunities Where Others See Adversity
Explore how today's real estate reset sets the stage for tomorrow's winners. This session will discuss strategic opportunities in the residential and industrial sectors, highlighting how early movers are often well positioned when coming out of the gates as markets recover.

Session Facilitator: Ryk Tierney, The Educational Employees' Supplementary Retirement System of Fairfax County
Speakers: Sabrina Unger, American Realty Advisors (ARA)
Steve Hagenbuckle, TerraCap Management LLC
Nicholas Vician, TerraCap Management LLC

9:45 AM – 10:45 AM   **BREAKOUT SESSION B** | Fifth Avenue Room (4th Floor)
How Does My Plan Stack Up? Meaningful Metrics for Comparing Public Plans
This session led by Cheiron Inc. will use public plans data to illustrate the metrics that are most meaningful in comparing public plans' funding progress, contribution policies and sensitivity to risk.

Session Facilitator: Tyler Link, Austin Police Retirement System (APRS)
Speakers: Bill Hallmark, Cheiron Inc.
Heath Merlak, Cheiron Inc.

9:45 AM – 10:45 AM **BREAKOUT SESSION C** | Elliott Bay Room (lobby level)
Session Facilitator: Hank Kim, NCPERS

9:45–10:15 **Express Talk:** *Insights for Increasing Operational Alpha & Reducing Fiduciary Risk from Your Securities Fraud Class Action Exposures (hint: It's not all about seeking to be lead plaintiff)*
In this session, Dividex Management will:

- Share insights and recommendations for conducting a self-check-up of your plan's management of its exposures to securities fraud litigation arising from domestic and foreign-trade portfolios and associated payouts.
- Discuss the NCPERS Securities Fraud Recovery Services offering to help address your plans approach to class action recoveries.

Speaker: Irwin Schwartz, Dividex Management

10:25–10:55 **Express Talk:** *The Secret Language of Share Price Movements*
In this session, participants will learn how to spot potential fraud through share price movements, understanding the significance of sudden drops versus gradual declines. The presenters will delve into the link between corporate disclosures and share prices, and how confidential witness investigations aid in uncovering fraud. The presentation also emphasizes how institutional investors can use this knowledge to maintain market integrity.
Speakers: Michael Stocker Dark, Berman Tabacco
Guillaume Buell, Labaton Keller Sucharow
Amy Greenbaum, Labaton Keller Sucharow

11:00 AM – 11:30 AM **EXHIBIT BREAK** | Grand Ballroom III (4th Floor)

11:45 AM – 12:45 PM **BREAKOUT SESSION A** | Grand Ballroom I&II (4th Floor)
The Opportunity in Private Credit: Why We Believe Now is the Time to Invest
Join Russell Investments and Golub Capital for an educational overview of the direct lending landscape and private credit market. This session will discuss how to navigate the opportunities and risks around this growing and multi-faceted asset class and why we believe now is the time to consider investing in private credit.
Session Facilitator: Adele Tagaloa, Orange County Employees Retirement System (OCERS)
Speakers: David Manzano, Golub Capital
Keith Brakebill, Russell Investments

11:45 AM – 12:45 PM   **BREAKOUT SESSION B** | Fifth Avenue Room (4th Floor)
                       ESG Trends in Investment Considerations and Securities Litigation
                       The panel will provide an overview of the state of pro-ESG and anti-ESG
                       developments for public pension plan investors and will share their experience
                       advising pension plan investors in complying with anti-ESG legislation.
Session Facilitator: David Harer, Professional Firefighters of Alabama
     Moderator: Margaret Niles, K&L Gates LLP
     Speakers: Andrew Feucht III, K&L Gates LLP
                       Brian Calandra, Pomerantz LLP

11:45 AM – 12:45 PM   **BREAKOUT SESSION C** | Elliott Bay Room (lobby level)
Session Facilitator: Hunter Bryant, NCPERS

11:45–12:15   **Express Talk:** *Benchmarking in Hedge Funds*
                       Until recently, there has been a lack of high-quality investable benchmarks in
                       the hedge-fund space. In the past, hedge-fund investors have had only two
                       options for benchmarking: theoretical indices from hedge-fund databases or
                       "cash-plus" targets. Today, however, true benchmarks exist that can help
                       hedge-fund investors evaluate active strategies and provide alternatives to an
                       active approach. Specific topics include the following:

                       - The evolution of hedge-fund benchmarking and the opportunities it
                         presents for today's investors
                       - How investable indices can provide simple solutions to access genuine
                         hedge fund exposure
                       - Benefits of using a passive benchmark tracker as part of a core-satellite
                         approach
     Speaker: Tam McVie, abrdn

12:25–12:55   **Express Talk:** *Uncover Active Returns in Passive Management: Earn More by*
                       Capturing the Missed Opportunities of Standard Passive Investing
                       Passive investing continues to grow at a fervent pace and for good reason.
                       Returns have been strong, and fees continue to come down. Despite the
                       growth, benchmarks continue to be inefficient which can expose index investors
                       to uncompensated risks. As such, the marketplace has evolved to exploit these
                       inefficiencies to maximize performance, but not all investors are aware. New
                       and innovative index strategies seek to exploit these inefficiencies by
                       implementing a low active risk approach to passive investments. For large long-
                       term institutional investors with a core passive strategy, these strategies can
                       offer a step forward by unlocking the potential to add increased performance
                       while maintaining low base index fees.
     Speaker: David Barron, LGIM America

1:00 PM – 2:00 PM   **LUNCH & LECTURE SERIES |** Cascade Ballroom (2nd Floor)
(This event is not open to guest registrants)
Artificial Intelligence and Plan Governance Considerations
While a plan is considering how to approach AI, it should also consider the development of policies and procedures to guide staff and provide parameters for the use of AI. We will address those important governance and fiduciary issues that plans need to consider regardless of whether they decide to use AI, and the risks of not doing anything.

Speakers: Christopher Fikes, Segal
Scott A. Miller, Segal

2:15 PM – 3:15 PM   **BREAKOUT SESSION A |** Grand Ballroom I&II (4th Floor)
What Makes a Good Securities Case: Essentials for Public Funds
This session follows the presenters October 2023 discussion about private securities litigation's importance to funds. It will address key questions for evaluating securities actions, including fund losses, case suitability, resource constraints, and feasibility. The panel will cover securities class actions, shareholder derivative actions, case evaluation processes, and considerations for active fund involvement in litigation. Key factors such as case merits, jurisdiction, fund losses, potential benefits, and legal strategies will be explored, along with essential inquiries for legal counsel.

Session Facilitator: Frank Ramagnano, International Association of Fire Fighters
Moderator: Lydia Lee, Of Counsel, Lieff Cabraser Heimann & Bernstein, LLP
Speakers: Katherine Lubin Benson, Lieff Cabraser Heimann & Bernstein, LLP
Mike Sheen, Lieff Cabraser Heimann & Bernstein, LLP
Kevin B. Lindahl, Fire and Police Pension Association Colorado
Sherry Mose, Houston Municipal Employees Pension System

2:15 PM – 3:15 PM   **BREAKOUT SESSION B |** Fifth Avenue Room (4th Floor)
It's Time to Move Out the Curve: The Case for Adding Duration in High Quality Fixed Income
High quality fixed income serves as a critical component of defined benefit plan portfolios – it is typically the most defensive allocation, providing an anchor to windward in periods of market distress. The discussion will examine the rationale, benefits, and drawbacks associated with incorporating allocations to longer-term bonds.

Session Facilitator: William Whitman, NCPERS
Speakers: Colyar Pridgen, Capital Group
Jason Malinowski, Seattle City Employees' Retirement System

2:15 PM – 3:15 PM   **BREAKOUT SESSION C** | Elliott Bay Room (lobby level)
High Inflation and Post Retirement Benefit Increases – Approaches and Pros and Cons
This session will explore ways public pension systems have structured their programs to show what has worked, what has not and discuss best practices as funds try to mind the financial metrics while being sensitive to retired member's needs.

Among the potential discussion topics will be:

- Range of post-retirement increase approaches in place today
- Pros and cons of those designs
- Recommended approaches and designs
- Include a case study cost/benefit analysis

Session Facilitator: James Thompson, Denver Employees Retirement Plan
Speakers: Tom Vicente, Bolton Partners
                        Jordan McClane, Bolton Partners

3:30 PM – 4:15 PM   **NATIONAL COMMITTEE EXECUTIVE BOARD ELECTIONS**
Puget Sound Room (lobby level)

4:30 PM – 6:00 PM   **NETWORKING RECEPTION** | Cascade Ballroom (2nd Floor)

WEDNESDAY, MAY 22

7:00 AM – 12:00 PM   **REGISTRATION** | Grand Ballroom Foyer (4th Floor)

6:30 AM – 7:45 AM   **BREAKFAST** | Grand Ballroom III (4th Floor)

8:00 AM – 9:00 AM   **BREAKOUT SESSION A** | Grand Ballroom I&II (4th Floor)
Leveraging Technology and Business Process Improvement (BPI) for Enhanced Pension System Implementation
This presentation will explore the transformative journey of the San Bernardino County Employees' Retirement Association (SBCERA) in modernizing its pension administration capabilities through adopting a forward-thinking approach emphasizing process efficiency, member service enhancement, and a continuous improvement culture.

Session Facilitator: Ginger Sigler, Oklahoma Police Pension and Retirement System
Speakers: Olivia Applegate, San Bernardino County Employees' Retirement Association
                        Colin Bishop, San Bernardino County Employees' Retirement Association
                        Gerard Pappa, Linea Solutions

8:00 AM – 9:00 AM   **BREAKOUT SESSION B**| Fifth Avenue Room (4th Floor)
What do you get when you cross an actuary and an investment officer? Around the board table – Questions, Observations, and Challenges Facing Trustees
Ashbel Williams has held many positions in asset management including Executive Director and CIO of Florida State Administration Board along with various volunteer roles. Today, at JP Morgan Asset Management, he continues to work with public pension plans in various capacities and over the last year he has been asked six questions consistently by trustees and will share his perspectives and some of the best practices he has observed.

Session Facilitator: John Neal, Arkansas Local Police & Fire Retirement System (LOPFI)
Speaker: Ashbel Williams, JP Morgan Asset Management

8:00 AM – 9:00 AM   **BREAKOUT SESSION C**| Elliott Bay Room (1st Floor)
Uncovering Opportunities in Emerging Markets: The Investment Case, India, and Small-Caps
US equity markets have dominated performance over the past decade, prompting investors to question the necessity of diversifying into other regions, including emerging markets. However, we argue that emerging markets present an attractive opportunity for higher growth and unique investment themes at discounted prices. Despite being undervalued relative to developed markets, emerging markets remain under-owned. Join our speakers as they explore the potential within the broader emerging markets sector, with a focus on opportunities in India and small-cap emerging market investments.

Session Facilitator: Sherry Mose, Houston Municipal Employees Pension System
Speakers: Bobby Mullen, Victory Capital Managementda
Natascha Barros Ehrensperger Willans, ABS Global Investments
Karti Bhatt, Wasatch Global Investors

9:15 AM – 10:15 AM   **BREAKOUT SESSION A** | Grand Ballroom I&II (4th Floor)
Finding Great Returns in the Midst of Changing Markets - Examining the Performance of Diverse Managers in Alternative Asset Classes
The audience will come away with insights and perspectives to help them:

- Intentionally engage in leading and/or supporting increased engagement and capital allocation with diverse managers.
- Confront institutional bias and pushback with the data and research that enhances their fiduciary commitment to maximizing returns.

Session Facilitator: David Kazansky, United Federation of Teachers
Speakers: Robert L. Greene, National Association of Investment Companies (NAIC)
Meredith A Jones, Author, and Consultant

9:15 AM – 10:15 AM   **BREAKOUT SESSION B** | Fifth Avenue Room (4th Floor)

Building Organizational Health in a Public Retirement System – Guidance on Best Practices in Fiduciary Governance and Leadership Development for Boards and Staff

This session, presented by two Executive Directors with experience leading public retirements systems in four states, and moderated by a longtime outside fiduciary advisor to public retirement systems and their boards nationally, will explore best practices around organizational health, employee engagement, and how to build stability in a public retirement system to further long-term success as both a smart and healthy enterprise. The panelists and moderator also will discuss how these practices may assist the retirement systems, and their Boards, in withstanding challenges to their governance and operations and to position their retirement systems to move from being successful, to becoming outstanding, organizations.

Session Facilitator: Frank Ramagnano, International Association of Firefighters
Moderator: Ashley Dunning, Nossaman LLP
Speakers: Kevin B. Lindahl, Fire and Police Pension Association Colorado
Linda Webb, Fort Worth Employees' Retirement System

9:15 AM – 10:15 AM   **BREAKOUT SESSION C** | Elliott Bay Room (1st Floor)
Session Facilitator: Hank Kim, NCPERS

9:15–9:45   **Express Talk:** *Engaging your Employers: The ROI of a Dedicated Communications Specialist*

We all have robust communications plans for our members, but what about our employers? Members of the Oregon PERS Communications Section present a case study on the results of adding an employer communications specialist to the team. Learn strategies and tactics to help improve data, increase reporting accuracy and timeliness, and reduce employer call volume. Discover scalable steps to repeat these successes for small teams to large divisions.

Speakers: Jonathan Yost, Oregon Public Employees Retirement System
Shawn Harper, Oregon Public Employees Retirement System

9:55–10:25   **Express Talk:** Private Credit Opportunities in Maritime and Offshore Energy

The speaker will present on private credit opportunities in maritime and offshore energy, providing an in-depth overview of the compelling opportunity sets available to state and local government pension plans.

Speakers: Bryan Schneider, EnTrust Global

10:30 AM – 12:00 PM GENERAL SESSION IV | Grand Ballroom I&II (4th Floor)

10:30–11:15 *What's Next for Diversity, Equity, and Inclusion?*
A panel of experts will discuss the current state of DEI in the workplace and the challenges & opportunities ahead. You will walk away with a deeper understanding of how to successfully implement organizational policies that will lead to a more diverse, equitable, and inclusive workplace.

Moderator: Jim Park, Association of Asian American Investment Managers

Speakers: Chrissie Pariso, MPowered Capital; Board Member of Women's Association of Venture and Equity (WAVE)
Robert Greene, President & CEO, National Association of Investment Companies (NAIC)
Leon Brujis, Partner, 65 Equity Partners

11:15–12:00 *A Conversation with Investment Consultants*
Moderated by Marisa Grant, former CIO of Pugh Capital Management, a panel of leading investment consultants talk shop and share their views on the state of the industry.

Moderator: Marisa Grant, Pugh Capital Management

Speakers: Daniel Johnson, Mariner Institutional
Phil Kivarkis, Aon
Geoff Strotman, Segal Marco Advisors

2024 HIERS Board Self-Evaluation

Discussion Document

March 6, 2024

Funston Advisory Services LLC

Agenda

- HIERS Board Self-Evaluation Process

- Summary of Effectiveness and Priority Ratings

- High Level Self-Evaluation Summary

- Assessment and Preliminary Recommendations by Area

- Priority Recommendations

HIERS Board Self-Evaluation Process

- Responses to an online survey, summarized in this document, were collected during February 12 through March 6 from six trustees.

- This discussion document has been prepared to provide the Board with the results of the self-evaluation survey.

Summary of Effectiveness Ratings

- Trustees rated all almost areas as "Effective" or better; the one exception is "Board Education and Development," which was rated between "Effective" and "Ineffective" by trustees.

Average Effectiveness Rating for Each Group
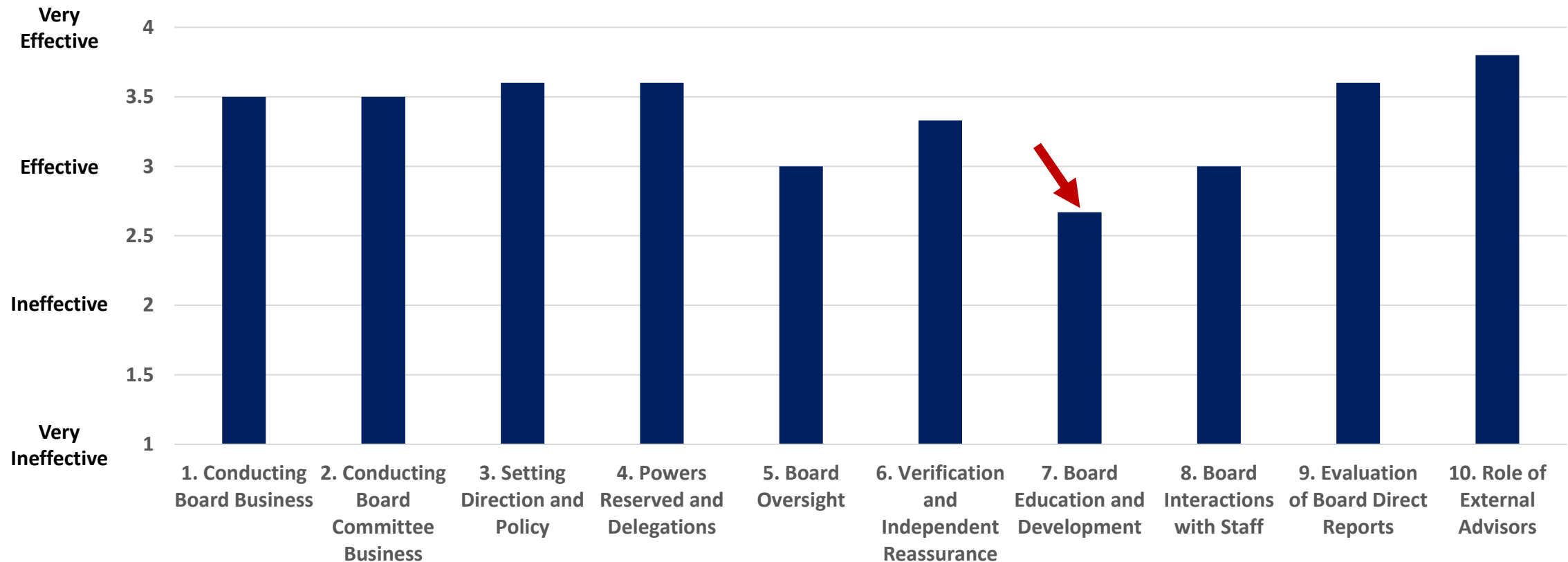
Summary of Priorities for Improvement

- Although none of the areas was rated a high priority for change, the top three rated three were at least medium priority, on average:

    1. Board Education and Development
    2. Setting Direction and Policy
    3. Board Oversight

Average Priority Rating for Each Group
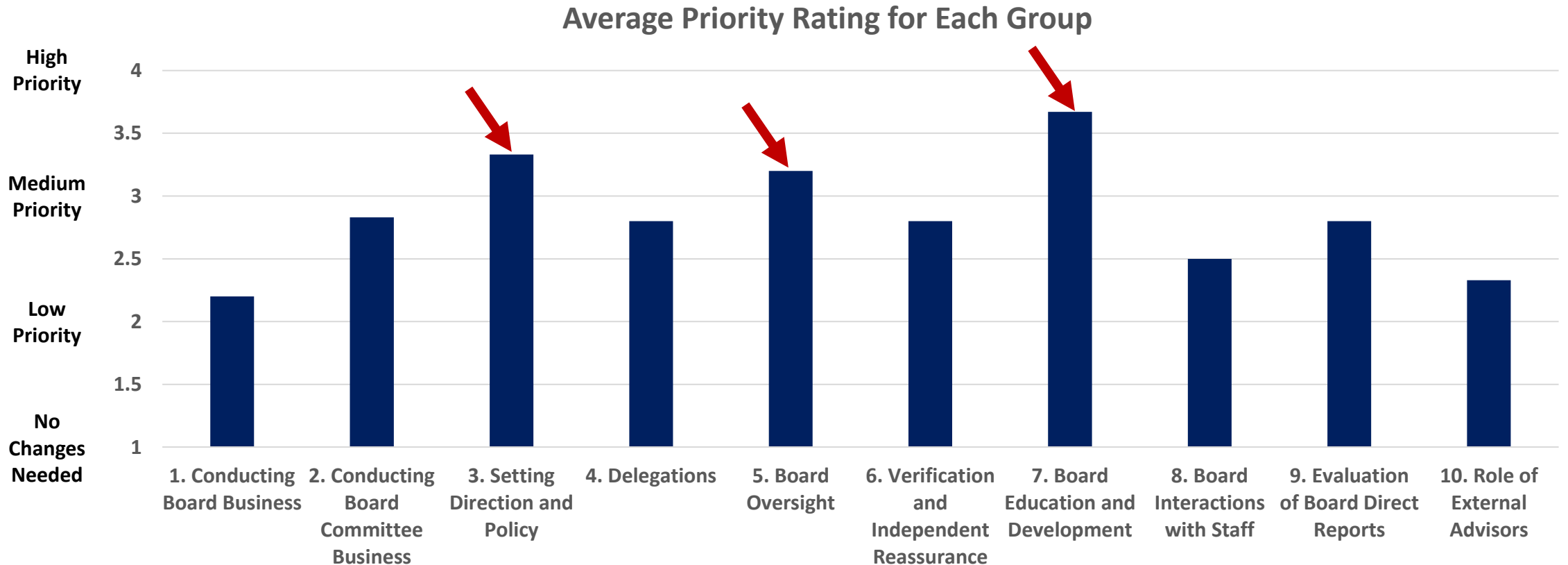
High Level Self-Evaluation Summary

- Generally, the trustees believe HIERS governance has improved and is working well.

- Primary opportunities for Board improvement identified are:
  - A more structured onboarding and continuing education program, with more "push" from staff.
  - More collaborative agenda setting process with more input from trustees.
  - Potential streamlining of the committee structure, with the Governance Committee merged or eliminated.
  - Better alignment of trustee experience with appropriate committees and generally leveraging experience for improved oversight.
  - Continue to improve risk management and internal audit oversight.
  - More Board visibility to senior staff through presentations and interactions.
  - More robust ED goal setting and evaluation process.

- Primary areas of concern for the system are:
  - Cyber security risks.
  - Succession planning for the ED and senior executives.

Conduct Business of the Board and Its Committees

Full Board

- The Board is operating effectively given the frequency and ability of Board members to attend meetings.

- Need to have a full board to spread some of the responsibilities – being short one member has been a burden and made it difficult to achieve a quorum.

- Need better onboarding and education to assist in better preparation for meetings.

- Agenda setting could be improved through more collaboration.

Committees

- All committees were rated as "effective" or higher.

- Committee membership should consider the fit of the trustee's experience and the committee's needs, e.g., the Investment Committee and Administrative and Audit.

- Could consider dissolving the Governance Committee (or merging) and handling governance matters with the full Board now that we have completed many improvements.

- Should have more discussion on the Legislative Committee on some bills before taking a position.

Set Direction, Delegate, and Oversee

Set Direction

- We have made strategic policy changes in recent years and overall governance is working well.

- Would like more updates or refresher discussions.

Delegate

- We've done a good job with investment authority delegation as well general administrative decisions.

- Role and responsibilities of the Board and Staff need to be clearly defined and articulated; need to ensure delegated authority is not exceeded and remains within guidelines.

Oversee

- Biggest risks are cyber and succession – need to make sure we have effective oversight.

- Board should maintain oversight and independence but not get too involved with daily operations.

- Need to better leverage Trustee knowledge of key functional areas.

Obtain Independent Verification and Use of External Advisors

Obtain Independent Verification

- We are still building our internal risk management capabilities.

- Internal auditors are giving us good feedback.

- Independent reassurance function is strong, however the long list of weaknesses identified is not being matched with talent and resources to timely address.

- The Board can only evaluate a limited number of projects during a year, and it is difficult to "cycle back" to see if improvements were implemented or how well the improvements are working.

Use of External Advisors

- We have been effective in our selection and use of external advisors.

- Need to ensure Board and Staff recognize where advisor duty and advisory services resides.

- Our advisors have performed their jobs according to what they were contracted to do.

Board Education and Development

- The onboarding and development has been provided, but learning opportunity seems to be underutilized.

- Would like more guidance on education and training opportunities on specific areas.

- Would like the ED to ask the board about education topics and priorities and make suggestions on what conferences to attend.

- Need better administrative management and reporting of board development.

Board Interactions with Staff and Evaluations of Direct Reports

Board Interactions with Staff

- Need more emphasis on succession planning.

- Would like to have more direct interaction with and presentations from staff, not just through the ED reports.

- Broad leadership talent, accountability, and succession would be strengthened by making all key managers/supervisors exempt.

Evaluation of Direct Reports

- Should have a formal annual goal setting process for the ED.

- The Board has done a good job of making improvements to the compensation of executive / exempt staff.

- We should take a step back with less emphasis on compensation and look at the overall evaluation process.

Experience, Skills and Qualifications Matrix

Subject Area	No prior experience	Have learned the basics through ERS experience	Have become proficient through ERS experience	Prior experience through work	Prior experience through Boards	Have a professional certification
1. Board Governance	0	2	0	1	4	0
2. Legal and Regulatory Knowledge	0	4	2	3	1	0
3. Investment Strategy and Management	0	4	2	2	4	0
4. Actuarial Science	2	4	0	1	2	0
5. Auditing	1	3	2	4	3	0
6. Pension Administration	2	3	1	2	1	0
7. Finance and Administrative Management	1	3	2	3	3	1
8. Risk Management	0	4	1	2	1	0

Experience, Skills and Qualifications Matrix

Subject Area	Minimal interest in additional training	Interested in online training	Interested in external conferences	Interested in Board training by external advisors	Interested in Board training by staff
1. Board Governance	0	4	2	2	0
2. Legal and Regulatory Knowledge	0	4	2	2	0
3. Investment Strategy and Management	0	3	3	5	2
4. Actuarial Science	1	2	1	2	0
5. Auditing	2	2	0	3	0
6. Pension Administration	1	2	2	2	1
7. Finance and Administrative Management	0	4	3	2	2
8. Risk Management	0	4	3	3	1

Employees' Retirement System of the State of Hawaii

Mid-Year Update

June 25, 2024
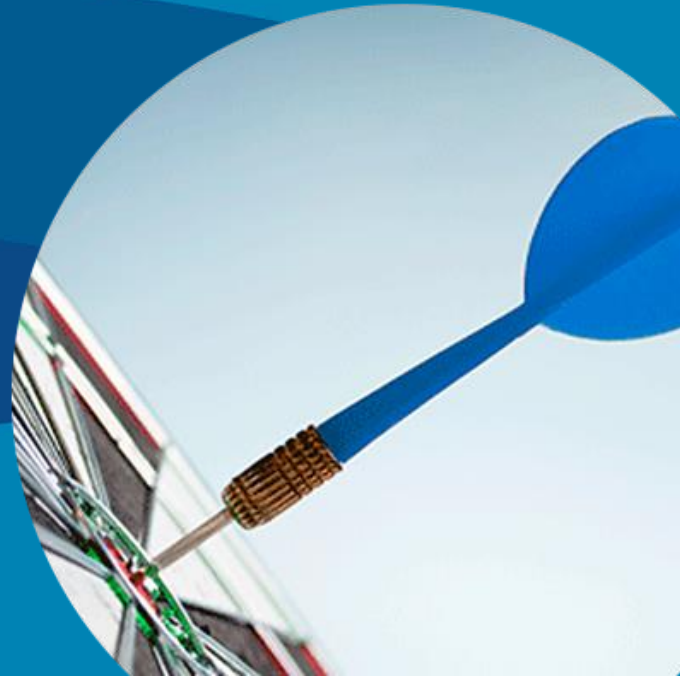
Projected 2024 Actuarial Valuation Results

Valuation Year	2021	2022	2023	2024**
UAAL ($ Billions)	$14.23	$13.51	$13.71	$13.80
Actuarial Funded Ratio	58.3%	61.2%	62.2%	63.2%
Funding Period in years*	24	24	23	**22**

**Assumes 7.0% FY24 market return and all of other assumptions met
*Based on open group projection, recognizing new benefits for members hired after June 30, 2012

Projection of Funding Period from 2016 Legislative Impact Statement vs Actual Valuation Outcomes

2016 was the valuation year used by the fiscal notes for Act 17 (SB 936). Thus it is the baseline that can be used to monitor progress compared to the original projections.

Legend: Actual / Act 17 (SB 936) Impact Statement
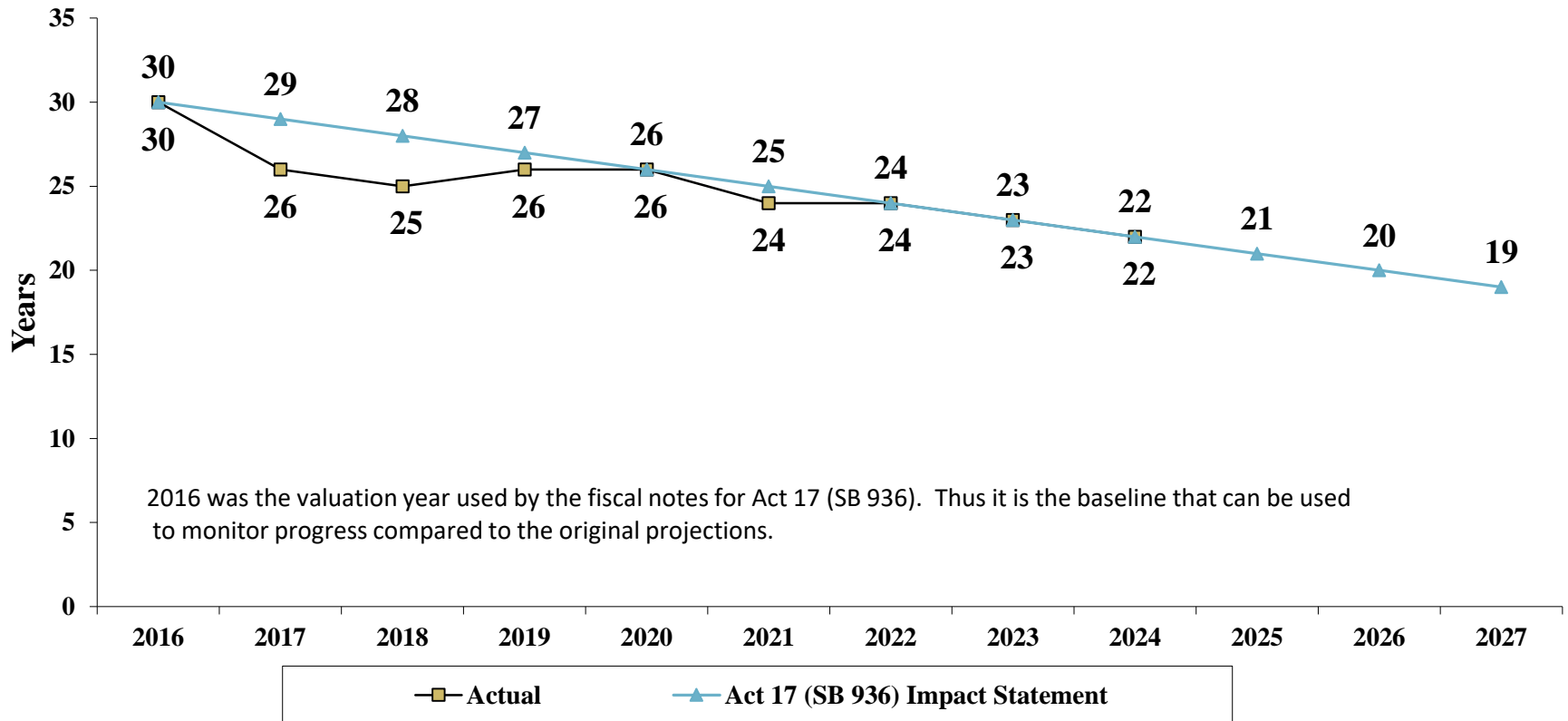
Actual 2024 is estimated based on 7.0% FY24 market return and all other assumptions met

The UAAL slightly grew in dollars from last year, but this was expected and is still well below 2016 projections.

Actual vs Projected UAAL

Legend:
- **Projection in Act 17 (SB 936) Impact Statement** (red dashed line)
- **Actual History** (X markers)
- **Projected 2024 Valuation** (blue solid line)
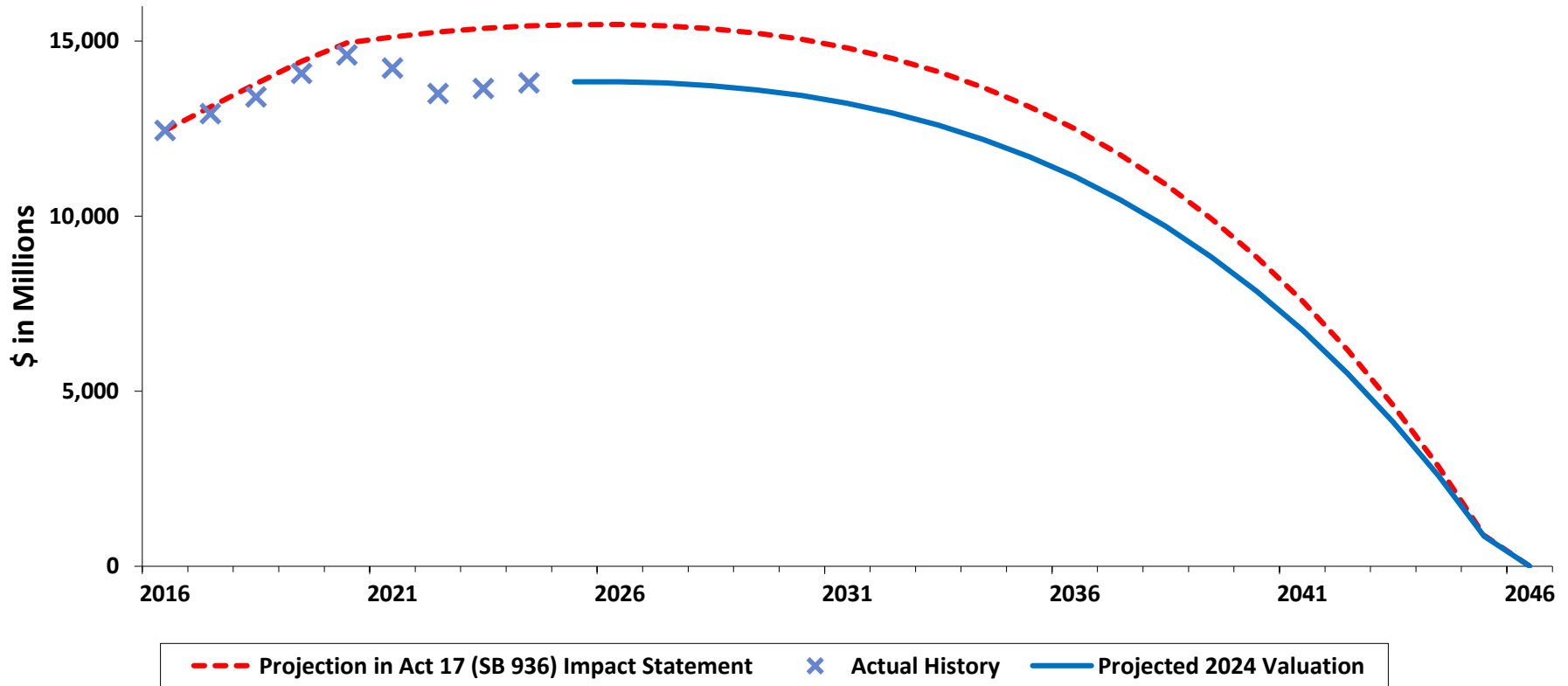
2024 is estimated based on 7.0% FY24 market return and all other assumptions met

Two Legislative Bills

- ## SB3070 HD1 CD1
  - Lowers the maximum allowable funding period from 30 to:
    - 25 years as of June 30, 2024
    - 24 years as of June 30, 2025
    - 23 years as of June 30, 2026
    - 22 years as of June 30, 2027
    - 21 years as of June 30, 2028
    - 20 years as of June 30, 2029 and beyond
  - New policy is consistent with industry best practices

- ## HB40 SD1 CD2
  - appropriates $135 million to the ERS pension accumulation fund
  - Will lower the UAAL dollar for dollar

New policy begins at 25 years as of 2024 and begins a process of lowering the maximum period by 1 each year

Funding Period

Once the maximum period reaches 20 years, it would remain there moving forward

Legend:
- **Projected Based on 2024 Valuation**
- **30-Year Statutory Maximum**
- **Alternative, Begin 25 Walkdown to 20-Year Statutory Maximum**
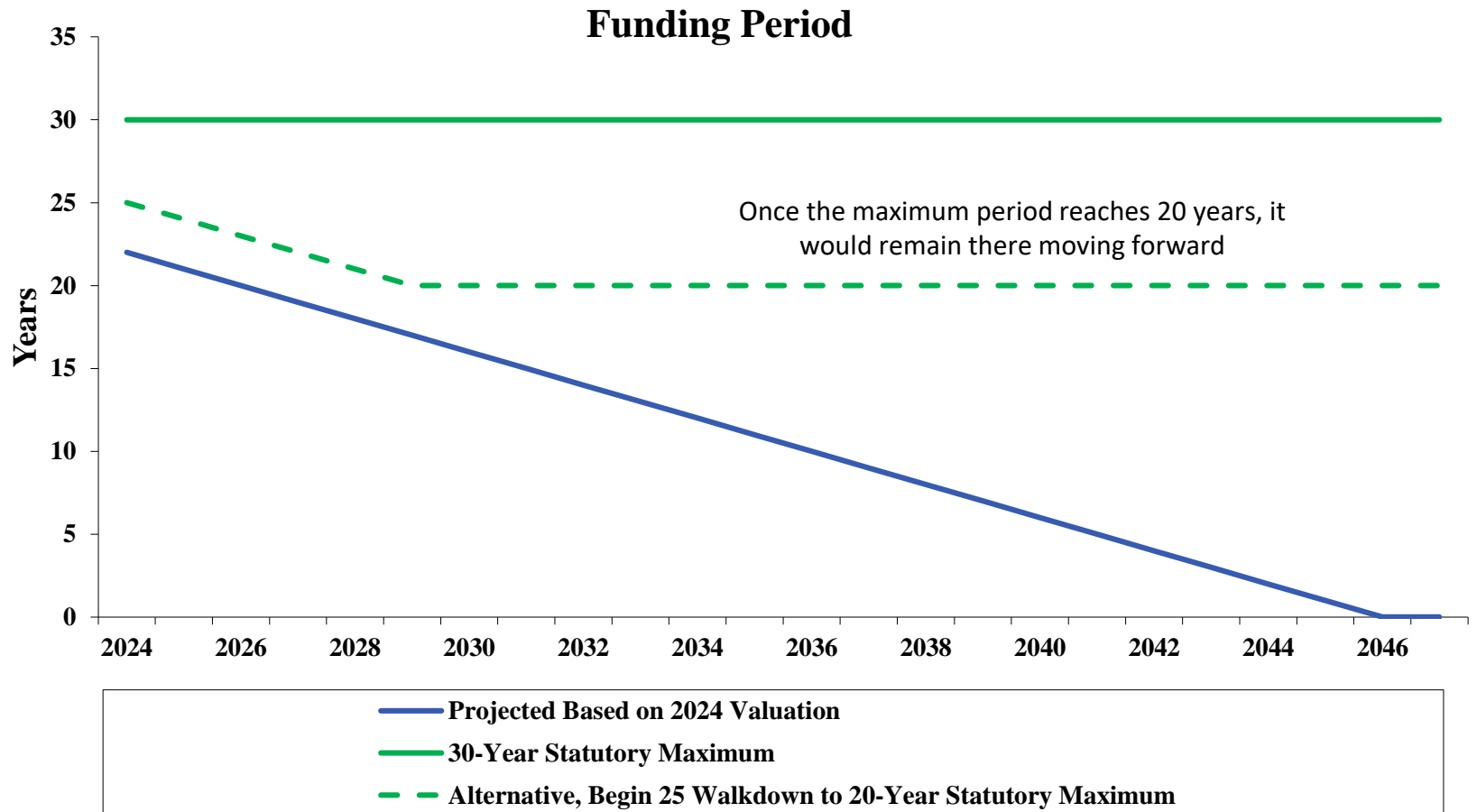
The funding period under the new policy is not expected to breach the Maximum as long as ERS achieves 6% returns or better

6% Actual Returns with Walkdown to Maximum 20 Period
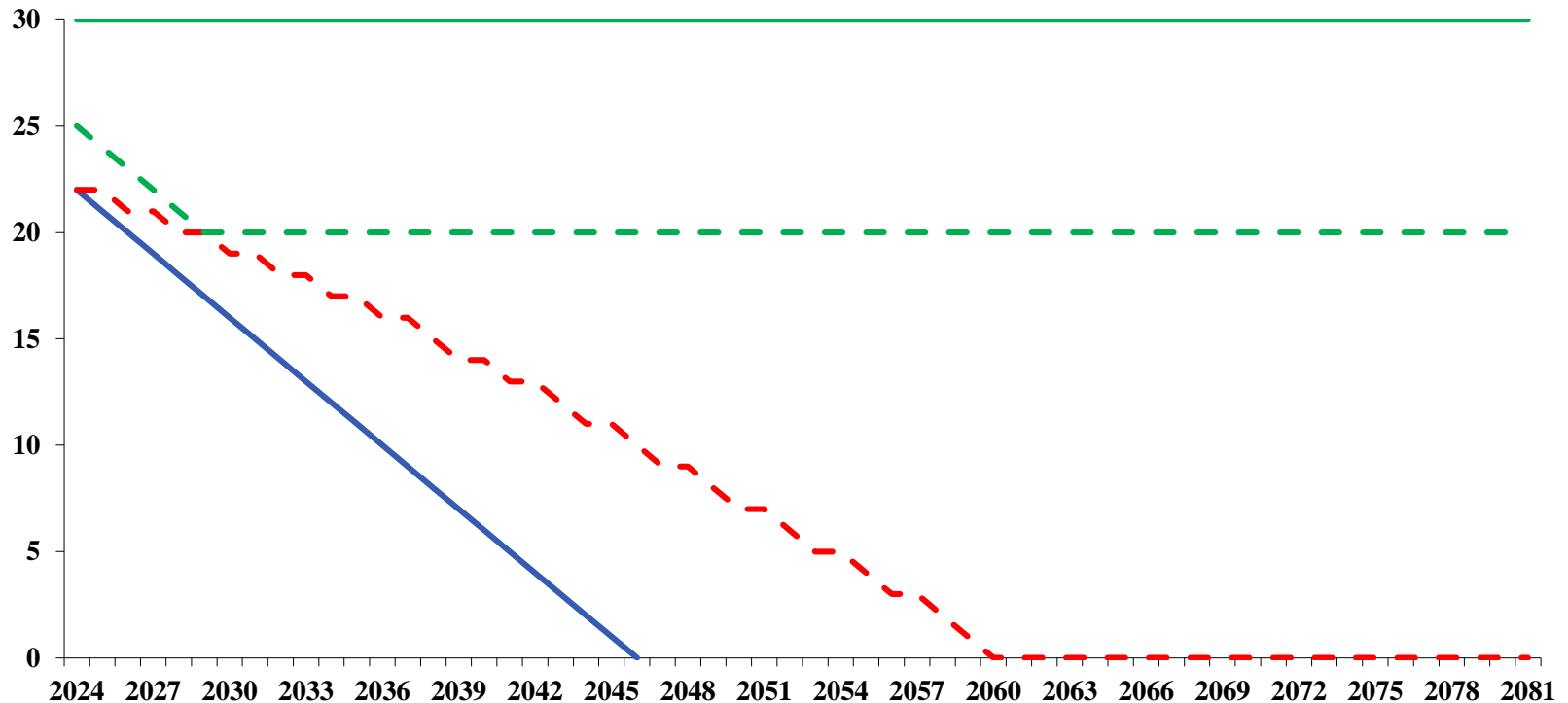
Legend:
- ―― Based on 2024 Valuation (7% Actual Returns on Market Value)
- – – Based on 2024 Valuation (6% Actual Returns on Market Value)
- ―― 30-Year Statutory Maximum
- – – Alternative, Begin 25 Walkdown to 20-Year Statutory Maximum

Summary

- The funded ratio is projected to increase and the funding period to decrease by 1 (as expected)

- The System continues to move towards positive amortization, expected to begin in FY2026 or FY2027

- The new maximum amortization period will protect the System over the long term

- It is likely this type of change will be seen very favorably by bond raters and satisfies all of the new Actuarial Standards of Practice

DRAFT – Tentative and Preliminary

Employees' Retirement System

Employees' Retirement System
of the State of Hawaii

Member Enrollment & Re-Enrollment Process Review

Internal Audit Report

Issue Date: April 2024

Report Number: STA011-XX-XX

REVIEW OF:	INTERNAL AUDITORS:
Member Enrollment & Re-Enrollment Process Review	Peter Hanashiro, KMH LLP Tyson Suehiro, KMH LLP Brent Kosaki, KMH LLP Elton Chon, KMH LLP

DATE:	RATING:
Completion of Fieldwork – March 27, 2024	Strong [ ] Generally Satisfactory [ ] Marginal [ ] Unacceptable [X]

BACKGROUND:

The Member Enrollment & Re-Enrollment Process Review was approved as part of the Employees' Retirement System's (ERS) two-year audit plan for 2023 to 2024. This review focused on the ERS enrollment process for new members and re-enrollment process for return to work members and retirees (returning back into the workforce). The review also included the process of assigning class codes to each new or returning member, which is completed as part of the enrollment process.

