

Board Packet List of Documents

Board of Trustees Meeting
Mar 10, 2025

- Meeting Agenda
- Presentation
Education: Securities Monitoring and Litigation by Labaton Keller Scharow LLP and Imanaka Asato LLC
- Reports by Staff
 - 1 ERS 100th Anniversary Logo
 - 2 ERS Operations Report – Feb 2025.
 - 3 Retirement Benefits Branch Report.
- New Business
 - 1 2025 Board of Trustees Officers and Committee Assignments (Draft).
 - 2.1 Governance Policy Committee Charter.
 - 3.1 Administrative & Audit Committee Charter.
 - 3.1.1 Internal Audit Charter
 - 3.1.2 Ethics & Compliance Charter
 - 3.2 Internal Audit Update Report by KMH LLP.
 - 3.3 Risk Assessment Re-Evaluation and Proposed Two-Year Internal Audit Plan Report by KMH LLP.
 - 3.4 Compliance Support Staff Quarterly Update Report.
 - 3.6 2026 Trustee Election Proposed Timeline.
 - 4.1 Human Resources Committee Charter.
 - 5.1 Legislative Committee Charter.
 - 5.1.1 2024 Review of the Legislative Committee.
 - 5.2 Legislative Proposals Relating to the ERS.
 - 6.1 Investment Committee Charter
 - 6.2 Total Fund Performance for Period Ending December 31, 2024.
 - 6.3 Rotating Alternative Asset Class, Diversifying Strategies for Period Ending December 31, 2024.
 - 6.4 Budget Relating to the ERS 2025 Investment Summit.
- APPROVAL OF MINUTES – January 13, 2025

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

NOTICE OF REGULAR MEETING

AGENCY: Board of Trustees of the Employees' Retirement System of the State of Hawaii
DATE: Monday, March 10, 2025; 9:30 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_NDhiNjIhZmQtZTY0MS00ZDEyLWI4MWQtNWl5MWU1ZWQ4NTVm%40thread.v2/0?context=%7b%22id%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: 294 292 854 317 Passcode: 4hd6Ys7V

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: 500 180 49#

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

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, March 7, 2025, 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.

PRESENTATION

1. Labaton Keller Scharow LLP and Imanaka Asato LLC – Education: Securities Monitoring and Litigation.

REPORTS BY STAFF

1. Executive Director's Report on the Administration of the System with Respect to Significant Developments in Investments, Policy, Potential Legislation, and Regulatory Matters.
2. Deputy Executive Director's Report on the Operations of the System with Respect to Issues Affecting Member Services, Accounting, and Information Systems.
3. Retirement Benefits Branch Report on General Duties, Current and Future Projects, Goals, and Achievements.

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. Discuss 2025 Board of Trustees Election of Officers and Committee Assignments.
2. Report of Activity by the Governance Policy Committee.
 - 2.1. Review and Approve the Governance Policy Committee Charter.
3. Report of Activity by the Administrative & Audit Committee Chair.
 - 3.1. Review and Approve the Administrative and Audit Committee, Internal Audit and Ethics & Compliance Charters to Include Evaluation of Committee Performance for 2024.
 - 3.2. Internal Audit Update Report by KMH LLP on the Current Status of Activities Completed During Q4, 2024, and an Update on the Completion Status of Management Action Plans for Past Internal Audit Observations and Recommendations.
 - 3.3. Risk Assessment Re-Evaluation and Proposed Two-Year Internal Audit Plan Report by KMH LLP. The Re-Evaluation and Plan Contain Proposed Assurance, Advisory, and Other Projects for 2025 and 2026.
 - 3.4. Compliance Support Staff Quarterly Update Report on the Implementation of ERS' Compliance Program, Governance, Risk, and Compliance Platform, and Risk Strategy.
 - 3.5. Update on Employer Reporting of Payroll Information Required by Act 87, SLH 2015.
 - 3.6. Proposed Timetable Outlining the Process of the 2026 Trustee(s) Election for a General Employee and a Retirant.
4. Report of Activity by the Human Resources Committee Chair.
 - 4.1. Review and Approve the Human Resources Committee Charter to Include Evaluation of Committee Performance for 2024.
 - 4.2. Review the Activities and Timeline of the Human Resources Committee.
 - 4.3. Discuss the Compensation Plan.
 - 4.4. Discuss the Recruitment, Process, and Timeline for Executive Leadership Search.
5. Report of Activity by the Legislative Committee Chair.
 - 5.1. Review and Approve the Legislative Committee Charter to Include Evaluation of Committee Performance for 2024.
 - 5.2. Review and Approve the Proposed Board's Position on Bills Relating to the Employees' Retirement System for the 2025 Legislative Session as Recommended (included on Schedule A).
 - 5.3. Identify and Discuss Future Legislative Proposals Determined to be Necessary or Desirable for the System's Investments, Administration, and/or Operations.
6. Report of Activity by the Investment Committee Chair.
 - 6.1. Review and Approve the Investment Committee Charter to Include Evaluation of Committee Performance for 2024.
 - 6.2. Review Total Fund Performance for Period Ending December 31, 2024.
 - 6.3. Review Rotating Alternative Asset Class, Diversifying Strategies for Period Ending December 31, 2024.
 - 6.4. Discuss and Approve Budget Relating to the Employees' Retirement System 2025 Investment Summit.

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 – January 13, 2025

EXECUTIVE SESSION

1. Executive Session, pursuant to HRS §92-5(a)(4), to consider and consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities with respect to Securities Monitoring and Litigation.
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), 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 the Closure of Weiss Asset Management.
4. Executive Session, pursuant to HRS §92-5(a)(4), to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities with respect to an Update on Stanley Capital Partners Fund Investment.
5. 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 Robin J. Benedict, Civil No. 19-1-0253.
6. 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 Kirk L. Flores, Sr., Civil No.3CCV-24-0000028.
7. 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 for Cynthia Giebink vs. ERS, Civil No. 2CCV-23-0000113.
8. Executive Session, pursuant to HRS § 92-5(a)(2), (3) and (4), to consider the hire, evaluation, dismissal, or discipline of employee(s), where consideration of matters affecting privacy will be involved; to deliberate concerning the authority of persons designated by the Board to conduct labor negotiations; and to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities with respect to the Recruitment and Evaluation of Executive Leadership and Management Staff.
9. Executive Session, pursuant to HRS §92-5(a)(8), to Review and Approve Executive Session Minutes of January 13, 2025.
10. Executive Session, pursuant to HRS §92-5(a)(8), to Review and Approve the Confidential Executive Session Minutes of January 13, 2025.

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, March 5, 2025, 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.

Schedule A

#	Bill Number(s)	Bill Title
1	GM560	Submitting for consideration and confirmation to the Board of Trustees of the Employees' Retirement System, Gubernatorial Nominee, DAVID LOUIE, for a term to expire 01-01-2030.
2	HB131	RELATING TO RESEARCH. (Public Records)
3	HB214 HD1/SB99	RELATING TO GOVERNMENT. (Retirant Return to Work)
4	HB300/SB473	RELATING TO THE STATE BUDGET. (Budget Bill)
5	HB806 HD1	RELATING TO FIREWORKS. (Previously - Felony Forfeiture of Pension)
6	HB813 HD1	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM. (Tier 2 Vesting)
7	HB841 HD2/SB1546	RELATING TO RETIRED TEACHERS. (Retirant Return to Work)
8	HB1041 HD1/SB1360 SD1	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM. (ERS - Automatic Payments)
9	HB1042 HD1/SB1361	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM'S EMPLOYER REPORTING REVIEW. (ERS - Employer Reporting)
10	HB1082/SB1401	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM. (Governor's Tier 2 Vesting)
11	HB1183 HD2	RELATING TO ALLOWANCE ON SERVICE RETIREMENTS. (Law Enforcement Employees)
12	HB1388 HD1	RELATING TO RETIRANTS. (Retirant Return to Work)
13	HB1425 HD1/SB1514 SD1	RELATING TO THE LEGISLATURE. (Year-Round Legislature)
14	SB175 SD1	PROPOSING AN AMENDMENT TO ARTICLE VI, SECTION 3, OF THE HAWAII STATE CONSTITUTION TO INCREASE THE MANDATORY RETIREMENT AGE FOR STATE JUSTICES AND JUDGES.
15	SB325 SD1	RELATING TO THE GENERAL FUND. (Deposit to Post-Employment Benefit Trust Fund)
16	SB381 SD1	RELATING TO PUBLIC AGENCY MEETINGS. (Boards in Open Meetings)
17	SB406 SD1	RELATING TO COPYING FEES. (Public Records)
18	SB418 SD1	RELATING TO REGULATORY SUNSET REVIEW IN HAWAII. (Admin Rules)
19	SB442	RELATING TO GOVERNMENT. (Retirant Return to Work)
20	SB935 SD1	RELATING TO GOVERNMENT. (Retirement Allowance for Judges and Tier 2 Vesting)
21	SB1543 SD2	RELATING TO GOVERNMENT ACCOUNTABILITY. (Cap on Hiring External Consultants)
22	SB1651 SD1	RELATING TO PUBLIC MEETINGS. (Board Packets)



Portfolio Monitoring and Securities Litigation

Presented by:

Michael P. Canty, Partner, Labaton Keller Sucharow LLP

Hui Chang, Of Counsel, Labaton Keller Sucharow LLP

March 2025

Overview

- ✧ Securities Litigation and the PSLRA
- ✧ PSLRA History and Requirements
- ✧ Securities Cases Under the PSLRA
- ✧ Impact of Institutional Investor Participation
- ✧ Federal Securities Class Action Lifecycle
- ✧ Portfolio Monitoring
- ✧ Labaton Keller Sucharow: About the Firm

Securities Litigation and the PSLRA

- ✘ Section 10(b) of the Securities Exchange Act of 1934 does not expressly provide for a private right of action. But Courts have implied a private right of action since the mid-1940s.
- ✘ Leading up to the enactment of the PSLRA, Congress was concerned with several issues, many of which were discussed in a June 1995 Senate report. These concerns include:
 - ✓ Filing cases is a “race to the courthouse”
 - ✓ Attorneys lead the litigation
 - ✓ “Professional Plaintiffs” are repeat players
 - ✓ Most individual investors lack sophistication and significant impact
 - ✓ Attorneys have the greatest incentive to bring and settle cases

PSLRA History and Requirements

- ✘ 1995: Proposal and passing of the PSLRA. Key provisions include: (i) Heightened pleading standard; (ii) Safe harbor provision; and (iii) Sanctions provisions.
- ✘ PSLRA's intended effect: (i) Investor Protection, (ii) Reform, and (iii) Invite Institutional Investors
- ✘ PSLRA Requirements:

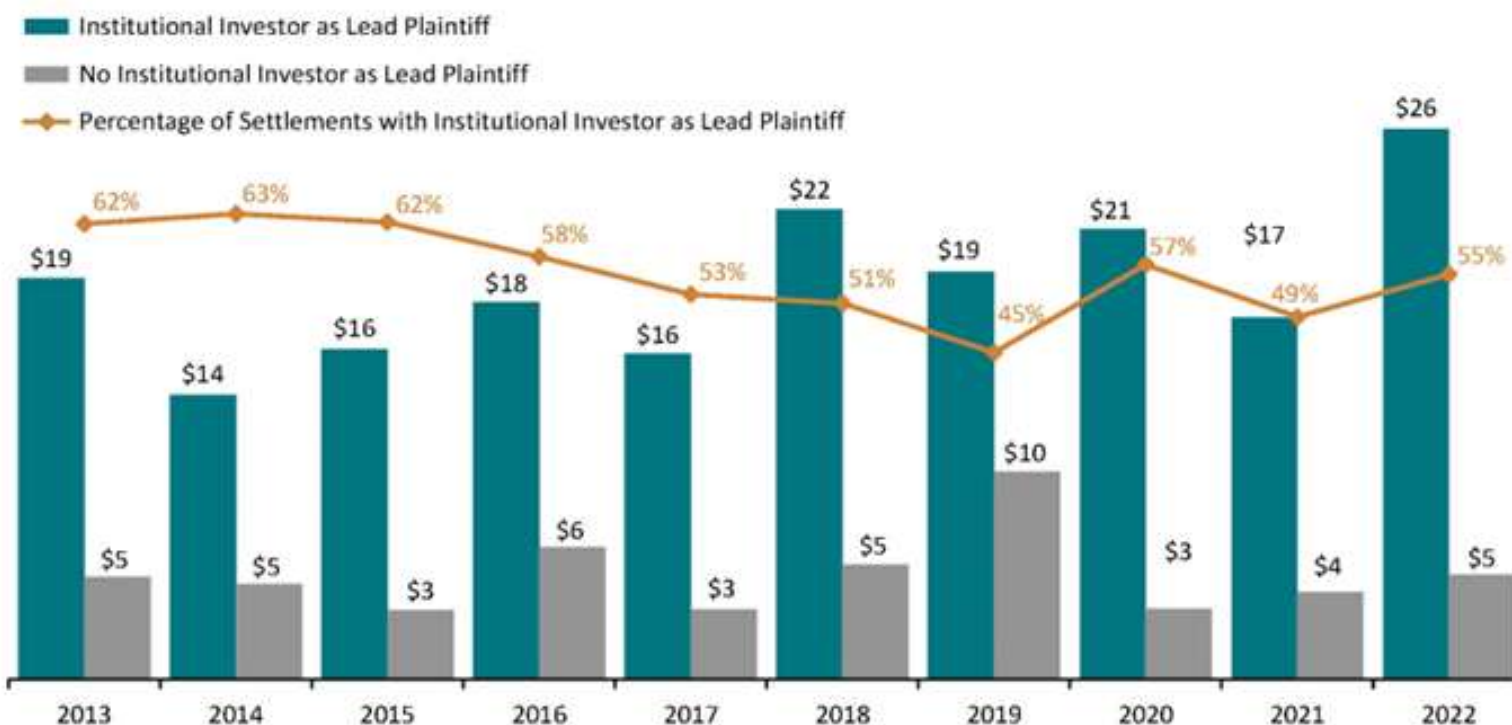
Heightened Pleading Standard	60-Day Lead Plaintiff Deadline and the 90-Day Look Back Period	Automatic Stay of Discovery
Safe Harbor	Lead Plaintiff(s) Requirements	Sanctions Provisions

Securities Cases Under the PSLRA

- ✘ Setting a higher standard:
 - ✓ Rise of Investigative Teams
 - ✓ Use of Confidential Witnesses
 - ✓ Vetting cases for strong merits
- ✘ Recoveries have increased
- ✘ US Congress expressly sanctioned private lawsuits as a means to regulate private markets.
- ✘ US Congress Legislated a **PRIVATE** Right of Action for Federal Securities Fraud Cases.
- ✘ The law (PSLRA) **EXPECTS** institutional investors to step forward to be the representative Plaintiff in these actions to keep markets safe for all investors.
- ✘ The institutional investor with the largest financial loss or stake in the litigation is typically appointed the Lead Plaintiff.
- ✘ Private law firms have the resources and specialization to pursue corporate wrongdoers.

Impact of Institutional Investor Participation

- ✘ 2010-2012: Pension funds made up 40% of the lead plaintiffs in cases filed.
- ✘ A 2010 study on this correlation identified a **58.9% increase** in settlement size.
- ✘ A 2012 study found that securities actions led by institutional investors are associated with a **lower probability of dismissal**.



Note: Settlement dollars are adjusted for inflation; 2022 dollar equivalent figures are presented.

Federal Securities Class Action Lifecycle

Initial Filing & Lead Plaintiff Appointment



Movants file initial complaints with the court, broadly outlining the fraud alleged and demonstrating losses.

Courts typically appoint the movant with the largest losses as Lead Plaintiff.

Lead Plaintiff Files Amended Complaint



Court-appointed Lead Plaintiff files a particularized pleading sufficient to satisfy the heightened pleading standards of the Private Securities Litigation Reform Act (“PSLRA”).

The allegations typically stem from a firm’s proprietary company investigation.

Defendants File Motion to Dismiss



Defendants will attempt to have the case dismissed by alleging that the Amended Complaint lacks sufficient particularity to state a claim of fraud.

The parties will submit briefs to the court for determination.

Case Enters Discovery & Pre-Trial Phase



If the case is sustained, the parties enter discovery (*i.e.*, document exchange, depositions) and other pre-trial motions (*i.e.*, class certification).

Typically, following this phase, settlement will be negotiated/reached. If a settlement is not reached, the case proceeds to trial.

Portfolio Monitoring

- ✘ A key method in which public pension funds meet their fiduciary duties to their beneficiaries is through monitoring their portfolios for exposure to corporate improprieties and tracking any related securities suits.
- ✘ The U.S. Government Finance Officers Association (GFOA) advised that public pension plans: ***have a fiduciary obligation to recover funds lost through investments in public securities as the result of corporate mismanagement and/or fraud.***

Benefits of Portfolio Monitoring:

Make sure no money is left on the table

Reducing risks of U.S. investments

✓ Custodians do not always file claims for non-securities cases

Covering all bases beyond the U.S.

✓ Non-U.S. cases usually require active participation

About the Firm

- ✘ For more than 60 years, Labaton Keller Sucharow has championed investor rights.
- ✘ 90+ attorneys in New York, London, Delaware, and Washington, D.C. allow us to provide a complete range of shareholder services.
- ✘ Significant trial and appellate court experience.
- ✘ Seven of the Firm's partners have worked in government, including the Department of Justice.
- ✘ Notable team of in-house investigators, forensic accountants, and financial analysts.



Why Choose Labaton Keller Sucharow

At Labaton Keller Sucharow, our goal is to develop long-term relationships. While some firms put too much workload on clients, we value our clients' time and are committed to minimizing the time required for you to oversee cases in which you have an interest.

We recognize that quality communications with our clients are a key part of our success. In addition to our litigation services, we provide quarterly reports on any cases that affect our clients—whether they are active or passive participants—and maintain open lines of communication with our clients. When a client needs help understanding a notice, we want to be the Firm they can turn to.

The Firm stands out in the securities class action bar in that our monitoring, investigation, and litigation services are all performed in-house.

We are a recognized leader in the legal community and consistently rated as one of the top securities litigation law firms in the United States. Our "cutting edge work on behalf of plaintiffs" has earned us recognition as Securities Litigation Firm of the Year, Shareholder Rights Litigation Firm of the Year, Class Action Law Firm of the Year, and Top Plaintiff's Firm, among other accolades.

Working with Institutional Investors

- ✦ Labaton Keller Sucharow provides global securities portfolio monitoring and advisory services to more than 300 institutional investors with combined assets under management of more than \$4.5 trillion.
- ✦ Clients include Taft-Hartley pension funds, public pension funds, asset managers, insurance companies, hedge funds, and other large institutional investors throughout the United States, the U.K., Canada, and Europe.

Global
Portfolio
Monitoring



Securities
Litigation



Corporate
Governance and
Shareholder
Rights Litigation



Non-U.S.
Securities
Litigation

Key Team Members



Michael P. Canty
Partner
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Michael P. Canty is a Partner in the New York office of Labaton Keller Sucharow LLP, where he serves on the Firm's Executive Committee and as its General Counsel. In addition, he leads one of the Firm's Securities Litigation teams and serves as Chair of the Firm's Consumer Protection and Data Privacy Litigation Practice.

Highly regarded as one of the country's elite litigators, Mr. Canty has been recognized by *The Legal 500*, *Benchmark Litigation*, *The National Law Journal*, *New York Law Journal*, and *Lawdragon*.

Mr. Canty has successfully prosecuted a number of high-profile securities matters on behalf of institutional investors, including settlements against Alexion Pharmaceuticals (\$125M), The Allstate Corporation (\$90M), Okta (\$60M), and Novavax (\$47M), among others. Mr. Canty is actively leading the litigation of prominent cases against Fidelity National Information Services, Estée Lauder, ZoomInfo, and PG&E.

Prior to joining Labaton Keller Sucharow, Mr. Canty served as an Assistant U.S. Attorney in the U.S. Attorney's Office for the Eastern District of New York, where he was the Deputy Chief of the Office's General Crimes Section. During his time as a federal prosecutor, Michael also served in the Office's National Security and Cybercrimes Section.

Mr. Canty earned his Juris Doctor, cum laude, from St. John's University's School of Law.



Hui Chang
Of Counsel
hchang@labaton.com

Hui Chang is Of Counsel in the New York office of Labaton Keller Sucharow LLP and concentrates her practice in the area of shareholder litigation and client relations. As a co-lead of the Firm's Non-U.S. Securities Litigation Practice, Ms. Chang focuses on advising institutional investor clients regarding fraud-related losses on securities, and on the investigation and development of securities fraud class, group, and individual actions outside of the United States.

Ms. Chang previously served as a member of the Firm's Case Evaluation Group, where she was involved in the identification, investigation, and development of potential actions to recover investment losses resulting from violations of the federal securities laws, and corporate and fiduciary misconduct, and assisted the Firm in securing a number of lead counsel appointments in several class actions.

Ms. Chang earned her Juris Doctor from the University of California College of Law, San Francisco, where she worked as a Graduate Research Assistant and a Moot Court Teaching Assistant. She received her bachelor's degree from the University of California, Berkeley.

Ms. Chang is fluent in Portuguese and proficient in Taiwanese.



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Employees' Retirement System Monthly Operations Report Highlights – February 2025

- **STAFFING (updated through 3/3/2025)**

	Position Title	Vacant Date	Recruitment Status
1.	Program Specialist VI	6/1/24	2/26/25 – interview in process.
2.	Program Specialist	New pos.	4/19/24 – draft Position Description (PD) sent to ARO-HR for review and approval.
3.	Account Clerk V	10/17/22	PD in review w/ ARO since 9/26/23.
4.	Account Clerk V	5/1/24	2/11/25 – 89 day hire, nte 5/9/25, 3rd appointment
5.	Account Clerk V	1/1/25	PD needs to be updated.
6.	Administrative Assistant II	7/25/23	11/22/23 – revised PD in review w/ARO-HR
7.	Information Technology Band C (Applications Supervisor)	3/22/23	12/6/24 – one interview conducted; no selection; rqst new Cert list.
8.	Information Technology Band B (Systems)	2/16/24	11/22/24 – multiple rqst for new Cert list since 2/20/24.
9.	Information Technology Band B (Systems)	12/23/22	12/17/24 – three interviews conducted; no selection; rqst new Cert list.
10.	Information Technology Band B (Programmer)	1/1/24	1/22/25 – selected applicant declined cond.offer; rqst new Cert list..
11.	Information Technology Band B (Programmer)	11/1/24	11/5/24 – rqst new Cert list.
12.	Information Technology Band A (Systems)	12/17/24	2/21/25 – rqst sent to ARO-HR to open recruitment.
13.	Administrative Assistant II	1/1/24	3/3/25 – applicant accepted conditional offer.
14.	General Professional VI	4/16/24	2/21/25 – rqst sent to ARO-HR to open recruitment.
15.	General Professional VI (NIOSS)	5/16/20	2/24/25 – no qualified internal applicants; rqst external list.
16.	General Professional VI	3/16/22	9/12/24 – applicant not selected, rqst new Cert list.
17.	Retirement Claims Examiner V	1/1/24	Temporary Assignment (TA) approved for period 1/1 – 3/31/25; awaiting ARO-HR to open recruitment.
18.	Retirement Claims Examiner III	5/1/24	9/10/24 – 1 interview conducted; applicant not selected, rqst new Cert list.
19.	Retirement Claims Examiner III	6/17/24	2/21/25 – rqst sent to ARO-HR to open recruitment.
20.	Retirement Claims Examiner IV	7/29/24	7/30/24 – in process of opening recruitment.
21.	Retirement Claims Examiner III	1/1/25	2/21/25 – rqst sent to ARO-HR to open recruitment.
22.	Retirement Claims Examiner III	1/16/25	2/21/25 – rqst sent to ARO-HR to open recruitment.
23.	Office Assistant IV	2/24/24	Temporary Assignment (TA) approved for period 2/5 – 5/2/25; awaiting ARO-HR to open recruitment.
24.	Office Assistant IV	1/1/24	7/9/24 - awaiting new Cert list.
25.	Office Assistant IV	1/23/24	5/20/24 – selected applicant found other job; rqst new Cert list.
26.	Office Assistant III	2/16/24	2/5/25 – interviews in process.
27.	Investment Officer	New pos.	In process of establishing PD
28.	Senior Investment Officer	9/1/23	In process of revising PD & opening recruitment
29.	Investment Specialist	10/3/23	9/5/24 – no selection made; rqst new Cert list

- **MAJOR ACHIEVEMENTS, etc.**

- A. Retirement Benefits Branch (RBB)

- Finals – The Team finalized 122 retirees on estimated pension with a pending of 976. Team still has 0 applications over the 6-month standard. Currently, the Team continues to finalize September 2024 retirements.
- Neighbor Island & Outreach Activities
 - 02/03/2025 New Employee Orientation (Kauai)
 - 02/18/2025 New Employee Orientation (Kauai)
 - 02/20/2025 Kona Filing Session (Hilo)
 - 02/28/2025 City & County Honolulu Pre Retirement (Kauai & Hilo)

- B. Accounting Branch

- Working with GRS on GASB 67/68 for 2024.
- FY 2024 audit started with KKDLY. Audit reports scheduled for completion/issue in July 2025.
- 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.
- Work in progress for Tax Reclaims.

- C. Information Systems Branch (IS)

- Deployed 2 desktop computers
- Deployed 2 laptop/tablet
- Monthly patching/updating of non-prod servers
- Class Code Reports – Processed: 115
- Setup new FI-7700 Scanners to scan and export at the same time without interfering with each other
- Holomua Mail list sent
- Offboarding form (Termination Request) completed
- Completed Internal Audit Responses
- Completed first draft of Security Steering Committee proposal

- D. Administration

- Presented 2025 Bills for LEG Committee review and approval of proposed BOT position and discussion of future legislation
- Provided update to A&A Committee on Employer Reporting 2024 Legislative Report and current status with CCO Kona Mann
- Legislative monitoring, testimony development and submittal, responding to inquiries by legislators and others regarding ERS-related legislation

- Weekly Legislative updates to Board of Trustees and staff
- HRS 88-64 (Act 46, SLH 2023) implementation, process requests to review related cases, tax treatment of reported contributions
- Act 87 (SLH 2015) Employer Reporting (with Retirement Benefits and Accounting branches)
- Holomua newsletter articles, layout and production
- Completed 5 Uniform Information Practices Act research and responses
- Hawaii Domestic Relations Orders review and requests for information
- Submitted edits for B&F Annual Continuing Disclosure Report on 2/14/2025
- Worked with ERS staff and Trade Media Hui to design Centennial logo for ERS
- Issued memo to Charter School Commission regarding Charter School closing on 2/13/2025

E. Staff Support Services Branch (SSS)

- Walk in members: 510 in February, compared to 550 in January.
- Document Scanning and Indexing (on-going) – major backlog (approx. +2 million)

ACTIVITIES	COMPLETED
Prep, scanned and indexed Documents	3,454
Indexed Backlog documents	2,779
Finals Folder (prep/scan/index & QA) (project started 11/26/12)	6,250

*Due to V3 upgrade QA count no longer available

- **WEB STATISTICS for February 2025**

- Member Information – Sessions = 17,628
- General ERS Website – Sessions = 20,977

Top 12 viewed site pages (descending order):

	Page	Page views
1.	Benefits Calculator	7445
2.	Members > Planning For Retirement	6699
3.	Members > Member Forms	4607
4.	Resources > Contact Us	4085
5.	Members > Active	3890
6.	Resources > All Forms	3743
7.	Retirees > Retirees FAQs	2030
8.	Home > Administration	1933
9.	Retirees > Pension Info	1413
10.	About-the-ers	1025
11.	Retirees > Pension Forms	950
12.	HiDRO	939

RETIREMENT BENEFITS BRANCH ACTIVITIES – February 2025

Activities	Standard	Completed	Standard Percentage	Pending	Remarks
1. Enrollment	Within 1 month of receipt - Enrollment Forms	282	10% (Jan 9%)	3698	Lead staff out - FMLA extended leave since May 7. Plans being made to being March for OT project using 22 RBB staff to assist in backlog.
2. Estimates Requests	Within 6 months of retirement date	154	100% (Jan 100%)	208	
3. Initial Payments	After 1 month of retirement date	100	100% (Jan 100%)	0	
4. Refund Requests	Within 1 month after request, send letter	107	97% (Jan 100%)	31	3 out of 107 outside of 1 month request by 6-10days.
5. Refund Payments	Within 2 months after receipt of applications	52	98% (Jan 100%)	76	1 outside of 2 month window. 9 out of 76 pending payments: incomplete applications.
6. Deaths (Active members)	Within 1 month of report of death, send letter	19	% (Jan 85%)	46	8 of 65 deaths reported – No benefits.
7. Death Payment (Active members)	Within 1 month of receipt of death claim form(s)	14	40% (Jan 100%)	21	Pending cases: Claim forms not received/other required documents.
8. Deaths (Retiree/Beneficiary)	Within 1 month of report of death, send letter	125	50% (Jan 52%)	250	
9. Death Payments (Beneficiary)	Within 1 month of receipt of death claim form(s)	57	100% (Jan 100%)	0	270 Pending – No death claims and forms from beneficiaries and estates
10. Ordinary Disability	Within 6 months complete application	2	100% (Jan 100%)	55	2 of 2 met the 6-month standard.
11. Service-Connected Disability/ Death	Within 14 months complete application	0	0% (Jan 80%)	43	No Service-Connected Disability Medical Board Reports were received in February 2025

Disability Standard – Below are the disability applications completed in February 2025 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	MCC	10/18/2024	1/22/2025	3	
	RT	11/25/2024	1/31/2025	2	
			Average	3	

Finals Report

Board of Trustees Meeting
February 28, 2025

Finals Production as of February 28, 2025

2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
Retirements Filed													
LY Finalized	259	292	180	192	204	208	279	167	209	186	195	180	2551
TY Projection	170	180	200	220	220	220	220	230	230	230	230	230	2580
Actual (filed)	119	121											240
Ord. Death	1	1											2
RMD	1	0											1
Total Finalized	121	122	0	0	0	0	0	0	0	0	0	0	243
Begin Pending	512	990											
New Retirements	582	103											685
Add'l (BOT & svc adj.)	15	4											19
Completion	-119	-121	0	0	0	0	0	0	0	0	0	0	-240
End Pending	990	976	0	0	0	0	0	0	0	0	0	0	

1. Highlights

- 122 Cases were finalized and paid in December.
- 121 Retirements, including 12 disability retirements and 0 RMD.
- 1 Active death monthly pension
- 0 Case was finalized with Act 134 Interest paid totaling \$0.00.
 - \$0.00 average interest paid.
- 21 Anti-spiking (Act 153) cases
- 976 Service and Disability retirements pending finalization.
 - Continue finalizing September 2024 retirements with 100% of the inventory within benchmark.
- Resources are currently at 6 Retirement Claims Examiner IV at full-time status.

2. Aging Status Standard: To finalize pensions within 6 months or interest starts on the 7th month

Pending Status:

Backlog Cases over 6 months: 0 (0%) including 1 Disability retirements.

Benchmark Cases within 6 months: 976 (100%) including 21 disability retirements.

3. Re-Finalization (On Hold)

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

Retirement Benefits Branch (RBB)

MARCH 10, 2025

LORI KOBAYASHI, RETIREMENT SYSTEM BENEFITS MANAGER

Retirement Benefits Branch (RBB)

- ❑ Overview
- ❑ Core Activities
- ❑ 2024 Accomplishments
- ❑ 2025 Upcoming Projects
- ❑ RBB Staffing
- ❑ Challenges

Overview

- ❑ Coordinates the Retirement Program for our active/inactive members and retirees of the:
 - State of Hawaii
 - City and County of Honolulu
 - Counties of Hawaii, Maui (including Lanai and Molokai), and Kauai
- ❑ Membership as of June 30, 2024
 - *130,004* (65,337/8,847 of active/inactive members)
 - 55,820 retirees/beneficiaries

Core Activities

- ❑ Enrollments (New and returning members)
- ❑ Deaths (Active & Retiree)
- ❑ Refunds (Terminating members)
- ❑ Counseling and Outreach Activities
- ❑ Program Changes (Procedural changes, V3 testing, research)

2024 Accomplishments

- As of September 30, 2024, no pending pensions to finalize over 6 months.
 - HRS Section 88-74.5 requires interest payments on pensions finalized after 6 months for retirements from January 1 – December 1 and 7 months for December 31.

- Unclaimed Properties
 - RBB sent 43 records via Accounting to transfer \$296,416 of death benefits where beneficiaries could not be located.

2024 Accomplishments

□ Employer Reporting

- Reporting requirements completed
- Employer audit process being established with assistance from KMH auditors
- Internal class code and personnel reporting process are being reviewed

2024 Accomplishments

- HRS 88-64 - Retroactive reinstatement; retroactive recission of suspension; retroactive payments (effective June 2023)
 - Development of process for new legislation affecting settlement cases in collaboration with Admin Program Specialist, DAG, and RBB
 - 20 letters sent out to inform members of the new requirements

2025 Projects

- ❑ Migration to V3locity
 - Initial assessment completed in January 2025
 - Development & testing planned for next two years before going live
- ❑ Temporary Hazard Pay (THP) payments
 - Payments made by Employers (i.e.: State, Maui County, UPW, and Judiciary) to retirees will require re-finalizations of pensions
 - Totals and payment reporting still to be determined
 - Still pending other employers (i.e.: City, Hawaii County, etc.) payments still under negotiations

2025 Projects

□ Branch Meetings

- Scheduling more branch meetings with entire staff to ensure we are all on the same page due to complexity of the benefit calculations

□ "Remodeling"

- RBB continues to assess the 14th floor for staff's relocation to be efficient & have all branch staff on one floor.

RBB Staffing (54)

- ❑ **General Professionals (3)** – Leads Sections (Membership, Benefits, and Neighbor Island & Operational Support Services) [3 Vacancies]
- ❑ **Supervisors (4)** – 2 per Section- Benefits and Membership [1 Vacant]
- ❑ **Retirement Claims Examiners (39)** including 7 Neighbor Island Staff (5 Vacancies)
- ❑ **Office Assistants (7)** – Clerical support (1 vacancy)
- ❑ **Retirement Systems Benefits Manager (1)**

Note: Pending Administration Program Specialist position to be detailed to RBB.

Challenges

- ❑ **Employer Reporting** – Specifically, on the electronic reporting of personnel and salary transactions (Act 87/2015) with the State and County entities to provide timely and accurate data for membership services. On-going joint efforts with Accounting and Administration on compliance requirements.
- ❑ **ERS Priorities** – Manage and coordinate RBB activities which requires other Section's collaboration to service our membership timely.
- ❑ **Staffing** – Completing assignments with limited resources due to our vacancies.

Thank you

2025
BOARD OF TRUSTEES OF THE
EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF HAWAII

OFFICERS & COMMITTEE ASSIGNMENTS

BOARD MEMBERS

Emmit Kane, Chair
Lance Mizumoto, Vice Chair
Vincent (Vince) Barfield
Catherine Chan
Genevieve (Genny) Gines Ley
David Louie
Luis Salaveria
Bennett Yap

ADMINISTRATIVE & AUDIT COMMITTEE (2/18/25)

Catherine Chan, Chair
Vincent (Vince) Barfield, Vice Chair
Genevieve (Genny) Gines Ley
Luis Salaveria

HUMAN RESOURCES COMMITTEE (2/19/25)

Vincent (Vince) Barfield, Chair
Genevieve (Genny) Gines Ley, Vice Chair
Catherine Chan
David Louie

INVESTMENT COMMITTEE (2/18/25)

Lance Mizumoto, Chair
Bennett Yap, Vice Chair
Vincent (Vince) Barfield
Emmit Kane

LEGISLATIVE COMMITTEE (2/13/25)

Genevieve (Genny) Gines Ley, Chair
Bennett Yap, Vice Chair
Lance Mizumoto
David Louie

GOVERNANCE POLICY COMMITTEE

Emmit Kane, Chair
(Board Chair)
Lance Mizumoto, Vice Chair
(Board Vice Chair &
Investment Committee Chair)
Vincent (Vince) Barfield
(Human Resources Committee Chair)
Catherine Chan
(Administrative & Audit Committee Chair)
Genevieve (Genny) Gines Ley
(Legislative Committee Chair)



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
GOVERNANCE POLICY COMMITTEE CHARTER

I. PURPOSE

The purpose of the Governance Policy Committee (“Committee”) is to carry out the responsibilities delegated to it by the Board of Trustees of the Employees’ Retirement System of the State of Hawaii (“Board”) relating to research, implementation and monitoring of best practices for governance toward fulfillment of fiduciary duties, oversight of investment policies and guidelines, and the efficient, effective administration of the Employees’ Retirement System of the State of Hawaii (“ERS”).

II. COMMITTEE MEMBERSHIP

The Committee shall be composed of the Chairpersons of the standing committees of the Board. The Board Chair and Board Vice Chair will be the Governance Policy Committee Chair and Vice Chair, however, if the Board Vice Chair is not a chair of a standing committee, the Governance Committee will appoint the Board Vice Chair as a member and to serve as Vice Chair of the Committee. The members of the Committee shall be appointed for one-year terms and shall serve for such term or terms as the Board may determine or until earlier resignation. The Board may remove any member from the Committee at any time with or without cause.

III. MEETINGS

The Committee shall meet at such times and places as it deems necessary to fulfill its responsibilities. The Committee shall report to the Board regarding its actions and make recommendations to the Board as appropriate. The Committee may invite such members of management and advisors to its meetings as it deems appropriate. The Committee shall review this Charter periodically and recommend any proposed changes to the Board for approval.



**Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
GOVERNANCE POLICY COMMITTEE CHARTER**

IV. AUTHORITY AND RESPONSIBILITIES

The Committee shall have the following authority and responsibilities regarding the administration of the ERS:

- To review the ERS's Governance Plans and Procedures.
- To assign and provide direction to the Executive Director and Deputy Executive Director on priorities and actions to successfully execute the governance responsibilities of the Administrative Branch.
- To review and draft governance policies, guidelines and recommendations for the Boards consideration.

The Committee shall have the following authority and responsibilities regarding ERS Legislation:

- To recommend and review proposed legislation relating to the ERS governance introduced by the ERS and by other parties, and to assign and provide direction for the Executive Director and Deputy Executive Director on priorities and actions to successfully support such legislative goals and responsibilities of the ERS.
- To recommend support, opposition, or monitor of proposed legislation relating to the ERS governance to the full Board for its consideration.

V. OUTSIDE ADVISORS

The Committee shall have the authority, in its sole discretion, to obtain the advice of any ERS consultant or ERS service provider as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Committee shall have the authority, in its sole discretion, to obtain the advice and the assistance of ERS's legal counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall not be required to implement



**Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
GOVERNANCE POLICY COMMITTEE CHARTER**

or act consistently with the advice or recommendations of its consultant, legal counsel or other advisor to the Committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter. The consultant(s), outside counsel and any other advisors retained by, or providing advice to, the Committee (other than the ERS's in-house counsel) shall be independent as determined in the discretion of the Committee.

VI. PERFORMANCE EVALUATION

The Committee shall conduct aperiodic evaluation of the performance of its duties under this Charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.

Adopted and Approved by the Board of Trustees: December 9, 2019, September 14, 2020, April 11, 2022, March 13, 2023, March 11, 2024, March 10, 2025
Revised and Accepted by the Governance Policy Committee: July 24, 2020, March 28, 2022, March 7, 2023



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
ADMINISTRATIVE & AUDIT COMMITTEE CHARTER

I. PURPOSE

The Administrative & Audit Committee (“Committee”) of the Employees’ Retirement System (“ERS”) of the State of Hawaii is a committee of the Board of Trustees (“Board”). Its primary function is to assist the Board in fulfilling its oversight responsibilities relating to:

- A. The integrity of the ERS’s financial statements, accounting and financial reporting processes including internal and external audits;
- B. The ERS’s compliance with legal and regulatory requirements;
- C. The qualifications, independence and the performance of the ERS’s Internal and External Auditors;
- D. Monitoring the performance of the systems of internal controls established by Management and the Board;
- E. The business practices and ethical standards of the ERS;
- F. The review and monitoring of the administration of the ERS; and
- G. The review and monitoring of the Compliance Program.

The Committee provides an avenue of open and free communication between the Board, the Internal Auditors, the External Auditors, the Chief Compliance Officer, and Management of the ERS.

II. COMMITTEE MEMBERSHIP

- A. The membership of the Committee shall consist of at least three members of the Board.
- B. The Board members of the Committee shall be appointed annually by the Board Chair. Committee appointments can be changed at the discretion of the Board Chair at any time. In the event of a vacancy (due to member resignation, removal, or death), the Board Chair will appoint a replacement to serve the remainder of the term.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
ADMINISTRATIVE & AUDIT COMMITTEE CHARTER

- C. The members of the Committee shall be responsible for electing its Chair and Vice Chair.

III. MEETINGS

- A. The Committee must meet at least three (3) times per year or more frequently as circumstances require, with prior notice and publication of the agenda as provided by law.
- B. The Committee may ask members, ERS Management, advisors, and others to attend Committee meetings to provide pertinent information as necessary.

