

Board Packet List of Documents

Board of Trustees Meeting

November 12, 2024

- Meeting Agenda

- Staff Reports
 - R 1 ERS Operations Report – Oct 2024

- New Business
 - NB 1.1 – KMH LLP Internal Audit Update Report
 - NB 1.2 – KMH LLP Follow-Up Review Report
 - NB 1.3 – Program Specialist Report on ADOBE Experience Manager
 - NB 2 – 2025 Schedule of ERS Board Meetings

- APPROVAL OF MINUTES – September 9, 2024
– October 15-18, 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: Tuesday, November 12, 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_MTM4YjI0ZDctZDVmYy00NWQ1LWE5ODAtZDgwNzM3N2EwNzkz%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: 256 453 999 304 Passcode: Yt4B2U

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: 800 259 645#

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, November 8, 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.

REPORTS 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.
2. Compliance Support Staff Report on General Duties and Current and Future Projects.

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 Administrative & Audit Committee Chair.

- 1.1. Internal Audit Update Report by KMH LLP on the Current Status of Activities Completed During Q3, 2024, and an Update on the Completion Status of Management Action Plans for Past Internal Audit Observations and Recommendations.
 - 1.2. Follow-Up Review Report by KMH LLP on the Current Status of Previously “Cleared” Internal Audit Observations and Recommendations.
 - 1.3. Report by Program Specialist on the Implementation of the ADOBE Experience Manager for Purposes of Imaging Efficiency.
2. Discuss the 2025 Board of Trustees Election of Officers and Committee Assignments and Approve the Schedule of Meetings.

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.

APPROVAL OF MINUTES – September 9, 2024
– October 15-18, 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 the Roadmap Report prepared as part of the Internal Audit’s Virtual Chief Information Security Officer (vCISO) Project.
2. 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.
3. 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 an Update on the Implementation of ERS’ Compliance Program on Risk Assessment, Policies & Procedures, and Third-Party Risk Management.
4. Executive Session, pursuant to HRS §92-5(a)(4) and (8), 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 information that must be kept confidential pursuant to state law, with respect to an Update on Ongoing Litigation for Cynthia Giebink vs. ERS, Civil No. 2CCV-23-0000113.
5. Executive Session, pursuant to HRS § 92-5(a)(2), (4), and (8), 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 where consideration of matters affecting privacy will be involved, and to deliberate and make a decision upon matters that require the consideration of information that must be kept confidential pursuant to state law, with respect to Recruitment and Search for Executive Leadership.
6. Executive Session, pursuant to HRS §92-5(a)(8), to Review and Approve Executive Session Minutes of September 9, 2024.
7. Executive Session, pursuant to HRS §92-5(a)(8), to Review and Approve Executive Session Minutes of the Special Board Meeting of October 16, 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, November 6, 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 – October 2024

- STAFFING (updated through 11/1/2024)**

	Position Title	Vacant Date	Recruitment Status
1.	Retirement System Deputy Executive Director	4/1/24	8/15/24 – active recruitment.
2.	Program Specialist VI	6/1/24	11/1/24 – internal recruitment opened.
3.	Program Specialist	New pos.	4/19/24 – draft PD sent to ARO for review and approval.
4.	Account Clerk V	10/17/22	PD in review w/ ARO since 9/26/23.
5.	Secretary II	7/25/23	11/22/23 – revised PD in review w/ARO-HR
6.	Account Clerk V	5/1/24	10/7/24 – 89 day hire, nte 2/7/25, 2nd appointment
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	8/2/24 – rcvd list, 6 applicants; found otr. job/no longer interested; rqst new Cert 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 Cert list.
11.	Secretary II	1/1/24	10/11/24 – applicant selected but accepted another job before a cond offer was made; rqst new Cert list.
12.	General Professional VI	4/16/24	In process of opening recruitment.
13.	General Professional VI (NIOSS)	5/16/20	10/14/24 – ARO-HR in process of screening internal applicants.
14.	General Professional VI	3/16/22	9/12/24 – applicant not selected, rqst new Cert list.
15.	Retirement Claims Examiner V	1/1/24	10/3/24 – TA rqst approved for period 10/1 – 12/31/24; awaiting ARO-HR to open recruitment.
16.	Retirement Claims Examiner III	5/1/24	9/10/24 – 1 interview conducted; applicant not selected, rqst new Cert list.
17.	Retirement Claims Examiner III	6/17/24	6/20/24 – in process of opening recruitment.
18.	Retirement Claims Examiner III	7/29/24	7/30/24 – in process of opening recruitment.
19.	Office Assistant IV	2/24/24	4/23/24 – rqst sent to ARO-HR to open recruitment.
20.	Office Assistant IV	1/1/24	7/9/24 - awaiting new Cert list.
21.	Office Assistant IV	1/23/24	5/20/24 – selected applicant found other job; rqst new Cert list.
22.	Office Assistant III	2/16/24	9/19/24 – waiting for clearance and approval from ARO-HR and DHRD.
23.	Investment Officer	New pos.	In process of establishing PD
24.	Senior Investment Officer	9/1/23	In process of revising PD & opening recruitment
25.	Investment Specialist	10/3/23	9/5/24 – no selection made; rqst new Cert list

- **MAJOR ACHIEVEMENTS, etc.**

- A. Retirement Benefits Branch (RBB)

- Finals – The Team finalized 186 retirees on estimated pension with 578 pending pension adjustments. As a result, we now have no applications over the 6-month standard. The Team is finalizing June 2024 retirements.
- Temporary Hazard Payments (THP) finalizing discussions on HGEA settlements for impact on operations. 1st payment will be paid on 10/4/2024.
- Neighbor Island Activities
 - 10/01/2024 New Employee Orientation (Kauai)
 - 10/16/2024 New Employee Orientation (Kauai)
 - 10/17/2024 Kona Counseling

- B. Accounting Branch

- KKDLY LLC completed the FY 2023 audit October 22, 2024, including the GASB 67/68 Employer report used by State and County Employers for their FY 2024 financial reporting.
- FY 2025 priority procurements in progress.
- 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.
- Accountant V started October 1, 2023 (to fill new position) to assist ERS Accounting and Investment teams.
- Work in progress for Tax Reclaims.

- C. Information Systems Branch (IS)

- Deploy 1 desktop.
- Class Code Reports – Processed: 148
- 2025 & 2026 Required Minimum Distribution (RMD) queries completed.
- 14th Floor Conference Room TV set up for meetings.
- Monthly Patching of on prem and non-production servers.
- Participated in ETS Virtual Security Tabletop Exercise.

- Update of Disposal Inventory.
- One Application Staff resigned. Close Of Business (COB) 10/31/2024
- Completed interviews for vacant Administrative Asst. position. Person selected; however, the person accepted another position before we could make offer.
- Participated in V3locity Reference check with New York City Board of Education Retirement System.
- Completed Internal Audit findings responses.
- Completed Physical Inventory of Disposal Items.
- Switch Stamps.com to Stamps.com Connect for all NI staff.

D. Administration

- Submitted edits for B&F General Obligation Bonds documents on 9/4.
- Drafted, coordinated review, and submitted proposed legislation (via B&F) for inclusion in state Executive Branch package for 2024 session.
- Coordinated legislative proposals discussion with Full Board on 9/9.
- Issued memo to employers regarding Temporary Hazard Pay (THP) payments on 9/13.
- Responded to Employers regarding THP inquiries.
- Holomua Fall Issue production and distribution.
- Completed 25 Uniform Information Practices Act research and responses.
- HRS 88-64 (Act 46, SLH 2023) implementation, process requests to review related cases, tax treatment of reported contributions.
- Completed Hawaii Domestic Relations Orders review and requests for information.
- Attended V3locity Meetings.
- Assisting with SSS/Adobe imaging backlog.

E. Staff Support Services Branch (SSS)

- Walk in members: 652 in October, compared to 501 in September.
- Document Scanning and Indexing (on-going) – major backlog (approx. +2 million)

Activities (October)	Documents Completed
Time Sensitive	4,278
Indexed (backlog)	3,474

*Due to V3 upgrade QA count no longer available

- **.WEB STATISTICS FOR October 2024**

- Member Information – Sessions = 17,244
- General ERS Website – Sessions = 20,264

Top 12 viewed site pages (descending order):

	Page	Page views
1.	Benefits Calculator	7796
2.	Members > Planning for Retirement	7172
3.	Members > Member Forms	5121
4.	Members > Active	3537
5.	Resources > Contact Us	3520
6.	Resources > All Forms	3399
7.	Home > Administration	2029
8.	Retirees > Pension Info	1340
9.	Retirees > Retirees FAQs	1098
10.	Members > Member FAQs	1084
11.	Members > Leaving Employment	1061
12.	About-the-ERS	930

RETIREMENT BENEFITS BRANCH ACTIVITIES – October 2024

Activities	Standard	Completed	Standard Percentage	Pending	Remarks
1. Enrollment	Within 1 month of receipt - Enrollment Forms	452	93% (Sep 95%)	300	Lead staff out - FMLA extended leave since May 7. 31 out of the 452 were outside of the 1 month standard.
2. Estimates Requests	Within 6 months of retirement date	339	100% (Sep 100%)	282	
3. Initial Payments	After 1 month of retirement date	125	100% (Sep 100%)	0	
4. Refund Requests	Within 1 month after request, send letter	132	100% (Sep 100%)	19	
5. Refund Payments	Within 2 months after receipt of applications	113	100% (Sep 100%)	48	17 out of 48 pending payments: incomplete applications.
6. Deaths (Active members)	Within 1 month of report of death, send letter	38	86% (Sep 61%)	6	10 of 44 deaths reported – No benefits.
7. Death Payment (Active members)	Within 1 month of receipt of death claim form(s)	9	100% (Sep 100%)	0	Pending cases: Claim forms not received/other required documents.
8. Deaths (Retiree/Beneficiary)	Within 1 month of report of death, send letter	196	67% (Sep 100%)	107	
9. Death Payments (Beneficiary)	Within 1 month of receipt of death claim form(s)	97	100% (Sep 100%)	0	275 Pending – No death claims and forms from beneficiaries and estates
10. Ordinary Disability	Within 6 months complete application	12	92% (Sep 86%)	55	11 of 12 met the 6-month standard.
11. Service-Connected Disability/ Death	Within 14 months complete application	9	88% (Sep 0%)	55	8 of 9 met the 14-month standard

Disability Standard – Below are the disability applications completed in October 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	LA	7/3/2024	10/8/2024	3		
	DA	8/15/2024	10/8/2024	1		
	HB	4/29/2024	10/8/2024	5		
	PB	12/12/2023	10/8/2024	9		
	KC	7/17/2024	10/8/2024	2		
	WL	7/18/2024	10/8/2024	2		
	RL	10/12/2023	10/8/2024	11	OD & SCD applications processed simultaneously	
	LL	6/4/2024	10/8/2024	4		
	JM	5/30/2024	10/8/2024	4		
	ST	7/22/2024	10/8/2024	2		
	BU	2/1/2024	10/8/2024	8		
	BW	6/27/2024	10/8/2024	3		
				Average	5	
	Service-Connected	MG	5/20/2024	9/26/2024	4	
ML		6/13/2024	9/26/2024	3		
HM		5/6/2024	9/26/2024	5		
AN		12/1/2023	9/26/2024	10		
DO		3/15/2022	9/26/2024	30	MB requested additional records	
JQ		12/1/2023	9/26/2024	10		
MS		1/31/2024	9/26/2024	8		
BS		9/12/2023	9/26/2024	12		
BU		2/1/2024	10/8/2024	8		
			Average	8		

Finals Report Board of Trustees Meeting October 31, 2024

Finals Production as of October 31, 2024

2024	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
Retirements Filed													
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	275	163	206	180			2123
Ord. Death	11	6	0	7	0	5	4	4	3	4			44
RMD	6	0	1	0	0	0	0	0	0	2	0		9
Total Finalized	259	292	180	192	204	208	279	167	209	186	0		2176
Begin Pending	794	1139	937	847	786	674	741	684	702	633			
New Retirements	580	83	82	112	86	264	212	174	133	122			1848
Add'l (BOT & svc adj.)	7	1	7	12	6	6	6	7	4	3			59
Completion	-242	-286	-179	-185	-204	-203	-275	-163	-206	-180	0	0	-2123
End Pending	1139	937	847	786	674	741	684	702	633	578	0	0	

1. Highlights

- 186 cases were finalized and paid in September.
- 182 Retirements, including 6 disability retirements.
- 4 Active death monthly pension

- 1 case was finalized with Act 134 Interest paid totaling \$11.46.
 - \$11.46 average interest paid.
- 22 Anti-spiking (Act 153) cases
- 578 Service and Disability retirements pending finalization.
 - Continue finalizing June 2024 retirements with 100% of the cases within benchmark.
- Resources are currently at 5 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: 0 (0%) including 0 Disability retirements.

Benchmark Cases within 6 months: 578 (100%) including 13 Disability retirements.
578

3. Re-Finalization (On Hold)

- Pay adjustments due to late HIP reporting and retroactive pay increases per CBA add to backlog.
- Hazard Pay refinals.

Employees' Retirement System INTERNAL AUDIT



Employees' Retirement System
of the State of Hawaii

ADMINISTRATIVE & AUDIT COMMITTEE UPDATE REPORT

October 23, 2024

CONFIDENTIAL

This report is prepared solely for the internal use of the Employees' Retirement System management, the Administrative & Audit Committee, and the Board of Trustees. Distribution requires prior approval from the Administrative & Audit Committee or management.



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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.
 - Currently in the process of updating our internal audit methodology, specifically revising references/mapping from the prior standards and updating for new terminology/definitions, in order to align with the new standards.
 - 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 in alignment with the January 9, 2025 effective date.

Status on Current Projects:

Follow-Up Review

- Review completed in September 2024.
- IA selected six reports for this review comprising a total of ten “cleared” findings. Of the ten findings reviewed, six findings and associated recommendations were properly “implemented” by the responsible manager and four were deemed “partially implemented” and required additional recommendations.
- **Action: Seeking approval from Administrative & Audit Committee of Final Draft Report**

Executive Summary (continued)

Virtual Chief Information Security Officer (vCISO)

- Dave Collins, RSM vCISO, has been providing services to the ERS since April 2024.
- The project goals and objectives were 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 assist in setting strategy; formalize, and operationalize cybersecurity into the day-to-day operations of the organization.
- RSM vCISO developed recommendations and a 2-Year Cybersecurity Remediation Roadmap based on ERS' overall risk and program needs.
- Upcoming "Implementation of Cybersecurity Strategy and Roadmap" project will be used to provide assistance to the ERS with remediation activities identified in the roadmap.

Continuous Monitoring Tool Development – Part 2

- RSM/KMH project plan to automate payroll review processes related to employer compliance requirements was presented to Executive Management and the Accounting and Information Systems Branches in October 2024.
- Planned automation will include the implementation of data analytics and continuous monitoring solutions to monitor employer compliance with requirements as well as the ability for the ERS to view dashboard reporting on each employer's compliance statistics and results.
- Execution of the approximately 8-week project plan will be included in the 2025 internal audit plan.

Executive Summary (continued)

Investment Manager Selection and Evaluation Review

- Currently in the fieldwork phase of this review.
- The review objectives are to:
 - Evaluate the Investment Office's compliance with the requirements and internal controls set forth in the ERS' Investment Manager Selection Process Framework; which is comprised of stages to identify, evaluate, recommend, and approve prospective investment managers.
 - Assess whether the ERS' Investment Manager Selection Process Framework aligns with leading practices recommended by professional investment organizations and/or performed by peer pension systems in order to identify opportunities to enhance the current framework.
 - Provide recommendations and leading practices for improvements to enhance effectiveness and efficiency, where applicable.
- Estimated review completion is December 2024.

Risk Assessment Re-Evaluation and Audit Plan

- The Risk Assessment Re-Evaluation process will begin in November 2024 and will also include the development of the 2025-2026 Internal Audit Plan.
- During November and December 2024, IA will be scheduling and conducting meetings with the following parties:
 - Board of Trustees
 - Executive Management
 - Branch Chiefs
 - ERS' External Auditor

Summary Results of Reports Completed

2024 Follow-Up Review:

Background and Project Objectives:

- This Follow-Up Review was added to the Internal Audit Plan in order to validate the accuracy of finding updates provided by ERS Management, specifically findings and associated recommendations reported as “cleared”.
- The objectives of our review were 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 included 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)
- See final draft report for a more detailed discussion and background on this project.

Summary Results of Reports Completed (continued)

Summary of Results:

Of the ten findings reviewed, six findings and associated recommendations were properly “implemented” by the responsible manager and four were deemed “partially implemented” and required additional recommendations.

Finding Number	Date Originally “Cleared” ¹	Current Status
Investment and Risk Monitoring and Reporting Review		
1	August 2019	Partially Implemented
2	August 2019	Partially Implemented
Financial Reporting Process Review		
1	September 2020; February 2021	Implemented
2	February 2020	Implemented
Investment Consultant Selection and Evaluation Review		
1	September 2020	Partially Implemented
3	September 2020; February 2021	Implemented
Communications and Community Relations Review		
1	September 2020	Implemented
HR – Personnel Development & Retention Review		
1	February 2021	Partially Implemented
Benefit Estimates & Final Benefit Calculation Processing Review		
1	February 2022	Implemented
2	February 2022	Implemented

¹ Date Originally “Cleared” is the date in which the finding is reported as “cleared” via finding status updates in IA’s Administrative & Audit Committee Meeting Update Report.

2024 Internal Audit Plan Results Summary

Internal Audit Plan Period: January 1, 2024 through December 31, 2024																
PROJECT	Q1 2024			Q2 2024			Q3 2024			Q4 2024			Hours			
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Budget*	Actual*	ETC*	Variance*
IA 2023 Carryover Projects																
Member Enrollment & Re-Enrollment Review													100	118	-	18
Continuous Monitoring Tool Development - Part 1													85	93	-	8
Business Continuity Plan – Crisis Communication Plan Development													100	91	-	(9)
IA Assurance																
Follow-Up Review													300	295	10	5
Investment Manager Selection & Evaluation Review													400	108	292	-
Contracting & Procurement Review													400	-	400	-
IA Advisory & Other																
Virtual Chief Information Security Officer (vCISO)													300	312	5	17
Implementation of Cybersecurity Strategy and Roadmap													350	-	350	-
Continuous Monitoring Tool Development - Part 2													250	22	228	-
Compliance Office Collaboration and Assistance													150	196	30	76
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	204	75	29
Total Hours													3,035	1,439	1,680	84



Key:
 Budget: Original Approved Budget and Budget Changes Approved by the Administrative & Audit Committee
 Actual: Actual Hours Incurred Through September 30, 2024
 ETC: Estimated Time to Complete
 Variance: [(Actual + ETC) - Budget] = over / (under) budget

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, IT Manager	Unacceptable	5	2	3	0	0	3	2	0	0	0
TOTAL			56	15	35	6	27	3	12	0	11	1

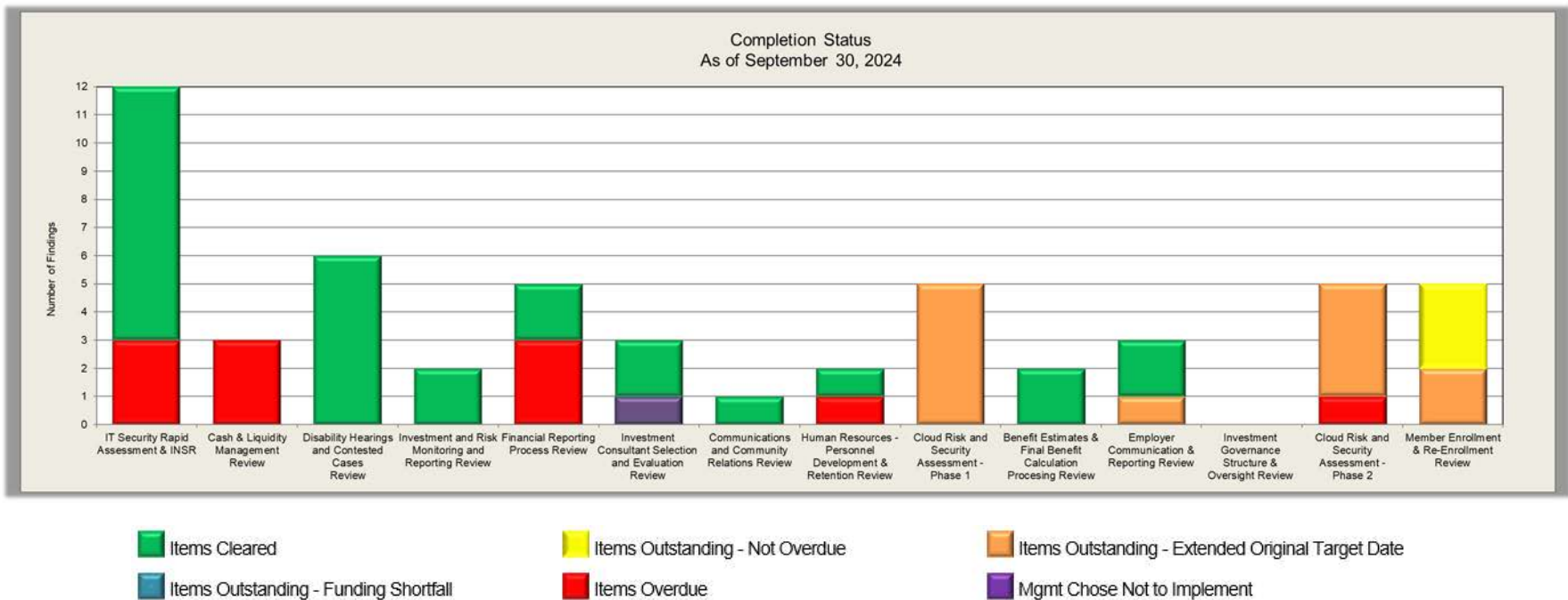
Management Action Dashboard (continued)

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.