The primary contacts for this review were Karl Kaneshiro, Retirement Benefits Branch ("RBB") Manager; Lori Kobayashi, General Professional – Membership Section; and Norinne Jong, RBB Supervisor. Internal Audit ("IA") also met with and received information from Kanoe Margol, Deputy Executive Director; Keith Miyamoto, IT Manager; and Diane Tengan, Staff Support Services ("SSS") Supervisor, as part of this review.

The diagram below depicts the ERS' pension system timeline. Processes shaded in blue were previously reviewed by IA, while processes shaded in green were included in the scope of this review. Member enrollment is the starting point in the pension system cycle in which State/County employees enroll as ERS members and begin contributing towards their pension. In order for the ERS to properly enroll members, data must be collected and maintained during the enrollment period.
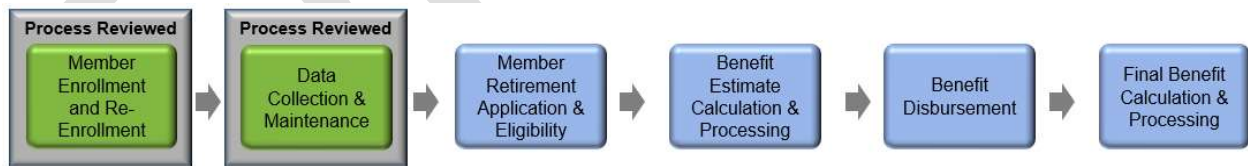
The member enrollment and re-enrollment processes, primarily fall under the responsibility of the RBB. Lori Kobayashi provides leadership and oversight over these processes and has done so since September 2022. The Enrollment Team is currently made up of four retirement claims examiners ("RCEs") and have the primary responsibility of enrolling/re-enrolling members and assigning each member with a class code. The ERS' class codes are used to differentiate the various retirement plans offered by the ERS and information reported by employers on its employees are used to identify the appropriate class code to be used for each employee. Since 2023, there are also neighbor island retirement claims examiners that have been trained to assist in certain enrollment activities, including identifying class code miscodings, calculating

shortages in contributions for miscoded employees, and evaluating forfeiture of service for returning members**.**

Prior Audit Results
This area was last reviewed in September 2012 and was rated *Acceptable*. The report included four findings, two with a *moderate* risk rating and two with a *low* risk rating. In summary, our findings were as follows:

1. There is a backlog in the processing of enrollment data caused by (i) V3 records not being up to date, (ii) additional tasks created by new processes and initiatives, and (iii) inconsistent and inefficient reporting of personnel information.
2. RBB (formerly EC&B Branch) personnel are duplicating research activities during the member enrollment and re-enrollment processes and there is a lack of clarity of oversight and monitoring responsibilities over the assignment and completion of Class Code Reports.
3. Class Code Reports are accessible by all ERS employees, although access is not required to support all job functions.
4. There is no standard requirement for centralized tracking of member enrollment forms and critical source documents. Specifically, no mechanism to track the completion of member enrollments.

IA confirmed through the review of past finding recommendation tracking logs and inquiry with management that these findings were remediated.

Regulatory Requirements
Hawaii Revised Statutes ("HRS") 88-41 to 88-63 (Membership and Service), Act 163 (change to hybrid plan), and Hawaii Administrative Rules ("HAR") Chapter 21 (Service Credit) are the applicable regulations to this area.

Act 163 created a new tier of retirement benefits for all employees who became and/or become members of the ERS after June 30, 2012. This pension reform legislation required that new members be identified differently from members before July 1, 2012 which, in turn, required the enrollment of new members through new class code reports to be provided by employers. Enrollment codes for new members not only determine the employee's retirement benefits, but also drives employee and employer contributions and the reporting of the employee's eligible compensation to the ERS.

Enrollment and Re-Enrollment
Currently, membership enrollment forms (ERS-1 form) are received by SSS from employing departments and agencies ("employers") and are forwarded to RBB for processing. RBB creates electronic records for new members or reactivates/updates existing members and retirees returning to work in the ERS' core pension administration system database ("PAS").

The PAS is used to maintain and process electronic membership records and retain imaged forms and documentation collected during the enrollment and re-enrollment processes. RBB also uses the PAS to administer benefit elections, contribution processing, and benefit and retirement calculations. When employers submit payroll reports, the PAS will associate and apply the payroll data, including contributions, to the corresponding member profile.

For re-enrollments, RBB conducts an additional service credit and account setup accuracy review to ensure that each member's service credit is correct. A log listing all return to work members (Return to Work Transfers Log) is maintained by RBB and used to track members who have a completed or pending service credit review.

As with any high volume, repetitive and primarily manual process, the member enrollment and re-enrollment processes are exposed to several risks including, but not limited to, risk of members being improperly enrolled and employee records being coded with erroneous group or class codes which could potentially affect employee and employer contributions. Enrolling a member incorrectly can also negatively impact retirement pension calculations, eligibility requirements, and death benefit amounts.

Refer to Appendix B for a summary-level process flowchart, which includes the process steps and controls applicable to member enrollment and re-enrollment.

Class Code Report (CCR)
ERS Class Code Reports were created to assist employers with the enrollment of employees into the retirement system. The ERS' class codes are used to differentiate the various retirement plans offered and the reports are used to identify the appropriate class code to be used for each employee. ERS currently has class codes for the following retirement plans:
- Hybrid Tier 1 & 2
- Contributory Tier 1 & 2
- Noncontributory

The RBB Office Assistant and RCEs determine member eligibility for ERS enrollment and retirement benefits and verify that appropriate group and retirement class codes are assigned and reflected in the member's records. In order to receive a class code, employers will submit to the ERS a CCR Transmission File containing a list of prospective employees that require a class code assignment. The RBB assigns class codes to each employee listed and returns the file to the employer within 7 days. Once employers receive the class code, it is their responsibility to use the correct class code for personnel and payroll reporting to the ERS.

Miscoding of class codes can create overages (excess of retirement deductions) or deficiencies (shortage of retirement contributions) causing fluctuations of thousands of dollars. For example, a miscoding that incorrectly assigns the member to Tier 1 instead of Tier 2 could lead to 2% less retirement deductions during each pay period. These miscoding errors may be caused by RBB assigning incorrect class codes or the correct class codes not being properly used by an employer's payroll department.

Additionally, for actuarial and reporting purposes, member class code information must be accurate as the actuarial assumptions are based in part on the census information from the respective class codes.

Refer to Appendix C for a summary-level process flowchart, which includes the process steps and controls applicable to class code reporting.

SCOPE & OBJECTIVES:

The objectives of our review were to:

1. Evaluate the ERS' enrollment and re-enrollment processes and internal controls related to enrolling new and returning members timely and accurately, adjusting returning member accounts and retiree accounts (returning back into the workforce) for accuracy and completeness, and properly maintaining supporting enrollment documentation.
2. Evaluate the ERS' class code reporting process and internal controls for accurately assigning class codes to members and returning class code reports to employers in a timely manner.
3. Assess ERS' controls for restricting user access to class code reporting and enrollment data stored in the PAS and shared drives.
4. Provide recommendations and leading practices for improvements to enhance effectiveness and efficiency, where applicable.

The scope of our review included, among other procedures:

- Conducting inquiries with the RBB Manager, General Professional – Membership Section, and RBB Supervisor to understand current member enrollment and re-enrollment and class code reporting processes and practices.
- Conducting a step-by-step walkthrough of an enrollment of a new member, a re-enrollment of a return to work member, a re-enrollment of a retiree, and an employer's class code report submission. IA confirmed process steps, primary documents used, and control activities from these observations and inquiries.
- Testing the ERS' enrollment and re-enrollment process, including verifying the clerical accuracy and completeness of member information in the PAS against source enrollment forms and evaluating the timeliness of completing the enrollment process in the PAS. IA haphazardly selected and tested a sample of member enrollments and re-enrollments completed during the scope period.
- Testing the completeness of the Return to Work Transfers Log by verifying that the log included each return to work member who returned to work during the scope period per the PAS.
- Testing the ERS' class code reporting process, including verifying that class codes assigned to each member was appropriate based on their group code, confirming that the assigned class code was accurately listed in the CCR Master Log, original CCR Transmission File, and ERS-1 Form; and verifying that the CCR Transmission File included class code assignments for all names listed, were properly reviewed by the RBB enrollment team, and the file was returned timely to the employer. IA haphazardly selected and tested a sample of members assigned class codes and CCR Transmission Files during the scope period.
- Reviewing reports containing a listing of users with access to the PAS and the class code report folder in ERS' network drive. IA evaluated all users and determined whether each user listed in the report was appropriate based on their job position, job title, and employment status.

The scope period for our detailed testing was from July 1, 2022 to June 30, 2023.

The scope of services is not intended to and does not constitute work to perform an audit, review, or other form of attestation or assurance in accordance with any generally accepted auditing, review or other attestation and assurance standards in the United States of America, nor to provide or express an opinion on the effectiveness of the ERS' internal control. Accordingly, we are unable to express and will not express an opinion or express any form of assurance on the findings or internal controls of the ERS. In addition, reviews performed relate only to the items referred to therein and do not extend to any financial statement or other ERS functions taken as a whole.

SUMMARY OF FINDINGS:

Based on the results of our work, the controls and related business processes in this area were rated *Unacceptable*.

IA identified five findings, two with a *high* risk rating and three with a *medium* risk rating. See the "Overall Rating Scale" and "Ratings for Individual Findings" detailed below.

In summary, our findings are as follows:

1. There is a shortage of SSS staffing and technology resources and lack of policies and procedures, resulting in a backlog of member enrollment forms, including ERS-1 and ERS Form 1A forms, that have not been imaged and indexed into the PAS. This backlog extends as far back to members who were enrolled over 12 months prior.
2. A lack of file management policies and procedures resulted in significant delays in the ERS locating and providing requested enrollment forms. Management was unable to provide one or more enrollment forms for approximately 40% of the members requested.
3. Management does not have data integrity control activities in place to review and verify member enrollment data information input into the PAS, exposing the ERS to an increased risk of not detecting data input errors.
4. Management does not have a control activity in place to verify that access to ERS' active directory and applications are properly disabled for all terminated employees, resulting in terminated employees inappropriately listed as current users per the PAS user access report.
5. There are currently no documented policies and procedures or any control activities in place to validate the Return to Work Transfers Log's completeness and accuracy, resulting in an incomplete listing of return to work members on the Return to Work Transfers Log.

See the "Overall Rating Scale" and "Ratings for Individual Findings" detailed below.

PLANNED FOLLOW UP BY MANAGEMENT AND INTERNAL AUDIT:

Management does not dispute these findings. Management action plans have been developed are scheduled to be fully implemented by June 2025. The targeted date for completion of each action plan is noted in the respective finding. IA will follow up with management on the progress of its action plans and report accordingly through periodic updates to the Administrative & Audit Committee.

OVERALL RATING SCALE	
The overall rating is assigned based on the following scale:	
Strong	The area reviewed has effectively assessed and managed its risks, implemented control processes, and complied with applicable policies, procedures, and appropriate laws and regulations. Internal control systems are sufficiently comprehensive and appropriate to the size and complexity of the organization. Monetary risk associated with control failures, if any, is not material. A few inconsistencies may have been noted, but compensating controls exist that sufficiently minimize the risk of loss (e.g., financial, reputational).
Generally Satisfactory	The area reviewed has adequately assessed and managed its risks, and has implemented generally effective control processes. Some weaknesses in controls may have been noted, but they are not such that the area is significantly exposed to risk of loss. Weaknesses or deficiencies identified are correctable in the normal course of business. Such areas are in general compliance with applicable policies, procedures, and appropriate laws and regulations.
Marginal	The area reviewed has control, policy, procedural, compliance and/or repeat findings that are sufficiently important to warrant the attention of more senior levels of management. Any deterioration in the current operating routine could lead to serious exposures and stakeholder criticisms. Should weaknesses continue without attention, they could lead to further deterioration of the rating to an *unacceptable* status.
Unacceptable	The area reviewed has serious control, policy, procedural, compliance and/or repeat findings. Exposure to potentially serious risk of loss exists. Exposure may also exist to potentially serious criticism by stakeholders. Such situations require urgent senior management involvement in implementing corrective action. Corrective action should be initiated immediately and may require significant amounts of time and resources to implement.

RATINGS FOR INDIVIDUAL FINDINGS	
Individual findings have been subjectively rated using the following priority scale:	
High	▪ The issue is a control deficiency which represents a significant gap in the design and/or operating effectiveness of control affecting the organization's ability to address relevant risks and provide reasonable assurance regarding the achievement of desired outcomes. ▪ Loss of stakeholder confidence is at an unacceptable level, and Management and the Board place a high priority on performance in this area. ▪ The issue requires an immediate, comprehensive, corrective action plan with progress to be monitored by an appropriate level of management.
Medium	▪ The issue is a control deficiency which represents a gap in the design and/or operating effectiveness of control affecting the organization's ability to address relevant risks and provide reasonable assurance regarding the achievement of desired outcomes. ▪ The issue requires prompt attention to ensure internal control is designed and/or operating effectively.
Low	▪ The issue represents an opportunity to improve control and processes to support the achievement of desired outcomes. ▪ The issue should be addressed promptly, as time and resources permit.

Considerable professional judgment is required in applying the ratings defined and used in this report regarding individual findings and recommendations as well as formulating an overall rating. Accordingly, others could rate the findings or conclusion differently and this should be considered when reviewing this report.

COSO 2013 INTERNAL CONTROL-INTEGRATED FRAMEWORK CATEGORIES

Internal Audit results and findings are categorized based on the Committee of Sponsoring Organizations of the Treadway Commission's ("COSO")* updated 2013 Internal Control-Integrated Framework. The updated framework provides 17 described principles across the five components of internal control. Mapping audit results to COSO principles provides a foundation for determining the degree of assurance provided by controls. This also offers direction for all levels of management in designing and implementing internal control as well as assessing its effectiveness.

Control Environment	Risk Assessment	Control Activities	Information and Communication	Monitoring Activities
1. Demonstrates commitment to integrity and ethical values 2. Exercises oversight responsibilities 3. Establishes structure, authority, and responsibility 4. Demonstrates commitment to competence 5. Enforces accountability	6. Specifies suitable risk objectives 7. Identifies and analyzes risk 8. Assesses fraud risk 9. Identifies and analyzes significant change	10. Selects and develops control activities 11. Selects and develops general controls over technology 12. Deploys controls through policies and procedures	13. Uses relevant, quality information 14. Communicates internally 15. Communicates externally	16. Conducts ongoing and/or separate evaluations 17. Evaluates and communicates deficiencies timely

Note: Please refer to **Appendix A** for a full listing of the 17 Principles.

In an effective system of internal control under the COSO 2013 Framework:
1. Each of the five components and relevant principles must be present and functioning.
   - **Present:** The determination that components and relevant principles exist in the design and implementation of the system of internal control to achieve specified objectives.
   - **Functioning:** The determination that components and relevant principles continue to exist in the conduct of the system of internal control to achieve specified objectives.
2. The five components must be operating together in an integrated manner.
   - **Operating together:** The determination that all five components collectively reduce, to an acceptable level, the risk of not achieving an objective.

Based on the scope and objectives of the review, IA will focus its testing approach on one or more of the five components of internal control and relevant principles.

* COSO is a private sector initiative dedicated to improving organizational performance and governance through effective internal control, enterprise risk management, and fraud deterrence. COSO published the Internal Control–Integrated Framework in 1992, providing a sound basis for establishing internal control systems and determining their effectiveness. In May 2013, an updated version of the Framework was released to formalize the principles embedded in the original framework, to facilitate development of effective internal control and assessment of its effectiveness, and to reflect many of the changes in the business and operating environments over the previous 20 years.

Finding Number: 1	Rating: High
Lack of Staffing, Technology, and Policies and Procedures Causing Imaging Backlog	**Principle(s): 7, 9, 12, 17**

The SSS Branch does not have the appropriate staff and technology resources to support the daily task of imaging and indexing forms into the PAS. Additionally, there are no policies and procedures that contain essential imaging processing requirements and established daily completion expectations.

There is currently a significant backlog of member enrollment forms, ERS-1 and ERS Form 1A, that have not been imaged and indexed into the PAS. Based on IA's discussions with management throughout the project, their expectation is for documents to be imaged and indexed within a week of its receipt date. This backlog extends as far back to members who were enrolled over 12 months prior.

In support of this finding, the following items were noted during IA's review:

- 48 out of 60 members selected for enrollment and re-enrollment testing and class code report testing did not have their enrollment forms imaged into the PAS.
  - For Enrollment Testing, IA noted 27 out of 35 of our member enrollment sample selections did not have enrollment forms imaged into the PAS.
  - For Class Code Report Testing, IA noted that 21 out of 25 member sample selections did not have ERS-1 enrollment form imaged into the PAS.
- The SSS Branch had prioritized imaging of other documents, including retirement applications and W4 forms, over imaging enrollment forms. Prioritizing other documents led the SSS Branch to fall behind on scanning enrollment forms.
  - After IA notified the ERS of this issue, a new process was adopted to image all current enrollment forms and other key documents that come in on a daily basis, but the backlog has not yet been addressed.
- The SSS Branch only has one specialized scanner that is compatible with PAS. This scanner expedites the process of indexing the imaged documents once in the system.
  - RBB and SSS Branch both noted that the imaging and indexing of forms into the PAS is more complex than simply scanning a form and the addition of another specialized scanner will allow multiple SSS staff to quickly and efficiently image and index forms.
- Based on our inquiries with management especially during the past year, the SSS Branch has been understaffed and the staff within the department are inexperienced.
  - The SSS Supervisor retired in Q4 2023 after 32 years in the SSS branch at the ERS.
  - More than half of the SSS branch staff were new to the ERS with two office assistants passing the probationary period in December 2023. Additionally, there was a recent turnover in staff in 2024.
  - Only Office Assistant III positions known as "File Room" staff in the SSS Branch are currently trained and have desktop procedures on the imaging process. Other Office Assistants (I and II) in the SSS Branch are restricted from assisting with imaging because the task is not listed in their position description and staff level designations.

Potential Impact

The following are potential impacts of IA's finding:

- The delay in imaging enrollment documents impacts RBB processes that rely upon having imaged files or hard copies of enrollment forms, including reviewing service credit for return to work members, processing retirement and disability applications, and confirming beneficiaries for death payment distributions.
- An increased risk that member and beneficiary information in the PAS were input incorrectly by RBB with no imaged source documents to confirm its completeness and accuracy.

Recommendation

IA recommends that management address the above finding in the following ways:

- Develop well-documented policies and procedures for imaging and indexing documents into the PAS. These should be detailed enough to ensure that essential imaging knowledge and information, including established daily completion expectations, can withstand significant staff turnover.
- Work with the Department of Human Resources Development to update position descriptions for Office Assistants I and II to include document imaging and indexing.
  - Once updated, all Office Assistants should receive training detailing how to properly image and index documents into the PAS. Policies and procedures should be used to guide this training.
- Reduce the current backlog of enrollment form imaging by assigning more internal staff resources to assist with imaging into the PAS. Alternatively, if there are limited internal resources available, consider outsourcing the imaging of backlogged forms to an external resource or vendor.
- Procure an additional specialized scanner that is compatible with the PAS, so that internal/external resource time is used most efficiently when addressing this backlog.

Management Response

- *Retirement and staff vacancies have caused significant recruitment and retention challenges. A new SSS supervisor has been hired.*
- *Management is in discussion with Adobe to perform an audit of the processes and technologies to be employed to include QR coding of documents prior to scanning.*
- *SSS will work on the development of policies and procedures with assistance from the CCO. The policies will be drafted to current state and include input from IT and RBB. Target Date: November 2024*
- *SSS will work with Administration to redescribe OA III & IV position descriptions. Target Date: March 2025.*
- *SSS will develop training plans and incorporate the scanning, imaging, and indexing documents. Target Date: April 2025.*
- *The ERS is in the process of developing and issuing an RFP for help with the scanning and imaging backlog of member records as well as the backfile for the PAS. Target Date: December 2024*

• *Two (2) new replacement scanners are in the process of being procured. Current status is pending approvals. Scanner replacement is a priority. Target Date: July 2024*

Responsible Manager(s)
Keith Miyamoto, IT Manager Drew Tomimoto, SSS Supervisor Kona Mann, Chief Compliance Officer

Finding Number: 2	**Rating: High**
Lack of File Management Policies and Procedures Resulting in Significant Delays in Locating and Providing Enrollment Forms	**Principle(s): 3, 7, 12, 17**

Management does not have file management policies and procedures that provide clear guidance on how to manage, organize and store documents; establish control activities to monitor file management operations to what is expected; and ensure compliance with applicable Hawai'i Revised Statutes, Hawaii Administrative Rules, and established records retention schedules.

IA's planned testing procedure was to review imaged (i.e. soft copy) enrollment forms in the PAS to test for the accuracy and completeness of enrollment and re-enrollment member information. However, due to the significant imaging and indexing backlog (discussed in Finding Number 1), IA requested management provide hardcopy versions of these enrollment forms. It took, in certain instances, over two months for management to locate and provide requested hardcopy enrollment forms, and were unable to timely provide one or more ERS-1 and ERS Form 1A forms for 40% of the members requested. As such, we could not complete testing for the original sample size selected.

In support of this finding, the following items were noted during IA's review:

- The SSS Branch could not locate and provide requested hard copy enrollment forms. In total, for enrollment and class code testing, IA requested enrollment forms for 48 members in which forms could not be located for 20 of them (40% of members).
  - For Enrollment Testing, IA requested hard copy enrollment forms for 27 of our selections. Of these 27 selections, the forms for 11 members couldn't be located.
  - For Class Code Testing, IA requested hard copy ERS-1 Forms for 21 of our selections. Of these 21 selections, the forms for 9 members couldn't be located.
  - For selected members in which enrollment forms were not located, IA was unable to complete certain tests, including validating member and beneficiary data input into the PAS against data in the enrollment forms and verifying the correct ERS-assigned class code was used in the enrollment form.
- The ERS does not have an effective process to manage, organize and store documents received from employers and members. The process that IA observed for managing documents (both imaged and not yet imaged) was to store all document types, in no particular order or segregation, into boxes by only the date in which it was received.
- The ERS' current file management processes do not comply with guidance set forth by the State of Hawaii Records Management Branch.
  - Per the State of Hawaii Records Management Branch's Records Management Training, "ABC's of Records Management: Achieving Basic Control", an agency's basic responsibilities as it relates to records is to:
    1. Manage the records necessary to document the activities or actions of the agency;
    2. File those records in a manner that allows for them to be safely stored and efficiently retrieved when necessary;
    3. Dispose of records in accordance with State and Federal regulations.

Potential Impact

The following are potential impacts of IA's finding:

- An increased risk that member and beneficiary information in the PAS were input incorrectly by RBB with no imaged or hard copy source documents readily available to confirm its completeness and accuracy.
- Without a formal and organized file management and retention process, the ERS may encounter significant delays in finding original copies of member forms and may be in non-compliance with Chapter 2-71, Hawaii Administrative Rules, which requires agencies to disclose public government records within 10 business days.
- In certain cases, the original copies may be lost or cannot be located under reasonable means which would be in non-compliance with Department of Budget and Finance's Records Retention Schedule and Hawaiʻi Revised Statutes, Section 94-3, on retention.

Recommendation

IA recommends that management address the above finding in the following ways:

- Consult with the State of Hawaii Records Management Branch to determine an efficient and effective process and controls to manage ERS' records.
- Develop well-documented policies and procedures for file management, organization and storage. These should include the file management process designed after consulting with the State of Hawaii Records Management Branch. These policies and procedures should also be detailed enough to ensure that essential file management knowledge and information, including how to properly organize and store (e.g., by document type) files, can withstand significant staff turnover.

Management Response

- *The CCO is in the process of developing a records file management, organization, storage, retention and disposal policy in compliance with State of Hawaii records management policy. Target Date: June 2025 or sooner.*
- *SSS, IT, RBB and the CCO will work on the development of policies and procedures that address file management, organization and storage. Target Date: December 2024.*
- *The acquisition of new high capacity scanners will help address the backlog and keep unscanned hardcopy documents to a minimum. Target Date: July 2024*

Responsible Manager(s)

Keith Miyamoto, IT Manager
Lori Kobayashi, RBB Manager (formerly General Professional – Membership Section)
Drew Tomimoto, SSS Supervisor
Kona Mann, Chief Compliance Officer

Finding Number: 3	**Rating:** Medium
Missing Key Data Integrity Control to Verify Information Entered into the PAS	**Principle(s):** 7, 12, 17

RBB does not have a data integrity key control activity in place to review and verify the RBB Office Assistant's input of member enrollment data into the PAS. Without this key control, there are increased risks that member information maintained and used by the ERS is inaccurate. Due to the manual nature of this process, information updated by the RBB Office Assistant is prone to an increased risk of processing errors and without a detective control in place, these errors may not be identified timely.

In support of this finding, the following items were noted during IA's review:

- RBB does not conduct a secondary review of enrollment information entered by the RBB Office Assistant for accuracy and currently relies upon the following compensating controls:
  - When processing member retirements, member information in the PAS is verified with enrollment forms, retirement applications, and other member-related documents before benefits are finalized and pension payments are made.
  - When processing death payment distributions, RBB locates the most current ERS Form 1A, listing the member's beneficiary, and verifies that the information is correct in the PAS.
  - RBB staff reference imaged and indexed enrollment forms that are available in the PAS to verify member information.
  - RBB staff are trained to verify certain member information in the PAS with members during in-person meetings and phone inquiries.
- RBB has relied upon imaged and indexed forms in the PAS as the primary compensating control, allowing staff to readily reference the member's source documents and verifying the member's account information is complete and accurate.
  - As discussed in Finding Number 1, RBB has not been able to rely upon this compensating control for the last 12 months due to the significant backlog of imaging and indexing forms.

Potential Impact

The following are potential impacts of IA's finding:

- RBB does not identify and correct member information errors in the PAS (i.e., incorrect beneficiary name and/or address, employer department, ERS group code) and uses this information in correspondence with the member leading to member dissatisfaction and loss of confidence in the ERS.
- In the absence of functioning compensating controls, there is an increased risk that the processing of death payment distributions and member retirements use incorrect member information. This may include incorrect beneficiaries receiving member death payments or pension payments being sent to an invalid mailing address.

Recommendation

IA recommends that management implement the following to address this finding:
 	
▪ RBB should develop a formal, documented review process to verify the accuracy of member enrollment information input into the PAS.
    ○ Given our understanding of the current staffing constraints, RBB should perform, at a minimum, a periodic review on a sample basis (i.e., weekly/bi-monthly review of a sample of new and return to work members).
    ○ The reviewer should document the list of members reviewed, noting any errors identified, confirming that the review was completed and errors communicated with the RBB Office Assistant for correction and follow up.

Management Response
• *The Personnel Interface Files (PIF) received from employers will create the member record for enrollment automatically when the PIF is imported/processed in the PAS. Target Date: December 2024* • *The use of QR code technology (mentioned in Finding #1 Management Response) will reduce error and inconsistency in input of data.* • *RBB staff will use the ERS-1 enrollment forms received employers to ensure that all records have been created in the PAS. Any missing records will be addressed with employers, as needed.* • *During the interim, RBB RCE will review a sampling of the ERS-1 received against the PAS records to verify the accuracy of the enrollment information. A log will be created to document the review and to address any errors that need to be corrected with the RBB Office Assistant.* • *RBB will update current procedures by December 2024.*

Responsible Manager(s)
Lori Kobayashi, RBB Manager (formerly General Professional – Membership Section) Norinne Jong, RBB Supervisor – Membership Section

Finding Number: 4	Rating: Medium
Control Design Deficiency in Terminated Employee Access Removal Process	**Principle(s): 7, 11, 17**

Management does not have a control activity in place to verify that access to ERS' active directory and applications was properly disabled for all terminated employees. Identified during IA's testing, terminated employees were inappropriately listed as current users with access to the PAS (per PAS generated user access report). The ERS' policy and procedures for terminated employees is for the employee to surrender all access keys, cards, and devices (i.e., laptops, tablets) and the employee's access to applications, accounts, and credentials are disabled by the Information Systems Branch immediately upon termination.

In support of this finding, the following items were noted during IA's review:

- Nine terminated employees were listed in the PAS user access listing.
  - These nine employees, prior to termination, properly had access to the system based on their job position.
  - Upon notification to the IT Manager and Supervisor of this finding, the employees' PAS access was disabled.
- Per ERS Security Policies and Procedures, access termination procedures include verification that terminated accounts and passwords are disabled, but there is currently no verification process in place (i.e., periodic user access review) to detect terminated employees with access.
  - There are compensating controls in place that limit terminated employees from accessing the PAS. Access to the PAS user interface requires an ERS desktop, laptop, or other authorized device which must be returned at termination. The ability to access the PAS remotely has been disabled.

Potential Impact

The following are potential impacts of IA's finding:

- Though unlikely, terminated employees, with access and the proper IT knowledge, may be able to breach or compromise the PAS or other applications.
- Even though this is not a specific risk for the PAS, there is a risk that ERS may exceed the user count and/or incur additional license costs for terminated users.

Recommendation
IA recommends that management address the above finding by: • Implementing a formally documented, periodic (i.e. quarterly, semi-annually, annually) terminated user access review of active directory and applications, specifically the PAS, to detect terminated employees that may have access to a system/application. The review should include comparing an employee termination list against users with access to the system/applications. Any user exceptions should be remediated by immediately disabling the employees' access. • Developing an employee termination workflow process when the help desk system goes live with steps to disable/remove access to all systems and applications. Employee access should be fully disabled immediately upon termination. Once created, the status and timely completion of the workflow should be monitored by the Information Systems Manager or designee.

Management Response
I/S will start with an annual review and work towards a semi-annual review. The offboarding workflow in the ERS's helpdesk solution is in development and should be completed and pushed to production and staff trained by the end of December 2024. Target Date: December 2024

Responsible Manager(s)
Keith Miyamoto, IT Manager Sandra Straub, IT Supervisor

Finding Number: 5	**Rating:** Medium
Control Design Deficiency in Return to Work Transfers Log Process	**Principle(s): 12, 13, 17**

Management does not have documented policies and procedures or any control activities in place to validate the Return to Work Transfers Log's completeness and accuracy.

IA noted during our testing, the Return to Work Transfers Log, used to track all return to work members requiring a service credit review, did not contain a complete list of members. The log is updated by the RBB Office Assistant when an enrollment form for a return to work member is received from the member's employer. The Office Assistant processes the enrollment form by creating or updating the member's information in the PAS. Return to work members will already have an existing account in the system prompting the Office Assistant to add the member's name to the log; RBB will then complete an additional service credit and account setup accuracy review.

This additional service credit and account review is a key control for RBB. For members with inaccurate service credits, this additional review process is likely the only time service credit is recalculated, verified, and corrected by RBB until the member retires. If a return to work member is left off the log, they would be excluded from this review.

In support of this finding, the following items were noted during IA's review:

- IA tested the completeness of the Return to Work Transfers Log by comparing the log against a PAS report of all return to work members with a return date during the scope period.
  - 21 out of 171 return to work members in the PAS report were not included in the Return to Work Transfers Log. One return to work member was not included in the log due to a manual processing error and 20 were left off due to the respective employer not filing an enrollment form with the ERS for the member. Without an enrollment form, the Office Assistant will not be prompted to update the log.
- RBB currently relies on one data source, enrollment forms, to serve as a trigger to add members to the log and have not considered using other data sources to reconcile and validate against.

Potential Impact

The following are potential impacts of IA's finding:

- Service credits may be inaccurate when the employee returns to work and could impact an employee's ability to retire. Any issues with service credit would not be identified until the retirement benefit estimates process (potentially several years later) or when inquired by the member.
- ERS, specifically the RBB Benefits Section, may have to spend additional time reviewing and adjusting a member's service credits during the retirement benefit estimate process in order to correct service credits.

Recommendation

IA recommends that management address the above finding in the following ways:
 	
▪ Develop well-documented policies and procedures for updating and validating the completeness and accuracy of the Return to Work Transfers Log. These should detail the following, at a minimum:
   o How the Office Assistant should update the log and steps to take in order to avoid manual processing errors (i.e. double checking log inputs with enrollment forms),
   o The frequency of conducting the validation review (i.e., monthly, quarterly), and
   o How to generate the PAS report and reconcile it against the log.
▪ Periodically reconciling the Return to Work Transfers Log with a PAS report of return to work members to verify completeness and accuracy of the log.
   o Any variances between the log and the report should be researched in order to understand the cause(s) of the difference. If variances are caused by an employer's failure to submit an ERS-1 Form(s), the employer should be notified of this error(s) and that it is in violation of ERS' employer reporting requirements.

Management Response
• RBB will create a PAS workflow (WF) along with a query report to create a log of Return to Work ("RTW") members. Target Date: February 2025 *• A report from the CCR list of only RTW members will be run and used, at least semi-annually, to cross check the PAS WF to ensure completeness & accuracy of the log. Note: Report creation is dependent on IS priorities. Target Date: February 2025* *• During the interim, RBB will use the current PAS report to check against Return To Work transfer log to ensure completeness and accuracy. Target Date: November 2024* *• Any variances found in the interim or new methods will be address accordingly with the Employers and/or RBB staff.* *• Procedures will be created to document the new WF and processes as they are developed. Target Date: February 2025*

Responsible Manager(s)
Lori Kobayashi, RBB Manager (formerly General Professional – Membership Section) Norinne Jong, RBB Supervisor – Membership Section

COSO 2013 INTERNAL CONTROL-INTEGRATED FRAMEWORK PRINCIPLES	
Control Environment	1. The organization demonstrates a commitment to integrity and ethical values. 2. The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control. 3. Management establishes - with board oversight - structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. 4. The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives. 5. The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.
Risk Assessment	6. The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives. 7. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed. 8. The organization considers the potential for fraud in assessing risks to the achievement of objectives. 9. The organization identifies and assesses changes that could significantly impact the system of internal control.
Control Activities	10. The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. 11. The organization selects and develops general control activities over technology to support the achievement of objectives. 12. The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
Information and Communication	13. The organization obtains or generates and uses relevant, quality information to support the functioning of internal control. 14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control. 15. The organization communicates with external parties regarding matters affecting the functioning of internal control.
Monitoring Activities	16. The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. 17. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

ERS Member Enrollment & Re-Enrollment Process
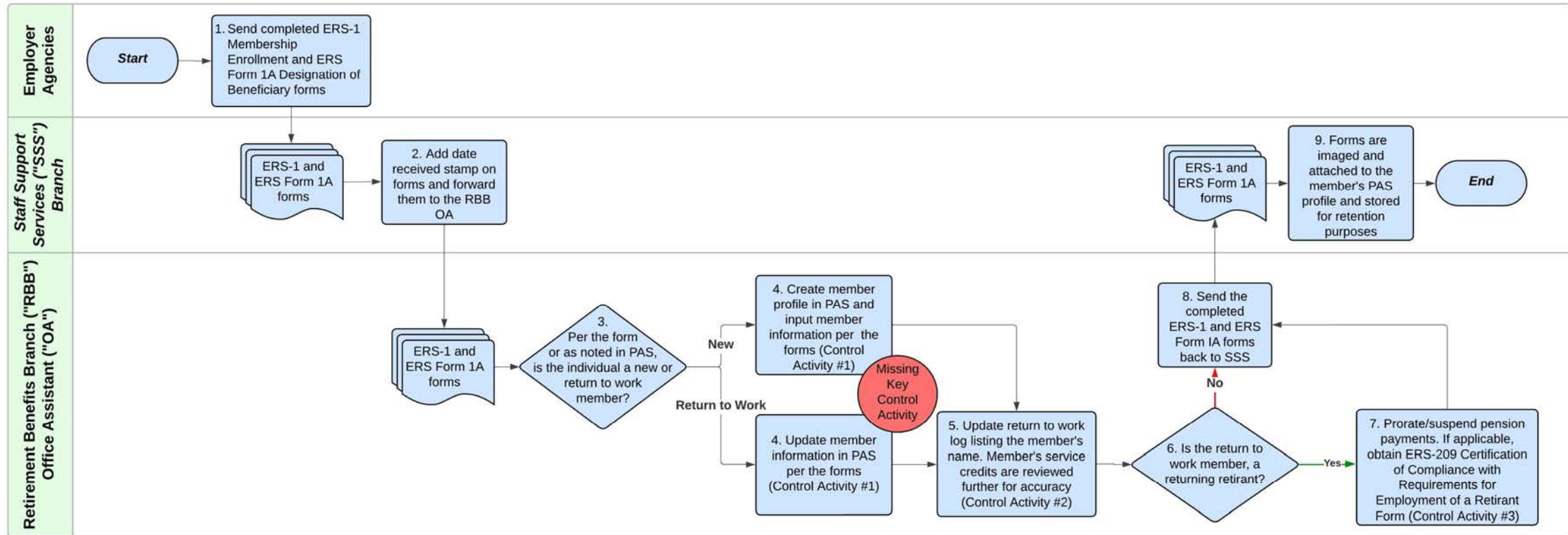
Control Activity #1 – The RBB OA completes a review of both ERS-1 and ERS Form 1A forms for completeness of data fields and appropriate signatures. Additionally, the ERS Form 1A is reviewed to ensure that it has been notarized. Any issues or missing information in these forms will be communicated to the employer. The RBB OA will not process incomplete forms.