IV. AUTHORITY

The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. In the conduct of any investigation, the Committee shall have the authority to seek information it requires from ERS employees, Management, and external parties; and to engage advisors, or otherwise obtain independent legal, accounting, consulting, or other professional services it requires, at the expense of the ERS, with the approval of the Board.

V. RESPONSIBILITIES

The Committee provides oversight of various ERS functions: Administration, Risk Assessment, Internal Audits, External Audits, and Others. In fulfilling its oversight responsibilities, Committee members need to maintain an independent stance. Members of the Committee shall be considered independent if they have no relationship to the ERS that may interfere with the exercise of their fiduciary responsibilities.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
ADMINISTRATIVE & AUDIT COMMITTEE CHARTER

It is the duty of the Committee to report regularly to the Board with respect to any issues that arise concerning:

- A. The quality or integrity of the ERS's financial statements;
- B. The ERS's compliance with legal or regulatory requirements;
- C. The performance and independence of the ERS's External Auditors;
- D. The performance of the internal audit function;
- E. The allegations of serious suspected misconduct;
- F. Or any other matter within the scope of the Committee's function.

In carrying out its oversight responsibilities, the Committee's practices/procedures should remain flexible in order to best react to changing conditions and assure the Board that the risk assessment process, the accounting and financial reporting processes, internal controls, and internal and external auditing are in accordance with all related requirements and are of the highest quality.

Oversight Responsibilities Regarding Administration:

- A. Annually review the ERS strategic goals and objectives adopted by the Board and if appropriate, recommend any changes.
- B. Monitor Administration's implementation of these strategic goals and objectives.
- C. Provide direction to the Executive Director (ED) and Deputy Executive Director (DED) on priorities and actions to successfully execute the responsibilities of the Administrative Branch.
- D. Monitor compliance with administrative policies.
- E. Review and monitor the operating budget and provide recommendations to the full Board as necessary.

Oversight Responsibilities Regarding Risk Assessment:

- A. Inquire of Management, the Internal Auditors, and the External Auditors about significant risks or exposures.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
ADMINISTRATIVE & AUDIT COMMITTEE CHARTER

- B. Meet with the necessary parties to discuss the results of periodic risk assessments and obtain a clear understanding of the risk assessment process.
- C. Assess the steps Management has taken to minimize significant risks or exposures to the ERS.

Oversight Responsibilities Regarding Internal Audits:

- A. Where appropriate, oversee the procurement of internal auditing services and recommend to the Board:
 - 1. The Internal Auditor to be nominated;
 - 2. Approval of fees for the Internal Auditor; and
 - 3. The discharge of the Internal Auditor.
- B. Review the adequacy and effectiveness of the ERS's accounting and financial controls (including information technology and security controls) with:
 - 1. Personnel (from financial, accounting, and information systems);
 - 2. Internal and External Auditors; andelicit any recommendations to improve the system of internal controls or particular areas where new or more detailed controls or procedures are desirable.
- C. Obtain an understanding of any corrective actions to be taken with regard to controls and procedures.
- D. Recommend to the Board any co-sourcing or outsourcing internal audit services.
- E. Review the ERS Internal Audit Charter, including the independence and authority of the internal audit function, and its reporting obligations, qualifications, and staffing for the calendar year, and recommend its approval to the Board.
- F. Review the annual Internal Audit Plan (and all major changes to the plan) and recommend its approval to the Board.
- G. Review the reports and findings/recommendations of the Internal Auditors and the responses of the ERS Management, and monitors completion of Management's action plans.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
ADMINISTRATIVE & AUDIT COMMITTEE CHARTER

- H. Review a summary of major findings from completed internal audits and a progress report on the execution of the Internal Audit Plan and Management's implementation of action plans.
- I. Support the Chief Audit Executive through regular, direct communications.
- H. Meet separately with the Chief Audit Executive¹ and/or Management to discuss any matters that the Committee, or these parties, believe should be discussed privately.
- J. Review the effectiveness of the internal audit functions, including compliance alignment with the Institute of Internal Auditors' Global International Audit Standards for the Professional Practice of Internal Auditing.
- K. Report the results of the Internal Audit Plan to the Board. At the invitation of the Committee, the Internal Auditors will attend Board meetings to assist in reporting the results of the Internal Audit Plan and to answer questions.

Oversight Responsibilities Regarding External Audits:

- A. Obtain a basic understanding of government accounting, financial reporting, auditing processes, and critical policies, and ensure that the financial leadership team is qualified and competent.
- B. The State Office of the Auditor is responsible for the procurement of external auditing services and determines:
 - 1. The External Auditor to be nominated;
 - 2. Approval of the audit fees of the External Auditor; and
 - 3. The discharge of the External Auditor.
- C. Review prior year comments from the Government Finance Officers Association (GFOA) in its determination of the ERS's compliance with the requirements for the Certificate of Achievement in Financial Reporting, where applicable.
- D. Review with Management and the External Auditor the draft financial statements to be filed with the GFOA.

¹ The Chief Audit Executive may be an individual employee or a firm contracted to outsource or co-source the internal audit function.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
ADMINISTRATIVE & AUDIT COMMITTEE CHARTER

- E. Assess the integrity of the annual financial statements and related disclosures, including significant accounting judgements and estimates.
- F. Review and examine the independence (including any potential conflict of interest) of the External Auditor, including a review of Management consulting services and related fees provided by the External Auditor.
- G. Review with the External Auditor the coordination of audit effort to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.
- H. Review, at least annually, with Management and/or the External Auditor:
 - 1. Scope of the proposed audit for the current fiscal year and the procedures to be utilized.
 - 2. The ERS's annual financial statements and related footnotes.
 - 3. The External Auditor's audit of the financial statements and audit report thereon.
 - 4. The adequacy of the ERS's internal financial controls.
 - 5. Any significant changes required in the External Auditor's scope and audit plan.
 - 6. Other matters related to the conduct of the audit, which are to be communicated to the Committee under Generally Accepted Government Auditing Standards, including audit adjustments made and passed.
 - 7. Judgments about the quality, not just the acceptability of accounting principles and the clarity of the financial disclosures.
 - 8. Any difficulties encountered in the course of the external audits, including any disputes with Management, restrictions on the scope of their work or access to required information.
- I. Consider and review with Management any significant findings during the fiscal year and recommendations of the External Auditor's and Management's responses thereto.
- J. Meet separately with the External Auditor and/or Management to discuss any matters the Committee, or these parties, believe should be discussed privately with the Committee.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
ADMINISTRATIVE & AUDIT COMMITTEE CHARTER

- K. Report the results of the annual external audit to the Board. At the invitation of the Committee, the External Auditor will attend Board meetings to assist in reporting the results of the annual audit and to answer questions.

Oversight Responsibilities Regarding the Ethics and Compliance Program:

- A. Annually review the goals and objectives adopted by the Board and, if appropriate, recommend any changes.
- B. Periodically review the Ethics and Compliance Program Charter and make revisions, if necessary.
- C. Periodically evaluate the program and exercise reasonable oversight with respect to the implementation and effectiveness of the program.

Other Oversight Responsibilities:

- A. Report Committee actions, including any investigative actions, to the Board with such recommendations as the Committee may deem appropriate.
- B. Monitor the implementation of procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, auditing or other matters, including mechanisms for anonymous submission of related concerns by ERS employees or the appropriate bodies.
- C. Consult with the Attorney General on legal matters regarding financial transactions, fraud, or any other issue that could have a significant impact on the annual reports.
- D. Obtain any information and training needed to enhance the Committee members' understanding of the role of Internal and External Auditors, the risk management process, internal controls and a certain level of familiarity in government financial reporting standards and processes.
- E. Obtain the Board's approval of this Charter and, on an annual basis, evaluate the adequacy of this Charter and recommend any proposed changes to the Board for approval.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
ADMINISTRATIVE & AUDIT COMMITTEE CHARTER

- F. Confirm annually that the Committee has performed its responsibilities as outlined in this Charter.
- G. Coordinate with the Legislative Committee, Investment Committee, Governance Policy Committee, and Human Resources Committee, as deemed necessary.
- H. Perform such other functions as assigned by the Board.

VI. LIMITATIONS OF THE ADMINISTRATIVE AND AUDIT COMMITTEE'S ROLE

- A. It is not the duty of the Committee to plan or conduct audits or to determine that the ERS's financial statements are complete, accurate, and in accordance with Generally Accepted Accounting Principles. This is the responsibility of Management and the External Auditors.
- B. While the Committee is responsible for reviewing the ERS's policies and practices with respect to risk assessment and management, it is the responsibility of the Executive Director and Senior Management to determine the appropriate level of the ERS's exposure to risk.

Adopted and Approved by the Board of Trustees: June 12, 2012, August 10, 2020, April 11, 2022, March 13, 2023, March 11, 2024, March 10, 2025

Accepted by the Governance Policy Committee: March 28, 2022, March 7, 2023

Revised and Accepted by the Administrative & Audit Committee: July 21, 2020, February 9, 2022, February 22, 2023, January 31, 2024, February 18, 2025



Employees' Retirement System of the State of Hawaii

BOARD OF TRUSTEES

INTERNAL AUDIT CHARTER

I. **INTRODUCTION**

Internal auditing is an independent, risk-based, objective assurance and consulting advisory activity¹ designed to create, protect, and sustain add-value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal audit function is most effective when:

- Internal auditing is performed by competent professionals in alignment with the Institute of Internal Auditor's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Administrative & Audit Committee and Board of Trustees.
- Internal auditors are free from undue influence and committed to making objective assessments.

II. **ROLE OF INTERNAL AUDIT**

The Internal Audit function of the Employees' Retirement System ("ERS") is established by the ERS Board of Trustees ("Board") and its responsibilities are defined in this charter which is approved by the Board. The Chief Audit Executive ("CAE"), which may be an individual employee or a firm contracted to outsource or co-source

¹ As defined by the Institute of Internal Auditors, an *assurance* activity is an examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization, while consulting-an advisory activity refers to advisory-consulting and related client service activities intended to add value and improve an organization's processes.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
INTERNAL AUDIT CHARTER

the internal audit function, reports functionally to the ERS Administrative & Audit Committee (“Committee”) and administratively to the ERS Executive Director (“ED”) or designee. Approval from the Board is required for the hiring, compensation, removal, or replacement of the CAE.

The objectives of Internal Audit are to assist management and employees of the ERS in the effective discharge of their responsibilities by providing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed and to promote effective internal controls at a reasonable cost.

III. AUTHORITY

The CAE and the Internal Audit staff are authorized to:

- A. Review all areas of the ERS;
- B. Have full, free, and unrestricted access to all of the ERS’s activities, records, physical property, and personnel necessary to complete their work. Internal auditors are accountable for confidentiality and safeguarding records and information;
- C. Have full, free, and unrestricted access to the Board, Committee, ED, Deputy ED, Chief Investment Officer, Branch Chiefs, and all members of management;
- D. Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- E. Obtain the necessary assistance of personnel in units of the ERS where they perform audits, as well as other specialized services from within or outside the ERS.

The CAE and the Internal Audit staff are not authorized to:

- F. Perform any operational duties for the ERS;
- G. Initiate or approve accounting transactions external to the internal audit function; nor
- H. Direct the activities of any ERS employee not employed by the internal audit function, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
INTERNAL AUDIT CHARTER

IV. INDEPENDENCE & OBJECTIVITY

The CAE will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the CAE determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors have no direct responsibility or any authority over any of the activities or operations that they review. They should not develop and install procedures, prepare records, or engage in activities that would normally be reviewed by internal auditors.

Internal Audit's objectivity is not adversely affected, however, by recommending standards of controls to be applied in developing systems and procedures, or by evaluating existing or planned financial and operating systems and related procedures, and making recommendations for modification and improvements thereto in order to improve controls and/or enhance operational effectiveness.

V. SCOPE OF WORK

The scope of ~~work of the Internal Audit function is to determine whether the ERS's network~~ internal audit activities encompasses, but is not limited to, objective examinations of evidence to provide independent assurance and advisory services to ERS and



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
INTERNAL AUDIT CHARTER

management on the adequacy and effectiveness of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Operations are consistent with established goals and objectives.
- Operations are being carried out effectively, efficiently, ethically, and equitably.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the ERS's control process.
- Significant legislative or regulatory issues impacting the ERS are recognized and addressed properly.

Opportunities for improving management control, process efficiency, and the ERS's image may be identified during audits. They will be communicated to the appropriate level of management.

VI. RESPONSIBILITIES

Internal Audit is responsible for the following activities:



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
INTERNAL AUDIT CHARTER

Standards

- A. ~~The CAE is responsible for ensuring that all activities of the internal audit function are carried out in compliance with the Institute of Internal Auditors' ("IIA") mandatory guidance including the "Definition of Internal Auditing," the "Code of Ethics," and applicable standards found in the "International Standards for the Professional Practice of Internal Auditing."~~ Ensure internal audit engagements are performed, documented, and communicated in alignment with the Global Internal Audit Standards and laws and/or regulations.
- B. Conduct a periodic risk assessment for the ERS and present the results to the Committee.
- C. ~~Develop a flexible annual Internal Audit Plan using an appropriate risk-based methodology~~ Biennially develop a two-year risk-based internal audit plan, which considers risks or control concerns identified by management, and submit the plan to the Committee and the Board for review and approval. Review and adjust the internal audit plan with appropriate approval by the Committee, as necessary.
- D. Implement the annual Internal Audit Plan, as approved, including, and as appropriate, any special tasks or projects requested by management, the Committee, and the Board.

Ethics

- E. Review the adequacy of the ERS's adopted code of conduct activities, including the process to receive, retain, and treat complaints received on accounting and auditing matters.
- F. Monitor management's process for ensuring compliance with Hawaii Revised Statutes – Chapter 84, Standards of Conduct ("State Ethics Code").



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
INTERNAL AUDIT CHARTER

Monitoring & Follow-Up

- G. Evaluate any plans to correct reported conditions for satisfactory improvement of the business process.
- H. Provide adequate follow-up to ensure corrective action is taken and evaluate its effectiveness before recommending closure of an issue.
- I. Monitor and evaluate the effectiveness of the organization's risk management processes.

Reporting

- J. Prepare and issue a written report following the conclusion of each audit and follow-up audit. This report shall include significant findings, recommendations to management, and management's action plan. A copy of the report will be forwarded to the Committee, ED, Deputy ED, Chief Compliance Officer, and appropriate members of management.
- K. Inform and advise management and the Committee as to significant deficiencies or other substantive issues noted in the course of its activities.
- L. Provide periodic reports on Internal Audit's progress on implementing the annual Internal Audit Plan, including management's progress on addressing previously reported matters, the impact of resource limitations, and significant interim changes.
- M. On a regular basis, the CAE will meet separately with the Committee to discuss any matters that is deemed necessary by the Committee or Internal Audit.

Other

- N. Conduct special examinations at the request of management or the Committee.
- O. Perform consulting services, beyond internal auditing assurance services, to assist management in meeting its objectives. Examples may include facilitation, consultation on internal control improvement initiatives, training, and advisory services.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
INTERNAL AUDIT CHARTER

- P. Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the Committee of the results.
- Q. Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- R. Keep the Committee informed of emerging trends and successful practices in internal auditing.
- S. Review this Internal Audit Charter on an annual basis to ensure the purpose, authority, and responsibilities of Internal Audit continue to be adequate in accomplishing its objectives. Modify as appropriate and submit to the Committee and ED for review and approval.

Adopted and Approved by the Board of Trustees: June 12, 2012, April 11, 2022, March 13, 2023, March 11, 2024, March 10, 2025

Accepted by the Governance Policy Committee: March 28, 2022, March 7, 2023

Revised and Accepted by the Administrative & Audit Committee: June 9, 2020, February 22, 2023, January 31, 2024, February 18, 2025



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
ETHICS & COMPLIANCE CHARTER

I. INTRODUCTION

The Employees' Retirement System ("ERS") Ethics and Compliance function is an independent monitoring, advisory, review, and reporting activity established within ERS to assist the organization in fulfilling its mission, vision, and fiduciary responsibilities by complying with laws, regulations, and ERS policies, for which oversight has been assigned. The function strives to ensure, promote and support an organizational culture that builds ethics and compliance awareness into the daily business processes for ERS. ERS's Compliance Program will accomplish this mission by monitoring business activities, policies and procedures, and by establishing an infrastructure that provides additional assurance to management that program areas are in compliance.

The Chief Compliance Officer ("CCO") is authorized to engage in independent reviews and activities for the development and implementation of a comprehensive system of operational controls to prevent illegal, unethical, or improper conduct and to implement compliance policies and procedures relating to standards of ethics and conduct for ERS' Board, employees, and vendors.

II. ROLES & RESPONSIBILITIES

Under the direction of the Executive Director ("ED") and involvement of the Leadership Team¹, and oversight of the Board, the CCO:

- A. Pursuant to the Ethics and Compliance Program Charter, manages day-to-day operation of the compliance program;
- B. Monitor and assess the Policy Management Framework and oversee the completion of the Policy Lifecycle;

¹ The Leadership Team is comprised of the Deputy Executive Director, Branch Chiefs, Chief Investment Officer, and Deputy Chief Investment Officer.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
ETHICS & COMPLIANCE CHARTER

- C. Assesses and audits ERS' controls and compliance with all applicable laws, statutes, administrative rules, regulations and best practices outlined in policies;
- D. Collaborates with other divisions to implement compliance policies and procedures and to direct compliance issues to appropriate channels for investigation and resolution;
- E. Collaborates with the Information Technology Branch Chief to build a strategic security program and coordinates all phases of security projects from requirement definition to design, architecture, implementation, testing, support, and maintenance;
- F. Develops and periodically reviews and updates standards of ethics and conduct to ensure that continuing effective guidance is provided to the Board, management, and employees;
- G. Coordinates with the Department of the Attorney General on legal matters so that ERS may faithfully execute its duties and responsibilities;
- H. Coordinate with the Internal Auditor to monitor and provide independent oversight over the implementation of the approved annual Internal Audit Plan;
- I. Coordinates with management, the Committee, and the Board on any special tasks or projects aligned with the long-term interests of ERS;
- J. Ensures that compliance issues and concerns within the organization are being appropriately evaluated, investigated, and resolved;
- K. Coordinate audit efforts with those of the ERS's external auditors and other regulatory agencies;
- L. Responds to alleged violations of rules, regulations, policies, procedures, and standards of ethics and conduct by evaluating and, if necessary, recommending the initiation of investigative procedures;
- M. Develops and oversees a system for uniform handling of such violations;
- N. Identifies potential areas of compliance vulnerability and risk;
- O. Develops/implements corrective action plans for resolution of problematic issues and provides general guidance on how to avoid or deal with similar situations in the future;



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
ETHICS & COMPLIANCE CHARTER

- P. Works in coordination with management and the Branch Chiefs to develop, maintain, and test the disaster recovery, business continuity, risk management and access control needs of the organization;
- Q. Provides reports as directed or requested to keep the Board, Administrative & Audit Committee, and management informed of the operation and progress of compliance efforts;
- R. Ensures proper reporting of violations or potential violations to duly authorized enforcement agencies as appropriate and/or required; and
- S. Works with the Board, Administrative & Audit Committee, Internal Auditor, Department of the Attorney General, and management to develop an effective compliance training program for Board Members, managers, and employees, including appropriate introductory training for new employees.

In carrying out these responsibilities, the CCO shall:

- A. Ensure objectivity and independence;
- B. Remain free of actual or perceived conflicts of interest;
- C. Discharge professional responsibilities with due care, competence, and diligence;.
- D. Have access to all functions, records, property, and personnel necessary to complete responsibilities; and
- E. Have full and free access to the Board and the Administrative & Audit Committee.

III. CHARTER REVIEW & HISTORY

The Administrative & Audit Committee shall, on behalf of the Board, review this Charter at least annually to ensure it remains relevant and appropriate.

Adopted and Approved by the Board of Trustees: March 13, 2023, March 11, 2024, March 10, 2025
Accepted by the Governance Policy Committee: March 7, 2023
Introduced and Accepted by the Administrative & Audit Committee: February 22, 2023, January 31, 2024, February 18, 2025

Employees' Retirement System INTERNAL AUDIT



Employees' Retirement System
of the State of Hawaii

ADMINISTRATIVE & AUDIT COMMITTEE UPDATE REPORT

February 18, 2025

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”) continues to regularly meet with Executive Management to keep them apprised of current and upcoming IA projects and discuss new or updated needs of the organization.
 - Met with Executive Management in January 2025 to introduce ourselves to the new Deputy Executive Director and provide an introduction, history and background of the IA function.
- 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 has suggested revisions to the ERS’ Internal Audit and Administrative & Audit Committee Charters to align with the new Global Internal Audit Standards, effective January 9, 2025. IA’s methodology has been updated using the new Standards, specifically revising references/mapping from the prior standards and updating for new terminology/definitions.
 - **Action: Seeking approval from Administrative & Audit Committee of revised Internal Audit Charter and Administrative & Audit Committee Charter**

Status on Current Projects:

Virtual Chief Information Security Officer (vCISO)

- Ty Smith, RSM Director, replaced Dave Collins in February 2025 as ERS’ vCISO.
- He has met with the Executive Director and Deputy Executive Director and in the process of meeting with ERS staff. He has been working with the RSM team (including Dave) on transition and has been able to “hit the ground running”.
- The “vCISO Initiative – Roadmap Implementation” project will be led by Ty.
- See detailed resume in *Appendix A*.



Status on Current Projects (cont'd):

Investment Manager Selection and Evaluation Review

- Currently in post-fieldwork internal review and reporting.
- 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.
- As part of this review, IA met with two of ERS' Investment Consultants to obtain feedback on the current selection framework and used the Institutional Limited Partners Association (ILPA) and the CFA Institute as leading professional investment organizations for comparison.
- Estimated final report issuance and review completion is March 2025.

Contracting & Procurement Review

- Currently in the internal planning and project-level risk assessment phase.
- Walkthrough meetings with those involved in contracting and procurement will begin in March 2025.
- Scope will include assessing ERS' procurement lifecycle and structure as well as compliance with applicable statutes including Hawaii Revised Statutes Chapter 103D, referred to as the State's Public Procurement Code.



Status on Current Projects (cont'd):

Risk Assessment Re-Evaluation & Two-Year Internal Audit Plan

- The Risk Assessment Re-Evaluation & Two-Year Internal Audit Plan process was completed in January 2025 and includes the proposed 2025-2026 Internal Audit Plan.
- Held individual meetings with the Executive Team, Branch Chiefs, Board of Trustees, and External Auditor to discuss changes within their respective areas of responsibility and identify new and emerging risks.
- Risk Assessment Re-Evaluation and Proposed Two Year Internal Audit Plan Report is included herein with current Administrative & Audit Committee materials.

Action: Seeking approval from Administrative & Audit Committee of proposed 2025-2026 Internal Audit Plan



Global Internal Audit Standards Summary

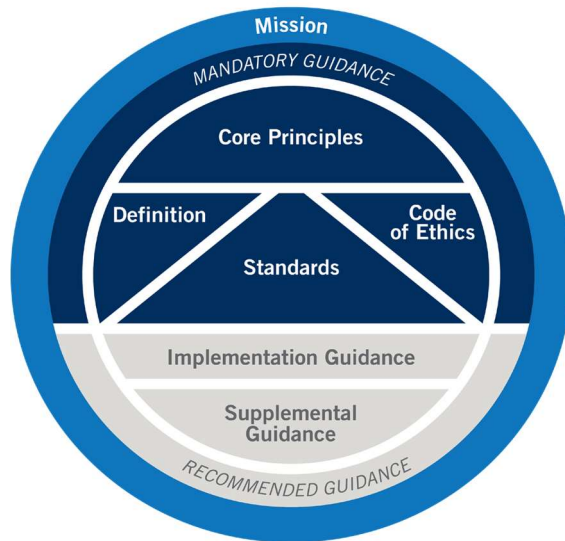
The Global Internal Audit Standards (“Standards”), effective January 2025, guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function.

Prior to the Standards, the professional practice of internal auditing was guided by the 2017 International Standards for Professional Practice of Internal Auditing and the mandatory guidance of the International Professional Practices Framework (IPPF), which included the Code of Ethics, Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, and Mission of Internal Audit. The Standards incorporated the content from the standards and guidance into one resource.

2017



International Professional
Practices Framework



2024



International
Professional Practices
Framework®
(IPPF)



Global Internal Audit Standards Summary (continued)

The Standards include 5 Domains, 15 Principles, and 52 Standards that define each domain. Internal auditors are required to conform with the Principles and supporting Standards covered in each domain.

5 Domains, 15 Principles

Domain I: Purpose of Internal Auditing

II. Ethics and Professionalism

1. Demonstrate Integrity
2. Maintain Objectivity
3. Demonstrate Competency
4. Exercise Due Professional Care
5. Maintain Confidentiality

III. Governing the Internal Audit Function

6. Authorized by the Board
7. Positioned Independently
8. Overseen by the Board

IV. Managing the Internal Audit Function

9. Plan Strategically
10. Manage Resources
11. Communicate Effectively
12. Enhance Quality

V. Performing Internal Audit Services

13. Plan Engagements Effectively
14. Conduct Engagement Work
15. Communicate Engagement Conclusions and Monitor Action Plans



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	303	-	3
Investment Manager Selection & Evaluation Review													400	280	150	30
Contracting & Procurement Review													400	32	375	7
IA Advisory & Other																
Virtual Chief Information Security Officer (vCISO)													300	318	-	18
Implementation of Cybersecurity Strategy and Roadmap (moved to 2025)													350	3	-	(347)
Continuous Monitoring Tool Development - Part 2 (moved to 2025)													250	29	-	(221)
Compliance Office Collaboration and Assistance	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	150	224	-	74
IA Recommendation & Implementation Assistance	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	100	-	-	(100)
Risk Assessment Re-Evaluation & Audit Plan for Year 3 & Year 4										◆	◆	◆	250	117	135	2
Reporting, Communication and Other Administration	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	250	328	-	78
Total Hours													3,035	1,936	660	(439)

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

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



Management Action Dashboard

The following represents the status of IA reports with open findings and recommendations.

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
Financial Reporting Process Review	Accounting Manager	Marginal	5	1	4	0	2	0	0	0	3	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
Employer Communication & Reporting Review	Retirement Benefits Manager, Accounting Manager, Program Specialist	Marginal	3	0	2	1	2	0	1	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	1	1	3	0	0	0
TOTAL			41	13	25	3	15	1	13	0	11	0



Management Action Dashboard (continued)

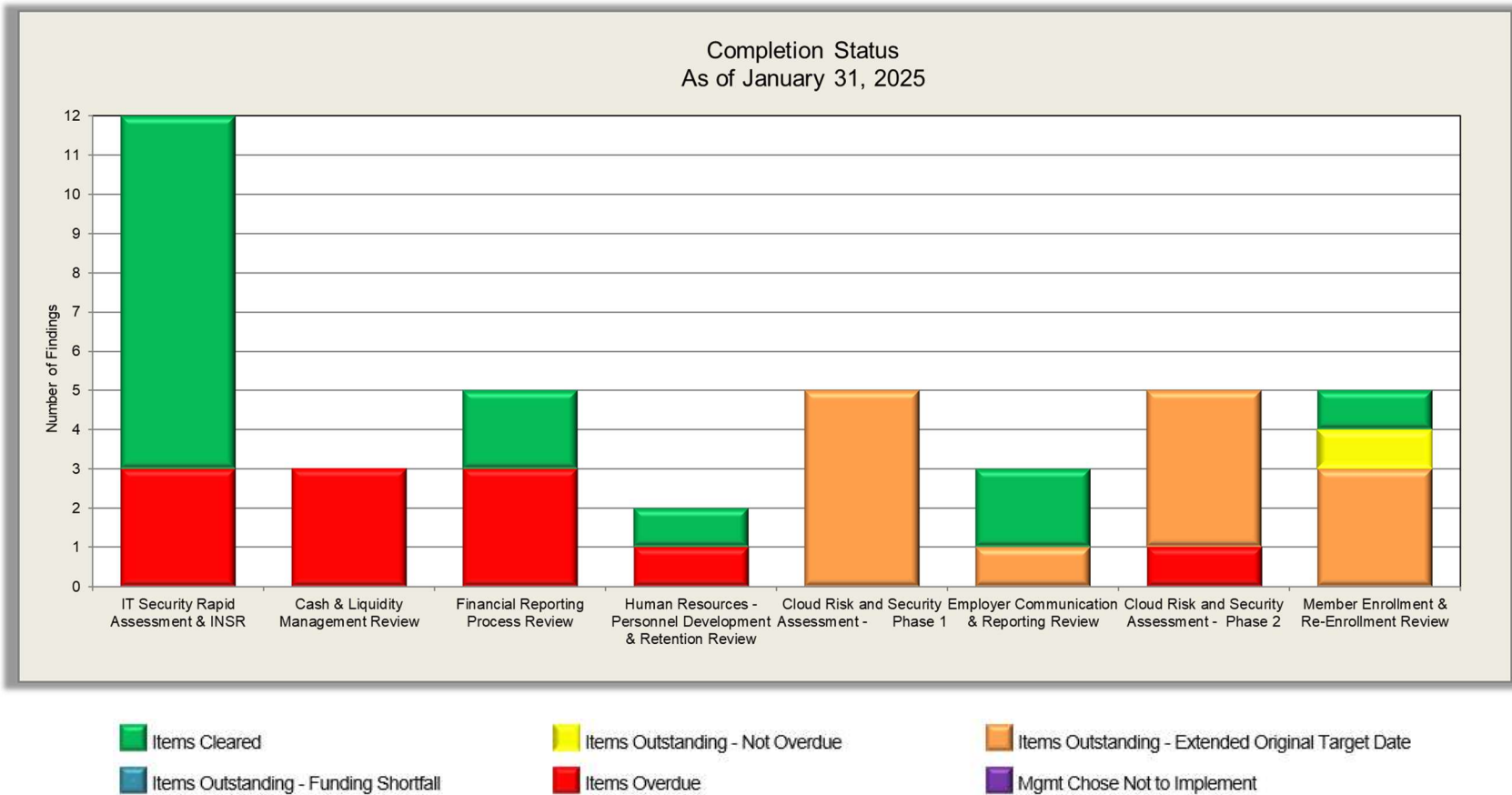
¹ Overall Rating Definitions:

- **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	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 .				
<p>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.</p>	<p>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.</p>	High	<p>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)</p>	<p>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).</p> <p>The status update below applies to all outstanding IT-related findings</p> <p>Over the last 5 months not much has changed staffing wise. We conducted numerous interviews and have been unable to fill key</p>



Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
				<p>vacancies. In fact, the systems & applications sections each lost one staff member causing the vacancy rate to increase to over 50%.</p> <p>To help ensure progress is being made in a strategic way, there are plans to develop a Security Steering Committee that will help prioritize the many outstanding security items and will also take into consideration current Operations projects such as the Pension Administration System migration, compliance software implementation, etc. The committee can also assist with obtaining needed resources whether it be hiring, procuring services or outsourcing. The committee can also assist with holding people more accountable, especially as it relates to procurement.</p>



Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
				<p>Note: We were advised that the vCISO that we were working with has left the organization and that we will be assigned a new one. This will cause a delay to our plans.</p>
<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>	<p>Moderate</p>	<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>



Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
Cash & Liquidity Management Review				
<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 4) Establish reporting protocols. 	<p>Moderate</p>	<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 FY2026 due to other ERS priorities.</p> <p>ERS Investments has implemented Cash Overlay Program with ERS investment consultants and custodial bank to monitor ERS cash requirements.</p> <p>ERS Accounting and Investments will review cash management framework during the next six months to determine future reporting requirements.</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. 	<p>Moderate</p>	<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. 	<p>Moderate</p>	<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>



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>KMH LLP was contracted to assist ERS with internal compliance testing of employers' payroll and personnel reporting. Accounting and RBB are currently working with KMH on the audit criteria and procedures to review payroll reporting from employers for compliance with Act 87 requirements that are effective in July 2024.</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</p>



Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
				from legislature and city councils.
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 2) Detailed developmental planning (training, coaching and mentoring) 3) Knowledge transfer and management practices 	Medium	<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) (Revised #4 Target Date: June 2025)</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> <p>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.</p>
Cloud Risk and Security Assessment - Phase 1 Review				
<p>Finding 1 – Identity, Credential, and Access Management controls have not been fully established to address cloud risk and security post implementation.</p>	<p>To reduce risks, we recommend the following:</p> <ol style="list-style-type: none"> 1. Establish user access policies, procedures, business processes, and technical measures for 	Medium	<p>September 2022 (Revised #1 Target Date: June 2024) (Revised #2 Target Date: TBD)</p>	<p>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</p>



Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>identity, entitlement, and access management.</p> <p>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.</p> <p>1.2. Establish procedures that ensure provisioning of user access is authorized by the 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,</p>			<p>administrative governing policies and a schedule for the finalization of I/S policies will follow.</p> <p>1.4. Previously completed/responded to by I/S.</p> <p>2. The policy must first be developed in detail for these procedures (refer to response 1.0 of this section).</p> <p>3. Previously completed.</p>



Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>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 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,</p>			



Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>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>			
<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> <p>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.</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 – 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">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.2. Implement or establish a threat intelligence function to monitor for newly announced vulnerabilities and released patches, and identify mitigating steps to fill the gap between the time a vulnerability is announced (known as '0-day') and the time a patch is provided by the vendor.3. Establish change control procedures that address emergency patching of critical resources, and various vulnerability scenarios must be created to ensure vulnerability			



Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>remediation activities are properly documented and reviewed by technical teams prior to being mitigated, validated, and closed.</p> <p>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.</p> <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>			



Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<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>			
<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</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 	<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>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>how to handle various data types (e.g., requirements for encryption, retention, handling, storage, transmission, destruction).</p> <ul style="list-style-type: none">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 act as aggregate containers for data. <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.			



Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<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. Additionally, a formal periodic review of logging configurations has not been established.</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, 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). 	<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 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
	<ul style="list-style-type: none">▪ 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 between trusted and untrusted connections.▪ 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>			



Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
<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 discuss with leadership on milestones and current risk register status. <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</p>	<p>Low</p>	<p>September 2022 (Revised #1 Target Date: July 2024) (Revised #2 Target Date: TBD)</p>	<p>Outstanding – Extended Original Target Date – The I/S branch is still dealing with staff shortages. Due to the current staff shortages, ERS' priorities and current projects, this finding will be delayed. A new Target Date will be established once I/S has the resources to work on this. New Target Date is TBD.</p>



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FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>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 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>IA recommends that each Work Reports Team staff have formal, consistent procedures, and sufficient detail to document how they address their assigned employer's issues and complexities in their review and processing of Work Reports.</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</p>	<p>Low</p>	<p>December 2023 (Revised #1 Target Date: December 2024) (Revised #1 Target Date: December 2025)</p>	<p>Outstanding – Extended Original Target Date – Revised Target Date is December 31, 2025 for the documented procedures.</p> <p>Cross training in Accounting's work report processing has occurred for several employer reports, although formalized procedures are still being worked on and revised by the team member who was</p>



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FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	assigned employers and review files by using the procedures noted above.			<p>cross trained. Delays in documenting procedures have continued due to leaves, continued vacancy, and V3locity Migration Assessment.</p> <p>KMH LLP was contracted to assist ERS with internal compliance testing of employers' payroll and personnel reporting. Accounting and RBB are currently working with KMH on the audit criteria and procedures to review payroll reporting from employers for compliance with Act 87 requirements that are effective in July 2024.</p> <p>Further, there continues to be 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</p>



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FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
				changes. Completing these objectives has been negatively impacted by the staff vacancy since October 2022.
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"> 1. Publish, finalize and disseminate the third-party risk management policy. Additionally, the policy should be reviewed at least annually. 2. Develop a formal third-party risk management program to provide critical insight into the effectiveness of third-party security controls. 	High	August 2024 (Revised #1 Target Date: TBD)	<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> <ol style="list-style-type: none"> 1. Upon completion of procurement, I/S to work with ERS' Chief Compliance Officer, AG, and Administration to develop a third-party risk management policy. 2. Upon completion of procurement, I/S to work with ERS' Chief Compliance Officer to look into obtaining services to assist ERS in



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FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
				<p>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>
<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. 	<p>High</p>	<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



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



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FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>annually or upon any changes.</p> <ol style="list-style-type: none">3. Configure Azure Monitor to alert security personnel based on defined metrics indicating risks beyond an established threshold.4. Any changes made to cloud instances should generate an alert regardless of the running state (e.g., dormant, off or running). The results of a change or move of an image and the subsequent validation of the image's integrity must be immediately available to members through electronic methods (e.g., portals or alerts).5. Use an Azure NSG to filter network traffic between Azure resources in an Azure virtual network. NSGs should not be open to all IP address ranges, as this is not best practice. ERS should set the appropriate			<p>vacancies in the I/S branch. Target Date is TBD for implementation.</p> <p>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.</p>



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FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>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 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>	<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 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. 	<p>High</p>	<p>June 2023, September 2023, and June 2024 (Revised #1 Target Date: June 2024 and TBD) (Revised Date #2 Target Date: TBD)</p>	<p>Outstanding – Extended Original Target Date – Due to the recent staff turnover and current vacancies in the I/S branch, this has been put on hold. Target Date is TBD.</p>



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



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FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
<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 ensure that they are current and up to date. 4. As ERS continues to migrate servers that are still on-premises over to Azure cloud, a data responsibility matrix should be developed to define data owners and 	<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 <p>Items 1 & 4 may be delayed until the compliance software is procured and vacant positions are filled.</p>



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FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>the data records for which they are responsible for.</p> <ol style="list-style-type: none"> 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 PAS. This backlog extends as far back to members who were enrolled over 12 months prior.</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. 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 	High	<p>April 2025 (Latest Completion Date) (Revised Date #1 Target Date: June 2025)</p>	<p>Outstanding – Not Overdue –</p> <p>A procedure for imaging and indexing was created in October 2024.</p> <p>Two new scanners have been installed and now SSS has 3 working scanners (2 new ones and the legacy scanner) SSS has also been able to acquire (2) 89 day hires (one part time and one full-time). This has greatly</p>



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FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>by assigning more internal staff resources to assist with imaging into the PAS.</p> <p>4. Procure an additional specialized scanner that is compatible with the PAS.</p>			<p>helped ease the tension and pressure of the current work load on current staff. SSS is still seeking permanent employees. When the 89 day hire contracts expire the backlog will continue as the section will revert back to the 62.5% staffing level with the same amount of current workload.</p> <p>All of the positions in SSS have been upgraded to OA III and OA IV positions. This implementation occurred sometime in 2023. Training is being provided. Re-describing the job descriptions of the OA III and OA IV positions are ongoing. Target Date: June 2025</p>



Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
<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, organization and storage. These should include the file management process designed after consulting with the State of Hawaii Records Management Branch. 	High	June 2025 (Latest Completion Date)	<p>Outstanding – Not Overdue –</p> <ol style="list-style-type: none"> 1. The CCO is in the process of developing a records file management, organization, storage, retention and disposal policy in compliance with State of Hawaii records management policy. Target Date: June 2025 2. SSS, IT, RBB and the CCO will work on the development of policies and procedures that address file management, organization and storage. Target Date: June 2025 3. New high capacity scanners were acquired and installed in January 2025.
<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>	Medium	<p>December 2024 (Revised #1 Target Date: March 2025) (Revised #2 Target Date: November 2025)</p>	<p>Outstanding – Extended Original Target Date –</p> <ol style="list-style-type: none"> 1. Go live pushed back. Working on Block 14 and will need Block 15 to process 2024 PIF files. New Target date: Fall 2025.



Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<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 Office Assistant for correction and follow up. 			2. Pending. Program Specialists assigned as lead for this project.
<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"> 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. Developing an employee termination workflow process 	Medium	December 2024	<p>Cleared – Completed. Offboarding workflow was completed in December and it has been used. Based on feedback after using the workflow, we are working on the next revision which should be completed in March 2025.</p>



Issued Reports Finding Status (continued)

FINDING	RECOMMENDATION	RATING	TARGET COMPLETION DATE(S)	STATUS – PROVIDED BY MANAGEMENT
	<p>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.</p>			
<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) (Revised #1 Target Date: December 2025)</p>	<p>Outstanding – Extended Original Target Date –</p> <ol style="list-style-type: none"> 1. Update to completion: December 2025 2. Still pending completion in February 2025; dependent on IS & RBB schedules 3. Due to end of year retirements and need for all membership staff to assist, updating completion date to March 2025. Reviews are still being handled using interim process. 5. Still pending completion with target date of February 2025.



Appendix A: Virtual Chief Information Security Officer (vCISO) Bio



Ty Smith

Director, Office of the
CISO

Summary of experience

Ty is an experienced management consultant and U.S. Army officer, who has a strong understanding of information security within the professional services industry. He assists clients with executive management decisions surrounding information security to help ensure the highest return on investment. Ty has worked with organizations across a variety of industries, providing him with the experience and knowledge of the different ways that each industry secures its data. Ty also serves as a battalion communications officer in the Ohio National Guard.