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				
	Oversight & Monitoring	Policies and/or Procedures	Obtaining Appropriate Resources	Developing Efficient Processes	
Reports Issued	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
<p>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.</p>	<p>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.</p> <p>Formalized change policies and procedures should be established as well to address segregation of duties risks.</p>	Moderate	<p>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)</p>	<p>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.</p>
<p>Cash & Liquidity Management Review</p>				
<p>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.</p>	<p>Management should develop a formal cash management framework including the following elements:</p> <ol style="list-style-type: none"> 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	<p>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)</p>	<p>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</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	4) Establish reporting protocols.			<p>meet target date of December 2025.</p> <p>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.</p> <p>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.</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
<p>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.</p>	<p>Accounting should establish specific guidelines for evaluating the cash reserve, such as:</p> <ol style="list-style-type: none"> 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	<p>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)</p>	<p>Outstanding – Overdue – Refer to status comment for Finding 1 above.</p>
<p>Finding 3 – There is no comprehensive cash forecasting process. In addition, variance analyses and updates to line items are not made throughout the year.</p>	<p>ERS should:</p> <ol style="list-style-type: none"> 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	<p>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)</p>	<p>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.</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
Financial Reporting Process Review				
<p>Finding 3 – Financial reporting policies and procedures have not been reviewed or updated since the 1990s.</p>	<p>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:</p> <ul style="list-style-type: none"> ▪ Annual financial audit and CAFR preparation ▪ Monthly financial statement activities ▪ Financial statement preparation and distribution ▪ Management reports (internal) 	Moderate	<p>June 2020 (Revised #1 Target Date: December 2021) (Revised #2 Target Date: December 2024) (Revised #3 Target Date: December 2025)</p>	<p>Outstanding – Overdue – ERS will seek the necessary resources to assist in the development of policies, procedures, and related training.</p> <p>Refer to statuses provided for the Cash & Liquidity Management Review related to the timing of obtaining a third-party consultant.</p>
<p>Finding 4 – Accounting policies and procedures have not been adjusted to maintain alignment with the changing Investment Policy and shifts in the investment portfolio.</p>	<p>The Investment Office should actively involve and discuss potential investments with the Accounting Branch.</p> <p>The Accounting Branch should develop the appropriate policies, procedures and controls to align with any shifts in the investment portfolio.</p> <p>Management should also consider sending both Investment Office and qualified</p>	Moderate	<p>June 2020 (Revised #1 Target Date: December 2021) (Revised #2 Target Date: December 2024) (Revised #3 Target Date: December 2025)</p>	<p>Outstanding – Overdue – Draft policy template received from KMH.</p> <p>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.</p>

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.
<p>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.</p>	<p>ERS is meeting with representatives of employer groups to discuss improving reporting. In addition to this effort, ERS should complete the following:</p> <ul style="list-style-type: none"> ▪ 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	<p>December 2020 (Revised #1 Target Date: December 2022) (Revised #2 Target Date: December 2024) (Revised #3 Target Date: TBD)</p> <p>**Progress is evaluated on an on-going basis and it is unrealistic to determine a due date. See status comments.</p>	<p>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.</p> <p>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</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
				<p>changes are made to the data files received.</p> <p>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.</p>
Human Resources – Personnel Development and Retention Review				
<p>Finding 2 – The ERS can improve its succession planning processes by incorporating “Succession Management” into their plans.</p>	<p>IA recommends the ERS incorporate Succession Management into their existing succession planning processes. Key components of a succession management approach should include:</p> <ol style="list-style-type: none"> 1) Improved documentation around preparation, planning, and development improvement steps 	<p>Medium</p>	<p>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)</p>	<p>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.</p>

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 established in July 2023 was filled on October 1, 2024.
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 authorized by the	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
	<p>organization's management prior to access being granted, and is appropriately restricted as established in the policies and procedures.</p> <p>1.3. Establish procedures that ensure timely de-provisioning of user access to data, applications, infrastructure systems, and network components.</p> <p>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.</p> <p>2. Perform periodic user access reviews that verify</p>			

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>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.</p> <p>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.</p> <p>3. Evaluate access points of high risk (remote, privileged access) for implementation of multi-factor authentication requirements.</p>			

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
<p>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.</p>	<p>We recommend the following to enhance and help establish patching procedures for workstations and servers:</p> <ol style="list-style-type: none"> 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. <ol style="list-style-type: none"> 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. 	<p>Medium</p>	<p>September 2022 (Revised #1 Target Date: June 2024) (Revised #2 Target Date: TBD)</p>	<p>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.</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<ol style="list-style-type: none"> <li data-bbox="632 493 1024 824">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. <li data-bbox="632 834 1024 1198">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. <li data-bbox="632 1208 1024 1414">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
	<p>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.</p> <p>5.1. Implement a vulnerability management policy identifying timelines for patching based on risk level.</p> <p>6. Evaluate usage of a hardened VM image from the Azure marketplace (e.g. CIS).</p> <p>After implementation is complete, management should establish procedures to monitor any changes to parameters or configurations that could lead to configuration drift.</p>			

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
<p>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.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> ▪ 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 	<p>Medium</p>	<p>September 2022 (Revised #1 Target Date: June 2024) (Revised #2 Target Date: TBD)</p>	<p>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.</p> <p>Due to the significant number of vacancies in the I/S branch, target date is TBD for the finalization of I/S policies.</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>act as aggregate containers for data.</p> <p>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:</p> <ul style="list-style-type: none"> ▪ Cryptographic keys, including TLS certificates, used to protect access to data and encrypt data at rest must be rotated periodically. <p>Credentials and cryptographic keys must not be embedded or stored in source code or distributed in public facing repositories.</p>			
<p>Finding 4 – Logging and Monitoring procedures around security events, capacity resources, virtual machine integrity, and network traffic have not been fully defined.</p>	<p>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,</p>	<p>Medium</p>	<p>September 2022 (Revised #1 Target Date: June 2024) (Revised #2 Target Date: TBD)</p>	<p>Outstanding – Extended Original Target Date – ERS is working with a Virtual Chief Information Security Officer (vCISO). Due to the significant number of</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
<p>Additionally, a formal periodic review of logging configurations has not been established.</p>	<p>the following areas should be considered when working with the vendor to implement logging and monitoring tools:</p> <ul style="list-style-type: none"> ▪ 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 			<p>vacancies in the I/S branch, target date is TBD for implementation of SIEM / Managed Detection and Response (MDR) solution.</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>between trusted and untrusted connections.</p> <ul style="list-style-type: none"> ▪ Centralize the use of logging solutions (Azure Log Analytics and SolarWinds) to better integrate and use the results. <p>Restrict the ERS Systems team’s access to the audit logs appropriately (e.g., read-only).</p>			
<p>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.</p>	<p>Foundational governance and risk management requirements should be established to include the following:</p> <ul style="list-style-type: none"> ▪ 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 identified risks. Regularly 	<p>Low</p>	<p>September 2022 (Revised #1 Target Date: July 2024) (Revised #2 Target Date: TBD)</p>	<p>Outstanding – Extended Original Target Date –</p> <p>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.</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>discuss with leadership on milestones and current risk register status.</p> <p>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.</p> <p>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.</p>			
Employer Communication & Reporting Review				
<p>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</p>	<p>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</p>	<p>Low</p>	<p>December 2023 (Revised #1 Target Date: December 2024)</p>	<p>Outstanding – Extended Original Target Date – Accounting is currently working with KMH on the audit criteria and procedures to review payroll reporting from employers for</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
<p>Team staff are also not currently cross-trained to process and review an employer agency or department they are currently not assigned to.</p>	<p>complexities in their review and processing of Work Reports.</p> <p>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.</p>			<p>compliance with Act 87 requirements that are effective in July 2024.</p> <p>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.</p>
Cloud Risk and Security Assessment – Phase 2				
<p>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.</p>	<p>IA recommends that management address the finding in the following ways:</p> <ol style="list-style-type: none"> Publish, finalize and disseminate the third-party risk management policy. Additionally, the policy should be reviewed at least annually. 	High	August 2024 (Revised #1 Target Date: TBD)	<p>Outstanding – Extended Original Target Date – 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.</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>2. Develop a formal third-party risk management program to provide critical insight into the effectiveness of third-party security controls.</p>			<p>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.</p> <p>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.</p> <p>Due to the significant number of vacancies in the I/S branch. Target Date is TBD for I/S.</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
<p>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.</p>	<p>IA recommends that management address the finding in the following ways:</p> <ol style="list-style-type: none"> 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. 3. Document, develop, and deploy a golden image for Windows servers to ensure that the operating system is hardened and baseline controls are implemented. 	High	<p>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)</p>	<p>Outstanding – Overdue –</p> <ol style="list-style-type: none"> 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. 3. Fiscal Year 2024, I/S branch procured Microsoft services to address these items. Pending vendor's response.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
<p>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.</p>	<p>IA recommends that management address the finding in the following ways:</p> <ol style="list-style-type: none"> 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 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, 	<p>High</p>	<p>December 2023, October 2023, and June 2024 (Revised #1 Target Date: June 2024 and TBD) (Revised #2 Target Date: TBD)</p>	<p>Outstanding – Extended Original Target Date –</p> <ol style="list-style-type: none"> 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 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
	<p>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).</p> <p>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 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.</p>			
<p>Finding 4 – Identity and Access Management Procedures and controls surrounding user access have been established for ensuring</p>	<p>IA recommends that management address the finding in the following ways:</p>	<p>High</p>	<p>June 2023, September 2023, and June 2024</p>	<p>Outstanding – Extended Original Target Date – 1. - 3. Due to the recent staff turnover and current</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
<p>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</p>	<ol style="list-style-type: none"> 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. 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. 		<p>(Revised #1 Target Date: June 2024 and TBD) (Revised Date #2 Target Date: TBD)</p>	<p>vacancies in the I/S branch, this has been put on hold. Target Date is TBD.</p> <p>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 recoverable. Due to the significant number of vacancies in the I/S branch. Target Date is TBD for implementation.</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>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.</p>			
<p>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.</p>	<p>IA recommends that management address the finding in the following ways:</p> <ol style="list-style-type: none"> 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 	<p>Medium</p>	<p>September 2023 and June 2025 (Revised #1 Target Date: June 2025 and TBD)</p>	<p>Outstanding – Extended Original Target Date –</p> <ol style="list-style-type: none"> 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
	<p>ensure that they are current and up to date.</p> <ol style="list-style-type: none"> 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 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. 			
Member Enrollment & Re-Enrollment Process Review				
<p>Finding 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</p>	<p>IA recommends that management address the above finding in the following ways:</p> <ol style="list-style-type: none"> 1. Develop well-documented policies and procedures for imaging and indexing documents into the PAS. 	High	April 2025 (Latest Completion Date)	<p>Outstanding – Not Overdue –</p> <ol style="list-style-type: none"> 1. No employees have been brought on board to fill vacancies as of the last update. The SSS section remains 62.5% fully staffed as vacancy challenges

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
<p>PAS. This backlog extends as far back to members who were enrolled over 12 months prior.</p>	<ol style="list-style-type: none"> 2. Update position descriptions for Office Assistants I and II to include document imaging and indexing and provide training. 3. Reduce the current backlog of enrollment form imaging by assigning more internal staff resources to assist with imaging into the PAS. 4. Procure an additional specialized scanner that is compatible with the PAS. 			<p>persist. SSS has already experienced several rejections from candidates due to the lengthy hiring process and candidates finding other jobs or they ended up not following through with job offers by not showing up for the first day of work.</p> <ol style="list-style-type: none"> 2. Adobe discussions are on-going and this may be critical in transitioning the ERS to more paperless versus paper based business process. The development of bar-coded documents and online submission of documents would be extremely helpful in reducing the inflow of documents needing manual document processing. 3. Through the advice of the CCO and Administration, the target date for the development of policies and procedures with the assistance of CCO may need to be extended until

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
				<p>April 2025 as the migration to Velocity will take precedent over existing obligations. It is hopeful that the transition to Velocity (and or Adobe) will greatly change the way the ERS does business.</p> <p>4. Redescrbing the job descriptions of the OA III and OA IV positions are ongoing.</p> <p>5. This item has been initiated. An Indexing and Scanning prototype User Guide has been created and will be updated to the current state. However, the installation of the newly purchased scanners, may change the existing scanning process and adjustments to the scanning user guide may be necessary.</p> <p>6. SSS has decided to use overtime for existing employees as a temporary solution to image and index backlogged ERS1 and</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
				<p>ERS1a (enrollment documents). Request to hire temporary workers (89 day hires) has been proffered and initiated through administration. An alternative solution may be an issuance of an RFP to hire an outside contractor to complete parts of the imaging process.</p> <p>7. As of this writing (September 2024), the scanners have been purchased but not yet installed.</p>
<p>Finding 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.</p>	<p>IA recommends that management address the above finding in the following ways:</p> <ol style="list-style-type: none"> 1. Consult with the State of Hawaii Records Management Branch to determine an efficient and effective process and controls to manage ERS' records. 2. Develop well-documented policies and procedures for file management, 	<p>High</p>	<p>June 2025 (Latest Completion Date)</p>	<p>Outstanding – Not Overdue –</p> <p>Refer to status comment for Finding 1 above.</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>organization and storage. These should include the file management process designed after consulting with the State of Hawaii Records Management Branch.</p>			
<p>Finding 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.</p>	<p>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.</p> <ul style="list-style-type: none"> 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 	<p>Medium</p>	<p>December 2024 (Revised #1 Target Date: March 2025)</p>	<p>Outstanding – Extended Original Target Date –</p> <ol style="list-style-type: none"> Go live for PIF may be delayed due to processing issues from the files & PAS. Still working on conversion files (Block 13). To go live, will need another block of conversion files to bring it to current. Possible estimated completion date: March 2025. QR code technology being discussed. Potential vendor did assessment and proposed a plan in September 2024. This step is dependent on PIF go live (item #1). Current enrollments still being processed with interim method.

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	Office Assistant for correction and follow up.			5. Procedures of enrollment process are being worked on.
<p>Finding 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.</p>	<p>IA recommends that management address the above finding by:</p> <ol style="list-style-type: none"> 1. 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. 2. 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. 	Medium	December 2024	<p>Outstanding – Not Overdue –</p> <p>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.</p>

Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
<p>Finding 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.</p>	<p>IA recommends that management address the above finding in the following ways:</p> <ol style="list-style-type: none"> 1. Develop well-documented policies and procedures for updating and validating the completeness and accuracy of the Return to Work Transfers Log. 2. 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. 	<p>Medium</p>	<p>November 2024, February 2025 (Revised #1 Target Date: November 2025)</p>	<p>Outstanding – Extended Original Target Date –</p> <ol style="list-style-type: none"> 1., 2. & 5. are dependent on PIF go live which will be delayed. Updated completion date: Fall 2025. 2. In the interim before PIF go live, will use comparison CCR report generated by IS to ensure completeness & accuracy of the log. Report is being worked on by IS & RBB. 3. RTW reviews are being handled using interim process. 4. Variances are being communicated to the Employers.

DRAFT – Tentative and Preliminary

Employees' Retirement System INTERNAL AUDIT REPORT



Employees' Retirement System
of the State of Hawaii

FOLLOW-UP REVIEW

Issue Date: September 2024
Report Number: STA011-24-XX

CONFIDENTIAL

This report is prepared solely for the internal use of the Employees' Retirement System Management, the Administrative & Audit Committee, and the Board of Trustees. Distribution requires prior approval from the Administrative & Audit Committee or management.

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EXECUTIVE SUMMARY



Background

- This Follow-Up Review was added to the Internal Audit Plan in order to validate the accuracy of finding updates provided by ERS Management, specifically findings and associated recommendations reported as “*cleared*”.
- IA has been performing internal audit reviews of various ERS auditable areas dating back to 2012 and following each of these reviews, have issued a report to ERS Management and the ERS Administrative & Audit containing the findings, associated recommendations, and improvement opportunities when applicable.
- Status updates on report findings and recommendations are provided by the responsible ERS manager on a periodic basis for IA’s report to the Administrative & Audit Committee. IA did not validate the accuracy of these updates and relied upon each manager to provide factual status information.
- The last Follow-Up Review was completed in 2021. For the 2021 review, IA selected five reports, issued between 2012 and 2017, comprising a total of 14 “*cleared*” findings. Of the 14 findings reviewed, all recommendations were properly implemented by the responsible manager and none were deemed “partially” implemented” or “not implemented” nor required additional improvement recommendations.

Executive Summary

Project Objectives

- The objectives of this 2024 review were to:
 - Assess the progress responsible managers made in implementing recommendations suggested by IA for previously “cleared” findings.
 - Validate whether cleared finding recommendations have in fact 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.