Control Activity #2 – For each return to work member, RBB completes a second review of the member's PAS account and service credit balance to ensure that the PAS contains the correct service credit earned prior to the member returning to work.

Control Activity #3 – The RBB Enrollment Team will track return to work retirees in order to verify that pension payments are suspended or that an ERS-209 Form was received for exempt retirees. Note: There are 20-30 return to work retirees annually.

Missing Key Control Activity – An RBB staff reviews and verifies that the member information input by the RBB OA is accurate by validating information between the PAS and enrollment forms.
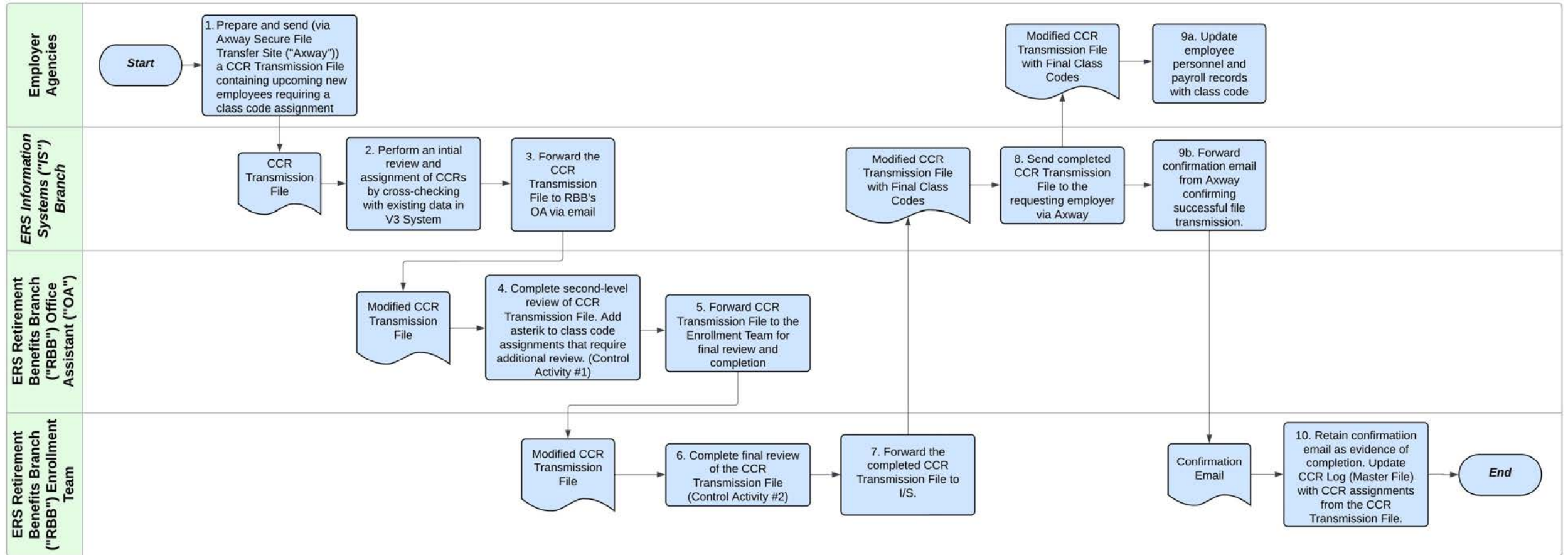
Definitions:

ERS-1 Form (Membership Enrollment Form) – This form is required to be submitted by employers on behalf of its employee in order to enroll them for membership with the ERS. RBB uses this form to create/update the member's account in the PAS.

ERS Form 1A (Designation of Beneficiary Form for Contributory and Hybrid Plan members) – This form allows members to designate a beneficiary to receive death benefits and accumulated contributions on behalf of the member. RBB uses this form to update the beneficiary details listed in the member's account in the PAS.

ERS-209 Form (Certification of Compliance with Requirements for Employment of a Retirant) – The form that must be completed by retirees returning to work, who will be working in a position that is excluded from ERS membership or in a position that is a labor shortage or difficult-to-fill position. Completion of this form will allow the retiree to be exempt from getting their retirement benefits suspended.

ERS Class Code Report ("CCR") Assignment Process

Employer Agencies

Start

1. Prepare and send (via Axway Secure File Transfer Site ("Axway")) a CCR Transmission File containing upcoming new employees requiring a class code assignment

Modified CCR Transmission File with Final Class Codes

9a. Update employee personnel and payroll records with class code

ERS Information Systems ("IS") Branch

CCR Transmission File

2. Perform an intial review and assignment of CCRs by cross-checking with existing data in V3 System

3. Forward the CCR Transmission File to RBB's OA via email

Modified CCR Transmission File with Final Class Codes

8. Send completed CCR Transmission File to the requesting employer via Axway

9b. Forward confirmation email from Axway confirming successful file transmission.

ERS Retirement Benefits Branch ("RBB") Office Assistant ("OA")

Modified CCR Transmission File

4. Complete second-level review of CCR Transmission File. Add asterik to class code assignments that require additional review. (Control Activity #1)

5. Forward CCR Transmission File to the Enrollment Team for final review and completion

ERS Retirement Benefits Branch ("RBB") Enrollment Team

Modified CCR Transmission File

6. Complete final review of the CCR Transmission File (Control Activity #2)

7. Forward the completed CCR Transmission File to I/S.

Confirmation Email

10. Retain confirmatiion email as evidence of completion. Update CCR Log (Master File) with CCR assignments from the CCR Transmission File.

End

Control Activity #1 – The RBB OA conducts a second-level review of class codes assigned by the IS Branch's automated code assignment process, including confirming correct class code assignments and adjusting codes that were not properly assigned and/or assign class codes that were left blank.
Control Activity #2 – An RBB Retirement Claim Examiner conducts a final review of the CCR Transmission File, which includes verifying the completeness of the file and accuracy of codes assigned. This review is completed after both Information Systems and the RBB OA review and assign class codes to members.

Definitions:
CCR Transmission File – The file created by each employer containing a list of prospective employees that are scheduled to begin employment with the department in the near future. The file is transmitted to the ERS in order to obtain the appropriate class code assignment for each employee.
CCR Log (Master File) – The log maintained by RBB containing all class code assignments assigned to employees. It is updated with the employee and class code information from each CCR Transmission File.

Employees' Retirement System
INTERNAL AUDIT

Employees' Retirement System
of the State of Hawaii

ADMINISTRATIVE & AUDIT COMMITTEE UPDATE REPORT

June 25, 2024

TABLE OF CONTENTS

Executive Summary

Administrative and Other Matters

- Internal Audit ("IA") regularly meets with Executive Management to keep them apprised of current and upcoming IA projects and discuss new or updated needs of the organization.

- Continue to meet with the Chief Compliance Officer ("CCO") on a weekly basis to stay apprised on current ERS and CCO initiatives, emerging risk areas, challenges and issues, and upcoming events and other matters.

- IA continues to monitor and stay up to date on new resources and tools issued by the Institute of Internal Auditors ("IIA") related to conformance with the new mandatory Global Internal Audit Standards.

  o Updates to the Internal Audit Charter and Administrative & Audit Committee Charter to reflect the new standards will be presented to the Administrative & Audit Committee for approval prior to the January 9, 2025 effective date.

Status on Current Projects:

Virtual Chief Information Security Officer (vCISO)

- Dave Collins, RSM vCISO, has been providing services to the ERS since April 2024.

- vCISO held meetings with Executive Management, several Board Members, IT Manager and IT Systems Supervisor to understand the current cybersecurity program.

- vCISO is currently structuring a recommended Cybersecurity Strategy and Roadmap/Prioritization List based on ERS' overall risk and program needs. This report will be delivered and presented to Executive Management in July 2024.

- Estimated project completion: July 2024

Executive Summary (continued)

Follow-Up Review

- Project kicked-off in late April 2024.

- Scope includes following up on ten previously cleared findings from six internal audit reports, issued between 2017 and 2021.

- Currently in the "Execution" phase of the review, which includes obtaining, reviewing, and testing supporting documentation for past finding recommendations.

- Estimated project completion: July 2024

Status on Current Projects (Carryover from 2023)

Member Enrollment & Re-Enrollment Review

- Review completed in April 2024. Final Draft Report, subject to Administrative & Audit Committee approval, included with current Administrative & Audit Committee materials.

- The review area is rated overall as *Unacceptable*. We noted two findings with a *high* risk rating and three findings with a *medium* risk rating.

    Action: Seeking approval from Administrative & Audit Committee of Final Draft Report

Continuous Monitoring Tool Development – Part 1

- Participated in weekly Act 87 Team meetings from Q4 2023 to Q2 2024 to understand ERS' key employer reporting processes and identify continuous monitoring opportunities to enhance them.

- Final project deliverable containing a compiled list of automation opportunities detailing the current state process vs. future state process and estimated time/cost savings was presented to Executive Management on June 21, 2024.

Summary of Tasks Completed

Follow-Up Review
- Project goals and objectives are to:
    - Assess the progress that responsible managers have made in implementing recommendations suggested by IA for previously "cleared" findings.
    - Validate whether cleared finding recommendations have been implemented through inquiry with responsible managers and inspection of supporting documents.
    - For finding recommendations deemed partially or not implemented, understand the reasons why it was not implemented and provide management with updated resolutions or recommendations to enhance effectiveness and efficiency, where applicable.
- Scope includes following up on ten previously cleared findings from six internal audit reports, issued between 2017 and 2021. Reports include:
    - Investment and Risk Monitoring and Reporting Review (issued June 2017)
    - Financial Reporting Process Review (issued April 2019)
    - Investment Consultant Selection and Evaluation Review (issued September 2019)
    - Communications and Community Relations Review (issued February 2020)
    - HR – Personnel Development & Retention Review (issued October 2020)
    - Benefit Estimates & Final Benefit Calculation Processing Review (issued May 2021)
- IA held meetings with the Chief and Deputy Investment Officer, Accounting Manager, Staff Support Services Supervisor, and Program Support in May 2024.
- Currently in the "Execution" phase of the review. Refer to Page 4 for a summary of the phases completed as part of the Follow-Up Review.

Summary of Tasks Completed (continued)

Selection → **Planning** → **Execution** → **Conclusion**

Select Reports & Identify Findings	Planning & Initial Inquiry	Review & Test Documentation	Final Assessment
▪ Review a listing of reports issued by IA to ERS since 2017. ▪ Review Administrative & Audit Committee update reports to determine the population of reports that contained "cleared" findings. ▪ Select reports for review based on the number of findings "cleared" as well as the associated branch and area in which the report covered.	▪ Connect with responsible branch managers (via email or meeting) to determine the current status of each finding, including understanding any changes that have occurred since being "cleared". ▪ Create a document request list for each report that includes request(s) for documents that evidence the finding was "cleared" and recommendation implemented.	▪ Review supporting documentation provided by management and validate that it supports the finding's "cleared" status. ▪ Where applicable, complete additional follow-up inquiries with responsible management to obtain additional information on the current processes and/or documentation related to the finding.	▪ Determine whether report findings and recommendations were implemented based on steps completed in the Planning and Execution phases. ▪ For recommendations that were deemed "Partially Implemented" or "Not Implemented"; develop updated recommendations for management to consider for implementation. ▪ Share results with Executive Management, A&AC and Board.

Summary of Tasks Completed (continued)

Virtual Chief Information Security Officer (vCISO)

- Project goals and objectives are to:
  - Provide a C-level resource to help define, implement, and mature a Cybersecurity Strategy and Roadmap.
  - Help to align current priorities and projects, along with determining new areas of focus, that align with the business needs and growth plans, while focusing on the applicable risk posture of the organization.
  - Help to set strategy, formalize, and operationalize cybersecurity into the day to day operations of the organization.

- As part of this initiative, Dave Collins, RSM vCISO resource, has been providing services to the ERS since April 2024. His approach as vCISO includes:
  - Conducting an analysis on the overall structure of ERS' cyber program and capabilities, as well as internal process and communications.
    - Meetings have been with Executive Management, several Board Members, IT Manager and IT Systems Supervisor.
    - Reviewed policies and procedures, organization chart, and current agreements/contracts with third party vendors.
  - Focusing on understanding operational challenges due to staffing, as well as addressing prior audit findings and member needs.
    - Participated in both Information Systems (I/S) Branch and organization-wide operations meetings.
    - Planning to hold upcoming one-on-one meetings with individual members of the I/S Branch.

- vCISO is currently structuring a recommended Cybersecurity Strategy and Roadmap/Prioritization List based on ERS' overall risk and program needs. This report will be delivered and presented to Executive Management in July 2024.

Summary of Tasks Completed (continued)

Continuous Monitoring Tool Development – Part 1

- Project goals and objectives were to:
  - Introduce Data Analytics and Continuous Monitoring concepts and tools.
  - Help the ERS develop a general understanding of the capabilities of Data Analytics and Continuous Monitoring within the organization and how it can build efficiencies by using it.
  - Work with branches to identify opportunities to incorporate continuous monitoring into its operational processes.
- Continuous Monitoring Introduction and Exploration Presentation Meeting was held with Executive Management on March 30, 2023 and with Branch Chiefs on May 18, 2023.
  - The KMH and RSM presentation included slides defining Data Analytics and Continuous Monitoring, describing the added value it will bring to the organization, and key consideration in identifying and scoping these opportunities. Select slides from the presentation were shared with the A&AC in June 2023.
- The remaining project time and resources were used to identify continuous monitoring opportunities that help streamline employer reporting processing and ERS' Act 87 initiative.
- Joclyn Klug, RSM Continuous Monitoring SME, and IA participated in weekly Act 87 meetings from Q4 2023 to Q2 2024 to understand the current payroll, personnel information file (PIF), and class code reporting (CCR) processes. After participating in these meetings, Joclyn Klug and IA identified a number of opportunities to incorporate continuous monitoring to identify reporting issues and replace timely manual processes.
  - Final project deliverable containing a compiled list of automation opportunities detailing the current state process vs. future state process and estimated time/cost savings was presented to Executive Management on June 21, 2024
  - Select slides from the presentation have been included on pages 7 and 8.

Summary of Tasks Completed (continued)

Estimated Value Heatmap

a) **Payroll 2**
   - Timely Submission

b) **Payroll 7**
   - Overpayments

c) **PIF 2**
   - Length and content

d) **PIF 3**
   - Action Codes

e) CCR 1 – dependent on Payroll 2
   - CCR Template Validation

f) CCR 2 – dependent on Payroll 2
   - CCR Submission Timeliness

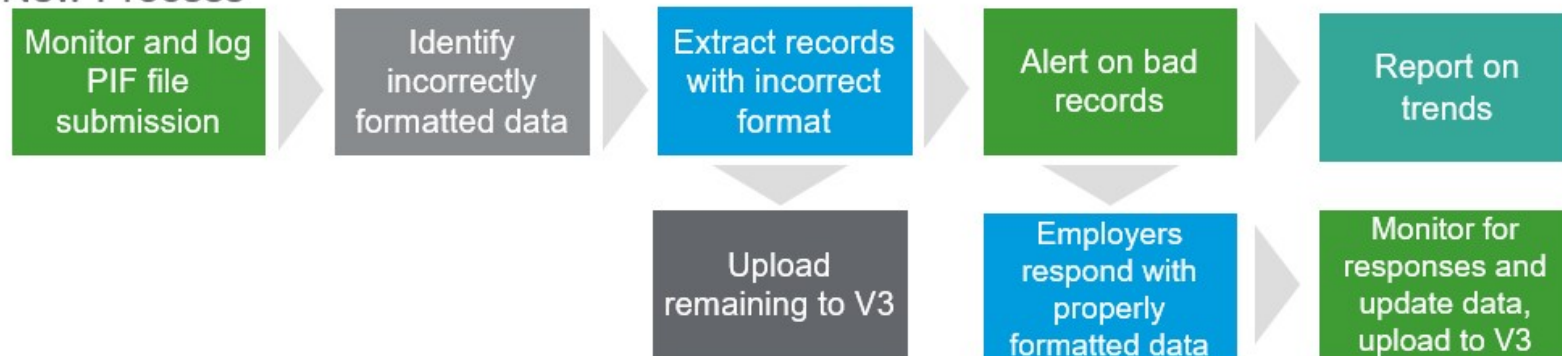g) CCR 3 – dependent on PIF 2 / Payroll 2
   - Class Code Compliance
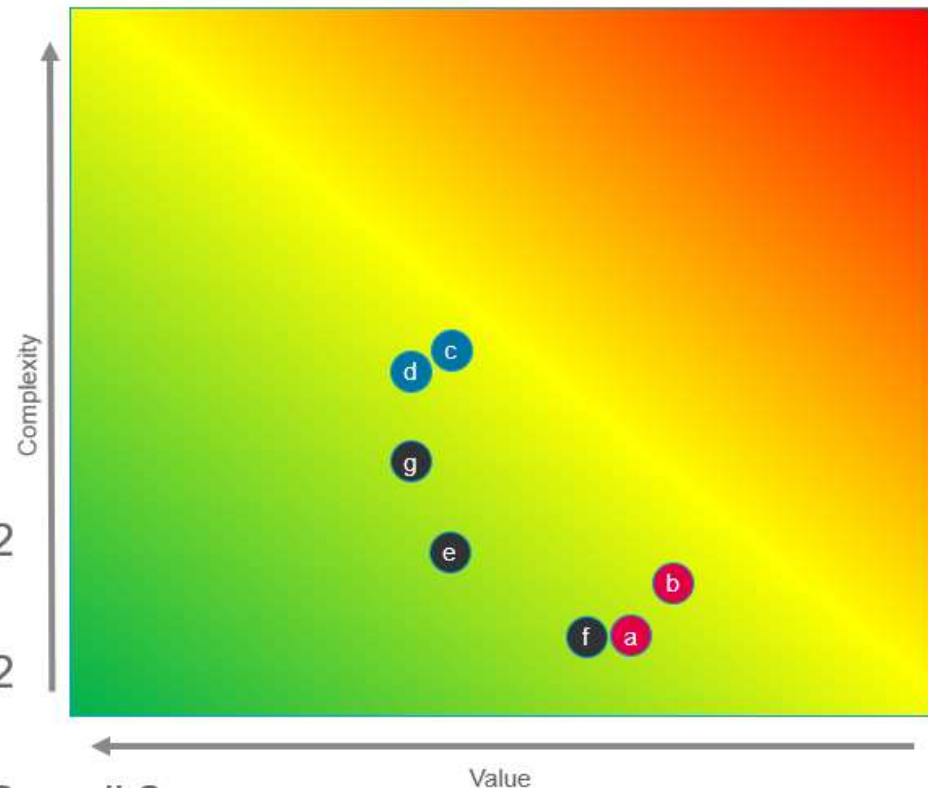
Summary of Tasks Completed (continued)

PIF 2 – All fields meet the required length and content

- Goal – Ensure data is reported to ERS in the appropriate length and data type

- Current Process – Blocks of errors checked every quarter, IS may check when V3 uploads fail

- Automate – Read PIF files for incorrectly formatted data, prevent upload to V3 and stage, alert ERS and employers.

- New Process

Monitor and log PIF file submission	→	Identify incorrectly formatted data	→	Extract records with incorrect format	→	Alert on bad records	→	Report on trends
				Upload remaining to V3		Employers respond with properly formatted data	→	Monitor for responses and update data, upload to V3

- Time Savings – 30 minutes per file (70 reporting agencies with files submitted every two weeks / month: 12-24 times annually = 420 hours to 840 hours

Summary Results of Report Completed

Member Enrollment & Re-Enrollment Review:

Background and Project Objectives:

- This review focused on the ERS enrollment process for new members and re-enrollment process for return to work members and retirees (returning back into the workforce). The review also included the process of assigning class codes to each new or returning member, which is completed as part of the enrollment process.

  - The ERS' class codes are used to differentiate the various retirement plans offered by the ERS and information reported by employers on its employees are used to identify the appropriate class code to be used for each employee.

- This area was last reviewed in September 2012 and was rated *Acceptable*. The report included four findings, two with a moderate risk rating and two with a low risk rating. IA confirmed through the review of past finding recommendation tracking logs and inquiry with management that these findings were remediated.

- The objectives of our review were to:

  - Evaluate the ERS' enrollment and re-enrollment processes and internal controls related to enrolling new and returning members timely and accurately, adjusting returning member accounts and retiree accounts (returning back into the workforce) for accuracy and completeness, and properly maintaining supporting enrollment documentation.

  - Evaluate the ERS' class code reporting process and internal controls for accurately assigning class codes to members and returning class code reports to employers in a timely manner.

  - Assess ERS' controls for restricting user access to class code reporting and enrollment data stored in ERS' core pension administration system database ("PAS") and shared drives.

  - Provide recommendations and leading practices for improvements to enhance effectiveness and efficiency, where applicable.

- See final draft report for a more detailed discussion and background on this project.

Summary Results of Report Completed (continued)

Summary of Results:
There are 2 findings with a *high* risk rating and 3 findings with a *medium* risk rating. Based on the results of our work, the internal controls and related business processes in this area were rated *Unacceptable*. The overall ratings for each finding and related recommendation are further described in the IA report.

Summary Findings	Rating*
1. There is a shortage of SSS staffing and technology resources and lack of policies and procedures, resulting in a backlog of member enrollment forms, including ERS-1 and ERS Form 1A forms, that have not been imaged and indexed into the PAS. This backlog extends as far back to members who were enrolled over 12 months prior.	High
2. A lack of file management policies and procedures resulted in significant delays in the ERS locating and providing requested enrollment forms. Management was unable to provide one or more enrollment forms for approximately 40% of the members requested.	High
3. Management does not have data integrity control activities in place to review and verify member enrollment data information input into the PAS, exposing the ERS to an increased risk of not detecting data input errors.	Medium
4. Management does not have a control activity in place to verify that access to ERS' active directory and applications are properly disabled for all terminated employees, resulting in terminated employees inappropriately listed as current users per the PAS user access report.	Medium

Summary Results of Report Completed (continued)

Summary of Results (continued):

Summary Findings	Rating*
5. There are currently no documented policies and procedures or any control activities in place to validate the Return to Work Transfers Log's completeness and accuracy, resulting in an incomplete listing of return to work members on the Return to Work Transfers Log.	Medium

Overall rating: ***Unacceptable***

* Individual Finding Rating Definitions:
- **High**
  - o The issue is a control deficiency which represents a significant gap in the design and/or operating effectiveness of control affecting the organization's ability to address relevant risks and provide reasonable assurance regarding the achievement of desired outcomes.
  - o Loss of stakeholder confidence is at an unacceptable level, and Management and the Board place a high priority on performance in this area.
  - o The issue requires an immediate, comprehensive, corrective action plan with progress to be monitored by an appropriate level of management.
- **Medium**
  - o The issue is a control deficiency which represents a gap in the design and/or operating effectiveness of control affecting the organization's ability to address relevant risks and provide reasonable assurance regarding the achievement of desired outcomes.
  - o The issue requires prompt attention to ensure internal control is designed and/or operating effectively.
- **Low**
  - o The issue represents an opportunity to improve control and processes to support the achievement of desired outcomes.
  - o The issue should be addressed promptly, as time and resources permit.

2024 Internal Audit Plan Results Summary

PROJECT	Q1 2024			Q2 2024			Q3 2024			Q4 2024			Hours			
Internal Audit Plan Period: January 1, 2024 through December 31, 2024	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Budget*	Actual*	ETC*	Variance*
IA Assurance																
Member Enrollment & Re-Enrollment Review													100	118	-	18
Continuous Monitoring Tool Development - Part 1													85	93	5	13
Business Continuity Plan – Crisis Communication Plan Development													100	91	-	(9)
IA Assurance																
Follow-Up Review													300	141	150	(9)
Investment Manager Selection & Evaluation Review													400	-	400	-
Contracting & Procurement Review													400	-	400	-
IA Consulting & Other																
Virtual Chief Information Security Officer (vCISO)													300	82	218	-
Implementation of Cybersecurity Strategy and Roadmap													350	-	350	-
Continuous Monitoring Tool Development - Part 2													250	-	250	-
Compliance Office Collaboration and Assistance													150	153	60	63
IA Recommendation & Implementation Assistance													100	-	40	(60)
Risk Assessment Re-Evaluation & Audit Plan for Year 3 & Year 4													250	-	250	-
Reporting, Communication and Other Administration													250	129	125	4
Total Hours													3,035	807	2,248	20

Legend:
- ◆ Project Start Date
- In Process
- Draft Report Issued - Pending Mgmt Responses and/or A&AC Approval
- Completed - Final Report or Deliverable Issued
- ◆——◆ Consulting & Other Projects
- ◆- -◆ Meetings, Board Support, Other

Key:
- Budget: Original Approved Budget and Budget Changes Approved by the Administrative & Audit Committee
- Actual: Actual Hours Incurred Through May 31, 2024
- ETC: Estimated Time to Complete
- Variance: [(Actual + ETC) - Budget] = over / (under) budget

Employees' Retirement System of the State of Hawaii

Management Action Dashboard

The following represents the status of IA observations and recommendations from the reports issued in the past seven years.

Name of Review	Contact	Overall Rating[1]	Total Number of Findings	Number of Findings Ranked			Completion Status (Only "High" and "Moderate" / "Medium" findings were tracked for the first four projects listed below)					
				"High"	"Moderate" or "Medium"	"Low"	Cleared	Outstanding - Not Overdue	Outstanding - Extended Original Target Date	Outstanding - Funding Shortfall	Overdue	Mgmt Chose Not to Implement
IT Security Rapid Assessment & Internal Network Security Review ("INSR")	IT Manager	Unacceptable	12	6	6	0	9	0	0	0	3	0
Cash & Liquidity Management Review	Accounting Manager	Marginal	4	0	3	1	0	0	0	0	3	0
Disability Hearings and Contested Cases Review	Retirement Benefits Manager	Marginal	6	2	4	0	6	0	0	0	0	0
Investment and Risk Monitoring and Reporting Review	Chief Investment Officer	Marginal	3	0	2	1	2	0	0	0	0	0
Financial Reporting Process Review	Accounting Manager	Marginal	5	1	4	0	2	0	0	0	3	0
Investment Consultant Selection and Evaluation Review	Chief Investment Officer, Accounting Manager	Generally Satisfactory	3	0	2	1	2	0	0	0	0	1
Communications and Community Relations Review	Program Specialist	Generally Satisfactory	1	0	1	0	1	0	0	0	0	0
Human Resources - Personnel Development & Retention Review	Deputy Executive Director	Generally Satisfactory	2	0	2	0	1	0	0	0	1	0
Cloud Risk and Security Assessment - Phase 1	IT Manager	Marginal	5	0	4	1	0	0	5	0	0	0
Benefit Estimates & Final Benefit Calculation Processing Review	Retirement Benefits Manager	Generally Satisfactory	2	0	1	1	2	0	0	0	0	0
Employer Communication & Reporting Review	Retirement Benefits Manager, Accounting Manager, Program Specialist	Marginal	3	0	2	1	2	0	1	0	0	0
Investment Governance Structure & Oversight Review	Chief Investment Officer	Strong	0	0	0	0	0	0	0	0	0	0
Cloud Risk and Security Assessment - Phase 2	IT Manager	Unacceptable	5	4	1	0	0	0	4	0	1	0
Member Enrollment & Re-Enrollment Review	Retirement Benefits Manager, SSS Supervisor	Unacceptable	5	2	3	0	0	5	0	0	0	0
TOTAL			**56**	**15**	**35**	**6**	**27**	**5**	**10**	**0**	**11**	**1**

Management Action Dashboard (continued)

[1] **Overall Rating Definitions:**

- **Strong –** The area reviewed has effectively assessed and managed its risks, implemented control processes, and complied with applicable policies, procedures, and appropriate laws and regulations. Internal control systems are sufficiently comprehensive and appropriate to the size and complexity of the organization. Monetary risk associated with control failures, if any, is not material. A few inconsistencies may have been noted, but compensating controls exist that sufficiently minimize the risk of loss (e.g., financial, reputational).

- **Generally Satisfactory** – The area reviewed has adequately assessed and managed its risks, and has implemented generally effective control processes. Some weaknesses in controls may have been noted, but they are not such that the area is significantly exposed to risk of loss. Weaknesses or deficiencies identified are correctable in the normal course of business. Such areas are in general compliance with applicable policies, procedures, and appropriate laws and regulations.

- **Marginal** – The area reviewed has control, policy, procedural, compliance and/or repeat findings that are sufficiently important to warrant the attention of more senior levels of management. Any deterioration in the current operating routine could lead to serious exposures and stakeholder criticisms. Should weaknesses continue without attention, they could lead to further deterioration of the rating to an *unacceptable* status.

- **Unacceptable** – The area reviewed has serious control, policy, procedural, compliance and/or repeat findings. Exposure to potentially serious risk of loss exists. Exposure may also exist to potentially serious criticism by stakeholders. Such situations require urgent senior management involvement in implementing corrective action. Corrective action should be initiated immediately and may require significant amounts of time and resources to implement.

Management Action Plans – Completion Status

The following represents the number of findings that are cleared; outstanding – not overdue; outstanding – funding shortfall; findings for which there have been extensions granted; findings for which management chose not to implement; and overdue for each review. After the granting of two extensions, if the finding is not cleared, it will be shown as overdue.

Completion Status
As of June 15, 2024

Legend:
- Items Cleared (green)
- Items Outstanding - Not Overdue (yellow)
- Items Outstanding - Extended Original Target Date (orange)
- Items Outstanding - Funding Shortfall (blue)
- Items Overdue (red)
- Mgmt Chose Not to Implement (purple)
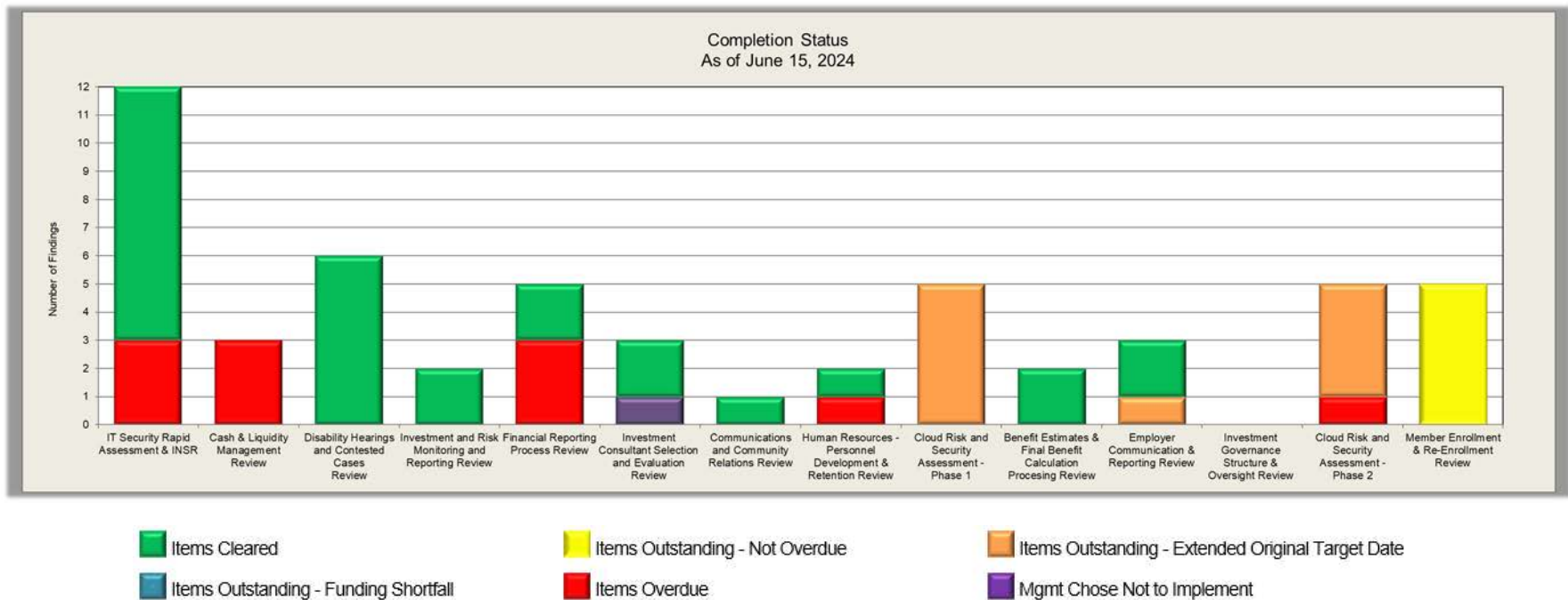
Cumulative Observation Analysis

Based on the 23 reviews completed over the last few years, we compiled a listing of common observations across the reviews. Management is currently in the process of addressing these organization-wide improvement opportunities.

	Common Observations			
	Areas for Improvement			
Reports Issued	**Oversight & Monitoring**	**Policies and/or Procedures**	**Obtaining Appropriate Resources**	**Developing Efficient Processes**
Member Enrollment & Re-Enrollment Process Review	X	X	X	X
Records Management & Retention Review	X	X		X
Investment Manager Selection & Evaluation Review		X	X	X
Access Controls Review	X	X	X	
Data Collection & Maintenance Review	X	X		X
Member Retirement Application & Eligibility Review	X	X		X
Unclaimed Member Benefits & Accounts Review	X	X		X
Benefit Disbursement Review	X	X		X
Governance & Ethics Review	X	X	X	
IT Security Rapid Assessment & INSR	X	X	X	
Cash & Liquidity Management Review	X	X	X	
Disability Hearings and Contested Cases Review	X	X	X	
Investment and Risk Monitoring and Reporting Review	X	X		X
Financial Reporting Process Review	X	X	X	X
Investment Consultant Selection and Evaluation	X			X
Communications and Community Relations Review		X	X	X
Human Resources - Personnel Development & Retention Review		X	X	
Cloud Risk and Security Assessment - Phase 1	X	X	X	
Benefit Estimates & Final Benefit Calculation Processing Review			X	
Employer Communication & Reporting Review	X	X		X
Cloud Risk and Security Assessment - Phase 2	X	X	X	X
Member Enrollment & Re-Enrollment Review (2024)	X	X	X	X

*No observations were noted in the Investment Governance Structure & Oversight Review.

Issued Reports Finding Status

The following represents a summary of the recommendations from the respective issued and final reports, with targeted implementation dates and a brief status **provided by management**. For all reports issued in 2019 (starting with the Financial Reporting Process Review) and on a go-forward basis, IA will track recommendations for all findings ("High", "Medium", and "Low"). Once recommendations are considered "cleared", they will be removed from this status tracking.

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
IT Security Rapid Assessment & Internal Network Security Review				
Note: The progress and status of **Finding 2** of this review is tracked through the **Cloud Risk and Security Assessment Phase 1 - Finding 3** due to overlapping recommendations. The clearing of the recommendations in **Finding 3** will also clear **Finding 2**.				
Finding 6 – A number of instances were identified where a Man-in-the-Middle ("MitM") attack is possible, allowing an intruder to secretly relay and possibly alter the communications between two parties, as well as to gain potentially elevated access in an unauthorized manner.	Management should evaluate the benefits of adding a Security Information and Event Management ("SIEM") system or similar form of network monitoring system to detect network sniffing and Server Message Block ("SMB") relay attacks. Using NTLM v2 hashing can lower the risk of these types of attacks against the network, but does not prevent sniffing.	High	June 2017 (Revised #1 Target Date: December 2017) (Revised #2 Target Date: December 2020) (Revised #3 Target Date: December 2021) (Revised #4 Target Date: December 2022) (Revised #5 Target Dates: September 2023, TBD) (Revised #6 Target Date: June 2024) Revised #7 Target Date: TBD)	**Outstanding – Overdue** – ERS is working with a Virtual Chief Information Security Officer (vCISO). Due to the significant number of vacancies in the I/S branch. Target Date is TBD for implementation of SIEM / Managed Detection and Response (MDR) solution and evaluation of the Server Message Block (SMB).

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
Finding 8 – There is no formal Software Development Lifecycle ("SDLC") or Change Management policy in place to govern changes in the production environment and related security impacts.	The ERS should create a risk framework that rates each development/engineering project as well as system change. The risk framework should factor in regulatory and customer commitments and requirements as they relate to IT security. The assigned risk rating to each project or change would then dictate the level of security considerations to be incorporated. Formalized change policies and procedures should be established as well to address segregation of duties risks.	Moderate	June 2017 (Revised #1 Target Date: December 2021) (Revised #2 Target Date: September 2022) (Revised #3 Target Date: June 2024) (Revised #4 Target Date: TBD)	**Outstanding – Overdue** – Due to the significant number of vacancies in the I/S branch, Target Date is TBD for ERS administrative governing policies and a schedule for the finalization of I/S policies will follow.
Cash & Liquidity Management Review				
Finding 1 – There is no formal cash management framework. While there are some elements of a cash management framework in place, based on industry standard resources reviewed, key features of cash management are missing.	Management should develop a formal cash management framework including the following elements: 1) An organization-wide cash management policy, 2) Implementation of software to assist in preparing formal cash forecasts, 3) Definition of key components of cash forecasting, and	Moderate	September 2017 (Revised #1 Target Date: June 2020) (Revised #2 Target Date: December 2021) (Revised #3 Target Date: December 2024) (Revised #4 Target Date: December 2025)	**Outstanding – Overdue** – Funding request was not submitted for FY2025; will submit for FY2026. Although not submitted for FY2025, ERS will still pursue procurement and alternatives for consultant and implementation of software as described in previous comment status to

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	4) Establish reporting protocols.			meet target date of December 2025. ERS will seek to procure a third-party consultant. Once procured, a third-party consultant will be able to assist the Accounting Branch and address this finding recommendation. The following estimated timing is conservative and based on prior experiences by the ERS related to the budget approval process. (Note: timing had to be adjusted/postponed due to change in State Administration (e.g. Governor, etc.); ERS & other agencies were asked to not submit any budget requests to keep budget "static" until new Administration was on board.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
Finding 2 – There is no formal process or methodology in place to determine the optimal monthly cash reserve that meet immediate cash obligations and also maximize higher earning investments.	Accounting should establish specific guidelines for evaluating the cash reserve, such as: 1) Frequency of evaluation, 2) Line items to be reviewed for adjustment, 3) Threshold amounts, 4) Triggering events that could result in immediate change, and 5) Investing temporary surpluses productively.	Moderate	September 2017 (Revised #1 Target Date: June 2020) (Revised #2 Target Date: December 2021) (Revised #3 Target Date: December 2024) (Revised #4 Target Date: December 2025)	**Outstanding – Overdue** – Refer to status comment for Finding 1 above.
Finding 3 – There is no comprehensive cash forecasting process. In addition, variance analyses and updates to line items are not made throughout the year.	ERS should: 1) Reevaluate current cash forecasting processes, 2) Establish a collaborative formal cash flow forecasting process, led by an individual with treasury experience, 3) Provide cash projections to all involved departments, and 4) Set tolerance levels of variance between actual and projected forecasts.	Moderate	September 2017 (Revised #1 Target Date: June 2020) (Revised #2 Target Date: December 2021) (Revised #3 Target Date: December 2024) (Revised #4 Target Date: December 2025)	**Outstanding – Overdue** – ERS will seek to procure a third-party consultant during upcoming FY. Once procured, a third-party consultant will be able to assist the Accounting Branch and address this finding recommendation.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
Financial Reporting Process Review				
Finding 3 – Financial reporting policies and procedures have not been reviewed or updated since the 1990s.	The Accounting Branch should draft a set of updated policies and procedures for the financial reporting process areas. Policies and procedures should be established for the following: ▪ Annual financial audit and CAFR preparation ▪ Monthly financial statement activities ▪ Financial statement preparation and distribution ▪ Management reports (internal)	Moderate	June 2020 (Revised #1 Target Date: December 2021) (Revised #2 Target Date: December 2024) (Revised #3 Target Date: December 2025)	**Outstanding – Overdue** – ERS will seek the necessary resources to assist in the development of policies, procedures, and related training. Refer to statuses provided for the Cash & Liquidity Management Review related to the timing of obtaining a third-party consultant.
Finding 4 – Accounting policies and procedures have not been adjusted to maintain alignment with the changing Investment Policy and shifts in the investment portfolio.	The Investment Office should actively involve and discuss potential investments with the Accounting Branch. The Accounting Branch should develop the appropriate policies, procedures and controls to align with any shifts in the investment portfolio. Management should also consider sending both Investment Office and qualified	Moderate	June 2020 (Revised #1 Target Date: December 2021) (Revised #2 Target Date: December 2024) (Revised #3 Target Date: December 2025)	**Outstanding – Overdue** – Draft policy template received from KMH. Detailed policies and procedures may require funding for necessary resources to assist in the development of policies, procedures, and related training as part of 2024 Legislative Session.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	Accounting Branch personnel to on-site due diligence visits for select high valuation risk investments.			Refer to statuses provided for the Cash & Liquidity Management Review related to the timing of obtaining a third-party consultant.
Finding 5 – Work report data files are consistently submitted by the employer groups with errors and in improper formatting. ERS resources, particularly the Accounting Branch and EC&B, are spending a significant amount of time correcting these errors which leads to delays in financial reporting.	ERS is meeting with representatives of employer groups to discuss improving reporting. In addition to this effort, ERS should complete the following: ▪ Developing IT scripts specific to individual employer submissions that may be able to identify common errors. ▪ Establishing an ERS help-line to coordinate training and support for different employer groups. Also, ERS can go to the individual employer work locations to conduct training on work report data files.	Moderate	December 2020 (Revised #1 Target Date: December 2022) (Revised #2 Target Date: December 2024) (Revised #3 Target Date: TBD) **Progress is evaluated on an on-going basis and it is unrealistic to determine a due date. See status comments.	**Outstanding – Overdue** – ERS staff (from various branches) continues to meet with State and county employer agencies to determine/update what is included in compensation for ERS benefits; to provide information on reporting processes and computer requirements; etc. The results of these findings will probably require legislative changes for the definition of ERS eligible compensation. ERS Work Report staff continues to utilize excel formulas and SQL queries to help analyze data files received and provide feedback to employers. Staff training is ongoing as

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
				changes are made to the data files received. It is unrealistic to determine the final implementation date given the results are highly dependent on employers implementing changes to the payroll and personnel systems to accurately and consistently report information to ERS; or for ERS to modify its pension system. These systems require approval of funding from legislature and city councils.
Human Resources – Personnel Development and Retention Review				
Finding 2 – The ERS can improve its succession planning processes by incorporating "Succession Management" into their plans.	IA recommends the ERS incorporate Succession Management into their existing succession planning processes. Key components of a succession management approach should include: 1) Improved documentation around preparation, planning, and development improvement steps	Medium	December 2021 (Revised #1 Target Date: December 2022) (Revised #2 Target Date: December 2023) (Revised #3 Target Date: March 2024) (Revised #4 Target Date: December 2024)	**Outstanding – Overdue** – For Succession Management, each Branch Chief will identify the necessary skills/experience/knowledge required for those identified as their potential successors and improve documentation around developmental planning, etc.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	2) Detailed developmental planning (training, coaching and mentoring) 3) Knowledge transfer and management practices			For the Accounting Branch, a succession plan has not been developed yet. The Accountant V position was established in July 2023 and is currently in recruitment.
Cloud Risk and Security Assessment - Phase 1 Review				

Finding 1 – Identity, Credential, and Access Management controls have not been fully established to address cloud risk and security post implementation.	To reduce risks, we recommend the following:
	1. Establish user access policies, procedures, business processes, and technical measures for identity, entitlement, and access management.
	   1.1. Establish a policy that documents access requirements, role-based access controls, and the IAM lifecycle for individuals accessing IT infrastructure i.e. the use of an access identity tool.
	   1.2. Establish procedures that ensure provisioning of user access is
		Medium	September 2022
			(Revised #1 Target Date: June 2024)
			(Revised #2 Target Date: TBD)
				Outstanding – Extended Original Target Date –
				1. - 1.3. Due to the significant number of vacancies in the I/S branch, Target Date is TBD for ERS administrative governing policies and a schedule for the finalization of I/S policies will follow.
				1.4. Previously completed/responded to by I/S.
				2. The policy must first be developed in detail for these procedures (refer to response 1.0 of this section).
				3. Previously completed.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	authorized by the organization's management prior to access being granted, and is appropriately restricted as established in the policies and procedures. 1.3. Establish procedures that ensure timely de-provisioning of user access to data, applications, infrastructure systems, and network components. 1.4. Implement a federated identity management solution for on-premise and cloud environments to avoid the use of discrete accounts. Consider Azure Active Directory pass through authentication (PTA) for management of split on-premise and cloud authentication.			