Ty's professional experience serving as vCISO for multiple organizations over the past 7 years includes the third largest Children's hospital in the U.S., a large behavioral health system, several private equity funds, and a manufacturing carve-out. In his experience, Ty has helped organizations mature their cybersecurity programs, make strategic decisions, and educate executives/boards on cybersecurity issues.

Professional affiliations and credentials

- Masters of Business Administration, Auburn University
- Graduate Certificate, Management Information Systems, Auburn University
- Certified Information Systems Security Professional (CISSP)
- Certified vCISO
- Six Sigma Lean professional
- Active secret security clearance, Department of Defense

Risk Assessment Re-Evaluation and Proposed Two-Year Internal Audit Plan (January 1, 2025 – December 31, 2026)








Employees' Retirement System of the State of Hawaii

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

Executive Summary

This report presents the results of Internal Audit’s (“IA”) Risk Assessment Re-Evaluation and the proposed Two-Year Internal Audit Plan for the State of Hawaii Employees’ Retirement System (“ERS”) for the periods from January 1, 2025 through December 31, 2025 and January 1, 2026 through December 31, 2026, collectively the “Audit Plan.”

The Audit Plan was developed based on the results of the risk assessment re-evaluation, which included revisiting the previous Risk Assessment and Audit Plan and interviews with members of management, the Board of Trustees (“Board”), and other associated parties. Risks were re-evaluated given changes within the industry and regulatory environment, internal organizational changes, results of completed IA reviews, our knowledge of the ERS’ business risks, and a high-level evaluation of the current internal control environment.

As a result of the Risk Assessment, 22 auditable areas for the ERS were deemed high risk and 25 were deemed medium risk. While these “high” and “medium” risk areas would justify a significant Internal Audit effort, current resources available to address these risks are limited. Therefore, IA is proposing 6 projects in 2025 and 5 projects in 2026. These projects are being proposed to address the higher risk areas, risk areas that are considered time sensitive or provide a larger coverage, as well as projects required in accordance with the Global Internal Audit Standards of the Institute of Internal Auditors (“IIA”).

The table below summarizes the hours for the Audit Plan, and a historical review of actual and projected hours compared to the budget for the past two years, 2023 and 2024. As risks to the ERS change over time, management and the Administrative & Audit Committee are encouraged to re-evaluate the Internal Audit Plan.

Internal Audit Activity Hours						
	2023		2024		2025	2026
	2/1/23 - 12/31/23		1/1/24 - 12/31/24		1/1/25 - 12/31/25	1/1/26 - 12/31/26
	Budgeted	Actual	Budgeted	Actual	Proposed	Proposed
Carryover Projects	-	-	285	302	525	-
Assurance	1,000	322	1,100	615	1,000	1,700
Advisory & Other	1,575	1,336	1,650	1,019	2,250	1,300
Total	2,575	1,658	3,035	1,936	3,775	3,000

Risk Assessment Re-Evaluation Process

Risk Assessment Re-Evaluation Process – Overview

Our update process began with the results of the previous Risk Assessment Re-Evaluation conducted in 2023. Risks were re-evaluated based on any changes to the ERS' internal and external environments as well as results of audits completed over the past year. The following is a summary of our re-evaluation process.



AUDIT UNIVERSE

Understand Changes to the ERS' Audit Universe

- Identify new and/or changes to the ERS' auditable areas
- Validate the population is current, well defined, appropriate, and complete



RISK IDENTIFICATION

Identify Key Risks, Concerns & Issues

- Analyze industry changes and current internal and external environments
- Identify new and emerging risks relevant to the ERS
- Work with Senior Management and Board of Trustees to update understanding of ERS' key risks



RISK EVALUATION & RISK MAPPING

Prioritize Key Risks, Concerns & Issues Identified

- Re-assess inherent risks for each auditable area
- Re-evaluate residual risk factors to develop composite risk score
- Re-rank each auditable area by risk score
- Select high-risk/high-importance auditable areas



AUDIT PLAN DEVELOPMENT

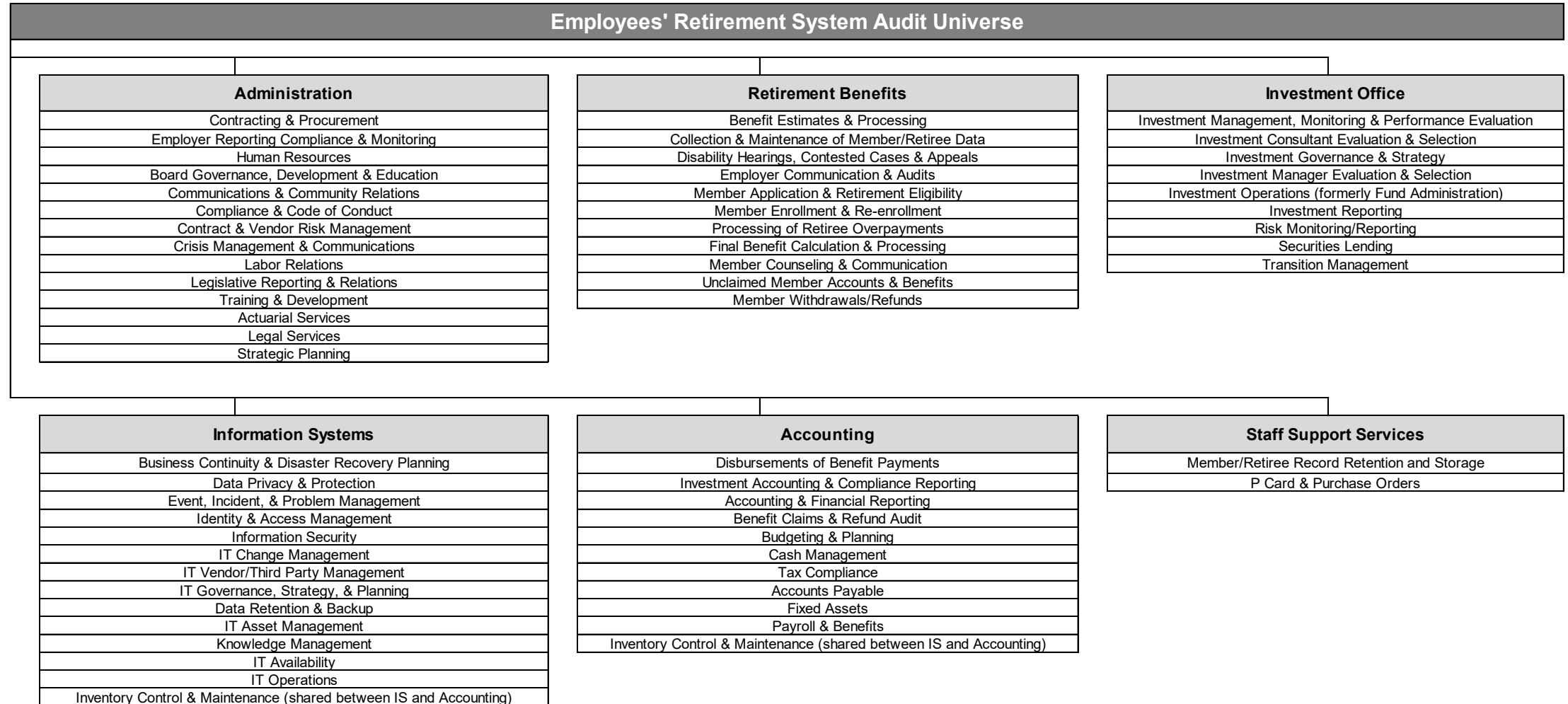
Create Responsive Internal Audit Plan

- Re-focus the Audit Plan on the key control processes and high risk auditable areas
- Develop a balanced Audit Plan comprised of financial, operational and compliance audits, and where applicable, special projects
- Ensure audit coverage of significant risk areas

By developing an understanding of the key risks and issues at the ERS, IA developed a focused plan, which will coordinate management, internal audit and external audit resources to ensure maximum risk coverage.

Risk Assessment Re-Evaluation Process – Audit Universe

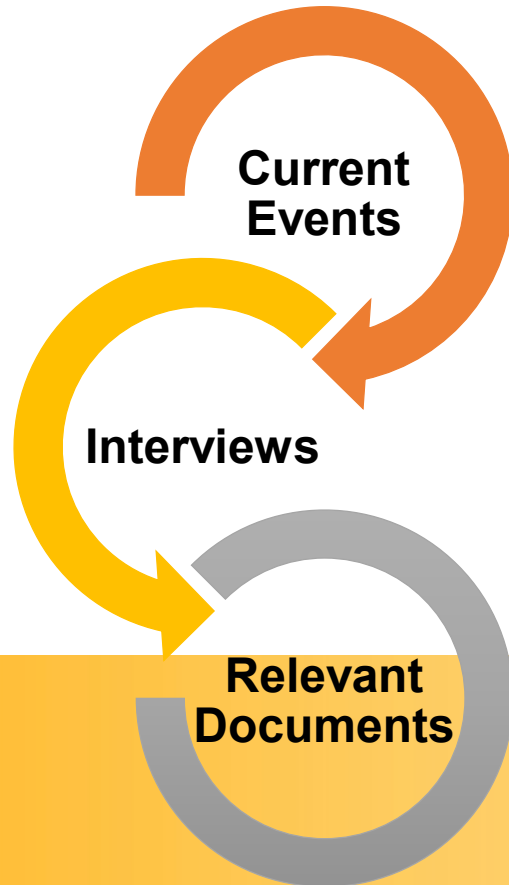
For the update to the Audit Universe, IA validated that the population of **auditable areas** was well defined, appropriate, current, and complete. This validation was accomplished based primarily on interviews with key management personnel. The Audit Universe for the ERS is detailed below.



Risk Assessment Re-Evaluation Process – Risk Identification

After finalizing updates to the Audit Universe, IA confirmed and identified relevant risks to the ERS during the Risk Identification phase and performed the following steps:

- Obtained an understanding of current events impacting the ERS.
- Interviewed members of management, the Board, and external auditor.
- Reviewed relevant reports and documents.



Understanding of Current Events – Based on discussions and review of relevant documents, the following are a few of the more significant current events:

- Implementation of a new pension administration system, V3locity, to begin in calendar year 2025.
- Hiring of a new Deputy Executive Director to lead and oversee branch operations.
- Increased focus on strategic planning and succession in preparation for ERS’ future.

Conducted Interviews – Please see **Appendix A** for a complete list of individuals that were interviewed.

Reviewed Relevant Documents – IA reviewed a variety of significant reports and documents that were prepared by management or issued by consultants including, but not limited to: Strategic Plan, External Financial Audit and Actuarial Valuation Reports, Policies & Procedures, Investment Reports, and Internal Metrics.

Risk Assessment Re-Evaluation Process – Risk Identification

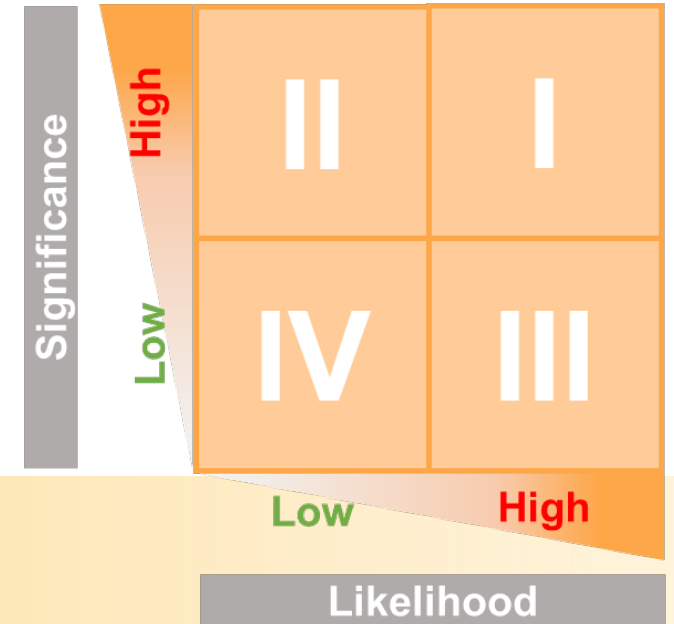
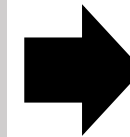
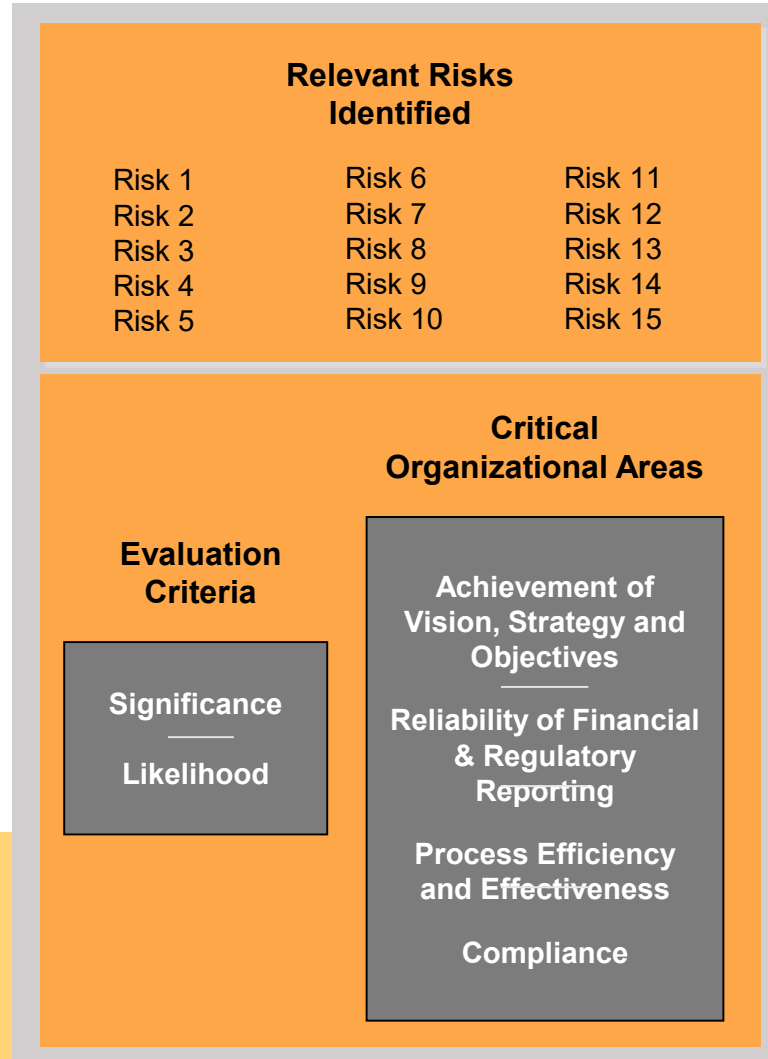
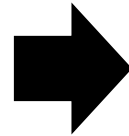
A component of the Risk Identification phase was an identification of relevant risks utilizing an Enterprise-wide Risk Model representing the universe of possible risks. The following is the listing of risks classified into three major areas of *Environment Risks*, *Process Risks* and *Information for Decision-Making Risks*. Certain risks within the Risk Model were not applicable, and others were modified to better fit the ERS as deemed necessary. A description of all relevant risks are defined in more detail in **Appendix B** and **C**.

ENVIRONMENT RISK	PROCESS RISK			INFORMATION FOR DECISION-MAKING RISK
<ul style="list-style-type: none"> Competitor Customer Wants Technological Innovation Sensitivity Shareholder Expectations Capital Availability Sovereign/Political Legal Regulatory/Legislative Industry Financial Markets Catastrophic Loss 	<p><u>FINANCIAL</u></p> <p>Price</p> <ul style="list-style-type: none"> Interest Rate Currency Equity Commodity Financial Instrument 	<p><u>EMPOWERMENT</u></p> <ul style="list-style-type: none"> Leadership Authority/Limit Outsourcing Performance Incentives Change Readiness Communications 	<p><u>GOVERNANCE</u></p> <ul style="list-style-type: none"> Organizational Culture Ethical Behavior Board Effectiveness Succession Planning 	<p><u>STRATEGIC</u></p> <ul style="list-style-type: none"> Environmental Scan Business Model Portfolio Investment Valuation/Evaluation Organization Structure Measurement (Strategy) Resource Allocation Planning Life Cycle
	<p>Liquidity</p> <ul style="list-style-type: none"> Cash Flow Opportunity Cost Concentration 	<p><u>INFORMATION TECHNOLOGY</u></p> <ul style="list-style-type: none"> Integrity Access Availability Infrastructure Security 	<p><u>REPUTATION</u></p> <ul style="list-style-type: none"> Image and Branding Privacy Stakeholder Relations 	<p><u>PUBLIC REPORTING</u></p> <ul style="list-style-type: none"> Financial Reporting Evaluation Internal Control Evaluation Executive Certification Taxation Pension Fund Regulatory Reporting
	<p>Credit</p> <ul style="list-style-type: none"> Default Concentration Settlement Capital/Collateral 		<p><u>INTEGRITY</u></p> <ul style="list-style-type: none"> Management Fraud Employee Fraud Third Party Fraud Illegal Acts Unauthorized Use 	<p><u>OPERATIONAL</u></p> <ul style="list-style-type: none"> Budget and Planning Product/Service Pricing Contract Commitment Measurement (Operations) Alignment Accounting Information
	<ul style="list-style-type: none"> Customer Satisfaction Human Resources Knowledge Capital Product Development Efficiency Capacity 	<p><u>OPERATIONS</u></p> <ul style="list-style-type: none"> Scalability Performance Gap Cycle Time Sourcing Channel Effectiveness Partnering 	<ul style="list-style-type: none"> Compliance Business Interruption Service Failure Environmental Health and Safety Trademark/Brand Erosion 	

Risk Assessment Re-Evaluation Process – Risk Identification

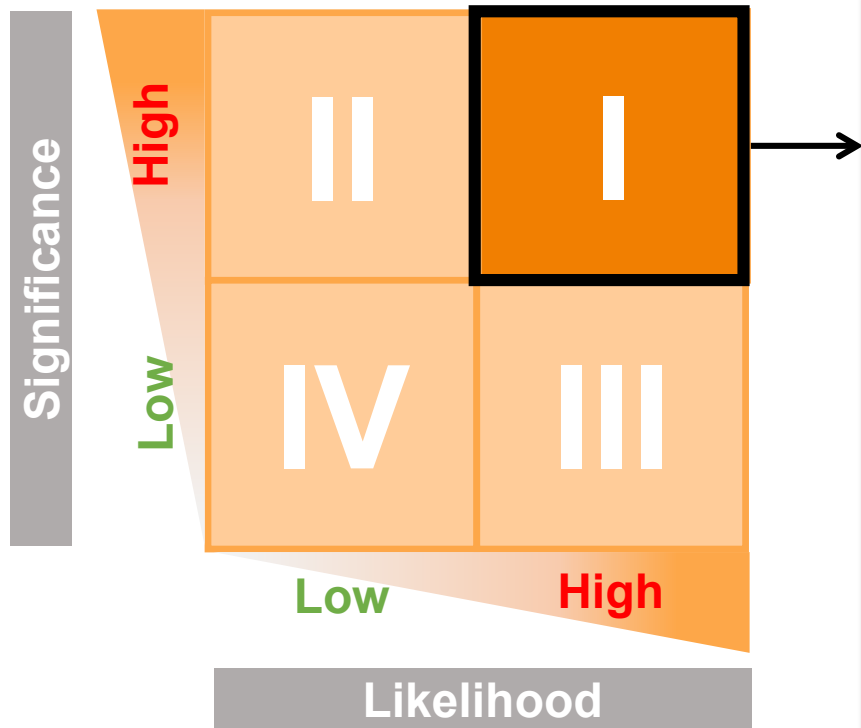
After identifying the relevant risks to the ERS, the relevant risks were assessed for *significance* and *likelihood* of an occurrence to negatively impact the *critical organizational areas* of the ERS. The high risks (Quadrant I) were identified and are listed on page 11.

ENVIRONMENT RISK	PROCESS RISK			INFORMATION FOR DECISION-MAKING RISK
<ul style="list-style-type: none"> Competitor Customer Wants Technological Innovation Sensitivity Shareholder Expectations Capital Availability Sovereign/Political Legal Regulatory/Legislative Industry Financial Markets Catastrophic Loss 	FINANCIAL <ul style="list-style-type: none"> Price Interest Rate Currency Equity Commodity Financial Instrument 	EMPOWERMENT <ul style="list-style-type: none"> Leadership Authority/Limit Outsourcing Performance Incentives Change Readiness Communications 	GOVERNANCE <ul style="list-style-type: none"> Organizational Culture Ethical Behavior Board Effectiveness Succession Planning 	STRATEGIC <ul style="list-style-type: none"> Environmental Scan Business Model Portfolio Investment Valuation/Evaluation Organization Structure Measurement (Strategy) Resource Allocation Planning Life Cycle
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	Credit <ul style="list-style-type: none"> Default Concentration Settlement Capital/Collateral 	OPERATIONS <ul style="list-style-type: none"> Scalability Performance Gap Cycle Time Sourcing Channel Effectiveness Partnering 	INTEGRITY <ul style="list-style-type: none"> Management Fraud Employee Fraud Third Party Fraud Illegal Acts Unauthorized Use 	OPERATIONAL <ul style="list-style-type: none"> Budget and Planning Product/Service Pricing Contract Commitment Measurement (Operations) Alignment Accounting Information
	<ul style="list-style-type: none"> Customer Satisfaction Human Resources Knowledge Capital Product Development Efficiency Capacity 	<ul style="list-style-type: none"> Compliance Business Interruption Service Failure Environmental Health and Safety Trademark/Brand Erosion 		



Risk Assessment Re-Evaluation Process – Risk Identification

The following represents the high significance/high likelihood risks (Quadrant I) identified for the ERS. Quadrant I risks are defined in detail in **Appendix B**. All other relevant risks in the three remaining Quadrants (II, III, and IV) are defined in **Appendix C**.



Quadrant I Risks

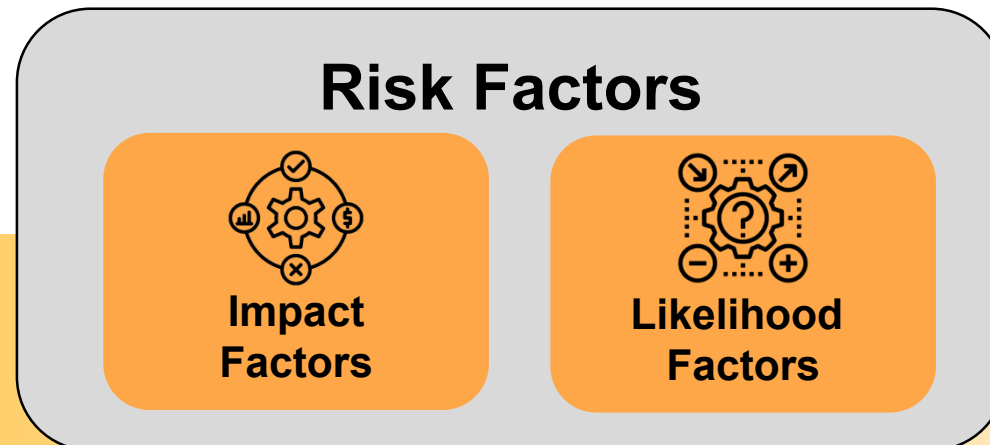
Access Risk	Infrastructure Risk
Accounting Information Risk	Knowledge Capital Risk
Alignment Risk	Leadership Risk
Business Interruption Risk	Organization Structure Risk
Capital Availability Risk	Organizational Culture Risk
Communications Risk	Performance Gap Risk
Compliance Risk	Privacy Risk
Contract Commitment Risk	Regulatory/Legislative Risk
Credit Risk	Resource Allocation Risk
Customer Satisfaction Risk	Security Risk
Cycle Time Risk	Service Failure Risk
Efficiency Risk	Succession Planning Risk
Financial Markets Risk	Technological Innovation Risk
Human Resources Risk	

Risk Assessment Re-Evaluation Process – Risk Evaluation

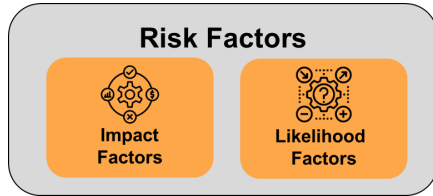
After identifying and assessing all relevant risks within the Enterprise-wide Risk Model, IA conducted a risk evaluation of the auditable areas using similar variables for the evaluation criteria.

The purpose of the Risk Evaluation phase was to determine the potential impact and likelihood of risks within each **auditable area**. IA utilized eight factors to score each **auditable area** as a *high*, *medium* or *low* risk. The final rankings of these **auditable areas** are summarized on page 15. The risks with the greatest adverse effect on the achievement of process and strategic level objectives deserve the most attention in the Audit Plan. In addition, any auditable area could be subject to an internal audit dependent on the risk related concerns of the ERS.

Risk is considered to be a function of 1) the **impact** to the ERS if a control weakness is successfully exploited, and 2) the **likelihood** that control weaknesses exist. Accordingly, IA scored risk for all auditable areas based on the following factors:



Risk Assessment Re-Evaluation Process – Risk Evaluation



Impact Factors: *Factors that dictate the degree to which the exploitation of a potential control weakness could harm the ERS:*

Financial

The maximum financial exposure (asset, revenue or expenses) that could be suffered. The following considerations were taken into account for this risk factor: liquidity of asset (degree to which assets can be readily converted to cash), ease of asset replacement and the relative financial impact on the ERS' budget or operational results.

Reputational Exposure

The greater the effect that an auditable area has on the ERS' Strategic Plan's goals and objectives, the greater the impact score.

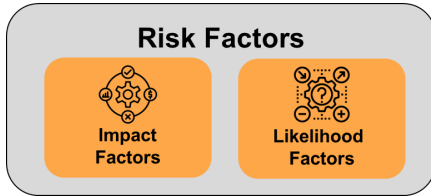
Compliance Exposure

The exposure to potential litigation and/or compliance with required laws, policies, standards, regulations and/or statutes.

Organizational Goals & Objectives

The greater the effect that an auditable area has on the ERS' Strategic Plan's goals and objectives, the greater the impact score.

Risk Assessment Re-Evaluation Process – Risk Evaluation



Likelihood Factors: *Factors that influence the probability that a potential control weakness exists:*

Transaction Volume

A higher transaction volume increases the likelihood that a control weakness will be exploited.

Previous Incidents or Findings

Previous incidents resulting from a control weakness or findings of a control weakness contained in previous audit, examination, or external consultant reports increase the likelihood of an existing control weakness.

Reliability & Integrity of Information System(s)

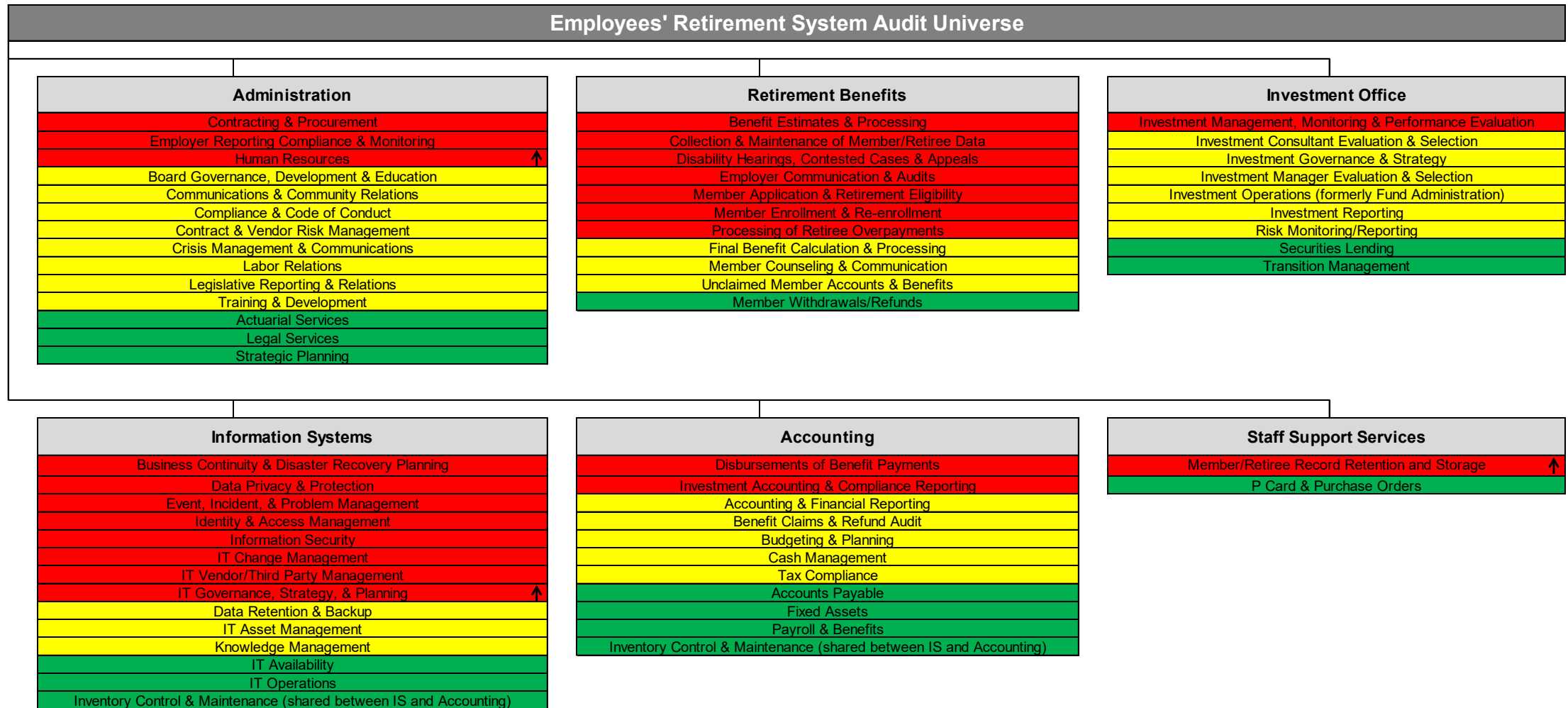
A measure of the level of reliability and integrity of the information system(s) used in the auditable area. The following considerations were taken into account for this risk factor: extent of system changes, automation or upgrades; disaster causing loss of systems, business interruption or destruction of data; technological obsolescence and documentation of system architecture; loss of data or access to data by unauthorized parties; operating environment complexity and organizational knowledge of application platform; degree of reliance on automated systems/outside vendors to process transactions; and strength of security access controls.

Process Complexity

Increased complexity raises the likelihood of a control weakness. The following considerations were taken into account for this risk factor: the number of workflow touch-points, manual calculations, sophisticated algorithms and multiple systems; departmental maturity was also considered, whereby the presence of seasoned staff may offset some of the effects of complex processes; extent of recent and planned changes in operations and reliance on vendors, consultants or specialists.

Risk Assessment Re-Evaluation Process – Risk Evaluation

After calculating the risk score for each auditable area, IA ranked them into high (red), medium (yellow) or low (green) risk areas. We have also indicated risk ratings that have changed since the 2023 Risk Assessment, ↑ indicating an increase in risk rating and ↓ indicating a decrease in risk rating.



Risk Assessment Re-Evaluation Process – Risk Evaluation

The following table represent the risk ratings by Branch for the ERS. Out of a total of 57 auditable areas, 22 are considered *high* risk. We have also indicated risk ratings that have changed since the 2023 Risk Assessment, indicating an ↑ increase in risk rating and ↓ indicating a decrease in risk rating.

Branch	Auditable Area	2023 Final Risk Rating	2024 Final Risk Rating	
Admin	Contracting & Procurement	High	High	
Admin	Employer Reporting Compliance & Monitoring	High	High	
Admin	Human Resources	Medium	High	↑
RBB	Benefit Estimates & Processing	High	High	
RBB	Collection & Maintenance of Member/Retiree Data	High	High	
RBB	Disability Hearings, Contested Cases & Appeals	High	High	
RBB	Employer Communication & Audits	High	High	
RBB	Member Application & Retirement Eligibility	High	High	
RBB	Member Enrollment & Re-enrollment	High	High	
RBB	Processing of Retiree Overpayments	High	High	
Investment	Investment Management, Monitoring & Performance Evaluation	High	High	
IS	Business Continuity & Disaster Recovery Planning	High	High	
IS	Data Privacy & Protection	High	High	
IS	Event, Incident, & Problem Management	High	High	
IS	Identity & Access Management	High	High	
IS	Information Security	High	High	
IS	IT Change Management	High	High	
IS	IT Vendor/Third Party Management	High	High	
IS	IT Governance, Strategy, & Planning	Medium	High	↑
Acctg	Disbursements of Benefit Payments	High	High	
Acctg	Investment Accounting & Compliance Reporting	High	High	
SSS	Member/Retiree Record Retention and Storage	Medium	High	↑

Risk Assessment Re-Evaluation Process – Risk Evaluation

The following tables represent the remaining risk ratings for the ERS. 25 auditable areas are considered *medium* risk.

Branch	Auditable Area	2023 Final Risk Rating	2024 Final Risk Rating
Admin	Board Governance, Development & Education	Medium	Medium
Admin	Communications & Community Relations	Medium	Medium
Admin	Compliance & Code of Conduct	Medium	Medium
Admin	Contract & Vendor Risk Management	Medium	Medium
Admin	Crisis Management & Communications	Medium	Medium
Admin	Labor Relations	Medium	Medium
Admin	Legislative Reporting & Relations	Medium	Medium
Admin	Training & Development	Medium	Medium
RBB	Final Benefit Calculation & Processing	Medium	Medium
RBB	Member Counseling & Communication	Medium	Medium
RBB	Unclaimed Member Accounts & Benefits	Medium	Medium
Investment	Investment Consultant Evaluation & Selection	Medium	Medium
Investment	Investment Governance & Strategy	Medium	Medium
Investment	Investment Manager Evaluation & Selection	Medium	Medium
Investment	Investment Operations (formerly Fund Administration)	Medium	Medium
Investment	Investment Reporting	Medium	Medium
Investment	Risk Monitoring/Reporting	Medium	Medium
IS	Data Retention & Backup	Medium	Medium
IS	IT Asset Management	Medium	Medium
IS	Knowledge Management	Medium	Medium
Acctg	Accounting & Financial Reporting	Medium	Medium
Acctg	Benefit Claims & Refund Audit	Medium	Medium
Acctg	Budgeting & Planning	Medium	Medium
Acctg	Cash Management	Medium	Medium
Acctg	Tax Compliance	Medium	Medium

Risk Assessment Re-Evaluation Process – Risk Evaluation

13 auditable areas are considered *low* risk.

Branch	Auditable Area	2023 Final Risk Rating	2024 Final Risk Rating
Admin	Actuarial Services	Low	Low
Admin	Legal Services	Low	Low
Admin	Strategic Planning	Low	Low
RBB	Member Withdrawals/Refunds	Low	Low
Investment	Securities Lending	Low	Low
Investment	Transition Management	Low	Low
IS	IT Availability	Low	Low
IS	IT Operations	Low	Low
IS/Acctg	Inventory Control & Maintenance (shared between IS and Accounting)	Low	Low
Acctg	Accounts Payable	Low	Low
Acctg	Fixed Assets	Low	Low
Acctg	Payroll & Benefits	Low	Low
SSS	P Card & Purchase Orders	Low	Low

Risk Assessment Re-Evaluation Process – Audit Plan Development

Finally, the auditable areas with the highest risk scores were linked to the high risks (Quadrant I) identified. The set of internal audit projects were determined by also considering factors such as the existence and maturity of key processes, balancing the risks at the ERS, and IA's resources available to perform the projects. Furthermore, in determining the timing of such projects, we considered (1) the impact on the various branches, as some branches are affected by multiple reviews/audit projects and (2) the efficient sequencing of projects that provide opportunities to leverage work performed and knowledge gained on preceding projects.

Branch	Auditable Area	2023 Final Risk Rating	2024 Final Risk Rating
Admin	Contracting & Procurement	High	High
Admin	Employer Reporting Compliance & Monitoring	High	High
Admin	Human Resources	Medium	High
RBB	Benefit Estimates & Processing	High	High
RBB	Collection & Maintenance of Member/Retiree Data	High	High
RBB	Disability Hearings, Contested Cases & Appeals	High	High
RBB	Employer Communication & Audits	High	High
RBB	Member Application & Retirement Eligibility	High	High
RBB	Member Enrollment & Re-enrollment	High	High
RBB	Processing of Retiree Overpayments	High	High
Investment	Investment Management, Monitoring & Performance Evaluation	High	High
IS	Business Continuity & Disaster Recovery Planning	High	High
IS	Data Privacy & Protection	High	High
IS	Event, Incident, & Problem Management	High	High
IS	Identity & Access Management	High	High
IS	Information Security	High	High
IS	IT Change Management	High	High
IS	IT Vendor/Third Party Management	High	High
IS	IT Governance, Strategy, & Planning	Medium	High
Acctg	Disbursements of Benefit Payments	High	High
Acctg	Investment Accounting & Compliance Reporting	High	High
SSS	Member/Retiree Record Retention and Storage	Medium	High

Branch	Auditable Area	2023 Final Risk Rating	2024 Final Risk Rating
Admin	Board Governance, Development & Education	Medium	Medium
Admin	Communications & Community Relations	Medium	Medium
Admin	Compliance & Code of Conduct	Medium	Medium
Admin	Contract & Vendor Risk Management	Medium	Medium
Admin	Crisis Management & Communications	Medium	Medium
Admin	Labor Relations	Medium	Medium
Admin	Legislative Reporting & Relations	Medium	Medium
Admin	Training & Development	Medium	Medium
RBB	Final Benefit Calculation & Processing	Medium	Medium
RBB	Member Counseling & Communication	Medium	Medium
RBB	Unclaimed Member Accounts & Benefits	Medium	Medium
Investment	Investment Consultant Evaluation & Selection	Medium	Medium
Investment	Investment Governance & Strategy	Medium	Medium
Investment	Investment Manager Evaluation & Selection	Medium	Medium
Investment	Investment Operations (formerly Fund Administration)	Medium	Medium
Investment	Investment Reporting	Medium	Medium
Investment	Risk Monitoring/Reporting	Medium	Medium
IS	Data Retention & Backup	Medium	Medium
IS	IT Asset Management	Medium	Medium
IS	Knowledge Management	Medium	Medium
Acctg	Accounting & Financial Reporting	Medium	Medium
Acctg	Benefit Claims & Refund Audit	Medium	Medium
Acctg	Budgeting & Planning	Medium	Medium
Acctg	Cash Management	Medium	Medium
Acctg	Tax Compliance	Medium	Medium



Quadrant I Risks

<ul style="list-style-type: none"> Access Risk Accounting Information Risk Alignment Risk Business Interruption Risk Capital Availability Risk Communications Risk Compliance Risk Contract Commitment Risk Credit Risk Customer Satisfaction Risk Cycle Time Risk Efficiency Risk Financial Markets Risk Human Resources Risk 	<ul style="list-style-type: none"> Infrastructure Risk Knowledge Capital Risk Leadership Risk Organization Structure Risk Organizational Culture Risk Performance Gap Risk Privacy Risk Regulatory/Legislative Risk Resource Allocation Risk Security Risk Service Failure Risk Succession Planning Risk Technological Innovation Risk
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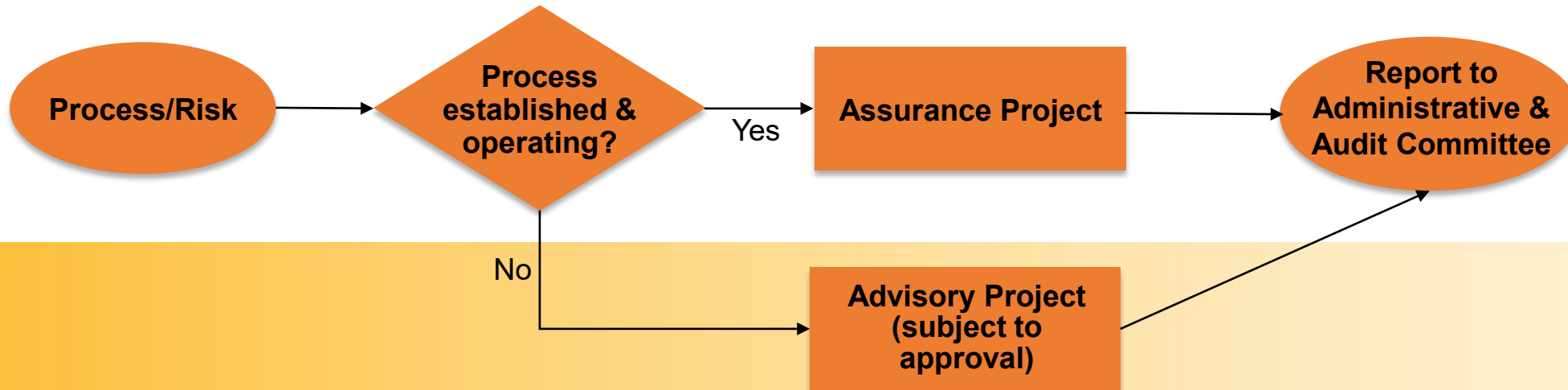


Internal Audit Plan – February 1, 2025 through December 31, 2025				
Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
2024 CARRYOVER PROJECTS				
Investment Manager Selection and Evaluation Review				
Project objectives include:				
<ul style="list-style-type: none"> • Evaluate the Investment 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. 	Investment Office <i>Investment Management Evaluation & Selection</i>	<ul style="list-style-type: none"> Authority/Limit Risk Alignment Risk Efficiency Risk Performance Gap Risk Service Failure Risk 	Q1	150
<i>PRIMARY FOCUS: Operational/Financial</i>				

Risk Assessment Re-Evaluation Process – Audit Plan Development

The Audit Plan is focused primarily on evaluating and testing key control processes mitigating the “High” and “Medium” Auditable Areas and highly significant and likely risks (Quadrant I) impacting the ERS. The Audit Plan includes the following types of projects:

- **Assurance Projects:** *Established processes* are in place and will be evaluated for design and operating effectiveness. Executing the projects using IA’s methodology will require the performance of a **project-level risk assessment**, during which time significant and other additional relevant risks are evaluated and more detailed controls are identified to be considered for inclusion in the project scope.
- **Advisory Projects:** Processes under development or consideration by management may require **consulting** and related **client service activities**. The nature and scope of such projects are agreed upon with management and the Board, and are intended to add value and improve operations from a risk perspective. Advisory projects shall not in any circumstance impair IA’s independence.