Overall Assessment and Conclusion

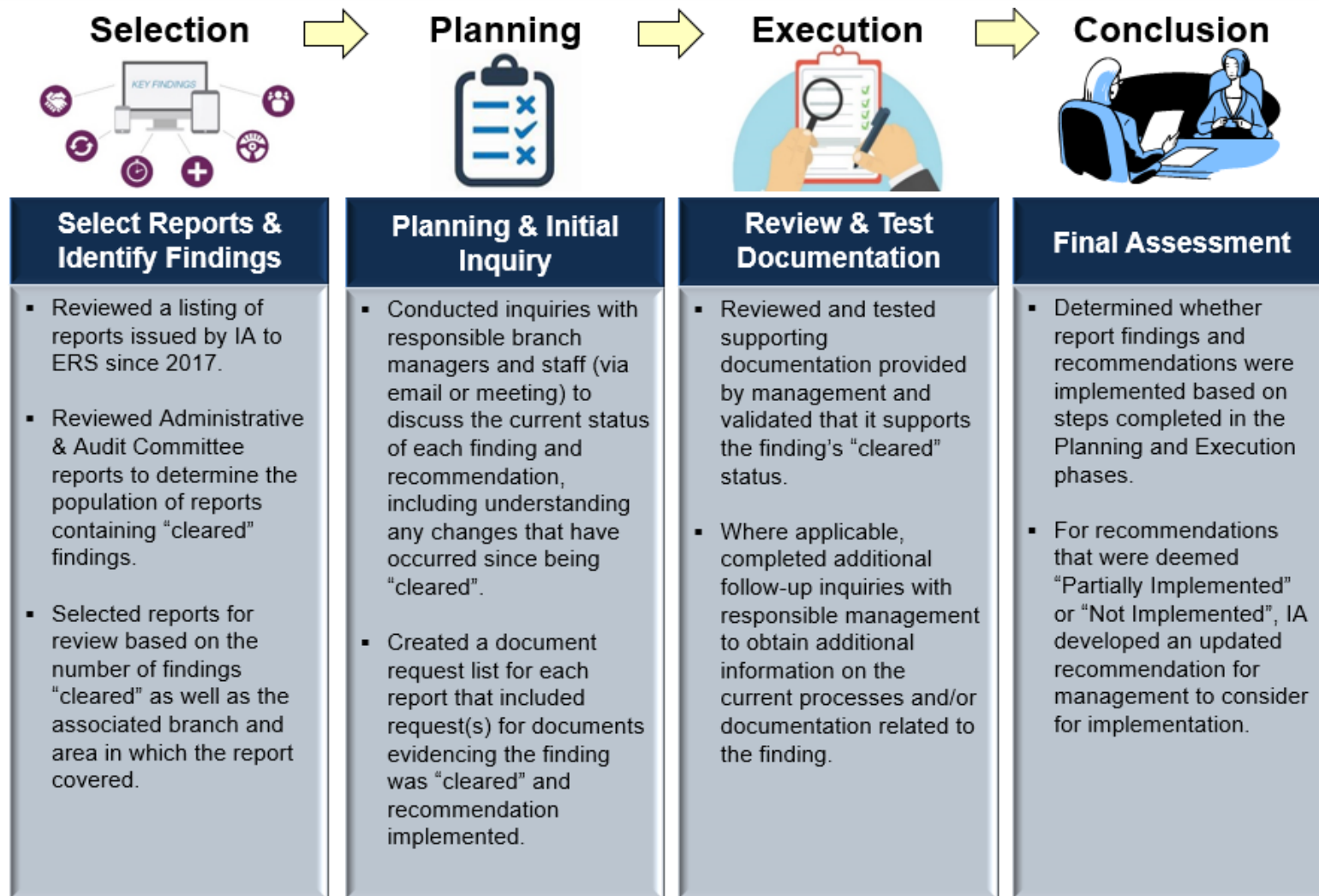
- Management has implemented or partially implemented all finding recommendations deemed “cleared”.
- IA selected 6 reports for this review comprising a total of 10 “*cleared*” findings. Of the 10 findings reviewed, 6 findings and associated recommendations were properly “implemented” by the responsible manager and 4 were deemed “partially implemented” and required additional recommendations.



FOLLOW-UP REVIEW PROCESS



Follow-Up Review Process – Overview



The scope of our review did not include:

- Re-auditing the areas covered in each report.
- Following-up on the status of high, moderate, and low rated findings and recommendations deemed not “cleared” via Administrative & Audit Committee Meeting finding status updates most recently presented on June 25, 2024.

Reports Selected and Number of Findings



The table below identifies the IA reports selected for this review, the total number of findings in each report, and the number of findings deemed as “cleared” via Administrative & Audit Committee Meeting finding status updates. Please note this review only included a review of “cleared” findings, which prior to reports dated before 2020, encompasses only high and moderate rated findings since status updates for low rated findings were not previously tracked.

Review Report Name	Report Date	Number of Findings	Number of “Cleared” Findings
Investment and Risk Monitoring and Reporting Review	June 2017	3	2
Financial Reporting Process Review	April 2019	5	2
Investment Consultant Selection and Evaluation Review	September 2019	3	2
Communications and Community Relations Review	February 2020	1	1
HR – Personnel Development & Retention Review	October 2020	2	1
Benefit Estimates & Final Benefit Calculation Processing Review	May 2021	2	2



FINDINGS REVIEWED AND SUMMARY OF RESULTS



Summary of Follow-Up Review Results

This table identifies the finding numbers evaluated from each review. The numbers align with the finding numbers in the corresponding IA review report. The “Current Status” column indicates whether the finding and recommendation was deemed “Implemented”, “Partially Implemented”, or “Not Implemented” following IA’s review and inspection.

Finding Number	Date Originally “Cleared” ¹	Current Status
Investment and Risk Monitoring and Reporting Review		
1	August 2019	Partially Implemented
2	August 2019	Partially Implemented
Financial Reporting Process Review		
1	September 2020; February 2021	Implemented
2	February 2020	Implemented
Investment Consultant Selection and Evaluation Review		
1	September 2020	Partially Implemented
3	September 2020; February 2021	Implemented
Communications and Community Relations Review		
1	September 2020	Implemented
HR – Personnel Development & Retention Review		
1	February 2021	Partially Implemented
Benefit Estimates & Final Benefit Calculation Processing Review		
1	February 2022	Implemented
2	February 2022	Implemented

¹ Date Originally “Cleared” is the date in which the finding is reported as “cleared” via finding status updates in IA’s Administrative & Audit Committee Meeting Update Report.



INVESTMENT AND RISK MONITORING AND REPORTING REVIEW

Finding #1 – Investment and Risk Monitoring and Reporting Review



Finding Summary	Finding Rating	Moderate
The Investment Office does not have a documented reporting and monitoring framework for private equity investments as required by the Investment Policy.	Follow-up Review Status	Partially Implemented
Report Recommendation	Date Originally "Cleared"	August 2019
The Investment Office should draft a comprehensive private equity monitoring and reporting program. Documented procedures should then be created to ensure compliance. The reporting program should include, but not be limited to monitoring valuation methods; rotating, in-depth reviews of underlying partnerships; comprehensive evaluation of private equity "exits"; and should require concrete deliverables.	Responsible Manager(s)	Chief Investment Officer

Management's "Cleared" Status Response

On May 15, 2018, staff recommended and Trustees approved a policy to address the "Internal Audit item related to Private Equity Monitoring Procedures Need Enhancement". Desktop Policy and Procedures ("Desktop P&P") were subsequently prepared and are saved in the Investment Office's shared folder.

Validation Process

Inquiry: The Private Equity program and policies have not changed and the Investment Office is leveraging its Private Equity Consultant, Hamilton Lane, for monitoring activities information but is not completed as described and performed back in 2018. The reporting and monitoring policies and procedures for all investment types, including private equity, are currently in the process of being updated to improve the uniformity across all investment officers. This includes implementing and/or updating uniform processes and documentation to be used across all investments and investment officers. The target date for completion is 2025.

Finding #1 – Investment and Risk Monitoring and Reporting Review



Validation Process

Testing: IA completed the following:

- Obtained and inspected the Board of Trustee Minutes for May 15, 2018 noting the Board's approval of revisions made to the monitoring and reporting policies of the private equity program and the Board of Trustee Minutes for September 10, 2018 noting the Investment Officer-Illiquid Markets (Private Equity) provided an oral and written presentation on the Private Equity Program Update.
- Reviewed of the "Private Equity Monitoring & Valuation Desktop P&P", dated May 15, 2018, noting the P&P set up a monitoring program and included the elements recommended in the finding:
 - The purpose section defined and documented the valuation methodology and monitoring procedure to include frequency of reviewing illiquid assets for the purpose of the reducing risk of the portfolio being valued "inaccurately".
 - The Methodology and Procedures section defines: 1. the monitoring valuation method, 2. identifying partnerships applicable for review, 3. procedures around evaluation steps for private equity "exits", and 4. required documentation and deliverables.

Recommendation

IA recommends the Investment Office consider incorporating the items mentioned in this finding recommendation to its uniform equity monitoring and reporting program currently being developed. This auditable area is currently scheduled to be reviewed by IA in 2025 or 2026 and will evaluate whether the updated program includes a documented reporting and monitoring framework.

Finding #2 – Investment and Risk Monitoring and Reporting Review



Finding Summary

The Investment Office has limited documented procedures on evidencing monthly and quarterly monitoring activities.

Report Recommendation

All monitoring procedures should be documented and include a “deliverable” in the form of a memorandum, completed checklist, or email acknowledgement. The Investment Office should revise their monitoring procedures to provide an appropriate deliverable for monthly and quarterly monitoring. These deliverables should be commensurate with the frequency and depth of the monitoring being performed.

Finding Rating

Moderate

Follow-up Review Status

Partially Implemented

Date Originally “Cleared”

August 2019

Responsible Manager(s)

Chief Investment Officer

Management “Cleared” Response

The Investment Office has revised procedures, reviewed Policy guidelines, and removed unnecessary reports. Staff, in consultation with the consultant, developed a checklist for the Liquid Market Monitoring Program that documents the monitoring procedures with appropriate deadlines. The checklist includes monitoring manager meetings, quarterly review of reports, and annual review of ADV Part II commencing January 1, 2018.

Validation Process

Inquiry: The Liquid Market Manager Monitoring Program checklist was used in 2018, but the Investment Office was unable to locate any tracking checklists or documentation after 2018. The reporting and monitoring policies and procedures for all investment types, including private equity, are currently in the process of being updated to improve the uniformity across all investment officers. This includes implementing and/or updating uniform processes and documentation to be used across all investments and investment officers. The target date for completion is 2025.

Finding #2 – Investment and Risk Monitoring and Reporting Review



Validation Process

Testing: IA reviewed the “2018 Liquid Markets Manager Monitoring” checklist spreadsheet, maintained by the investment specialist staff, noting the checklist contained monitoring of 19 investment managers in Traditional Growth, Stabilized Growth, Principal Protection, and Real Return classes. An investment specialist was assigned to each manager in order to monitor completion of activities including manager attendance at board meetings (every three years), staff meetings (every year), and routine due diligence meetings (every two years). There were also four columns used to track each quarter of reporting requirements. IA staff noted all four columns for all strategic class/managers were initialed by their respective, assigned investment specialist staffer indicating the reporting requirements were fulfilled.

Recommendation

IA recommends that the Investment Office consider incorporating the items mentioned in this finding recommendation to its uniform equity monitoring and reporting program currently being developed. This auditable area is currently scheduled to be reviewed by IA in 2025 or 2026 and will evaluate whether the updated program includes documented procedures on evidencing monthly and quarterly monitoring activities.



FINANCIAL REPORTING PROCESS REVIEW

Finding #1 – Financial Reporting Process Review



Finding Summary

The Accounting Branch lacks sufficient human resources in terms of both the number of personnel and the skill sets of those personnel.

Report Recommendation

The positions currently filled by RBB (formerly EC&B) staff on a temporary, rotating basis, should be converted to permanent, full-time Accounting Branch positions. The Accounting Branch should develop and implement a training and development program for key accounting personnel to ensure adequate skill sets are maintained for evolving accounting rules and technical accounting and financial reporting areas.

Finding Rating

High

Follow-up
Review Status

Implemented

Date Originally
"Cleared"

September
2020; February
2021

Responsible
Manager(s)

Accounting
Manager

Management "Cleared" Response

The two temporary, rotating positions have been converted and filled as part of the accounting work report team. Formal training and development have been developed for new employees. Management will assess whether training plans need to be developed for experienced staff as most have already completed all necessary training to fulfill their roles and responsibilities.

Validation Process

Inquiry: The Accounting Manager confirmed that two positions on the accounting work report team were filled in 2020. Currently, there is one vacancy on the work report team and a total of four vacancies on the Accounting team; one on the work report team; one in disbursements and benefits; one new position for an Accountant V (Investments); one for a Secretary II position. Training plans have been developed for majority of Accounting staff with plans pending for the new Accountant V position and procurement and secretary positions.

Finding #1 – Financial Reporting Process Review



Validation Process

Testing: IA reviewed two training and development plans, one for an Accountant IV and one for an Accountant II. The training plans utilized the templates previously provided by IA to assist ERS with the recommendation implementation. In both plans, the short term and long term objectives were defined. The training areas included real estate pooled funds, performing confirmations and schedules, navigating bank portals and creating reconciliations, and processing and reviewing V3 configurations and work reports.

Finding #2 – Financial Reporting Process Review



Finding Summary	Finding Rating	Moderate
The year-end financial reporting is completed by the Accounting Manager without review. The Accounting Supervisors have few delegated responsibilities related to the preparation of the financial report.	Follow-up Review Status	Implemented
Report Recommendation	Date Originally "Cleared"	February 2020
The Accounting Branch should consider shifting and delegating certain financial report responsibilities from the Accounting Manager to Accounting Supervisors such as accrued payables, fixed asset rollforward and reconciliation, accrued securities lending income, "Gross up" LP values, and MD&A and Footnotes. The delegation will also require the development and implementation of additional training and skill set development resources. The Accounting Manager should also perform secondary reviews.	Responsible Manager(s)	Accounting Manager

Management "Cleared" Response

The Accounting Manager has shifted and delegated 50% of the financial reporting responsibilities to the Accounting Supervisors. The Accounting Manager has also begun performing secondary reviews of the financial reports.

Validation Process

Inquiry: The Accounting Manager noted the tasks and responsibilities have been delegated down to the Accounting Supervisors. Payables, payroll, and security lending tasks have been delegated down to the Accounting Staff. In 2024, the Accounting Branch is working on developing training on specific accounting areas and procedures, so further tasks can be assigned to other Accounting Staff. The Accounting Manager still owns the fixed asset rollforward and reconciliation and MD&A and footnotes.

Finding #2 – Financial Reporting Process Review



Validation Process

Testing: IA completed the following:

- Reviewed screenshot evidence from the FY2023 Audit of responsibilities being owned by other Accounting staff. The PBC list included Accounting Supervisors as responsible individuals for items such as journal entries, reconciliations, bank statements and valuations. Additionally, screenshots of the investment commitments file evidence a Accounting Supervisor prepared and edited the file for the FY2023 Audit.
- Reviewed the FY2022 PBC list and noted a majority of the requests included Accounting Supervisors as the responsible individuals.
- Inspected five journal entries related to FY2023 financials evidencing delegation down to Accounting staff. Entries were prepared by Accounting staff and reviewed by Accounting Supervisors, not the Accounting Manager. Entries were related to investments, payroll accruals, and pension adjustments.



INVESTMENT CONSULTANT SELECTION AND EVALUATION REVIEW

Finding #1 – Investment Consultant Selection and Evaluation Review



Finding Summary

Certain procurement compliance requirements were not met or properly reviewed; including the requirements listed in the Request for Proposals (“RFP”) and HAR 3-122.

Report Recommendation

1. Management should develop formalized procedures or a checklist around proposal and contract reviews to ensure mandatory requirements are completed prior to the contract award.
2. Form SPO-044 from the Hawaii State Procurement Office should be completed to identify evaluation committee members.
3. The Contract Administrator of the procurement should also be a member of the evaluation committee.
4. The RFPs should include list a of designated ERS employees that offerors can communicate with other than the Procurement Officer during the proposal process.

Finding Rating	Moderate
Follow-up Review Status	Partially Implemented
Date Originally “Cleared”	September 2020
Responsible Manager(s)	Accounting Manager, Deputy Executive Director

Management “Cleared” Response

The quality assurance checklist presented by KMH has been implemented for procurements. Management has been using Form SPO-044 on new procurements. The Contract Administrator is listed as a member of the evaluation committee to be in compliance with HAR 3-122-45.01. New RFPs included a list of designated ERS employees whom offerors can communicate with during the proposal process.

Finding #1 – Investment Consultant Selection and Evaluation Review

Validation Process

Inquiry: The quality assurance “checklists” were not fully implemented for non-investment procurements, but are used by the Investment Office. The SPO-044 form has not been formally used, but evaluation committee members were clearly identified for ERS’ procurements.

Testing: IA noted the following:

- A completed quality assurance “checklist” could not be provided by the Accounting Manager.
- IA requested the SPO-044 listing evaluation committee members for RFP 2020-01 and another recent example. Per the Accounting Manager, these forms could not be found.
- IA reviewed RFP 2020-01 noting the CIO position was listed as the Contract Administrator, but was unable to determine whether the CIO was part of evaluation committee since the SPO-044 form listing evaluation committee members could not be found.
- IA reviewed RFP #ERSP-105 for Actuarial Services, dated March 11, 2021, noting the RFP contained a section on Communication with ERS, Pre-Bid and Offeror's questions. This section named the procurement specialist and Accounting Manager as the sole ERS points of contact for this RFP.

Recommendation

IA recommends that Management consistently use the quality assurance “checklist” for proposal and contract reviews to ensure mandatory requirements are completed prior to contract award. Also, Form SPO-044 from the Hawaii State Procurement Office should be completed when conducting competitive sealed proposals pursuant to HRS 103D-303 to ensure compliance with HAR §3-122-45.01.

Finding #3 – Investment Consultant Selection and Evaluation Review



Finding Summary

The centralized repository for procurement files located near the procurement specialists cubicle was not used for two out of three files selected for review.

Report Recommendation

1. A centralized repository should be consistently used so ERS employees can easily access files in case of public and state requests to review. Going forward, all procurement files should be kept in the designated location.
2. Management should develop a procurement records retention policy that specifically includes the responsible person(s) or position(s) of the records, the centralized repository, and the record retention periods.

Finding Rating

Low

Follow-up Review Status

Implemented

Date Originally "Cleared"

September 2020; February 2021

Responsible Manager(s)

Accounting Supervisor

Management "Cleared" Response

The ERS has updated the file location for procurements to be by fiscal year, and will continue to refine the folder structure during FY21. While most procurement files are now being scanned and digitally retained, certain procurements may require 4+ boxes of records. These boxes are maintained in centralized area(s). A procurement records retention policy has been developed in January 2021 and is in the process of being implemented.

Validation Process

Inquiry: Investment procurements and other procurements are filed in cabinets located in the procurement area of the ERS office. Non-investment related procurements are also digitally scanned.

Finding #3 – Investment Consultant Selection and Evaluation Review



Validation Process

Testing: IA completed the following:

- Conducted a walkthrough of both digital and physical procurement files, noting no issues. There were designated areas for all procurement files and files were maintained in boxes and filing cabinets. Additionally, the Accounting Manager showed the network drive location in which digital copies of procurements are maintained. The procurements were organized by year and type.
- Obtained and reviewed a copy of the procurement records retention policy, effective January 8, 2021. The policy included the following recommended areas:
 - Responsible Department and Positions – The ERS Procurement and Inventory Management Section is responsible for procurement retention. The Procurement Specialist and Accounting Branch Chief (backup) are the responsible positions.
 - Location and Storage of Records - A centralized repository containing the procurement records is kept and maintained on the ERS' property in the Procurement and Inventory Management Section offices. These records are identified alphanumerically by the calendar dates, procurement type, category, and solicitation name. Records are stored in a secured office. These documents are stored in a locked cabinet which are protected and guarded as confidential.
 - Record Retention Periods - Records are not retained beyond their retention periods, as defined in the State of Hawaii General Records Schedule, unless valid business reasons for their continued retention are provided or they are required under a document hold.



COMMUNICATIONS AND COMMUNITY RELATIONS REVIEW

Finding #1 – Communications and Community Relations Review

Finding Summary	Finding Rating	Moderate
An updated Strategic Plan and Communications Plan has not been completed.	Follow-up Review Status	Implemented
Report Recommendation	Date Originally "Cleared"	September 2020
Management should develop and release an updated, board-approved strategic plan for 2020-2024 and should be presented and made available to all internal employees, stakeholders, and external parties. Management should also develop a formal communications plan that details the specific steps to fulfill communications initiatives set forth in the Strategic Plan.	Responsible Manager(s)	Executive Director; Program Specialists

Management "Cleared" Response

An ERS Strategic Plan from 2020-2024 was approved by the Board of Trustees in February 2020 and is available on the ERS website. Also, an ERS Communications Plan was reviewed by the Administrative Audit Committee in July 2020 and subsequently approved by the Board of Trustees in August 2020.