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	2. Perform periodic user access reviews that verify that the organization is adhering to the rule of least privilege based on job function and that any terminated employees who have had access are removed. For any identified access violations, remediation must be performed and follow established user access policies and procedures. 2.1. Verify user access to organization audit tools, diagnostic and configuration ports, and utility programs capable of overriding the system is part of a periodic user access review. 3. Evaluate access points of high risk (remote, privileged access) for implementation of multi-factor authentication requirements.			

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT

Finding 2 – ERS has established patching policies and configuration hardening process to ensure that security vulnerabilities are addressed. However, enhancements are needed to ensure that these processes are matured for the cloud environment, especially for the hardening of Azure machine images and patching of Azure Linux systems.	We recommend the following to enhance and help establish patching procedures for workstations and servers:
	
	1. As ERS completes its Azure data center region change from Virginia to Arizona, work with Microsoft to understand their capabilities to assist with regular patching and vulnerability management. Establish an automated process to install vendor patches on at least a monthly basis for both installed applications and operating systems, including Linux.
	
	  1.1. Evaluate solutions to identify missing patches/vulnerabilities (vulnerability scanning). Consider Azure Defender for Servers.
	
	  1.2. Evaluate solutions to deploy patches for the Azure environment, including Azure Automation Update Management.
		Medium	September 2022
			(Revised #1 Target Date: June 2024)
			(Revised #2 Target Date: TBD)
				Outstanding – Extended Original Target Date –
				
				1 and 2. Fiscal Year 2024, I/S branch procured Microsoft services to address these items. Pending vendor's response.
				
				3. - 6. Due to the significant number of vacancies in the I/S branch, Target Date is TBD for ERS administrative governing policies and a schedule for the finalization of I/S policies will follow.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	2. Implement or establish a threat intelligence function to monitor for newly announced vulnerabilities and released patches, and identify mitigating steps to fill the gap between the time a vulnerability is announced (known as '0-day') and the time a patch is provided by the vendor. 3. Establish change control procedures that address emergency patching of critical resources, and various vulnerability scenarios must be created to ensure vulnerability remediation activities are properly documented and reviewed by technical teams prior to being mitigated, validated, and closed. 4. Establish a formal risk management procedure to document unpatched vulnerabilities (e.g. risk acceptance sign-off by management), complete with tracking and periodic review.			

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	5. In coordination with the Office of Enterprise Technology Services, perform vulnerability scans of the internal and external networks of the production environment quarterly and non-production environment monthly to identify known vulnerabilities, missing patches, and misconfigurations. 5.1. Implement a vulnerability management policy identifying timelines for patching based on risk level. 6. Evaluate usage of a hardened VM image from the Azure marketplace (e.g. CIS). After implementation is complete, management should establish procedures to monitor any changes to parameters or configurations that could lead to configuration drift.			

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
Finding 3 – Data Security policies are not in place to address the labeling, handling, and security of data and objects that contain data. Additionally, Encryption and Key Management policies and procedures are not fully established for the management of cryptographic keys in the service's cryptosystem. **Finding 2 from IT Security Rapid Assessment & Internal Network Security Review (Outstanding – Overdue)** – Management does not have formal data classification policies and procedures in place to apply a risk-based approach towards handling, storing and transmitting of sensitive data other than personal information.	ERS should establish a data classification policy or procedure to identify types/classes of data and aid in handling data appropriately. The following should be incorporated into the data classification policy: ▪ A definition of the types of data present in the ERS environment (e.g., PII, member data, sensitive/confidential). ▪ Data security requirements for each type of data. Requirements should be documented and maintained to give clear guidance on how to handle various data types (e.g., requirements for encryption, retention, handling, storage, transmission, destruction). ▪ Procedures should be documented for labeling, handling, and security of data and objects which contain data. Mechanisms for label inheritance shall be implemented for objects that	Medium	September 2022 (Revised #1 Target Date: June 2024) (Revised #2 Target Date: TBD)	**Outstanding – Extended Original Target Date –** ERS initially started a data analytics group in 2023, but activity has been delayed due to other competing priorities. This group is led by the Chief Compliance Officer. Due to the significant number of vacancies in the I/S branch, target date is TBD for the finalization of I/S policies.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	act as aggregate containers for data. Also establish an encryption and key management policy or procedure to ensure keys are appropriately secured, stored, and rotated, and additional key management activities are carried out. The following should be incorporated into the encryption and key management policy: ▪ Cryptographic keys, including TLS certificates, used to protect access to data and encrypt data at rest must be rotated periodically. Credentials and cryptographic keys must not be embedded or stored in source code or distributed in public facing repositories.			
Finding 4 – Logging and Monitoring procedures around security events, capacity resources, virtual machine integrity, and network traffic have not been fully defined.	Logging and monitoring policies and procedures should be established and tools should be implemented. As ERS completes its Azure data center region change from Virginia to Arizona,	Medium	September 2022 (Revised #1 Target Date: June 2024) (Revised #2 Target Date: TBD)	**Outstanding – Extended Original Target Date** – ERS is working with a Virtual Chief Information Security Officer (vCISO). Due to the significant number of

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
Additionally, a formal periodic review of logging configurations has not been established.	the following areas should be considered when working with the vendor to implement logging and monitoring tools: ▪ Any changes made to cloud instances must be logged and an alert raised regardless of their running state (e.g., dormant, off, or running). The results of a change or move of an image and the subsequent validation of the image's integrity must be immediately available to customers through electronic methods (e.g., portals or alerts). ▪ Capacity and necessary resources should be planned for, measured, and monitored to deliver the required system performance in accordance with ERS expectations. ▪ Network environments and virtual instances should be designed and configured to restrict and monitor traffic			vacancies in the I/S branch, target date is TBD for implementation of SIEM / Managed Detection and Response (MDR) solution.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	• between trusted and untrusted connections. • Centralize the use of logging solutions (Azure Log Analytics and SolarWinds) to better integrate and use the results. Restrict the ERS Systems team's access to the audit logs appropriately (e.g., read-only).			
Finding 5 – Governance and risk management requirements for the cloud environment have not yet been established. Requirements should be established based on ERS risk profile and industry best practices. Once requirements are defined, compliance should be monitored on an ongoing (at least annual) basis.	Foundational governance and risk management requirements should be established to include the following: • Defining a Risk Management Policy that defines how ERS will identify, assess, track/monitor, remediate, and address risk. • Regularly (at least annually) conducting a risk assessment. Utilize industry-standard sources like NIST 800-30 to guide assessment methodology. • Document a remediation plan (such as a Plan of Action and Milestones – POA&M) to address	Low	September 2022 (Revised #1 Target Date: July 2024) (Revised #2 Target Date: TBD)	**Outstanding – Extended Original Target Date –** The I/S branch is still dealing with staff shortages. Due to the current staff shortages, ERS' priorities and current projects, this finding will be delayed. A new Target Date will be established once I/S has the resources to work on this. New Target Date is TBD.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	identified risks. Regularly discuss with leadership on milestones and current risk register status. In addition, we recommend ERS work with their vendors to find a mutually agreed upon external time source that is used to synchronize the system clocks of all relevant information processing systems to facilitate tracing and reconstitution of activity timelines. We also recommend the IS branch work with the Procurement department to track data outages and determine thresholds where ERS may be eligible for financial compensation.			
Employer Communication & Reporting Review				
Finding 2 – The ERS needs more employer-specific reference instructional materials (manuals or user guides) and training opportunities available to its	The ERS should create employer reference manuals, user guides, and/or instructional videos for its employer agencies and departments.	Medium	December 2023 (Revised #1 Target Date: December 2024)	**Cleared –** The ERS Employer Reporting team released two memos since the last update. In October 2023, released and posted the

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
employer agencies and departments to ensure employer reporting of required information in work reports, class codes, and personnel transactions are accurate and reported in the correct format.	Additionally, the ERS should hold trainings with employers on a more frequent basis (more than annually). These trainings should focus on specific subjects or areas instead of providing broad information on multiple employer-related areas. Key areas covered by instructional materials and training should include, at a minimum: • A general introduction to employers which includes their responsibilities related to membership, enrollment, reporting, member retirement, and death claims. • Reporting training or instructions on how to properly report compensation, contributions, and member data to the ERS. 　○ Training should be for employees with the responsibility for			baseline requirements for payroll and personnel that will be used during the review and evaluation period beginning in July 2024. In April 2024, released and posted a memo regarding the role of recurring differentials in calculating excess pension costs which provided examples of both recurring and non-recurring differentials. The Employer Reporting team met with individual employers for training and ERS educational purposes in April & May 2024. Employer Reporting section of the ERS website continues to be the main resource for employers. Updates to the "Employers" section include updates to: Employers Forms - Updated with PIF layout and included forms required to be submitted by Employers.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	reporting member information and data. • Employer tasks and responsibilities when determining employee pension benefit eligibility and enrolling its employees for ERS Membership. This should also include instructions on class code reporting.			Payroll and Personnel Reporting - Updated the pages with the information issued in the October 2023 memo. Enrollment - Updated the page to provide more information to employers on the ERRS enrollment process. Centralized enrollment forms, brochures, group & class code tables, and retiree return-to-work info. Termination & Retirement - Created a new page to provide employers information on the termination and retirement process. Explains what is to be provided by employers and compiled brochures & videos for employers to provide to employees. Employee-Employer Settlement Agreements - Created a new page to provide employers information on the claims process for certifying

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
				retroactive service and compensation restored pursuant to a Final Resolution of Claims.
Finding 3 – Work report processing procedures are not detailed enough and do not capture the unique, detailed steps required when reviewing and processing reports for a specific employer agency. Work Reports Team staff are also not currently cross-trained to process and review an employer agency or department they are currently not assigned to.	IA recommends that each Work Reports Team staff have formal, consistent procedures, and sufficient detail to document how they address their assigned employer's issues and complexities in their review and processing of Work Reports. The Work Reports Team should develop a plan or schedule to ensure that the staff are able to cross train each other on their assigned employers and review files by using the procedures noted above.	Low	December 2023 (Revised #1 Target Date: December 2024)	**Outstanding – Extended Original Target Date** – Accounting is currently working with KMH on the audit criteria and procedures to review payroll reporting from employers for compliance with Act 87 requirements that are effective in July 2024. Further, there is increased workload in payroll adjustments reported by employers (such as hazard pay, servicemen's act, salary adjustments and class code corrections). Accounting is also working with employers on implementing their system changes. Completing these objectives has been negatively impacted by the staff vacancy since October 2022.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
Cloud Risk and Security Assessment – Phase 2				
Finding 1 – Third-Party Risk Management ERS has not defined a process to assess and monitor third parties and vendors. Therefore, ERS does not perform periodic reassessments of third parties and vendors that have access to transmit or process the organization's data.	IA recommends that management address the above finding in the following ways: 1. Publish, finalize and disseminate the third-party risk management policy. Additionally, the policy should be reviewed at least annually. 2. Develop a formal third-party risk management program to provide critical insight into the effectiveness of third-party security controls.	High	August 2024 (Revised #1 Target Date: TBD)	**Outstanding – Not Overdue** – Pending procurement of the Enterprise Risk Management, Audit, and Policy software by the Chief Compliance Officer, but activity has been delayed due to other competing priorities. 1. Upon completion of procurement, I/S to work with ERS' Chief Compliance Officer, AG, and Administration to develop a third-party risk management policy. 2. Upon completion of procurement, I/S to work with ERS' Chief Compliance Officer to look into obtaining services to assist ERS in developing a third-party risk management program as we do not have the expertise and/or resources necessary. Due to the significant number of vacancies in the

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
				I/S branch. Target Date is TBD for I/S.
Finding 2 – Threat and Vulnerability Management ERS has not defined a service-level agreement (SLA) for vulnerability patching. As a result, there may be high-risk vulnerabilities that are not patched in a timely manner. Our technical review of in-scope systems noted that patching was being conducted ad hoc and was not consistently performed on a monthly basis. Unpatched vulnerabilities can carry a significant risk and present attackers with additional time to exploit vulnerabilities.	IA recommends that management address the above finding in the following ways: 1. Define a vulnerability SLA for vulnerability patching for all known vulnerabilities based on achievability and the organization's risk appetite. 2. Continue to work with Microsoft to conduct an Azure penetration test, and remediate any vulnerabilities identified in a timely manner. Additionally, perform penetration tests at least annually, or upon significant changes to any public-facing connectivity channels.	High	June 2023, December 2023 (Revised #1 Target Dates: June 2023, December 2023, and December 2024) (Revised #2 Target Dates: December 2024 and TBD) (Revised #3 Target Date: December 2025) (Revised #4 Target Date: TBD)	**Outstanding – Overdue** – 1. ERS is working with a Virtual Chief Information Security Officer (vCISO). Due to the significant number of vacancies in the I/S branch. Target Date is TBD. 2. It is ERS' goal to perform annual penetration tests. ERS completed a Cybersecurity Operations Security Test in April 2023, as the penetration test was not an option due to resources, costs and procurement. Due to the significant number of vacancies in the I/S branch, the ETA to complete a penetration test is December 31, 2025, this date is subject to change.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	3. Document, develop, and deploy a golden image for Windows servers to ensure that the operating system is hardened and baseline controls are implemented.			3. Fiscal Year 2024, I/S branch procured Microsoft services to address these items. Pending vendor's response.
Finding 3 – Logging and Monitoring ERS utilizes Azure Log Analytics to collect logs for the Azure environment; however, ERS has not defined alerts or a regular log review process to identify and notify security personnel of potential threats.	IA recommends that management address the above finding in the following ways: 1. Publish, finalize and disseminate the logging and monitoring policy. Additionally, review the data classification policy at least annually. 2. Develop a capital and resource plan to project future cloud capacity requirements as the organization continues to transition from on-premise to the cloud. Additionally, review this plan at least	High	December 2023, October 2023, and June 2024 (Revised #1 Target Date: June 2024 and TBD) (Revised #2 Target Date: TBD)	**Outstanding – Extended Original Target Date** – 1. This task is assigned to the Chief Compliance Officer, who is in the process of procuring a data classification application software. He will work in collaboration with the I/S branch to implement and manage. 2. - 4. Fiscal Year 2024, I/S branch procured Microsoft services to address these items. Pending vendor's response. Due to the significant number of

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	annually or upon any changes. 3. Configure Azure Monitor to alert security personnel based on defined metrics indicating risks beyond an established threshold. 4. Any changes made to cloud instances should generate an alert regardless of the running state (e.g., dormant, off or running). The results of a change or move of an image and the subsequent validation of the image's integrity must be immediately available to members through electronic methods (e.g., portals or alerts). 5. Use an Azure NSG to filter network traffic between Azure resources in an Azure virtual network. NSGs should not be open to all IP address ranges, as this is not best practice. ERS should set the appropriate			vacancies in the I/S branch. Target Date is TBD for implementation. 5. Fiscal Year 2024, I/S branch procured Networking services to Monitor and Detect. I/S branch will need to work with ETS and vendor to address. Due to the significant number of vacancies in the I/S branch. Target Date is TBD for implementation.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	inbound rules. Also, enable Traffic Analytics. Traffic Analytics is an Azure-native solution that enables clients to receive insights about the Azure virtual network flows.			
Finding 4 – Identity and Access Management Procedures and controls surrounding user access have been established for ensuring appropriate identity, entitlement and access management of all users with access to data and application interfaces; however, these procedures have not been finalized, published or disseminated, and user access reviews are not being conducted on a periodic basis. Additionally, an on-premises domain controller is utilized, and a contingency plan has not been evaluated to allow uninterrupted user access in the case of a natural disaster. Lastly, storage accounts have not been configured to restrict access	IA recommends that management address the above finding in the following ways: 1. Publish, finalize and disseminate the identity and access management policy. Additionally, the policy should be reviewed at least annually. 2. Implement semiannual access reviews to ensure that all access is appropriate and access that is no longer needed is removed. Additionally, review user access when users resign, are terminated, change roles and/or no longer need the authorization to carry out duties for any other reason.	High	June 2023, September 2023, and June 2024 (Revised #1 Target Date: June 2024 and TBD) (Revised Date #2 Target Date: TBD)	**Outstanding – Extended Original Target Date** – 1. - 3. Due to the recent staff turnover and current vacancies in the I/S branch, this has been put on hold. Target Date is TBD. 4. ERS will work with our vendors to ensure that storage accounts are restricted by network access using virtual network rules and set up a private link connection for ERS storage accounts. ERS has regional failover. I/S will work with our vendor to develop a plan and test the regional failover to ensure that data is durable in the case of a complete regional outage or a disaster in which the primary region is not

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	3. Consider moving from Active Directory to Azure Active Directory to provide continuous availability in the event of equipment failure. 4. Ensure that storage accounts restrict network access using virtual network rules and set up a private link connection for your storage accounts. Additionally, ensure that data is durable in the case of a complete regional outage or a disaster in which the primary region is not recoverable.			recoverable. Due to the significant number of vacancies in the I/S branch. Target Date is TBD for implementation.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
Finding 5 – Data Security and Privacy Life Cycle Management Although ERS maintains a comprehensive backup strategy for Azure cloud, ERS has yet to fully operationalize data security and privacy life cycle management controls, resulting in a lack of data understanding and ownership and indicators of encryption and data security weaknesses.	IA recommends that management address the above finding in the following ways: 1. Publish, finalize and disseminate the data classification policy. Additionally, the policy should be reviewed at least annually. 2. Establish an encryption and key management policy or procedure to ensure that keys are appropriately secured, stored and rotated, and additional key management activities are carried out. 3. Update network and data flow diagrams annually or upon any changes to the environment that would impact such diagrams to ensure that they are current and up to date. 4. As ERS continues to migrate servers that are still on-premises over to Azure cloud, a data responsibility matrix should be developed to define data owners and	Medium	September 2023 and June 2025 (Revised #1 Target Date: June 2025 and TBD)	**Outstanding – Extended Original Target Date** – 1. I/S will work with the ERS Chief Compliance Officer, Administration, procurement and AG to finalize and disseminate the data classification policy. Estimated completion date: June 30, 2025 2., 3., 5., and 6. Due to the recent staff turnover and current vacancies in the I/S branch, this has been put on hold. Target Date is TBD. 4. I/S will work with the ERS Chief Compliance Officer, Branch Chiefs & Administration to develop a data responsibility matrix. Estimated completion date: June 30, 2025

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	the data records for which they are responsible for. 5. Enable "Adaptive application controls for defining safe applications" on the virtual machines. 6. ERS should enable Purge Protection and Soft Delete. Purge Protection and Soft Delete are features that safeguard against losing key access.			

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

Historical Note: This chapter is based substantially on Rule covering the Election of Members of the System to the Board of Trustees. [Eff. 11/5/71; am 5/26/77; R 11/9/81]

§6-24-1 Definitions. Definitions generally applicable to this chapter are also provided in section 88-21, HRS, and section 6-20-1. As used in this chapter:

"Alternate Identifier" means a unique system-generated number assigned to members and retirees of the system.

"Employee organization" means an organization classified as an employee organization under section 89-2 HRS.

"General employee" means a member who is an employee of the State or a county, including police officers and firefighters but excluding teachers.

"General employee organization" means an organization which is comprised principally of members who are general employees.

"General employee-trustee" means a trustee who is classified as a general employee.

"Retirant organization" means an organization which is comprised principally of retirants.

"Retirant-trustee" means a trustee who is included in the definition of a retirant.

"Teacher" means a member classified as a teacher under section 88-102, HRS; a teacher or an educational officer certified as a teacher by the department of education, and includes a dean, professor, instructor, and lecturer of the University of Hawaii and the community college system.

"Teacher-trustee" means a trustee who is included in the definition of a teacher. [Eff 11/9/81; am and comp 2/9/89; am and comp 7/10/95; am and comp 11/26/09; am and comp   ] (Auth: HRS §§88-24, 88-28) (Imp: HRS §88-24)

§6-24-2 Candidates proposed by employee organizations or retirant organizations. (a) Each of the general employee organizations, if the election is for a general employee-trustee; each of the teacher organizations, if the election is for a teacher-trustee; the above mentioned organizations and retirant organizations, if the election is for a retirant-trustee; shall be invited to submit a list of candidates whose names the organization desires to have on the ballot, together with brief resumes of

their qualifications. The resume of each candidate shall contain not more than one hundred words, inclusive of the candidate's name.

(b) The list of candidates must be received by the system at its Honolulu office, by 4:30 p.m., no later than sixty days from the date the system posts or circulates the notice to submit a list of candidates. Any list of candidates received after the sixtieth day shall not be considered. [Eff 11/9/81; am and comp 2/9/89; am and comp 7/10/95; am and comp 11/26/09; comp   ] (Auth: HRS §§88-24, 88-28)(Imp: HRS §88-24)

§6-24-3 Other candidates. Any member or retirant who has not been proposed as a candidate by an employee or retirant organization, as the case may be, and who desires to be a candidate for election to the board may have the member's or retirant's name placed on the ballot by submitting a petition to the board, if the following conditions are met:

(1) The petitioner shall be a general employee if the election is for a general employee-trustee; a teacher, if the election is for a teacher-trustee; or a retirant, if the election is for a retirant-trustee;

(2) The petition shall be certified by the petitioner and shall be accompanied by the signatures of at least one hundred members or retirants of the system who desire to have the petitioner's name on the ballot. The signatures shall be obtained on a form provided by the system or other approved digital methods. For identification and member or retirant verification purposes, the signatures shall be accompanied by [the last four digits of] the member's or retirant's [social security number,] current mailing address, [and] current or former employing agency [of each person signing the

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petition, and shall be certified by the
petitioner;], and either:
- (A) The last four digits of the member's or
  retirant's social security number;
- (B) The member's or retirant's Alternate
  Identifier; or
- (C) The member's or retirant's month and
  day of birth;
- (3) The petition must be received by the system
  at its Honolulu office (together with a
  resume of the qualifications of the
  petitioner containing not more than one
  hundred words, inclusive of the petitioner's
  name) or an independent balloting agent as
  the case may be, no later than 4:30 p.m.
  sixty days from the date the notice to
  submit petition is published; and
- (4) The system or independent balloting agent as
  the case may be, shall verify the
  petitioner's status as a member or retirant
  of the system, as the case may be, and the
  signatures and status as a member or
  retirant of the system, as the case may be,
  of at least one hundred of the persons
  signing the petition.

The system shall notify the public of the opportunity
to petition the board to have a member's or retirant's
name placed on the ballot by publishing a notice to
submit petition [shall be published] in a newspaper of
general circulation in the State. The notice shall
announce the forthcoming election[,] and shall contain
other information as appropriate. [Eff 11/9/81; am and
comp 2/9/89; am and comp 7/10/95; am and comp
11/26/09; am and comp   ] (Auth: HRS
§§88-24, 88-28) (Imp: HRS §88-24)

§6-24-4 **Contents of ballots.** The ballot shall:
- (1) List in alphabetical sequence the names of
  the candidates; and

(2) Contain a resume of their qualifications containing not more than one hundred words, inclusive of the candidate's name[, or the qualifications of each candidate]. [Eff 11/9/81; am and comp 2/9/89; am and comp 7/10/95; am and comp 11/26/09; am and comp   ] (Auth: HRS §§88-24, 88-28) (Imp: HRS §88-24)

§6-24-4.01 Electronic voting authorized. (a) The system may use electronic means to allow members and retirants to vote. The [administrator] executive director may implement and maintain the electronic voting system, or the board may appoint an independent electronic balloting service that specializes in the solicitation and compilation of ballots for government entities through electronic means, for the purpose of performing some or all of the functions in connection with electronic voting.

(b) If electronic voting is used, electronic ballots shall be sent, received, and maintained in a manner substantially equivalent to the manner in which paper ballots are sent, received, and maintained. The [administrator] executive director or the independent balloting agent, whichever implements the electronic voting system, shall maintain and ensure the integrity and security of the electronic voting system. [Eff and comp 11/26/09; am and comp   ] (Auth: HRS §§88-24, 88-28) (Imp: HRS §88-24)

§6-24-5 Mailing of ballots. (a) For printed ballots, a ballot shall be mailed to each member and retirant together with a postage guaranteed return envelope, between [September] July 1 and [December] October 1 of the calendar year preceding the year in which the term of an elected trustee expires; provided that if a vacancy occurs for the unexpired term of a trustee, the board shall determine whether to fill the

vacancy by appointment or election and if by election, the dates for the mailing of ballots.

(b) The system shall maintain a listing of the names and mailing addresses of all members and retirants to whom ballots were sent. [Eff 11/9/81; am and comp 2/9/89 and comp 7/10/95; am and comp 11/26/09; am and comp   ] (Auth: HRS §§88-24, 88-28) (Imp: HRS §88-24)

§6-24-6 Return of ballots. (a) For printed ballots, members and retirants shall have at least fifteen days from the date of the mailing of the ballot within which to return the ballot to the system or independent balloting agent as the case may be. The postmark date on the return envelope shall determine whether the envelope has been returned within the prescribed period. The system, or independent balloting agent as the case may be, shall date stamp all envelopes which are hand-delivered, or which are not post-marked, or which are received [by the system] after the last day for the return of ballots.

(b) All ballots received after the time prescribed for the return of ballots shall be kept separately by the system or the independent balloting agent as the case may be, for inspection and disposition by the election committee.

(c) The system, or independent balloting agent as the case may be, shall maintain a daily record of the number of ballots received. Printed ballots shall be kept sealed and locked in boxes until the day for the tallying of ballots. [Eff 11/9/81; am and comp 2/9/89; am and comp 7/10/95; am and comp 11/26/09; am and comp   ] (Auth: HRS §§88-24, 88-28) (Imp: HRS §88-24)

§6-24-7 Non-receipt of ballots; spoiled ballots; new ballots. (a) Any member or retirant who claims not

to have received a paper or electronic ballot shall be issued a new ballot through paper or electronic means, if the records indicate that no ballot was sent to the member or retirant, the ballot was sent to the wrong mailing address, or the member or retirant was not able to access the electronic ballot, through no fault of the member or retirant; provided that if the ballot was sent to the wrong mailing address, a reasonable time shall elapse to permit return of the ballot before the issuance of a new ballot. If the records indicate that the ballot was sent to the proper mailing address, a new ballot shall be issued if the member or retirant shall file a written statement, or by other prescribed and approved means, to certify[ing] that the member or retirant did not receive the ballot.

(b) A member or retirant who has spoiled a ballot may request a new ballot which shall be issued only upon the receipt of the spoiled ballot by the system or the independent balloting agent as the case may be.

(c) The system, or the independent balloting agent as the case may be, shall keep a record of all ballots issued under the provisions of this section. [Eff 11/9/81; comp 2/9/89; am and comp 7/10/95; am and comp 11/26/09; am and comp   ] (Auth: HRS §§88-24, 88-28) (Imp: HRS §§88-24)

§6-24-8 Election committee. The system shall appoint an election committee of three members who shall be recommended by employee and retirant organizations. The committee shall supervise the opening and tallying of ballots and shall, upon completion of the tally, certify to the board of trustees the results of the election. [Eff 11/9/81; comp 2/9/89; am and comp 7/10/95; comp 11/26/09; comp   ] (Auth: HRS §§88-24, 88-28) (Imp: HRS §88-24)

§6-24-9 Opening and tallying of ballots. (a) The system, or independent balloting agent as the case may be, shall tally the ballots no earlier than four days after the last day for the return of ballots by mail.

(b) Ballots shall be opened and tallied under the supervision of the election committee. Electronic ballots may be opened and tallied by an independent electronic balloting [service] agent under the supervision of the election committee.

(c) Any ballot containing more than the number of votes permitted by the instructions on the ballot and any ballot containing any erasure shall be invalid. The election committee shall be the sole judge as to the validity of any other questionable ballot. [Eff 11/9/81; am and comp 2/9/89; am 1/29/90; am and comp 7/10/95; am and comp 11/26/09; am and comp
                ] (Auth: HRS §§88-24, 88-28) (Imp: HRS §88-24)

§6-24-10 Declaration of election. Upon receipt of the certified results of the election from the election committee, the board of trustees shall declare as elected the person (or persons, if there is more than one trustee to be elected) receiving the highest number of votes. [Eff 11/9/81; comp 2/9/89; comp 7/10/95; comp 11/26/09; comp   ] (Auth: HRS §§88-24, 88-28) (Imp: HRS §88-24)

§6-24-11 Ballots to be held for thirty days. All ballots which have been tallied shall be held by the system or independent balloting agent as the case may be, for a period of at least thirty days following the day when the successful candidate or candidates take office. If there are no questions raised as to the results of the election, the system or independent balloting agent as the case may be, may then destroy the ballots. [Eff 11/9/81; comp 2/9/89; am and comp

7/10/95; comp 11/26/09; am and comp
] (Auth: HRS §§88-24, 88-28) (Imp: HRS §88-24)

§6-24-12 Computation of time. In computing any period of time prescribed or allowed by this chapter, or any order of the board, the day of the act, event, or default after which the designated period of time is to run shall not be included. The last day of the period shall be included unless it is a Saturday, Sunday, or legal holiday in the State, in which event the period of time runs until the end of the next day which is neither a Saturday, Sunday, nor legal holiday. Intermediate Saturdays, Sundays, or legal holidays shall not be include in the computation when the period of time prescribed or allowed is seven days or less. A half-holiday shall not be considered a holiday for purposes of these computations. All references in this chapter to days shall mean calendar days, unless otherwise expressed. [Eff 11/9/81; comp 2/9/89; am and comp 7/10/95; am and comp 11/26/09; am and comp   ] (Auth: HRS §88-28) (Imp: HRS §§88-24, 88-28)

MEKETA

Employees' Retirement System of the State of Hawaii

2024 Q1 Performance Report (Preliminary)

1. Introduction

2. ERS Portfolio Review

3. Plan Sponsor Peer Group Analysis

Introduction

Portfolio Valuation			
	Quarter-To-Date	Fiscal Year-To-Date	One Year
Total Fund			
Beginning Market Value	22,880,493,536	22,231,227,557	21,907,850,856
Net Cash Flow	134,179,827	-63,478,485	-125,560,930
Capital Appreciation	256,396,127	1,103,320,419	1,488,779,564
Ending Market Value	**23,271,069,490**	**23,271,069,490**	**23,271,069,490**

Performance vs. Policy Benchmark and Median Public Fund									
	Inception	30 Yrs	20 Yrs	10 Yrs	5 Yrs	3 Yrs	1 Yr	FYTD	QTD
Total Fund	**7.7**	**7.4**	**6.9**	**7.0**	**8.1**	**5.8**	**7.8**	**5.9**	**2.2**
Actuarial Rate	7.7	7.7	7.5	7.2	7.0	7.0	7.0	5.2	1.7
Excess Return	0.0	-0.3	-0.6	-0.2	1.1	-1.2	0.8	0.7	0.5
Total Fund	**7.7**	**7.4**	**6.9**	**7.0**	**8.1**	**5.8**	**7.8**	**5.9**	**2.2**
TF Policy Benchmark	7.9	7.7	6.9	6.7	8.1	6.1	14.7	10.9	6.7
Excess Return	-0.2	-0.3	0.0	0.3	0.0	-0.3	-6.9	-5.0	-4.5
Total Fund	**7.7**	**7.4**	**6.9**	**7.0**	**8.1**	**5.8**	**7.8**	**5.9**	**2.2**
InvMetrics Public DB > $1B Median	8.0	7.9	6.7	6.8	7.7	4.7	11.5	8.8	3.7
Total Fund Rank	79	86	37	41	39	17	98	98	99
Excess Return	-0.3	-0.5	0.2	0.2	0.4	1.1	-3.7	-2.9	-1.5

Total Fund performance consists of net of fees returns. Fiscal year begins on July 1. Inception date is 6/1/1990.
The ERS moved from an asset-based benchmark to a risk-based benchmark as of 10/1/2014. Current composition (effective 1/1/2024) is 70% Broad Growth Benchmark and 30% Diversifying Strategies Benchmark. Please see the Appendix for current and historical custom benchmark compositions. The plan sponsor peer group, InvMetrics Public DB >$1B Net universe, includes BNY Mellon Total Public Fund >$1B universe and Investment Metrics client data.

MEKETA INVESTMENT GROUP

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Asset Allocation vs. Target
As of March 31, 2024

	Current Balance ($)	Current Allocation (%)	Policy (%)	Difference (%)	Policy Range (%)
Broad Growth	**15,665,361,937**	**67.3**	**70.0**	**-2.7**	**60.0 - 80.0**
Global Equity	9,126,659,445	39.2	39.0	0.2	19.0 - 59.0
Global Credit	2,394,786,740	10.3	12.0	-1.7	6.0 - 18.0
Real Assets	4,143,915,752	17.8	19.0	-1.2	9.0 - 29.0
Diversifying Strategies	**6,505,862,853**	**28.0**	**30.0**	**-2.0**	**20.0 - 40.0**
Liquid Defensive/Diversifying	5,444,886,487	23.4	26.0	-2.6	15.0 - 30.0
Illiquid Diversifying	1,060,976,365	4.6	4.0	0.6	0.0 - 9.0
Other	**1,099,844,700**	**4.7**	**0.0**	**4.7**	**0.0 - 0.0**
Other	1,099,844,700	4.7	0.0	4.7	0.0 - 0.0
Total	**23,271,069,490**	**100.0**	**100.0**	**0.0**	
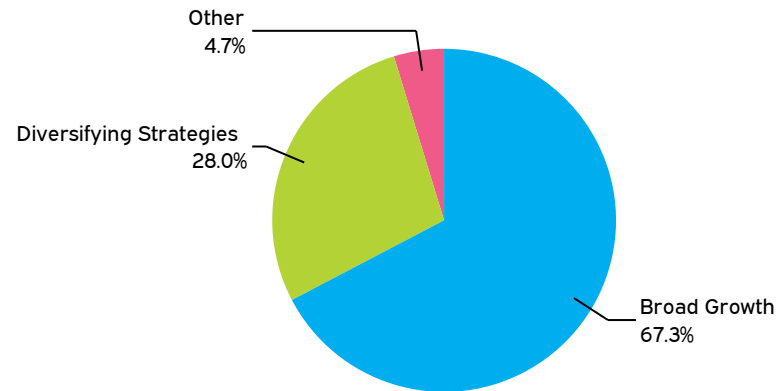
Target allocation effective 1/1/24. "Other" includes ERS Operating Account, Parametric Overlay program, and transitional or residual proceeds from liquidating or terminated accounts.

Hawaii ERS vs. Public Fund Peers

→ On a risk-unadjusted basis, the ERS Total Portfolio outperformed the Median Public Fund Peer Group[1] over the trailing 3-, 5-, 10-, and 20-year periods.

Risk-Adjusted Performance[2] of Hawaii ERS vs. Median Public Fund

	Since Inception	30 Yrs	20 Yrs	10 Yrs	5 Yrs	3 Yrs	1 Yr	FYTD	QTD / CYTD
Total Fund	7.7	7.4	6.9	7.0	8.1	5.8	7.8	5.9	2.2
Risk-Adjusted Peer Median[3]	*7.0*	*6.4*	*4.8*	*5.2*	*5.6*	*2.0*	*4.1*	*3.2*	*2.5*
Excess Return	0.7	1.0	2.1	1.8	2.5	3.8	3.7	2.7	(-0.3)

→ On a risk-adjusted basis, the ERS Total Portfolio has consistently, and materially, outperformed relative to the Median Public Fund over most time periods. This is indicative of a more efficient (i.e., higher return per unit of risk) portfolio that was explicitly constructed by the ERS over the last several asset-liability studies.

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[1] Peer universe data from Investment Metrics (IM) Public Defined Benefit >$1B Net Universe includes Investment Metrics client data and plan sponsor peer group data from BNY Mellon.

[2] Performance shown is net of fees since 10/1/2014, and a mix of net and gross of fees prior to 10/1/2014.

[3] The risk-adjusted median normalizes the median fund to the ERS's exhibited volatility. Calculated as: risk-adjusted median return = unadjusted median return × (ERS volatility ÷ median fund volatility), where volatility is measured as standard deviation. Figures for periods greater than one year are annualized. Fiscal Year beings on July 1. Inception date is 6/1/1990.

Annualized Return vs. Annualized Standard Deviation
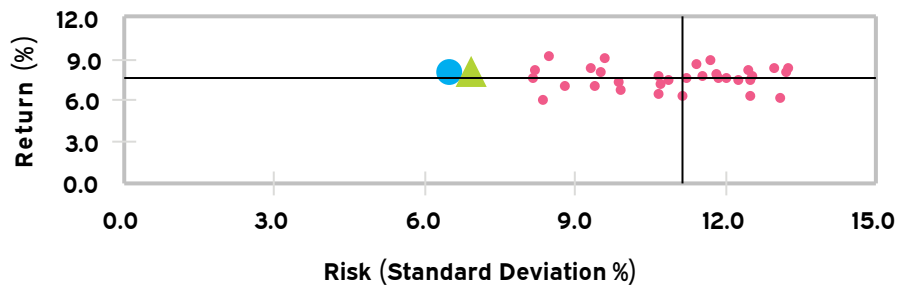### 3 Years Ending March 31, 2024
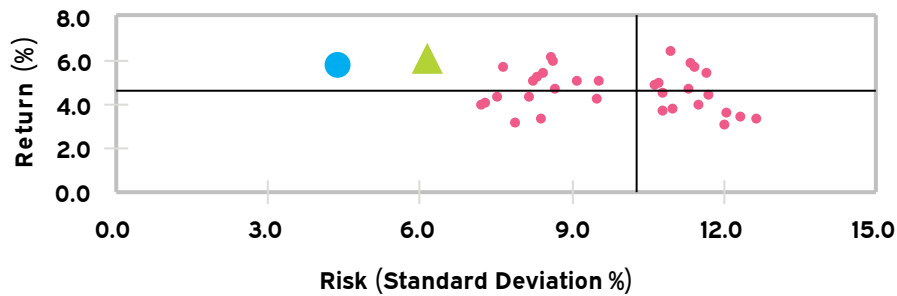
- 🔴 InvMetrics Public DB > $1B
- 🔵 Total Fund
- 🔺 TF Policy Benchmark

Annualized Risk-Return

	3 Years Return	3 Years Standard Deviation	3 Years Sharpe Ratio
Total Fund	5.8	4.4	0.7
TF Policy Benchmark	6.1	6.1	0.6
InvMetrics Public DB > $1B Median	4.7	10.3	0.3

Annualized Return vs. Annualized Standard Deviation
5 Years Ending March 31, 2024

- 🔴 InvMetrics Public DB > $1B
- 🔵 Total Fund
- 🔺 TF Policy Benchmark

Annualized Risk-Return

	5 Years Return	5 Years Standard Deviation	5 Years Sharpe Ratio
Total Fund	8.1	6.5	0.9
TF Policy Benchmark	8.1	6.9	0.9
InvMetrics Public DB > $1B Median	7.7	11.1	0.5

The plan sponsor peer group, InvMetrics Public DB >$1B Net universe, includes BNY Mellon Total Public Fund >$1B universe and Investment Metrics client data.