Risk Assessment Re-Evaluation Process – Audit Plan Development

Based on the risk scores and risk ratings, IA identified 50+ projects (both assurance and consulting) that focus on addressing the high and medium risks and specific concerns raised within the ERS. However, due to the time and resource constraints, IA is proposing that the updated Audit Plan include **11 projects (listed in blue)** that are considered higher risk, time sensitive, an ERS priority, or provide a larger coverage, as well as those that are required in accordance with the standards of the IIA. Projects that have been previously completed or is in process are identified in **green**.

In addition, certain auditable areas do not currently have mature processes in place and as a result, IA chose not to include these areas within the Audit Plan at this time. IA will continue to monitor these areas and bring these risks to the attention of the Administrative & Audit Committee at the quarterly Administrative & Audit Committee presentations. The projects that did not make it to the Audit Plan have been established as a “Watchlist.” These projects will be monitored by IA and can be added to the Audit Plan should additional resources become available or at the request of the Administrative & Audit Committee.

Internal Audit Projects

Compliance & Code of Conduct
Communications & Community Relations Review
Human Resources - Personnel Development & Retention Review
Governance & Ethics Review
Business Continuity & Disaster Recovery Plan Planning
Business Continuity & Disaster Recovery Plan Training
Business Continuity Plan - Crisis Communication Plan Development
Employer Communication & Reporting Review
Business Continuity Plan - Tabletop Exercise
ERM Capability Roadmap and Training
Contracting & Procurement Review
V3locity Business Readiness Assessment
Strategic Planning Review
Budgeting Process Review
Legislative Reporting & Relations Review
Cash & Liquidity Management Review
Benefit Disbursement Review
Financial Reporting Process Review

Benefit Claims & Refund and Retiree Overpayments Processing Review
Investment Accounting Review
Records Management & Retention Review
Member/Retiree Record Processing, Retention, and Storage
Investment & Risk Monitoring & Reporting Review
Investment Governance Structure & Oversight Review
Investment Consultant Selection & Evaluation Review
Investment Management, Monitoring & Performance Evaluation Review
Investment Manager Selection & Evaluation Review
Continuous Monitoring Tool Development - Part 1
Continuous Monitoring Tool Development - Part 2
Continuous Monitoring Tool Development - Part 3
Biennial Follow-Up Review
Data Collection & Maintenance Review
Member Enrollment & Re-Enrollment Review
Member Retirement Application & Eligibility Review
Disability Hearing & Contested Cases Process Review

Benefit Estimates & Final Benefit Calculation Processing Review
Unclaimed Member Benefits & Accounts Review
Member Counseling & Communication Review
IT Governance Content Development
Virtual Chief Information Security Officer (vCISO)
Identity Access & Management Risk Assessment
Identity Access & Management Risk Assessment
IT Security Rapid Assessment™ & Security Review
Cloud Risk and Security Assessment - Phase 1
Cloud Risk and Security Assessment - Phase 2
vCISO Initiative - Roadmap Implementation
Disaster Recovery Gap Assessment
IT General Controls (ITGC) Review - Financial and Pension Systems
Backup, Data Recovery, and Data Retention Assessment
IT Architecture Analysis
Cybersecurity, Vulnerability and Patch Management Assessment

Proposed Two-Year Internal Audit Plan

Proposed Audit Plan - 2025

The following represents the detailed Internal Audit Plan which covers the period from January 1, 2025 through December 31, 2025.

Internal Audit Plan – January 1, 2025 through December 31, 2025

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
2024 CARRYOVER PROJECTS				
<p>Investment Manager Selection and Evaluation Review</p> <p>Project objectives include:</p> <ul style="list-style-type: none"> • 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. <p>PRIMARY FOCUS: Operational/Financial</p>	<p>Investment Office <i>Investment Management Evaluation & Selection</i></p>	<p>Authority/Limit Risk Alignment Risk Efficiency Risk Performance Gap Risk Service Failure Risk</p>	<p>Q1</p>	<p>150</p>
<p>Contracting & Procurement Review</p> <p>Assess and review the processes and controls related to contracting and procurement. This includes the review of policies and procedures, management and prioritization of procurement requests, internal controls on the preparation and finalization of procurements and associated contracting, and maintenance and retention of documentation. As applicable, evaluate the ERS' compliance with applicable HAR, HRS and Administrative Directives.</p> <p>PRIMARY FOCUS: Operational/Compliance</p>	<p>Administration <i>Contracting & Procurement</i></p>	<p>Business Interruption Risk Compliance Risk Cycle Time Risk Efficiency Risk Performance Gap Risk Service Failure Risk</p>	<p>Q1</p>	<p>375</p>

TOTAL PROPOSED CARRYOVER HOURS: 01/25 - 12/25 525

Proposed Audit Plan - 2025

Internal Audit Plan – January 1, 2025 through December 31, 2025

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
ASSURANCE				
<p>Benefit Claims & Refund and Retiree Overpayments Processing Review</p> <p>Evaluate processes and procedures around disbursements of benefit payments with specific focus on retiree overpayments and benefit claims and refunds. Review and assess whether benefit claims, refunds, and overpayments are processed accurately, uniformly, and timely in compliance with HRS, HAR, IRS, and Administrative Directives. Assess the internal controls over the refunding process and procedures to identify deficiencies that lead to overpayment of benefit claims.</p> <p>PRIMARY FOCUS: Operational/Financial</p>	<p>Accounting</p> <p><i>Benefit Claims & Refund Audit</i></p> <p><i>Processing of Retiree Overpayments</i></p> <p><i>Disbursements of Benefit Payments</i></p>	<p>Compliance Risk</p> <p>Customer Satisfaction Risk</p> <p>Cycle Time Risk</p> <p>Efficiency Risk</p> <p>Performance Gap Risk</p> <p>Service Failure Risk</p>	Q2	400
<p>Member/Retiree Record Processing, Retention, and Storage</p> <p>Assess the design of processes and internal controls over the initial intake and processing, retention, and storage of ERS files, including member enrollment and retirement records, in order to efficiently and effectively retrieve records, as needed. Evaluate whether processes align with HRS, HAR, departmental records retention schedules, and guidance provided by the State of Hawaii Records Management Branch.</p> <p>PRIMARY FOCUS: Operational/Compliance</p>	<p>Staff Support Services</p> <p><i>Member/Retiree Record Retention and Storage Data</i></p>	<p>Availability Risk</p> <p>Compliance Risk</p> <p>Access Risk</p> <p>Regulatory Risk</p> <p>Efficiency Risk</p>	Q4	350

Proposed Audit Plan - 2025

Internal Audit Plan – January 1, 2025 through December 31, 2025

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
ASSURANCE				
<p>Business Continuity Plan – Tabletop Exercise</p> <p>Conduct tabletop exercise focusing on the downtime procedures and workaround activities for Support Services, Accounting, Retirement Benefits Branch and the Investment Office in the event of a significant disruption to multiple critical systems and applications. The exercise emphasizes the enhancement of operational continuity resilience for ERS through discussion of the execution of their documented continuity actions. The exercise will aim to identify opportunities for improvements based on lessons learned from real life disruption events not only in Hawaii but also in the continental U.S. and globally.</p> <p><i>PRIMARY FOCUS: Operational</i></p>	<p>Information Systems <i>Business Continuity & Disaster Recovery Planning</i> <i>Data Retention & Backup</i></p> <p>Administration <i>Crisis Management and Communication</i></p>	<p>Availability Risk Customer Satisfaction Risk Infrastructure Risk Service Failure Risk Catastrophic Loss Risk Communications Risk</p>	Q3	250
TOTAL PROPOSED ASSURANCE HOURS: 01/25 - 12/25				1,000

Proposed Audit Plan - 2025

Internal Audit Plan – January 1, 2025 through December 31, 2025

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
ADVISORY				
<p>vCISO Initiative - Roadmap Implementation</p> <p>Continue to provide a C-level resource to implement the Cybersecurity Strategy and Roadmap as defined and developed as part of the Phase 1 project. Implementation activities will focus on priorities that align with the organization's business and strategic plans, while addressing the risk posture of the organization. Activities to include the following: define timetable and priorities for remediation of previous audit findings, security steering committee initiation, vendor risk assessments, IT and security policy development, cybersecurity awareness trainings, and establishment of a vulnerability management program. The duration of the project is expected to last for approximately six months.</p> <p>PRIMARY FOCUS: Operational/Information Technology</p>	Various (Org-wide)	Various Risks	Q1	750
<p>ERM Capability Roadmap and Training</p> <p>Working with ERS' Management Team, understand the current state of risk management activities in the organization, and deliver training to key stakeholders to increase the education and awareness of the enterprise risk management (ERM) function. Develop an initial roadmap outlining best practices to develop the ERM function.</p> <p>PRIMARY FOCUS: Operational/Compliance</p>	Various (Org-wide)	Various Risks	Q2	250

Proposed Audit Plan - 2025

Internal Audit Plan – January 1, 2025 through December 31, 2025

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
ADVISORY				
<p>Continuous Monitoring Tool Development - Part 2</p> <p>Continue to build upon the ideas and opportunities identified in Part 1 to create and develop a continuous monitoring tool or platform to assist in tracking and monitoring employer compliance with ERS reporting requirements. A tool will be developed to monitor timely submission of payroll reports and proper submission of overpayment adjustments. IA will meet and collaborate with the Employer Reporting Team and the Compliance Office to develop a tool that aligns with their monitoring needs. Training will be provided to ensure that branches are able to properly own and use the tool for future use.</p> <p>PRIMARY FOCUS: Operational/Information Technology</p>	Various (Org-wide)	Various Risks	Q3	550
<p>IA Recommendation & Implementation Assistance</p> <p>Assist ERS in implementing prior year internal audit report recommendations that have not been cleared due to lack of sufficient resources to address them in a timely manner. KMH will be collaborating and prioritizing with ERS' various branches to implement high, medium, and low risk recommendations.</p> <p>PRIMARY FOCUS: Operational/Compliance/Financial</p>	Various (Org Wide)	Various Risks	Ongoing	100
TOTAL PROPOSED ADVISORY HOURS: 01/25 - 12/25				1,650

Proposed Audit Plan - 2025

Internal Audit Plan – January 1, 2025 through December 31, 2025

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
OTHER				
Function Administration - January 1, 2025 - December 31, 2025				
Internal Audit Plan Update for Year 4			Q4	100
Compliance Office Collaboration and Assistance			Throughout	150
Reporting, Communication and Other Administration			Throughout	350
TOTAL OTHER HOURS: 01/25 - 12/25				600
TOTAL PROPOSED HOURS: 01/25 - 12/25				3,775

Proposed Audit Plan - 2026

The following represents the detailed Internal Audit Plan which covers the period from January 1, 2026 through December 31, 2026.

Internal Audit Plan – January 1, 2026 through December 31, 2026

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
ASSURANCE				
<p>Biennial Follow-Up Review</p> <p>Assess the progress that responsible managers made in implementing prior finding recommendations for previously completed reviews between 2023 and 2025 as well as finding recommendations remediated for reviews completed prior to 2023. This includes recommendations from reviews completed on the following ERS branches/areas: Administration, Program Support, Retirement Benefits, Accounting, Staff Support Services, and Investment Office. Assessment includes evaluating the design and operation of newly implemented internal controls and processes.</p> <p>PRIMARY FOCUS: Operational/Compliance/Financial</p>	Various (Org-wide)	<p>Cycle Time Risk</p> <p>Efficiency Risk</p> <p>Performance Gap Risk</p> <p>Service Failure Risk</p>	Q1	300
<p>Investment Management, Monitoring & Performance Evaluation</p> <p>Assess the design of processes and internal controls over the management and monitoring of ERS's investment managers, Investment Office's compliance with performance evaluation procedures, and where appropriate, review investment managers compliance with their respective contract restrictions and requirements.</p> <p>PRIMARY FOCUS: Operational/Financial</p>	<p>Investment Office</p> <p>Investment Management,</p> <p>Monitoring & Performance</p> <p>Evaluation</p>	<p>Organization Structure Risk</p> <p>Authority/Limit Risk</p> <p>Alignment Risk</p> <p>Efficiency Risk</p>	Q2	450

Proposed Audit Plan - 2026

Internal Audit Plan – January 1, 2026 through December 31, 2026

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
ASSURANCE				
<p>Investment Accounting</p> <p>Assess the design of processes and internal controls over the accounting of investments to ensure that ERS maintains conformity with applicable Governmental Accounting Standards Board (GASB) standards and guidance, activities comply with ERS policies and procedures, investment balances are accurate and properly valued, and accounting records reconciles to the custodial bank's book of record.</p> <p>PRIMARY FOCUS: Operational/Compliance/Financial</p>	<p>Accounting</p> <p><i>Investment Accounting & Compliance Reporting</i></p>	<p>Financial Reporting</p> <p>Evaluation Risk</p> <p>Compliance Risk</p> <p>Integrity Risk</p> <p>Availability Risk</p>	Q3	450
<p>V3locity Business Readiness Assessment</p> <p>The V3locity Business Readiness Assessment will assist ERS in identifying and understanding organizational risk with their cloud based pension administration system implementation. The assessment will evaluate the organization's approach to business process decisions and requirements, and management plans over testing, data conversion, go-live deployment and criteria, implementation and failover, organizational change management and training, and post-implementation production support. The objective is to identify leading practice recommendations to be considered and incorporated as part of the eventual go-live implementation of V3locity.</p> <p>PRIMARY FOCUS: Operational/Information Technology</p>	<p>Information Systems</p> <p><i>IT Change Management</i></p> <p><i>Information Security</i></p> <p><i>Event, Incident & Problem Management</i></p> <p><i>IT Vendor/Third Party Management</i></p>	<p>Availability Risk</p> <p>Communications Risk</p> <p>Infrastructure Risk</p> <p>Security Risk</p> <p>Service Failure Risk</p> <p>Technological Innovation Risk</p>	Q3	500
TOTAL PROPOSED ASSURANCE HOURS: 01/26 - 12/26				1,700

Proposed Audit Plan - 2026

Internal Audit Plan – January 1, 2026 through December 31, 2026

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
ADVISORY				
<p>Continuous Monitoring Tool Development - Part 3</p> <p>Continue to create and develop a continuous monitoring tool or platform to assist in tracking and monitoring employer compliance with ERS' payroll and personnel reporting requirements. IA will meet and collaborate with applicable branches to develop a tool that aligns with their monitoring needs. Training will be provided to ensure that branches are able to properly own and use the tool for future use.</p> <p>PRIMARY FOCUS: Operational/Information Technology</p>	Various (Org Wide)	Various Risks	Q1	450
<p>IA Recommendation & Implementation Assistance</p> <p>Assist ERS in implementing prior year internal audit report recommendations that have not been cleared due to lack of sufficient resources to address them in a timely manner. KMH will be collaborating and prioritizing with ERS' various branches to implement high, medium, and low risk recommendations.</p> <p>PRIMARY FOCUS: Operational/Compliance/Financial</p>	Various (Org Wide)	Various Risks	Ongoing	100
TOTAL PROPOSED ADVISORY HOURS: 01/26 - 12/26				550

Proposed Audit Plan - 2026

Internal Audit Plan – January 1, 2026 through December 31, 2026

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
OTHER				
Function Administration - January 1, 2026 - December 31, 2026				
Risk Assessment Re-Evaluation & Two-Year Audit Plan			Q4	250
Compliance Office Collaboration and Assistance			Throughout	150
Reporting, Communication and Other Administration			Throughout	350
TOTAL OTHER HOURS: 01/26 - 12/26				750
TOTAL PROPOSED HOURS: 01/26 -12/26				3,000

Proposed Two-Year Internal Audit Plan Schedule

2025 Proposed Internal Audit Plan Schedule

The chart below depicts the proposed timing of the projects included in the Internal Audit Plan. The diamonds and bars are meant to portray the approximate project duration, including the estimated start and end dates of each project.

Internal Audit Plan Period: January 1, 2025 through December 31, 2025														
PROJECT	Q1 2025			Q2 2025			Q3 2025			Q4 2025			Hours	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Budget	
2024 Carryover Projects														
Investment Manager Selection & Evaluation Review	[In Process]												150	
Contracting & Procurement Review	[In Process]			[In Process]									375	
Assurance														
Benefit Claims & Refund and Retiree Overpayments Processing Review					◆								400	
Member/Retiree Record Processing, Retention, and Storage										◆			350	
Business Continuity Plan – Tabletop Exercise							◆						250	
Advisory & Other														
vCISO Initiative - Roadmap Implementation	◆	[Consulting & Other Projects]					◆							750
ERM Capability Roadmap and Training				◆									250	
Continuous Monitoring Tool Development - Part 2								◆					550	
IA Recommendation & Implementation Assistance	◆	[Consulting & Other Projects]										◆	100	
Internal Audit Plan Update for Year 4											◆	◆	100	
Compliance Office Collaboration and Assistance	◆	[Meetings, Board Support, Other]										◆	150	
Reporting, Communication and Other Administration	◆	[Meetings, Board Support, Other]										◆	350	
												Total Hours	3,775	



The timing and execution of the projects included in the proposed Audit Plan may change. Significant changes to the Audit Plan will be communicated to the Administrative & Audit Committee on a periodic basis.

2026 Proposed Internal Audit Plan Schedule

Internal Audit Plan Period: January 1, 2026 through December 31, 2026													
PROJECT	Q1 2026			Q2 2026			Q3 2026			Q4 2026			Hours
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Budget
Assurance													
Biennial Follow-Up Review	◆												300
Investment Management, Monitoring & Performance Evaluation				◆									450
Investment Accounting									◆				450
V3locity Business Readiness Assessment							◆		◆				500
Advisory & Other													
Continuous Monitoring Tool Development - Part 3		◆											450
IA Recommendation & Implementation Assistance	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	100
Risk Assessment Re-Evaluation & Two-Year Audit Plan										◆	◆	◆	250
Compliance Office Collaboration and Assistance	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	150
Reporting, Communication and Other Administration	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	350
												Total Hours	3,000

◆ Project Start Date
 ◆—◆ Consulting & Other Projects
 ◆- - ◆ Meetings, Board Support, Other

The timing and execution of the projects included in the proposed Audit Plan may change. Significant changes to the Audit Plan will be communicated to the Administrative & Audit Committee on a periodic basis.

Appendices

- Appendix A – Interview List
- Appendix B – Relevant Risk Definitions: Quadrant I
- Appendix C – Relevant Risk Definitions: Other Quadrants

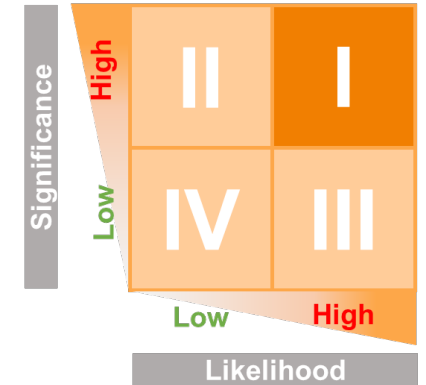
Appendix A - Interview List

IA conducted interviews with various members of the management team, members of the Board, and other associated parties. The objectives of these interviews were to identify and discuss relevant risks, confirm the auditable areas, and obtain a high-level understanding of the controls and processes in place to mitigate relevant risks. The following is a list of the individuals interviewed:

- Thom Williams, Executive Director
- Kristen Varela, Chief Investment Officer
- Kona Mann, Chief Compliance Officer
- Lori Kobayashi, Retirement Benefits Branch Manager
- Larry Wolfe, Accounting Manager
- Keith Miyamoto, Information Technology Manager
- James Greubel, Program Specialist
- Drew Tomimoto, Staff Support Services Supervisor
- Bennett Yap, Trustee and Board Chair
- Catherine Chan, Trustee and Administrative & Audit Committee Chair
- Vincent Barfield, Trustee and Administrative & Audit Committee Vice Chair
- Genevieve Ley, Trustee
- Lance Mizumoto, Trustee
- Luis Salaveria, Trustee
- Bennett Yap, Trustee
- Ralph Kanetoku, Robyn Kawamura, and YeeYan Lim, External Auditor (KKDLY)

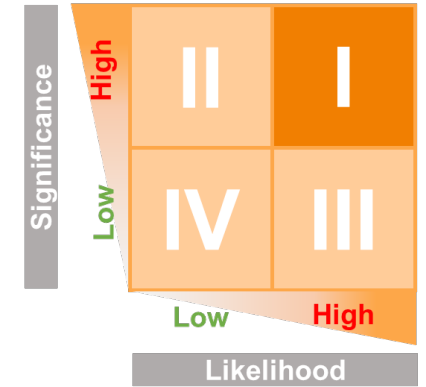
Appendix B – Relevant Risk Definitions: Quadrant I

Risk	Definition
Access Risk	Access risk includes the risk that access to information (data or programs) or systems will be inappropriately granted or refused. It encompasses the risks of improper segregation of duties, risks associated with the integrity of data and databases and risks associated with information confidentiality.
Accounting Information Risk	Financial accounting information used to manage business processes is not properly integrated with nonfinancial information focused on customer satisfaction, measuring quality, reducing cycle time and increasing efficiency. The result is a myopic, short-term fixation on manipulating the outputs of business processes to achieve financial targets, rather than fulfilling customer expectations by controlling and improving processes.
Alignment Risk	The objectives and performance measures of the organization's business processes are not aligned with its overall business objectives and strategies. The objectives and measures do not focus people on the right things and lead to conflicting, uncoordinated activities.
Business Interruption Risk	The organization's capability to continue critical operations and processes may be highly dependent on availability of certain information technologies, skilled labor and other resources.
Capital Availability Risk	The organization does not have efficient access to the capital it needs to fuel its growth, execute its strategies, and generate future financial returns.



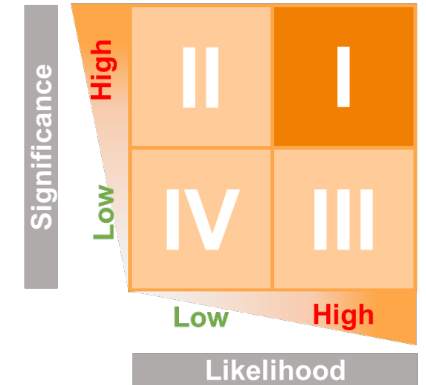
Appendix B – Relevant Risk Definitions: Quadrant I (continued)

Risk	Definition
Communications Risk	Communication channels (top-down and bottom-up or cross-functional) within the organization are ineffective and result in messages that are inconsistent with authorized responsibilities or established measures.
Compliance Risk	As a result of a flaw in design or operation or due to human error, oversight or indifference, the organization's processes do not meet customer requirements the first time or do not comply with prescribed procedures and policies. Compliance risk can also result in failure to conform with laws and regulations at the international, federal, state and local level that apply to a business process.
Contract Commitment Risk	The organization does not have information that effectively tracks contractual commitments outstanding at a point in time, so that the financial implications of decisions to enter into incremental commitments can be appropriately considered by decision makers.
Credit Risk	The exposure to actual loss or opportunity cost as a result of default (or other failure to perform) by an economic or legal entity (the debtor) with which the organization does business.
Customer Satisfaction Risk	The organization's processes do not consistently meet or exceed customer expectations due to a lack of focus on the customer.
Cycle Time Risk	Elapsed time between the start and completion of a business process (or activity within a process) is too long because of redundant, unnecessary and irrelevant steps.



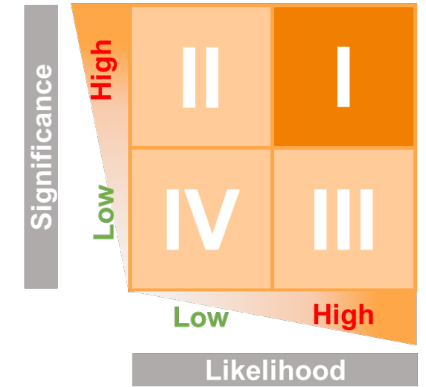
Appendix B – Relevant Risk Definitions: Quadrant I (continued)

Risk	Definition
Efficiency Risk	The process is inefficient in satisfying valid customer requirements resulting in higher costs.
Financial Markets Risk	Financial markets risk is defined as exposure to changes in the earnings capacity or economic value of the organization as a result of changes in financial market variables (e.g., currency, interest rates). These changes affect income, expense or balance sheet values.
Human Resources Risk	The personnel responsible for managing and controlling the organization or a business process do not possess the requisite knowledge, skills and experience needed to ensure that critical business objectives are achieved and significant business risks are reduced to an acceptable level.
Infrastructure Risk	The risk that the organization does not have an effective information technology infrastructure (e.g., hardware, networks, software, people and processes) to effectively support the current and future needs of the business in an efficient, cost-effective and well-controlled fashion.
Knowledge Capital Risk	Processes for capturing and institutionalizing learning across the organization are either nonexistent or ineffective, resulting in slow response time, high costs, repeated mistakes, slow competence development, constraints on growth and unmotivated employees.
Leadership Risk	The risk that the people responsible for the important business processes do not or can not provide the leadership, vision, and support necessary to help employees be effective and successful in their jobs.



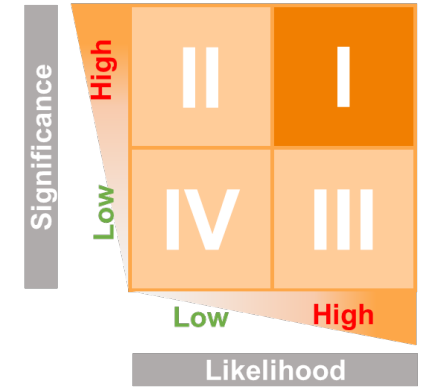
Appendix B – Relevant Risk Definitions: Quadrant I (continued)

Risk	Definition
Organization Structure Risk	The organization's structure does not support change or the organization's business strategies.
Organizational Culture Risk	The organization's culture does not encourage managers to realistically portray the potential outcomes of transactions, deals, investments and projects and understand and portray the full picture for decision makers. The organization experiences dysfunctional behavior because managers are either risk averse or incented to take risks beyond the organization's risk appetite.
Performance Gap Risk	A business process does not perform at a "best-of-class" level because the practices designed into the process are inferior.
Privacy Risk	Privacy encompasses the rights and obligations of individuals and the organization with respect to the collection, use, retention, disclosure, and disposal of personal information.
Regulatory/Legislative Risk	Changes in regulations or laws and actions by national or local regulators/legislators can result in increased competitive pressures and required changes in business processes, which significantly affect the organization's ability to efficiently conduct business.
Resource Allocation Risk	The organization's resource allocation process does not generate and sustain effective and efficient operations or maximize returns for stakeholders.



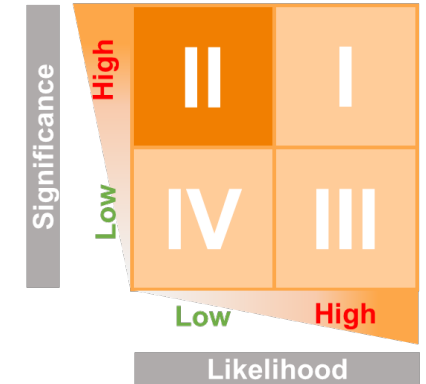
Appendix B – Relevant Risk Definitions: Quadrant I (continued)

Risk	Definition
Security Risk	The risk that a possible threat will use a vulnerability in the system of the organization to cause disruption to the organizational assets, operations and/or objectives.
Service Failure Risk	The organization's operations create risk of customers receiving faulty or nonperforming services.
Succession Planning Risk	Leadership talent within the organization is not sufficiently developed to provide for orderly succession in the future.
Technological Innovation Risk	The organization is not leveraging advancements in technology in its business model to attain superior quality, cost and/or time performance in its services and processes.



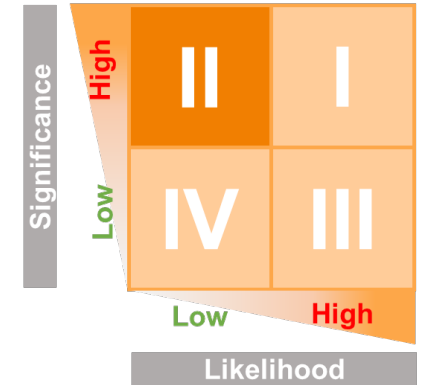
Appendix C – Relevant Risk Definitions: Quadrant II

Risk	Definition
Authority/Limit Risk	The risk that people either make decisions or take actions that are not within their explicit responsibility or control or fail to take responsibility for those things for which they are accountable. Failure to establish or enforce limits on personnel actions may cause employees to commit unauthorized, illegal or unethical acts or assume unauthorized or unacceptable business risks.
Availability Risk	The risk that information will not be available when needed. This includes risks such as loss of communications (e.g., cut cables, telephone system outage, satellite loss), loss of basic processing capability (e.g., fire, flood, electrical outage) and operational difficulties (e.g., data server breakdown, operator errors).
Budget and Planning Risk	Budgets and business plans are not 1) realistic, 2) based on appropriate assumptions, cost drivers, and performance measures, 3) accepted by key managers, or 4) used as a monitoring tool.
Catastrophic Loss Risk	The inability to sustain operations, provide services, or recover operating costs as a result of a major disaster.
Customer Wants Risk	The organization is not aware that customer needs and wants change. Such needs and wants may apply to desired service quality, willingness to pay and/or speed of execution.
Ethical Behavior Risk	The organization, through its actions or inaction, demonstrates that it is not committed to ethical and responsible business behavior.



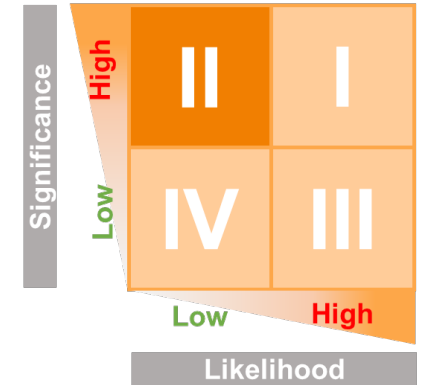
Appendix C – Relevant Risk Definitions: Quadrant II (continued)

Risk	Definition
Image and Branding Risk	The risk that the organization may lose its key employees or its ability to maintain public confidence, due to perceptions that it does not deal fairly with customers, suppliers and stakeholders, or know how to manage its business.
Integrity Risk	This risk encompasses all of the risks associated with the authorization, completeness, and accuracy of transactions as they are entered into, processed by, summarized by and reported on by the various application systems deployed by the organization.
Investment Valuation/Evaluation Risk	Management does not have sufficient financial information to make informed short-term and long-term investment decisions and link the risks accepted to the capital at risk. Management and key decision-makers are unable to reliably measure the value of the organization's investment portfolio in a strategic context.
Legal Risk	The risk that the organization's transactions, contractual agreements and specific strategies and activities are not enforceable under applicable law.
Liquidity Risk	The exposure to loss as a result of the inability to meet cash flow obligations in a timely and cost-effective manner. Liquidity risk often arises as a result of an investment portfolio with a cash flow and/or maturity profile, which differs from the underlying cash flows dictated by the organization's operating requirements and obligations.



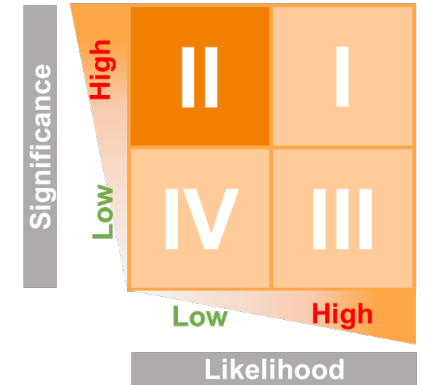
Appendix C – Relevant Risk Definitions: Quadrant II (continued)

Risk	Definition
Measurement (Strategy) Risk	Occurs when overall organizational performance measures focus primarily on near-term financial results or are not consistent with and do not support business strategies.
Outsourcing Risk	Outside service providers do not act within their defined limits of authority and do not perform in a manner consistent with the values, strategies and objectives of the organization.
Portfolio Risk	The risk that the organization will not maximize business and financial performance by effectively balancing its portfolio in a strategic context.
Price Risk	The exposure of earnings or net worth to changes in market factors (e.g., interest rates, currency rates, commodity, financial instrument), which affect income, expense or balance sheet values.
Regulatory Reporting Risk	Reports of operating and financial information required by regulatory agencies are incomplete, inaccurate, or untimely, exposing the organization to fines, penalties and sanctions.
Sovereign/Political Risk	The risk of adverse consequences through political actions in a country in which the organization has made significant investments, is dependent on a significant volume of business or has entered into an agreement with a counter party subject to the laws of that country.
Stakeholder Relations Risk	A decline in stakeholder confidence may impair the organization's ability to efficiently raise capital. The organization will not have the same efficient access to the capital it needs to fuel its growth, execute its strategies, and generate future financial returns.



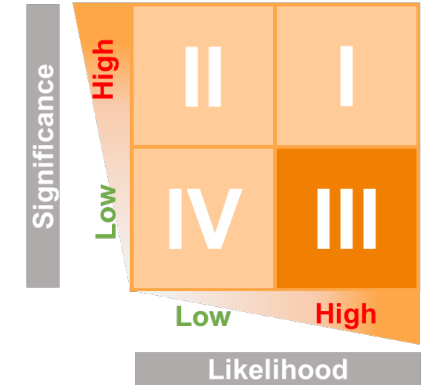
Appendix C – Relevant Risk Definitions: Quadrant II (continued)

Risk	Definition
Taxation Risk	Significant transactions of the organization have adverse tax consequences that could have been avoided had they been structured differently. Failure to comply with all tax regulations (e.g., payment and filing requirements) creates risks.



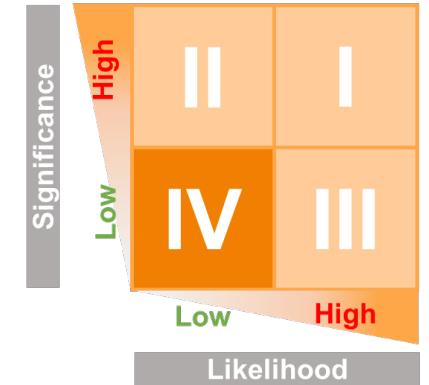
Appendix C – Relevant Risk Definitions: Quadrant III

Risk	Definition
Board Effectiveness Risk	The Board does not constructively engage management and provide anticipatory, proactive and interactive oversight of the organization's activities and affairs, with integrity, vision, common sense and unquestioned independence.
Change Readiness Risk	The people within the organization are unable to implement process and service improvements quickly enough to keep pace with changes in the marketplace or changes required by legislation.
Financial Reporting Evaluation Risk	Financial reports issued to existing and prospective investors and lenders include material misstatements or omit material facts, making them misleading.
Internal Control Evaluation Risk	Failure to accumulate sufficient relevant and reliable information to assess the design and operating effectiveness of internal control over financial reporting, resulting in inaccurate assertions by management in the internal control report.
Sensitivity Risk	Sensitivity risk results when management commits the organization's resources and expected cash flows from future operations to such an extent that it reduces the organization's tolerance for (or ability to withstand) changes in environmental forces that are totally beyond its control.



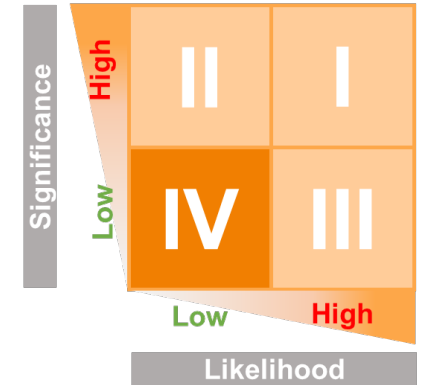
Appendix C – Relevant Risk Definitions: Quadrant IV

Risk	Definition
Business Model Risk	The organization has an obsolete business model and does not recognize it and/or lacks the information needed to make an up-to-date assessment of its current model and build a compelling business case for modifying that model on a timely basis.
Employee Fraud and Third Party Fraud Risk	Fraudulent activities perpetrated by employees, customers, suppliers, agents, brokers or third-party administrators against the organization for personal gain expose the organization to financial loss.
Environmental Scan Risk	The failure to monitor and stay in touch with a rapidly changing environment resulting in obsolete business strategies.
Health and Safety Risk	These risks expose the organization to potentially significant workers' compensation liabilities, financial loss, and negative publicity. The organization and its managers could find themselves liable for failure to provide a safe working environment for their employees.
Illegal Acts Risk	Managers and employees individually or in collusion commit illegal acts, placing the organization, its trustees, and officers at risk to the consequences of their actions.
Management Fraud Risk	Management issues misleading financial statements with intent to deceive the public and the external auditor or engages in bribes, kickbacks, influence payments and other schemes for the benefit of the organization.

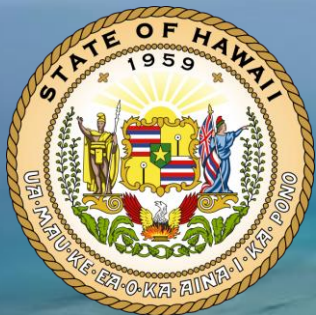


Appendix C – Relevant Risk Definitions: Quadrant IV (continued)

Risk	Definition
Measurement (Operations) Risk	Process performance measures do not provide a reliable portrayal of operating performance and do not accurately reflect reality. The measures do not provide relevant information for decision making because they are not informative, understandable, believable, actionable, or indicators of change.
Performance Incentives Risk	Unrealistic, subjective or unclear performance measures may cause managers and employees to act in a manner that is inconsistent with the organization's business objectives, strategies, ethical standards and prudent business practice.
Planning Risk	The organization's business strategies are not driven by creative and intuitive input or based on current assumptions about the external environment resulting in strategies that are out-of-date and unfocused.
Unauthorized Use Risk	The organization's employees (or others) use its physical and financial assets for unauthorized or unethical purposes.



Employees' Retirement System of the State of Hawaii

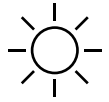


Employees' Retirement System
of the State of Hawaii

Compliance Quarterly Update
Kona Mann
February 2025

Executive Summary:

This is the CCO's quarterly update. Report is being presented for Committee's awareness & discussion.



Key Highlights

- Compliance Activities Completed: GRC Platform RFP issued and bids are being reviewed.
- Compliance Opportunities:
 - vCISO, Data & Analytics (D&A), Risk Management, and IT - Develop D&A and Risk Management Strategy, support vCISO Roadmap activities, support IT security and strategic planning, and tech and vendor acquisition;
 - Governance Functions - Velocity Migration Project Management, Automation Initiatives, Business Continuity Planning and (3) Lines of Defense (independent);
 - Employer Reporting - Audit Plan, Audit Support (KMH, Accounting, RBB);
 - Compliance - Record Retention & Disposal, RM Framework and Reporting, Code of Ethics & Business Conduct, and Policy Workshops with Branches & KMH/RSM;



Next Steps

- Compliance will continue to support branch operational activities and align compliance and risk program implementation activities.
- Work will continue to support ERS' goal of responsible governance by assisting branches with developing and implementing priorities to include establishing policies and goals.



ERS Compliance Program

- **STRATEGY:** Compliance is central to ERS' strategic planning;
 - Using tools, strategies, data and all stakeholders to make informed decisions
 - Establish consistency in operational strategic planning supported by data, informed by risk and compliance, aligned to organizational goals and objectives.
 - Utilize data and analytics, risk management, internal audit, and compliance activities to support continuous improvement.
- **RISK MANAGEMENT:** Risks are identified, owned, prioritized and managed;
 - Branches Are Aware & Own Risks
 - Process development, mapping, ownership and management.
 - Risk-enabled processes, dashboard reporting, clear decision-making and calendared activities.
- **CULTURE:** Leaders at all levels across the organization build and sustain a culture of integrity & risk governance and management;
 - Continue building risk aware culture
 - Continuing supporting process ownership and drive policy and procedure development.
 - Provide education, training and support.
- **ACCOUNTABILITY:** ERS and its various business functions take action and holds itself accountable to effective risk management and open and upward communication, sharing of knowledge and best practices, continuous process improvement and a strong commitment to ethical and responsible business behavior.
 - Discipline & Enforcement.