Validation Process

Testing: IA completed the following:

- Reviewed the ERS Strategic Plan from 2020-2024 and confirmed it was available on the ERS website accessible by the public, including employees and prospective and current members. IA noted the Strategic Plan included mission, vision, value statements and four main goals, including a sub-objective around communicating effectively.
- Reviewed the Board of Trustee Meeting Minutes, dated February 10, 2020, noting the Strategic Plan was reviewed and approved by the Board.

Finding #1 – Communications and Community Relations Review



Validation Process

Testing (cont.):

- Reviewed the Board of Trustee Meeting Minutes, dated August 10, 2020, noting the Communications Plan was reviewed and approved by the Board.
- Obtained a copy of the Communications Plan and noted the plan coincides with Goal 1 (Objective C & D) and Goal 4 (Objective A & D) from the ERS Strategic Plan from 2020-2024. The main goals of the Plan are to improve on internal and external communication, perform periodic evaluation of Communications Plan for revision and improvement, and to assess relevance. Each of the goals and objectives listed in the Plan are supported with sub-bullet points describing tasks to be completed to fulfill each item.



HR – PERSONNEL DEVELOPMENT & RETENTION REVIEW

Finding #1 – HR – Personnel Development & Retention Review



Finding Summary

The ERS has not developed or established formal comprehensive training plans, including related policies and procedures, for employees within each of the branches.

Report Recommendation

Management should develop a formal comprehensive training plan for employees within each branch, i.e., Accounting, IT, Staff Support Services (SSS), and Program Support. For the training plans, consider the inclusion of specific training and development objectives; identifying the required skills and applicable training for each job position; creating timelines for completion of training and development goals; and tracking cost, benefit, delivery, and completion data for training plans across the organization.

Finding Rating

Moderate

Follow-up Review Status

Partially Implemented

Date Originally "Cleared"

February 2021

Responsible Manager(s)

Deputy Executive Director,
Accounting Manager,
IT Manager,
Lead Program Specialist

Management "Cleared" Response

The Accounting, IT, Staff Support Services (SSS), and Program Support Branches have developed formal documented comprehensive staff training plans for their new employees. The training plans developed for the program specialists and SSS covers all the required training for those specific positions, i.e., not just for the probation period.

Validation Process

Testing: IA obtained trainings plans for the following branches: Accounting, Information Systems, and Program Support. Per discussion with Drew Tomimoto, SSS Supervisor, there is no formal training/development plan in place. At this point, job shadowing serves as the mechanism to train current and new SSS staff.

Finding #1 – HR – Personnel Development & Retention Review



Employees' Retirement System
of the State of Hawaii

Recommendation

In alignment with the management response provided for Finding #1 in the Member Enrollment & Re-Enrollment Process Review (2024), SSS should develop training plans for its staff by the April 2025 target date. The training plans should include training on the duties, responsibilities, and expectations for SSS staff.



BENEFIT ESTIMATES & FINAL BENEFIT CALCULATION PROCESSING REVIEW

Finding #1 – Benefit Estimates & Final Benefit Calculation Processing Review



Finding Summary

The RBB does not have the appropriate amount of Retirement Claims Examiners (RCEs) on its Final Benefit calculation team to complete tasks timely while providing adequate quality reviews of Final Benefit calculations.

Report Recommendation

The RBB should internally move at least one qualified RBB staffer to the finals team position, look to fill open positions available for hire, create new positions (as needed), and re-implement a second, independent review for Final Benefit calculations. RBB should also consider performing, at a minimum, a limited sample review of the Final Benefit calculations until the branch has the appropriate staffing to complete a 100% review. The RBB should identify candidates for Finals Team placement and create a training plan for these individuals.

Finding Rating

Moderate

Follow-up Review Status

Implemented

Date Originally "Cleared"

February 2022

Responsible Manager(s)

Retirement Benefits Manager

Management "Cleared" Response

One RCE was moved to the Benefit Section and a senior RCE from the Death Team was moved to the Finals Team. The RBB's senior RCE was tasked with performing the second finals review. Cases for review were selected based on the categories (e.g. Judges, Police/Fire), RCE in training, and complexity (e.g. disability applications with worker's compensation).

Finding #1 – Benefit Estimates & Final Benefit Calculation Processing Review



Validation Process

Inquiry: The RBB moved a RCE to the Finals Team from the Death Team in 2022. In 2023, the RBB hired a new RCE IV and placed them on the Finals Team. The Finals Team currently has a total of six staff compared to four at the time of the finding and have been doing better with handling the volume of retirement finalizations. In anticipation of the retirement of an experienced finals team RCE, the RBB is having this RCE mentor and develop other staff providing institutional knowledge and experience down to the team.

Testing: IA completed the following:

- Obtained and reviewed a list of the Finals Team members as of May 2024, confirming there are a total of six staff on the team.
- Reviewed a copy of a completed "FINALS 2nd Review Checklist" for a member retirement, noting the form was signed and dated by the reviewer. The checklist included a number of validation procedures to confirm the final benefit was calculated properly and accurately.
- Reviewed a copy of the 2nd Finals Review log. This log contains the members in which a 2nd review was completed and lists the member's name, the date the retirement was finalized, the date of the 2nd review, comments, and sign-offs from the RCE staff and the 2nd reviewer (first used in 2023). IA noted reviews are still being done through present day.

Finding #2 – Benefit Estimates & Final Benefit Calculation Processing Review



Finding Summary	Finding Rating	Low
V3 System issues have led to inefficiencies, including the implementation of various workarounds in the Benefit Estimate and Final Benefit calculation processes.	Follow-up Review Status	Implemented
Report Recommendation	Date Originally "Cleared"	February 2022
Administration, the Information Systems (I/S) Branch, and the RBB should meet and discuss the V3 System issues causing various workarounds. Issues should be prioritized and the completion deadlines for remediation established, then periodically tracked and monitored for resolution.	Responsible Manager(s)	Retirement Benefits Manager

Management "Cleared" Response

The RBB and the I/S Branch had discussions regarding V3 Modification of Act 134 interest for December 31 retirees and had an Act 17 kickoff meeting with Vitech to help address these issues. The I/S Manager has updated the RBB and Administration regarding the status of new imaging scanners which included bringing in third party vendor, PACXA, for assistance. The RBB and I/S were able to address a V3 workaround process by creating the capability to merge the Finals Benefit Letter and Pension Report into one document.

Validation Process

Inquiry: Administration, the I/S Branch, and the RBB have collaboratively worked together to resolve these V3 System issues. They have made progress on implementing changes into V3 for Act 134, Act 17, and scanner compatibility and continue to work on resolving these issues.

Finding #2 – Benefit Estimates & Final Benefit Calculation Processing Review



Validation Process

Testing: IA completed the following:

- Reviewed Final Benefit Letters for five retirees and confirmed the letter and pension report were merged into a single document. The letters reviewed were dated between May 2023 to March 2024.
- IA reviewed email chains from 2022-2024 evidencing progress made by the RBB and the I/S Branch on implementing solutions for Act 134 and Act 17. Progress included testing, approving, and implementing fixes to certain issues and dialogue between the RBB and the I/S Branch on remaining issues to resolve.



Adobe



Employees' Retirement System
of the State of Hawaii

Adobe Efficiency Report

September 2024



Your Adobe Team



Ashley Batitto
*DX Account Director,
State & Local West*



Chirs Lim
*Director,
Experience Driven
Government*



Jason Fabbri
*Principal Solutions Consultant
State & Local*



Drew Peterson
*DMe Account Director,
State & Local West*



Steve Saman
*Solutions Consultant,
Sign*

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Today's agenda

- Project Recap & Executive Summary
- Process Discovery for ERS (what we found)
- Roadmap & Recommendations
- Demonstration
- Estimated Cost
- Next Steps



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Experience Driven Government is personalized service delivery across agencies



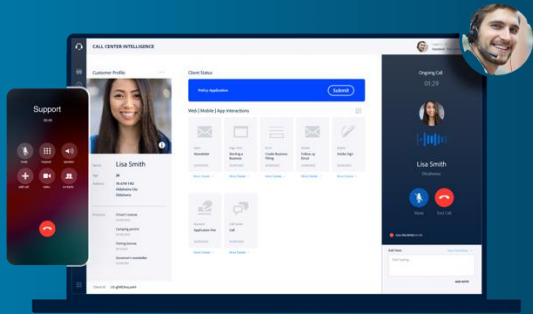
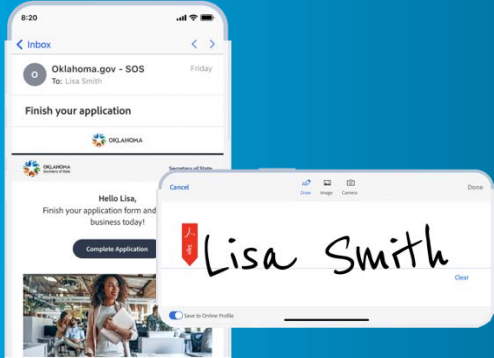
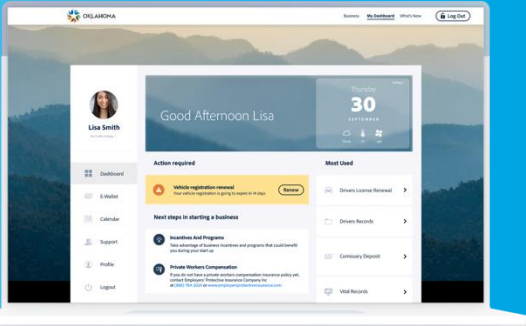
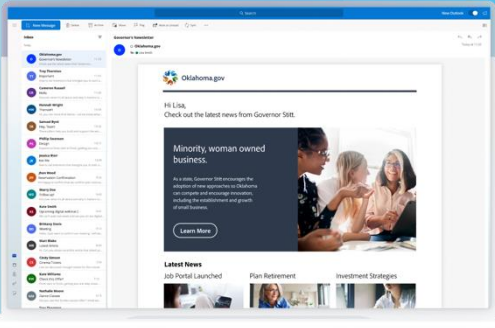
Lisa Smith | Sample resident journey in County of San Diego

EDUCATE

ENGAGE

ENROLL

NURTURE



Services Portal

Static Catalog of Services

Authenticated Dashboard

Digital Forms

Support as available

Experience Driven Government

Automated Recommendations

Real-Time Profile

Seamless Onboarding

Call Center Integration

Experience Driven Government brings measurable savings to residents

Quantitative Benefits

Save time for residents

Sample KPIs: Average wait time for in-person services, claims processing time

Reduce costs

Sample KPIs: Costs for printing and mailing benefit renewal reminders; cost of duplicative technology

Increase security & compliance

Sample KPIs: Cases of fraud in assistance programs

Qualitative Benefits

Improve trust

Sample KPIs: Social media sentiments, digital enrollment rate for county programs

Support inclusivity

Sample KPIs: Usage of language translation tools

Improve outcomes

Sample KPIs: CalFresh participation, library event attendance



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What We Heard...

Delay in getting forms submitted uploaded and into the system is our key issue..

We have a long backlog to scan in..

Security is critical.. we must confirm identity with our notaries..

We support some email but no SMS or text today..

Lots of paper!

Informing member about status or confirming receipt would be nice..

We typically will scan received docs but we can support PDFs..

Not all of our customers have computers..

We have about 50k members with varying tech nabilities...

3-5 part time people to key in received forms..

Received docs are manually keyed in..

I would love to see more data and analytics!


ERS Form Modernization Priorities

Faster Time to Service
Reduce Inputting
Data Input
Barcoding
Improved Workflows
Web Friendly Forms
Streamline Scanning

Form Modernization

Forms Accessibility
Better Documentation Procedure
Automate Indexing
Mobile Friendly Forms
Modernize Notarization Process
Reduce Backlog
Security

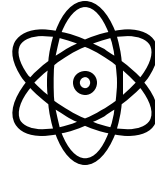
Our understanding of your Objectives

 For Discussion

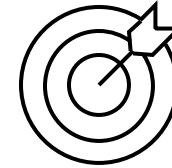
OBJECTIVES



Reduce paper-based processes



Improve internal efficiency



Decrease backlog

DIGITAL PRIORITIES

Personalization

Tailor website content for authenticated and anonymous users to better guide users

Multi-Channel Outreach

Reach residents on their preferred channel (e.g., email, text, chat) and language

Accessibility

Design for residents who have disabilities, low broadband access, and low English fluency

Data Sharing

Consolidate, segment, and activate data across touchpoints and across agencies

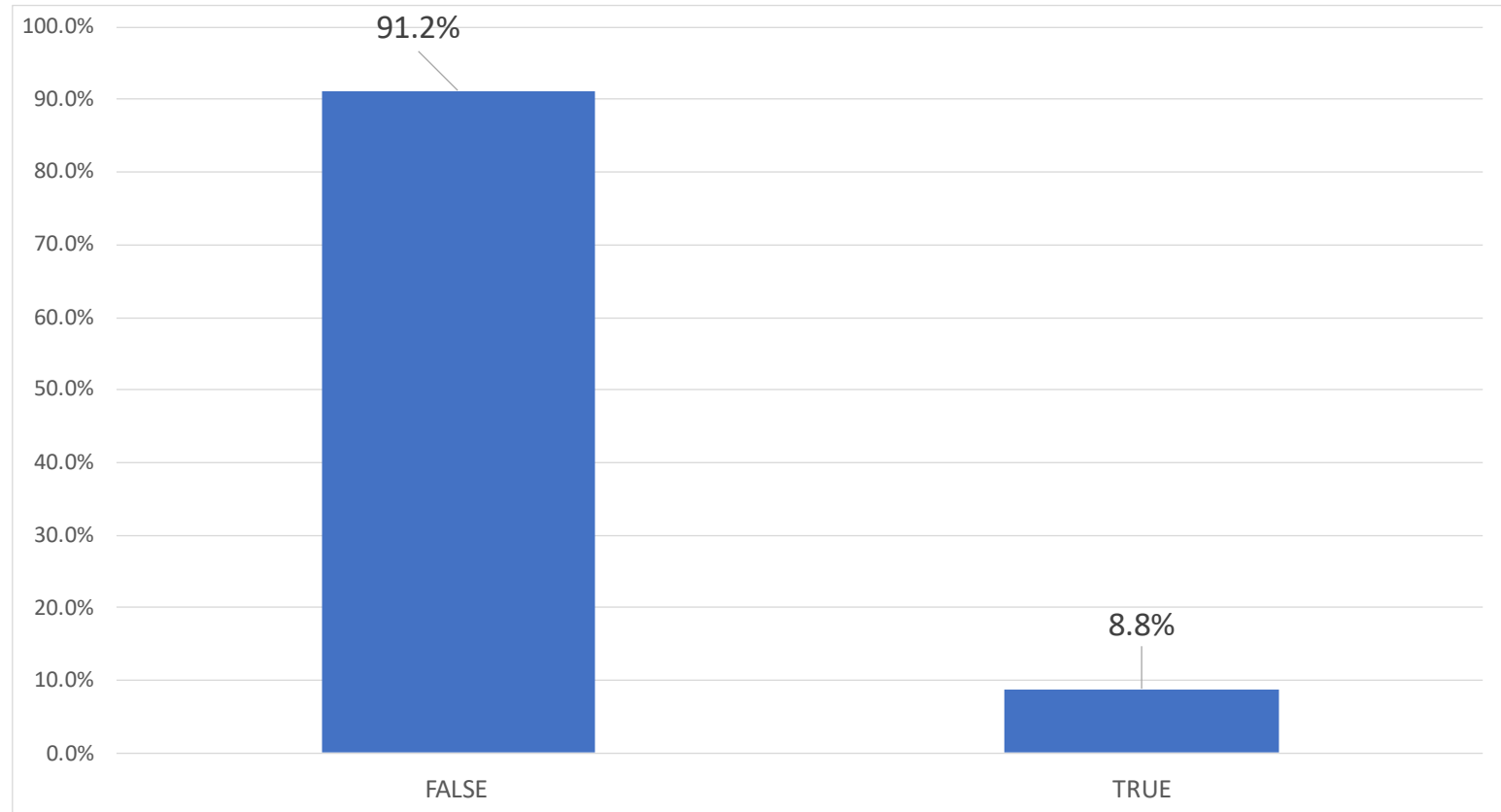
PDF Fillable Forms

PDF Fillable Forms

Row Labels	Count of URL	Percentage of URLs	Benchmark
FALSE	301	91.2%	94.4%
TRUE	29	8.8%	6.0%
Grand Total	330		

The PDF fillable forms shows if the PDF has fields that fillable within the PDF document, which then can be saved and sent to a recipient. A fillable PDF document can be either a document where there are fields available to be filled in and/or hyperlinks in the table of contents that link to other parts of the PDF document.

- **91.2%** of the PDFs scanned are static PDFs and/or did not have a fillable and/or hyperlinked component within the PDF document
- **8.8%** of the PDFs scanned are dynamic PDFs and have a fillable and/or hyperlinked component within the PDF document



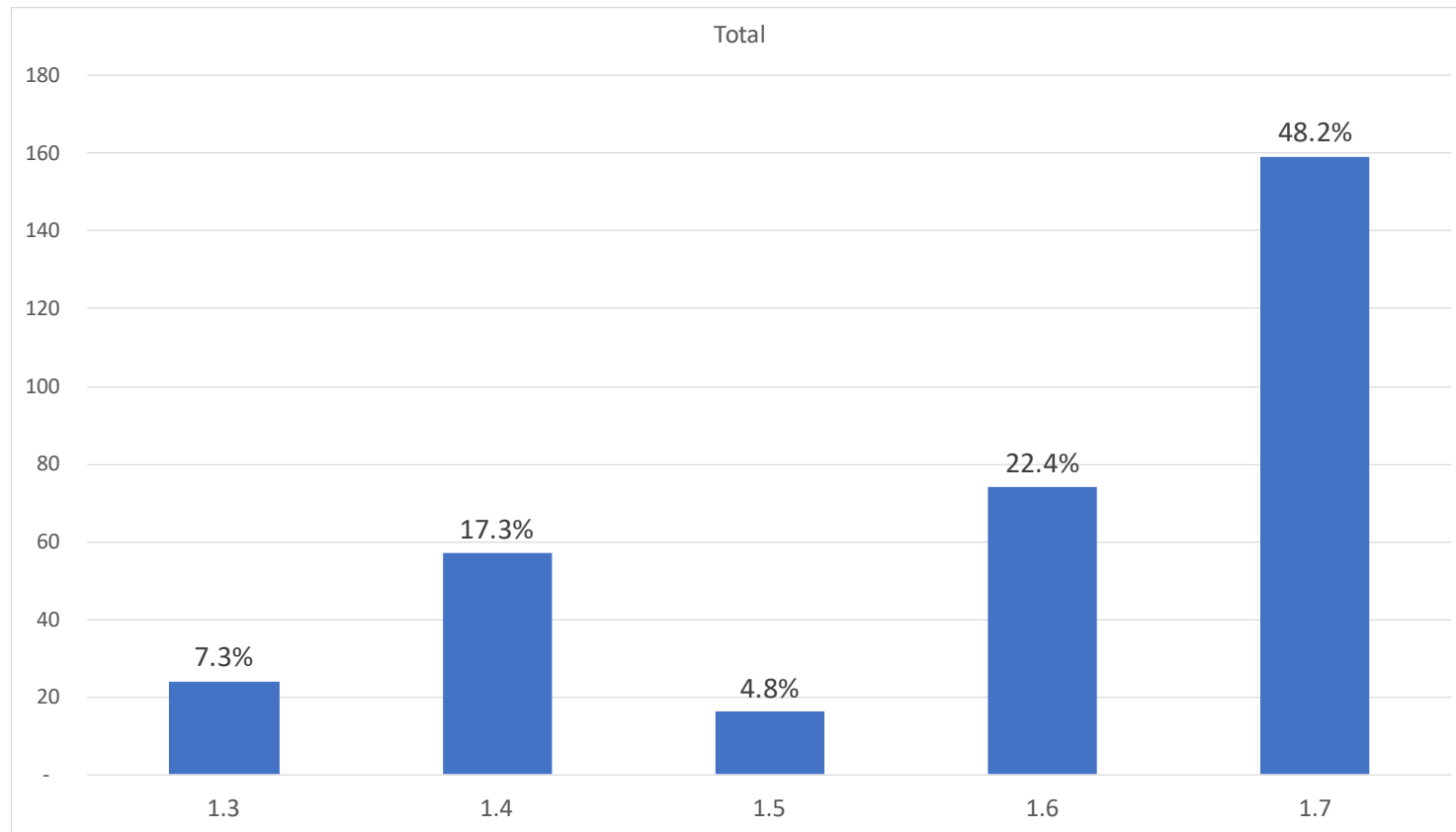
PDF Version Number

Starting in 1993, Adobe created different versions of the PDF specification and with each new version Adobe has added new features and a security component to the PDF documents. Starting in 2006, Adobe started releasing new versions that are compatible with the ISO standards. ISO standards are for “full function PDF.” The older the version, can potentially involve security risks.