Since Inception Growth of $1

Actuarial Rate: $12.4
Policy Benchmark: $13.0
Total Fund: $12.1

— Total Fund   — Policy Benchmark   — Actuarial Rate
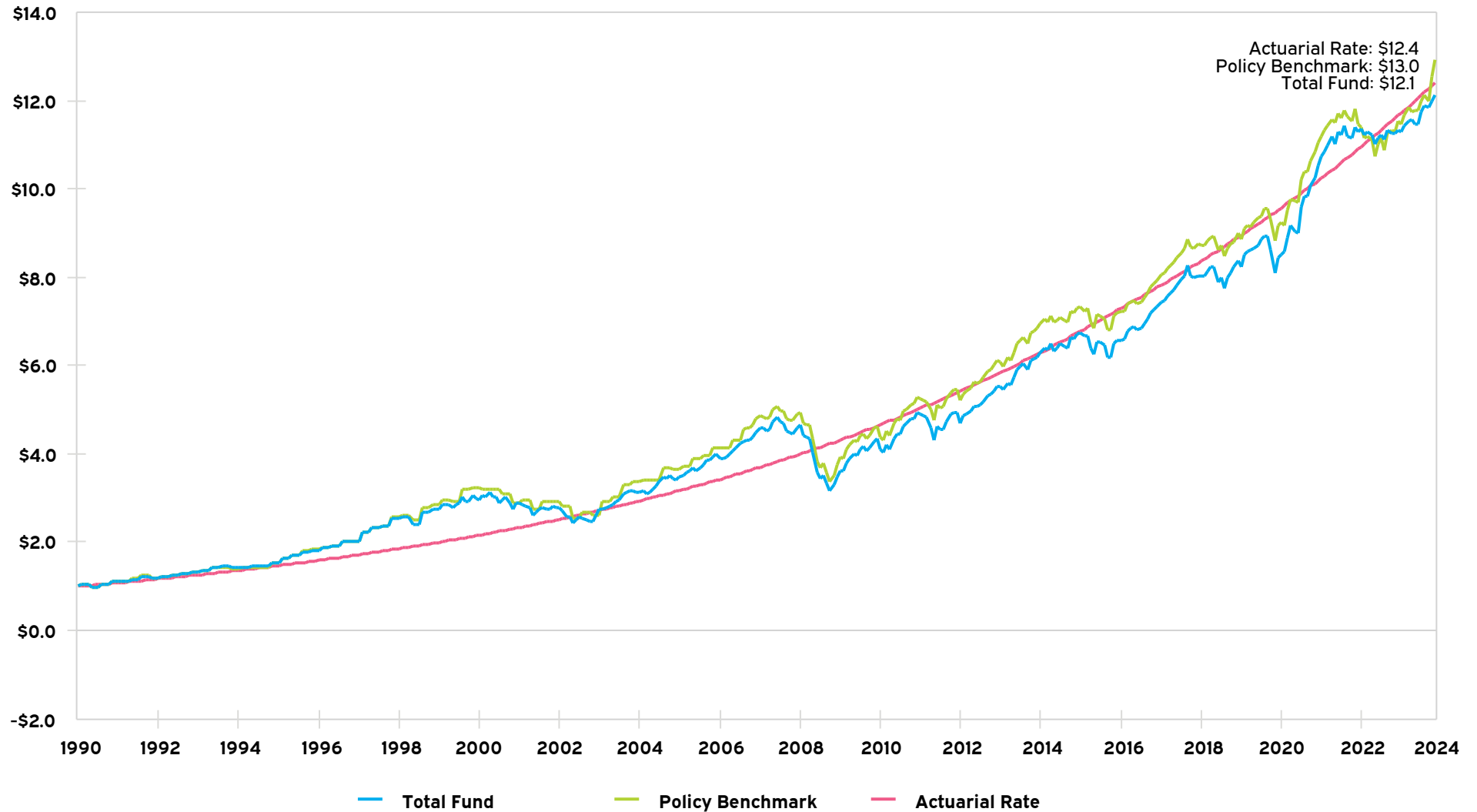
Inception date is 6/1/1990. Actuarial rate is 7.0% since July 2016, 7.65% from July 2015 to July 2016, 7.75% July 2011 to July 2015, 8.00% prior to July 2011.

Index Returns[1]

2023

Index	Return
S&P 500	26.3%
Russell 3000	26.0%
MSCI ACWI	22.2%
MSCI EAFE	18.2%
Russell 2000	16.9%
FTSE NAREIT Equity	13.7%
Bloomberg High Yield	13.4%
JPM GBI-EM Global Diversified	12.7%
MSCI Emerging Markets	9.8%
Bloomberg Aggregate	5.5%
Bloomberg Short-Term TIPS	4.6%
Bloomberg US TIPS	3.9%
Bloomberg Commodity Index	-7.9%

Q1 2024

Index	Return
S&P 500	10.6%
Russell 3000	10.0%
MSCI ACWI	8.2%
MSCI EAFE	5.8%
Russell 2000	5.2%
MSCI Emerging Markets	2.4%
Bloomberg Commodity Index	2.2%
Bloomberg High Yield	1.5%
Bloomberg Short-Term TIPS	0.8%
Bloomberg US TIPS	-0.1%
FTSE NAREIT Equity	-0.2%
Bloomberg Aggregate	-0.8%
JPM GBI-EM Global Diversified	-2.1%

→ In the first quarter, global equity markets continued their strong performance from 2023 with the US leading the way.

→ Resilient economic data weighed on bond markets domestically and dashed hopes of a near-term cut in interest rates. Strong results for the quarter built on gains for the year with all asset classes finishing in positive territory in 2023, except commodities.

[1] Source: Bloomberg. Data is as of March 31, 2024.

Summary

Key Trends:

→ According to the IMF, global growth this year is expected to match the 2023 estimate at around 3.1% with most major economies predicted to avoid a recession. Continued strong economic growth does run the risk of inflation and interest rates staying higher for longer.

→ Key economic data in the US is still coming in above forecasts with expectations dramatically evolving for the timing and pace of interest rate cuts. If data remains strong the Federal Reserve may keep rates elevated increasing the risk of an economic slowdown.

→ Outside the US we could see other central banks start cutting rates ahead of the Fed, with the ECB particularly in focus. The risk of policy errors remains elevated as central banks try to further reduce inflation toward targets while not tipping their economies into recession.

→ US consumers could feel pressure as certain components of inflation (e.g., shelter) remain high, borrowing costs are elevated, and the job market may weaken.

→ A focus for US equities going forward will be whether earnings can remain resilient if growth slows. Also, the future paths of the large technology companies that have driven market gains will be important.

→ Equity valuations remain lower in emerging and developed markets, but risks remain, including China's economic uncertainty and on-going weakness in the real estate sector which could spill over into key trading partners' economies. Japan's recent tightening of monetary policy along with changes in corporate governance in the country could influence relative results.

Macro Risk Analytics – Key Takeaways

→ Economic activity (i.e., corporate earnings, GDP, income growth, unemployment, etc.) remain resilient within the United States despite pockets of weakness across non-US regions. With strong market moves across liquid markets in recent periods, valuations for several asset classes still remain at elevated levels. Others, generally on a relative basis, appear to be reasonably valued but they do appear to be pricing in a "soft landing" as the base case scenario. Central bank actions, particularly their approach to lowering/raising interest rates, remains one of the most critical market drivers.

→ Meketa's Market Sentiment Indicator remained green (i.e., positive) during Q1.

→ The Actual Portfolio's beta (on a 12-month basis relative to the Policy Portfolio) decreased during Q1 and once again is at extremely low levels. Trailing 12-month volatility for the Actual Portfolio and Policy Portfolio diverged during Q1 to a wider spread. Of note, a new policy benchmark was implemented on 1/1/2024.

12 Month Rolling Beta vs. Policy Benchmark

Apr 19 - Mar 24
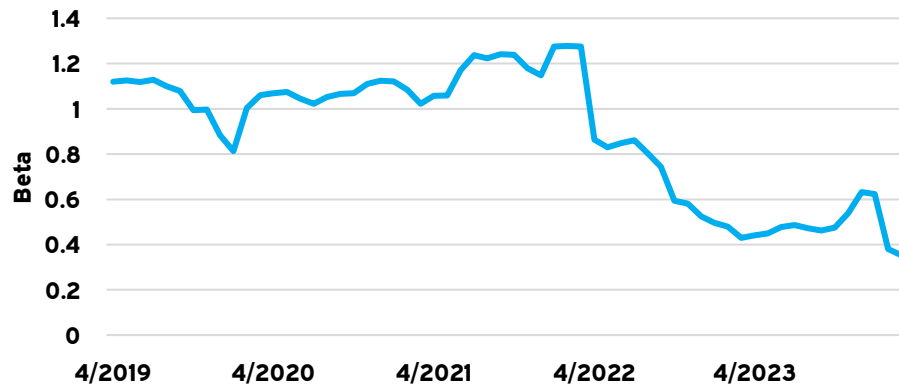
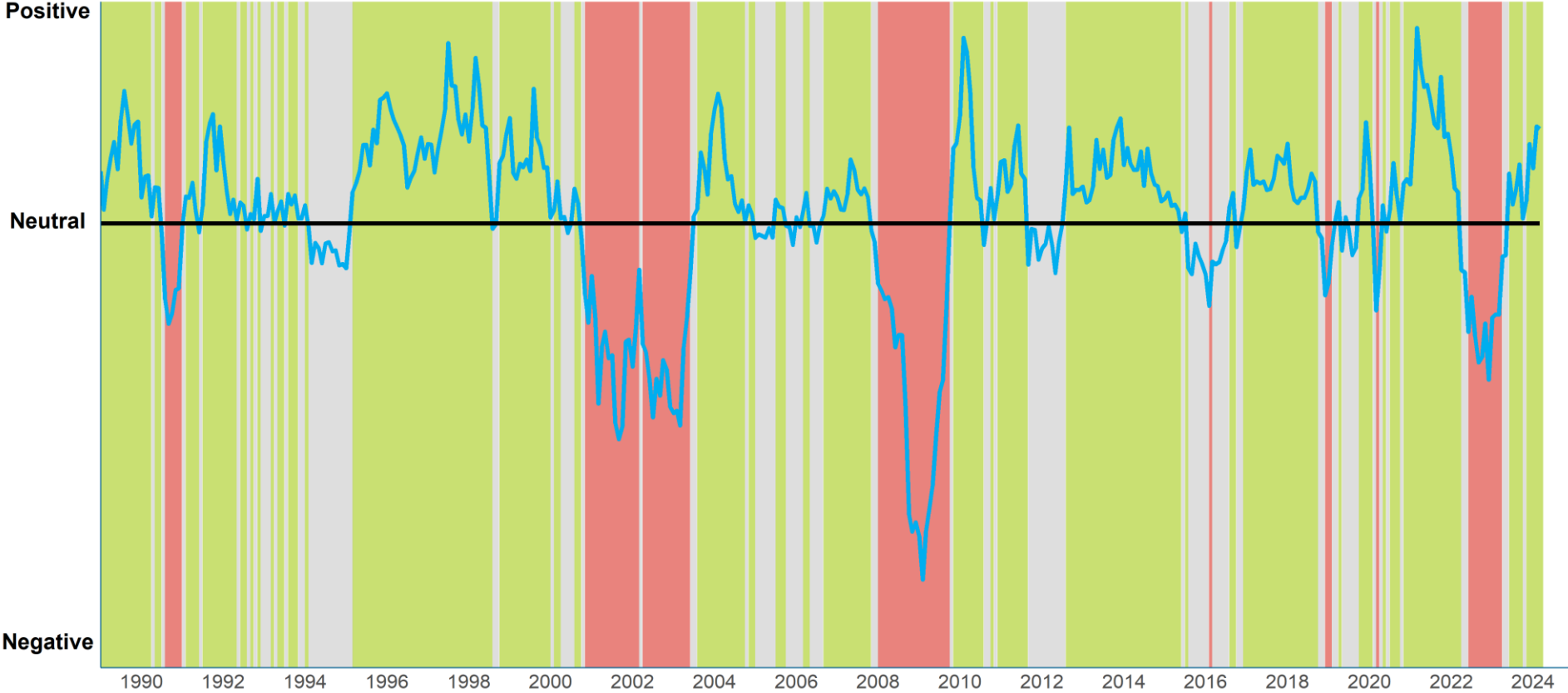**12 Month Rolling Risk**

Apr 19 - Mar 24
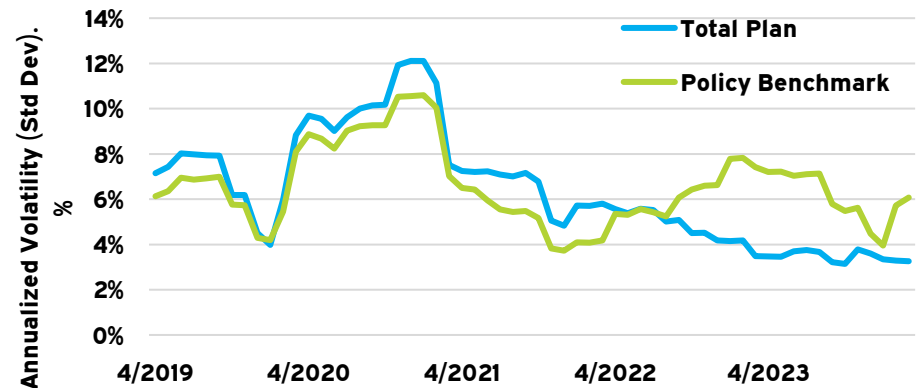
Valuation Metrics Dashboard
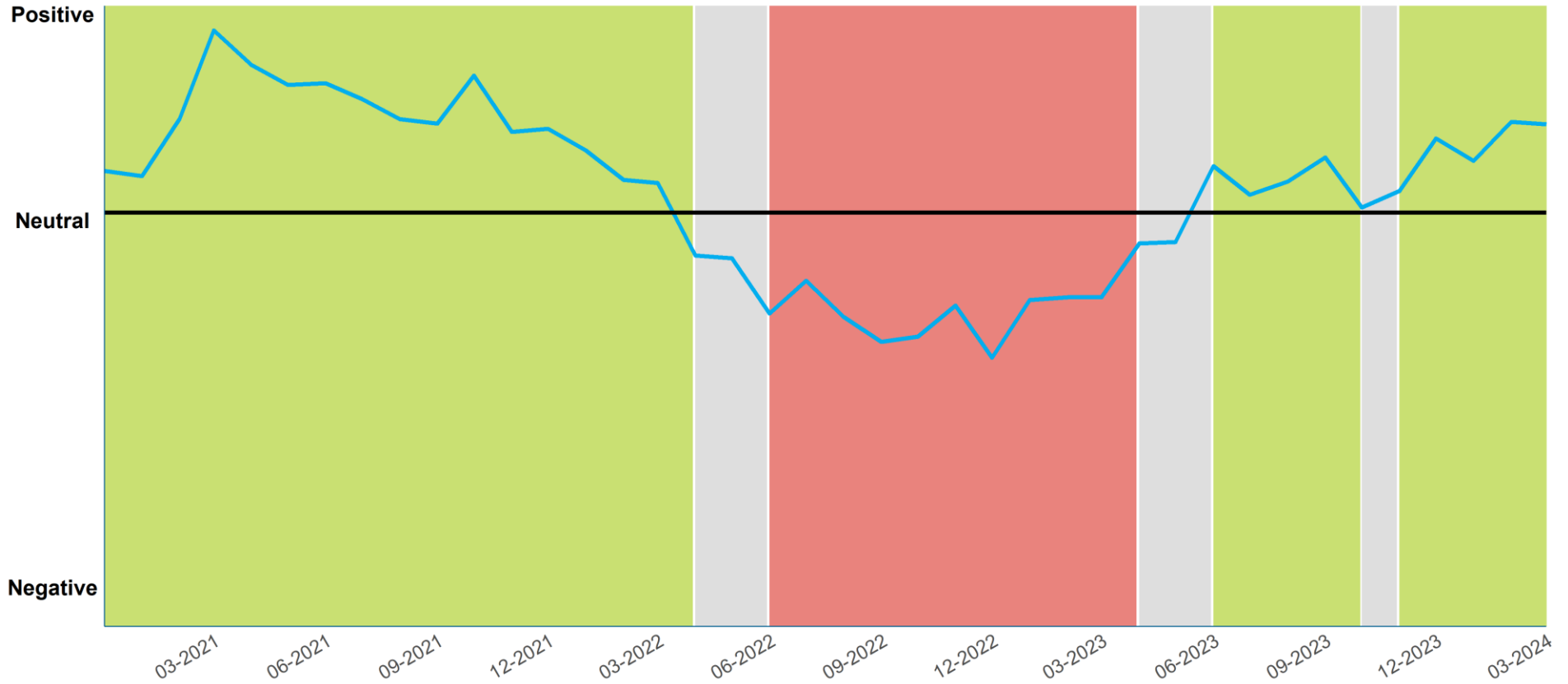(current measures relative to history)
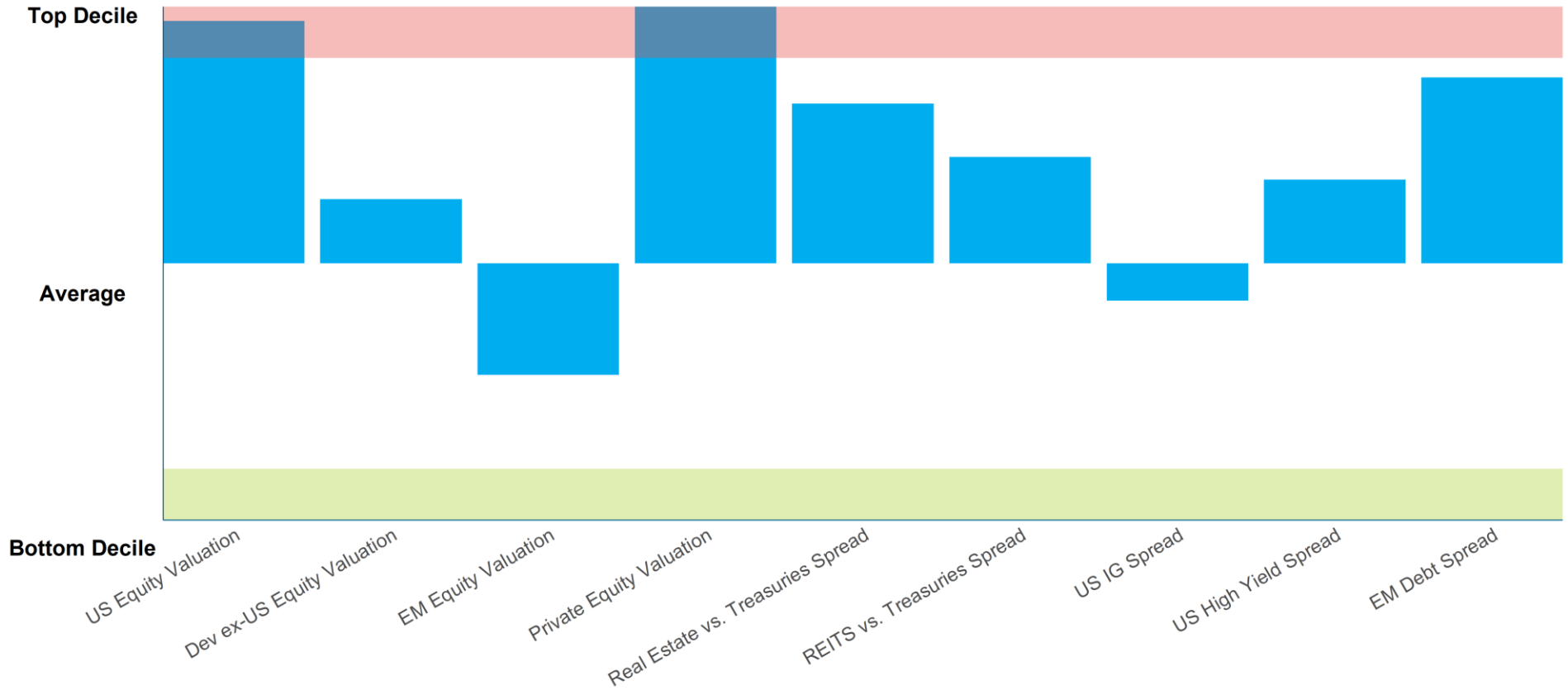
Other Market Metrics Dashboard
(current measures relative to history)
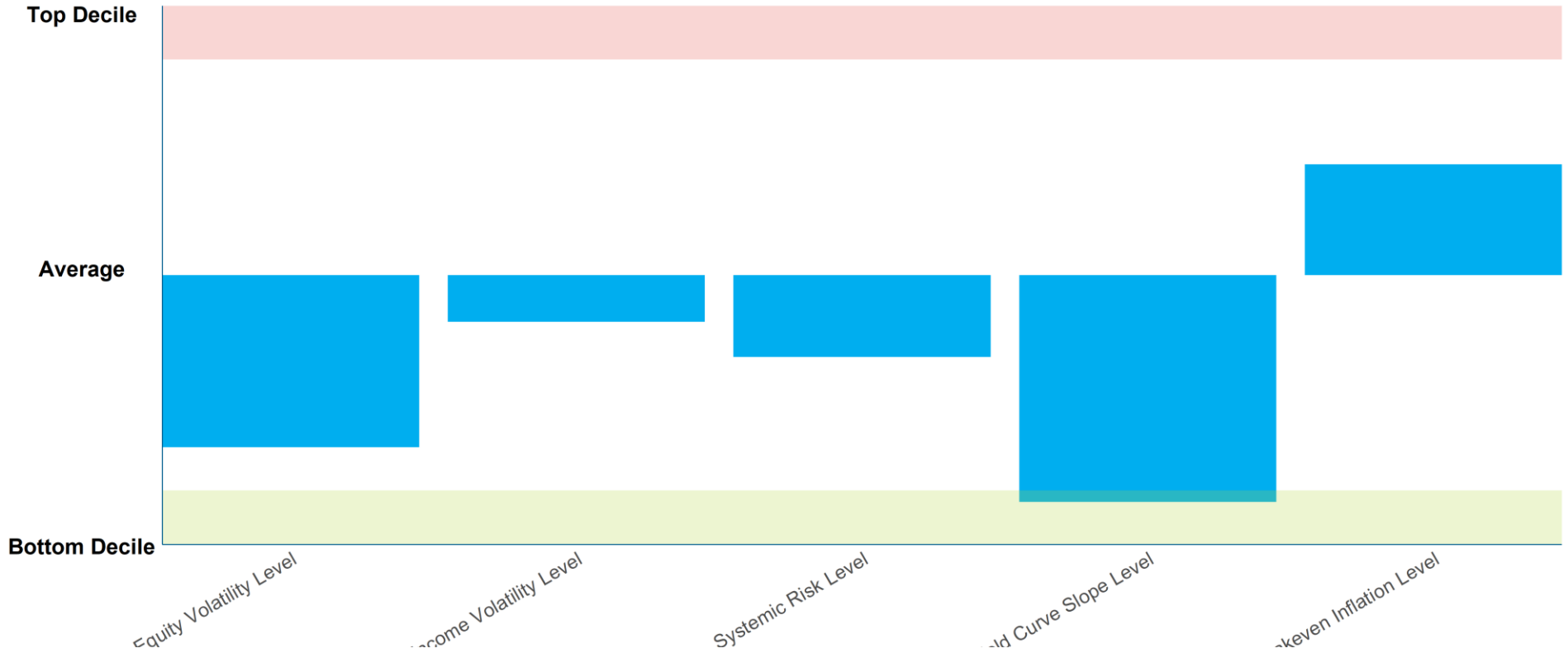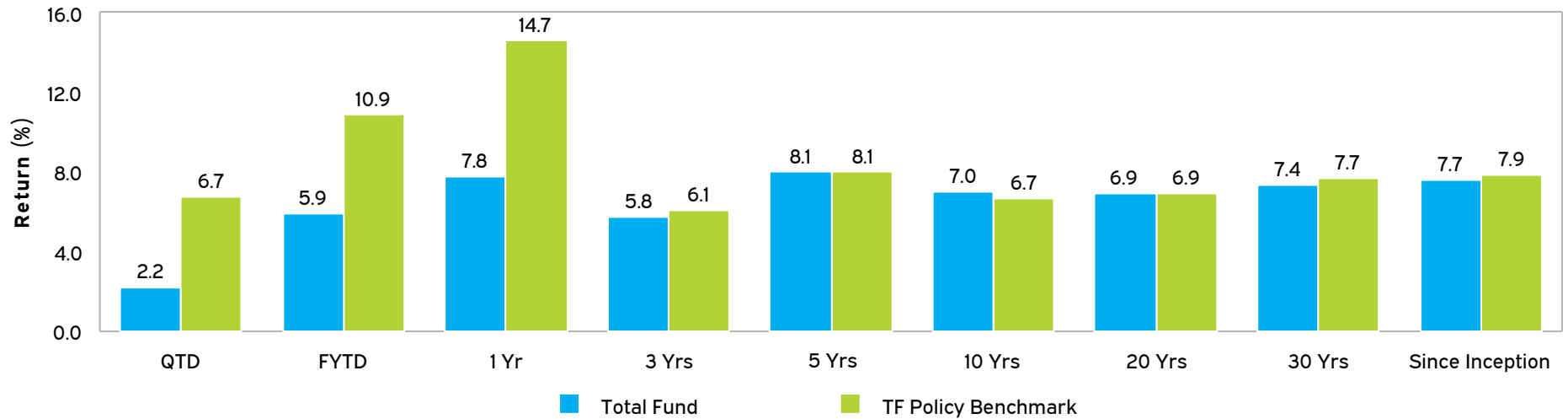
Market Sentiment Indicator (All History)
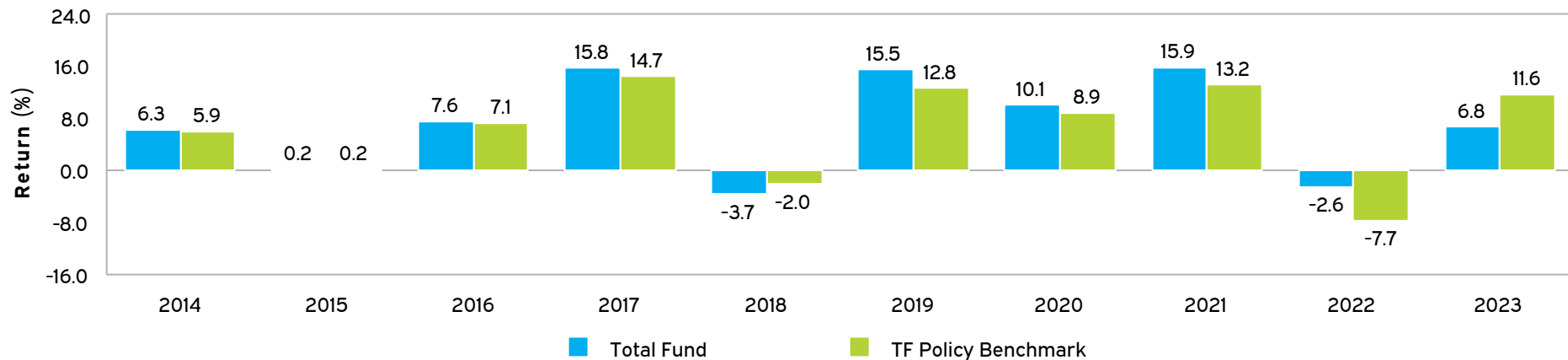
Market Sentiment Indicator (Last Three Years)

ERS Portfolio Review

Trailing Performance

Calendar Year Performance

Performance shown is net of fees. Inception date is 6/1/1990. Please see the Appendix for the Policy Benchmark's composition history.

Asset Class Performance Summary					
	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)
Total Fund	**2.2**	**7.8**	**5.8**	**8.1**	**7.6**
TF Policy Benchmark	*6.7*	*14.7*	*6.1*	*8.1*	*7.4*
Broad Growth	**2.8**	**8.8**	**6.1**	**9.1**	**8.8**
Broad Growth Benchmark	*9.4*	*18.6*	*7.0*	*9.5*	*8.7*
Global Equity	**4.3**	**13.0**	**8.1**	**12.1**	**11.7**
Global Equity Benchmark	*9.6*	*24.1*	*6.9*	*12.2*	*11.2*
Global Credit	**3.0**	**11.0**	**4.6**	**6.8**	**5.9**
Global Credit Benchmark	*3.5*	*13.1*	*4.2*	*6.0*	*5.5*
Real Assets	**-0.4**	**-1.3**	**7.7**	**7.7**	**7.2**
Real Assets Benchmark	*12.7*	*7.9*	*11.3*	*7.8*	*7.6*
Diversifying Strategies	**1.4**	**5.8**	**4.9**	**4.4**	**3.8**
Diversifying Strategies Benchmark	*0.6*	*6.2*	*3.7*	*4.0*	*3.9*
Liquid Defensive/Diversifying	**1.3**	**5.0**	**5.1**	**4.3**	**3.8**
Liquid Defensive Benchmark	*0.0*	*4.0*	*1.7*	*2.9*	*2.3*
Illiquid Diversifying	**1.9**	**10.3**	**2.3**	**--**	**--**
Illiquid Diversifying Benchmark	*4.6*	*14.2*	*7.5*	*--*	*--*

Total Fund performance shown is net of fees.
Relevant valuations may not have been available for all underlying Global Equity, Real Assets, and Diversifying Strategies managers at the time this report was produced; in such cases, most recent available data is used.
Benchmarks for Broad Growth and its underlying components contain lagged index returns. Please see the Appendix for current and historical custom benchmark compositions.

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Asset Class Performance Summary						
	Market Value ($)	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
Global Equity	**9,126,659,445**	**100.0**	**4.3**	**13.0**	**8.1**	**12.1**
Global Equity Benchmark			*9.6*	*24.1*	*6.9*	*12.2*
Public Equity	**4,658,538,177**	**51.0**	**7.4**	**21.0**	**5.7**	**10.4**
MSCI AC World IMI Index (Net)			*7.7*	*22.5*	*6.3*	*10.6*
Active Public Equity	**3,249,560,286**	**35.6**	**6.9**	**19.7**	**4.9**	**9.7**
Alliance Bernstein	614,197,446	6.7	5.9	17.4	4.4	--
Longview	811,590,524	8.9	8.2	20.7	9.5	10.5
Wellington (Mid-Large Cap)	515,707,983	5.7	12.6	32.4	7.0	--
MSCI ACWI (Net)			*8.2*	*23.2*	*7.0*	*10.9*
Wasatch	488,014,040	5.3	0.0	20.6	0.7	11.7
Wellington (Small Cap)	660,184,428	7.2	5.9	14.4	4.3	9.7
MSCI ACWI Small Cap (Net)			*3.9*	*16.5*	*1.6*	*8.0*
Hillhouse China A Shares	159,865,866	1.8	8.7	-10.9	--	--
MSCI China A Onshore Index (Net)			*-0.7*	*-17.3*	*-11.7*	*-0.8*
Passive Public Equity	**1,408,977,890**	**15.4**	**8.6**	**24.3**	**7.7**	**11.7**
BlackRock Alpha Tilt	625,249,484	6.9	9.0	25.5	8.3	11.8
Legal & General	783,728,407	8.6	8.2	23.4	7.2	11.3
MSCI AC World IMI Index (Net)			*7.7*	*22.5*	*6.3*	*10.6*
Private Equity	**4,468,121,269**	**49.0**	**1.3**	**5.0**	**13.4**	**16.3**
Private Equity Benchmark			*11.1*	*23.2*	*7.4*	*13.4*
Hamilton Lane	4,159,190,980	45.6	1.4	5.4	13.5	16.5
HITIP I Stafford	9,941,101	0.1	-2.0	6.4	-1.3	-3.3
HITIP II Stafford	43,138,219	0.5	-0.8	-10.9	15.3	9.2
HITIP III Stafford	36,157,925	0.4	1.7	-4.8	1.5	--
Other Equity	219,693,044	2.4	-1.4	2.9	14.2	15.6

Performance shown is net of fees. Please see the Appendix for current and historical custom benchmark compositions.

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Asset Class Performance Summary						
	Market Value $	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
Global Credit	**2,394,786,740**	**100.0**	**3.0**	**11.0**	**4.6**	**6.8**
Global Credit Benchmark			*3.5*	*13.1*	*4.2*	*6.0*
Private Credit	**1,631,108,352**	**68.1**	**2.7**	**9.7**	**5.5**	**--**
Carval Credit	248,693,686	10.4	4.1	12.1	5.4	--
OHA Tactical	144,600,313	6.0	2.2	7.6	9.7	--
Avenue Asia	103,463,015	4.3	0.0	6.5	--	--
Fortress Lending	145,691,497	6.1	2.3	16.3	--	--
Jefferies Direct Lending II	26,797,969	1.1	5.5	21.3	--	--
Lafayette Square USA	62,489,599	2.6	1.0	3.1	--	--
NB Private Debt Fund V (A), L.P	20,000,000	0.8	--	--	--	--
Orthogon Partners III	3,527,877	0.1	-2.8	-2.2	--	--
PIMCO Private Income Fund	103,645,316	4.3	0.9	6.8	--	--
Real Estate Credit	229,096,449	9.6	2.0	--	--	--
SilverRock Credit	303,746,400	12.7	6.3	15.9	7.4	--
SilverRock 2022	239,356,231	10.0	0.0	2.5	--	--
Private Credit Benchmark			*5.5*	*14.3*	*4.6*	*6.0*
Public Credit	**763,678,388**	**31.9**	**3.6**	**14.6**	**4.7**	**6.7**
HPS Credit	763,678,388	31.9	3.6	14.6	4.7	--
Public Credit Benchmark			*2.3*	*12.8*	*3.9*	*4.4*

Performance shown is net of fees. Please see the Appendix for current and historical custom benchmark compositions.

MEKETA

Asset Class Performance Summary						
	Market Value ($)	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
Real Assets	4,143,915,752	100.0	-0.4	-1.3	7.7	7.7
Real Assets Benchmark			*12.7*	*7.9*	*11.3*	*7.8*
Real Estate	1,987,273,320	48.0	-2.7	-7.4	7.8	7.9
Core Real Estate	1,074,701,387	25.9	-2.8	-6.5	9.3	10.0
Core Real Estate Custom Benchmark			*15.6*	*6.2*	*11.0*	*7.5*
NonCore Real Estate	912,571,933	22.0	-2.5	-8.5	6.3	5.9
NonCore Real Estate Custom Benchmark			*15.6*	*7.0*	*12.1*	*8.5*
Agriculture	337,589,898	8.1	1.4	3.7	--	--
Agriculture Custom Benchmark			*-0.7*	*1.9*	*--*	*--*
Timber	199,544,651	4.8	0.0	11.5	7.4	4.4
Timber Custom Benchmark			*9.9*	*15.3*	*12.4*	*7.7*
Infrastructure	1,619,507,883	39.1	2.5	9.8	11.6	14.8
Infrastructure Custom Benchmark			*12.2*	*18.2*	*13.3*	*10.4*
Private Infrastructure	559,523,017	13.5	0.8	7.9	11.0	14.4
Core Infrastructure	394,652,605	9.5	0.1	--	--	--
Value-Add Infrastructure	164,870,413	4.0	2.2	--	--	--
Public Infrastructure	467,210,968	11.3	3.8	--	--	--
Other Real Assets	592,773,897	14.3	2.3	5.3	--	--

Performance shown is net of fees. Both performance and benchmark data for Real Assets component are sourced from BNY Mellon's time-weighted data.
Please see the Appendix for current and historical custom benchmark compositions.

Asset Class Performance Summary						
	Market Value ($)	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
Liquid Defensive/Diversifying	**5,444,886,487**	**100.0**	**1.3**	**5.0**	**5.1**	**4.3**
Liquid Defensive Benchmark			*0.0*	*4.0*	*1.7*	*2.9*
Defensive Return Capture	**748,272,678**	**13.7**	**-2.3**	**-2.4**	**0.2**	**--**
CRO FRM Master Account	667,480	0.0				
Lombard Odier	139,799,083	2.6	0.9	-1.1	1.9	-3.2
P/E Global Macro	188,923,412	3.5	-1.2	11.1	12.6	2.7
36 South Cap Adv	227,397,850	4.2	-2.3	-4.1	--	--
Saba	191,484,854	3.5	-6.4	-19.1	--	--
Defensive Return Capture Benchmark			*-0.4*	*5.5*	*4.4*	*4.1*
Discretionary Alpha	**1,068,003,529**	**19.6**	**3.8**	**9.8**	**6.1**	**2.9**
Aequim Arbitrage	17,424,885	0.3	0.4	10.8	7.9	--
Aequim Relative Value Arbitrage	270,953,789	5.0	4.0	9.0	8.1	--
Aristeia Relative Value Arbitrage	210,333,187	3.9	4.4	7.9	--	--
Melqart Relative Value Arbitrage	217,867,513	4.0	3.4	16.3	--	--
Monashee Relative Value Arbitrage	197,201,386	3.6	-0.3	10.5	-1.6	--
Myam Asian Opportunity	154,222,770	2.8	8.2	6.2	--	--
Discretionary Alpha Benchmark			*-0.4*	*5.5*	*4.4*	*4.1*
Intermediate Duration Treasury	**1,597,651,121**	**29.3**	**-0.4**	**--**	**--**	**--**
Bank of Hawaii	274,329,564	5.0	-0.4	2.4	-1.5	0.6
First Hawaiian Bank	168,745,731	3.1	-0.6	2.0	-1.8	0.3
SLC Intermediate Treasury	1,154,575,827	21.2	-0.3	--	--	--
Blmbg. U.S. Treasury: Intermediate			*-0.4*	*1.6*	*-1.4*	*0.6*

Performance shown is net of fees.
Please see the Appendix for current and historical custom benchmark compositions.

Liquid Defensive/Diversifying | As of March 31, 2024

	Market Value ($)	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
Long Duration Treasury	**424,782,988**	**7.8**	**-3.4**	**-5.0**	**-4.8**	**1.3**
SLC Long Treasury	424,782,988	7.8	-3.4	-5.9	-6.9	--
Long Treasury Benchmark			*-3.3*	*-6.1*	*-7.1*	*-1.5*
Systematic Trend Following	**1,606,176,170**	**29.5**	**3.8**	**9.3**	**10.8**	**10.8**
AlphaSimplex	232,723,489	4.3	6.5	3.2	12.4	15.0
Aspect	243,830,718	4.5	10.8	20.1	19.5	14.1
Brevan Howard Disc Global Macro	257,813,968	4.7	-7.8	-6.5	--	--
Broad Reach	198,337,370	3.6	3.2	6.3	--	--
Crabel Advanced Trend	227,395,143	4.2	4.2	4.5	5.4	10.0
Graham Quant Macro	242,071,168	4.4	13.2	27.3	18.3	11.5
Mount Lucas	204,004,314	3.7	0.7	1.8	3.1	3.6
MLM Global Index EV Blend 15V			*2.2*	*6.6*	*5.0*	*4.9*

Performance shown is net of fees.
Please see the Appendix for current and historical custom benchmark compositions.

Asset Class Performance Summary					
	Market Value ($)	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)
Illiquid Diversifying	**1,060,976,365**	**100.0**	**1.9**	**10.3**	**2.3**
Illiquid Diversifying Benchmark			*4.6*	*14.2*	*7.5*
Idiosyncratic Return Capture	**604,583,219**	**57.0**	**1.7**	**5.9**	**2.8**
BlackStone Mauna	236,278,344	22.3	2.8	11.7	5.2
Cloverlay Leahi	186,888,353	17.6	0.9	4.1	--
Parabellum Partners III	42,890,366	4.0	0.0	0.0	--
Stable	138,526,156	13.1	0.9	1.9	--
Idiosyncratic Return Capture Benchmark			*4.6*	*11.5*	*7.0*
Insurance Linked	**456,393,146**	**43.0**	**2.1**	**16.8**	**2.1**
Nephila Ulu	213,079,555	20.1	1.4	18.8	1.9
Pillar Enso	243,313,591	22.9	2.8	15.0	2.3
Swiss Re Global Catastrophe Bond Index (Hedged)			*4.6*	*19.2*	*8.5*

Performance shown is net of fees. Please see the Appendix for current and historical custom benchmark compositions.