March 10, 2025

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

FROM: Gail Strohl
Deputy Executive Director

SUBJECT: 2026 Trustee Election Proposed Timetable

An election will be held this year for two trustee seats on the Board of Trustees – a general seat and a retirant seat. The two seats will be for six years beginning January 2, 2026. All active members, inactive vested members and retirees are eligible to vote for these trustee positions. Those interested in running may submit a petition with at least 100 signatures of ERS members and retirees. Employee and retirant organizations may nominate candidates for the election.

The following is the tentative timetable for the upcoming trustee election:

<u>Description</u>	<u>Tentative Schedule</u>
Request in Holomua for all eligible to vote	March 2025
Publication notice of Trustee Election (including notice to submit petition for members desiring to place their names on the ballot if not proposed as a candidate by general employee organizations)	April 25, 2025
Invitation letter to general employee organizations to submit names of proposed candidates	April 25, 2025
Post a notice of Trustee Election on ERS website	April 25, 2025
Send Request for Quotations (RFQ) for contractor to handle election service	April 25, 2025
Procure vendor for election service	May 23, 2025
Nomination papers / Petitions must be received by ERS no later than 4:30pm	June 13, 2025
Review signatures on petition; printing and insertion of election materials	July & August 2025
Mail Ballots	September 5, 2025
Send a letter to union organization representatives to oversee ballot activities	September 22, 2025
Ballot postmark deadline	October 14, 2025
Ballot Tally	October 21-24, 2025
Results presented at Board of Trustees Meeting	November 10, 2025



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
HUMAN RESOURCES COMMITTEE CHARTER

I. PURPOSE

The Human Resources Committee (“Committee”) of the Employees’ Retirement System (“ERS”) of the State of Hawaii is a committee of the Board of Trustees (“Board”). Its primary function is to provide oversight of Human Resources Management and to determine and recommend compensation for executive and exempt positions in the ERS for Board approval based on annual performance assessments.

II. COMMITTEE MEMBERSHIP

The Committee shall consist of no more than four (4) trustees. The members of the Committee shall be appointed by the Board. The members of the Committee shall be appointed for one-year terms and shall serve for such term or terms as the Board may determine or until earlier resignation. The Board may remove any member from the Committee at any time with or without cause.

III. MEETINGS

The Committee shall meet at least one (1) time a year at such times and places as it deems necessary to fulfill its responsibilities. After each meeting, the Committee shall report to the Board regarding its actions and recommendations. The Committee may invite ERS officers and employees to its meetings as it deems appropriate. Except as otherwise directed by the Committee, the Executive Director, Deputy Executive Director, the Chief Investment Officer, and exempt Investment Office staff shall not be present at Committee meetings at which their compensation or performance is discussed or determined.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
HUMAN RESOURCES COMMITTEE CHARTER

IV. AUTHORITY AND RESPONSIBILITIES

The Committee shall elect from its members a Chairperson and Vice Chairperson. The Committee shall have the following authority and responsibilities:

- To oversee the Executive Director's execution of the human resources management function within the State's policy framework and Budget & Finance's directives and guidance.
- To review, approve, and monitor, the annual goals and objectives of the Executive Director, Deputy Executive Director, and Chief Investment Officer as adopted by the Board. Successful accomplishment of the goals and objectives shall be the basis of compensation recommendations for the Executive Director and the Chief Investment Officer.
- Evaluate at least annually the Executive Director's, Deputy Executive Director's, and Chief Investment Officer's performance relative to the goals and objectives of their positions and those of the ERS.
- The Committee shall make recommendations to the Board regarding the compensation of the Executive Director and Chief Investment Officer.
- The Committee shall consult with the Executive Director on the goals and objectives applicable to the Deputy Executive Director, Chief Investment Officer, and exempt Investment Office staff.
- To review at least annually the Executive Director's and Chief Investment Officer's performance evaluations of exempt Investment Office staff's goals and objectives of staff's positions and those of the ERS.
- The Committee shall consult with the Executive Director and Chief Investment Officer regarding compensation recommendations for exempt Investment Office staff. The Committee shall make recommendations to the Board regarding the compensation of exempt Investment Office staff.
- To review with the Executive Director the implementation of performance goals and Committee recommendations at mid-year.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
HUMAN RESOURCES COMMITTEE CHARTER

- To review and make recommendations to the Board regarding the adoption, amendment, or termination of employment agreements and severance arrangements or plans, including any benefits to be provided in connection with the appointment of the Executive Director and Chief Investment Officer. To develop and recommend to the Board for approval a succession plan ("Succession Plan"), to review the Succession Plan periodically with the Executive Director, to develop and evaluate potential candidates for the Executive Director, Deputy Executive Director, and Chief Investment Officer positions, and to recommend to the Board any changes to, and any candidates for succession under, the Succession Plan.
- To review the Training and Development Plan annually with the Executive Director and report on plan implementation to the Board.

V. OUTSIDE ADVISORS

The Committee shall have the authority, in its sole discretion, to select, retain and obtain the advice of compensation consultants as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Committee shall set the compensation, and oversee the work, of each compensation consultant. The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of legal counsel and other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of its legal counsel and other advisors. The Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant(s), legal counsel, or other advisors, and the authority granted in this Part V shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter.



**Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
HUMAN RESOURCES COMMITTEE CHARTER**

VI. PERFORMANCE EVALUATION

The Committee shall conduct an annual evaluation of the performance of its duties under this Charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.

Adopted and Approved by the Board of Trustees: April 10, 2017, August 10, 2020, April 11, 2022, March 13, 2023, March 11, 2024, March 10, 2025

Accepted by the Governance Policy Committee: March 28, 2022, March 7, 2023

Revised and Accepted by the Compensation Review/Human Resources Committee: March 23, 2020, February 25, 2021, February 10, 2022, February 6, 2023, February 12, 2024, February 19, 2025

Attached for Reference:

Page 2, Human Resources Personnel Development and Retention Review, Internal Audit Report, September 2020, Report No.: STA011-XX-XX



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
LEGISLATIVE COMMITTEE CHARTER

I. PURPOSE

The Legislative Committee (“Committee”) of the Employees’ Retirement System (“ERS”) of the State of Hawaii is a committee of the Board of Trustees (“Board”). Its primary function is to assist the Board in fulfilling its fiduciary oversight responsibilities by reviewing and advising on recommendations on proposed legislation.

II. COMMITTEE MEMBERSHIP

The Committee shall consist of no fewer than three (3) trustees. The members of the Committee shall be appointed by the Board. The members of the Committee shall be appointed for a one-year term and shall serve for such term or terms as the Board may determine or until earlier resignation. The Board may remove any member from the Committee at any time with or without cause.

III. MEETINGS

The Committee shall meet at least one (1) time a year at such times and places as it deems necessary to fulfill its responsibilities. The Committee shall report regularly to the Board regarding its actions and make recommendations to the Board as appropriate. The Committee may invite such members of management and advisors to its meetings as it deems appropriate. The Committee shall review this Charter at least annually and recommend any proposed changes to the Board for approval.

IV. AUTHORITY AND RESPONSIBILITIES

The members of the Committee shall elect its Chairperson and Vice Chairperson.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
LEGISLATIVE COMMITTEE CHARTER

The Committee shall have the following authority and responsibilities regarding ERS Legislation:

- To review and approve annually the ERS's goals and objectives applicable to the legislative process.
- To review proposed legislation introduced by the ERS and by other parties, and to assign and provide direction for the Executive Director and Deputy Executive Director on priorities and actions to successfully support the legislative goals and responsibilities of the ERS.
- To recommend support or opposition of proposed legislation to the full Board for its consideration.

V. OUTSIDE ADVISORS

The Committee shall have the authority, in its sole discretion, to obtain the advice of any ERS consultant or ERS service provider as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Committee shall have the authority, in its sole discretion, to obtain the advice and assistance of ERS's legal counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall not be required to implement or act consistently with the advice or recommendations of its consultant, legal counsel or other advisor to the Committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter. The consultant(s), outside counsel and any other advisors retained by, or providing advice to, the Committee (other than the ERS's in-house counsel) shall be independent as determined in the discretion of the Committee.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
LEGISLATIVE COMMITTEE CHARTER

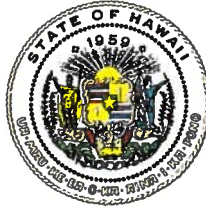
VI. PERFORMANCE EVALUATION

The Committee shall conduct an annual evaluation of the performance of its duties under this charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it deems appropriate.

Adopted and Approved by the Board of Trustees on February 13, 2017, August 10, 2020, April 11, 2022, March 13, 2023, March 11, 2024, March 10, 2025
Accepted by the Governance Policy Committee: March 28, 2022, March 7, 2023
Revised and Accepted by the Legislative Committee: August 10, 2020, February 7, 2022, January 31, 2023, February 2, 2024, Feb 13, 2025

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



THOMAS WILLIAMS
EXECUTIVE DIRECTOR

GAIL STROHL
DEPUTY EXECUTIVE DIRECTOR

**STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM**

March 10, 2025

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

FROM: Thomas Williams, Executive Director
Employees' Retirement System of the State of Hawaii

SUBJECT: Committee Review, January 2024 - December 2024

Below is a summary of the Legislative Committee meeting held February 2, 2024. This represents the only meeting held by the Committee during the period between January through December 2024.

February 2, 2024

Re-elected Bennett Yap as chair of the committee. Elected Dr. Genevieve (Genny) Gines Ley as vice-chair of the committee.

Reviewed the Legislative Committee Charter and prior year's Legislative Committee activities. The Committee agreed there were no recommended changes to the Charter. The committee reviewed a memorandum reviewing the activities of the committee during 2024. The Charters are to be presented first to the Governance Policy Committee and for final approval by the Board.

Discussed Legislative Proposals for the 2024 session and heard recommended positions on bills from ERS staff. The committee requested a change of position on HB1947, Tier 2 vesting from comments to support. The committee accepted the ERS Initiated, Investment, Membership and Benefits and Miscellaneous Related 2024 Legislative Bills with requested change for board approval.

Source: Legislative Committee minutes

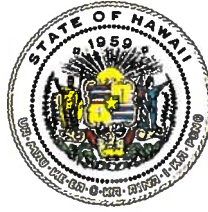


Employees' Retirement System
of the State of Hawaii

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JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LIEUTENANT GOVERNOR



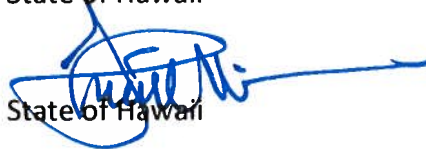
THOMAS WILLIAMS
EXECUTIVE DIRECTOR

GAIL STROHL
DEPUTY EXECUTIVE DIRECTOR

**STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM**

March 10, 2025

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

FROM: Thomas Williams, Executive Director
Employees' Retirement System of the State of Hawaii 

SUBJECT: Legislative Proposals Relating to the Employee's Retirement System

Attached are listings of the ERS-Initiated and ERS-related proposals by categories for the 2025 Legislative Session. Copies of selected ERS-related proposals are attached for your reference.

Action: Approval of proposed recommendations

Attachments



Employees' Retirement System
of the State of Hawaii

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ERS Initiated as of 3/3/2025										
#	Bill No	Subject	Title	Summary	Status as of 3/3/2025	Introducer(s)	Refer	Comp	Active or Dead	ERS Position
1	HB1041 HD1	Employees' Retirement System; Required Beginning Dates; Automatic Payments	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.	Amends statutory language to conform the requirements of beginning dates and automatic cashout requirements with the Internal Revenue Code of 1986, as amended. Effective 7/1/3000. (HD1)	H 2/11/2025: Passed Second Reading as amended in HD 1 and referred to the committee(s) on FIN with none voting aye with reservations; none voting no (0) and Representative(s) Cochran, Ward excused (2). First Decking Deadline 2/28/2025. Bill was not scheduled for a hearing by FIN	NAKAMURA (Introduced by request of another party)	LAB, FIN	SB1360	Dead	Support
2	HB1042 HD1	Employees' Retirement System; Employer Reporting	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM'S EMPLOYER REPORTING REVIEW.	Extends the due date of payment to the Employees' Retirement System for departments or agencies of the State or counties that fail to comply with reporting requirements by one year after the review period. Changes the time frame for which the Employers' Retirement System must report regarding any department or agency's failure to submit required information to the Employees' Retirement System from the current fiscal year to the previous fiscal year. Effective 7/1/3000. (HD1)	H 2/11/2025: Passed Second Reading as amended in HD 1 and referred to the committee(s) on FIN with none voting aye with reservations; none voting no (0) and Representative(s) Cochran, Ward excused (2). First Decking Deadline 2/28/2025. Bill was not scheduled for a hearing by FIN	NAKAMURA (Introduced by request of another party)	LAB, FIN	SB1361	Dead	Support
3	SB1360 SD1	Employees' Retirement System; Required Beginning Dates; Automatic Payments	RELATING TO 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. (SD1)	S 2/27/2025: 48 Hrs. Notice 03-04-25.	KOUCHI (Introduced by request of another party)	LBT, WAM	HB1041	Active	Support
4	SB1361	Employees' Retirement System; Employer Reporting	RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM'S EMPLOYER REPORTING REVIEW.	Adds a year between the review period and the billing due date and changes reporting of review results from the current fiscal year to the previous fiscal year.	H 2/28/2025: Received from Senate (Sen. Com. No. 55).	KOUCHI (Introduced by request of another party)	LBT, WAM	HB1042	Active	Support

Membership & Benefits Related as of 3/3/2025										
#	Bill No	Subject	Title	Summary	Status as of 3/3/2025	Introducer(s)	Refer	Comp	Active or Dead	ERS Position
5	HB214 HD1	DOE; ATG; ERS; Retirees; Hawaii Employer-Union Health Benefits Trust Fund; Benefits; School Resource Officers; Investigators; Counties; Report	RELATING TO GOVERNMENT.	Allows a retirant to be employed without reenrollment in the Employees' Retirement System and without loss or interruption of retirement benefits if the retirant is employed as a school resource officer or investigator in positions identified by the Department of Law Enforcement or the Department of the Attorney General, respectively, as a labor shortage or difficult-to-fill positions, subject to certain conditions. Requires the Director of Human Resources of the appropriate state jurisdiction or the human resources management chief executive of each county to include in their annual reports to the Legislature, details on the employment of retirants as school resource officers or investigators. Effective 7/1/3000. (HD1)	H 2/28/2025: Reported from FIN (Stand. Com. Rep. No. 1106), recommending passage on Third Reading.	TAKAYAMA, KILA, KITAGAWA, LA CHICA, MARTEN, MIYAKE, OLDS, SOUZA, TARNAS, TODD	LAB, FIN	SB99	Active	Provide Comments

#	Bill No	Subject	Title	Summary	Status as of 3/3/2025	Introducer(s)	Refer	Comp	Active or Dead	ERS Position
6	SB442 SD1	ATG; ERS; HDOA; Retirees; Hawaii Employer-Union Health Benefits Trust Fund; Benefits; Investigators; Counties; Report	RELATING TO GOVERNMENT.	Allows a retirant to be employed without reenrollment in the Employees' Retirement System (ERS) and without loss or interruption of benefits provided by the ERS or under Chapter 88, HRS, if the retirant is employed as an investigator in a position identified by the Department of the Attorney General or Department of Law Enforcement or an excluded management position of any department as a labor shortage, a difficult-to-fill position, or needed for succession planning, subject to certain conditions. Requires the Director of Human Resources of the appropriate state jurisdiction or the human resources management chief executive of each county to include in their annual reports to the Legislature, details on the employment of retirants as investigators pursuant to this measure. Effective 7/1/2050. (SD1)	S 2/28/2025: 48 Hrs. Notice 03-04-25.	DELA CRUZ, AQUINO, CHANG, HASHIMOTO, KIDANI, Moriwaki, San Buenaventura	WAM/JDC		Active	Provide Comments
7	SB935 SD2	ERS; Judges; Retirement Allowance; Tier 2 Employees; Credited Service; Benefits; Employer Contributions	RELATING TO GOVERNMENT.	Sets the retirement allowance for a member who first earns credited service as a judge after 6/30/2025, to 1.75 per cent of the judge's average final compensation for each year of credited service as a judge. Reduces the minimum number of years of credited service qualified Tier 2 Employees' Retirement System members must have to be eligible for vested benefit status for service retirement allowance purposes from ten years to five years. Increases employer contributions to offset the resulting liability. (SD2)	S 2/28/2025: 48 Hrs. Notice 03-04-25.	KANUHA	WAM		Active	Provide Comments

Miscellaneous as of 3/3/2025 (removed companion bills)

#	Bill No	Subject	Title	Summary	Status as of 3/3/2025	Introducer(s)	Refer	Comp	Active or Dead	ERS Position
8	HB131	Research; Office of Information Practices; Government Records; Disclosure	RELATING TO RESEARCH.	Allows agencies to disclose government records to researchers for certain research purposes.	H 2/28/2025: Passed Third Reading with none voting aye with reservations; none voting no (0) and Representative(s) Cochran, Pierick, Templo, Ward excused (4). Transmitted to Senate.	TARNAS, BELATTI, GRANDINETTI, IWAMOTO, KAPELA, KITAGAWA, MARTEN, PERRUSO, PIERICK, POEPOE, SOUZA, TAM	JHA		Active	Monitor
9	HB300	State Budget	RELATING TO THE STATE BUDGET.	Appropriates funds for the operating and capital improvement budget of the Executive Branch for fiscal years 2025-2026 and 2026-2027.	H 3/3/2025: Bill scheduled to be heard by FIN on Wednesday, 03-05-25 9:00AM in House conference room 308 VIA VIDEOCONFERENCE.	NAKAMURA (Introduced by request of another party)	FIN	SB473	Active	Monitor
10	HB806 HD1	Fireworks; Department of Law Enforcement; Appropriation	RELATING TO FIREWORKS.	Appropriates funds for the Department of Law Enforcement to conduct sting operations on Oahu to enforce fireworks ordinances or laws. Effective 7/1/3000. (HD1)	H 2/28/2025: Reported from FIN (Stand. Com. Rep. No. 1107), recommending passage on Third Reading.	MATAYOSHI, AMATO, CHUN, GARRETT, IWAMOTO, KILA, KITAGAWA, LA CHICA, LAMOSAO, LEE, M., LOWEN, MARTEN, MIYAKE, OLDS, PERRUSO, PIERICK, POEPOE, SAYAMA, TAKAYAMA, TAKENOUCI, TAM, TARNAS, TODD	LAB, JHA, FIN		Active	Monitor

#	Bill No	Subject	Title	Summary	Status as of 3/3/2025	Introducer(s)	Refer	Comp	Active or Dead	ERS Position
11	SB325 SD1	Mandatory Tax Credit; Emergency and Budget Reserve Fund; Other Post-Employment Benefits Trust Fund; Constitution; Appropriations	RELATING TO THE GENERAL FUND.	Provides a tax credit to taxpayers and makes deposits to the emergency and budget reserve fund and other post-employment benefits trust fund pursuant to article VII, section 6, of the Hawaii State Constitution. Appropriates funds. Effective 7/1/2050. (SD1)	H 2/28/2025: Pass First Reading	DELA CRUZ	WAM		Active	Monitor
12	SB1543 SD2	External Consultants; Purchasing Agencies; Disclosure Requirements; Spending Caps; Audit; Reports	RELATING TO GOVERNMENT ACCOUNTABILITY.	Requires each purchasing agency to provide justification for hiring external consultants. Caps the amount each agency can spend on external consultants. Requires each agency to seek approval from the Legislature for consulting contracts exceeding a certain dollar amount. Requires each agency to disclose new contracts with external consultants. Requires annual reports to the Legislature. Requires the Compliance Audit Unit to conduct regular audits of agency consultant contracts to assess cost-effectiveness and compliance. Requires each chief procurement officer to ensure that inherent government functions are not delegated to a contractor. Effective 1/1/2491. (SD2)	S 2/27/2025: 48 Hrs. Notice 03-04-25.	KIM, CHANG, DECOITE, FEVELLA, GABBARD, KIDANI, MCKELVEY, SAN BUENAVENTURA, Dela Cruz, Richards, Wakai	GVO, WAM		Active	Oppose
13	SB1651 SD1	Public Meetings; Board Packets; Notice	RELATING TO PUBLIC MEETINGS.	Requires board packets to be posted three no later than 7:45 a.m. on the third business day before a public meeting. Requires boards to provide notice to persons requesting notification of meetings at the time the board packet is made available for public inspection. Effective 1/1/2491. (SD1)	H 2/28/2025: Received from Senate (Sen. Com. No. 61) in amended form (SD 1).	RHOADS	GVO, JDC		Active	Monitor

A BILL FOR AN ACT

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to maintain the
2 employees' retirement system of the State's federal tax
3 qualification requirements by conforming chapter 88, Hawaii
4 Revised Statutes, to the most recent requirements of the
5 Internal Revenue Code of 1986, as amended, regarding automatic
6 disbursements, including required minimum distributions, by the
7 Setting Every Community Up for Retirement Enhancement 2.0 Act of
8 2022.

9 SECTION 2. Section 88-74.7, Hawaii Revised Statutes, is
10 amended to read as follows:

11 "**§88-74.7 Commencement of benefits on required beginning**
12 **date.** (a) The purpose of this section is to provide for
13 distribution of benefits in accordance with a reasonable and
14 good faith interpretation of section 401(a)(9) of the Internal
15 Revenue Code. Section 401(a)(9) of the Internal Revenue Code
16 requires that the "entire interest" of a member be distributed
17 or that distribution of the member's benefits begin no later



1 than the member's "required beginning date"~~[=]~~, as defined in
2 section 401(a)(9) of the Internal Revenue Code of 1986, as
3 amended.

4 ~~[(b) For the purposes of this section, "required beginning~~
5 ~~date" means April 1 of the calendar year following the calendar~~
6 ~~year in which a member terminates service or attains age seventy~~
7 ~~and one-half, whichever is later.~~

8 ~~(e)]~~ (b) A member or former member's accumulated
9 contributions or hypothetical account balance, as defined in
10 section 88-311, shall be paid to the member or former member, or
11 payment of the benefits payable under part II, VII, or VIII of
12 this chapter shall commence, no later than the member's or
13 former member's required beginning date. The payment or
14 payments shall be made on, or beginning no later than, the
15 member's or former member's required beginning date even if the
16 member or former member does not apply for payment or file a
17 retirement application.

18 ~~[(d)]~~ (c) If, by a member's or former member's required
19 beginning date:

20 (1) The member or former member's accumulated
21 contributions or hypothetical account balance, as



1 defined in section 88-311, are not paid to the member
2 or former member; or

3 (2) Payment of the benefits payable under part II, VII, or
4 VIII of this chapter do not commence,
5 the system shall pay the service retirement benefits for which
6 the member or former member is eligible pursuant to part II,
7 VII, or VIII of this chapter, as applicable, retroactive to the
8 member's or former member's required beginning date with regular
9 interest.

10 [~~e~~] (d) If the system does not receive a written
11 election from the member or former member under section 88-83,
12 88-283, or 88-333, as applicable, prior to the later of the
13 member's or former member's required beginning date or sixty
14 days following the receipt by the member or former member of
15 notice from the system that the member or former member is
16 required to make an election, the following election shall be
17 deemed to have been made as of the member or former member's
18 required beginning date:

19 (1) If the member or former member is unmarried or has no
20 reciprocal beneficiary, the member or former member



1 shall be deemed to have elected the maximum retirement
2 allowance; or

3 (2) If the member or former member is married or has a
4 reciprocal beneficiary, the member or former member
5 shall be deemed to have elected option 3 under section
6 88-83, or option A under section 88-283, as
7 applicable, and to have designated the member's or
8 former member's spouse or reciprocal beneficiary as
9 the member's or former member's beneficiary;

10 provided that if the system receives the written election after
11 the member's or former member's required beginning date, but
12 within sixty days following receipt by the member or former
13 member of notice from the system that the member or former
14 member is required to make the election, the written election
15 shall apply, and the member's or former member's retirement
16 benefit shall be recomputed, based on the written election,
17 retroactive to the member or former member's required beginning
18 date. The amount of any underpayment resulting from recomputing
19 the benefit shall bear regular interest. If recomputing the
20 benefit results in an overpayment, payments shall be adjusted so



1 that the actuarial equivalent of the benefit to which the member
2 or former member was correctly entitled shall be paid.

3 [~~f~~] (e) If the system does not have current information
4 about the member's or former member's marital or reciprocal
5 beneficiary status at the time of a deemed election, the
6 following presumptions shall apply:

7 (1) If the member or former member was married or had a
8 reciprocal beneficiary at the time the member or
9 former member last provided information to the system
10 about the member's or former member's marital or
11 reciprocal beneficiary status, it shall be presumed
12 that the member or former member is still married to
13 the same spouse or is in the same reciprocal
14 beneficiary relationship. If the system does not have
15 information as to the age of the spouse or reciprocal
16 beneficiary, the spouse or reciprocal beneficiary
17 shall be presumed to be forty years younger than the
18 member or former member for purposes of computing the
19 member's or former member's benefit; and

20 (2) If the member or former member was unmarried and did
21 not have a reciprocal beneficiary at the time the



1 member or former member last provided information to
2 the system about the member or former member's marital
3 status, it shall be presumed that the member or former
4 member is married and that the spouse of the member or
5 former member is forty years younger than the member
6 or former member.

7 ~~(g)~~ (f) The presumptions in subsection ~~(e)~~ (e) shall
8 cease to apply when the member or former member provides the
9 system with current information as to the member's or former
10 member's marital or reciprocal beneficiary status and the age of
11 the member or former member's spouse or reciprocal beneficiary,
12 if any, on the member's or former member's required beginning
13 date. The information shall be provided in a form satisfactory
14 to the system. At that time, the member's or former member's
15 retirement allowance shall be recomputed, retroactive to the
16 member's or former member's required beginning date, based on
17 the updated information; provided that, except as provided in
18 subsection ~~(e)~~ (d), the member or former member shall not be
19 permitted to change the member's or former member's retirement
20 allowance option election or beneficiary; provided further that
21 the benefit being paid to any member or former member who, on



1 the member's or former member's required beginning date, was
2 unmarried and did not have a reciprocal beneficiary, but who was
3 deemed to elect option 3 or option A with an assumed spouse or
4 reciprocal beneficiary, shall be converted to the maximum
5 retirement allowance retroactive to the member's or former
6 member's required beginning date. The amount of any
7 underpayment resulting from recomputing the benefit shall bear
8 regular interest. If recomputing the benefit results in an
9 overpayment, payments shall be adjusted so that the actuarial
10 equivalent of the benefit to which the member or former member
11 was correctly entitled shall be paid.

12 ~~[(h)]~~ (g) If the system cannot locate the member or former
13 member, the member's or former member's benefit shall be payable
14 only until the end of the member's or former member's life
15 expectancy, as determined at the member's or former member's
16 required beginning date. If the member or former member has not
17 by that time made a claim for benefits, the member or former
18 member shall be deemed to be deceased at that time. Interest
19 under subsection ~~[(d)]~~ (c) shall cease on benefits presumed to
20 be abandoned property, pursuant to part I of chapter 523A, upon



1 payment of the property to the administrator under part I of
2 chapter 523A.

3 [~~(i)~~] (h) Rules necessary for the purposes of this section
4 shall be adopted as provided in section 88-22.5."

5 SECTION 3. Section 88-321, Hawaii Revised Statutes, is
6 amended by amending subsection (b) to read as follows:

7 "(b) Notwithstanding any other law to the contrary:

- 8 (1) A class C member who returns to service after June 30,
9 2006, and who does not return to service as a class A
10 or class B member shall become a class H member upon
11 return to service; provided that, if the member is a
12 former class A or class B member who received a refund
13 of contributions picked up and paid by the member's
14 employer pursuant to section 88-46(b), the member may
15 not become a class H member and shall return to
16 service as a class C member, unless the refund was
17 made pursuant to section 88-96 or 88-271(b);
- 18 (2) A class A or a class B member, who returns to service
19 after June 30, 2006, but does not have vested benefit
20 status as provided in section 88-96(b) and who does
21 not return to service as a class A or class B member,



1 shall become a class H member upon return to service
2 and the member's credited service as a class A or B
3 member shall be converted to class C credited service.

4 The system shall return to the member the member's
5 accumulated contributions if the member's accumulated
6 contributions are \$1,000 or less at the time of
7 distribution. If the member's accumulated
8 contributions for the class A or B credited service
9 that was converted to class C credited service are
10 greater than \$1,000 and the member does not make
11 written application, contemporaneously with the
12 member's return to service, for return of such
13 contributions, the member, except as provided by
14 section 88-341, may not withdraw the member's
15 accumulated contributions for the class A or B
16 credited service that was converted to class C
17 credited service until the member retires or [~~attains~~
18 ~~age sixty-two;~~] pursuant to sections 88-22.5 and 88-
19 74.7;

- 20 (3) A class A member who returns to service after June 30,
21 2008, with vested benefit status and who does not



1 return to service as a class B member shall return to
2 service as a class A member; and

3 (4) A class B member who returns to service after June 30,
4 2008, with vested benefit status and who does not
5 return to service as a class B member shall return to
6 service as a class A member."

7 SECTION 4. Section 88-341, Hawaii Revised Statutes, is
8 amended by amending subsection (a) to read as follows:

9 "(a) Any class H member who ceases to be an employee and
10 who became a member before July 1, 2012, and has fewer than five
11 years of credited service, excluding unused sick leave, or who
12 becomes a member after June 30, 2012, and has fewer than ten
13 years of credited service, excluding unused sick leave, shall,
14 upon application to the board, be paid all of the former
15 employee's accumulated contributions, and the former employee's
16 membership shall thereupon terminate and all credited service
17 shall be forfeited; provided that an individual shall not be
18 paid the individual's accumulated contributions if either:

19 (1) The individual becomes an employee again within
20 fifteen calendar days from the date the individual
21 ceased to be an employee; or



1 (2) At the time the application for return of accumulated
 2 contributions is received by the board, the individual
 3 has become an employee again.

4 Regular interest shall be credited to the former employee's
 5 account until the former employee's accumulated contributions
 6 are withdrawn; provided that the former employee's membership
 7 shall not continue after the fourth full year following the
 8 calendar year in which the individual's employment terminates.

9 If the former employee does not become an employee again and has
 10 not withdrawn the former employee's accumulated contributions,
 11 the system shall return the former employee's accumulated
 12 contributions to the former employee [~~as soon as possible after~~
 13 ~~the later of: (A) the former employee attaining age sixty-two;~~
 14 ~~or (B) the termination of the former employee's membership.]~~
 15 pursuant to sections 88-22.5 and 88-74.7."

16 SECTION 5. Statutory material to be repealed is bracketed
 17 and stricken. New statutory material is underscored.

18 SECTION 6. This Act shall take effect on July 1, 3000.



H.B. NO. 1041 H.D. 1

Report Title:

Employees' Retirement System; Required Beginning Dates;
Automatic Payments

Description:

Amends statutory language to conform the requirements of beginning dates and automatic cashout requirements with the Internal Revenue Code of 1986, as amended. Effective 7/1/3000.
(HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

2025-1444 HB1041 HD1 HMSO



A BILL FOR AN ACT

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM'S EMPLOYER
REPORTING REVIEW.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to extend the
2 deadline for the pre-payment and reporting of employer
3 contributions by departments or agencies of the State or
4 counties that failed to provide the information required by the
5 System in the required format.

6 SECTION 2. Section 88-103.7, Hawaii Revised Statutes, is
7 amended as follows:

8 1. By amending subsection (c) to read as follows:

9 "(c) If a department or agency of the State or county
10 fails to furnish the system with the information required
11 pursuant to this section in the format required by the system,
12 the State or county shall pay to the system, on the first day of
13 the fiscal year [~~following~~] that is one year after the end of
14 the fiscal year in which the failure to furnish the required
15 information occurred, an amount equal to the employer
16 contributions payable by the State or county, relative to the



1 department or agency that is not in compliance with this
2 section, during the fiscal year in which the failure to furnish
3 the required information occurred. This amount shall be applied
4 to contributions required under section 88-124 for the State and
5 section 88-126 for the counties."

6 2. By amending subsection (f) to read as follows:

7 "(f) The system shall annually submit to the department of
8 budget and finance and the legislature, not later than twenty
9 days prior to the convening of each regular session, a report
10 that details the following for the [~~current~~] previous fiscal
11 year:

- 12 (1) Any department or agency of the state or counties that
13 failed to comply with this section; and
14 (2) Any amounts required to be paid under subsection (c),
15 including the anticipated amounts payable in the
16 upcoming fiscal year, and identification of any state
17 budget programs that may be affected."

18 SECTION 3. Statutory material to be repealed is bracketed
19 and stricken. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on July 1, 3000.



Report Title:

Employees' Retirement System; Employer Reporting

Description:

Extends the due date of payment to the Employees' Retirement System for departments or agencies of the State or counties that fail to comply with reporting requirements by one year after the review period. Changes the time frame for which the Employers' Retirement System must report regarding any department or agency's failure to submit required information to the Employees' Retirement System from the current fiscal year to the previous fiscal year. Effective 7/1/3000. (HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



A BILL FOR AN ACT

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to maintain the
2 employees' retirement system of the State of Hawaii's (the
3 "system") federal tax qualification requirements by conforming
4 chapter 88, Hawaii Revised Statutes, to the updated requirements
5 of the Internal Revenue Code of 1986, as amended, regarding
6 automatic disbursements, including required minimum
7 distributions, by the SECURE 2.0 Act of 2022.

8 SECTION 2. Section 88-74.7, Hawaii Revised Statutes, is
9 amended to read as follows:

10 "**§88-74.7 Commencement of benefits on required beginning**
11 **date.** (a) The purpose of this section is to provide for
12 distribution of benefits in accordance with a reasonable and
13 good faith interpretation of section 401(a)(9) of the Internal
14 Revenue Code. Section 401(a)(9) of the Internal Revenue Code
15 requires that the "entire interest" of a member be distributed
16 or that distribution of the member's benefits begin no later
17 than the member's "required beginning date"[=], as defined in



1 section 401(a)(9) of the Internal Revenue Code of 1986, as
2 amended.

3 ~~[(b) For the purposes of this section, "required beginning~~
4 ~~date" means April 1 of the calendar year following the calendar~~
5 ~~year in which a member terminates service or attains age seventy~~
6 ~~and one-half, whichever is later.~~

7 ~~(e)]~~ (b) A member or former member's accumulated
8 contributions or hypothetical account balance, as defined in
9 section 88-311, shall be paid to the member or former member, or
10 payment of the benefits payable under part II, VII, or VIII of
11 this chapter shall commence, no later than the member's or
12 former member's required beginning date. The payment or
13 payments shall be made on, or beginning no later than, the
14 member's or former member's required beginning date even if the
15 member or former member does not apply for payment or file a
16 retirement application.

17 ~~(d)]~~ (c) If, by a member's or former member's required
18 beginning date:

19 (1) The member or former member's accumulated
20 contributions or hypothetical account balance, as



1 defined in section 88-311, are not paid to the member
2 or former member; or
3 (2) Payment of the benefits payable under part II, VII, or
4 VIII of this chapter do not commence,
5 the system shall pay the service retirement benefits for which
6 the member or former member is eligible pursuant to part II,
7 VII, or VIII of this chapter, as applicable, retroactive to the
8 member's or former member's required beginning date with regular
9 interest.

10 [~~e~~] (d) If the system does not receive a written
11 election from the member or former member under section 88-83,
12 88-283, or 88-333, as applicable, prior to the later of the
13 member's or former member's required beginning date or sixty
14 days following the receipt by the member or former member of
15 notice from the system that the member or former member is
16 required to make an election, the following election shall be
17 deemed to have been made as of the member or former member's
18 required beginning date:

19 (1) If the member or former member is unmarried or has no
20 reciprocal beneficiary, the member or former member



1 shall be deemed to have elected the maximum retirement
2 allowance; or
3 (2) If the member or former member is married or has a
4 reciprocal beneficiary, the member or former member
5 shall be deemed to have elected option 3 under section
6 88-83, or option A under section 88-283, as
7 applicable, and to have designated the member's or
8 former member's spouse or reciprocal beneficiary as
9 the member's or former member's beneficiary;
10 provided that if the system receives the written election after
11 the member's or former member's required beginning date, but
12 within sixty days following receipt by the member or former
13 member of notice from the system that the member or former
14 member is required to make the election, the written election
15 shall apply, and the member's or former member's retirement
16 benefit shall be recomputed, based on the written election,
17 retroactive to the member or former member's required beginning
18 date. The amount of any underpayment resulting from recomputing
19 the benefit shall bear regular interest. If recomputing the
20 benefit results in an overpayment, payments shall be adjusted so



1 that the actuarial equivalent of the benefit to which the member
2 or former member was correctly entitled shall be paid.

3 ~~(f)~~ (e) If the system does not have current information
4 about the member's or former member's marital or reciprocal
5 beneficiary status at the time of a deemed election, the
6 following presumptions shall apply:

7 (1) If the member or former member was married or had a
8 reciprocal beneficiary at the time the member or
9 former member last provided information to the system
10 about the member's or former member's marital or
11 reciprocal beneficiary status, it shall be presumed
12 that the member or former member is still married to
13 the same spouse or is in the same reciprocal
14 beneficiary relationship. If the system does not have
15 information as to the age of the spouse or reciprocal
16 beneficiary, the spouse or reciprocal beneficiary
17 shall be presumed to be forty years younger than the
18 member or former member for purposes of computing the
19 member's or former member's benefit; and

20 (2) If the member or former member was unmarried and did
21 not have a reciprocal beneficiary at the time the



1 member or former member last provided information to
2 the system about the member or former member's marital
3 status, it shall be presumed that the member or former
4 member is married and that the spouse of the member or
5 former member is forty years younger than the member
6 or former member.

7 ~~[(g)]~~ (f) The presumptions in subsection ~~[(f)]~~ (e) shall
8 cease to apply when the member or former member provides the
9 system with current information as to the member's or former
10 member's marital or reciprocal beneficiary status and the age of
11 the member or former member's spouse or reciprocal beneficiary,
12 if any, on the member's or former member's required beginning
13 date. The information shall be provided in a form satisfactory
14 to the system. At that time, the member's or former member's
15 retirement allowance shall be recomputed, retroactive to the
16 member's or former member's required beginning date, based on
17 the updated information; provided that, except as provided in
18 subsection ~~[(e),]~~ (d), the member or former member shall not be
19 permitted to change the member's or former member's retirement
20 allowance option election or beneficiary; provided further that
21 the benefit being paid to any member or former member who, on



1 the member's or former member's required beginning date, was
2 unmarried and did not have a reciprocal beneficiary, but who was
3 deemed to elect option 3 or option A with an assumed spouse or
4 reciprocal beneficiary, shall be converted to the maximum
5 retirement allowance retroactive to the member's or former
6 member's required beginning date. The amount of any
7 underpayment resulting from recomputing the benefit shall bear
8 regular interest. If recomputing the benefit results in an
9 overpayment, payments shall be adjusted so that the actuarial
10 equivalent of the benefit to which the member or former member
11 was correctly entitled shall be paid.

12 ~~[(h)]~~ (g) If the system cannot locate the member or former
13 member, the member's or former member's benefit shall be payable
14 only until the end of the member's or former member's life
15 expectancy, as determined at the member's or former member's
16 required beginning date. If the member or former member has not
17 by that time made a claim for benefits, the member or former
18 member shall be deemed to be deceased at that time. Interest
19 under subsection ~~[(d)]~~ (c) shall cease on benefits presumed to
20 be abandoned property, pursuant to part I of chapter 523A, upon



1 payment of the property to the administrator under part I of
2 chapter 523A.

3 ~~[(i)]~~ (h) Rules necessary for the purposes of this section
4 shall be adopted as provided in section 88-22.5."