PDF Version Number

Row Labels	Count of URL	Percentage of URLs	Benchmark
1.3	24	7.3%	4.6%
1.4	57	17.3%	11.9%
1.5	16	4.8%	22.8%
1.6	74	22.4%	39.4%
1.7	159	48.2%	20.8%
Grand Total	330		

- **22.8%** of the PDFs scanned were created using version 1.5, which was published in 2003
- **39.4%** of the PDF's scanned were created using version 1.6, which was published in 2004
- **20.8%** of the PDFs scanned were created using version 1.7, which was first published in 2006 with other updates published in 2011



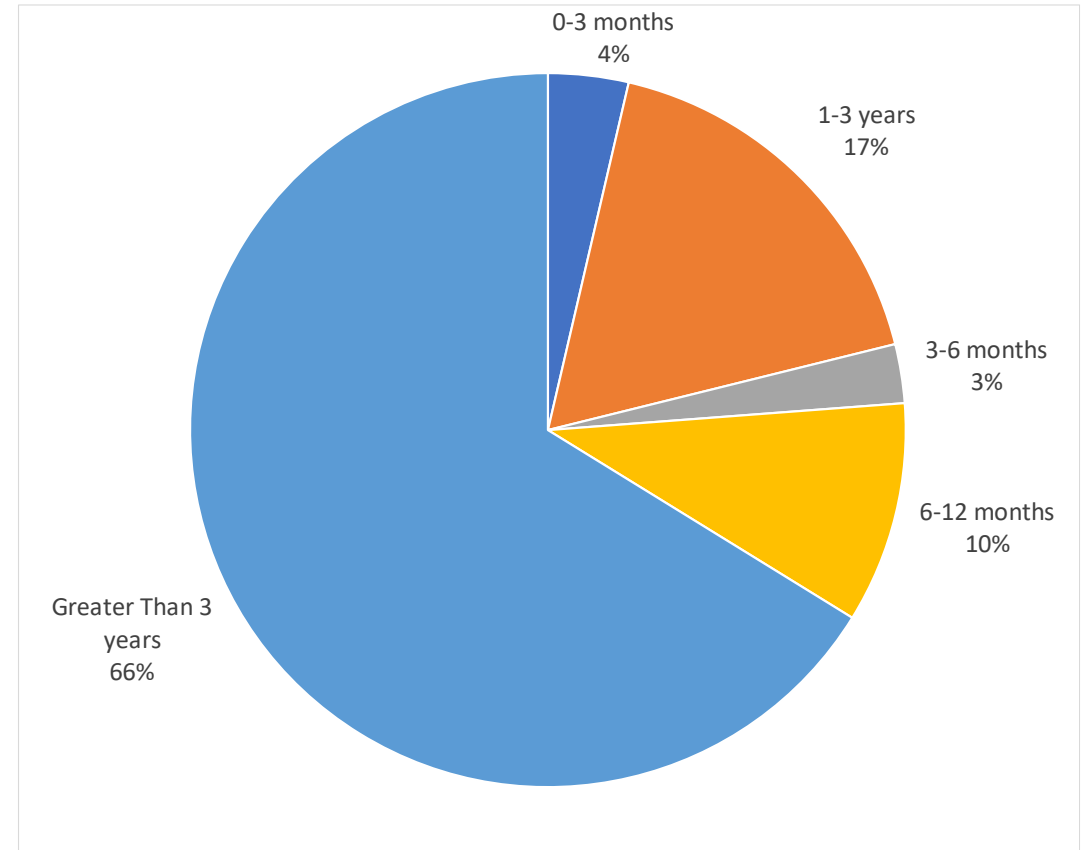
PDF Days Since Last Mod Categories

PDF Days Since Last Mod Categories

Row Labels	Count of URL	Percentage of URLs	Benchmark
0-3 months	9	2.7%	3.2%
1-3 years	107	32.4%	20.6%
3-6 months	20	6.1%	3.4%
6-12 months	52	15.8%	8.2%
Greater Than 3 years	142	43.0%	65.1%
Grand Total	330		

- **43.0%** of the PDFs scanned have not been updated in more than 3 years, which potentially indicates the PDF documents could be stale
- **32.4%** of the PDFs scanned have not been updated between 1-3 years ago
- **15.8%** of the PDFs scanned have not been updated between 6-12 months ago
- **6.1%** of the PDFs scanned have been updated between 3-6 months ago
- **2.7%** of the PDFs scanned have been updated between 0-3 months ago

The PDF days since last modified categories shows the number of days since the PDF document was last modified compared to the date the scan was last reviewed (8/9/2024). This can potentially be an indication of a stale PDF document or at least that the PDF document might need to be updated.



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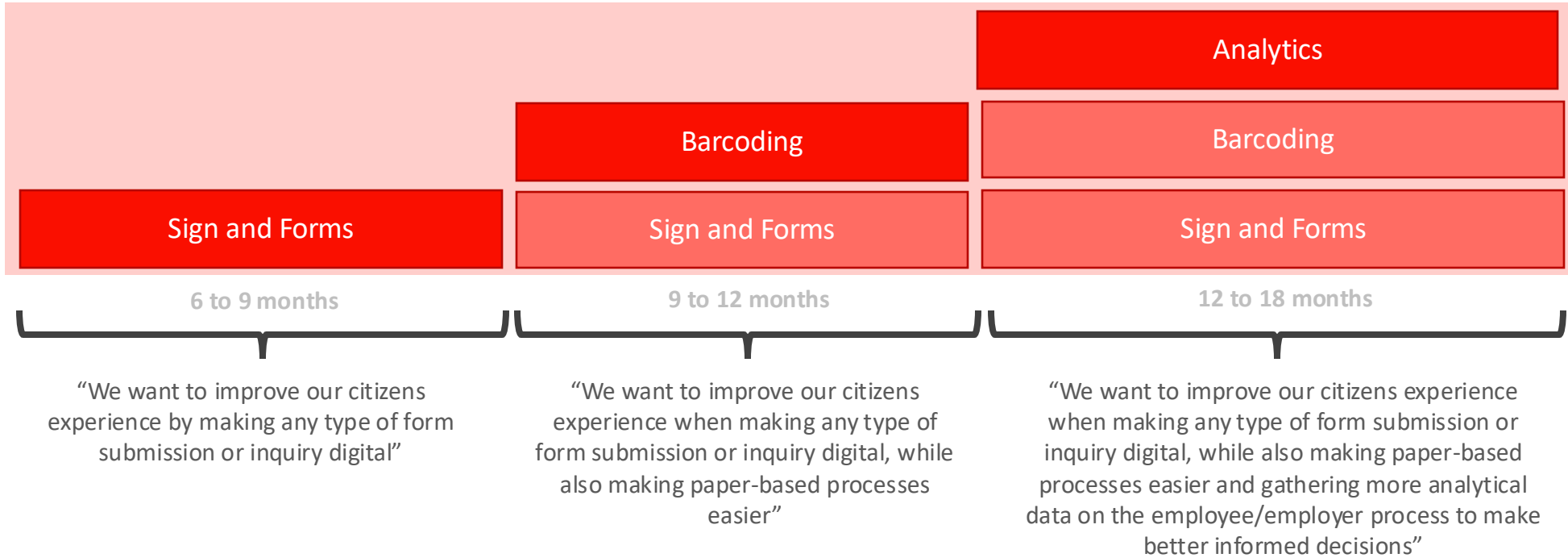


Adobe / ERS Roadmap

Progressive Adoption 

solution

use case



NEW

Introducing Acrobat Sign for Microsoft Teams – with Live Sign

The Solution

Get documents signed live in your Microsoft Teams meeting.



Use Cases

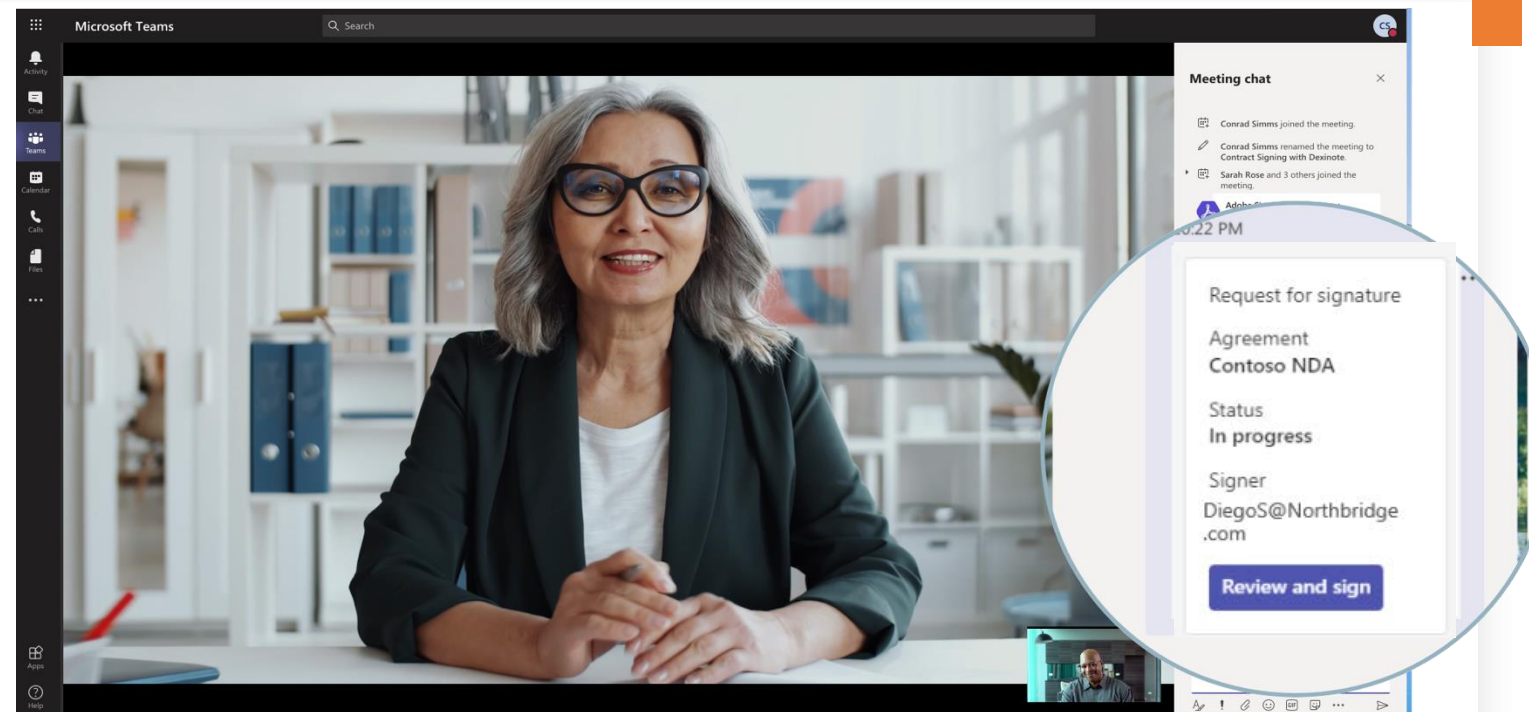
- Execute legal documents remotely
- Open new accounts or services remotely
- Remote expert certification
- Complete time-sensitive agreements fast



Live Signing in a Teams call is easy

Create a new agreement with a template or use an in-process agreement

1. Join a scheduled Teams meeting
2. Add Live Sign to the meeting in the chat pod
3. Select what type of agreement you would like to get signed
4. Match signer(s) to meeting participants
5. Follow along in the chat as your signer(s) go through the signing process



[Click here](#) to see how it works

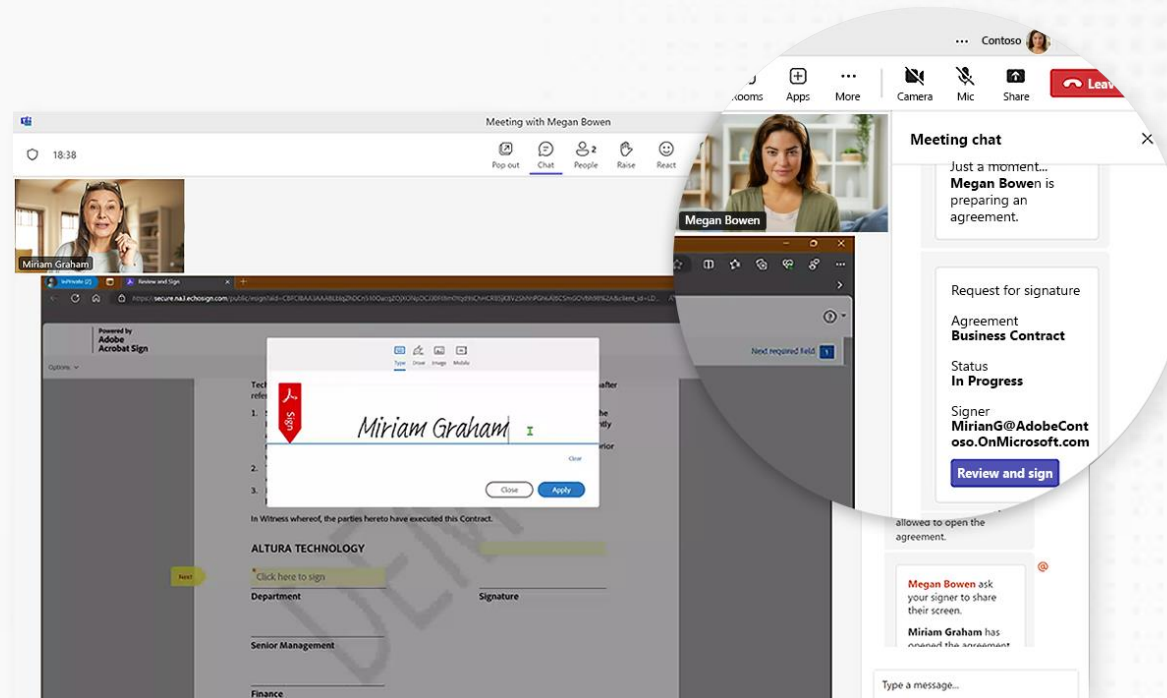


Senders need Microsoft Teams, Acrobat Sign or Acrobat Pro, and Acrobat Sign for Microsoft Teams App.

Signers don't need an Acrobat Sign account nor a Microsoft Teams account. All they need to do is download the free Teams app and join the Microsoft Teams meeting via their desktop, laptop, tablet or phone.

Acrobat Sign for Microsoft Teams – with Live Sign

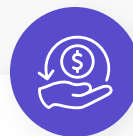
Business Impact



Improved customer experience that is more personalized, completely guided, and interactive – no more going back and forth in email or text explaining complex agreements.



Faster signing since it requires fewer steps, questions and unclear details can be resolved in real-time and traveling to in-person meetings is no longer needed.



Maximized ROI on Microsoft Teams investment with its seamless integration allowing users to do even more within Microsoft Teams.



Increased security and compliance since Live Sign upholds all the robust compliance and security features of Acrobat Sign.

64% reduction in average number of clicks to sign, from 11 to just 4.

Accelerate document productivity with GenAI

Enable knowledge workers to do what they do with documents manually today, faster. In a safe and responsible manner.

Document insight: AI-assisted conversational experiences

Document creation: AI-powered authoring, editing and formatting

Document collaboration: AI-supported review process

Designed for Enterprise

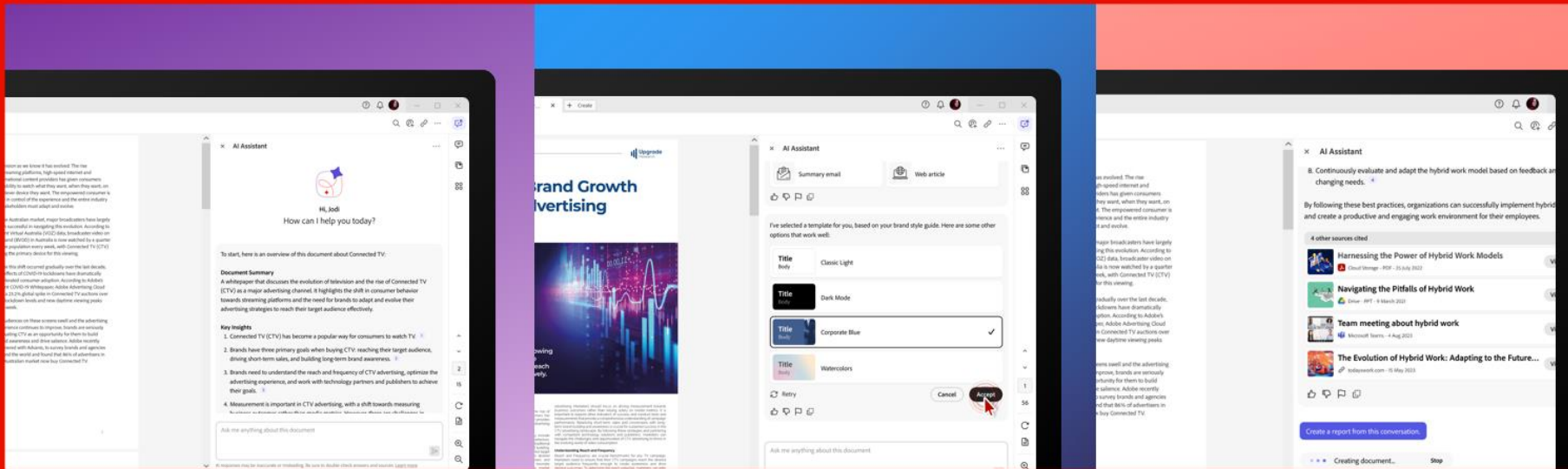
Verifiable outcomes, grounded in the source document(s)

Simple data governance – no unintended enterprise sources

Safeguards to protect customer data – no data collection

Responsible AI

Easy to deploy, faster time to value



Up to 50% of time saved on document actions; up to several hours per week for some

- Speeds up manual work - accelerating time to knowledge and high-quality content generation
- Enables deep document insights and informed synthesis
- Stays in the flow of work, providing a seamless user experience

Black font - avail today or shipping imminently; Gray font - on roadmap or considered