Plan Sponsor Peer Group Analysis

MEKETA

Peer Group Performance Comparison
Trailing Periods Ending March 31, 2024
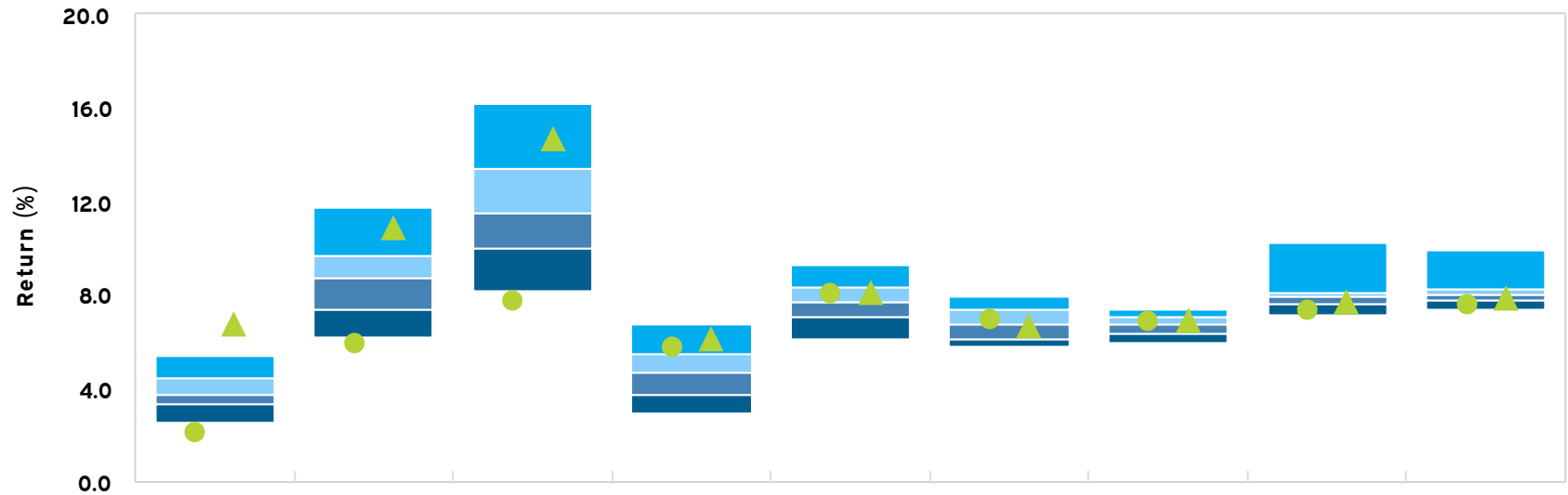
	QTD	FYTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	30 Yrs	Since Inception
● Total Fund	2.2 (99)	5.9 (98)	7.8 (98)	5.8 (17)	8.1 (39)	7.0 (41)	6.9 (37)	7.4 (86)	7.7 (79)
▲ TF Policy Benchmark	6.7 (1)	10.9 (12)	14.7 (15)	6.1 (11)	8.1 (39)	6.7 (55)	6.9 (32)	7.7 (60)	7.9 (69)
5th Percentile	5.4	11.8	16.2	6.7	9.3	8.0	7.4	10.2	9.9
1st Quartile	4.5	9.7	13.4	5.5	8.3	7.4	7.0	8.1	8.2
Median	3.7	8.8	11.5	4.7	7.7	6.8	6.7	7.9	8.0
3rd Quartile	3.4	7.4	10.0	3.7	7.0	6.1	6.4	7.6	7.7
95th Percentile	2.5	6.2	8.2	3.0	6.1	5.8	6.0	7.1	7.4
Population	90	54	48	42	41	36	26	11	8

Calculation based on monthly periodicity. Fiscal year begins on July 1. The plan sponsor peer group, InvMetrics Public DB >$1B Net universe, includes BNY Mellon Total Public Fund >$1B universe and Investment Metrics client data. Parenthesized numbers represent peer group percentile ranking.

## Peer Group Performance Comparison
Calendar Year Returns
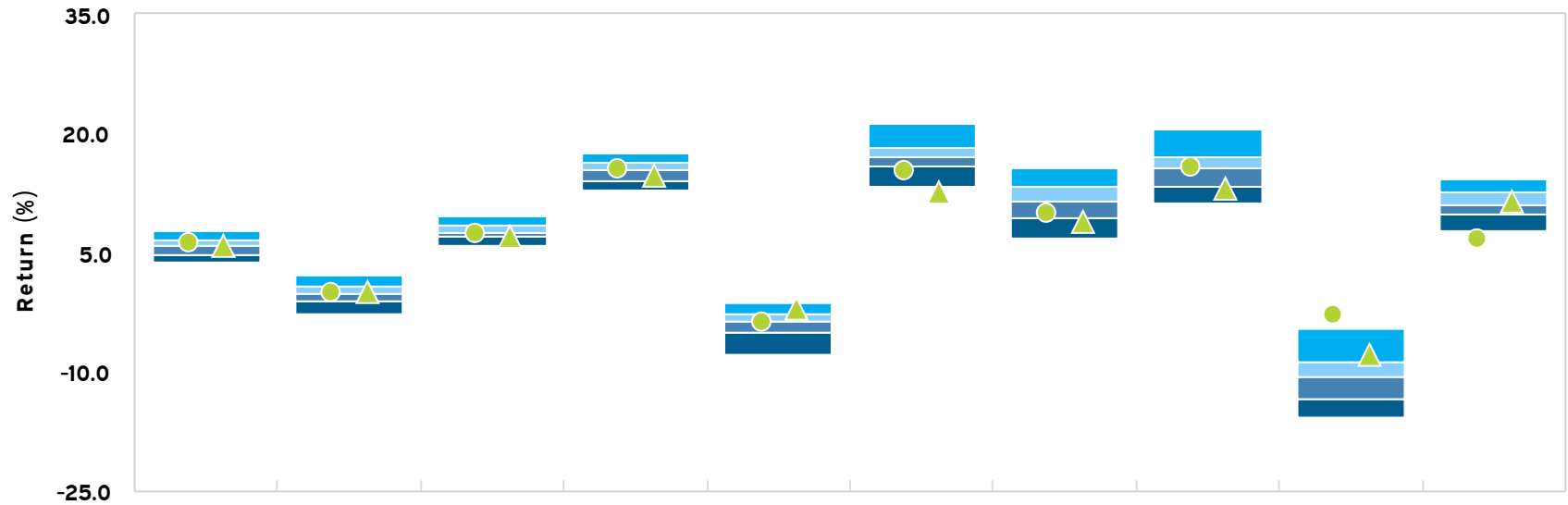
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
● Total Fund	6.3 (39)	0.2 (38)	7.6 (50)	15.8 (42)	-3.7 (51)	15.5 (84)	10.1 (71)	15.9 (46)	-2.6 (3)	6.8 (98)
▲ TF Policy Benchmark	5.9 (49)	0.2 (38)	7.1 (74)	14.7 (61)	-2.0 (14)	12.8 (98)	8.9 (84)	13.2 (78)	-7.7 (13)	11.6 (40)
5th Percentile	7.8	2.1	9.7	17.5	-1.3	21.2	15.7	20.7	-4.4	14.4
1st Quartile	6.7	0.8	8.4	16.4	-2.8	18.4	13.3	17.1	-8.6	12.7
Median	5.9	-0.2	7.6	15.6	-3.7	17.1	11.5	15.7	-10.6	10.9
3rd Quartile	4.7	-1.1	7.1	14.1	-5.0	16.0	9.3	13.5	-13.3	10.0
95th Percentile	3.8	-2.7	6.0	13.0	-7.7	13.4	6.8	11.2	-15.7	7.8
Population	81	86	89	90	80	100	122	107	74	76

Calculation based on monthly periodicity. The plan sponsor peer group, InvMetrics Public DB >$1B Net universe, includes BNY Mellon Total Public Fund >$1B universe and Investment Metrics client data. Parenthesized numbers represent peer group percentile ranking.

Risk/Return Statistics									
	1 Yr		3 Yrs		5 Yrs		7 Yrs		10 Yrs	
	Total Fund	Benchmark	Total Fund	Benchmark	Total Fund	Benchmark	Total Fund	Benchmark	Total Fund	Benchmark
RETURN SUMMARY STATISTICS										
Return	7.8	14.7	5.8	6.1	8.1	8.1	7.6	7.4	7.0	6.7
Excess Performance	-6.9	0.0	-0.3	0.0	0.0	0.0	0.2	0.0	0.3	0.0
RISK SUMMARY STATISTICS										
Standard Deviation	3.0	5.7	4.4	6.1	6.5	6.9	6.3	6.4	6.5	6.4
Beta	0.4	1.0	0.5	1.0	0.8	1.0	0.9	1.0	0.9	1.0
RISK/RETURN SUMMARY STATISTICS										
Information Ratio	-1.5	-	-0.1	-	0.0	-	0.1	-	0.1	-
Sharpe Ratio	0.8	1.5	0.7	0.6	0.9	0.9	0.9	0.9	0.9	0.8
Tracking Error	4.3	0.0	3.9	0.0	3.4	0.0	3.0	0.0	2.6	0.0

Net of fees performance is shown or used in calculating the statistics on this page.

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Annualized Return vs. Annualized Standard Deviation
1 Years Ending March 31, 2024

- ● InvMetrics Public > $1B net of fees
- ● Total Fund
- ▲ TF Policy Benchmark
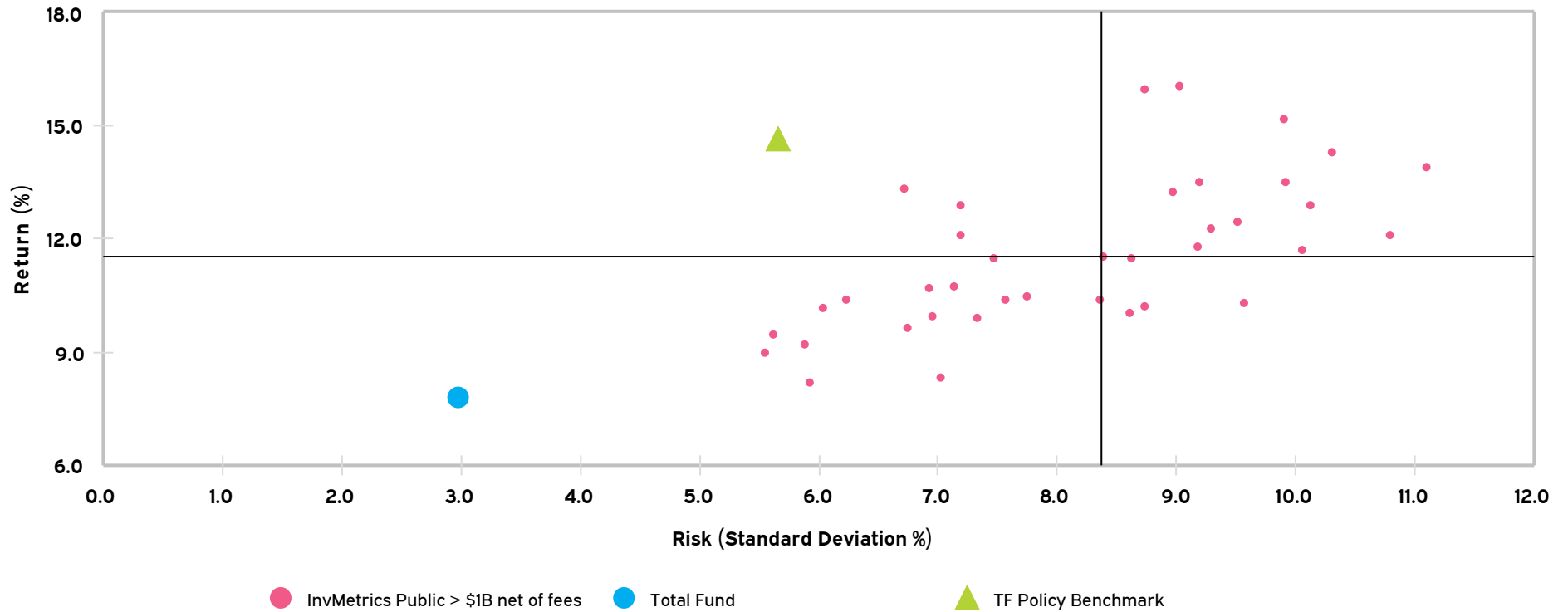
	Return	Standard Deviation	Sharpe Ratio	Information Ratio
Total Fund	7.8 (98)	3.0 (1)	0.8 (30)	-1.5 (99)
TF Policy Benchmark	14.7 (15)	5.7 (10)	1.5 (1)	-
InvMetrics Public DB > $1B Median	11.5	8.4	0.7	-0.4

The plan sponsor peer group, InvMetrics Public DB > $1B Net, includes BNY Mellon Total Public Fund >$1B universe and Investment Metrics client data.
Parenthesized numbers represent peer group percentile ranking.

MEKETA

Annualized Return vs. Annualized Standard Deviation
3 Years Ending March 31, 2024

● InvMetrics Public > $1B net of fees   ● Total Fund   ▲ TF Policy Benchmark
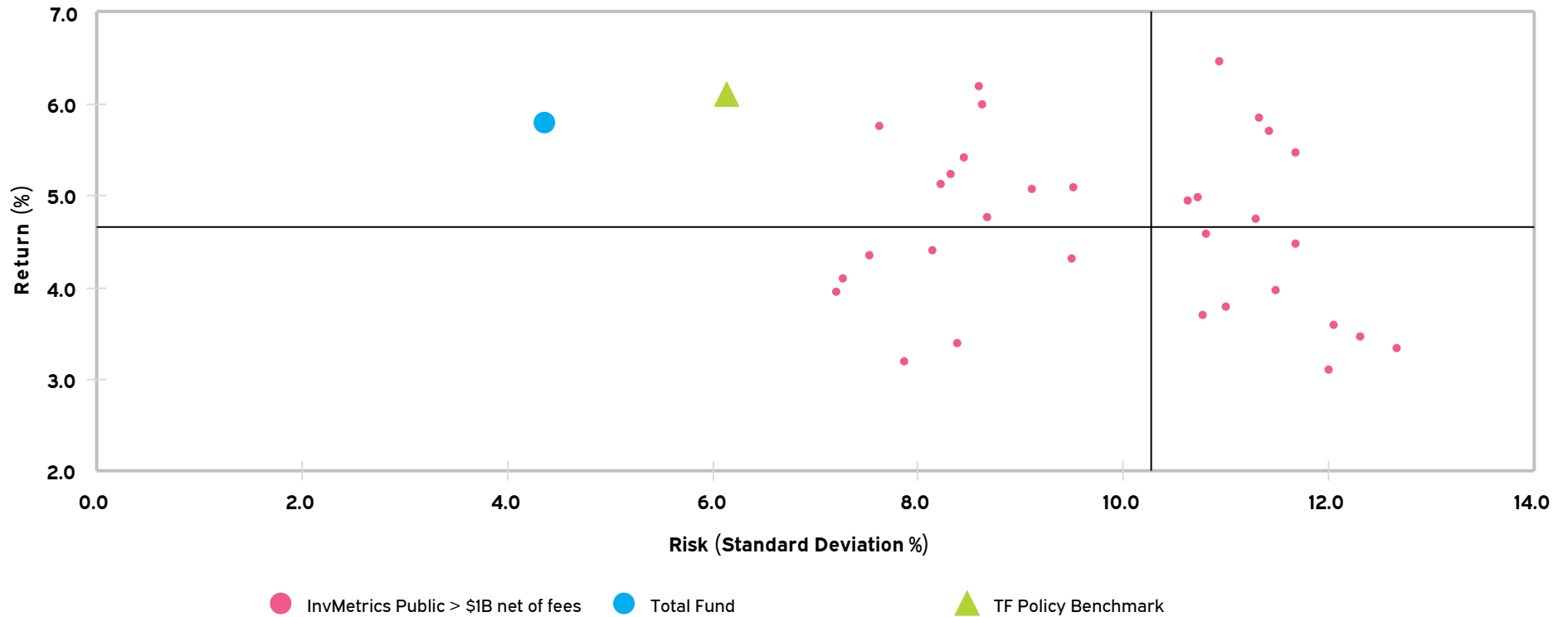
	Return	Standard Deviation	Sharpe Ratio	Information Ratio
Total Fund	5.8 (17)	4.4 (1)	0.7 (3)	-0.1 (34)
TF Policy Benchmark	6.1 (11)	6.1 (1)	0.6 (5)	-
InvMetrics Public DB > $1B Median	4.7	10.3	0.3	-0.1

The plan sponsor peer group, InvMetrics Public DB > $1B Net, includes BNY Mellon Total Public Fund >$1B universe and Investment Metrics client data.
Parenthesized numbers represent peer group percentile ranking.

Annualized Return vs. Annualized Standard Deviation
5 Years Ending March 31, 2024

Legend: ● InvMetrics Public > $1B net of fees   ● Total Fund   ▲ TF Policy Benchmark
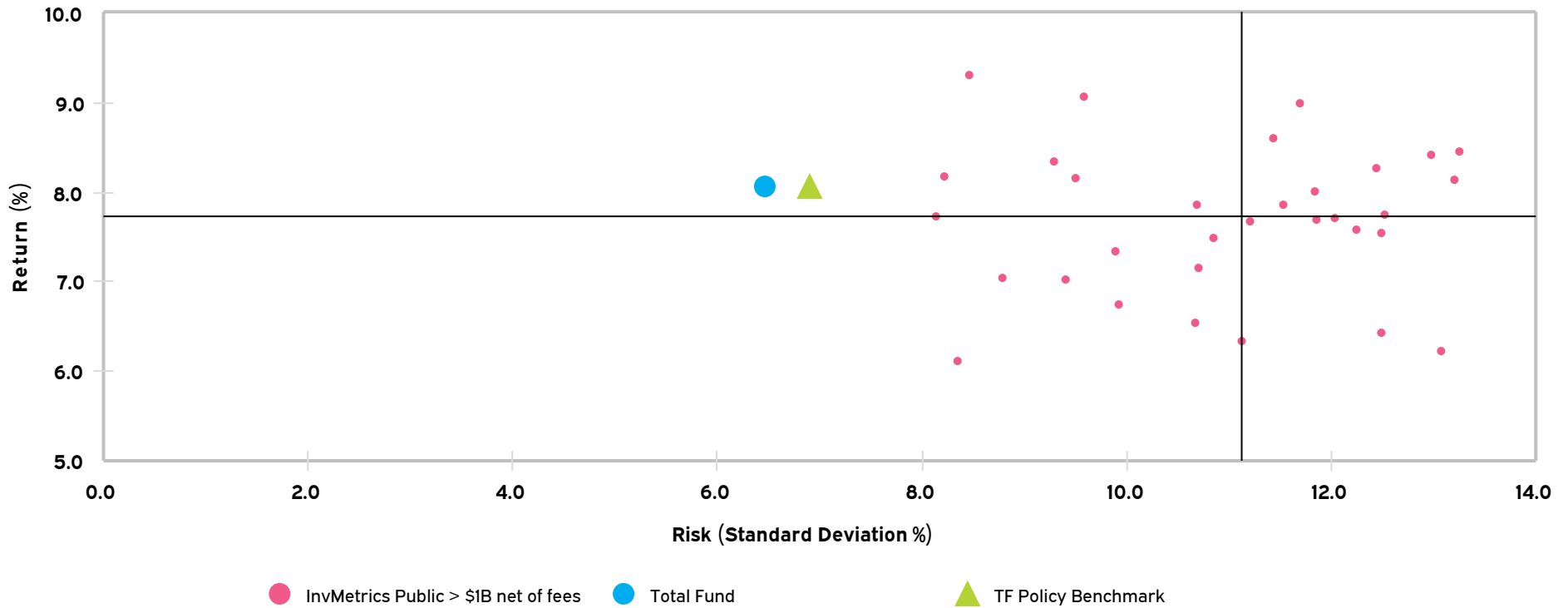
	Return	Standard Deviation	Sharpe Ratio	Information Ratio
Total Fund	8.1 (39)	6.5 (1)	0.9 (3)	0.0 (61)
TF Policy Benchmark	8.1 (39)	6.9 (1)	0.9 (3)	-
InvMetrics Public DB > $1B Median	7.7	11.1	0.5	0.0

The plan sponsor peer group, InvMetrics Public DB > $1B Net, includes BNY Mellon Total Public Fund >$1B universe and Investment Metrics client data.
Parenthesized numbers represent peer group percentile ranking.

Annualized Return vs. Annualized Standard Deviation
7 Years Ending March 31, 2024

Legend:
- ● InvMetrics Public > $1B net of fees
- ● Total Fund
- ▲ TF Policy Benchmark
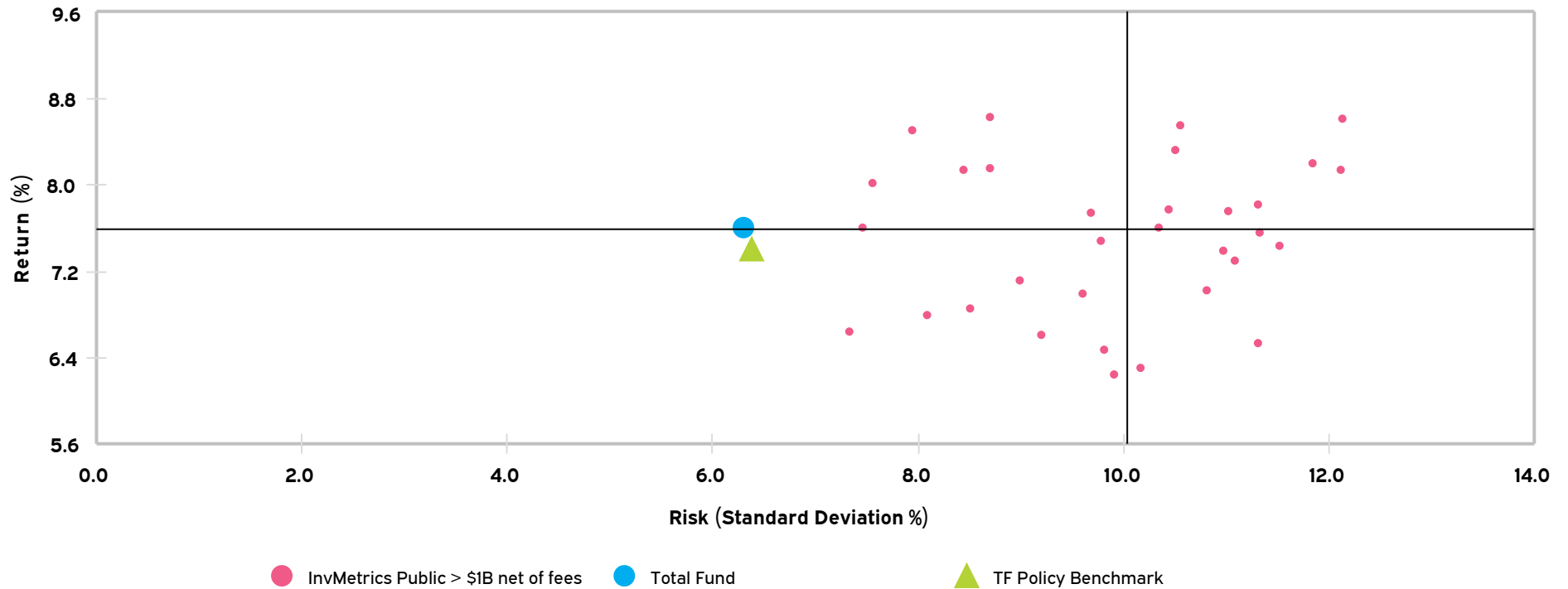
	Return	Standard Deviation	Sharpe Ratio	Information Ratio
Total Fund	7.6 (47)	6.3 (1)	0.9 (3)	0.1 (59)
TF Policy Benchmark	7.4 (58)	6.4 (1)	0.9 (3)	–
InvMetrics Public DB > $1B Median	7.6	10.0	0.6	0.1

The plan sponsor peer group, InvMetrics Public DB > $1B Net, includes BNY Mellon Total Public Fund >$1B universe and Investment Metrics client data.
Parenthesized numbers represent peer group percentile ranking.

Plan Sponsor Peer Group Analysis | As of March 31, 2024

Annualized Return vs. Annualized Standard Deviation
10 Years Ending March 31, 2024

● InvMetrics Public > $1B net of fees   ● Total Fund   ▲ TF Policy Benchmark
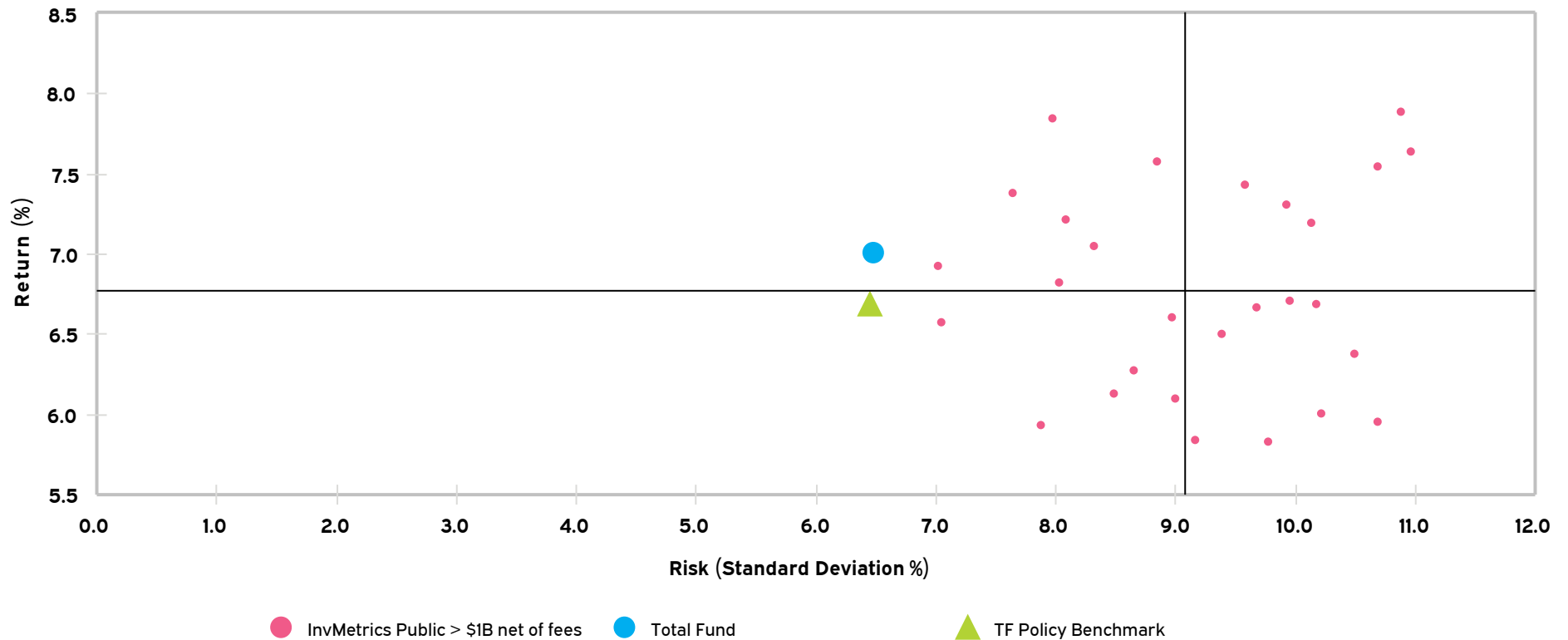
	Return	Standard Deviation	Sharpe Ratio	Information Ratio
Total Fund	7.0 (41)	6.5 (1)	0.9 (5)	0.1 (37)
TF Policy Benchmark	6.7 (55)	6.4 (1)	0.8 (6)	-
InvMetrics Public DB > $1B Median	6.8	9.1	0.6	0.1

The plan sponsor peer group, InvMetrics Public DB > $1B Net, includes BNY Mellon Total Public Fund >$1B universe and Investment Metrics client data.
Parenthesized numbers represent peer group percentile ranking.

WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

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PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

Employees' Retirement System of the State of Hawaii

May 2024 Private Equity Program Update

Biographies

Paul Yett | Managing Director

Paul is a Managing Director at Hamilton Lane, based in the San Francisco office, working closely with clients. Paul is the Chair of the Responsible Investment Committee, providing oversight for Hamilton Lane's responsible investment activities (as defined by ESG Risk Framework, Sustainable and Impact investments). Previously, Paul was the Director of ESG & Sustainability.

Paul began his career with Hamilton Lane in 1998 in the Due Diligence Department, where he managed the firm's global venture capital practice and real estate. He later took on the role of Relationship Manager, managing a number of the firm's key client accounts. Prior to joining Hamilton Lane, Paul spent four years with Stone Pine Asset Management, LLC, a Denver, Colorado-based private equity firm. Paul began his career in Denver as a Lease Accountant with Bramalea U.S. Properties.

For nine years, Paul served on the Board of Directors of the Robert Toigo Foundation, focused on building stronger, more diverse organizations through the inclusion and advancement of under-represented diverse talent across finance.

Paul received a B.S. in Finance from San Diego State University.
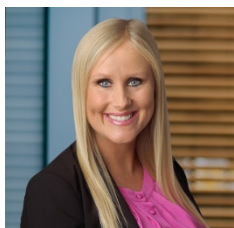
Natalie Fitch | Principal

Natalie is a Principal at Hamilton Lane, based in the firm's San Diego office, where she is a Portfolio Specialist and member of the Investment Team. In her role, she is responsible for all aspects of client relations including portfolio management and strategic planning. She has experience in manager due diligence and monitoring activities as well. Natalie was named to Chief Investment Officer's 2019 Knowledge Brokers list of the industry's top consultants. This list is curated directly from the recommendations of top chief investment officers. Importantly, the list only includes consultants whom CIOs would recommend to their peers.

Prior to joining Hamilton Lane in 2010, Natalie was a Senior Analyst at PCG Asset Management where she was a member of the client service team that supported five Pension Systems with approximately $12 billion of private equity assets under management.

Natalie received a B.S. in Applied Economics and Management from Cornell University.

Agenda

# Portfolio Review

PE Portfolio Highlights – December 31, 2023

Performance

- Portfolio generated quarterly net IRR of 2.17%, or net value increase of $96.3M
- Since inception performance declined 5 bps during the quarter but continues to generate performance above pre-Covid levels
    - The Portfolio outperformed its public benchmark, MSCI ACWI IMI + 200 bps, by 370 bps on a since inception basis
- Portfolio generated positive performance during one-year period with gains of $257.1M

PE Portfolio Returns:
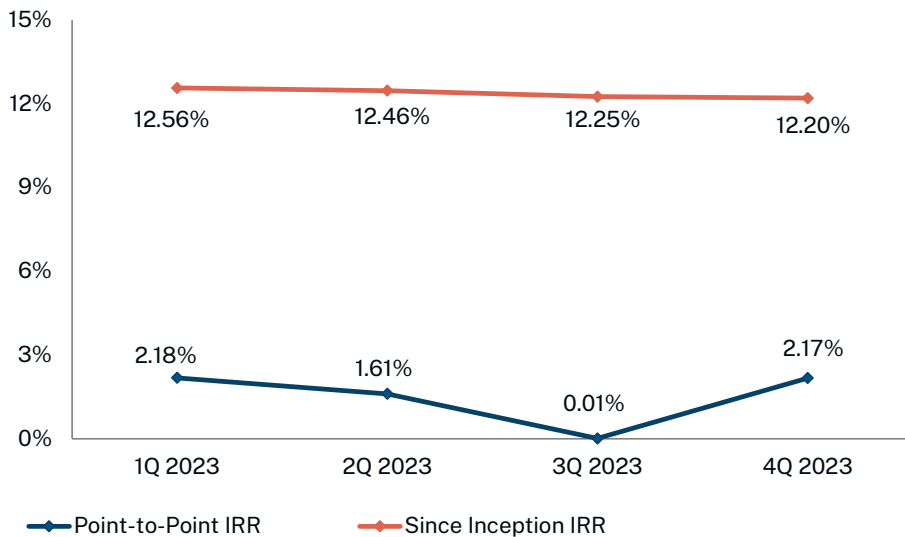
PE Portfolio Value Created:
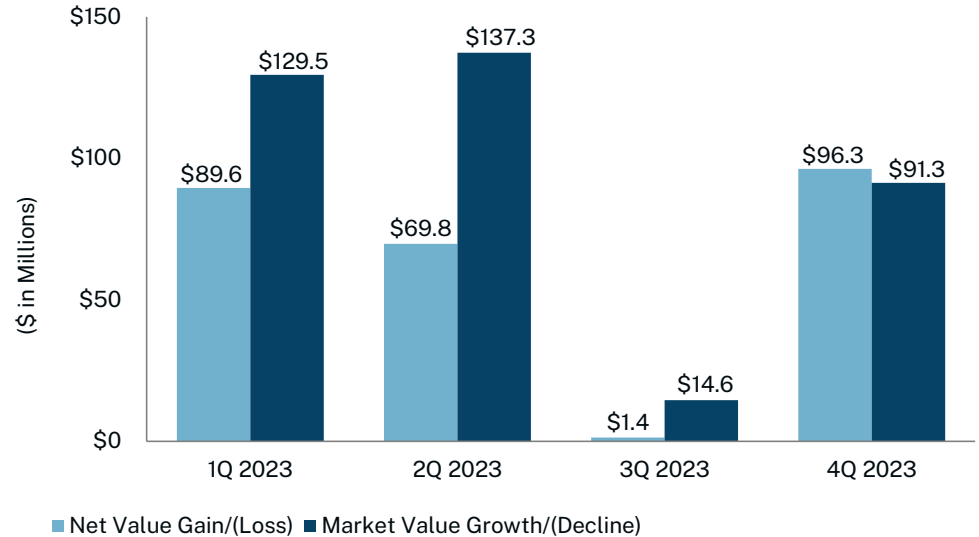
Portfolio Snapshot

- Q4 2023: Positive performance and continued liquidity

  - Quarterly IRR of 2.17%

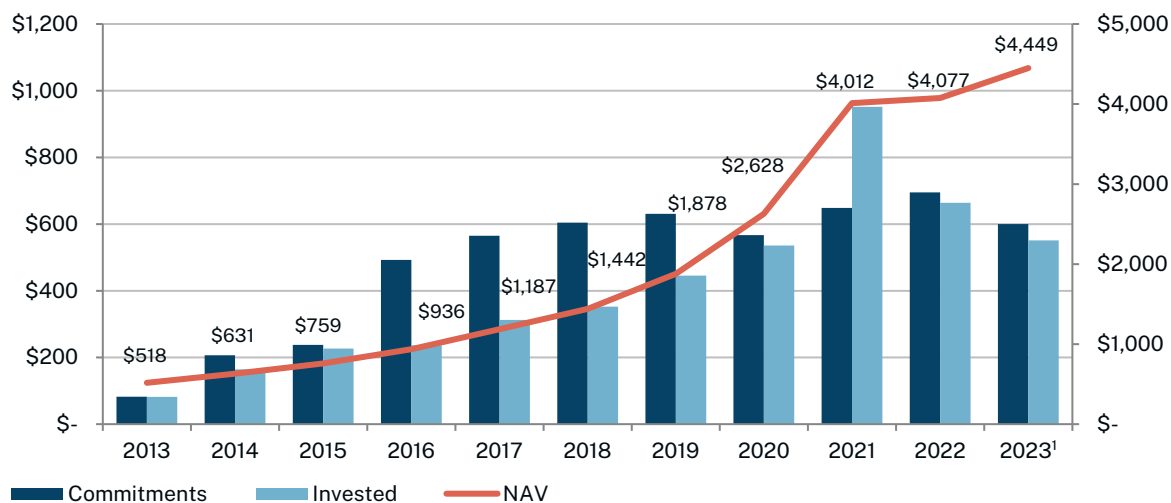 - Distributions of $145.7M drove first cash flow-positive quarter since Q4 2020

Portfolio Snapshot			
(USD in Millions)	9/30/2023	12/31/2023	Change
Total Active Partnerships	253	254	1
Liquidated Partnerships	87	89	2
Active GP Relationships	103	102	(1)
Capital Committed [1]	$6,929.6	$7,075.3	$145.7
Unfunded Commitment	$2,203.1	$2,225.2	$22.1
Paid-In Capital	$5,188.4	$5,329.1	$140.7
Capital Distributed	$3,835.0	$3,980.7	$145.7
Market Value	$4,357.9	$4,449.2	$91.3
Total Value Multiple	1.6x	1.6x	-
Realized Value Multiple	0.7x	0.8x	0.1x
Since Inception IRR	12.25%	12.20%	(5 bps)

Note: Change over the period may not sum due to rounding.
[1] HIERS made four new commitments during the quarter ended September 30, 2023. The change in capital committed represents this new commitments in addition to currency fluctuations from foreign denominated partnerships.

Annual NAV Growth
USD in Millions, as of December 31, 2023

Legend: Commitments, Invested, NAV

NAV values: $518 (2013), $631 (2014), $759 (2015), $936 (2016), $1,187 (2017), $1,442 (2018), $1,878 (2019), $2,628 (2020), $4,012 (2021), $4,077 (2022), $4,449 (2023[1])

- PE allocation of 19.2% slightly above 19.0% target

  - PE market value is up 9.1% over the one-year period ending 12/31/2023

[1]2023 NAV as of 12/31/2023. 2023 Invested represents contributions from 1/1/2023 to 12/31/2023.

Quarterly Performance

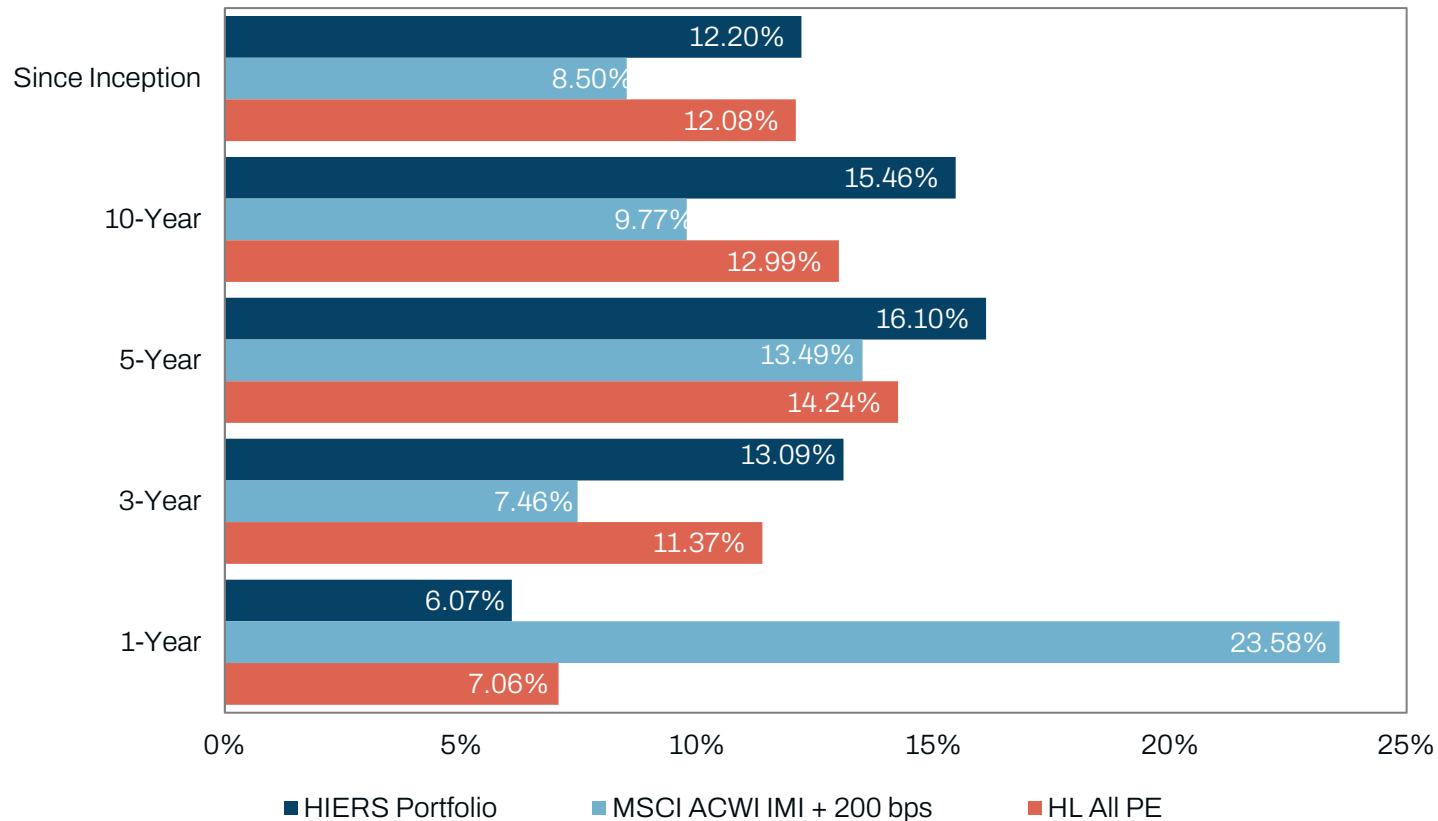| $ millions	Quarter Ended				Year Ended
	3/31/2023	6/30/2023	9/30/2023	12/31/2023	12/31/2023
Beginning Market Value	$4,076.5	$4,206.0	$4,343.3	$4,357.9	$4,076.5
Paid-In Capital	114.8	161.1	134.8	140.7	551.4
Distributions	74.9	93.6	121.6	145.7	435.8
Net Value Change	$89.6	$69.8	$1.4	$96.3	$257.1
Ending Market Value	4,206.0	4,343.3	4,357.9	4,449.2	4,449.2
Unfunded Commitments	2,020.3	2,237.8	2,203.1	2,225.2	2,225.2
Total Exposure	$6,226.3	$6,581.1	$6,561.0	$6,674.4	$6,674.4
Point-to-Point IRR	2.18%	1.61%	0.01%	2.17%	6.07%
Since Inception IRR	12.56%	12.46%	12.25%	12.20%	12.20%

Quarterly Performance Summary

- Q4 2023 represents the 43rd quarter of positive net value gain out of the last 46 quarters
- $257.1M net value increase over LTM period with all four quarters generating gains

Performance Against Benchmarks

HIERS' Portfolio outperforming public and peer benchmarks on since inception basis

## IRR Performance as of December 31, 2023:

Legend: ■ HIERS Portfolio   ■ MSCI ACWI IMI + 200 bps   ■ HL All PE

Chart data:

Period	HIERS Portfolio	MSCI ACWI IMI + 200 bps	HL All PE
Since Inception	12.20%	8.50%	12.08%
10-Year	15.46%	9.77%	12.99%
5-Year	16.10%	13.49%	14.24%
3-Year	13.09%	7.46%	11.37%
1-Year	6.07%	23.58%	7.06%

- Portfolio outperforming benchmark, MSCI ACWI IMI + 200 bps, across all longer-term time periods
  - Portfolio outperforms public benchmark by 370 bps on a since inception basis
  - Average premium above MSCI + 200 bps of 441 bps across all longer-term time periods[1]
- Portfolio generated double digit performance across all longer-term time periods

Note: IRR Straight Return methodology used for MSCI ACWI Public Benchmarks.