5 SECTION 3. Section 88-321, Hawaii Revised Statutes, is
6 amended by amending subsection (b) to read as follows:

7 "(b) Notwithstanding any other law to the contrary:

- 8 (1) A class C member who returns to service after June 30,
9 2006, and who does not return to service as a class A
10 or class B member shall become a class H member upon
11 return to service; provided that, if the member is a
12 former class A or class B member who received a refund
13 of contributions picked up and paid by the member's
14 employer pursuant to section 88-46(b), the member may
15 not become a class H member and shall return to
16 service as a class C member, unless the refund was
17 made pursuant to section 88-96 or 88-271(b);
- 18 (2) A class A or a class B member, who returns to service
19 after June 30, 2006, but does not have vested benefit
20 status as provided in section 88-96(b) and who does
21 not return to service as a class A or class B member,



1 shall become a class H member upon return to service
2 and the member's credited service as a class A or B
3 member shall be converted to class C credited service.
4 The system shall return to the member the member's
5 accumulated contributions if the member's accumulated
6 contributions are \$1,000 or less at the time of
7 distribution. If the member's accumulated
8 contributions for the class A or B credited service
9 that was converted to class C credited service are
10 greater than \$1,000 and the member does not make
11 written application, contemporaneously with the
12 member's return to service, for return of such
13 contributions, the member, except as provided by
14 section 88-341, may not withdraw the member's
15 accumulated contributions for the class A or B
16 credited service that was converted to class C
17 credited service until the member retires or [~~attains~~
18 ~~age sixty-two;~~] pursuant to sections 88-22.5 and
19 88-74.7;

- 20 (3) A class A member who returns to service after June 30,
21 2008, with vested benefit status and who does not



1 return to service as a class B member shall return to
2 service as a class A member; and

3 (4) A class B member who returns to service after June 30,
4 2008, with vested benefit status and who does not
5 return to service as a class B member shall return to
6 service as a class A member."

7 SECTION 4. Section 88-341, Hawaii Revised Statutes, is
8 amended by amending subsection (a) to read as follows:

9 "(a) Any class H member who ceases to be an employee and
10 who became a member before July 1, 2012, and has fewer than five
11 years of credited service, excluding unused sick leave, or who
12 becomes a member after June 30, 2012, and has fewer than ten
13 years of credited service, excluding unused sick leave, shall,
14 upon application to the board, be paid all of the former
15 employee's accumulated contributions, and the former employee's
16 membership shall thereupon terminate and all credited service
17 shall be forfeited; provided that an individual shall not be
18 paid the individual's accumulated contributions if either:

19 (1) The individual becomes an employee again within
20 fifteen calendar days from the date the individual
21 ceased to be an employee; or



1 (2) At the time the application for return of accumulated
2 contributions is received by the board, the individual
3 has become an employee again.

4 Regular interest shall be credited to the former employee's
5 account until the former employee's accumulated contributions
6 are withdrawn; provided that the former employee's membership
7 shall not continue after the fourth full year following the
8 calendar year in which the individual's employment terminates.
9 If the former employee does not become an employee again and has
10 not withdrawn the former employee's accumulated contributions,
11 the system shall return the former employee's accumulated
12 contributions to the former employee [~~as soon as possible after~~
13 ~~the later of: (A) the former employee attaining age sixty-two,~~
14 ~~or (B) the termination of the former employee's membership.]~~
15 pursuant to sections 88-22.5 and 88-74.7."

16 SECTION 5. Statutory material to be repealed is bracketed
17 and stricken. New statutory material is underscored.

18 SECTION 6. This Act shall take effect upon its approval.



Report Title:

Employees' Retirement System; Required Beginning Dates;
Automatic Payments

Description:

Amends chapter 88, HRS, to conform to updated required beginning dates and automatic cashout requirements in the Internal Revenue Code of 1986, as amended. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



JAN 23 2025

A BILL FOR AN ACT

RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM'S EMPLOYER
REPORTING REVIEW.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to extend the
2 deadline for the pre-payment and reporting of employer
3 contributions by departments or agencies of the State or
4 counties that failed to provide the information required by the
5 System in the required format.

6 SECTION 2. Section 88-103.7, Hawaii Revised Statutes, is
7 amended as follows:

8 1. By amending subsection (c) to read as follows:

9 "(c) If a department or agency of the State or county
10 fails to furnish the system with the information required
11 pursuant to this section in the format required by the system,
12 the State or county shall pay to the system, on the first day of
13 the fiscal year [~~following~~] one year after the end of the fiscal
14 year in which the failure to furnish the required information
15 occurred, an amount equal to the employer contributions payable
16 by the State or county, relative to the department or agency
17 that is not in compliance with this section, during the fiscal

S.B. NO. 1361

1 year in which the failure to furnish the required information
2 occurred. This amount shall be applied to contributions
3 required under section 88-124 for the State and section 88-126
4 for the counties."

5 2. By amending subsection (f) to read as follows:

6 "(f) The system shall annually submit to the department of
7 budget and finance and the legislature, not later than twenty
8 days prior to the convening of each regular session, a report
9 that details the following for the [~~current~~] previous fiscal
10 year:

11 (1) Any department or agency of the state or counties that
12 failed to comply with this section; and

13 (2) Any amounts required to be paid under subsection (c),
14 including the anticipated amounts payable in the
15 upcoming fiscal year, and identification of any state
16 budget programs that may be affected."

17 SECTION 3. Statutory material to be repealed is bracketed
18 and stricken. New statutory material is underscored.

19 SECTION 4. This Act shall take effect upon its approval.

20

21

INTRODUCED BY: 

22

BY REQUEST

S.B. NO. 1361

Report Title:

Employees' Retirement System; Employer Reporting

Description:

Adds a year between the review period and the billing due date and changes reporting of review results from the current fiscal year to the previous fiscal year.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

JUSTIFICATION SHEET

DEPARTMENT: Budget and Finance

TITLE: A BILL FOR AN ACT RELATING TO THE EMPLOYEES' RETIREMENT SYSTEM'S EMPLOYER REPORTING REVIEW.

PURPOSE: To extend the deadline for the pre-payment and reporting of employer contributions by departments or agencies of the State or counties that failed to provide the information required by the Employees' Retirement System (System) in the required format.

MEANS: Amend section 88-103.7(c) and (f), Hawaii Revised Statutes (HRS).

JUSTIFICATION: Section 88-103.7, HRS, requires that all departments and agencies of the State or counties furnish the System with information in the format required by the System. The review of that information is intended to be completed by fiscal years (July to June).

Failure to furnish the required information requires that the pre-payment of employer contributions be made on the first day of the fiscal year following the fiscal year in which the failure to furnish the required information occurred. This timeline necessitates that the collection of employer reporting, the review process, and the assessment of the pre-payment by the employer be completed in the same fiscal year to provide employers with appropriate notice for pre-payment preparation. This compressed timeframe does not allow a review of information from a full fiscal year to be conducted.

The proposed amendment to section 88-103.7(c), HRS, changes the pre-payment deadline from the first day of the fiscal year following the fiscal year in which the failure to furnish the information occurred,

to the first day of the next fiscal year following the fiscal year in which the failure to furnish the information occurred. This change would provide a longer period over which to collect, review, and analyze the reported data, as well as afford a longer period for employers to prepare the pre-payment.

Section 88-103.7(f), HRS, also requires that the System submit an annual report detailing any department or agency that failed to comply with reporting requirements for the current fiscal year, to the Department of Budget and Finance and the Legislature, not later than twenty days prior to the convening of each regular session.

Requiring the System to report for the current fiscal year causes compressed employer reporting and review periods to be employed to timely file the report. In practice, the reporting period starts in July and ends in September, with the review period ending in December.

The proposed amendment to section 88-103.7(f), HRS, changes the report from being on the current fiscal year to the previous fiscal year. This would allow more time for reporting and review of employer compliance with employer reporting requirements.

Impact on the public: None.

Impact on the department and other agencies: Allows a more comprehensive period for the reporting and review of employer compliance with employer reporting requirements and earlier notification of pre-payment amounts to the Legislature and employers for budgeting purposes.

GENERAL FUND: None.

OTHER FUNDS: None.

PPBS PROGRAM

DESIGNATION: BUF-141.

OTHER AFFECTED

AGENCIES: State and counties.

EFFECTIVE DATE: Upon approval.

2025 SESSION CALENDAR

Note: 60 session days (days when members convene in their respective chambers), the session day count appears in a box on the lower-right, like this. ►► # bills resolutions budget See reverse side for more deadline information.

SUN	MON	TUE	WED	THU	FRI	SAT
JANUARY		14	15 Opening Day	16	17 Non-Admin. Bill Package & Grants/ Subsidies Cutoff	18
19	20 <i>HOLIDAY</i> Martin Luther King, Jr. Day	21 State-of-the-State Address & Admin. Bill Package Cutoff	22 Recess #1	23 Bill Intro Cutoff	24 Recess #2	25
26	27	28	29	30	31	
FEBRUARY						1
2	3	4	5 First Triple Referral Filing (House Bills)	6 First Triple Referral Filing (Senate Bills)	7	8
9	10	11	12	13 First Lateral Filing (Bills)	14 First Lateral (Bills)	15
16	17 <i>HOLIDAY</i> Presidents' Day	18	19	20 Mandatory 5-Day Recess Begins	21	22
23	24	25	26 Mandatory 5-Day Recess Ends	27	28 First Decking (Bills)	
MARCH						1
2	3 Recess #3	4	5 Recess #4	6 First Crossover (Bills)	7 Subst. Resolution Cutoff	8
9	10 Budget Decking	11	12 Budget Crossover	13 Second Triple Referral Filing	14	15
16	17	18	19	20 Second Lateral Filing (Bills)	21 Second Lateral (Bills)	22
23	24 First Lateral (Senate Concurrent Resolutions)	25	26 <i>HOLIDAY</i> Kuhio Day	27	28 First Lateral (House Concurrent Resolutions)	29
30	31					
APRIL		1	2	3 First Crossover (Concurrent Resolutions)	4 Second Decking (Bills)	5
6	7 Recess #5	8	9 Recess #6	10 Second Crossover (Bills) & Disagree	11	12
13	14	15	16	17 Constitutional Amendments	18 <i>HOLIDAY</i> Good Friday	19
20	21 Second Crossover (Concurrent Resolutions)	22	23	24 Final Decking (Non-Fiscal Bills)	25 Final Decking (Fiscal Bills)	26
27	28 Recess #7	29 Recess #8	30	MAY 1 Recess #9	2 Adjournment <i>Sine Die</i> (Session pau!)	3

2025 SESSION CALENDAR

A GUIDE TO THE DEADLINES

JAN 15 OPENING DAY – Hawaii’s constitution mandates that the regular legislative session starts at 10:00 a.m. on the third Wednesday of January.

JAN 17 LAST DAY TO INTRODUCE ALL NON-ADMINISTRATION BILL PACKAGES – Bills bundled together by common interest groups and accepted and labeled as a package by the clerks. You can view the various packages of legislation by clicking on the [“Reports and Lists”](#) button on [capitol.hawaii.gov](#).

& **LAST DAY FOR ORGANIZATIONS TO SUBMIT GRANT AND SUBSIDY REQUESTS** – Deadline for “Grant-in-Aid” (GIA) applications. Grants may be appropriated to nonprofit and other organizations for various public purposes that are recognized as priorities and are seen as complimentary to state government functions. Applications, information, and more specifics regarding the deadline appear under [“Legislative Information”](#) on [capitol.hawaii.gov](#).

JAN 21 STATE-OF-THE-STATE ADDRESS – The Governor’s annual address to the assembled joint legislature. The address presents an opportunity for the Governor to report on affairs of state, and to put forth recommendations and initiatives. Many visitors come to the Capitol to hear the Governor’s speech and witness the proceedings from the gallery (accessible on the ground floor/atrium level).

& **LAST DAY TO INTRODUCE ADMINISTRATION BILL PACKAGE** – This is what is known as the “Governor’s Package.” The bills are prepared by executive branch agencies for consideration by the legislature and are introduced on behalf of the executive branch by the President of the Senate and the Speaker of the House of Representatives. View the package of legislation by clicking on the [“Reports and Lists”](#) button on [capitol.hawaii.gov](#).

JAN 23 LAST DAY TO INTRODUCE BILLS – A bill is “introduced” when it has been filed with the House or Senate Clerk, who gives it a number (with an HB or SB prefix) and then puts it on the calendar for First Reading by the chamber. After First Reading, it is given its committee referrals which specify which committees must hear and pass the measure for it to succeed. Only legislators may introduce bills. [Note: At introduction, each bill is given a “Bill Status” webpage that can be accessed via the Legislature’s website and used to track all the measure’s activity.]

FEB 5 (HOUSE) & 6 (SENATE) FIRST TRIPLE REFERRAL FILING – All bills referred to three or more committees must be filed so that they can be in their second-to-last committee by the following day. (Note: A referral to a joint committee counts as one committee referral.) This deadline allows ample time for successful bills to make their way to the last committee in their originating chamber by the First Lateral deadline.

FEB 13 FIRST LATERAL FILING (BILLS) – Filing Deadline for First Lateral Bills.

FEB 14 FIRST LATERAL (BILLS) – All bills referred to more than one committee (i.e., those with multiple referrals) must move to their final committee in the originating chamber by this day.

FEB 20-26 MANDATORY 5-DAY RECESS – Hawaii’s Constitution mandates a 5-day recess between the 20th and 40th days of the regular session. Neither the House of Representatives nor the Senate convene or assemble formally in chamber on recess days. Committee hearings do take place, however.

FEB 28 FIRST DECKING (BILLS) – Deadline for bills to emerge from all their committees (with committee reports filed) and be submitted to the clerk of the originating chamber. This “decking” ensures a mandatory 48-hour opportunity for final review by the chamber’s members before being asked to vote on the third reading. Note: A bill must pass three readings (votes) in each chamber before being enrolled to the governor.

MAR 6 FIRST CROSSOVER (BILLS) – Deadline for bills to pass third reading in order to move (or “crossover”) to the other chamber. If successful, House bills are sent to the Senate and Senate bills are sent to the House for further consideration.

MAR 7 LAST DAY TO INTRODUCE SUBSTANTIVE RESOLUTIONS – Resolutions are legislative measures which may request action of a government entity or state the legislature’s position on an issue. They do not have the force and effect of law, require only one reading in chamber, and are not enrolled to the Governor.

MAR 10 BUDGET DECKING – Deadline for submitting the budget bill for third reading. The State Budget is developed by the Governor and estimates expenditures for the fiscal year or biennium and the proposed means of financing these expenditures.

MAR 12 BUDGET CROSSOVER – Last day for third reading of budget bill in order to move to the other chamber.

MAR 13 SECOND TRIPLE REFERRAL FILING – All bills referred to three or more committees must be filed so that they can be in their second-to-last committee in the non-originating chamber by the following day. (Note: A referral to a joint committee counts as one committee referral.) This deadline allows ample time for successful bills to make their way to their last committee by the Second Lateral deadline.

MAR 20 SECOND LATERAL FILING (BILLS) – Filing Deadline for Second Lateral Bills

MAR 21 SECOND LATERAL (BILLS) – All bills with multiple referrals must move to their final referral committee in the non-originating chamber by this date.

MAR 24 (SENATE) & 28 (HOUSE) FIRST LATERAL FOR CONCURRENT RESOLUTIONS – Concurrent resolutions require adoption in each chamber and are used to state the official position of the Legislature on an issue, or to request action formally without having to mandate it by law. All concurrent resolutions with multiple referrals must move to their final committee in the originating chamber by this date.

APR 3 FIRST CROSSOVER FOR CONCURRENT RESOLUTIONS – Deadline for passing the single reading required for resolutions in order to move from the originating chamber to the other chamber.

APR 4 SECOND DECKING (BILLS) – Deadline for submitting bills that have been amended by the non-originating chamber to emerge from all their committees (with committee reports filed) and be submitted to the clerk of that chamber. This “decking” ensures a mandatory 48-hour opportunity for final review by the non-originating chamber’s members before third reading.

APR 10 SECOND CROSSOVER (BILLS) – Deadline for amended bills to pass third reading in their non-originating chamber in order to “cross back” to the originating chamber.

& **LAST DAY FOR THE ORIGINATING BODY TO DISAGREE WITH BILL AMENDMENTS** – Deadline for the originating chamber to disagree with changes made to its bills by the other chamber. When the Senate and House disagree on a bill, members from each chamber may meet in a “conference” committee to work out their differences.

APR 17 DEADLINE FOR FINAL FORM OF BILLS PROPOSING CONSTITUTIONAL AMENDMENTS – A proposed amendment’s final form must be provided by written notice to the Governor at least 10 days prior to passing final reading by a 2/3 vote in each chamber. Once adopted by the Legislature, the proposed amendment is submitted to the voters, in the form of a ‘yes or no’ question on the ballot, for ultimate decision.

APR 21 SECOND CROSSOVER FOR CONCURRENT RESOLUTIONS – Deadline for passing amended concurrent resolutions in the non-originating chamber in order to “cross back” to the originating chamber.

APR 24 FINAL DECKING OF NON-FISCAL BILLS – Deadline for submitting non-fiscal bills for final reading by both chambers.

APR 25 FINAL DECKING OF FISCAL BILLS – Deadline for submitting fiscal bills for final reading by both chambers. Fiscal bills include appropriation or spending bills, tax credits, etc., or any bill with a House Finance (FIN) or Senate Ways and Means (WAM) referral.

MAY 1 ADJOURNMENT SINE DIE – In Latin, “sine die” means “without a day” specified for next meeting. Adjournment sine die occurs on the 60th legislative day of a regular session and indicates a suspension of the business of the legislature indefinitely. From this point, the Legislature will certify bills whose form both chambers have agreed to and will transmit or “enroll” those bills to the Governor. Contact PAR for information regarding the Governor’s deadlines.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
INVESTMENT COMMITTEE CHARTER

I. PURPOSE

The Investment Committee (“Committee”) of the Employees’ Retirement System (“ERS”) of the State of Hawaii is a committee of the Board of Trustees (“Board”). Its primary function is to carry out the policy development and investment decision-making responsibilities delegated by the Board to include specified oversight, review and monitoring of investment decision-making, implementation, process compliance and reporting responsibilities of the Investment Office and its staff, consultants, and advisors.

II. COMMITTEE MEMBERSHIP

The Investment Committee of the Board of Trustees of the Employees’ Retirement System of the State of Hawaii shall consist of no more than four (4) Board members who shall be appointed by the Board Chair and approved by the Board. The members of the Committee shall be appointed for one-year terms and shall serve for such term or terms as the Board may determine or until earlier resignation. The Board may remove any member from the Committee at any time with or without cause.

III. MEETINGS

The Committee shall in general meet in advance of each Board meeting, except when there is a Special Board meeting, and at such other times and places as the members of the Committee deem necessary to fulfill the Committee’s responsibilities. The Committee shall report regularly to the Board regarding its actions and those of the investment staff and make recommendations to the Board as appropriate. The Committee may invite such member of management to its meetings as it deems appropriate. The Committee shall review this Charter at least annually and recommend any proposed changes to the Board for approval.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
INVESTMENT COMMITTEE CHARTER

IV. AUTHORITY AND RESPONSIBILITIES

Hawaii Revised Statutes (HRS) §88-110 vests authority for investing ERS assets with its Board. The Board, acting within its discretion, has delegated certain specified investment oversight and decision-making authority to the Investment Committee of the Board. The Board retains fiduciary responsibility for all ERS investment and non-investment decisions.

The members of the Committee shall designate from amongst its membership persons to serve as Chair and Vice-Chair.

The Committee shall have the following authority and responsibilities:

- To review and make investment policies and guideline recommendations for the Board's consideration.
- Establish the guidelines applicable to implementation and investment decision-making delegated to investment staff.

While guidelines are intended to be durable, they may be revised at the Committee's discretion.

- Establish and monitor investment office reporting requirements, process, and policy compliance.
- To review and make recommendations annually about the ERS's goals and objectives applicable to the Investment Office.
- To review and approve ongoing activities of the Investment Office in regards to the goals and objectives and any additional tasks assigned to the Investment Office from the Board.
- To assign and provide direction to the Chief Investment Officer (CIO) and, if applicable, the Executive Director (ED) on priorities and actions to successfully execute the responsibilities of the Investment Office.



Employees' Retirement System of the State of Hawaii
BOARD OF TRUSTEES
INVESTMENT COMMITTEE CHARTER

The Committee shall consult with the ED on the goals and objectives applicable to the CIO and Investment Office.

V. OUTSIDE ADVISORS

The Committee shall have the authority, in its sole discretion, to obtain the advice of any ERS consultant or ERS service provider for the purposes of carrying out its duties related to the Investment Office and investment activities. The Committee shall have the authority, in its sole discretion, to obtain the advice and assistance of ERS's legal counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall not be required to implement or act upon the advice or recommendations of its consultant, legal counsel or other advisor to the Committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter. The consultant(s), outside counsel and any other advisors retained by, or providing advice to, the Committee (other than the ERS's in-house counsel) shall be independent as determined in the discretion of the Committee and Board.

VI. PERFORMANCE EVALUATION

The Committee shall conduct an annual evaluation of the performance of its duties under this Charter and shall present the results of the evaluation to the Board. The Committee shall conduct this evaluation in such manner as it and the Board deems appropriate.

Adopted and Approved by the Board of Trustees: September 30, 2013, November 9, 2020, April 11, 2022, July 10, 2023, March 11, 2024, March 10, 2025
Accepted by the Governance Policy Committee: November 5, 2020, March 28, 2022, July 10, 2023
Revised and Accepted by the Investment Committee: January 24, 2022, May 22, 2023, February 20, 2024, February 18, 2025



Employees' Retirement System of the State of Hawaii

February 18, 2025

2024 Q4 Performance Report

1. Introduction
2. ERS Portfolio Review
3. Plan Sponsor Peer Group Analysis
4. Appendix

Introduction

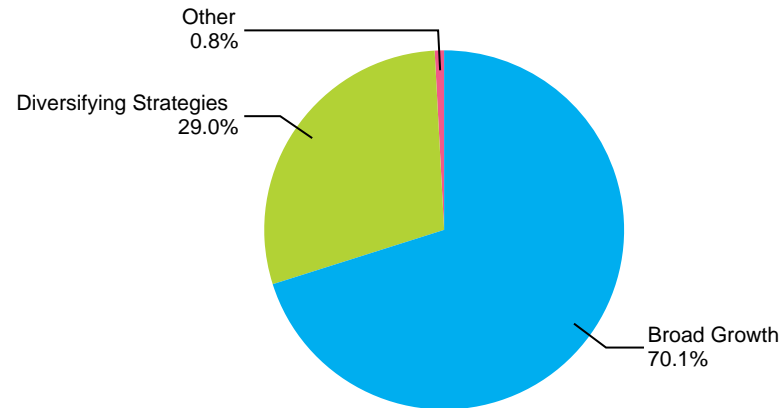
Total Fund | As of December 31, 2024

Portfolio Valuation		
	Quarter-to-Date	One Year
Total Fund		
Beginning Market Value	24,036,177,827	22,880,493,536
Net Cash Flow	-95,067,005	-68,987,444
Capital Appreciation	-41,730,991	1,087,873,739
Ending Market Value	23,899,379,832	23,899,379,832

ERS Total Fund Relative Performance									
	Inception	30 Yrs	20 Yrs	10 Yrs	5 Yrs	3 Yrs	1 Yr	FYTD	QTD
Total Fund	7.6	7.5	6.6	6.9	7.0	3.2	5.7	2.2	-0.2
Return Benchmark	7.7	7.7	7.5	7.1	7.0	7.0	7.0	3.4	1.7
Excess Return	-0.1	-0.2	-0.9	-0.2	0.0	-3.8	-1.3	-1.2	-1.9
Total Fund	7.6	7.5	6.6	6.9	7.0	3.2	5.7	2.2	-0.2
Market Benchmark	8.0	7.9	6.9	7.2	8.1	6.1	16.1	6.7	3.4
Excess Return	-0.4	-0.4	-0.3	-0.3	-1.1	-2.9	-10.4	-4.5	-3.5
Total Fund	7.6	7.5	6.6	6.9	7.0	3.2	5.7	2.2	-0.2
Peer Benchmark	7.9	7.8	6.6	6.8	6.9	2.7	9.0	3.8	-0.9
Excess Return	-0.3	-0.3	0.0	0.1	0.1	0.5	-3.3	-1.6	0.7
Total Fund Rank	74	80	41	44	42	38	98	99	16

Total Fund performance consists of net of fees returns. Fiscal year begins on July 1. Inception date is June 1, 1990. Current Market Benchmark composition (effective January 1, 2024) is 70% Broad Growth Benchmark and 30% Diversifying Strategies Benchmark. Please see the Appendix for current and historical custom benchmark compositions. Return Benchmark represents the ERS's actuarial assumption rate, which is 7.0% since July 2016, 7.65% from July 2015 to July 2016, 7.75% July 2011 to July 2015, 8.00% prior to July 2011. Peer Benchmark represents the plan sponsor peer group InvMetrics Public DB >\$1B Net universe and includes BNY Mellon Total Public Fund >\$1B universe and Investment Metrics client data.

Asset Allocation vs. Target As of December 31, 2024					
	Balance (\$)	Current Allocation (%)	Policy (%)	Difference (%)	Policy Range (%)
Broad Growth	16,756,107,925	70.1	70.0	0.1	60.0 - 80.0
Global Equity	9,276,730,472	38.8	39.0	-0.2	19.0 - 59.0
Global Credit	2,796,275,283	11.7	12.0	-0.3	6.0 - 18.0
Real Assets	4,683,102,170	19.6	19.0	0.6	9.0 - 29.0
Diversifying Strategies	6,941,826,121	29.0	30.0	-1.0	20.0 - 40.0
Liquid Defensive/Diversifying	5,994,590,447	25.1	26.0	-0.9	15.0 - 30.0
Illiquid Diversifying	947,235,674	4.0	4.0	0.0	0.0 - 9.0
Other	201,445,786	0.8	0.0	0.8	0.0 - 0.0
Other	201,445,786	0.8	0.0	0.8	0.0 - 0.0
Total	23,899,379,832	100.0	100.0	0.0	



Policy targets effective January 1, 2024. "Other" includes ERS Operating Account, Parametric Overlay program, and transitional or residual proceeds from liquidating or terminated accounts.

Hawaii ERS vs. Public Fund Peers

→ On a risk-unadjusted basis, the ERS Total Portfolio outperformed the Median Public Fund Peer Group¹ during the most recent quarter and over the trailing 3-, 5-, and 10-year periods.

Risk-Adjusted Performance² of Hawaii ERS vs. Median Public Fund

	Since Inception	30 Yrs	20 Yrs	10 Yrs	5 Yrs	3 Yrs	1 Yr	CY 2024	FYTD	QTD
Total Fund	7.6	7.5	6.6	6.9	7.0	3.2	5.7	5.7	2.2	(0.2)
<i>Risk-Adjusted Peer Median³</i>	<i>7.3</i>	<i>7.5</i>	<i>5.8</i>	<i>5.0</i>	<i>4.1</i>	<i>1.0</i>	<i>4.9</i>	<i>4.9</i>	<i>2.0</i>	<i>(0.5)</i>
Excess Return	0.3	(0.1)	0.9	1.9	2.9	2.2	0.8	0.8	0.2	0.3

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

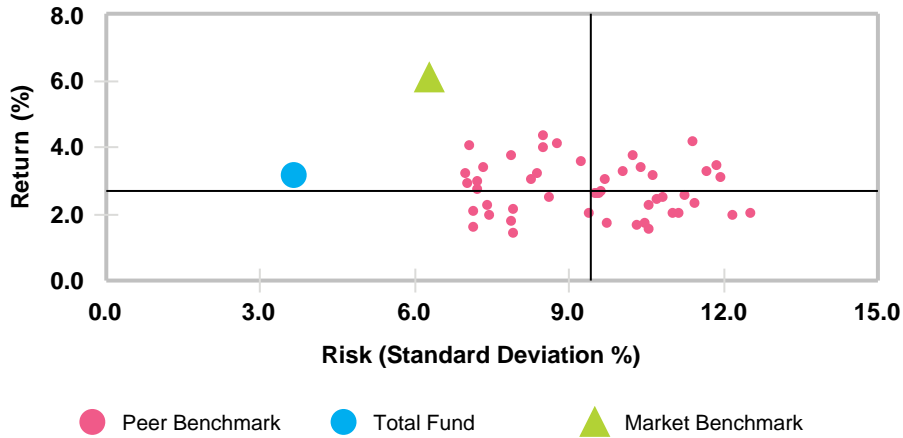
¹ Peer universe data from Investment Metrics (IM) Public Defined Benefit >\$1B Net Universe includes Investment Metrics client data and plan sponsor peer group data from BNY Mellon.

² Performance shown is net of fees since October 1, 2014, and a mix of net and gross of fees prior to October 1, 2014. Fiscal Year begins on July 1. Inception date is June 1, 1990.

³ The risk-adjusted median normalizes the median fund to the ERS's exhibited volatility. Calculated as: risk-adjusted median return = unadjusted median return × (ERS volatility ÷ median fund volatility), where volatility is measured as standard deviation. Figures for periods greater than one year are annualized.

Total Fund | As of December 31, 2024

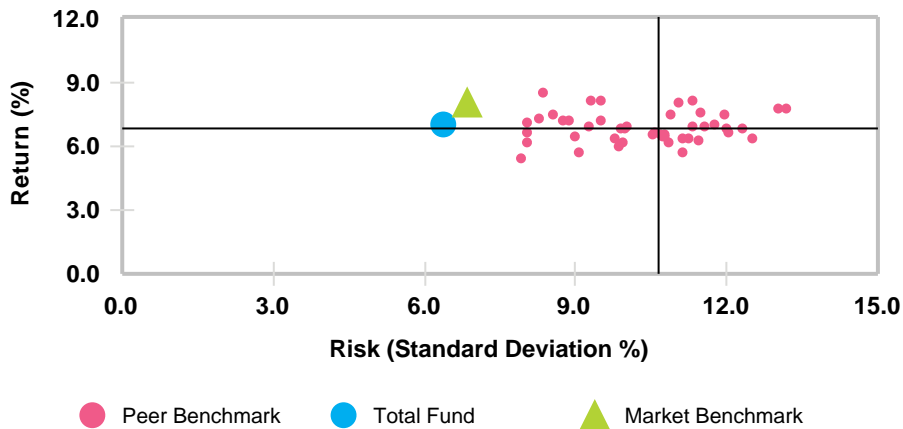
**Annualized Return vs. Annualized Standard Deviation
3 Years Ending December 31, 2024**



Annualized Risk-Return

	3 Years Return	3 Years Standard Deviation	3 Years Sharpe Ratio
Total Fund	3.2	3.7	-0.2
Market Benchmark	6.1	6.3	0.4
Peer Benchmark Median	2.7	9.4	-0.1

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



Annualized Risk-Return

	5 Years Return	5 Years Standard Deviation	5 Years Sharpe Ratio
Total Fund	7.0	6.4	0.7
Market Benchmark	8.1	6.9	0.8
Peer Benchmark Median	6.9	10.6	0.4

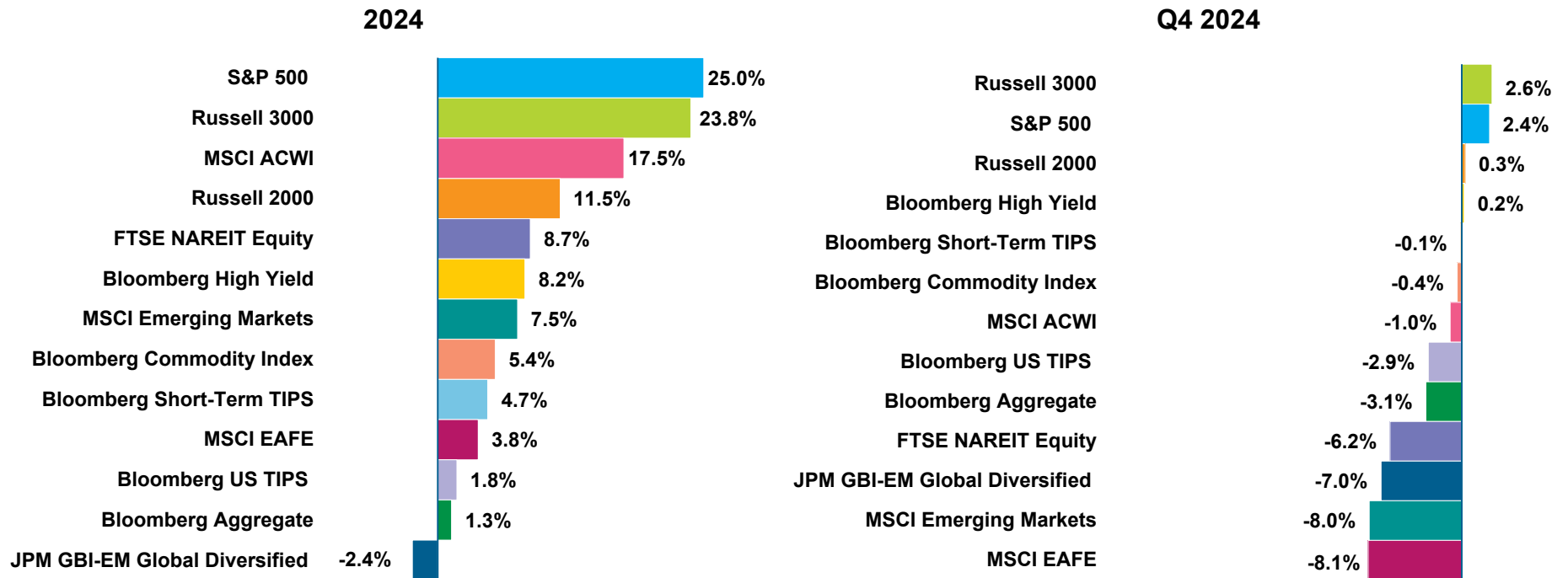
Peer Benchmark represents the plan sponsor peer group InvMetrics Public DB >\$1B Net universe and includes BNY Mellon Total Public Fund >\$1B universe and Investment Metrics client data.

Since Inception Growth of \$1



Inception date is June 1, 1990. Return Benchmark represents the ERS's actuarial assumption rate, which is 7.0% since July 2016, 7.65% from July 2015 to July 2016, 7.75% July 2011 to July 2015, 8.00% prior to July 2011.

Index Returns¹



→ In 2024, most major assets classes posted gains, led by the S&P 500's 25.0% return.

→ Markets had mixed returns in the fourth quarter. US equities rose on optimism over potential pro-growth policies from the incoming administration while inflation concerns and a strong dollar, respectively, weighed on bonds and international equities.

¹ Source: Bloomberg. Data is as of December 31, 2024.

Summary

Key Trends:

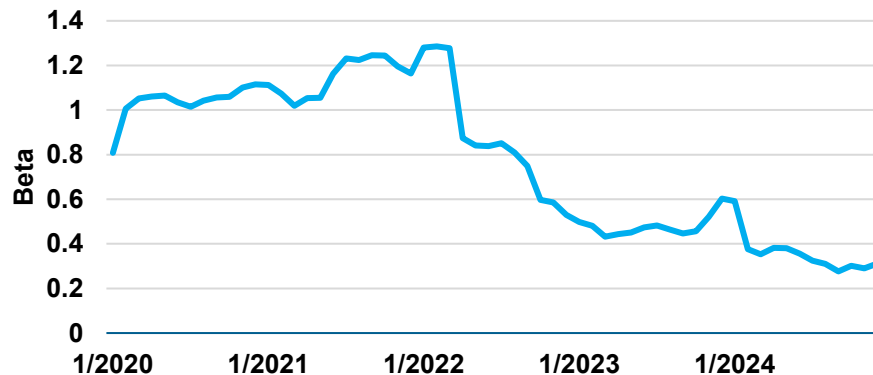
- According to the International Monetary Fund's (IMF) October report, global growth in 2025 is expected to be similar to 2024 at around 3.2% with most major economies predicted to avoid a recession.
- Questions remain about what policies will be implemented by the new administration in the US. Although deregulation and tax cuts could support growth, these policies, along with higher tariffs and restrictive immigration, could fan inflation. This will likely lead to additional uncertainty regarding the timing and pace of interest rate cuts in the coming year.
- US consumers could feel pressure as certain components of inflation (e.g., shelter) remain high, borrowing costs stay elevated, and the job market may weaken further.
- A focus for US equities going forward will be whether earnings can remain resilient if growth slows. Also, the future paths of the large technology companies that have driven market gains will be important.
- We have started to see divergences in monetary policy. Some central banks, such as the Fed, European Central Bank, and the Bank of England, have started to cut interest rates and others, like the Bank of Japan, have increased interest rates. This disparity will likely influence capital flows and currencies.
- China appears to have shifted focus to more policy support for the economy/asset prices with a suite of fiscal and financial policy stimulus measures. Thus far, these efforts have not increased weak consumer spending or helped the lingering trouble in the real estate sector. It is still not clear what the long-term impact of these policies will be on the economy and if policy makers will remain committed to these efforts.

Macro Risk Analytics – Key Takeaways

- Projections for monetary and fiscal policy decisions are front-and-center with respect to market reactions at the moment. The Federal Reserve cut rates again in December but indicated a more hawkish outlook for future cuts as inflation and economic growth remain strong. While economic activity (i.e., corporate earnings, GDP, income growth, unemployment, etc.) remains relatively resilient, pockets of weakness have begun to show in certain data releases. With strong market moves across liquid markets in recent periods, valuations for several asset classes still exhibit elevated levels.
- Meketa’s Market Sentiment Indicator remained **green** (i.e., positive) during Q4.
- The Actual Portfolio’s beta (on a 12-month basis relative to the Policy Portfolio) ticked up in Q4 but remains at extremely low levels. Related, trailing 12-month volatility for the Actual Portfolio and Policy Portfolio remain at a relatively wide spread. Of note, a new policy benchmark was implemented on 1/1/2024.