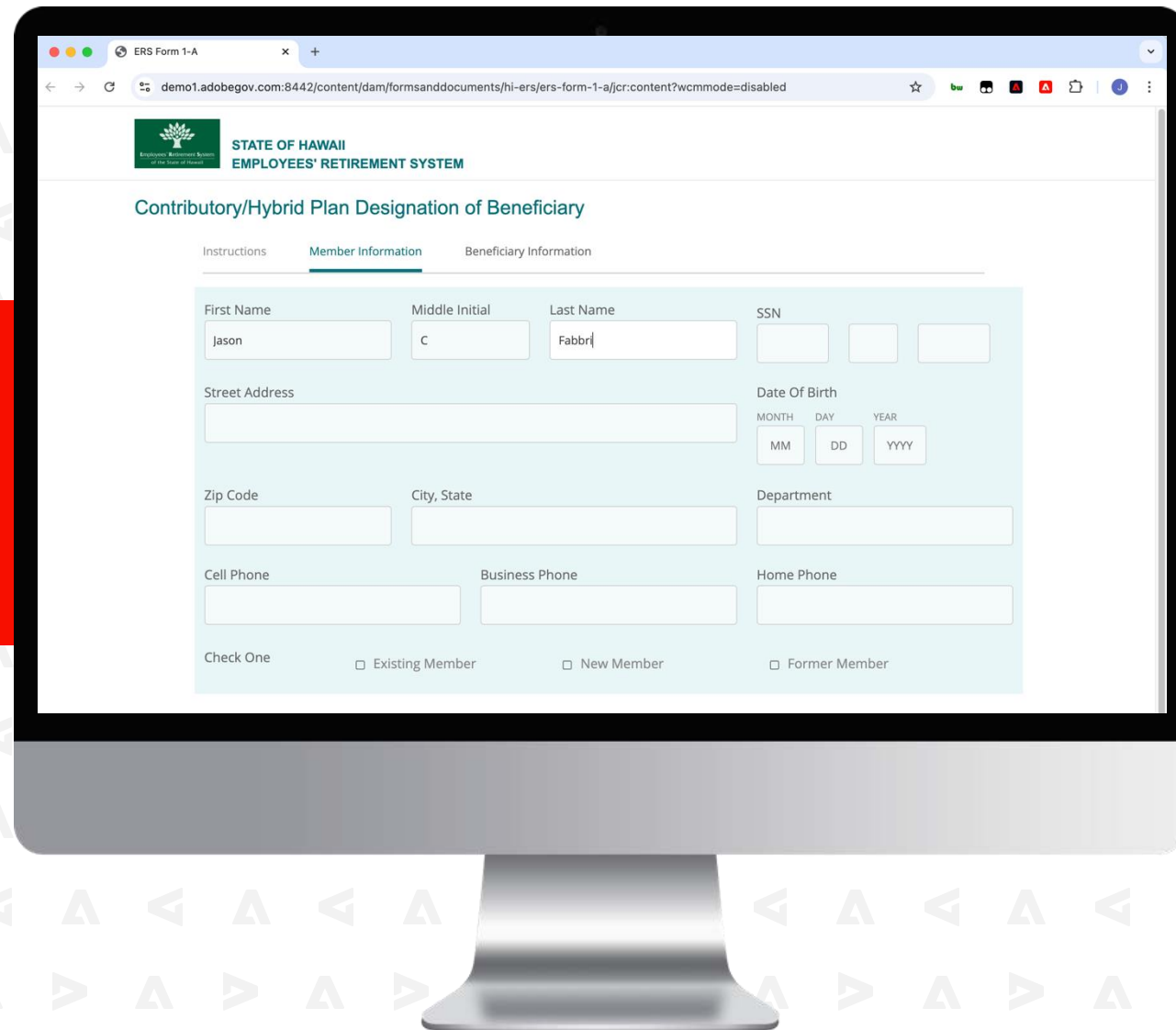


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Modernizing Member Experience Demonstration



Estimated Cost for Adobe Sign

Adobe Sign is paid for by Hawaii ETS, therefore Adobe Sign would have no cost for HI ERS to use and implement

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Next Steps

- Schedule additional demos/working sessions
- Discovery session with partner get an estimate on services cost
- ERS submit budget request for FY25



Adobe

**BOARD OF TRUSTEES OF THE
EMPLOYEES' RETIREMENT SYSTEM OF THE
STATE OF HAWAII**

2025 SCHEDULE OF MEETINGS

**Monday, January 13
Monday, March 10
Tuesday, May 13*
Monday, July 14
Monday, September 8
Monday, November 10**

This schedule is subject to change at any time.

All regular meetings shall be held on the second Monday of the month unless otherwise agreed upon by the Trustees. All special meetings shall be on days agreed upon by the Trustees. (Reference: ERS Board of Trustees Operating Policies, Rev. 1/9/06.)

*Noted Change:

- Tuesday, May 13, to accommodate for Mother's Day, Sunday, May 11.

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

SEPTEMBER 9, 2024

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

Trustees present:
(by teleconference)

Mr. Emmitt Kane, Chair (in person)*
Mr. Lance Mizumoto, Vice Chair*
Mr. Vincent Barfield*
Dr. Catherine Chan*
Dr. Genevieve Ley*
Mr. Luis Salaveria*
Mr. Bennett Yap*

Staff present:
(City Financial Tower
by teleconference)

Mr. Thomas Williams, Executive Director*
Mr. Kona Mann, Chief Compliance Officer
Mr. James Greubel, Program Specialist*
Ms. Shanna Sakagawa, Program Specialist*
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. Gerri Konishi, Member Home Loan Assistant
Ms. Dale Kehau Kanae, Recording Secretary/Administrative Assistant*
Ms. Lori Kim, Administrative Assistant
Ms. Andrea Gasper, Administrative Assistant
Ms. Diana Gomes, Administrative Assistant

Attorney present:
(by teleconference)

Ms. Jenny Nakamoto, Deputy Attorney General*
Ms. Lori Tanigawa, Deputy Attorney General*
Ms. Elmira Tsang, Deputy Attorney General*
Ms. Diane Wong, Deputy Attorney General*

Guests present:
(by teleconference)

Mr. Colin Bebee, Meketa Investment Group, Inc.

Public present:
(by teleconference)

Mr. Douglas Appell, Pensions & Investments
Mr. Kevin Balaod, With Intelligence
Ms. Christine Giordano, U.S. News & World Report
Mr. Kevin Gordon
Ms. Lindsay Saienni – Financial Investment News
Ms. Stacey Tagala
Mr. Heath Williams

*Attended Executive Session.

QUORUM/CALL TO ORDER

A quorum being present (Chair Kane, Vice Chair Mizumoto, Trustees Barfield, Chan, Ley, Salaveria, and Yap), Chair Kane called the regular meeting of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 10:21 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 Vice Chair Mizumoto, seconded by Trustee Barfield, 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.

AMENDMENT TO AGENDA

Chair Kane announced an amendment to the agenda pursuant to HRS §92-7(d) adding Executive Session Item No. 4, as follows:

- “4. Executive Session, pursuant to HRS §88-27.5(a)(1) and (2), to conduct discussions or deliberations relating to, or to make a decision upon, investments or prospective investments by the system that require the consideration of information or records that are exempt from disclosure under Chapter 92F, including without limitation information and records that are proprietary information or confidential business information, and to conduct discussions and deliberations or to make decisions relating to procurements that are exempt from Chapter 103D to the same extent that the discussion, deliberation, and decision would be required to be conducted or made confidentially if the procurement were subject to Chapter 103D, regarding ERS’ Global Custody Services and Securities Lending Request for Expression of Interest 2024, appropriate action.”

Chair Kane noted that the added agenda item was not of major importance and would not affect a significant number of persons.

On a motion made by Vice Chair Mizumoto, seconded by Trustee Yap, and unanimously carried, the Board approved amending the agenda by adding Executive Session Item No. 4, as noted.

PUBLIC COMMENT

Chair Kane called for public comment. There was no public present in person, however, seven (7) members of the public were present by teleconference, but they had no public comment. Also, no written testimony was received for this meeting.

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

Executive Director (ED) Williams gave an oral report to the Board on the Operations and Administration of the System with Respect to Issues Affecting Members Services, Accounting, and Information Technology Systems, to Include Significant Developments in Investments, Policy, Staffing, Potential Legislation, and Regulatory Matters as follows:

- Participating in development of next year’s fiscal biennial budget and legislative proposals.
- Next month’s ERS Investment Summit is on track with full registration and a nearly completed program.
- As reported in the July Board meeting, the 2022 Legislative allocation of \$300 M to ERS lapsed and was returned to the general fund. The appropriation could only be extended for two years. Also as previously reported, HB 40 of \$135 M, and an additional \$300 M appropriated for the emergency reserve fund were both reduced to \$1 by the Governor, likely to balance the budget. ERS’ main objective is to receive the monthly required contributions on a regular basis. The reasons for the lapses could be due to the HGEA Temporary Hazard Pay Settlement.
- Also in July, the Governor signed an HGEA re-pricing bill that would allow certain identified non-competitive positions to be reviewed and repriced to

increase compensation in order to improve recruiting in positions such as IT and accounting, which ERS has had difficulty in recruiting.

- ERS received a letter from House Judiciary Committee, Jim Jordan and Thomas Massie who sent letters to all blue state public pension plans alleging there was left-wing collusion, collaboration, or conspiracy with the Principle for Responsible Investments Climate Action 100+ and those organizations were engaging in anti-competitive behaviors that had the effect of reducing the competitiveness of fossil fuels. ERS staff (Chief Investment Officer (CIO) Kristin Varela, Investments Officer – Diversifying Strategies Christine Chang, and ED Williams) spoke with other public pension plans and did research before responding denying allegations of collusion, collaboration, or conspiracy and focused on ERS’ independence, not acting under any other entity aside from our Board and the primacy of our fiduciary responsibility and asserted that we were in compliance with all state and federal regulations.
- Upgrade to Vitech’s v10 pension administration system to V3locity will take from 18-24 months and require a Request for Proposal (RFP) for external support, however, Information Services Branch Manager Keith Miyamoto will head the internal project. The upgrade cost of several million dollars for the next biennium budget have been discussed with the Director and appropriate staff of Budget & Finance. A Vitech client meeting is scheduled in October to discuss plans towards a new unified system and any custom features will require additional costs.
- Staff vacancies, as presented in the monthly operations report of August 2024.
- Identifying and reviewing possible candidates for the vacant ERS Board seat.
- RFPs for a new employer reporting and audit compliance, and external support for Vitech’s upgrade to the pension administration system, are being worked on. Also, an Expression of Interest (EOI) for Global Custody Services and Securities Lending will be discussed in Executive Session. A report to the Board on a roadmap to enhance Cyber Security and the current ERS status will be presented by the Virtual Chief Information Security Officer.
- Employed Adobe to provide an efficiency analysis with recommendations relating to technology, equipment, and policies concerning audit findings related to Staff Support Services’ ability to digitize and locate incoming documents, etc.
- By the end of September, an ERS draft auditor’s report from the newly hired KKDLY LLC, will be available for approval by the Board at its October ERS Investment Summit to be included in the larger State auditor’s report.

PROGRAM SUPPORT
STAFF REPORT ON
GENERAL DUTIES
INCLUDING SIGNIFICANT
CURRENT AND FUTURE
PROJECTS

Program Specialist (PS) James Greubel presented an oral and written report to the Board on Program Support Staff’s General Duties, and Current Major- and Future-Projects as submitted.

The Board requested reports should include priorities, timelines with deadlines, current status, and challenges of the projects. The Board also noted as a third reminder to staff that any submitted reports should consist of their name and title on the cover page.

UPDATE REPORT OF
ACTIVITY BY THE
ADMINISTRATIVE &
AUDIT COMMITTEE
CHAIR

Administrative & Audit Committee (Committee) Chair Chan reported to the Board that the Committee has not met since June 25, 2024, just prior to the last July Board meeting, however, due to time constraints, requested the Board’s action on the Appointment of Executive Director to Serve as Presiding Officer at a Public Hearing on Draft Amendments to Hawaii Administrative Rules, Title 6, Chapter 24.

APPOINTMENT OF EXECUTIVE DIRECTOR TO SERVE AS PRESIDING OFFICER AT A PUBLIC HEARING ON DRAFT AMENDMENTS TO HAWAII ADMINISTRATIVE RULES, TITLE 6, CHAPTER 24

ED Williams discussed with the Board a request to be appointed to serve as the presiding officer at a public hearing for the draft amendments to the Hawaii Administrative Rules, Title 6, Chapter 24, previously discussed and presented at the last July Board meeting. Noting that a copy of the potential amendments being considered are available for viewing in the ERS Office and also posted at <https://ers.hawaii.gov/resources/all-publications>, under “Hawaii Administrative Rules (HAR)”.

On a motion made by Committee Chair Chan, seconded by Committee Vice Chair Barfield, and unanimously carried, the Board approved appointing the Executive Director to serve as presiding officer at a public hearing on draft amendments to Hawaii Administrative Rules, Title 6, Chapter 24.

UPDATE REPORT OF ACTIVITY BY THE LEGISLATIVE COMMITTEE CHAIR

Legislative Committee (Committee) Chair Yap reported to the Board that the Committee was scheduled to meet on August 29, 2024, however, due to scheduling conflicts and failure to achieve quorum, the meeting was cancelled. Committee Chair Yap presented the agenda items for that Committee meeting to the Board noting that the items required no action.

DISCUSSION OF POTENTIAL FUTURE LEGISLATIVE PROPOSALS RELATING TO THE EMPLOYEES’ RETIREMENT SYSTEM

PS Greubel discussed and presented to the Board two (2) potential legislative proposals relating to the Employees’ Retirement System for the next session.

CONFORM HAWAII REVISED STATUTES (HRS) CHAPTER 88, TO ENSURE COMPLIANCE WITH THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, REGARDING AUTOMATIC DISBURSEMENTS

The first proposed bill entitled, Relating to Automatic Cashouts of the Employees’ Retirement System, amends Chapter 88, HRS to conform to updated required beginning dates and automatic cashout requirements in the Internal Revenue Code of 1986, as amended. The purpose of this bill is to maintain the ERS’ Federal tax qualification requirements by updating Chapter 88 to follow stipulations of the Internal Revenue Code (IRC) of 1986, as amended, regarding automatic disbursements. Specifically, the bill proposes to reference the IRC definition of the Required Beginning Dates for the tiered increase in ages for Required Minimum Distributions and remove the automatic distribution requirement for non-vested Hybrid members so as not to mandate administration of a third-party retirement account vendor as instituted by the Setting Every Community Up for Retirement Enhancement Act 2.0 of 2019.

AMEND HRS CHAPTER 88, TO PROVIDE CLARIFICATION REGARDING EMPLOYER REPORTING REQUIREMENTS; AND

The second proposed bill entitled, Relating to the Employees’ Retirement System Employer Reporting Audit, adds a year between the audit period and the billing due date and changes reporting of audit results from during the current fiscal year to after the previous fiscal year. The purpose of this bill is to extend the time between the employer audit period, the mandated reporting of the audit results, and the billing date of the contribution pre-payment for those reporting departments or agencies which failed to provide the information in the required format.

IDENTIFICATION OF FUTURE LEGISLATIVE PROPOSALS DETERMINED TO BE NECESSARY OR DESIRABLE FOR THE SYSTEM’S INVESTMENTS, ADMINISTRATION, AND/OR OPERATIONS

There were no new potential future legislative proposals discussed.

UPDATE REPORT OF ACTIVITY BY THE

Investment Committee (Committee) Chair Mizumoto reported to the Board that the Committee met on August 19, 2024, and discussed an Educational Presentation on Benchmarking Updates; Total Fund Performance Review for

INVESTMENT COMMITTEE
CHAIR

Period Ending June, 30, 2024; Private Credit Portfolio Review for Period Ending March 31, 2024; Updates on: the Closure of an Asset Manager, Change in Organizational Structure of a Fund Manager, Manager Activity and Organization, and Investment Office Staffing, however, only a brief update on the Total Fund Performance Review and Private Credit Portfolio Review was presented to the Board.

Chief Investment Officer (CIO) Kristin Varela shared with the Board, that brief updates would be given to the Board on the Total Fund Performance Review and Private Credit Portfolio Review by ERS Investment Staff and Meketa.

TOTAL FUND
PERFORMANCE
REVIEW FOR PERIOD
ENDING JUNE 30, 2024

Meketa Investment Group Inc's (Meketa) Colin Bebee joined the meeting by teleconference and presented an oral and written report to the Board on the Total Fund Performance Review for period ending June 30, 2024, entitled 2024 Q2 Performance Report and discussed in summary:

INTRODUCTION

Portfolio Valuation

ERS Total Fund Relative Performance

Asset Allocation vs. Target

Hawaii ERS vs. Public Fund Peers

Annualized Risk-Return

ERS PORTFOLIO REVIEW

Performance Attribution vs. Policy Benchmark

Asset Class Performance Summary

PRIVATE CREDIT
PORTFOLIO REVIEW
FOR PERIOD ENDING
MARCH 31, 2024

CIO Varela shared with the Board that as a larger initiative within Broad Growth, ERS staff continue to expand the Credit Portfolio and Infrastructure Portfolio. Investment Officer – Credit Markets Andrew Chen provided an update to the Board noting that the portfolio is performing well and generating strong cash flow that contribute directly to the ERS total fund. ERS staff are actively seeking new managers to expand the program, in line with the strategic direction set by the Board. ERS staff are also working closely with the existing manager to strengthen partnerships with a goal of maximizing returns, while carefully managing downside risks.

Meketa's Mr. Bebee presented an oral and written report to the Board on the Private Credit Portfolio Review for Period Ending March 31, 2024, and discussed in summary:

HISTORY OF THE CREDIT CYCLE

OVERVIEW

Introduction

RECENT ACTIVITY

Commitments

Cash Flows

PERFORMANCE ANALYSIS

Since Inception Performance Over Time

FUND DEVERSIFICATION

By Strategy

APPROVAL OF MINUTES
– JULY 8, 2024

On a motion made by Trustee Salaveria, seconded by Vice Chair Mizumoto, and unanimously carried, the Board approved the Minutes of July 8, 2024, as presented.

PUBLIC COMMENT

Chair Kane called for public comment. There were no public comments from public members attending.

Chair Kane 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.

Chair Kane provided the reason to enter into Executive Session:

Executive Session, pursuant to HRS §92-5(a)(4), (6), and (8), to consider and to consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities on information that must be kept confidential pursuant to State law with respect to an Update on Ongoing Litigation; on Temporary Hazard Pay and the Potential Impacts to the Employees’ Retirement System; to make a decision on the approval of Executive Session Minutes; and to Delegate the Authority to the Executive Director, or his Designee, to Make a Final Selection of the Vendor for Global Custody Services and Securities Lending.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Yap, seconded by Trustee Ley, and unanimously carried, the Board entered into Executive Session at 11:32 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.

Chair Kane announced that Executive Session Items would be taken out of order starting with Executive Session Item 3, 4, 2, and then 1.

EXECUTIVE SESSION

- Pursuant to HRS §92-5(a)(8), to Review and Approve Executive Session Minutes of July 8, 2024.
- Pursuant to HRS§88-27.5(a)(1) and (2), to conduct discussions or deliberations relating to, or to make a decision upon, investments or prospective investments by the system that require the consideration of information or records that are exempt from disclosure under Chapter 92F, including without limitation information and records that are proprietary information or confidential business information, and to conduct discussions and deliberations or to make decisions relating to procurements that are exempt from Chapter 103D to the same extent that the discussion, deliberation, and decision would be required to be conducted or made confidentially if the procurement were subject to Chapter 103D, regarding ERS’ Global Custody Services and Securities Lending Request for Expression of Interest 2024, appropriate action.
- 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 Temporary Hazard Pay and the Potential Impacts to the Employees’ Retirement System; appropriate action.
- 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 an Update on Ongoing Litigation; appropriate action for Cynthia Giebink vs. ERS, Civil No. 2CCV-23-0000113. 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 an Update on Ongoing Litigation; appropriate action for Cynthia Giebink vs. ERS, Civil No. 2CCV-23-0000113.