[1] Average premium is the average difference between HIERS Portfolio and MSCI ASWI IMI + 200 bps for the time horizons shown above excluding the 1-Year

Cash Flow Activity

Annual Contributions and Distributions
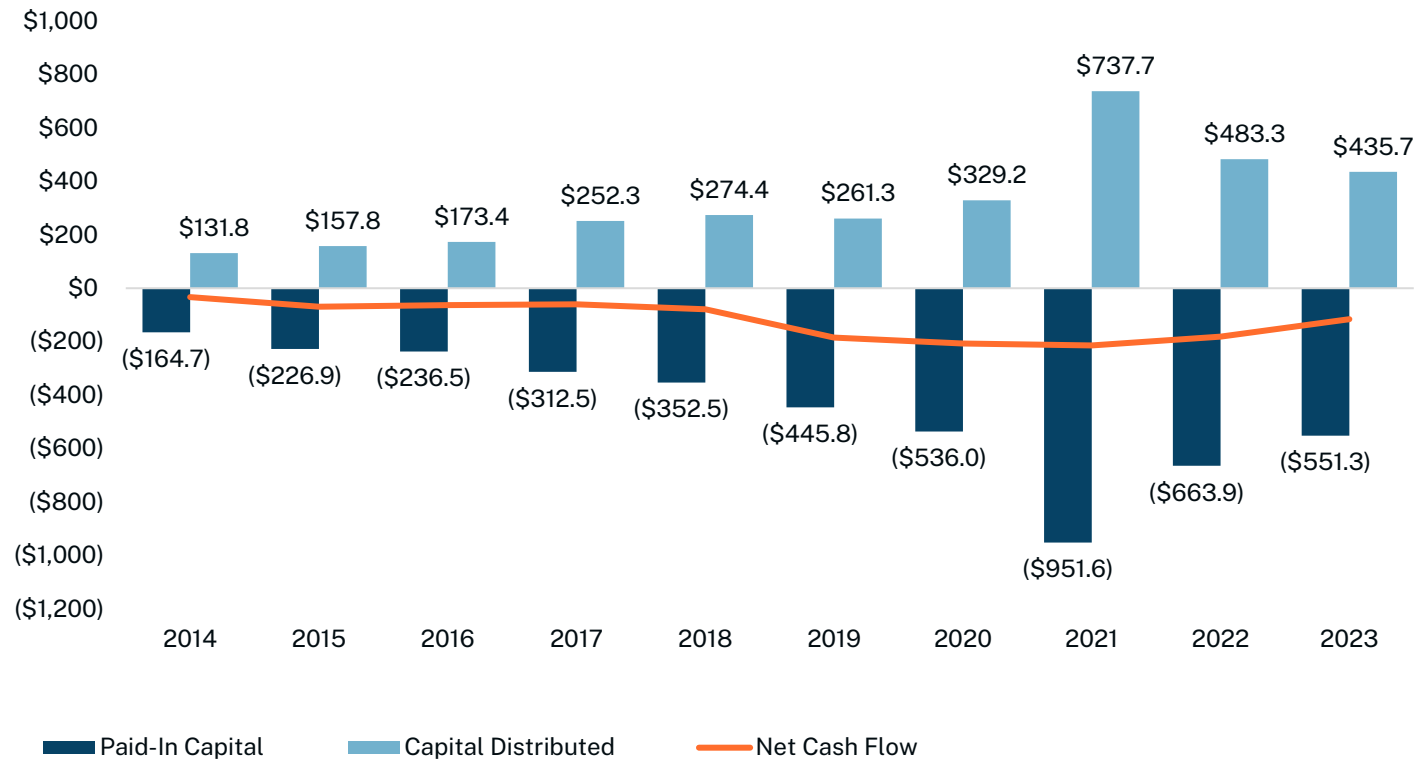
- Contributions outweighed distributions by $116 million in 2023
  - Annual contributions down 17% from 2022 and 42% from record 2021
 - Annual distributions down 10% from 2022 and 40% from record 2021

Foundation Manager Performance – September 30, 2023

Manager	Number of Funds	Commitment	Paid-In Capital	Unfunded Commitment	Distributions	Market Value	D/PI	Multiple	IRR
Manager 1	7	$181.5	$144.7	$36.8	$118.9	$127.5	0.82x	1.70x	17.31%
Manager 2	2	85.0	83.1	8.4	34.0	103.1	0.41x	1.65x	15.01%
Manager 3	2	85.0	21.5	63.5	0.0	26.5	0.00x	1.23x	13.52%
Manager 4	2	95.0	81.2	20.2	6.5	102.5	0.08x	1.34x	18.28%
Manager 5	10	370.8	268.9	160.4	186.2	218.5	0.69x	1.50x	14.74%
Manager 6	2	100.1	42.5	57.7	4.0	57.5	0.09x	1.45x	15.70%
Manager 7	2	117.8	70.9	47.0	57.4	55.2	0.81x	1.59x	20.33%
Manager 8	3	150.0	81.8	73.6	8.8	111.8	0.11x	1.47x	21.27%
Manager 9	8	231.3	164.0	76.0	135.2	152.0	0.82x	1.75x	21.36%
Manager 10	2	85.0	72.9	23.1	22.0	78.3	0.30x	1.38x	13.80%
Manager 11	7	85.0	71.6	13.4	0.5	77.2	0.01x	1.09x	3.98%
Manager 12	3	144.6	89.4	60.7	24.6	109.4	0.27x	1.50x	24.78%
Manager 13	8	143.5	92.2	52.2	172.7	31.4	1.87x	2.21x	14.17%
Manager 14	5	216.0	146.0	75.6	40.2	179.1	0.28x	1.50x	14.82%
Manager 15	2	80.0	34.3	45.7	0.0	50.6	0.00x	1.47x	21.60%
Manager 16	6	104.8	106.3	6.2	90.2	98.7	0.85x	1.78x	22.00%
Manager 17	2	95.0	65.6	30.9	1.8	93.6	0.03x	1.46x	13.66%
Manager 18	5	167.0	129.9	49.7	109.4	118.2	0.84x	1.75x	15.61%
Manager 19	8	186.9	139.5	67.7	113.2	141.3	0.81x	1.82x	15.46%
Manager 20	5	80.0	63.2	16.7	0.0	83.4	0.00x	1.32x	10.19%
Manager 21	11	180.0	148.7	31.3	127.3	119.9	0.86x	1.66x	8.68%
Manager 22	3	102.5	71.6	33.2	2.3	91.1	0.03x	1.30x	12.68%
Manager 23	3	80.0	77.2	4.3	47.3	67.8	0.61x	1.49x	11.09%
Manager 24	4	223.3	185.0	53.4	92.8	215.9	0.50x	1.67x	20.27%
Manager 25	5	110.0	80.7	29.4	23.1	103.8	0.29x	1.57x	12.44%
Manager 26	4	87.9	26.8	60.9	15.3	20.7	0.57x	1.34x	19.00%
Manager 27	2	94.0	96.0	7.8	28.4	102.2	0.30x	1.36x	12.78%
Manager 28	5	168.5	168.0	24.0	114.5	198.0	0.68x	1.86x	17.17%
Manager 29	12	196.3	138.0	67.2	150.0	98.6	1.09x	1.80x	18.12%
Manager 30	7	255.0	251.9	40.7	185.5	216.9	0.74x	1.60x	18.48%
Manager 31	2	100.0	58.9	42.1	1.3	61.0	0.02x	1.06x	3.12%
Manager 32	4	160.0	173.4	20.1	88.3	196.4	0.51x	1.64x	17.11%
Manager 33	6	171.3	146.0	36.3	157.3	66.5	1.08x	1.53x	9.94%
Manager 34	2	85.0	92.4	8.1	157.5	113.6	1.70x	2.93x	26.58%
Total Foundation Managers (34)	**161**	**$4,818.2**	**$3,684.2**	**$1,444.2**	**$2,316.1**	**$3,688.3**	**0.63x**	**1.63x**	**14.85%**
Total HL Portfolio	**129**	**$5,070.4**	**$3,718.5**	**$1,766.6**	**$1,757.7**	**$3,888.6**	**0.47x**	**1.52x**	**15.95%**
Total Portfolio	**343**	**$7,075.3**	**$5,329.1**	**$2,225.2**	**$3,980.7**	**$4,449.2**	**0.75x**	**1.58x**	**12.20%**

- Foundation Managers continue to represent majority of Portfolio value
  - 68% of committed capital and 83% of NAV
- Foundation Managers outperforming total Portfolio by 265 bps
- HL Portfolio outperforming total Portfolio by 375 bps

Performance Review by Strategy

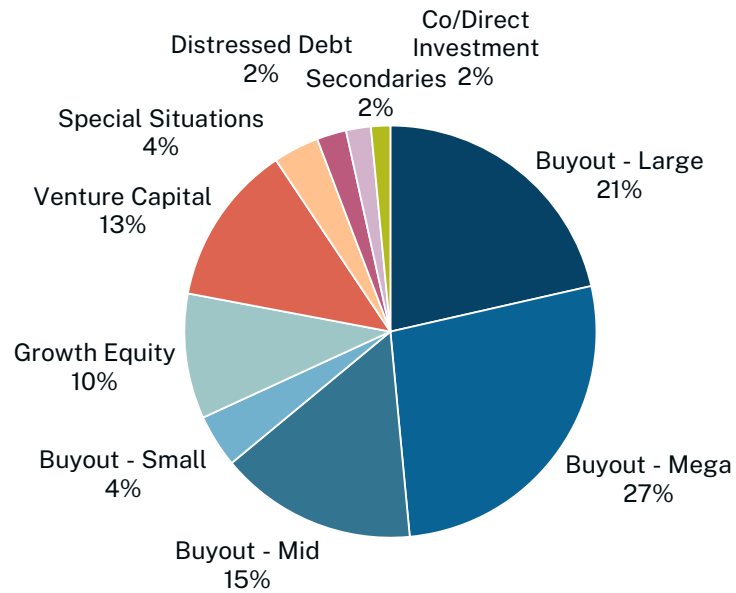| As of December 31, 2023 ($M)	Committed	% of Committed	Paid-In Capital	% Paid-In Capital	Capital Distributed	% Distributed	NAV	Multiple	IRR
Investment Strategy[1]									
Growth Equity	$723.1	10.2%	$623.6	86.2%	$483.2	77.5%	$506.2	1.59x	14.49%
Buyout	4,600.7	65.0%	3,426.5	74.5%	2,586.8	75.5%	3,077.2	1.65x	14.22%
Small	288.9	4.1%	170.3	59.0%	116.9	68.6%	140.0	1.51x	13.20%
Mid	1,168.7	16.5%	745.4	63.8%	735.0	98.6%	574.0	1.76x	15.50%
Large	1,487.1	21.0%	1,320.0	88.8%	1,101.5	83.5%	1,141.0	1.70x	13.40%
Mega	1,656.1	23.4%	1,190.8	71.9%	633.4	53.2%	1,222.2	1.56x	14.51%
Special Situations	287.0	4.1%	223.7	78.0%	201.5	90.1%	131.2	1.49x	11.27%
Mezzanine	51.6	0.7%	49.8	96.4%	75.7	152.0%	1.1	1.54x	11.52%
Venture Capital	970.5	13.7%	674.4	69.5%	413.6	61.3%	547.3	1.42x	6.91%
Distressed Debt	204.8	2.9%	222.8	108.8%	178.4	80.1%	91.7	1.21x	6.79%
Co/Direct Investment	102.4	1.4%	23.3	22.8%	0.6	2.4%	21.7	0.96x	(3.35%)
Secondaries	135.0	1.9%	85.0	63.0%	40.9	48.1%	72.7	1.34x	16.82%
Total	**$7,075.3**	**100.0%**	**$5,329.1**	**75.3%**	**$3,980.7**	**74.7%**	**$4,449.2**	**1.58x**	**12.20%**
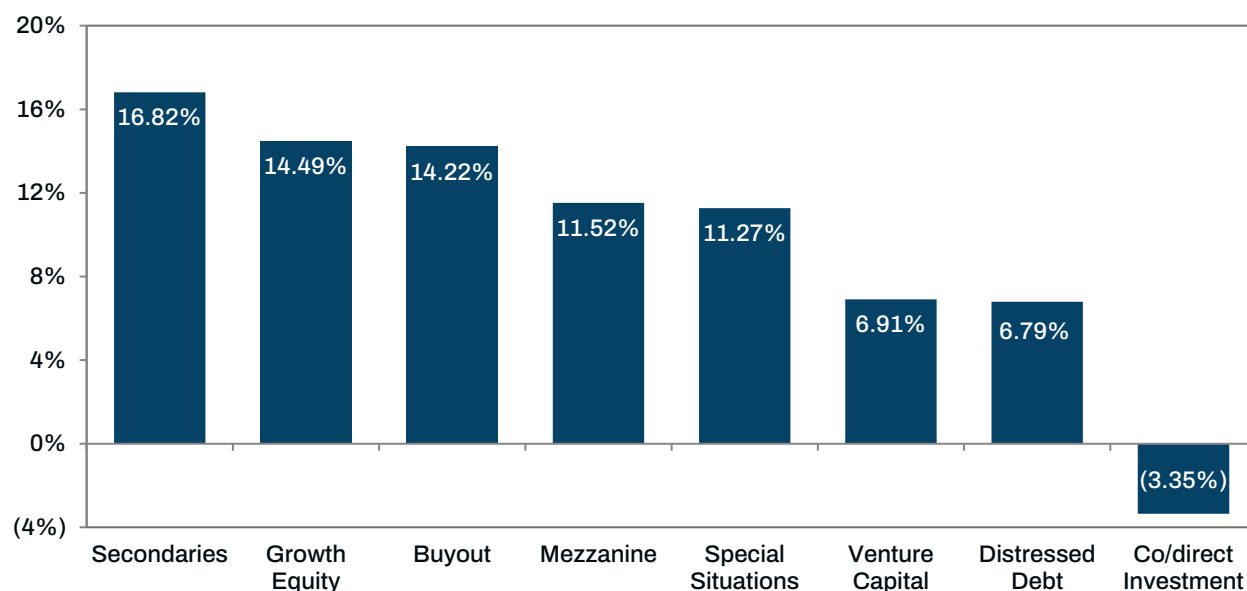
- Buyout accounts for 65% of commitments and 69% of NAV
  - Mid Buyout is Buyout's top sub-strategy by IRR at 15.50%
- Growth Equity continues to generate strong performance on an IRR and TVPI basis
- Distressed Debt fund performance lags other strategies as there have been limited distressed opportunities over the last decade as of 12/31/2023

[1] Secondary purchases presented within their respective investment strategy except for $100M commitment to Landmark Equity Partners XVI, L.P. and $35M commitment to Landmark Equity Partners XVII, L.P.
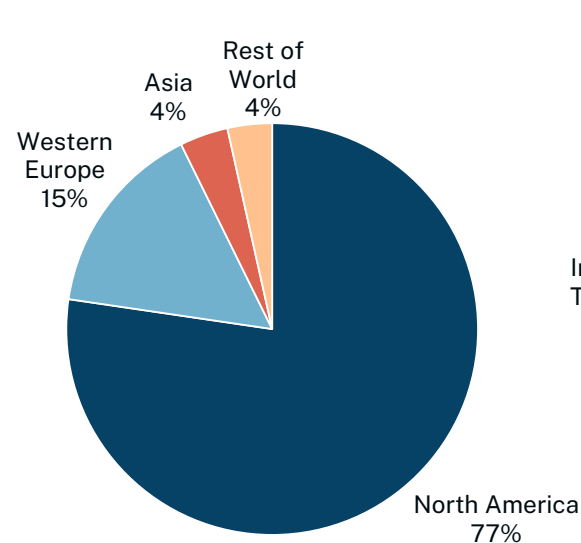
Portfolio Diversification

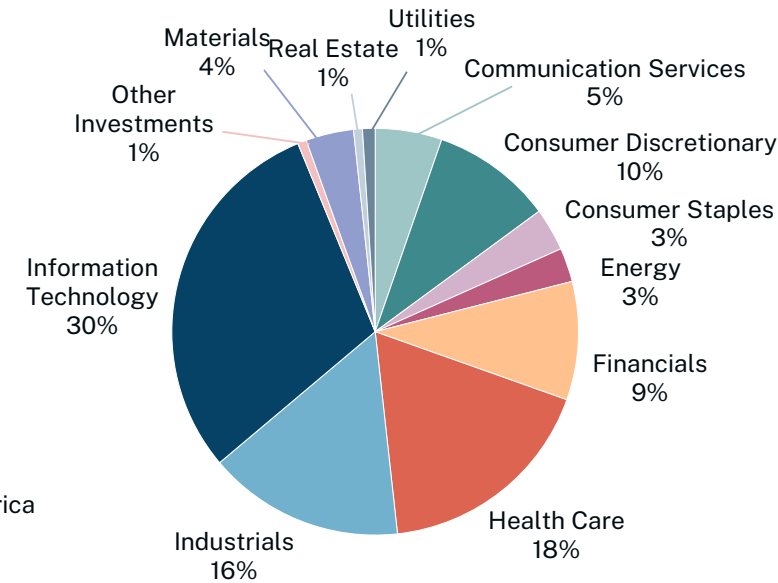**Strategic Diversification by Total Exposure**
As of December 31, 2023

- Buyout - Large 21%
- Buyout - Mega 27%
- Buyout - Mid 15%
- Buyout - Small 4%
- Growth Equity 10%
- Venture Capital 13%
- Special Situations 4%
- Distressed Debt 2%
- Secondaries 2%
- Co/Direct Investment 2%

Underlying Investment Diversification by Geography[1]
As of December 31, 2023

- North America 77%
- Western Europe 15%
- Asia 4%
- Rest of World 4%

Underlying Investment Diversification by Industry[1]
As of December 31, 2023

- Information Technology 30%
- Industrials 16%
- Health Care 18%
- Financials 9%
- Energy 3%
- Consumer Staples 3%
- Consumer Discretionary 10%
- Communication Services 5%
- Utilities 1%
- Real Estate 1%
- Materials 4%
- Other Investments 1%

- Portfolio is prudently diversified by strategy, geography, and sector
- Strategy, geography and industry diversification remained relatively consistent QoQ and YoY
- Information Technology (30%) and Health Care (18%) remain the top two sector exposures

[1]Analysis excludes FoF holdings.

Market Overview

# What the Markets Have Done Over the Last Five Years

Growth of $1
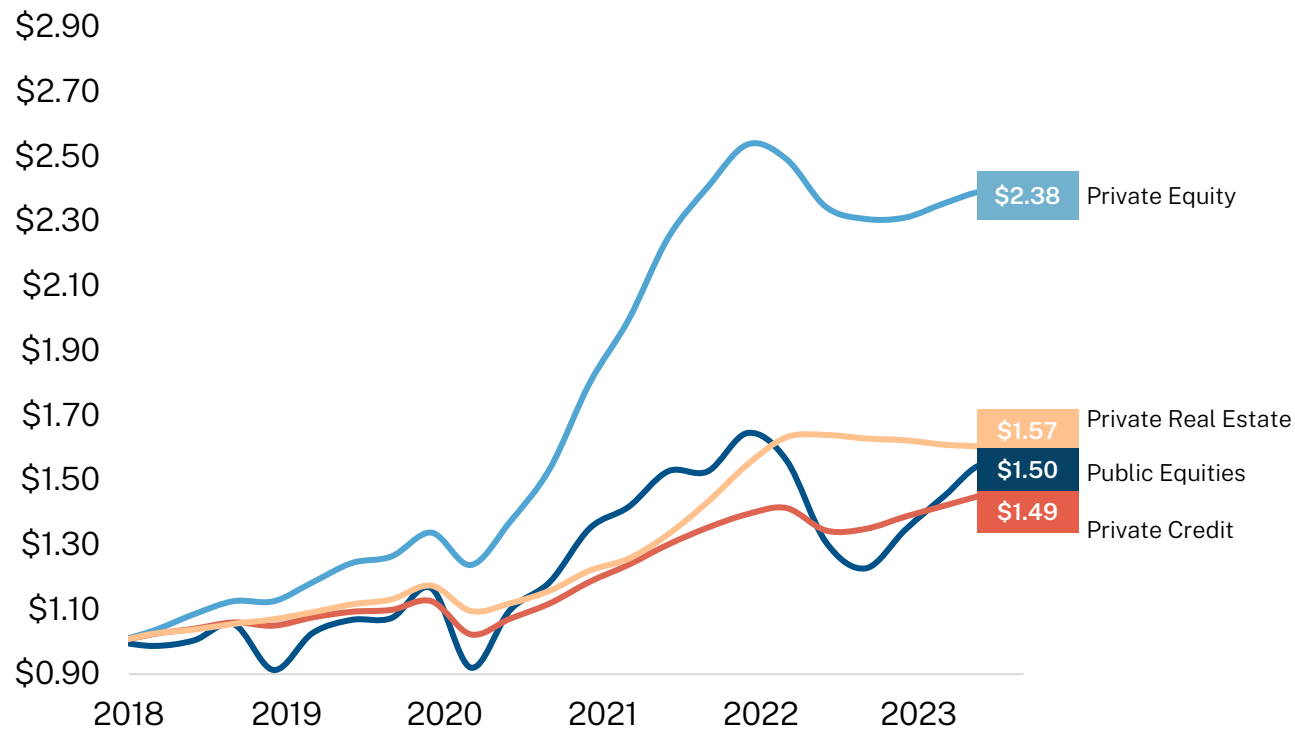
- Over this five-year period, private equity has had greater upside and less downside across all the cycles experienced in the last five years

- Private markets, generally, have had far less volatility than public markets

Private Equity $2.38
Private Real Estate $1.57
Public Equities $1.50
Private Credit $1.49

Source: Hamilton Lane Data via Cobalt, Bloomberg (January 2024)

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Private vs. Public Performance

Private & Public Market Returns

Q4 2021 – Q3 2023

■ Private Markets ■ Public Markets
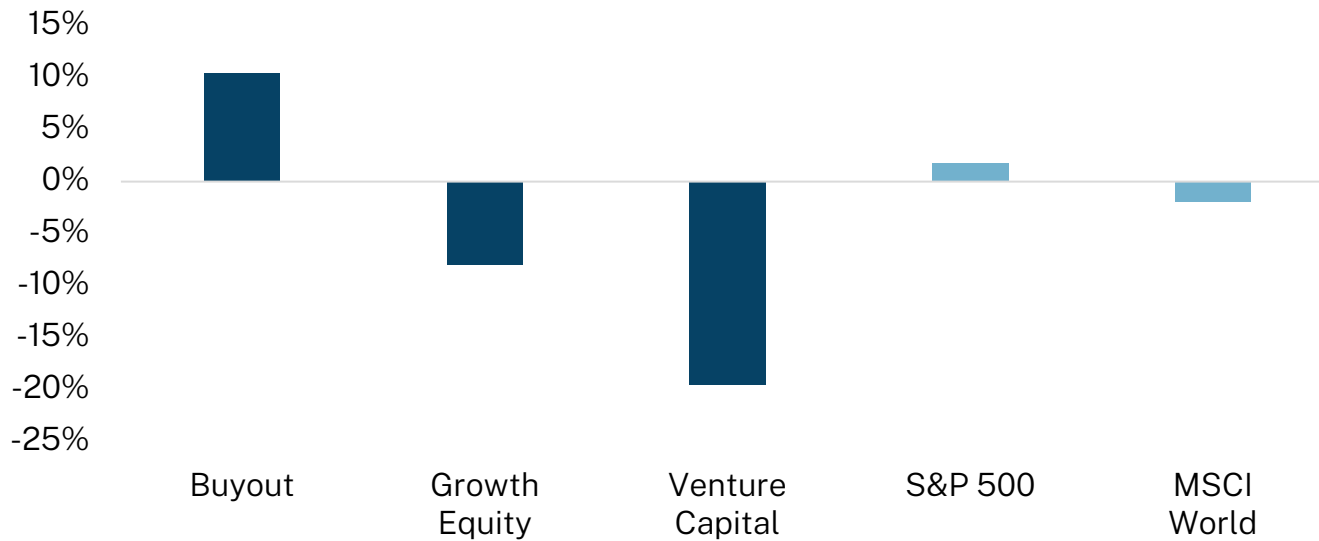
- Despite stronger public markets, buyout continues to perform better than public indices
- Growth and venture continue to underperform both buyout and public markets

Contributions

Annual Private Equity and Credit Contributions

- Buyout Rate of Contribution
- Private Credit Rate of Contribution
- VC/Growth Rate of Contribution

All PM Average: 43%
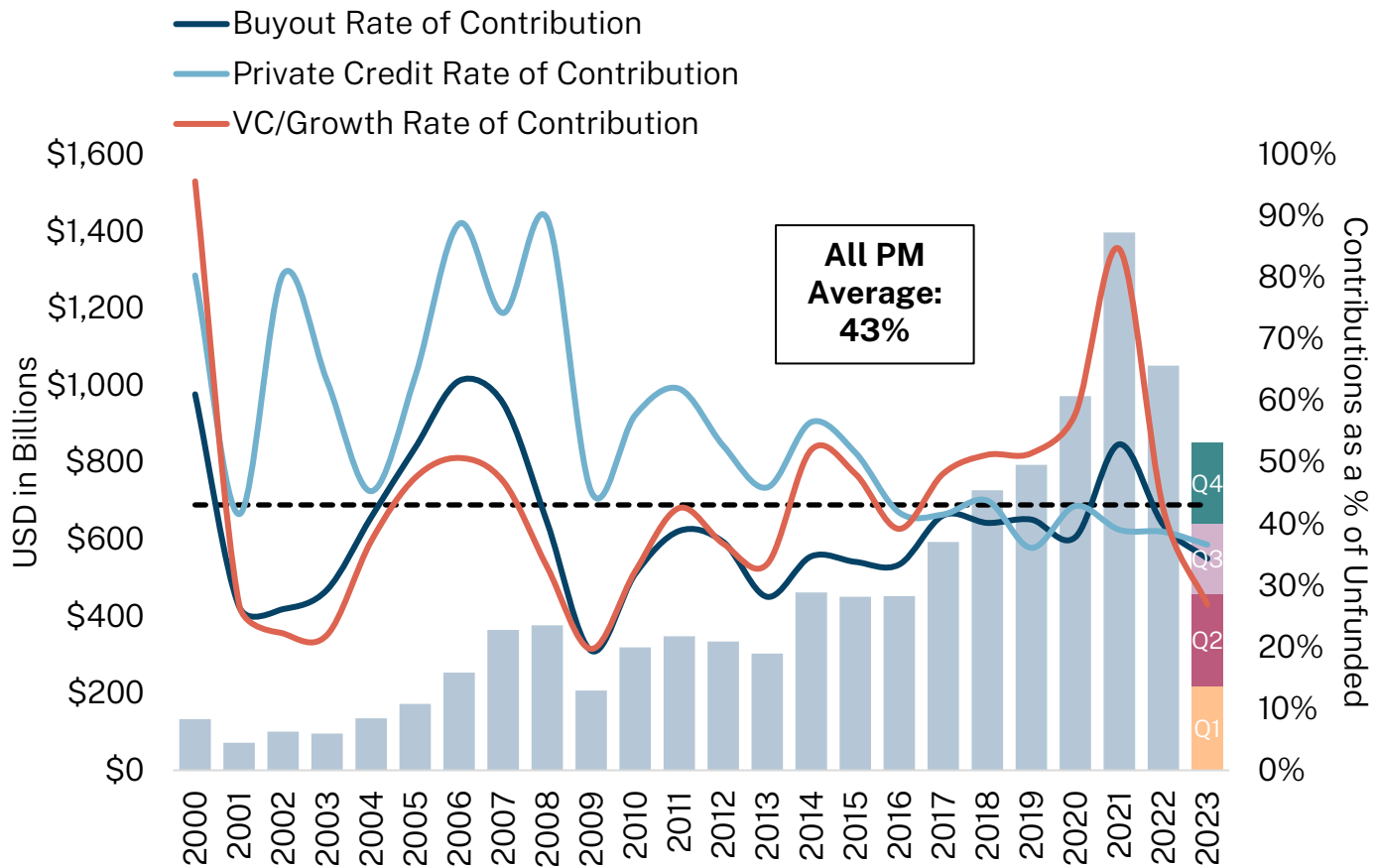
- Credit and Equity investment pacing continues to drop lower than historic averages and is now near levels last seen during the GFC

Purchase Price Multiples at Acquisition

Buyout Purchase Prices

Median EV/EBITDA by Deal Year

North America
- S&P 500

Western Europe
- MSCI Europe

APAC
- MSCI World

North America values: 8.3x, 9.3x, 8.1x, 6.5x, 7.7x, 8.4x, 8.3x, 8.7x, 9.3x, 10.0x, 9.8x, 10.6x, 10.7x, 11.5x, 11.8x, 13.7x, 14.2x, 13.0x

Western Europe values: 9.0x, 10.5x, 9.1x, 7.6x, 9.0x, 8.8x, 7.9x, 8.9x, 9.5x, 8.9x, 9.8x, 10.6x, 12.0x, 11.8x, 12.2x, 13.0x, 15.7x, 15.4x

APAC values: 7.9x, 9.2x, 8.9x, 7.2x, 10.0x, 8.6x, 7.9x, 8.2x, 8.8x, 9.0x, 10.4x, 9.9x, 12.8x, 10.8x, 13.1x, 11.5x, 13.1x, 13.2x

Years: 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023

- Purchase price multiples for new deals reached record heights in 2022 across geographies, though most geographies are seeing a slight decline in 2023

- On average everything remains expensive, with figures showing that private markets were more expensive than publics in 2023

USD in Trillions

NAV by Strategy

Mega/Large Buyout

SMID Buyout

VC/Growth

Credit

Natural Resources

Infrastructure

Real Estate
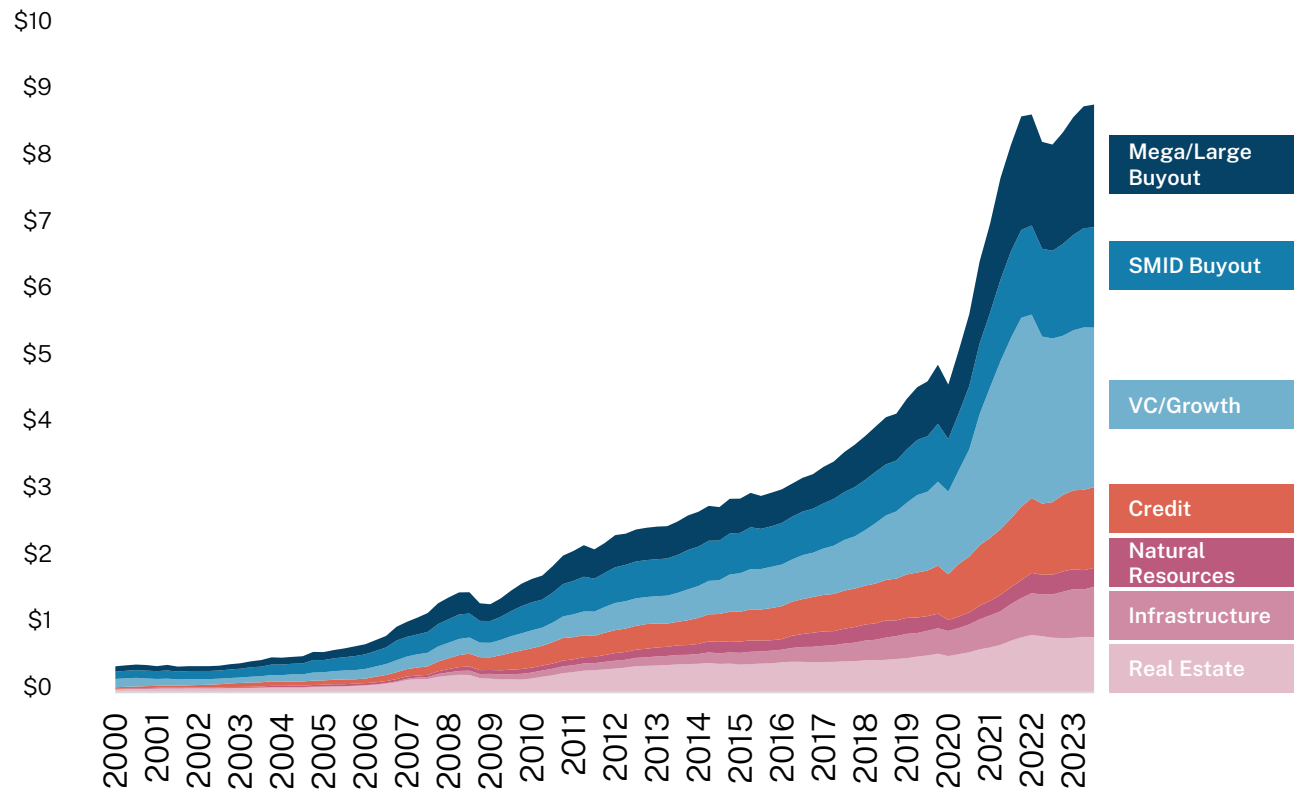
- After a NAV decline in 2022, market NAV has steadily surpassed 2021 peaks

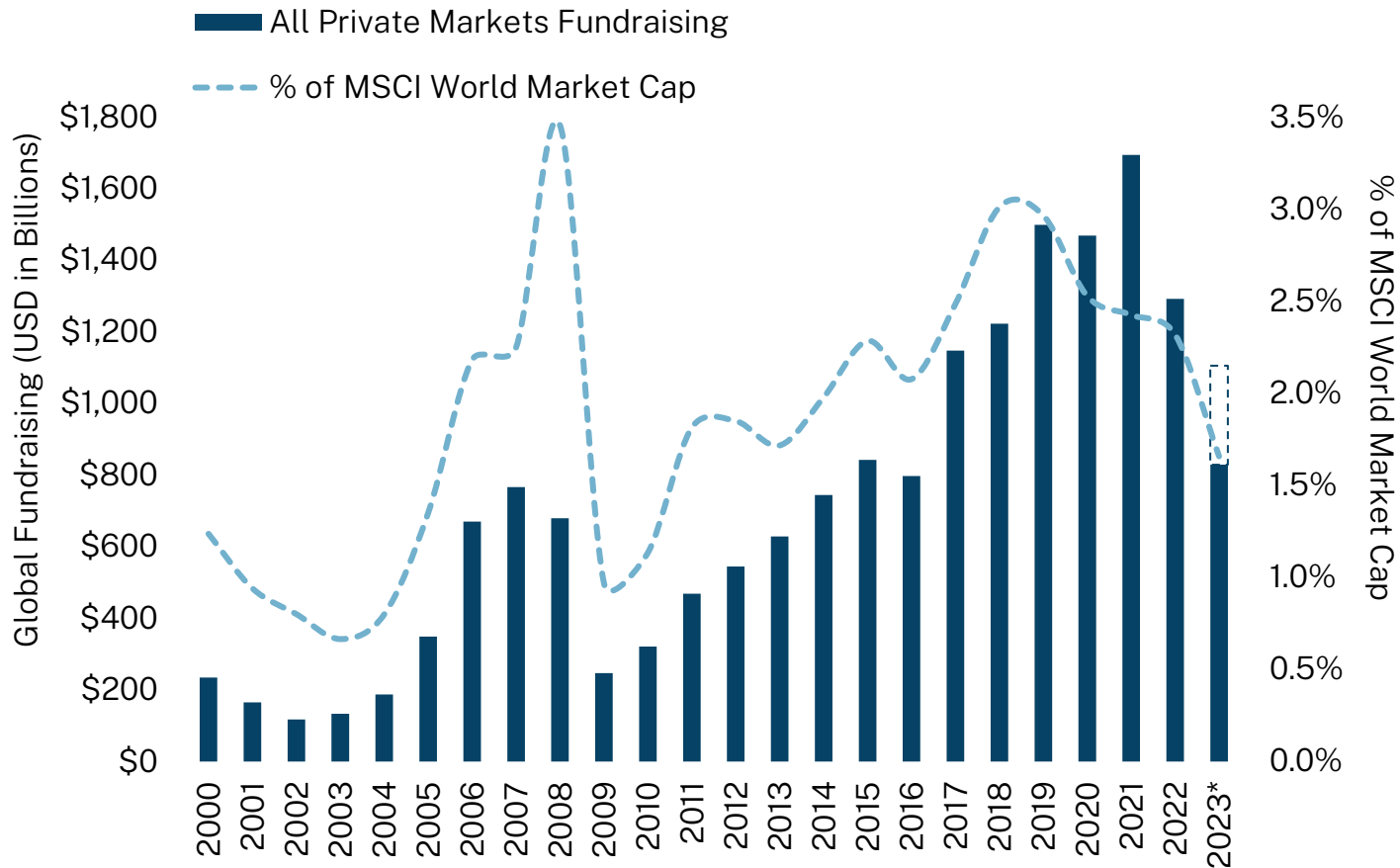- Buyout funds are driving the 2023 NAV "recovery"

Distributions

Annual Private Equity and Credit Distributions
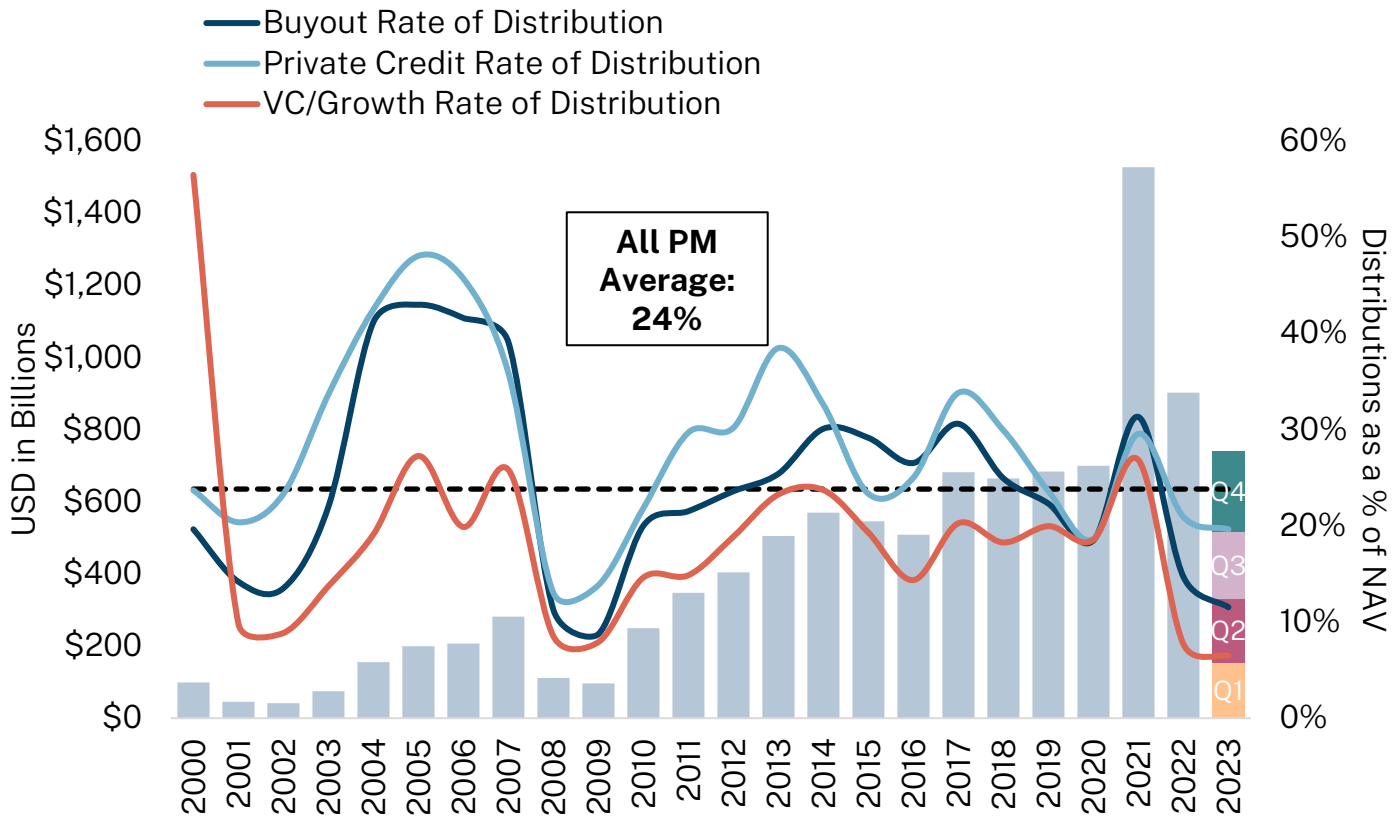
- The slowing of the rate of distribution is consistent across private equity and private credit strategies