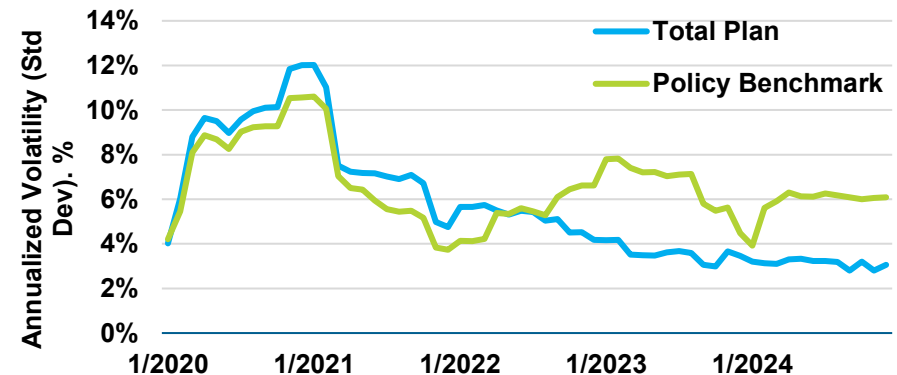
12 Month Rolling Beta vs. Policy Benchmark

Jan 20 - Dec 24

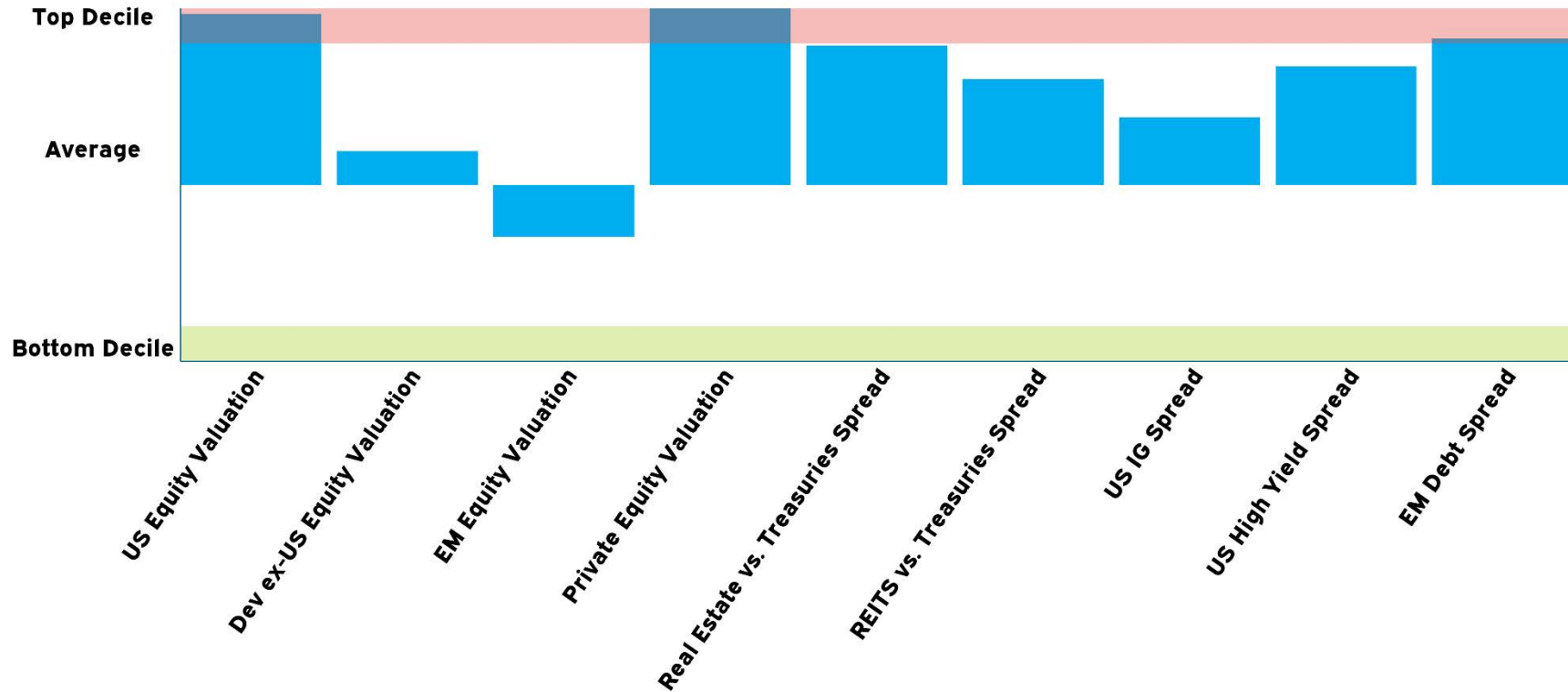


12 Month Rolling Risk

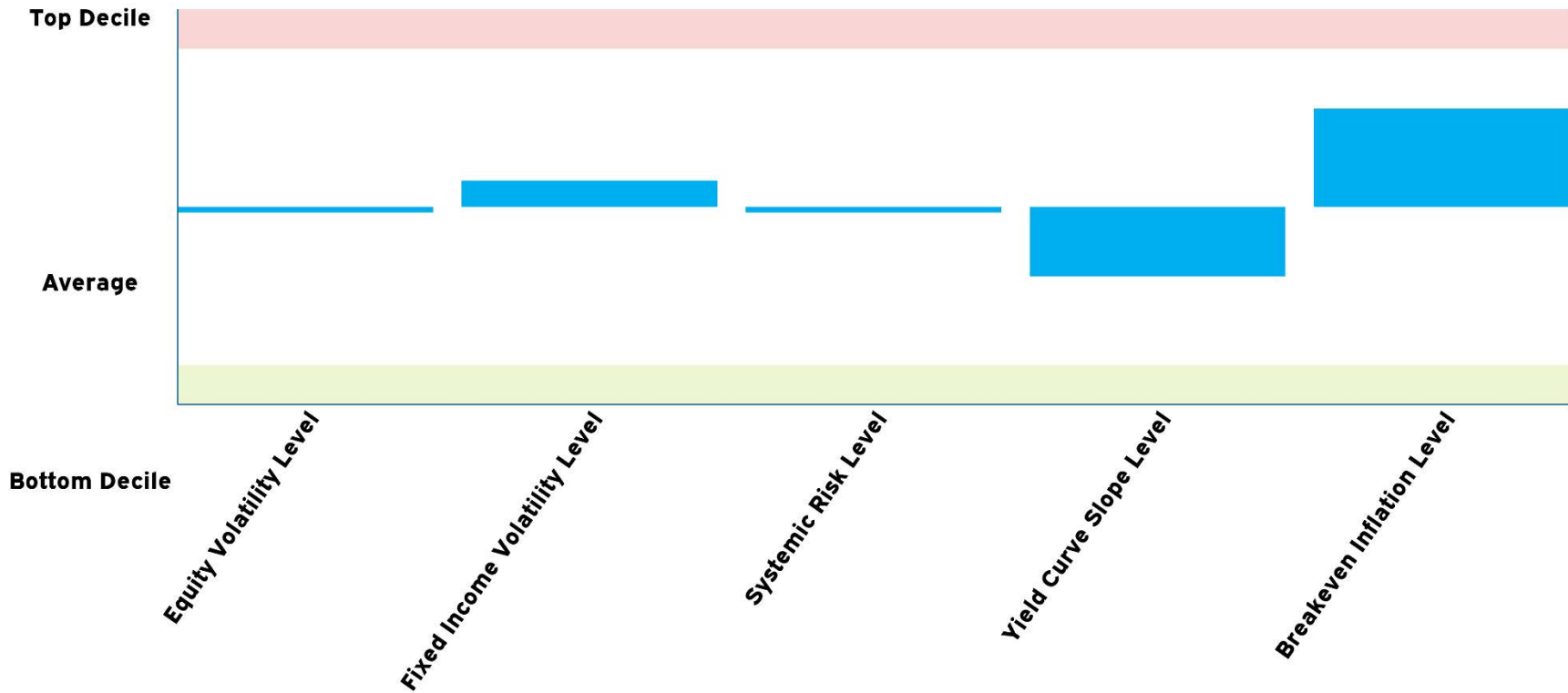
Jan 20 - Dec 24



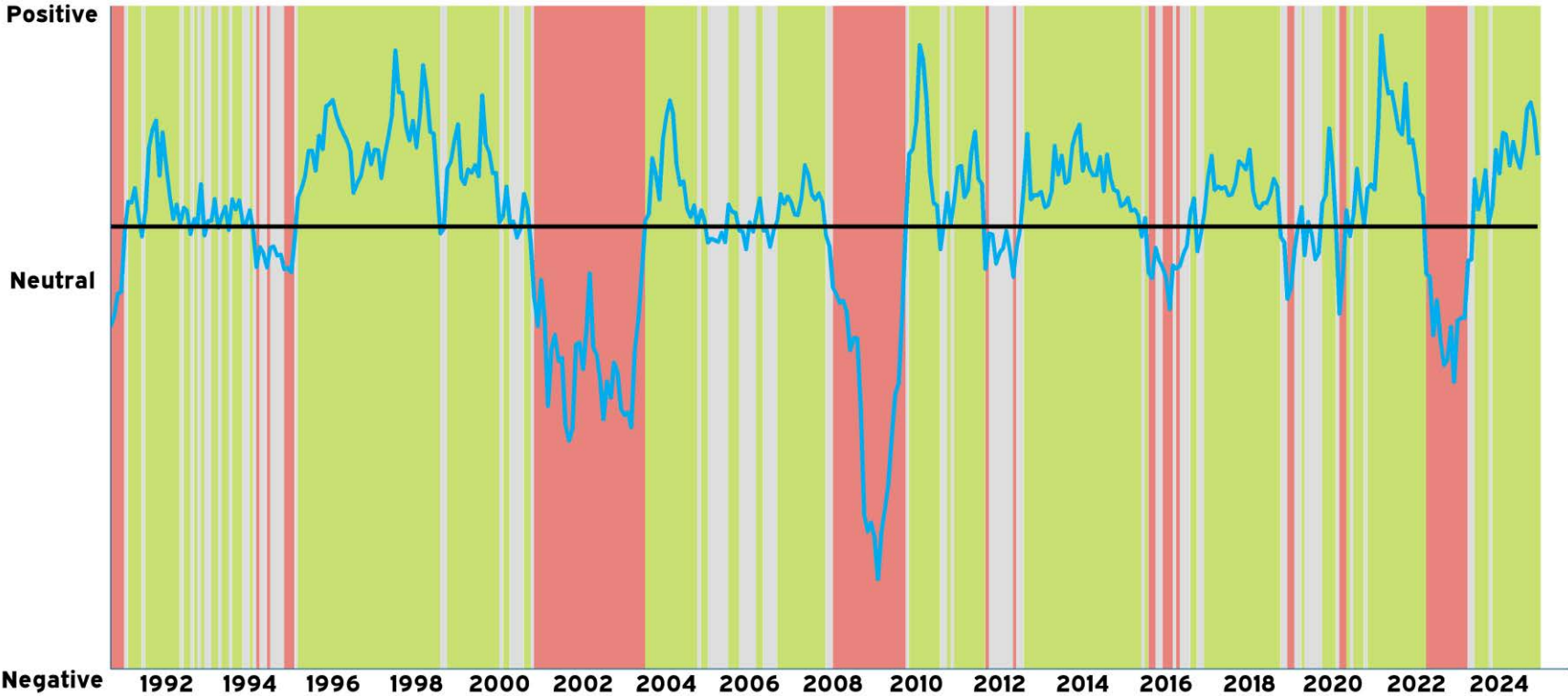
Valuation Metrics Dashboard
(current measures relative to history)



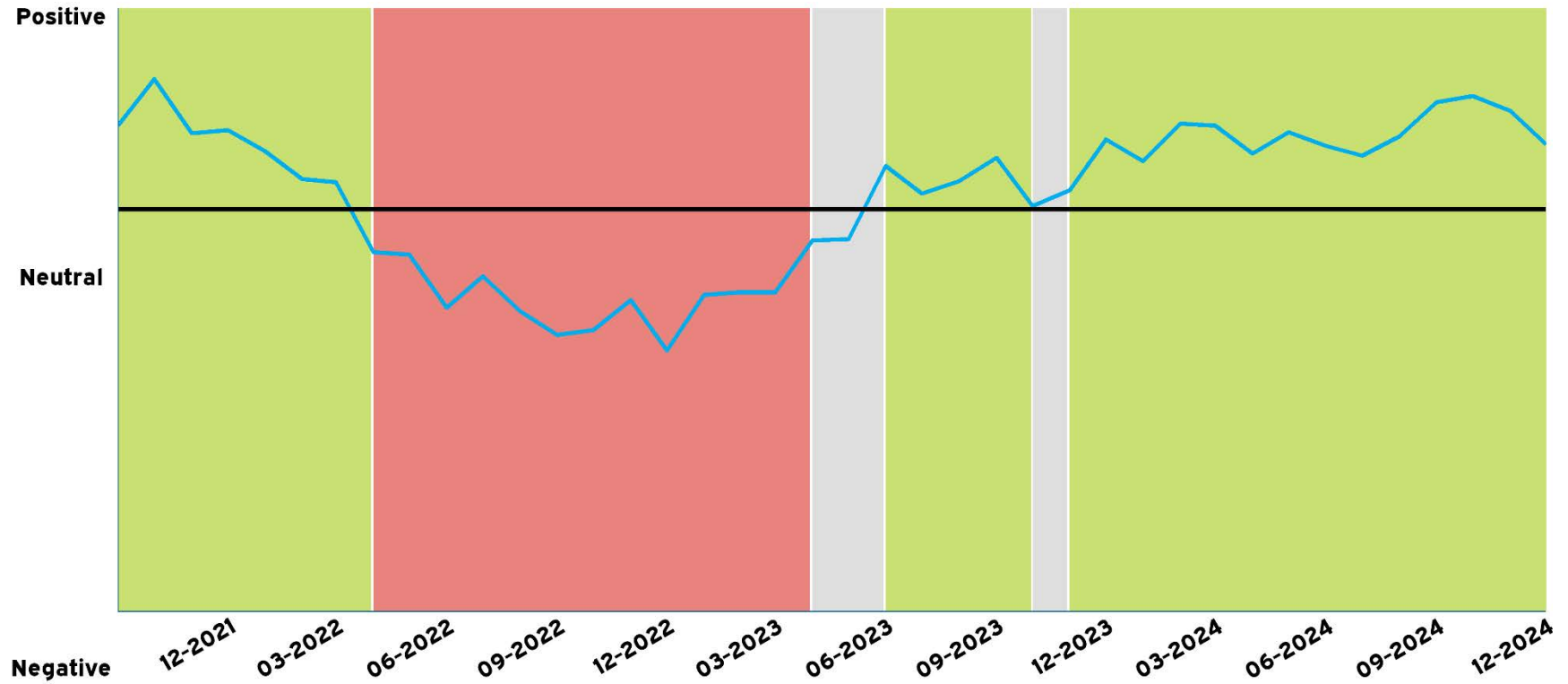
Other Market Metrics Dashboard (current measures relative to history)



Market Sentiment Indicator (All History)

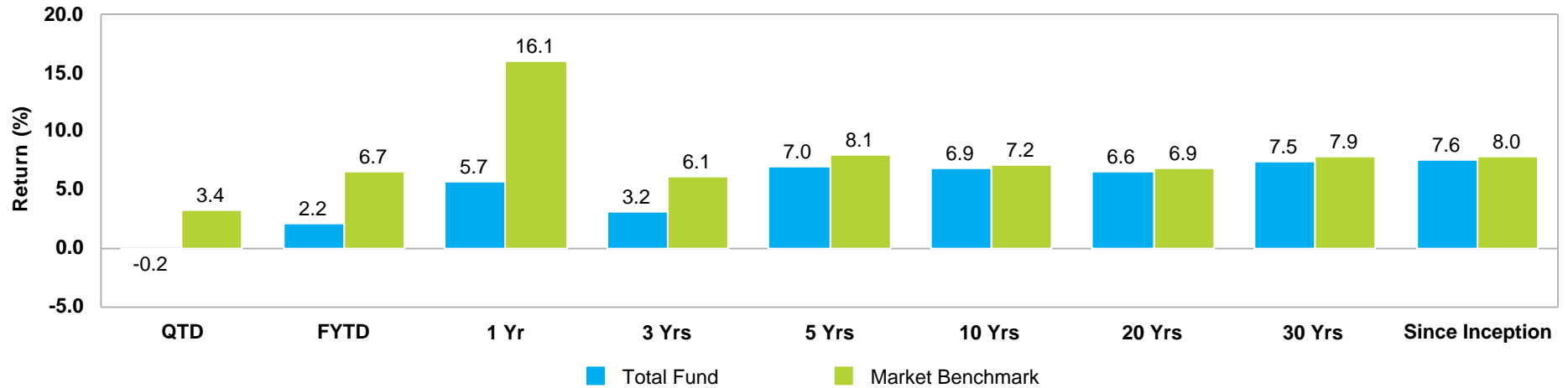


Market Sentiment Indicator (Last Three Years)

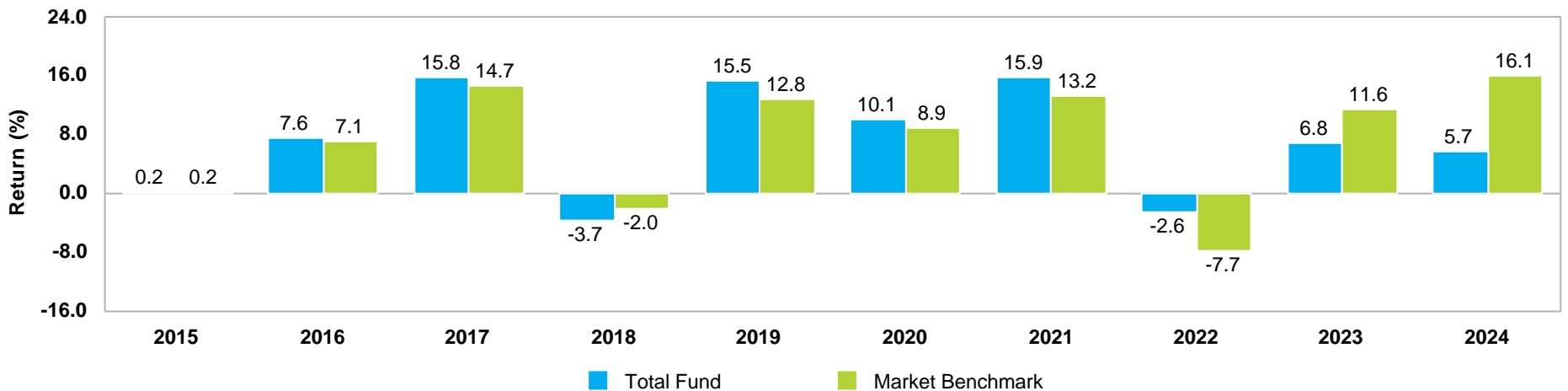


ERS Portfolio Review

Trailing Performance



Calendar Year Performance



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

Performance Attribution¹ vs. Policy Benchmark
Quarter ending December 31, 2024

	Policy ²		Portfolio ³		Impact on Return		
	Allocation (%)	Return	Allocation (%)	Return	Weighting	Implementation	Total ⁴
Broad Growth	70.0	5.8	70.9	0.5	0.0	(3.8)	(3.7)
Global Equity	39.2	2.7	40.2	(0.2)	0.0	(1.2)	(1.2)
Global Credit	11.9	3.0	11.5	2.9	0.0	0.0	0.0
Real Assets	18.9	14.1	19.3	0.6	0.0	(2.6)	(2.6)
Diversifying Strategies	30.0	(2.0)	28.3	(1.9)	0.1	0.0	0.1
Liquid Defensive/Diversifying	26.1	(2.9)	24.3	(2.7)	0.1	0.0	0.2
Illiquid Diversifying	3.9	3.8	4.0	3.1	0.0	0.0	0.0
Other Assets	0.0	1.2	0.8	1.1	0.0	0.0	0.0
Total⁵	100.0	3.4	100.0	(0.2)	0.1	(3.7)	(3.6)

¹ The underlying data points (asset values and net-of-fees returns) for performance attribution calculation are from BNY Mellon. Performance attribution is calculated using average allocation over the period measure and the period's annualized trailing return. Total impacts may not match period excess return (difference between Portfolio Return and Policy Return) due to rounding, rebalancing, and measurement frequencies. Please see "Performance Attribution Glossary" page in the Appendix for the definition and formula of the Impact on Return factors.

² Policy Allocation and Return columns represent those of each component's corresponding primary benchmarks ("Historical Benchmarks") as shown in the other parts of this report and are used in the attribution calculations. For Other Assets, ICE BofA 3-Month US T-Bills Index is used as benchmark.

³ Portfolio Allocation column illustrates the average beginning-of-month allocation of each component over the period measured.

⁴ Total impacts may not sum to excess return due to rounding, rebalancing, and measurement frequencies.

⁵ Policy Return and Portfolio Return values for the "Total" row are those of the Market Benchmark (policy benchmark of the total portfolio) and the Total Fund respectively. Values in the Impact on Return columns for "Total" row are the sums of calculated Impact on Return values in each column for Broad Growth, Diversifying Strategies, and Other Assets components. The sum of sub-composites (Global Equity, Global Credit, Real Assets, Liquid Defensive/Diversifying, and Illiquid Diversifying) along with Other Assets may not yield the same figure as obsolete sub-composites are excluded and the recalculated composite asset values may not contain the terminated accounts.

**Performance Attribution¹ vs. Policy Benchmarks
2024 Calendar Year**

	Policy ²		Portfolio ³		Impact on Return		
	Allocation (%)	Return	Allocation (%)	Return	Weighting	Implementation	Total
Broad Growth	70.0	22.3	67.9	8.4	(0.1)	(9.4)	(9.6)
Global Equity	39.2	23.5	39.3	10.0	0.0	(5.3)	(5.3)
Global Credit	11.9	12.4	10.7	11.4	0.0	(0.1)	(0.1)
Real Assets	18.9	25.9	17.9	3.1	(0.1)	(4.1)	(4.2)
Diversifying Strategies	30.0	2.0	28.2	0.4	0.3	(0.5)	(0.2)
Liquid Defensive/Diversifying	26.1	(0.1)	23.9	(1.0)	0.4	(0.2)	0.1
Illiquid Diversifying	3.9	17.3	4.3	9.1	0.0	(0.4)	(0.3)
Other Assets	0.0	5.3	3.9	1.2	(0.4)	(0.2)	(0.6)
Total⁴	100.0	16.1	100.0	5.7	(0.3)	(10.1)	(10.3)

¹ The underlying data points (asset values and net-of-fees returns) for performance attribution calculation are from BNY Mellon. Performance attribution is calculated using average allocation over the period measure and the period's annualized trailing return. Total impacts may not match period excess return (difference between Portfolio Return and Policy Return) due to rounding, rebalancing, and measurement frequencies. Please see "Performance Attribution Glossary" page in the Appendix for the definition and formula of the Impact on Return factors.

² Policy Allocation and Return columns represent those of each component's corresponding primary benchmarks ("Historical Benchmarks") as shown in the other parts of this report and are used in the attribution calculations. For Other Assets, ICE BofA 3-Month US T-Bills Index is used as benchmark. Policy Allocation column illustrates the average beginning-of-month target allocation of each component over the period measured; thus, the values may not match any particular set of targets.

³ Portfolio Allocation column illustrates the average beginning-of-month allocation of each component over the period measured.

⁴ Policy Return and Portfolio Return values for the "Total" row are those of the Market Benchmark (policy benchmark of the total portfolio) and the Total Fund respectively. Values in the Impact on Return columns for "Total" row are the sums of calculated Impact on Return values in each column for Broad Growth, Diversifying Strategies, and Other Assets components. The sum of sub-composites (Global Equity, Global Credit, Real Assets, Liquid Defensive/Diversifying, and Illiquid Diversifying) along with Other Assets may not yield the same figure as obsolete sub-composites are excluded and the recalculated composite asset values may not contain the terminated accounts.

**Performance Attribution¹ vs. Policy Benchmarks
3-Year ending December 31, 2024**

	Policy ²		Portfolio ³		Impact on Return		
	Allocation (%)	Return	Allocation (%)	Return	Weighting	Implementation	Total
Broad Growth	65.6	7.2	67.4	2.8	0.0	(3.0)	(2.9)
Global Equity	39.4	6.5	40.0	3.3	0.0	(1.3)	(1.3)
Global Credit	6.6	6.1	7.2	5.8	0.0	0.0	0.0
Real Assets	13.1	11.6	14.6	4.1	0.1	(1.1)	(1.0)
Diversifying Strategies	34.4	3.1	30.5	4.4	0.1	0.4	0.5
Liquid Defensive/Diversifying	29.7	0.3	26.1	4.1	0.2	1.0	1.2
Illiquid Diversifying	4.8	10.5	4.3	5.1	0.0	(0.2)	(0.3)
Other Assets	0.0	3.9	2.1	(0.5)	0.0	(0.1)	(0.1)
Total⁴	100.0	6.1	100.0	3.2	0.1	(2.7)	(2.6)

¹ The underlying data points (asset values and net-of-fees returns) for performance attribution calculation are from BNY Mellon. Performance attribution is calculated using average allocation over the period measure and the period's annualized trailing return. Total impacts may not match period excess return (difference between Portfolio Return and Policy Return) due to rounding, rebalancing, and measurement frequencies. Please see "Performance Attribution Glossary" page in the Appendix for the definition and formula of the Impact on Return factors.

The current plan structure became effective 01/01/2024. Global Equity, Global Credit, and Liquid Defensive/Diversifying composites were not used in the current form prior to 2024. To calculate performance attribution for the prior periods, reconstructed or approximated information is used; this may include but not limited to policy allocation targets reflected in the reconstructed historical benchmarks, the reconstructed historical benchmark returns, and composite asset values as reconstituted and recalculated by BNY Mellon. This reconstituted portfolio structure and asset values (and therefore Portfolio Allocation values) may not include all the underlying historical accounts such as those previously terminated.

² Policy Allocation and Return columns represent those of each component's corresponding primary benchmarks ("Historical Benchmarks") as shown in the other parts of this report and are used in the attribution calculations. For Other Assets, ICE BofA 3-Month US T-Bills Index is used as benchmark. Policy Allocation column illustrates the average beginning-of-month target allocation of each component over the period measured; thus, the values may not match any particular set of targets.

³ Portfolio Allocation column illustrates the average beginning-of-month allocation of each component over the period measured.

⁴ Policy Return and Portfolio Return values for the "Total" row are those of the Market Benchmark (policy benchmark of the total portfolio) and the Total Fund respectively. Values in the Impact on Return columns for "Total" row are the sums of calculated Impact on Return values in each column for Broad Growth, Diversifying Strategies, and Other Assets components. The sum of sub-composites (Global Equity, Global Credit, Real Assets, Liquid Defensive/Diversifying, and Illiquid Diversifying) along with Other Assets may not yield the same figure as obsolete sub-composites are excluded and the recalculated composite asset values may not contain the terminated accounts.

**Performance Attribution¹ vs. Policy Benchmarks
5-Year ending December 31, 2024**

	Policy ²		Portfolio ³		Impact on Return		
	Allocation (%)	Return	Allocation (%)	Return	Weighting	Implementation	Total
Broad Growth	71.9	9.6	75.4	8.1	0.1	(1.1)	(1.1)
Global Equity	46.4	11.5	52.3	10.8	0.2	(0.4)	(0.2)
Global Credit	8.0	6.2	6.8	7.0	0.0	0.1	0.1
Real Assets	12.7	8.7	10.3	6.6	0.0	(0.2)	(0.2)
Diversifying Strategies	28.1	3.6	21.2	3.5	0.3	0.0	0.3
Liquid Defensive/Diversifying	29.4	2.3	24.5	3.2	0.3	0.2	0.5
Illiquid Diversifying	3.4	--	1.9	--	0.1	0.0	0.1
Other Assets	0.0	2.5	3.4	4.2	(0.2)	0.1	(0.1)
Total⁴	100.0	8.1	100.0	7.0	0.2	(1.1)	(0.9)

¹ The underlying data points (asset values and net-of-fees returns) for performance attribution calculation are from BNY Mellon. Performance attribution is calculated using average allocation over the period measure and the period's annualized trailing return. Total impacts may not match period excess return (difference between Portfolio Return and Policy Return) due to rounding, rebalancing, and measurement frequencies. Please see "Performance Attribution Glossary" page in the Appendix for the definition and formula of the Impact on Return factors.

The current plan structure became effective 01/01/2024. Global Equity, Global Credit, and Liquid Defensive/Diversifying composites were not used in the current form prior to 2024. To calculate performance attribution for the prior periods, reconstructed or approximated information is used; this may include but not limited to policy allocation targets reflected in the reconstructed historical benchmarks, the reconstructed historical benchmark returns, and composite asset values as reconstituted and recalculated by BNY Mellon. This reconstituted portfolio structure and asset values (and therefore Portfolio Allocation values) may not include all the underlying historical accounts such as those previously terminated.

² Policy Allocation and Return columns represent those of each component's corresponding primary benchmarks ("Historical Benchmarks") as shown in the other parts of this report and are used in the attribution calculations. For Other Assets, ICE BofA 3-Month US T-Bills Index is used as benchmark. Policy Allocation column illustrates the average beginning-of-month target allocation of each component over the period measured; thus, the values may not match any particular set of targets. The major functional allocation categories of Broad Growth and Diversifying Strategies were adopted starting 07/2020; sum of their corresponding predecessors' policy allocations are assigned to for this calculation (i.e., Broad Growth [2019] and Real Returns as Broad Growth; Crisis Risk Offset and Principal Protection as Diversifying Strategies).

³ Portfolio Allocation column illustrates the average beginning-of-month allocation of each component over the period measured.

⁴ Policy Return and Portfolio Return values for the "Total" row are those of the Market Benchmark (policy benchmark of the total portfolio) and the Total Fund respectively. Values in the Impact on Return columns for "Total" row are the sums of calculated Impact on Return values in each column for Broad Growth, Diversifying Strategies, and Other Assets components. The sum of sub-composites (Global Equity, Global Credit, Real Assets, Liquid Defensive/Diversifying, and Illiquid Diversifying) along with Other Assets may not yield the same figure as obsolete sub-composites are excluded and the recalculated composite asset values may not contain the terminated accounts.

Total Fund | As of December 31, 2024

Asset Class Performance Summary					
	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)
Total Fund	-0.2	5.7	3.2	7.0	6.6
<i>Market Benchmark</i>	<i>3.4</i>	<i>16.1</i>	<i>6.1</i>	<i>8.1</i>	<i>7.2</i>
Broad Growth	0.5	8.4	2.8	8.1	7.6
<i>Broad Growth Historical Benchmark</i>	<i>5.8</i>	<i>22.3</i>	<i>7.2</i>	<i>9.6</i>	<i>8.6</i>
Global Equity	-0.2	10.0	3.3	10.8	10.0
<i>Global Equity Historical Benchmark</i>	<i>2.7</i>	<i>23.5</i>	<i>6.5</i>	<i>11.5</i>	<i>10.0</i>
Global Credit	2.9	11.4	5.8	7.0	6.4
<i>Global Credit Historical Benchmark</i>	<i>3.0</i>	<i>12.4</i>	<i>6.1</i>	<i>6.2</i>	<i>5.9</i>
Real Assets	0.6	3.1	4.1	6.6	6.7
<i>Real Assets Historical Benchmark</i>	<i>14.1</i>	<i>25.9</i>	<i>11.6</i>	<i>8.7</i>	<i>8.0</i>
Diversifying Strategies	-1.9	0.4	4.4	3.5	2.8
<i>Diversifying Strategies Benchmark</i>	<i>-2.0</i>	<i>2.0</i>	<i>3.1</i>	<i>3.6</i>	<i>3.6</i>
Liquid Defensive/Diversifying	-2.7	-1.0	4.1	3.2	2.6
<i>Liquid Defensive Historical Benchmark</i>	<i>-2.9</i>	<i>-0.1</i>	<i>0.3</i>	<i>2.3</i>	<i>2.1</i>
Illiquid Diversifying	3.1	9.1	5.1	--	--
<i>Illiquid Diversifying Historical Benchmark</i>	<i>3.8</i>	<i>17.3</i>	<i>10.5</i>	<i>--</i>	<i>--</i>

Total Fund performance shown is net of fees.

Relevant valuations may not have been available for all underlying Global Equity, Real Assets, and Diversifying Strategies managers at the time this report was produced; in such cases, most recent available data is used.

Benchmarks for Broad Growth and its underlying components contain lagged index returns. Please see the Appendix for current and historical custom benchmark compositions.

Asset Class Performance Summary						
	Market Value (\$)	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
Global Equity	9,276,730,472	100.0	-0.2	10.0	3.3	10.8
<i>Global Equity Historical Benchmark</i>			<i>2.7</i>	<i>23.5</i>	<i>6.5</i>	<i>11.5</i>
Public Equity	4,574,222,837	49.3	-2.1	13.9	3.2	9.2
<i>MSCI AC World IMI Index (Net)</i>			<i>-1.2</i>	<i>16.4</i>	<i>4.9</i>	<i>9.7</i>
Active Public Equity	3,043,301,809	32.8	-2.5	12.0	2.0	8.4
Alliance Bernstein	495,806,226	5.3	-4.8	10.8	2.3	--
Longview	680,550,106	7.3	-3.6	10.5	6.2	8.2
Wellington (Mid-Large Cap)	514,174,610	5.5	2.0	22.6	4.7	--
<i>MSCI AC World Index (Net)</i>			<i>-1.0</i>	<i>17.5</i>	<i>5.4</i>	<i>10.1</i>
Wasatch	534,754,524	5.8	-2.5	9.7	-3.0	10.7
Wellington (Small Cap)	520,174,889	5.6	-4.6	6.8	1.6	7.6
<i>MSCI ACWI Small Cap (Net)</i>			<i>-3.3</i>	<i>7.7</i>	<i>0.8</i>	<i>6.7</i>
Hillhouse China A Shares	157,584,650	1.7	2.3	7.2	--	--
<i>MSCI China A Onshore Index (Net)</i>			<i>-5.0</i>	<i>11.6</i>	<i>-10.5</i>	<i>0.9</i>
Passive Public Equity	1,530,921,028	16.5	-1.0	18.0	6.1	10.8
BlackRock Alpha Tilt	678,815,614	7.3	-1.0	18.4	6.6	11.0
Legal & General	852,105,414	9.2	-1.0	17.7	5.7	10.4
Parametric Equity Overlay	140,256,804	1.5	--	--	--	--
<i>MSCI AC World Index (Net)</i>			<i>-1.0</i>	<i>17.5</i>	<i>5.4</i>	<i>10.1</i>
Private Equity	4,702,507,635	50.7	1.7	6.2	4.3	14.6
<i>Private Equity Historical Benchmark</i>			<i>6.8</i>	<i>31.0</i>	<i>8.9</i>	<i>13.6</i>
Hamilton Lane	4,313,671,144	46.5	1.8	6.5	4.4	14.8
HITIP I Stafford	9,563,764	0.1	-1.5	-0.3	-3.1	-1.5
HITIP II Stafford	40,109,921	0.4	-2.2	-7.8	-0.9	7.5
HITIP III Stafford	44,253,521	0.5	-0.9	-3.3	-3.6	--
Other Equity	294,909,285	3.2	1.2	4.3	5.7	12.8

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

Asset Class Performance Summary						
	Market Value \$	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
Global Credit	2,796,275,283	100.0	2.9	11.4	5.8	7.0
<i>Global Credit Historical Benchmark</i>			<i>3.0</i>	<i>12.4</i>	<i>6.1</i>	<i>6.2</i>
Private Credit	1,726,189,569	61.7	3.1	11.0	6.1	10.5
<i>Private Credit Historical Benchmark</i>			<i>3.7</i>	<i>13.7</i>	<i>6.2</i>	<i>6.4</i>
Public Credit	1,070,085,714	38.3	2.7	12.0	6.3	6.8
HPS Credit	996,001,839	35.6	2.7	9.9	5.6	7.1
Parametric Credit Overlay	74,083,875	2.6	--	--	--	--
<i>Public Credit Historical Benchmark</i>			<i>1.8</i>	<i>9.7</i>	<i>5.4</i>	<i>5.6</i>

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

Asset Class Performance Summary						
	Market Value (\$)	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
Real Assets	4,683,102,170	100.0	0.6	3.1	4.1	6.6
<i>Real Assets Historical Benchmark</i>			<i>14.1</i>	<i>25.9</i>	<i>11.6</i>	<i>8.7</i>
Real Estate	2,060,105,439	44.0	1.1	-4.4	1.7	5.4
<i>Real Estate Historical Benchmark</i>			<i>16.2</i>	<i>30.4</i>	<i>11.5</i>	<i>8.3</i>
Core Real Estate	1,062,835,905	22.7	0.7	-4.5	3.0	6.8
<i>Core Real Estate Historical Benchmark</i>			<i>16.2</i>	<i>30.4</i>	<i>11.2</i>	<i>9.4</i>
Non-Core Real Estate	997,269,534	21.3	1.6	-4.3	0.4	4.1
<i>Non-Core Real Estate Historical Benchmark</i>			<i>16.2</i>	<i>30.4</i>	<i>11.9</i>	<i>6.4</i>
Agriculture	388,770,545	8.3	0.5	2.4	4.4	--
<i>Agriculture Historical Benchmark</i>			<i>3.7</i>	<i>-2.0</i>	<i>4.6</i>	<i>--</i>
Timber	228,695,994	4.9	0.5	17.5	14.0	7.6
<i>Timber Historical Benchmark</i>			<i>10.4</i>	<i>18.5</i>	<i>13.6</i>	<i>9.1</i>
Infrastructure	2,005,530,192	42.8	0.1	11.4	8.3	13.7
Private Infrastructure	823,284,878	17.6	2.8	7.8	7.1	12.9
<i>Infrastructure Historical Benchmark</i>			<i>14.3</i>	<i>27.2</i>	<i>14.8</i>	<i>12.2</i>
Public Infrastructure	519,180,443	11.1	-2.8	15.4	--	--
Morgan Stanley Infrastructure	519,180,443	11.1	-2.8	15.4	--	--
<i>Dow Jones Brookfield Global Infrastructure</i>			<i>-3.1</i>	<i>9.9</i>	<i>--</i>	<i>--</i>
Other Real Assets	663,064,871	14.2	-0.2	10.9	--	--
<i>Infrastructure Historical Benchmark</i>			<i>14.3</i>	<i>27.2</i>	<i>--</i>	<i>--</i>
Parametric Real Assets Overlay	18,971,434	4.1	--	--	--	--

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

Liquid Defensive/Diversifying | As of December 31, 2024

Asset Class Performance Summary						
	Market Value (\$)	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
Liquid Defensive/Diversifying	5,994,590,447	100.0	-2.7	-1.0	4.1	3.2
<i>Liquid Defensive Historical Benchmark</i>			<i>-2.9</i>	<i>-0.1</i>	<i>0.3</i>	<i>2.3</i>
Defensive Return Capture	588,715,868	9.8	-0.6	-9.3	1.4	--
P/E Global Macro	195,640,866	3.3	3.8	-9.4	12.7	3.1
Saba	188,144,386	3.1	-0.8	-8.0	--	--
36 South Cap Adv	204,930,616	3.4	-4.2	-12.0	--	--
<i>Defensive Return Capture Historical Benchmark</i>			<i>-1.7</i>	<i>2.4</i>	<i>4.7</i>	<i>3.9</i>
Discretionary Alpha	1,055,620,097	17.6	-0.9	5.8	7.0	3.6
Aequim Relative Value Arbitrage	296,773,445	5.0	2.4	12.5	10.7	--
Aristeia Relative Value Arbitrage	228,420,476	3.8	1.7	5.8	3.9	--
Melqart Relative Value Arbitrage	233,522,820	3.9	-1.9	6.0	--	--
Monashee Relative Value Arbitrage	156,706,460	2.6	-17.0	-21.3	-5.3	--
Myam Asian Opportunity	140,196,897	2.3	10.9	31.4	--	--
<i>Discretionary Alpha Benchmark</i>			<i>-1.7</i>	<i>2.4</i>	<i>4.7</i>	<i>3.9</i>
Intermediate Duration Treasury	1,919,274,412	32.0	-1.8	2.4	--	--
Bank of Hawaii	282,001,567	4.7	-1.8	2.4	-0.6	0.4
First Hawaiian Bank	173,100,281	2.9	-1.9	2.0	-0.9	0.1
SLC Intermediate Treasury	1,280,683,288	21.4	-1.5	2.7	--	--
Parametric Treasury Overlay	183,489,276	3.1	--	--	--	--
<i>Blmbg. U.S. Treasury: Intermediate</i>			<i>-1.7</i>	<i>2.4</i>	<i>-0.5</i>	<i>0.5</i>
Long Duration Treasury	820,474,998	13.7	-8.5	-6.6	-7.8	-1.2
SLC Long Treasury	820,474,998	13.7	-8.5	-6.6	-11.0	-3.8
<i>Long Treasury Historical Benchmark</i>			<i>-8.6</i>	<i>-6.4</i>	<i>-11.1</i>	<i>-4.0</i>

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

Liquid Defensive/Diversifying | As of December 31, 2024

	Market Value (\$)	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)
Systematic Trend Following	1,610,505,071	26.9	-3.0	-4.1	8.4	8.2
AlphaSimplex	213,775,137	3.6	-3.5	-6.0	8.2	10.3
Aspect	238,489,754	4.0	-4.4	4.3	16.0	11.0
Brevan Howard Disc Global Macro	256,554,137	4.3	-1.8	-8.3	6.0	--
Broad Reach	196,765,102	3.3	0.0	2.4	--	--
Crabel Advanced Trend	212,109,656	3.5	-5.7	-6.7	3.7	6.5
Graham Quant Macro	214,148,081	3.6	-1.4	-6.8	11.4	4.6
Mount Lucas	210,597,986	3.5	-3.6	-3.7	1.3	3.5
Parametric Trend Overlay	68,065,218	1.1	--	--	--	--
<i>MLM Global Index EV Blend 15V</i>			<i>-2.2</i>	<i>-2.0</i>	<i>3.4</i>	<i>4.5</i>

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

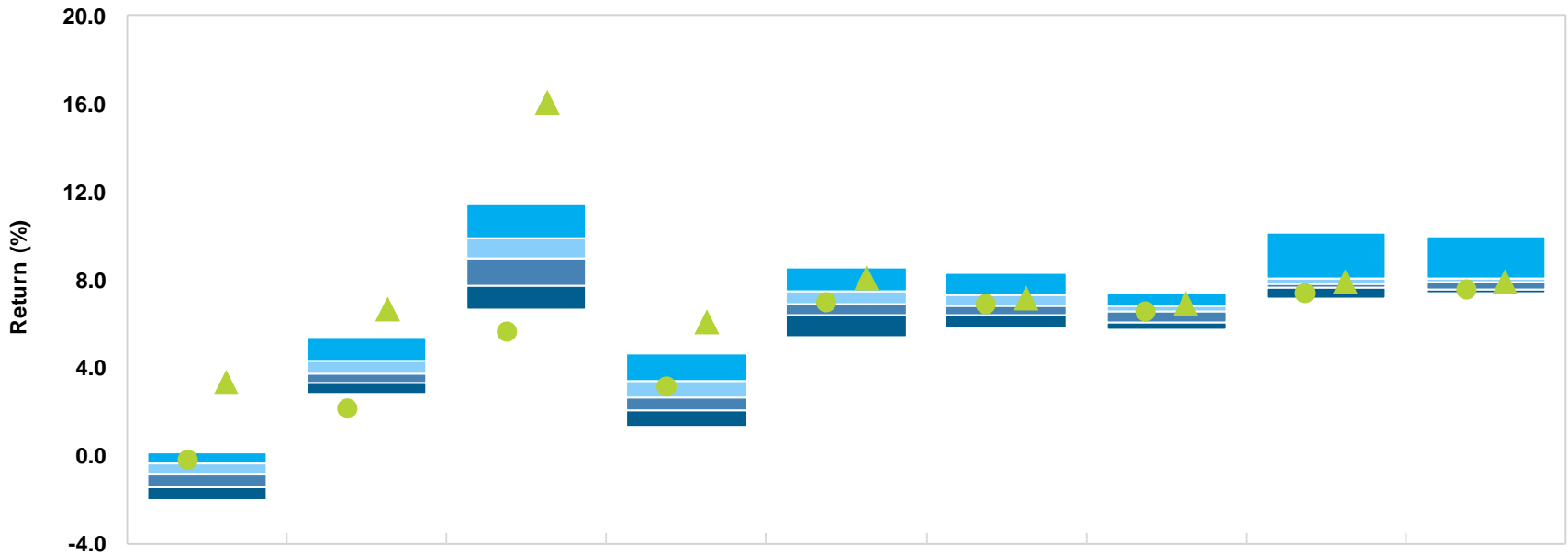
Illiquid Diversifying | As of December 31, 2024