EXECUTIVE SESSION,
PURSUANT TO HRS §92-5(a)(8),
TO REVIEW AND APPROVE

EXECUTIVE SESSION
MINUTES OF JULY 8, 2024

EXECUTIVE SESSION,
PURSUANT TO HRS §88-
27.5(a)(1) AND (2), TO
CONDUCT DISCUSSIONS OR
DELIBERATIONS RELATING
TO, OR TO MAKE A DECISION
UPON, INVESTMENTS OR
PROSPECTIVE INVESTMENTS
BY THE SYSTEM THAT
REQUIRE THE
CONSIDERATION OF
INFORMATION OR RECORDS
THAT ARE EXEMPT FROM
DISCLOSURE UNDER
CHAPTER 92F, INCLUDING
WITHOUT LIMITATION
INFORMATION AND RECORDS
THAT ARE PROPRIETARY
INFORMATION OR
CONFIDENTIAL BUSINESS
INFORMATION, AND TO
CONDUCT DISCUSSIONS AND
DELIBERATIONS OR TO MAKE
DECISIONS RELATING TO
PROCUREMENTS THAT ARE
EXEMPT FROM CHAPTER 103D
TO THE SAME EXTENT THAT
THE DISCUSSION,
DELIBERATION, AND
DECISION WOULD BE
REQUIRED TO BE CONDUCTED
OR MADE CONFIDENTIALLY
IF THE PROCUREMENT WERE
SUBJECT TO CHAPTER 103D,
REGARDING ERS' GLOBAL
CUSTODY SERVICES AND
SECURITIES LENDING
REQUEST FOR EXPRESSION OF
INTEREST 2024, APPROPRIATE
ACTION

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 TEMPORARY HAZARD PAY
AND THE POTENTIAL
IMPACTS TO THE EMPLOYEES'
RETIREMENT SYSTEM;
APPROPRIATE ACTION

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 AN UPDATE ON ONGOING
LITIGATION; APPROPRIATE
ACTION FOR CYNTHIA
GIEBINK vs. ERS, CIVIL NO.
2CCV-23-0000113

EXIT EXECUTIVE SESSION

On a motion made by Trustee Barfield, seconded by Vice Chair Mizumoto, and unanimously carried, the Board exited Executive Session at 12:15 p.m.

Chair Kane announced that while in Executive Session, the Board discussed an Update on Ongoing Litigation; Temporary Hazard Pay and the Potential Impacts to the Employees' Retirement System, Delegated Authority to the Executive Director or his Designee to make the final selection of the vendor(s) for Global Custody Services and Securities Lending, and the Board also approved Executive Session Minutes of July 8, 2024.

ADJOURNMENT

On a motion made by Trustee Yap, seconded by Trustee Barfield, and unanimously carried, Chair Kane adjourned the meeting at 12:16 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik

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

OCTOBER 15-18, 2024

FOUR SEASONS RESORT HUALALAI
HUALALAI BALLROOM,
MAUNA KEA AND LOIHI CONFERENCE ROOMS
72-100 KAUPULEHU DRIVE
KAILUA-KONA, HAWAII 96740

ROLL CALL FOR OCTOBER 15, 2024

Trustees present: Mr. Emmit Kane, Chair
Mr. Vince Barfield
Dr. Genevieve Ley
Mr. Bennet Yap

Trustees Absent: Mr. Lance Mizumoto, Vice Chair
Dr. Catherine Chan
Mr. Luis Salaveria

Staff present: Mr. Thomas Williams, Executive Director
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. Ian Wetzel, Investment Officer – Real Assets
Mr. James Greubel, Program Specialist
Ms. Dale Kehau Kanae, Recording Secretary
Ms. Lori Kim, Administrative Assistant

Guests present: Ms. Kelleigh Stewart, Big Island Coffee Roasters
Mr. Jason Brand, Ko Hana Rum
Ms. Meli James, Mana Up Capital
Mr. Andrew Betz, Stafford Capital Partners

QUORUM/CALL TO
ORDER

Chair Kane notified the attendees of the special meeting of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) that due to lack of quorum (Chair Kane, Trustees Barfield, Ley, and Yap), the Board would be engaging in a permitted interaction pursuant to the HRS §92-2.5 (d). The permitted interaction started at 4:30 p.m. in the Mauna Kea Conference Room.

PUBLIC COMMENT

Chair Kane called for public comment. There were no public present, therefore, no public comment. Also, there was no written testimony received for this meeting.

PRE-ERS INVESTMENT
EDUCATION SUMMIT
PLANNING SESSION.
REVIEW SCHEDULE FOR
OCTOBER 16-18, 2024

Ms. Kristin Varela Chief Investment Officer (CIO) shared with the Board highlights of the scheduled upcoming special meeting for October 16-18, 2024, and also presented to the Board an interactive discussion with Meli James of Mana Up Capital, Andrew Betz of Stafford Capital Partners, Kelleigh Stewart of Big Island Coffee Roasters, and Jason Brand of Ko Ohana Rum.

RECESS

At 5:30 p.m., Chair Kane noted that the Board would convene at 8:30 a.m. on Wednesday, October 16, 2024, in the Mauna Kea Conference Room of the Four Seasons Resort Hualalai.

ROLL CALL FOR OCTOBER 16, 2024

- Trustees present: Mr. Emmit Kane, Chair*
Mr. Vince Barfield*
Dr. Genevieve Ley*
Mr. Luis Salaveria*
Mr. Bennet Yap
- Trustees Absent: Mr. Lance Mizumoto, Vice Chair
Dr. Catherine Chan
- Staff present: Mr. Thomas Williams, Executive Director*
Mr. Kona Mann, Chief Compliance Officer
Mr. Larry Wolfe, Accounting 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, Officer – Credit Markets*
Ms. Lynn Kamimoto, Investment Officer – Risk*
Mr. Ian Wetzel, Investment Officer – Real Assets
Mr. James Greubel, Program Specialist*
Ms. Andrea Gasper, Administrative Assistant
Ms. Dale Kehau Kanae, Recording Secretary/Administrative Assistant*
Ms. Lori Kim, Administrative Assistant*
- Attorney present: Ms. Lori Tanigawa, Deputy Attorney General*
- Guests present: Mr. Matt Silverio, Hamilton Lane Advisors LLC*
Mr. Paul Yett, Hamilton Lane Advisors LLC*
Mr. Ralph Kanetoku, KKDLY, LLC
Ms. Robyn Kawamura, KKDLY, LLC
Ms. YeeYan Lim, KKDLY, LLC
Mr. Jonathan Daffron, Man Solutions LLC*
Mr. Colin Bebee, Meketa Investment Group, Inc.*
Mr. Tad Fergusson, Meketa Investment Group, Inc.*
Ms. Mika Malone, Meketa Investment Group, Inc.*
Mr. Andrew Betz, Stafford Capital Partners*
Mr. Rick Fratus, Stafford Capital Partners*
Ms. Kathryn Finneran, The Townsend Group*
Mr. Jeffrey Leighton, The Townsend Group*
Ms. Lauren Kawajiri, Hawaii State Office of the Auditor

QUORUM/CALL TO ORDER

A quorum being present (Chair Kane, Trustees Barfield, Ley, Salaveria, and Yap) Chair Kane called the special meeting of the Board of Trustees (Board of the Employees' Retirement System of the State of Hawaii (ERS) to order at 8:30 a.m.

On a motion made by Trustee Barfield, seconded by Trustee Salaveria, and unanimously carried, to be able to hold a meeting allowing Trustees and members of the public to participate.

PUBLIC COMMENT

Chair Kane called for public comment. There were no public present, therefore, no public comment. Also, there was no written testimony received for this meeting.

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

KKDLY, LLC’s Ralph Kanetoku, Robyn Kawamura, and YeeYan Lim, attended the meeting by teleconference and presented an oral and written report to the Board on an Auditor’s Report and Financial Statements of the Employees’ Retirement System and discussed in summary:

SCOPE OF SERVICES AND REPORTS DELIVERED
INFORMATION ON THE CONDUCT OF OUR AUDIT YEAR ENDED
JUNE 30, 2023
MANAGEMENT LETTER COMMENTS YEAR ENDED JUNE 30, 2023

On a motion made by Trustee Barfield, seconded by Trustee Salaveria, and unanimously carried, the Board approved the Auditor’s Report and Financial Statements of the Employees’ Retirement System for the Year Ended June 30, 2023, as presented.

The teleconference was ended after the presentation by Mr. Kanetoku, Mses. Kawamura and Lim of KKDLY, LLC.

PUBLIC COMMENT

Chair Kane again called for public comment. There were no public present, therefore, no public comment. Also, there was no written testimony received for this meeting.

Chair Kane identified all the participants in Executive Session, the Board, staff members, Deputy Attorney General, and guests are identified with an asterisk on these minutes and listed on the Executive Session Minutes.

Chair Kane provided the reason to enter into Executive Session: Executive Session, pursuant to HRS §88-27.5(a)(1) and (3) and HRS §92-5(a)(4), to conduct discussions or deliberations relating to, or to make a decision upon, investments or prospective investments by the system that require the consideration of information or records that are exempt from disclosure under HRS Chapter 92F, including without limitation information and records that are proprietary information or confidential business information, to deliberate concerning the authority of persons designated by the Board to negotiate investments or the sale of property held by or for the benefit of the system, 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 such matters.

ENTER EXECUTIVE
SESSION

On a motion made by Trustee Yap, seconded by Trustee Salaveria, and unanimously carried, the Board entered into Executive Session at 8:53 a.m.

- Pursuant to HRS §88-27.5(a)(1) and (3) and HRS §92-5(a)(4), as the Board anticipates conducting discussions and/or deliberations relating to, or to make a decision upon, investments or prospective investments by the system that require the consideration of information and records that are exempt from disclosure under HRS Chapter 92F, including without limitation information and records that are proprietary information or confidential business information, and deliberations concerning the authority of persons designated by the Board to negotiate investments or the sale of property held by or for the benefit of the system. The Board may also consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities with respect to such matters.

- A. Total Fund Strategic Update.
- B. Public Equity Strategic Update.
- C. Diversifying Strategies Strategic Update.
- D. Global Credit Strategic Plan.

ENTER EXECUTIVE
SESSION (CONT'D)

- E. Private Equity Strategic Plan.
- F. Real Assets Strategic Plan.
- G. Responsible Investing/Systemic Risk Strategic Update.
- H. Future of HiTIP Strategic Update.

Chief Investment Officer (CIO) Kristin Varela shared with the Board that agenda items would be taken out of order starting with Items A, D, E, F, B, H, C, and G.

EXECUTIVE SESSION
PURSUANT TO HRS §88-
27.5(a)(1) AND (3) AND HRS
§92-5(a)(4), WITH RESPECT
TO TOTAL FUND
STRATEGIC UPDATE

EXECUTIVE SESSION,
PURSUANT TO HRS §88-
27.5(a)(1) AND (3) AND HRS
§92-5(a)(4), WITH RESPECT
TO GLOBAL CREDIT
STRATEGIC PLAN

RECESS

Chair Kane called a recess at 10:17 a.m.

RECONVENE

A quorum being present (Chair Kane, Trustees Barfield, Ley, Salaveria, and Yap) Chair Kane reconvened the meeting in the Mauna Kea Conference Room at 10:31 a.m.

EXECUTIVE SESSION,
PURSUANT TO HRS §88-
27.5(a)(1) AND (3) AND HRS
§92-5(a)(4), WITH RESPECT
TO PRIVATE EQUITY
STRATEGIC PLAN

EXECUTIVE SESSION,
PURSUANT TO HRS §88-
27.5(a)(1) AND (3) AND HRS
§92-5(a)(4), WITH RESPECT
TO REAL ASSETS
STRATEGIC PLAN

EXECUTIVE SESSION
PURSUANT TO HRS §88-
27.5(a)(1) AND (3) AND HRS
§92-5(a)(4), WITH RESPECT
TO PUBLIC EQUITY
STRATEGIC UPDATE

EXIT EXECUTIVE
SESSION

On a motion made by Trustee Salaveria, seconded by Trustee Barfield, and unanimously carried, the Board exited Executive Session at 11:57 a.m.

Chair Kane announced that while in Executive Session, the Board discussed the following Updates: Total Fund Strategic Update; Global Credit Strategic Plan with Meketa Investment Group Inc.'s (Meketa) Tad Fergusson and Colin Bebee; Private Equity Strategic Plan with Hamilton Lane's Matt Silverio and Paul Yett; Real Assets Strategic Plan with The Townsend Group's Kathryn Finneran and Jeffrey Leighton; and Public Equity Strategic Update with Meketa's Colin Bebee.

Chair Kane further announced that the Board adopted and approved as presented, the calendar year 2025 Private Market Pacing Plan for Private Credit from the Global Credit Strategic Plan with Meketa Investment Group Inc.; the calendar year 2025 Private Market Pacing Plan for Private Equity from the Private Equity Strategic Plan with Hamilton Lane Advisors, LLC; and the calendar year 2025 Private Market Pacing Plan for Private Real Assets including Real Estate from the Real Assets Strategic Plan with The Townsend Group.

RECESS

Chair Kane called for a recess for lunch at 11:58 a.m.

RECONVENE

A quorum being present (Chair Kane, and Trustees Barfield, Ley, Salaveria, and Yap) Chair Kane reconvened the meeting in the Mauna Kea Conference Room at 1:30 p.m.

RE-ENTER EXECUTIVE SESSION

Chair Kane announced the re-entering into Executive Session and noted that all the participants and the reason to enter into Executive Session were the same as previously stated.

On a motion made by Trustee Salaveria, seconded by Trustee Ley, and unanimously carried, the Board entered into Executive Session at 1:30 p.m.

EXECUTIVE SESSION,
PURSUANT TO HRS §88-
27.5(a)(1) AND (3) AND HRS
§92-5(a)(4), WITH RESPECT
TO FUTURE OF HiTIP
STRATEGIC PLAN

EXECUTIVE SESSION,
PURSUANT TO HRS §88-
27.5(a)(1) AND (3) AND HRS
§92-5(a)(4), WITH RESPECT
TO DIVERSIFYING
STRATEGIES STRATEGIC
UPDATE

EXECUTIVE SESSION,
PURSUANT TO HRS §88-
27.5(a)(1) AND (3) AND HRS
§92-5(a)(4), WITH RESPECT
TO RESPONSIBLE
INVESTING/SYSTEMIC RISK
STRATEGIC UPDATE

EXIT EXECUTIVE SESSION

On a motion made by Trustee Yap, seconded by Trustee Salaveria, and unanimously carried, the Board exited Executive Session at 2:41 p.m.

Chair Kane announced that while in Executive Session, the Board discussed the following Updates: Future of HiTIP Strategic Update with Stafford Capital Partners; Diversifying Strategies Strategic Update with Man Solutions; and Responsible Investing/Systemic Risk Strategic Update.

RECESS

At 2:42 p.m., Chair Kane called a recess until 8:30 a.m. on Thursday, October 17, 2024, at which time the meeting would reconvene in the Hualalai Ballroom of the Four Seasons Resort Hualalai.

ROLL CALL FOR OCTOBER 17, 2024

Trustees present: Mr. Emmit Kane, Chair
Mr. Vince Barfield
Dr. Genevieve Ley
Mr. Bennet Yap

Trustees Absent: Mr. Lance Mizumoto, Vice Chair
Dr. Catherine Chan
Mr. Luis Salaveria

Staff present: Mr. Thomas Williams, Executive Director
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, Officer – Credit Markets
Ms. Lynn Kamimoto, Investment Officer – Risk
Mr. Ian Wetzel, Investment Officer – Real Assets
Mr. James Greubel, Program Specialist
Ms. Dale Kehau Kanae, Recording Secretary/Administrative Assistant*
Ms. Lori Kim, Administrative Assistant

Guests present: See Attachment A.

RECONVENE
QUORUM/CALL TO
ORDER Chair Kane notified the attendees of the special meeting of the Board of Trustees (Board) of the Employees’ Retirement System of the State of Hawaii (ERS) that due to lack of quorum (Chair Kane, Trustees Barfield, Ley, and Yap), the Board would be engaging in a permitted interaction pursuant to the HRS §92-2.5 (d). The permitted interaction started at 8:32 a.m. in the Hualalai Ballroom.

WELCOME GREETING –
BLESSING BY UNCLE
EARL REGIDOR ERS Chief Investment Officer (CIO) Kristin Varela, and Investment Officers Christine Chang and Lynn Kamimoto served as masters of ceremonies, welcomed everyone, and introduced Uncle Earl Regidor that gave the blessing.

WELCOME ADDRESS Chair Kane introduced Robert Command, Deputy Managing Director, Office of the Hawaii County Mayor who gave a welcoming address to those attending the Summit.

STATE OF THE
EMPLOYEES’
RETIREMENT SYSTEM ERS Executive Director (ED) Thomas Williams provided an update on the Employees’ Retirement System and discussed: Our Past, Our Present, ERS Total Assets, Our Membership, Board of Trustees, Administration, and Our Future.

PRESENTATION ON
STEERING BY THE STARS:
MACROECONOMIC
FORECASTING FOR
PENSION PORTFOLIOS Kristin Varela and Panelists Adam Jenkins of Blackstone, Geoffrey Okamoto of Goldman Sachs, and Eric Winograd of Alliance Bernstein participated in the discussion titled, “Steering by the Stars: Macroeconomic Forecasting for Pension Portfolios.”

BREAK Chair Kane called for a break from the permitted interaction at 10:15 a.m.

RECONVENE The permitted interaction reconvened in the Hualalai Ballroom at 10:32 a.m.

PRESENTATION ON CHANGING TIDES: INSIGHTS FROM AN INVESTMENT NAVIGATOR IN FINANCIAL MARKETS	ED Williams and Speaker Daniel Ivascyn of PIMCO participated in the discussion titled, “Changing Tides: Insights from an Investment Navigator in Financial Markets.”
PRESENTATION ON NAVIGATING THE GLOBAL SEAS: GEOPOLITICAL WINDS AND THEIR IMPACT ON INSTITUTIONAL PORTFOLIOS	ERS Deputy Chief Investment Officer Anthony Goo and Panelists Catherine Kress of Blackrock, Thomas Mucha of Wellington Management Company, and Vance Serchuk of KKR participated in the discussion titled, “Navigating the Global Seas: Geopolitical Winds and their Impact on Institutional Portfolios.”
BREAK	Chair Kane called for a lunch break from the permitted interaction at 12:00 p.m.
RECONVENE	The permitted interaction reconvened at 1:32 p.m. Breakout Sessions were conducted simultaneously in the Hualalai Ballroom and Mauna Kea and Loihi Conference Rooms.
PRESENTATION ON GUIDING BY HAND: DISCOVERING ACTIVE RETURNS AMIDST THE WAVES OF PASSIVE INVESTING	ERS Deputy Chief Investment Officer Anthony Goo and Panelists David Barron of LGIMA, Matthew McKenna of Wellington Management Company, and Alexander Philipps of Longview Partners LLP participated in the discussion titled, “Guiding by Hand Discovering Active Returns Amidst the Waves of Passive Investing.”
PRESENTATION ON NAVIGATING INFLATION: HARNESSING THE WISDOM OF NON-INSTRUMENT NAVIGATORS FOR INVESTMENT STRATEGIES	ERS Investment Officer Ian Wetzel and Panelists Antoine Bisson-McLernon of Fiera Comox Partners, Inc., Andrew Crouch of 1 Squared Capital, James Hughes of EnCap Investments, and Jeffrey Leighton of The Townsend Group in the discussion titled, “Navigating Inflation Harnessing the Wisdom of Non-Instrument Navigators for Investment Strategies.”
PRESENTATION ON UPWIND AND UPCURRENT: LIQUID DEFENSIVE STRATEGIES	ERS Investment Officer Christine Chang and Panelists Doug Kuzoian of P/E Investments, Philip Mendonca of SLC Management, and Max Xu of Aspect Capital participated in the discussion titled, “Upwind and Upcurrent: Liquid Defensive Strategies.”
PRESENTATION ON CATCHING THE RISING SWELLS: GLOBAL PRIVATE EQUITY AMID MARKET DISRUPTIONS AND NEW HORIZONS	Breakout Sessions continued and were conducted simultaneously in the Hualalai Ballroom and Mauna Kea and Loihi Conference Rooms
PRESENTATION ON CATCHING THE RISING SWELLS: GLOBAL PRIVATE EQUITY AMID MARKET DISRUPTIONS AND NEW HORIZONS	ERS Investment Officer Aaron Au and Panelists Gilles Collombin of Charterhouse Capital Partners, John Mapes of Aurora Capital Partners Management, Louis Mintz of JF Lehman & Company, and John Seiffer of Leonard Green & Partners participated in the discussion titled, “Catching the Rising Swells: Global Private Equity Amid Market Disruptions and New Horizons.”
PRESENTATION ON VOYAGING THROUGH UNCHARTED WATERS: GLOBAL REAL ESTATE AMID MARKET DISRUPTIONS AND OPPORTUNITIES	ERS Investment Officer Ian Wetzel and Panelists Jennifer Boss of Heitman, Jarret Cohen of Jadian Capital, and Jeffrey Leighton of The Townsend Group participated in the discussion titled, “Voyaging through Uncharted Waters Global Real Estate Amid Market Disruptions and Opportunities.”
PRESENTATION ON RASING NEW LANDS:	ERS Investment Officer Christine Chang and Panelists Erik Serrano of Bernstein, Stable Asset Management, Anthony Frascella of Aristeia Capital,

DIVERSIFYING STRATEGIES

and Franklin Parlamis of Aequim Alternative Investments participated in the discussion titled, “Raising New Lands Diversifying Strategies.”