Global Private Markets Fundraising

Global Private Markets Fundraising

Legend:
- All Private Markets Fundraising
- % of MSCI World Market Cap

Y-axis (left): Global Fundraising (USD in Billions) — $0, $200, $400, $600, $800, $1,000, $1,200, $1,400, $1,600, $1,800

Y-axis (right): % of MSCI World Market Cap — 0.0%, 0.5%, 1.0%, 1.5%, 2.0%, 2.5%, 3.0%, 3.5%

X-axis: 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023*

- Fundraising has slipped in 2023, though, in an absolute sense, it will still be among the strongest fundraising years on record

Private Markets Opportunities by Strategy

Opportunities Received by Hamilton Lane
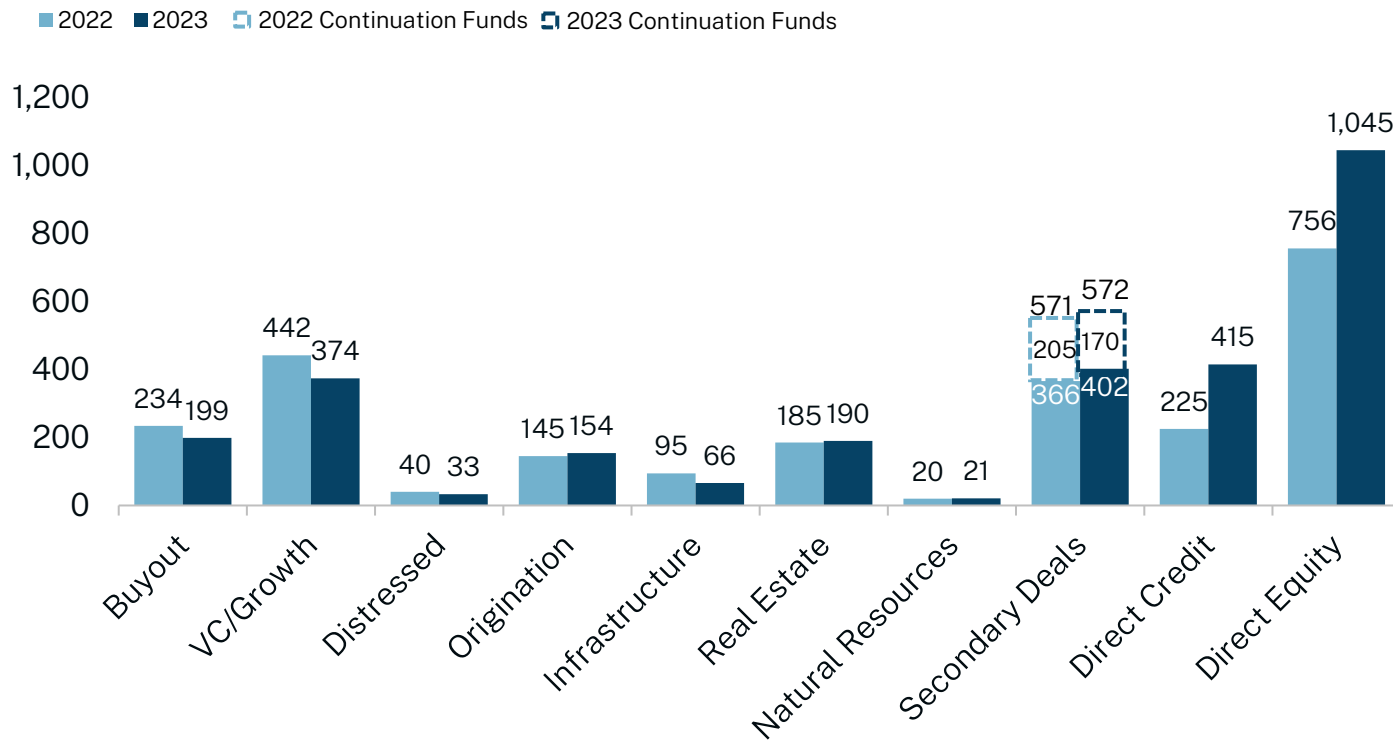
- It's been another record year so far in 2023 for direct investment opportunities received

- Most strategies are seeing a slight decline in the number of opportunities screened in 2023

Rolling Performance
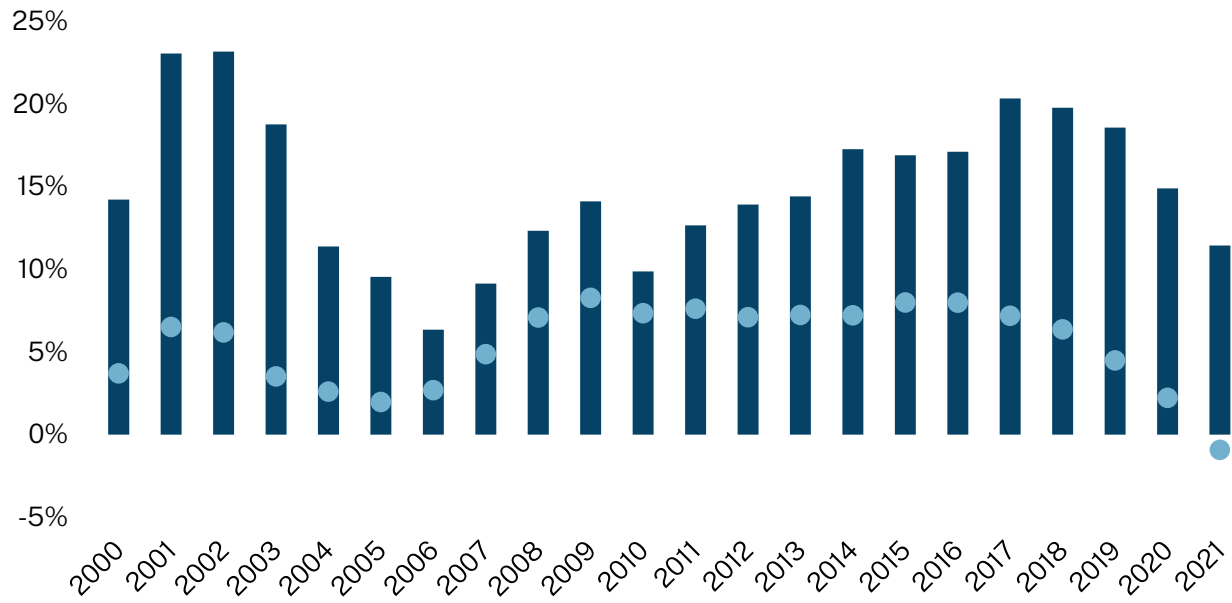
All Private Equity 10-Year Rolling TWRs
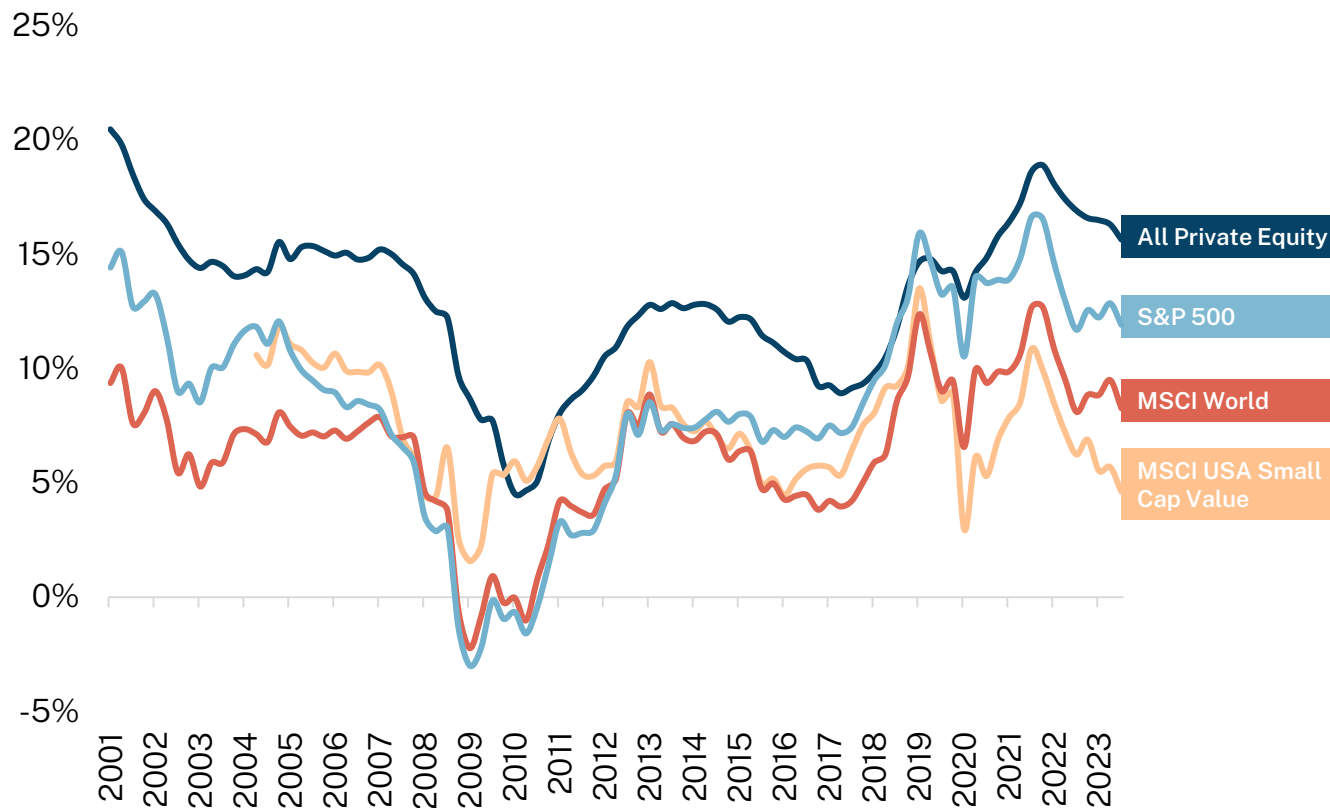
- Private equity has bested liquid equities over most 10-year time periods

- Private equity has even done so in the most recent period of turbulent market conditions

Pooled Returns by Vintage Year

Buyout IRR vs. PME

By Vintage Year

■ Buyout IRR ● MSCI World PME

- Buyout has outperformed global equities in the last 22 vintage years by an average margin of 956 bps

Source: Hamilton Lane Data via Cobalt, Bloomberg (January 2024)

Dispersion of Returns

Dispersion of Returns by Strategy

By Vintage Year Groupings; Ordered by Long-Term Spread of Returns
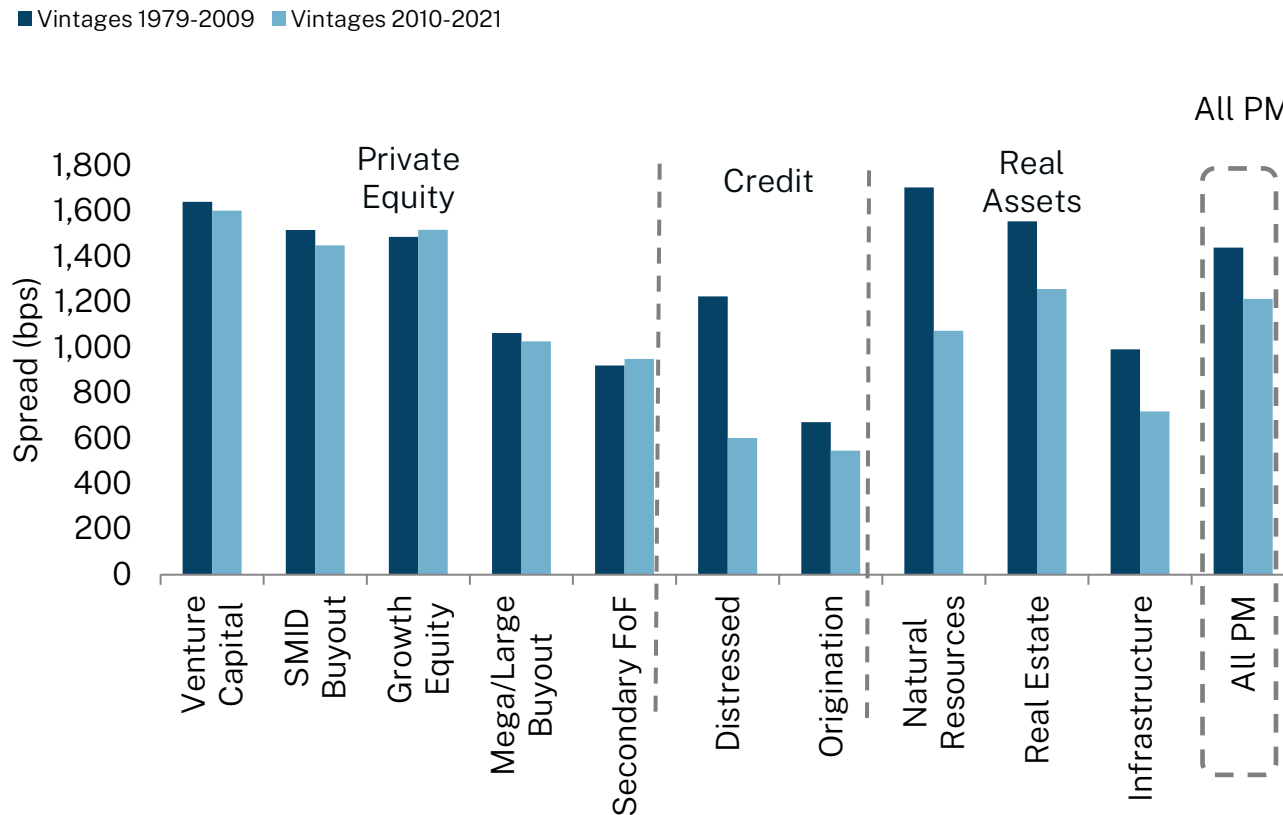
- Wide spreads between top- and bottom-performing managers provide opportunities as well as risks

- Spreads have remained wide over industry history across asset classes. Growth of the industry has not, by this measure, led to a more efficient market in equity; however, credit and private real assets have seen a smaller dispersion in more recent vintages
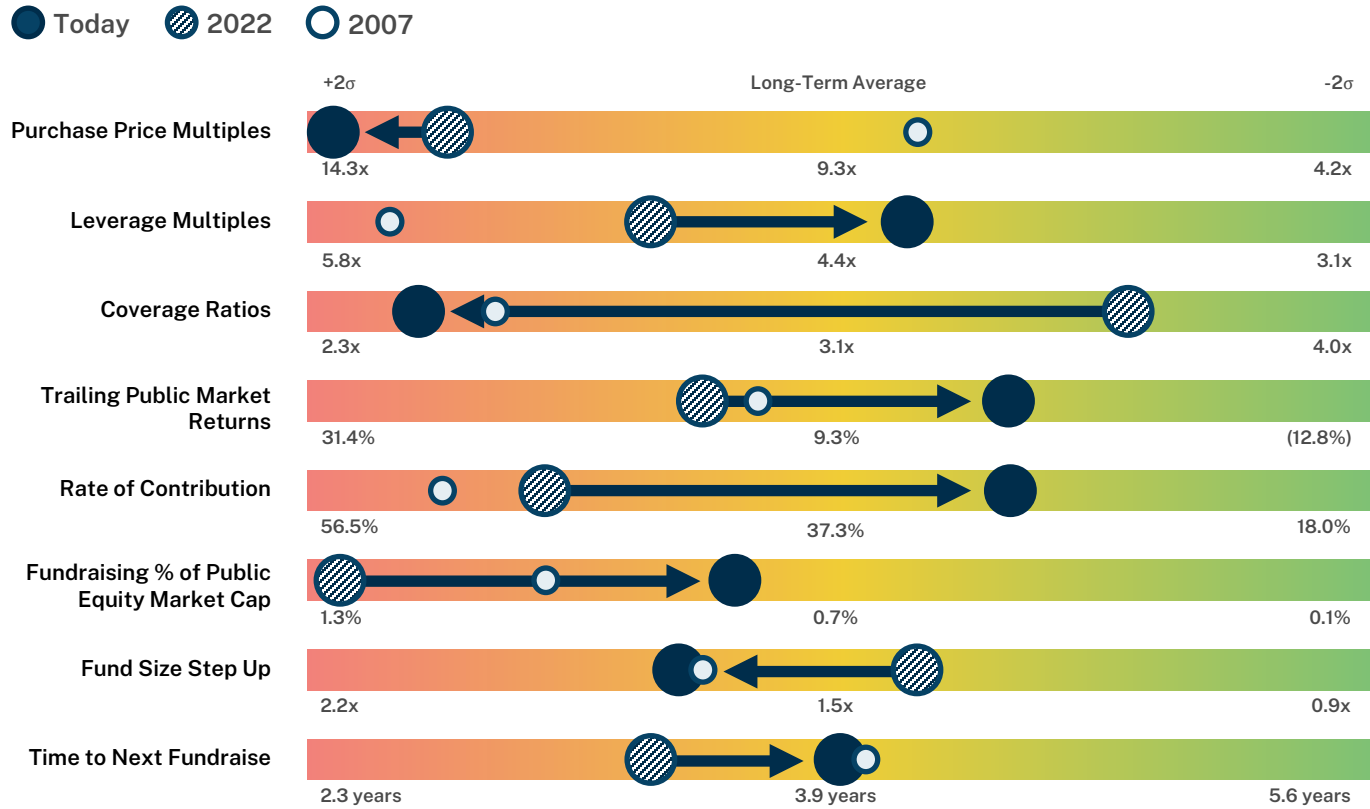
Company Loss Ratio

Loss Ratio of Realized Buyout Deals

% of Deal Count

■ Write Off ■ <Cost

Deal Year Sector Region

Deal Vintage
Average: 20%
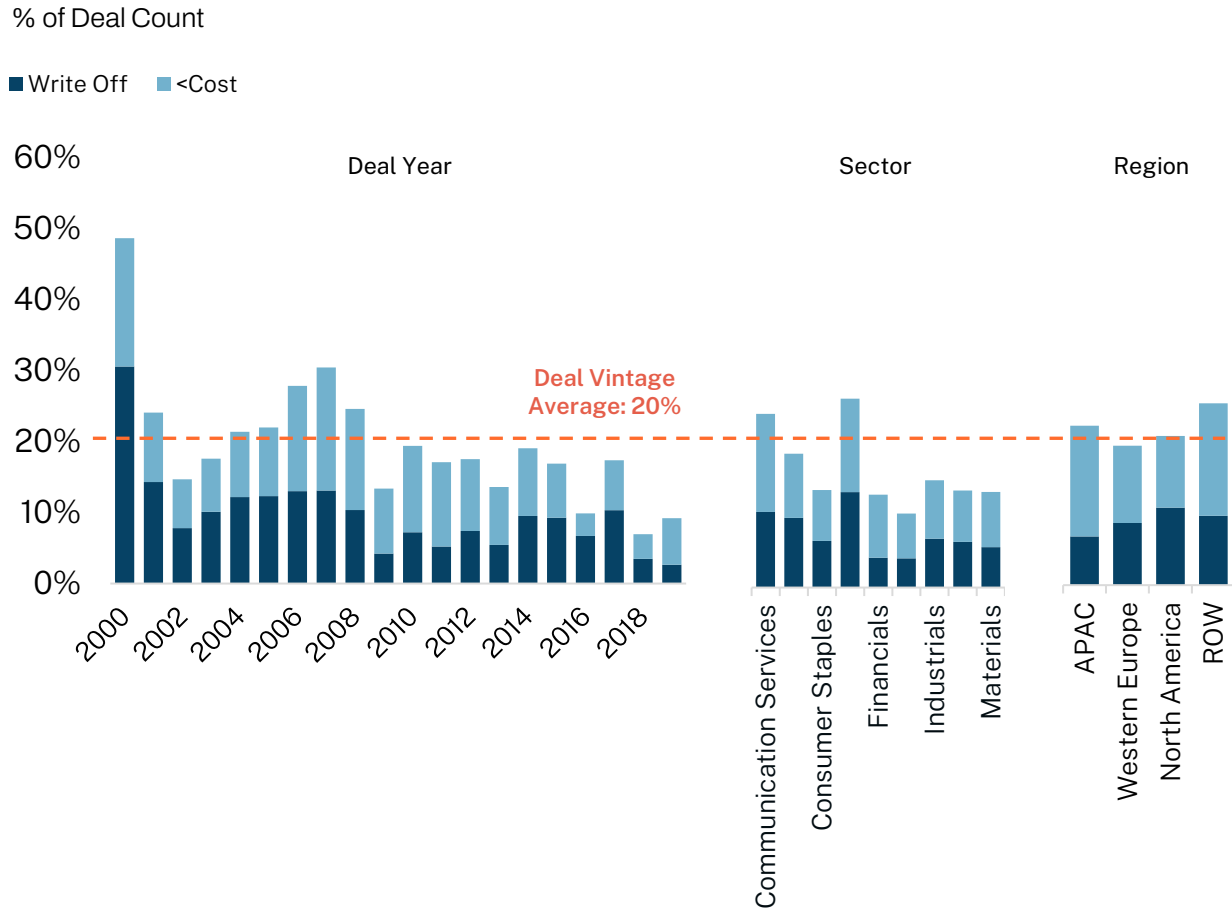
- Risk of loss can vary greatly by deal year and sector, with 20% of deals losing some amount of capital

Hamilton Lane Sentiment Indicators

Buyout

● Today   **◍ 2022**   **○ 2007**

	+2σ	Long-Term Average	-2σ
Purchase Price Multiples	14.3x	9.3x	4.2x
Leverage Multiples	5.8x	4.4x	3.1x
Coverage Ratios	2.3x	3.1x	4.0x
Trailing Public Market Returns	31.4%	9.3%	(12.8%)
Rate of Contribution	56.5%	37.3%	18.0%
Fundraising % of Public Equity Market Cap	1.3%	0.7%	0.1%
Fund Size Step Up	2.2x	1.5x	0.9x
Time to Next Fundraise	2.3 years	3.9 years	5.6 years

- The Buyout market is trending slightly positive

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Appendix

2024 Strategic Plan

Commitment Pacing	• **2024 commitment pacing of $800-$1,000M** • Year-over-year increase due to new target allocation of 19% effective 1/1/2024

- Includes:
  - Hamilton Lane: Core $630 to $750M
  - Ho'oulu $50M per year over four years ($200M program)
    - Includes Co-investments, Small-to-Mid Venture and Growth primaries
  - Staff Discretion $120M to $200M (15% to 20%)
    - Includes HiTIP Program

2024 Strategic Plan (cont.)

General Partner Relationships	• Concentrate commitments with Foundation Managers • Thoughtfully manage pipeline of re-ups
Commitment Sizing	• Continue to increase commitment sizes due to increased annual pacing • Maintain larger average commitment size for Foundation Managers
Strategic Diversification	• Primary commitment focus on Buyout investments • Opportunistically invest in high-conviction Venture Capital & Growth Equity managers • No Credit/Distressed Debt investments • Limited conventional energy
Geographic Diversification	• Maintain current geographic exposure, with primary commitments to North America • Opportunistically assess additional Western Europe and Asia relationships

Statement of Investments

Statement of Investments as of December 31, 2023

Investment Name	Committed	Paid-In Capital[1]	Capital Distributed	Reported Market Value	Net IRR
Total Core Portfolio	$6,949,426,844	$5,246,284,695	$3,950,519,023	$4,366,743,737	12.23%
Total Stafford HiTip Fund I, L.P.	25,250,000	24,542,039	26,810,678	10,363,487	7.44%
Total Stafford HiTip Fund II, L.P.	31,075,000	26,169,135	2,975,020	37,552,815	14.27%
Total Stafford HiTip Fund III, L.P.	69,500,000	32,072,473	418,079	34,524,283	4.88%
Total Portfolio	$7,075,251,844	$5,329,068,342	$3,980,722,800	$4,449,184,322	12.20%

Note: The analysis was completed using available information provided by the general partner of each investment, unless otherwise noted. Cash flows are representative of HIERS' actual cash paid and received. Market values reflect HIERS' unrealized interest in each investment. The information provided is from the HIERS' custodial bank and/or its consultants and has not been provided or approved by any of the Funds' General Partners or members.
[1] Paid-in Capital includes both commitment and non-commitment reducing capital calls

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Certain of the performance results included herein do not reflect the deduction of any applicable advisory or management fees, since it is not possible to allocate such fees accurately in a vintage year presentation or in a composite measured at different points in time. A client's rate of return will be reduced by any applicable advisory or management fees, carried interest and any expenses incurred. Hamilton Lane's fees are described in Part 2 of our Form ADV, a copy of which is available upon request.

The following hypothetical example illustrates the effect of fees on earned returns for both separate accounts and fund-of-funds investment vehicles. The example is solely for illustration purposes and is not intended as a guarantee or prediction of the actual returns that would be earned by similar investment vehicles having comparable features. The example is as follows: The hypothetical separate account or fund-of-funds consisted of $100 million in commitments with a fee structure of 1.0% on committed capital during the first four years of the term of the investment and then declining by 10% per year thereafter for the 12-year life of the account. The commitments were made during the first three years in relatively equal increments and the assumption of returns was based on cash flow assumptions derived from a historical database of actual private equity cash flows. Hamilton Lane modeled the impact of fees on four different return streams over a 12-year time period. In these examples, the effect of the fees reduced returns by approximately 2%. This does not include performance fees, since the performance of the account would determine the effect such fees would have on returns. Expenses also vary based on the particular investment vehicle and, therefore, were not included in this hypothetical example. Both performance fees and expenses would further decrease the return.

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Any tables, graphs or charts relating to past performance included in this presentation are intended only to illustrate the performance of the indices, composites, specific accounts or funds referred to for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

The information herein is not intended to provide, and should not be relied upon for, accounting, legal or tax advice, or investment recommendations. You should consult your accounting, legal, tax or other advisors about the matters discussed herein.

The calculations contained in this document are made by Hamilton Lane based on information provided by the general partner (e.g. cash flows and valuations), and have not been prepared, reviewed or approved by the general partners.

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

MAY 14, 2024

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

<table>
<tr><td>Trustees present:
(by teleconference)</td><td>Mr. Lance Mizumoto, Vice Chair*
Mr. Vincent Barfield*
Dr. Catherine Chan*
Dr. Genevieve Ley*
Mr. Luis Salaveria*</td></tr>
<tr><td>Trustees absent:</td><td>Mr. Emmit Kane, Chair
Mr. Bennett Yap</td></tr>
<tr><td>Staff present:
(City Financial Tower
by teleconference)</td><td>Mr. Thomas Williams, Executive Director*
Mr. Kona Mann, Chief Compliance Officer*
Mr. James Greubel, Program Specialist
Ms. Shanna Sakagawa, Program Specialist
Mr. Keith Miyamoto, Information Services Branch Manager
Ms. Sandra Straub, Information Services Systems Supervisor
Ms. Lori Kobayashi, Retirement Benefits Branch Manager*
Ms. Kristin Varela, Chief Investment Officer*
Mr. Anthony Goo, Deputy Chief Investment Officer*
Mr. Aaron Au, Investment Officer – Private Equity
Ms. Christine Chang, Investment Officer – Diversifying Strategies
Mr. Andrew Chen, Investment Officer – Credit Markets
Ms. Lynn Kamimoto, Investment Officer – Risk
Mr. Ian Wetzel, Investment Officer – Real Assets
Ms. Gerri Konishi, Member Home Loan Assistant
Ms. Dale Kehau Kanae, Recording Secretary*
Ms. Lori Kim, Secretary*
Ms. Andrea Gasper, Secretary*
Ms. Diana Gomes, Secretary</td></tr>
<tr><td>Attorney present:
(by teleconference)</td><td>Ms. Jenny Nakamoto, Deputy Attorney General*
Ms. Lori Tanigawa, Deputy Attorney General*
Ms. Elmira Tsang, Deputy Attorney General*
Ms. Diane Wong, Deputy Attorney General*</td></tr>
<tr><td>Public present:
(by teleconference)</td><td>Mr. Joe Ebisa, With Intelligence

*Attended Executive Session.</td></tr>
</table>

QUORUM/CALL TO ORDER

A quorum being present (Vice Chair Mizumoto, Trustees Barfield, Chan, Ley, and Salaveria), Vice Chair Mizumoto called the regular meeting 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 requested each Trustee identify themselves and confirm that they are the only ones present at their remote location while attending the meeting. Each of the Trustees present confirmed same.

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

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PUBLIC COMMENT	Vice Chair Mizumoto called for public comment. There was no public present in person, however, one (1) members of the public was present by teleconference, but they had no public comment. Also, no written testimony was received for this meeting.
RESOLUTION PRESENTATION TO KANOE MARGOL	Vice Chair Mizumoto announced that this agenda item would be deferred as Kanoe Margol was unable to attend.
PUBLIC COMMENT	Vice Chair Mizumoto again called for public comment. There were no public comments from public members attending.
EXECUTIVE DIRECTOR'S REPORT	Executive Director (ED) Williams gave an oral report to the Board and a brief report of operational matters usually covered by the Deputy Executive Director's Report as follows:
DEPUTY EXECUTIVE DIRECTOR'S REPORT	

- Auditor Eide Bailly LLP's 3-year contract has been terminated by the State Auditor as they did not have a permit to practice in Hawaii. An RFP to acquire a new auditor for the final 2-years of the contract is in the process. The 2023 ERS Audit will have to be performed by the newly contracted firm.
- Retired as of April 1, 2024, Deputy Executive Director (DED) Kanoe Margol and Retirement Benefits Manager Karl Kaneshiro who will be succeeded by Lori Kobayashi. The search for the DED commenced in March with advertisements with the National Council on Teacher Retirement, National Association of State Retirement Administrators, National Conference on Public Employee Retirement Systems, and the State Department of Human Resources Development. Attempts to fill the DED and other ERS positions continue.
- Congratulations to Trustee Barfield who was appointed by Governor Green and confirmed by the State Senate and Legislature for a third term, effective May 9, 2024, and continuing until June 30, 2030.
- The ERS Medical Board is comprised of three physicians, due to a member recently passing and contracts ending, an RFP was issued and selection of candidates and establishing a budget will be discussed in Executive Session.
- As the State Budget was being finalized, $300M which was to be allocated to the ERS by the 2022 Legislature was not made as the Governor elected it to lapse and it was returned to the General Fund. The $300M would have been a supplemental contribution and in addition to the generally required contribution.
- A recently completed ERS Trustee survey noted the need for more educational opportunities, a list is provided in BoardWorks. The Board may want to consider the NCTR Annual Trustee Workshop in July.
- An in-person presentation will be made to the Kauai County Council on the status of ERS and its Investments. Similar presentations have been made to the Maui County Council.
- Legislative updates have been periodically e-mailed to the Trustees from Program Specialist Bart Asato on the Status of Bills ERS is monitoring. SB 3070, Relating to the ERS Funding Period, would reduce the funding period from 30 to 20 years has been passed. ERS may be requesting a signing ceremony from the Governor on this Bill.
- As of May 1, 2024, ERS has 28 vacant positions which can impact the operations and level of services ERS provides. Overtime is being used across the organization to address staffing shortfalls in an attempt to keep up with workloads. ERS has also attended job fairs to try to fill the vacancies. More details regarding staffing will be discussed in Executive Session.

DEPUTY EXECUTIVE DIRECTOR'S REPORT	This agenda item was deferred, however, operational matters were presented to the Board by ED Williams in his oral report.
INFORMATION SYSTEMS BRANCH REPORT	Information System's (IS) Systems Supervisor Sandra Straub and IS Branch Manager Keith Miyamoto entered the room and IS Branch Manager Miyamoto presented an oral and written report to the Board on a brief overview of the services the IS Branch provides and discussed: Current Staffing, Vendor Assistance, Current Projects, and Other Activities.
	(After his presentation, Mr. Miyamoto and Ms. Straub left the meeting.)
PUBLIC COMMENT	Vice Chair Mizumoto again called for public comment. There were no public comments from public members attending.
REPORT BY THE ADMINISTRATIVE & AUDIT COMMITTEE	Vice Chair Mizumoto announced that this agenda item would be deferred, as this Committee has not met since reporting to the Board at its last meeting.
REPORT BY THE LEGISLATIVE COMMITTEE	Vice Chair Mizumoto announced that this agenda item would be deferred, as this Committee has not met since reporting to the Board at its last meeting.
UPDATE ON EMPLOYEES' RETIREMENT SYSTEM RELATED BILLS DURING THE 2024 LEGISLATIVE SESSION	
REPORT BY THE INVESTMENT COMMITTEE	Vice Chair Mizumoto announced that this agenda item would be deferred, as this Committee has not met since reporting to the Board at its last meeting.
REPORT BY THE HUMAN RESOURCES COMMITTEE DISCUSS THE EXEMPT STAFF COMPENSATION PLAN	Human Resources Committee (Committee) Chair Barfield reported to the Board that the Committee met on April 9, 16, and May 6, 2024, and reviewed the Committee's timeline for 2024, discussed the exempt staff compensation supported by performance review recommendations, refined the exempt staff Compensation Plan, both were to be discussed in Executive Session, and finally the Committee also reviewed the Public, Executive, and Confidential Executive Session Minutes.
APPROVAL OF MINUTES – MARCH 11, 2024	On a motion made by Trustee Barfield, seconded by Trustee Ley, and unanimously carried, the Board approved the Minutes of March 11, 2024, as presented.
PUBLIC COMMENT	Vice Chair Mizumoto called for public comment. There were no public comments from public members attending. Vice Chair Mizumoto identified all the participants in Executive Session, the Board, staff members, Deputy Attorneys general, and Guests are identified with an asterisk on these minutes and listed on the Executive Session Minutes. Vice Chair Mizumoto provided the reason to enter into Executive Session: Executive Session, pursuant to HRS §92-5(a)(2), (4), and (8), and HRS §88-27.5(a)(2), to conduct discussions, deliberate, or make a decision regarding the designation, compensation, and procurement of members of the Employees' Retirement System's (ERS) Medical Board; the ERS Budget, Staffing, and Consulting Services; the use of Not-to-Exceed Employment

Dates; the performance evaluations and compensation recommendations for the ERS Executive Director, Chief Investment Officer, Deputy Chief Investment Officer, and Investment Officers, where matters affecting privacy will be involved, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding such matters; and to make a decision on the approval of Executive Session Minutes.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Salaveria, seconded by Trustee Ley, and unanimously carried, the Board entered into Executive Session at 10:27 a.m.

(Public participation concluded by ending the teleconference link.)

All attendees participating by teleconference affirmed that no other persons were in their rooms or able to listen in on their audio or audiovisual connection. Recording Secretary Dale Kehau Kanae confirmed that no unauthorized persons were in the conference room or able to listen in via audio or audiovisual connection while on the teleconference.

EXECUTIVE SESSION

- Pursuant to HRS§ 92-5(a)(2) and (4), to discuss the Employees' Retirement System's Budget, Staffing, and Consulting Services, where matters affecting privacy will be involved, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities; appropriate action.
- Pursuant to HRS § 92-5(a)(4) and (8) and HRS §88-27.5(a)(2), to deliberate or make a decision regarding the designation and compensation of members of the Employees' Retirement System Medical Board which requires the consideration of information that must be kept confidential pursuant to State law and, to the extent applicable, to conduct discussions and deliberations relating to procurements that are exempt from Chapter 103D, to the extent that it would be required to be done confidentially if subject to Chapter 103D, and 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 the foregoing; appropriate action.
- Pursuant to HRS § 92-5(a)(2) and (4), to discuss the Chapter 76, HRS exempt staff of the Employees' Retirement System, with respect to the Evaluations and use of Not-to-Exceed Employment Dates, where matters affecting privacy will be involved, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities; appropriate action.
- Pursuant to HRS§ 92-5(a)(2) and (4), to discuss the compensation recommendations of Chapter 76, HRS exempt Executive Director, Chief Investment Officer, Deputy Chief Investment Officer, and Investment Officers of the Employees' Retirement System, and to evaluate such staff, as may be necessary, where matters affecting privacy will be involved, and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities; appropriate action.
- Pursuant to HRS §92-5(a)(8), to Review and Approve Executive Session Minutes of March 11, 2024.

EXECUTIVE SESSION, PURSUANT TO HRS §92-5(a)(2) AND (4), TO DISCUSS THE EMPLOYEES' RETIREMENT SYSTEM'S BUDGET, STAFFING, AND CONSULTING SERVICES, WHERE MATTERS AFFECTING PRIVACY WILL BE INVOLVED, AND TO CONSULT WITH THE BOARD'S ATTORNEYS ON QUESTIONS AND ISSUES PERTAINING TO THE BOARD'S POWERS, DUTIES, PRIVILEGES, IMMUNITIES, AND LIABILITIES; APPROPRIATE ACTION

EXECUTIVE SESSION, PURSUANT TO HRS§ 92-5(a)(4) AND (8), AND HRS §88-27.5(A)(2), TO DELIBERATE OR MAKE A DECISION REGARDING THE DESIGNATION AND COMPENSATION OF MEMBERS OF THE EMPLOYEES' RETIREMENT SYSTEM MEDICAL BOARD WHICH REQUIRES THE CONSIDERATION OF INFORMATION THAT MUST BE KEPT CONFIDENTIAL PURSUANT TO STATE LAW AND, TO THE EXTENT APPLICABLE, TO CONDUCT DISCUSSIONS AND DELIBERATIONS RELATING TO PROCUREMENTS THAT ARE EXEMPT FROM CHAPTER 103D, TO THE EXTENT THAT IT WOULD BE REQUIRED TO BE DONE CONFIDENTIALLY IF SUBJECT TO CHAPTER 103D, AND 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 THE FOREGOING; APPROPRIATE ACTION

EXECUTIVE SESSION, PURSUANT TO HRS§ 92-5(a)(2) AND (4), TO DISCUSS THE CHAPTER 76, HRS EXEMPT STAFF OF THE EMPLOYEES' RETIREMENT SYSTEM, WITH RESPECT TO THE EVALUATIONS AND USE OF NOT-TO-EXCEED EMPLOYMENT DATES, WHERE MATTERS AFFECTING PRIVACY WILL BE INVOLVED, AND TO CONSULT WITH THE BOARD'S ATTORNEYS ON QUESTIONS AND ISSUES PERTAINING TO THE BOARD'S POWERS, DUTIES, PRIVILEGES, IMMUNITIES, AND LIABILITIES; APPROPRIATE ACTION

EXECUTIVE SESSION, PURSUANT TO HRS§ 92-5(a)(2) AND (4), TO DISCUSS THE COMPENSATION RECOMMENDATIONS OF CHAPTER 76, HRS EXEMPT EXECUTIVE DIRECTOR, CHIEF

INVESTMENT OFFICER, DEPUTY CHIEF INVESTMENT OFFICER, AND INVESTMENT OFFICERS OF THE EMPLOYEES' RETIREMENT SYSTEM, AND TO EVALUATE SUCH STAFF, AS MAY BE NECESSARY, WHERE MATTERS AFFECTING PRIVACY WILL BE INVOLVED, AND TO CONSULT WITH THE BOARD'S ATTORNEYS ON QUESTIONS AND ISSUES PERTAINING TO THE BOARD'S POWERS, DUTIES, PRIVILEGES, IMMUNITIES, AND LIABILITIES; APPROPRIATE ACTION

EXECUTIVE SESSION, PURSUANT TO HRS §92-5(a)(8), TO REVIEW AND APPROVE EXECUTIVE SESSION MINUTES OF MARCH 11, 2024

EXIT EXECUTIVE SESSION

On a motion made by Trustee Salaveria, seconded by Trustee Chan, and unanimously carried, the Board exited Executive Session at 11:54 a.m.

Vice Chair Mizumoto announced that while in Executive Session, the Board discussed ERS staffing concerns, the Use of Not-to-Exceed Employment Date for an exempt Investment Officer, approved compensation recommendations for Investment Officers, and the Board also approved Executive Session Minutes of March 11, 2024.

Vice Chair Mizumoto also announced the recommended salary increase of 6.8% ($25,000) for ED Williams, and a salary increase of 10% ($33,000) for Chief Investment Officer Kristin Varela.

On a motion made by Trustee Barfield, seconded by Trustee Chan, and unanimously carried, the Board approved the salary increase of 6.8% ($25,000) for Executive Director Thomas Williams, and a salary increase of 10% ($33,000) for Chief Investment Officer Kristin Varela, subject to an adjustment to ensure that it is divisible by 24 for payroll purposes.

ADJOURNMENT

On a motion made by Trustee Salaveria, seconded by Trustee Chan, and unanimously carried, Vice Chair Mizumoto adjourned the meeting at 11:56 a.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director
TW:dkik