Breakout Sessions continued and were conducted simultaneously in the Hualalai Ballroom and Mauna Kea and Loihi Conference Rooms.

PRESENTATION ON SAILING THE CREDIT SEAS: EXPLORING THE PUBLIC AND PRIVATE OPPORTUNITIES IN THE GLOBAL CREDIT SEASCAPE

ERS Investment Officer Andrew Chen and Panelists Scott Crocombe of HPS Investment Partners, Anil Gorthy of Avenue Capital Group, Albert Hu of Neuberger Berman, and Vinay Kumar of Silver Rock Capital Partners participated in the discussion titled, “Sailing the Credit Seas: Exploring the Public and Private Opportunities in the Global Credit Seascape.”

PRESENTATION ON STRENGTHENING THE HULL: BALANCING NEEDS AND BUILDING OPERATIONAL RESILIENCE

ERS Investment Officer Lynn Kamimoto and Panelists Jonathan Daffron of Man Solutions LLC and Anders Reinertsen of BNY Mellon participated in the discussion titled, “Strengthening the Hull: Balancing Needs and Building Operational Resilience.”

PRESENTATION ON KULEANA OF WAYFINDING: RESPONSIBLE INVESTING

Donovan Kealoha of SCV x SBI and Panelists Pascal Karesenti of Nephila, Mika Malone of Meketa Investment Group Inc. and Paul Yett of Hamilton Lane Advisors LLC participated in the discussion titled, “Kuleana of Wayfinding Responsible Investing.”

BREAK

At 4:30 p.m., Chair Kane noted that the Trustees present would take a break from the permitted interaction and return at 8:25 a.m. on Friday, October 18, 2024, in the Hualalai Ballroom of the Four Seasons Resort Hualalai.

ROLL CALL FOR OCTOBER 18, 2024

Trustees present: Mr. Emmit Kane, Chair
Mr. Vince Barfield
Dr. Genevieve Ley

Trustees Absent: Mr. Lance Mizumoto, Vice Chair
Dr. Catherine Chan
Mr. Luis Salaveria
Mr. Bennett Yap

Staff present: Mr. Thomas Williams, Executive Director
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, Officer – Credit Markets
Ms. Lynn Kamimoto, Investment Officer – Risk
Mr. Ian Wetzel, Investment Officer – Real Assets
Mr. James Greubel, Program Specialist
Ms. Dale Kehau Kanae, Recording Secretary/Administrative Assistant
Ms. Lori Kim, Administrative Assistant

Guests present: See Attachment A.

RECONVENE The permitted interaction reconvened in the Hualalai Ballroom at 8:32 a.m.

KEYNOTE ADDRESS Chair Kane introduced Chad Onohi Paishon, Pwo Navigator and Captain – Polynesian Voyaging Society who gave the Keynote Address.

PRESENTATION ON HARNESING AI THROUGH ANCIENT HAWAIIAN WAYFINDING WISDOM Matt Silverio of Hamilton Lane Advisors LLC and Panelists Andrea Joseph of General Atlantic, Chris Kauffman of General Catalyst, and Kiran Rao of Vista Equity Partners participated in the discussion titled “Harnessing AI Through Ancient Hawaiian Wayfinding Wisdom.”

BREAK Chair Kane called for a break from the permitted interaction at 10:05 a.m.

RECONVENE The permitted interaction reconvened in the Hualalai Ballroom at 10:15 a.m.

PRESENTATION ON HOOKELA WAA: STEERING TOWARD LOCAL PROSPERITY THROUGH INTENTIONAL HAWAIIAN INVESTMENT Andrew Betz of Stafford Capital Partners and Panelists Meli James of Mana Up Capital, Jim Kim of Builders VC, Breeani Kobayashi of SCP Hilo Hotel, and Kelleigh Stewart of Big Island Coffee Roasters participated in the discussion titled “Hookela Waa: Steering Toward Local Prosperity Through Intentional Hawaiian Investment.”

PRESENTATION ON BALANCING THE CANOE: CRAFTING A PRUDENT RISK ALLOCATION FRAMEWORK FOR INSTITUTIONAL PORTFOLIOS Colin Bebee of Meketa Investment Group, Inc. and Panelists Rishi Ganti of Orthogon Partners, Alexander Healy of AlphaSimples, and Boas Weinstein of Saba participated in the discussion titled “Balancing the Canoe Crafting a Prudent Risk Allocation Framework for Institutional Portfolios.”

PRESENTATION ON CHARTING OUR COURSE: ERS INVESTMENT INITIATIVES CIO Kristin Varela and Deputy CIO Anthony Goo and Panelists Aaron Au, Christine Chang, Andrew Chen, Lynn Kamimoto, Ian Wetzel ERS Investment Officers participated in the discussion titled “Charting Our Course: ERS Investment Initiatives.”

CLOSING REMARKS

ERS Investment Officers Christine Chang and Lynn Kamimoto thanked the investment managers and guests for attending the event.

Chair Emmit Kane also thanked the participants.

ADJOURNMENT

No motions were entertained as quorum was lost on Thursday, October 17, 2024. The permitted interaction ended at 12:35 p.m.

**REDACTED
SIGNATURE**

Thomas Williams
Executive Director

TW:dkik

Attachment A
2024 ERS INVESTMENT EDUCATION SUMMIT

First Name	Last Name	Full Name	Company (optional)
Lynn	Alexander	Lynn Alexander	Kelso
Aaron	Au	Aaron Au	Employees' Retirement System of the State of Hawaii
Vince	Barfield	Vince Barfield	Employees' Retirement System of the State of Hawaii
Daniel	Barnhill	Daniel Barnhill	Platinum Equity
David	Barron	David Barron	LGIMA
Colin	Bebee	Colin Bebee	Meketa Investment Group
Glen	Besser	Glen Besser	DRA Advisors
Andrew	Betz	Andrew Betz	Stafford Capital Partners
Antoine	Bisson McLernon	Antoine Bisson McLernon	Fierra Comox
Austin	Blackmon	Austin Blackmon	Earthshot Ventures
Paul	Blank	Paul Blank	Kayne Anderson
Trevor	Boire	Trevor Boire	BlackRock
Jim	Bolante	Jim Bolante	Fiera Capital
Jennifer	Boss	Jennifer Boss	Heitman
Darrell	Campos	Darrell Campos	DWS
Daina	Cantwell	Daina Cantwell	Nephila Capital
Lynn	Carr	Lynn Carr	Mesa West Capital
Hilary	Chan	Hilary Chan	UBS Asset Management
Christine	Chang	Christine Chang	Hawai'i Employees' Retirement System
Sam	Chang	Sam Chang	Torchlight Investors
Johnny	Chankhamany	Johnny Chankhamany	Builders VC
Andrew	Chen	Andrew Chen	Employees' Retirement System of the State of Hawaii
Victoria	Choi	Victoria Choi	TPG
Jarret	Cohen	Jarret Cohen	Jadian Capital
J.	Cohen	J. Cohen	
Jeffrey	Collins	Jeffrey Collins	Cloverlay
Gilles	Collombin	Gilles Collombin	Charterhouse Capital Partners
Robert ("Bobby")	Command	Robert ("Bobby") Command	Office of the Mayor, County of Hawai'i
Kyle	Courtney	Kyle Courtney	Nephila
Scott	Crocombe	Scott Crocombe	HPS Investment Partners
Andrew	Crouch	Andrew Crouch	I Squared Capital
Matt	Crystal	Matt Crystal	EnCap Investments L.P.
Chadwick	Cunningham	Chadwick Cunningham	LaSalle
Jonathan	Daffron	Jonathan Daffron	Man Group
Rui	De Figueiredo	Rui De Figueiredo	Morgan Stanley
Jack	de la Fargue	Jack de la Fargue	36South Capital Advisors
Lucas	Detor	Lucas Detor	AB CarVal
Yolanda	Diaz	Yolanda Diaz	BNY
Brendan Robert	Duffy	Brendan Robert Duffy	Blackstone
Damien	Dwin	Damien Dwin	Lafayette Square Holding Company, LLC
Nick	Efstratis	Nick Efstratis	EPIC Ventures
Leigh Ann	Eisenhauer	Leigh Ann Eisenhauer	Blackstone Real Estate
Kathryn	Finneran	Kathryn Finneran	
John	Fiscella	John Fiscella	Oak Hill Advisors
Emmett	Fitzgerald	Emmett Fitzgerald	Aspect Capital
Anthony	Frascella	Anthony Frascella	Aristeia Capital
Rick	Fratus	Rick Fratus	Stafford Capital Partners
Marcelia	Freeman	Marcelia Freeman	Clearlake Capital Group
Rishi	Ganti	Rishi Ganti	Orthogon Partners
Joseph	Gebran	Joseph Gebran	Melqart Asset Management
Bruce	George, CFA, CAIA, C	Bruce George, CFA, CAIA, Char	P/E Investments
Diana	Gomes	Diana Gomes	Employees' Retirement System of the State of Hawaii
Anthony	Goo	Anthony Goo	Employees' Retirement System of the State of Hawaii
Greg	Gordon	Greg Gordon	Cerberus Capital Management
Marne	Gorman	Marne Gorman	Aristeia Capital
Anil	Gorthy	Anil Gorthy	Avenue Capital Group
Kevin	Gray	Kevin Gray	PIMCO
James	Greubel	James Greubel	Employees' Retirement System of the State of Hawaii
Tyler	Griffith	Tyler Griffith	THL Partners
Gabrielle	Hanson	Gabrielle Hanson	Heitman
Gary	Harrison	Gary Harrison	IFM Investors
Karim	Hassanali	Karim Hassanali	Hillhouse
Alexander	Healy	Alexander Healy	AlphaSimplex
Theodore	Hesburgh	Theodore Hesburgh	Parabellum Capital
Mark	Hoeing	Mark Hoeing	CF Private Equity
Albert	Hu	Albert Hu	Neuberger Berman
Kent	Huang	Kent Huang	Mount Lucas Management LP
James	Hughes	James Hughes	EnCap Investments

Attachment A
2024 ERS INVESTMENT EDUCATION SUMMIT

Scott	Humber	Scott Humber	Ares Management Corporation
Thomas	Hunniwood	Thomas Hunniwood	Broad Reach Investment Management
John	Ivanac	John Ivanac	Franklin Templeton Investments
Daniel	Ivascyn	Daniel Ivascyn	PIMCO
Stephanie	Ivy Sanford	Stephanie Ivy Sanford	Goldman Sachs
Neale	Jackson	Neale Jackson	36south
Grant	Jaffarian	Grant Jaffarian	Crabel Capital Management, LLC
Meli	James	Meli James	Mana Up Capital
Adam	Jenkins	Adam Jenkins	Blackstone
Matt	Jones	Matt Jones	K1
Andrea	Joseph	Andrea Joseph	General Atlantic
“Uncle” Earl	Kamakaonaona Regid	“Uncle” Earl Kamakaonaona Regi	Four Seasons Hualālai
Lynn	Kamimoto	Lynn Kamimoto	Employees' Retirement System of the State of Hawaii
Emmit	Kane	Emmit Kane	Employees' Retirement System of the State of Hawaii
Pascal	Karsenti	Pascal Karsenti	Nephila Capital
Christopher	Kauffman	Christopher Kauffman	General Catalyst
Donavan	Kealoha	Donavan Kealoha	SCV x SBI Fund
(Dale)	Kehau Kanae	(Dale) Kehau Kanae	Hawai'i Employees' Retirement System
Brendan	Kelleher	Brendan Kelleher	Man Group
Adam	Kertzner	Adam Kertzner	OHA
Lori	Kim	Lori Kim	Employees' Retirement System of the State of Hawaii
Jim	Kim	Jim Kim	Builders VC
Peter	King	Peter King	DWS
Breeani	Kobayashi	Breeani Kobayashi	SCP Hilo Hotel
Bert A	Kobayashi Jr	Bert A Kobayashi Jr	Blacksand Capital
Yann	Koby	Yann Koby	Brevan Howard
Catherine	Kress	Catherine Kress	BlackRock
Vinay	Kumar	Vinay Kumar	Silver Rock Capital Partners
Doug	Kuzoian	Doug Kuzoian	P/E Investments
Joshua	Lam	Joshua Lam	First Hawaiian Bank
Bill	Latimer	Bill Latimer	Graham Capital Management
Jeffrey	Leighton	Jeffrey Leighton	The Townsend Group
Greg	Leograndis	Greg Leograndis	Aequim Alternative Investments
Sean	Lewis	Sean Lewis	Jefferies Credit Partners
Genevieve	Ley	Genevieve Ley	Employees' Retirement System of the State of Hawaii
Bryan	Li	Bryan Li	BlackSand Capital, LLC
John	Liguori	John Liguori	Jefferies Finance LLC
Mary	Lovejoy	Mary Lovejoy	Goldman Sachs
Marina	Lund	Marina Lund	Longview Partners LLP
Niamh	Mac Namara	Niamh Mac Namara	Nephila Capital
Amrita	Mainthia	Amrita Mainthia	General Catalyst
Mika	Malone	Mika Malone	Meketa
John	Mapes	John Mapes	Aurora Capital Partners Management
Lisa	Martin	Lisa Martin	Crabel Capital Management
Matthew	McKenna	Matthew McKenna	Wellington Management
John	Mecca	John Mecca	Morgan Stanley
Jan	Mende	Jan Mende	I Squared Capital
Philip	Mendonca	Philip Mendonca	SLC Management
Louis	Mintz	Louis Mintz	J.F. Lehman & Company
Peter	Mixon	Peter Mixon	Nossaman LLP
Steve	Moen	Steve Moen	PGIM
Aaron	Montano	Aaron Montano	AllianceBernstein
Thomas	Mucha	Thomas Mucha	Wellington Management Company
Bill	Murphy	Bill Murphy	PIMCO
Will	Nguyen	Will Nguyen	BlackSand Capital
Angela	Ni	Angela Ni	Parabellum Capital
Geoffrey	Okamoto	Geoffrey Okamoto	Goldman Sachs
Zach	Olsen	Zach Olsen	Parametric
Lawrence	Ou	Lawrence Ou	KKR & Co. Inc.
Josh	Overbay	Josh Overbay	Almanac
Chadd	Paishon	Chadd Paishon	Na Kalai Wa'a
Franklin	Parlamis	Franklin Parlamis	Aequim Alternative Investments
Ella	Parsons	Ella Parsons	AlphaSimplex Group
Karina	Perelmuter	Karina Perelmuter	JF Lehman & Company
Bob	Perry	Bob Perry	CBRE Investment Management
Andy	Phelps	Andy Phelps	Lafayette Square Holding Company, LLC
Alex	Philipps	Alex Philipps	Longview Partners LLP
Michael	Pomada	Michael Pomada	Crabel Capital Management LLC
Gerald	Prior	Gerald Prior	Mount Lucas Management LP

Attachment A
2024 ERS INVESTMENT EDUCATION SUMMIT

Eddie	Quan	Eddie Quan	Bank of Hawaii
Dan	Ransenberg	Dan Ransenberg	Neuberger Berman
Kiran	Rao	Kiran Rao	Vista Equity Partners
Anders	Reinertsen	Anders Reinertsen	BNY
Paul	Rezents	Paul Rezents	Heitman
Graham	Robinson	Graham Robinson	Melqart
Stephen	Rodgers	Stephen Rodgers	First Hawaiian Bank
Melissa	Ruffel	Melissa Ruffel	LGIM America
Dan	Ryan	Dan Ryan	Parametric
Luis	Salaveria	Luis Salaveria	Department of Budget and Finance
Ben	Sarly	Ben Sarly	Lone Star Funds
Ryan	Savell	Ryan Savell	AB CarVal
Juliette	Schainuck	Juliette Schainuck	Ares Management
Jonathan	Seiffer	Jonathan Seiffer	Leonard Green & Partners
Vance	Serchuk	Vance Serchuk	KKR
Erik	Serrano Berntsen	Erik Serrano Berntsen	Stable
Greg	Shell	Greg Shell	Goldman Sachs
Jamie	Shen	Jamie Shen	PGIM Real Estate
Matt	Silverio	Matt Silverio	Hamilton Lane
Russell	Simon	Russell Simon	CF Private Equity
Matthew	Snyder	Matthew Snyder	Mesa West Capital
Melissa	Spadafora	Melissa Spadafora	SLC Management
Scott	Spalding	Scott Spalding	CBRE Investment Management
Karen	Sprogis	Karen Sprogis	Blackstone
Aliana	Spungen	Aliana Spungen	TPG Angelo Gordon
Jon	Stein	Jon Stein	Torchlight Investors
Kelleigh	Stewart	Kelleigh Stewart	Big Island Coffee Roasters
Max	Swango	Max Swango	Invesco Real Estate
Gary	Swart	Gary Swart	Polaris Partners
Kitty	Swenson	Kitty Swenson	Wasatch Global Investors
Sasha	Talcott	Sasha Talcott	KKR
Lori	Tanigawa	Lori Tanigawa	Department of the Attorney General, State of Hawaii
Danielle	Thorsen	Danielle Thorsen	Apollo
Mike	Trovato	Mike Trovato	Wellington Management Company
Steven	Turner	Steven Turner	Morgan Stanley
Andrew	Uhl	Andrew Uhl	Graham Capital Management
David	Usiak	David Usiak	Avenue Capital Group
Kristin	Varela	Kristin Varela	Employees' Retirement System of the State of Hawaii
Stephen	Velotti	Stephen Velotti	Pillar Capital Management Limited
Dai	Wai Chin Feman	Dai Wai Chin Feman	Parabellum Capital LLC
Emily	Wang	Emily Wang	HPS Investment Partners
Shelby	Wanstrath	Shelby Wanstrath	Vista
Boaz	Weinstein	Boaz Weinstein	Saba Capital
Ian	Wetzel, CFA, CAIA	Ian Wetzel, CFA, CAIA	Employees' Retirement System of the State of Hawaii
Thomas ("Thom")	Williams	Thomas ("Thom") Williams	Employees' Retirement System of the State of Hawaii
Noah	Williams	Noah Williams	Alpaca VC
Chris	Winiarz	Chris Winiarz	Stable
Eric	Winograd	Eric Winograd	AllianceBernstein
Max	Xu	Max Xu	Aspect Capital
Bennett	Yap	Bennett Yap	Employees' Retirement System of the State of Hawaii
Paul	Yett	Paul Yett	Hamilton Lane
Molly	Youngblood	Molly Youngblood	K1
Barbara	Ziegler	Barbara Ziegler	Franklin Templeton Institutional