Asset Class Performance Summary					
	Market Value (\$)	% of Portfolio	QTD (%)	1 Yr (%)	3 Yrs (%)
Illiquid Diversifying	947,235,674	100.0	3.1	9.1	5.1
<i>Illiquid Diversifying Historical Benchmark</i>			<i>3.8</i>	<i>17.3</i>	<i>10.5</i>
Idiosyncratic Return Capture	454,584,024	48.0	3.6	8.2	4.6
<i>Idiosyncratic Return Capture Historical Benchmark</i>			<i>3.8</i>	<i>17.3</i>	<i>10.2</i>
Insurance Linked	492,651,650	52.0	2.6	10.2	5.6
<i>Swiss Re Global Catastrophe Bond Index (Hedged)</i>			<i>3.8</i>	<i>17.3</i>	<i>11.2</i>

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

Plan Sponsor Peer Group Analysis

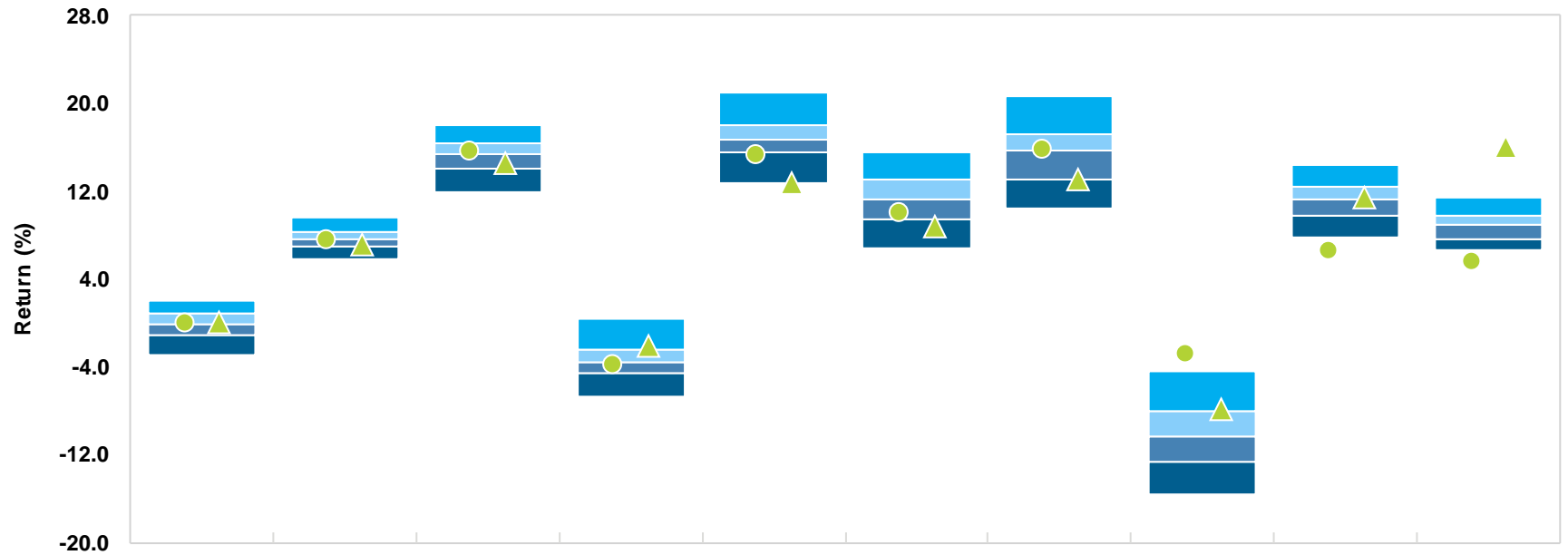
Peer Group Performance Comparison Trailing Periods Ending December 31, 2024



	QTD	FYTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	30 Yrs	Since Inception
● Total Fund	-0.2 (16)	2.2 (99)	5.7 (98)	3.2 (38)	7.0 (42)	6.9 (44)	6.6 (41)	7.5 (80)	7.6 (74)
▲ Market Benchmark	3.4 (1)	6.7 (1)	16.1 (1)	6.1 (1)	8.1 (14)	7.2 (32)	6.9 (23)	7.9 (40)	8.0 (44)
5th Percentile	0.2	5.4	11.5	4.7	8.6	8.3	7.4	10.1	10.0
1st Quartile	-0.3	4.3	9.9	3.4	7.5	7.3	6.9	8.1	8.1
Median	-0.9	3.8	9.0	2.7	6.9	6.8	6.6	7.8	7.9
3rd Quartile	-1.4	3.4	7.8	2.1	6.4	6.4	6.1	7.6	7.6
95th Percentile	-2.0	2.9	6.7	1.4	5.4	5.8	5.7	7.1	7.4
Population	69	68	68	64	62	59	40	12	6

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

Peer Group Performance Comparison Calendar Year Returns



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
● Total Fund	0.2 (40)	7.6 (52)	15.8 (44)	-3.7 (55)	15.5 (77)	10.1 (71)	15.9 (46)	-2.6 (4)	6.8 (98)	5.7 (98)
▲ Market Benchmark	0.2 (41)	7.1 (72)	14.7 (63)	-2.0 (23)	12.8 (96)	8.9 (83)	13.2 (74)	-7.7 (21)	11.6 (42)	16.1 (1)
5th Percentile	2.1	9.6	18.2	0.5	21.0	15.7	20.7	-4.4	14.4	11.5
1st Quartile	1.0	8.3	16.4	-2.3	18.1	13.1	17.2	-8.0	12.5	9.9
Median	-0.1	7.7	15.5	-3.5	16.8	11.3	15.7	-10.3	11.3	9.0
3rd Quartile	-1.1	7.0	14.2	-4.4	15.6	9.5	13.2	-12.6	9.9	7.8
95th Percentile	-2.9	5.9	11.9	-6.7	12.8	6.9	10.6	-15.5	7.8	6.7
Population	182	187	192	183	206	231	223	191	193	68

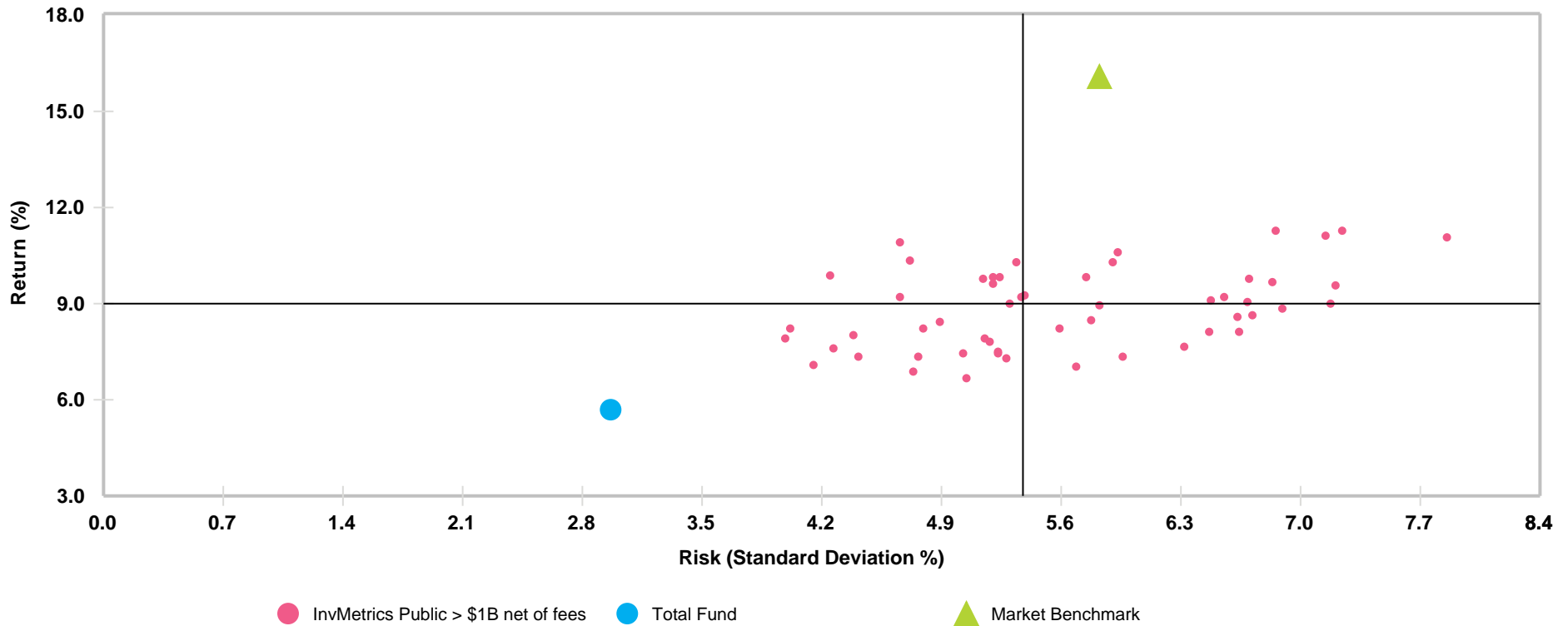
Calculation based on monthly periodicity. The plan sponsor peer group, InvMetrics Public DB >\$1B Net universe, includes BNY Mellon Total Public Fund >\$1B universe and Investment Metrics client data. Parenthesized numbers represent peer group percentile ranking.

Risk/Return Statistics | As of December 31, 2024

	Risk/Return Statistics									
	1 Yr		3 Yrs		5 Yrs		7 Yrs		10 Yrs	
	Total Fund	Benchmark	Total Fund	Benchmark	Total Fund	Benchmark	Total Fund	Benchmark	Total Fund	Benchmark
RETURN SUMMARY STATISTICS										
Return	5.7	16.1	3.2	6.1	7.0	8.1	6.6	7.2	6.9	7.2
Excess Performance	-10.4	0.0	-2.9	0.0	-1.1	0.0	-0.6	0.0	-0.3	0.0
RISK SUMMARY STATISTICS										
Standard Deviation	3.0	5.8	3.7	6.3	6.4	6.9	6.3	6.5	6.4	6.4
Beta	0.3	1.0	0.4	1.0	0.8	1.0	0.9	1.0	0.9	1.0
RISK/RETURN SUMMARY STATISTICS										
Information Ratio	-2.0	-	-0.7	-	-0.3	-	-0.2	-	-0.1	-
Sharpe Ratio	0.2	1.7	-0.2	0.4	0.7	0.8	0.7	0.7	0.8	0.8
Tracking Error	4.7	0.0	4.2	0.0	3.6	0.0	3.3	0.0	2.8	0.0

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

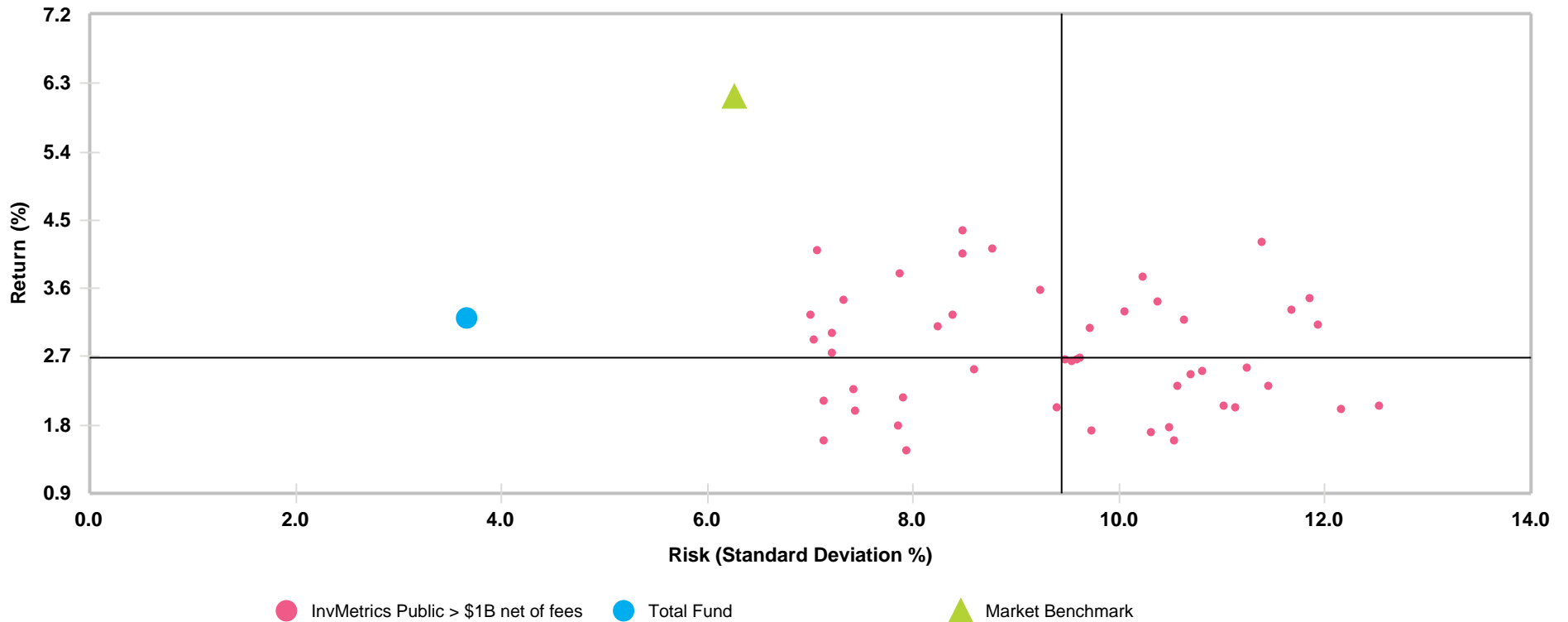
Annualized Return vs. Annualized Standard Deviation
1 Year ending December 31, 2024



	Return	Standard Deviation	Sharpe Ratio	Information Ratio
Total Fund	5.7 (98)	3.0 (3)	0.2 (98)	-2.0 (100)
Market Benchmark	16.1 (1)	5.8 (59)	1.7 (1)	-
Peer Benchmark Median	9.0	5.4	0.6	-1.3

Peer Benchmark represents the plan sponsor peer group Peer Benchmark Net universe. Includes BNY Mellon Total Public Fund >\$1B universe and Investment Metrics client data. Parenthesized numbers represent peer group percentile rank.

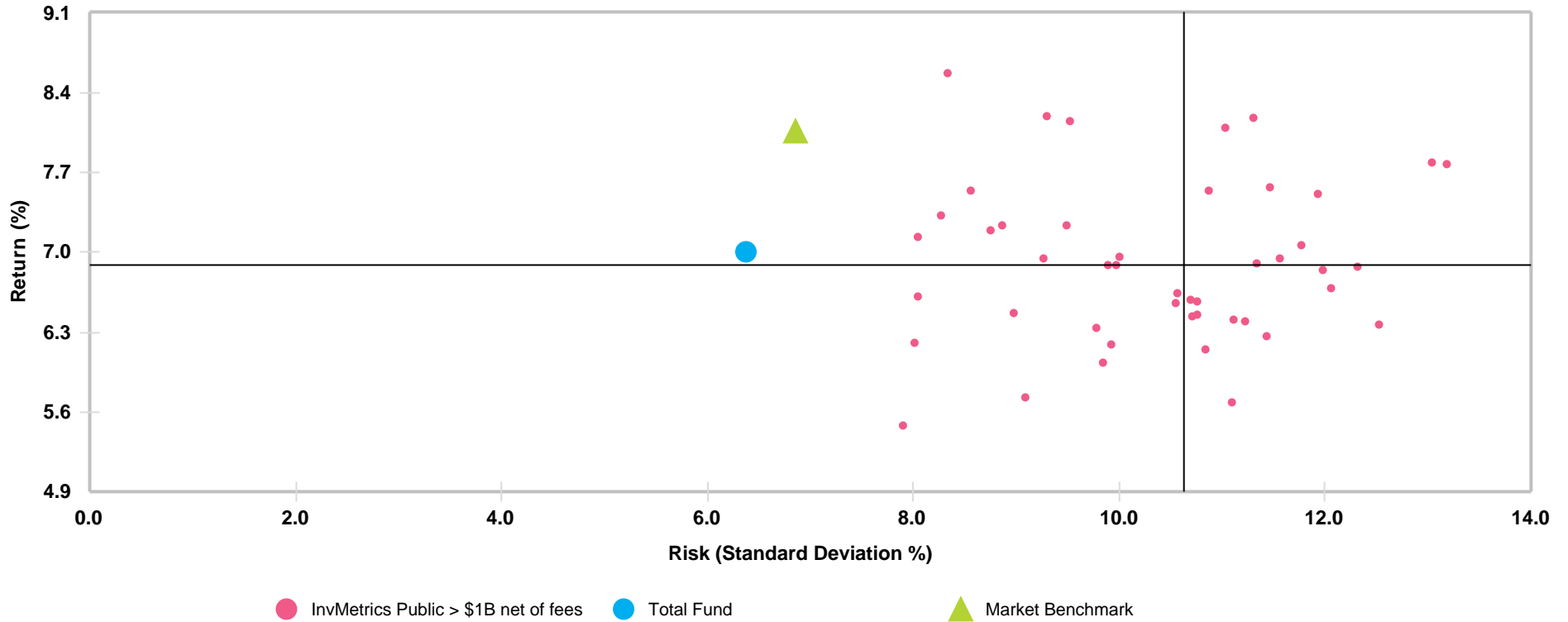
Annualized Return vs. Annualized Standard Deviation
3 Years ending December 31, 2024



	Return	Standard Deviation	Sharpe Ratio	Information Ratio
Total Fund	3.2 (38)	3.7 (1)	-0.2 (83)	-0.7 (88)
Market Benchmark	6.1 (1)	6.3 (4)	0.4 (1)	-
Peer Benchmark Median	2.7	9.4	-0.1	-0.5

Peer Benchmark represents the plan sponsor peer group Peer Benchmark Net universe. Includes BNY Mellon Total Public Fund >\$1B universe and Investment Metrics client data. Parenthesized numbers represent peer group percentile rank.

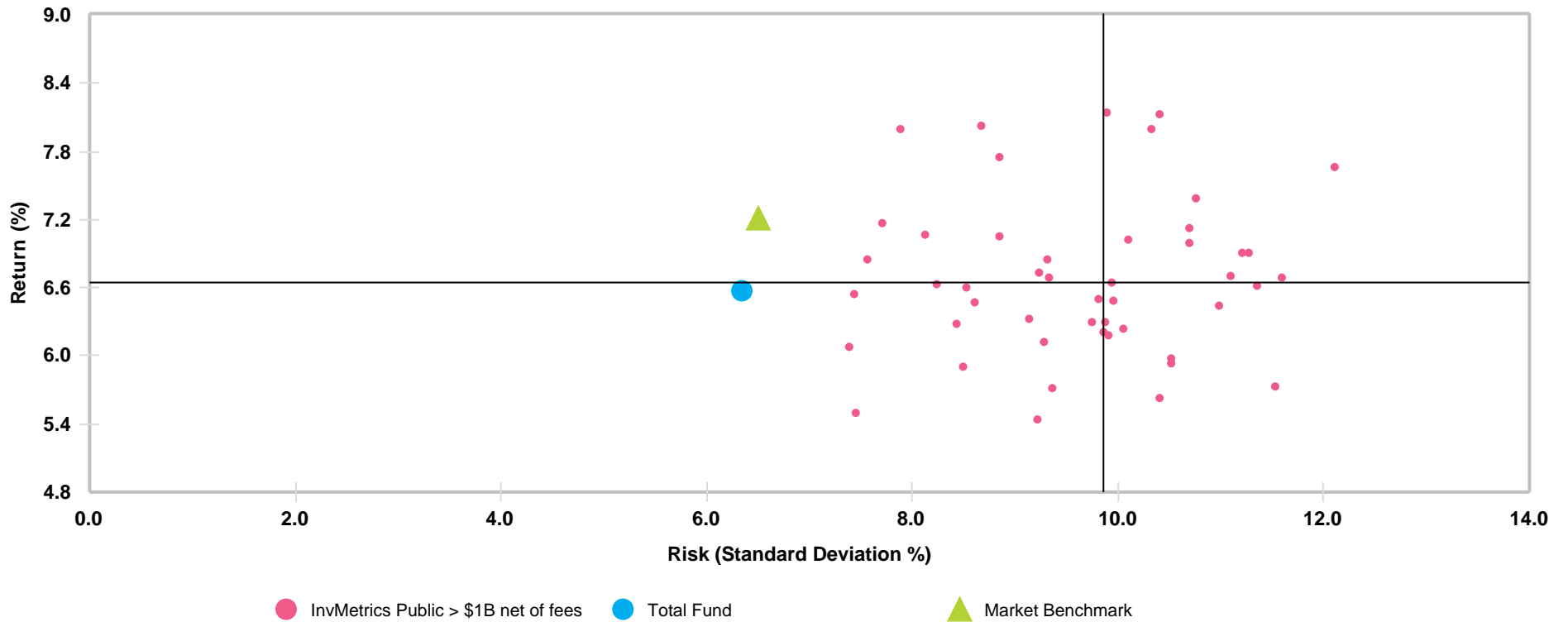
Annualized Return vs. Annualized Standard Deviation
5 Years ending December 31, 2024



	Return	Standard Deviation	Sharpe Ratio	Information Ratio
Total Fund	7.0 (42)	6.4 (1)	0.7 (8)	-0.3 (87)
Market Benchmark	8.1 (14)	6.9 (1)	0.8 (2)	-
Peer Benchmark Median	6.9	10.6	0.4	-0.1

Peer Benchmark represents the plan sponsor peer group Peer Benchmark Net universe. Includes BNY Mellon Total Public Fund >\$1B universe and Investment Metrics client data. Parenthesized numbers represent peer group percentile rank.

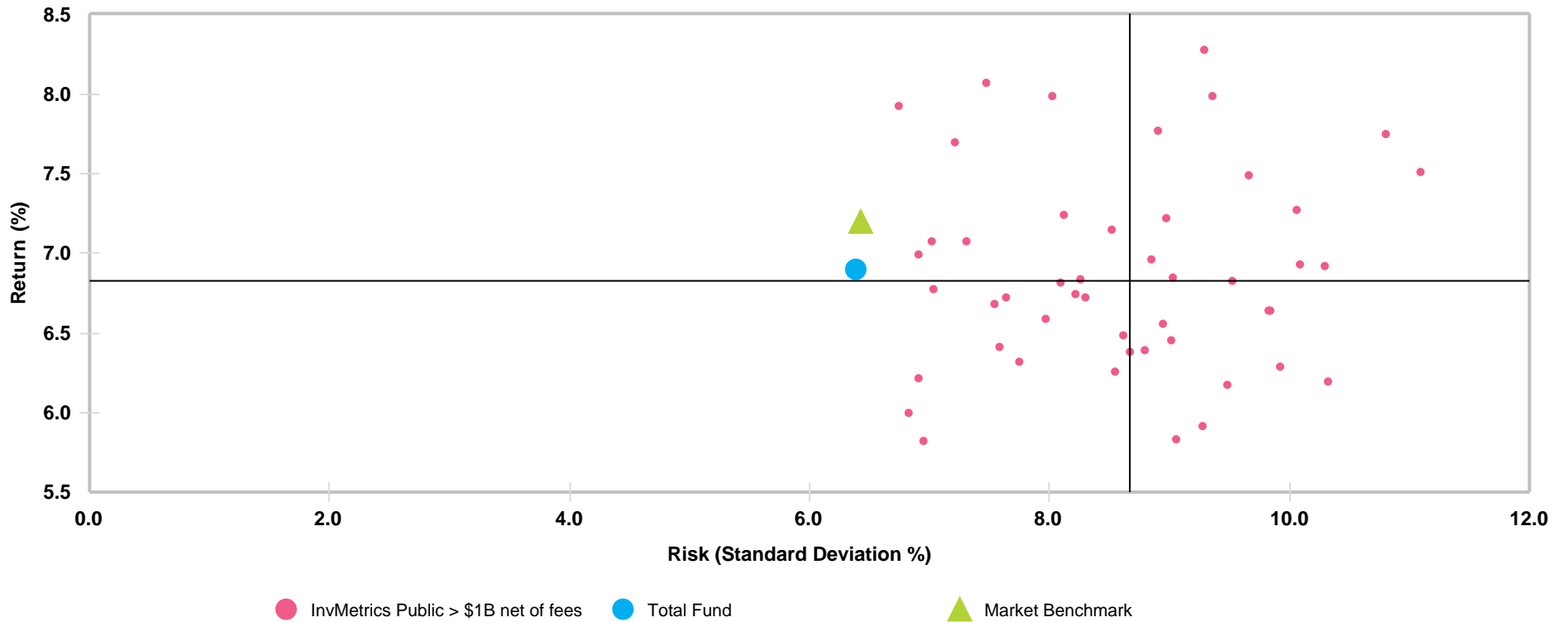
Annualized Return vs. Annualized Standard Deviation
7 Years ending December 31, 2024



	Return	Standard Deviation	Sharpe Ratio	Information Ratio
Total Fund	6.6 (56)	6.3 (1)	0.7 (9)	-0.2 (88)
Market Benchmark	7.2 (24)	6.5 (1)	0.7 (4)	-
Peer Benchmark Median	6.6	9.8	0.5	-0.1

Peer Benchmark represents the plan sponsor peer group Peer Benchmark Net universe. Includes BNY Mellon Total Public Fund >\$1B universe and Investment Metrics client data. Parenthesized numbers represent peer group percentile rank.

Annualized Return vs. Annualized Standard Deviation
10 Years ending December 31, 2024



	Return	Standard Deviation	Sharpe Ratio	Information Ratio
Total Fund	6.9 (44)	6.4 (1)	0.8 (10)	-0.1 (64)
Market Benchmark	7.2 (32)	6.4 (1)	0.8 (7)	-
Peer Benchmark Median	6.8	8.7	0.6	0.0

Peer Benchmark represents the plan sponsor peer group Peer Benchmark Net universe. Includes BNY Mellon Total Public Fund >\$1B universe and Investment Metrics client data. Parenthesized numbers represent peer group percentile rank.

Appendix

Definition of Benchmarks

Bloomberg Aggregate is an index comprised of approximately 6,000 publicly traded investment-grade bonds including US Government, mortgage-backed, corporate, and yankee bonds with an approximate average maturity of 10 years.

Bloomberg Global High Yield is a multi-currency measure of the global high yield debt market. The Index is comprised of the US High Yield, the Pan-European High Yield, and Emerging Markets Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive.

Bloomberg High Yield covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. Must be rated high yield (Ba1/BB+ or lower) by at least two of the following ratings agencies: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. All issues must have at least one year to final maturity regardless of call features and have at least \$150 million par amount outstanding.

Bloomberg Multiverse Non-US Hedged provides a broad-based measure of the international fixed-income bond market. The index represents the union of the BC Global Aggregate Index and the BC Global High Yield Index. In this sense, the term "Multiverse" refers to the concept of multiple universes in a single macro index.

Bloomberg US Credit includes publicly issued US corporate and foreign debentures and secured notes that which are rated investment grade or higher by Moody's Investor Services, Standard and Poor's Corporation, or Fitch Investors Service, with all issues having at least one year to maturity and an outstanding par value of at least \$250 million. Issues must be publicly issued, dollar-denominated and non-convertible.

Bloomberg Universal includes market coverage by the Aggregate Bond Index fixed rate debt issues, which are rated investment grade or higher by Moody's Investor Services, Standard and Poor's Corporation, or Fitch Investors Service, with all issues having at least one year to maturity and an outstanding par value of at least \$100 million) and includes exposures to high yield CMBS securities. All returns are market value weighted inclusive of accrued interest.

Bloomberg World Govt Inflation-Linked Bond (WGILB) measures the performance of the major government inflation-linked bond markets. The index is designed to include only those markets in which a global government linker fund is likely and able to invest. To be included a market must have aggregate issuance of \$4 billion or more and have minimum rating of A3/A- for G7 and euro-zone issuers, Aa3/AA- otherwise, using the middle rating from Moody's, S&P and Fitch ("two out of three" rule). The index is available in local currency and in most major currencies hedged or un-hedged.

CBOE S&P 500 Buy Write Index (BXM) is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index. Announced in April 2002, the BXM Index was developed by the CBOE in cooperation with Standard & Poor's. To help in the development of the BXM Index, the CBOE commissioned Professor Robert Whaley to compile and analyze relevant data from the time period from June 1988 through December 2001. Data on daily BXM prices now is available from June 30, 1986, to the present time (see below). The BXM is a passive total return index based on (1) buying an S&P 500 stock index portfolio, and (2) "writing" (or selling) the near-term S&P 500 Index (SPXSM) "covered" call option, generally on the third Friday of each month. The SPX call written will have about one month remaining to expiration, with an exercise price just above the prevailing index level (i.e., slightly out of the money). The SPX call is held until expiration and cash settled, at which time a new one-month, near-the-money call is written. Please visit the BXM FAQ for more information about the construction of the index.

CBOE S&P 500 Put Write Index (PUT) is a benchmark index designed to track the performance of a hypothetical cash-secured put-write strategy on the S&P 500 Index. Announced in June 2007, the PUT strategy is designed to sell a sequence of one-month, at-the-money, S&P 500 Index puts and invest cash at one- and three-month Treasury Bill rates. The number of puts sold varies from month to month, but is limited so that the amount held in Treasury Bills can finance the maximum possible loss from final settlement of the S&P 500 Index puts.

ICE BofA 3-Month US Treasury Bills (90-Day T-bills) tracks the performance of US Treasury bills with 3-month maturity.

Definition of Benchmarks (continued)

MLM Global Index is the first passive index of returns to futures investing. The objective of the Index strategy is to provide pure systematic trending following exposure in a consistent, efficient, and cost effective manner which captures the price risk premium offered by those who seek price certainty.

MSCI ACWI is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The Index captures large and mid-cap representation across 47 country indices comprising 23 developed and 24 emerging market country indices. The developed market country indices included are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Russia, Qatar, South Africa, Taiwan, Thailand, Turkey, and the United Arab Emirates.

MSCI ACWI ex US ND comprises both developed and emerging markets less the United States. The index consisted of 22 countries classified as developed markets and 24 classified as emerging markets. This series approximates the minimum possible dividend reinvestment. The dividend is reinvested after deduction of withholding tax, applying the rate to non-resident individuals who do not benefit from double taxation treaties. MSCI uses withholding tax rates applicable to Luxembourg holding companies, as Luxembourg applies the highest rates.

MSCI ACWI IMI captures large, mid, and small cap representation across 23 developed markets and 24 emerging markets countries. The Index is comprehensive, covering approximately 99% of the global equity investment opportunity set.

MSCI ACWI Minimum Volatility is a global equity (developed and emerging markets) index constructed by MSCI that utilizes an estimated security co-variance matrix to produce an index that has the lowest absolute volatility for a given set of constraints. The estimated security co-variance matrix is based on the relevant Barra multi-factor equity model.

MSCI ACWI Small Cap is a free float-adjusted market capitalization weighted index captures the small cap representation across 23 developed markets and 24 emerging markets countries.

MSCI EAFE Free (Europe, Australasia, Far East) ND is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada. This series approximates the minimum possible dividend reinvestment. The dividend is reinvested after deduction of withholding tax, applying the rate to non-resident individuals who do not benefit from double taxation treaties. MSCI Barra uses withholding tax rates applicable to Luxembourg holding companies, as Luxembourg applies the highest rates.

MSCI EM (Emerging Markets) GD is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. This series approximates the maximum possible dividend reinvestment. The amount reinvested is the entire dividend distributed to individuals resident in the country of the company, but does not include tax credits.

MSCI Europe is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. As of June 2007, this index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI Pacific is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. As of June 2007, this index consisted of the following 5 Developed Market countries: Australia, Hong Kong, Japan, New Zealand, and Singapore.

MSCI USA is a free float adjusted market capitalization index that is designed to measure large- and mid-cap US equity market performance. The MSCI USA Index is member of the MSCI Global Equity Indices and represents the US equity portion of the global benchmark MSCI ACWI Index.

MSCI World ex US ND is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

Definition of Benchmarks (continued)

Morningstar Leveraged Loan (formerly **S&P Leveraged Loan**) is a capitalization-weighted syndicated loan index based upon market weightings, spreads, and interest payments. The Index covers the US market back to 1997.

NAREIT Index consists of all tax-qualified REITs listed on the New York Stock Exchange, American Stock Exchange, and the NASDAQ National Market System. The data is market weighted.

NCREIF Property Index (NPI) the NPI contains investment-grade, non-agricultural, income-producing properties which may be financed in excess of 5% gross market value; were acquired on behalf of tax exempt institutions; and are held in a fiduciary environment. Returns are gross of fees; including income, realized gains/losses, and appreciation/depreciation; and are market value weighted.

NCREIF Timberland Index is a quarterly time series composite return measure of investment performance of a large pool of individual timber properties acquired in the private market for investment purposes only. All properties in the Timberland Index have been acquired, at least in part, on behalf of tax-exempt institutional investors - the great majority being pension funds. As such, all properties are held in a fiduciary environment.

Russell 1000 measures the performance of the 1,000 largest securities in the Russell 3000 Index. Russell 1000 is highly correlated with the S&P 500 Index and capitalization weighted.

Russell 1000 Growth measures the performance of those Russell 1000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.

Russell 1000 Value measures the performance of those Russell 1000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.

Russell 2000 measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Russell 2000 Growth measures the performance of those Russell 2000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-to-earnings ratios.

Russell 2000 Value measures the performance of those Russell 2000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-to-earnings ratios.

Russell 3000 represents the largest 3,000 US companies based on total market capitalization, representing approximately 98% of the investable US equity market.

S&P 500 is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

Plan Structure Evolution

Prior to 10/2014, Employees' Retirement System of the State of Hawaii ("ERS" or "Plan") had an allocation policy based asset classes (such as US Large Cap Equity, Developed International Equity, Real Estate). Since 10/2014, the ERS has adopted a risk-based, functional framework which uses strategic/functional classes designed to achieve a certain goal and/or be exposed to a specific set of macroeconomic risks through various underlying asset classes and strategies. Since then, the plan structure and the nomenclature of its components have evolved over time to fit the ERS's needs. This page summarizes this evolution since 10/2014 on a high level.

10/2014-06/2016	07/2016-03/2017	04/2017-06/2020	07/2020-12/2023	01/2024-Current
Total Fund → Broad Growth → Principal Protection → Real Return → Real Estate	Total Fund → Broad Growth → Principal Protection → Real Return	Total Fund → Broad Growth → Principal Protection → Real Return → Crisis Risk Offset (CRO)	Total Fund → Broad Growth → Diversifying Strategies	
Broad Growth → Growth-Oriented → Private Growth → Stabilized Growth	Broad Growth → Traditional Growth → Private Growth → Stabilized Growth		Broad Growth → Public Growth <ul style="list-style-type: none"> • Traditional Growth • Stabilized Growth → Private Growth → Real Assets	Broad Growth → Global Equity → Global Credit → Real Assets
Real Estate				
Real Return → Public Inflation-Linked → Private Inflation-Linked				
Principal Protection			Diversifying Strategies → Liquid Defensive <ul style="list-style-type: none"> • Treasury / Agency Duration • Systematic Trend • Defensive Return → Liquid Diversifying <ul style="list-style-type: none"> • Alternative Return • Relative Value → Illiquid Diversifying <ul style="list-style-type: none"> • Insurance-Linked • Idiosyncratic Return 	Diversifying Strategies → Liquid Defensive / Diversifying <ul style="list-style-type: none"> • Systematic Trend • Defensive Return • Intermediate Duration • Long Duration • Discretionary Alpha → Illiquid Diversifying <ul style="list-style-type: none"> • Insurance-Linked • Idiosyncratic Return
			Crisis Risk Offset (CRO) → Treasury Duration Capture → Systematic Trend Following → Alternative Return Capture	

Custom Benchmarks

This section includes the compositions of custom benchmarks currently in use. Policy Benchmarks for Total Fund, Broad Growth, and Diversifying Strategies are presented first, followed by the benchmarks of their lower-level composites sorted according to the Plan structure. Discontinued custom benchmarks are listed separately afterward and are noted as such when they appear in this section.

Market Benchmark (Total Fund Policy Benchmark)

From	To	Market Benchmark (Total Fund Policy Benchmark)
01/01/2024	Current	70% Broad Growth Historical Benchmark, 30% Diversifying Strategies Historical Benchmark
07/01/2022	12/31/2023	65% Broad Growth Benchmark, 35% Diversifying Strategies Benchmark
07/01/2021	06/30/2022	67.5% Broad Growth Benchmark, 32.5% Diversifying Strategies Benchmark
07/01/2020	06/30/2021	72% Broad Growth Benchmark, 28% Diversifying Strategies Benchmark
01/01/2019	06/30/2020	68% Broad Growth Benchmark, 16% Crisis Risk Offset Benchmark, 8% Principal Protection Benchmark, 8% Real Return Benchmark
01/01/2018	12/31/2018	72% Broad Growth Benchmark, 13% Crisis Risk Offset Benchmark, 8% Principal Protection Benchmark, 7% Real Return Benchmark
04/01/2017	12/31/2017	76% Broad Growth Benchmark, 10% Crisis Risk Offset Benchmark, 9% Principal Protection Benchmark, 5% Real Return Benchmark
07/01/2016	03/31/2017	83% Broad Growth Benchmark, 12% Principal Protection Benchmark, 5% Real Return Benchmark
10/01/2014	06/30/2016	76% Broad Growth Benchmark, 12% Principal Protection Benchmark, 5% Real Return Benchmark, 7% NCREIF Property Index (Qtr Lagged)

From	To	Total Fund Asset-Based Policy Benchmarks (prior to the Functional Allocation Framework)
07/01/2013	09/30/2014	30% Russell 3000, 26% MSCI AC World ex US (Net), 15% Bloomberg Universal, 5% Bloomberg Multiverse ex US (Hedged), 7% NCREIF Property Index (Qtr Lagged), 7% ERS Private Equity Performance, 5% ERS Real Return Performance, 5% CBOE S&P 500 BuyWrite (BXM)
07/01/2012	06/30/2013	30% Russell 3000, 26% MSCI AC World ex US (Net), 15.75% Bloomberg Universal, 5.25% Bloomberg Multiverse ex US (Hedged), 7% NCREIF Property Index (Qtr Lagged), 6% ERS Private Equity Performance, 5% ERS Real Return Performance, 5% CBOE S&P 500 BuyWrite (BXM)
10/01/2011	06/30/2012	35% Russell 3000, 18% MSCI World ex US, 3% MSCI Emerging Markets, 18% Bloomberg Universal, 6% Bloomberg Multiverse ex US (Hedged), 7% NCREIF Property Index (Qtr Lagged), 5% ERS Private Equity Performance, 5% ERS Real Return Performance, 3% CBOE S&P 500 BuyWrite (BXM)
07/01/2011	09/30/2011	41% Russell 3000, 14.5% MSCI World ex US, 2.5% MSCI Emerging Markets (Net), 21% Bloomberg Universal, 7% Bloomberg Multiverse ex US (Hedged), 9% NCREIF Property Index (Qtr Lagged), 5% ERS Alternative Investments Performance
01/01/2009	06/30/2011	41% Russell 3000, 14.5% MSCI EAFE Free, 2.5% MSCI Emerging Markets (Net), 21% Bloomberg Universal, 7% Bloomberg Multiverse ex US (Hedged), 9% NCREIF Property Index (Qtr Lagged), 5% ERS Alternative Investments Performance
06/01/1990	12/31/2008	34.9% S&P 500, 4.5% S&P 400 MidCap, 4.5% Russell 2000, 14.5% MSCI EAFE Free, 2.5% MSCI Emerging Markets, 21% Bloomberg Aggregate, 7% Bloomberg Multiverse ex US (Hedged), 7.5% NCREIF Property Index (Qtr Lagged), 3.6% ERS Alternative Investments Performance

Custom Benchmarks: Immediate Sub-Composites of Total Fund

Broad Growth Historical Benchmark

From	To	Broad Growth Historical Benchmark
01/01/2024	Current	56% Global Equity Historical Benchmark, 17% Global Credit Historical Benchmark, 27% Real Assets Historical Benchmark
07/01/2022	12/31/2023	50% Public Growth Benchmark, 28% Private Growth Benchmark, 22% Real Assets Historical Benchmark
07/01/2021	06/30/2022	66% Public Growth Benchmark, 20% Private Growth Benchmark, 14% Real Assets Historical Benchmark
07/01/2020	06/30/2021	70% Public Growth Benchmark, 16% Private Growth Benchmark, 14% Real Assets Historical Benchmark
01/01/2019	06/30/2020	41% Traditional Growth Benchmark, 41% Stabilized Growth Benchmark, 18% Private Growth Benchmark
01/01/2018	12/31/2018	43% Traditional Growth Benchmark, 43% Stabilized Growth Benchmark, 14% Private Growth Benchmark
07/01/2016	12/31/2017	45% Traditional Growth Benchmark, 45% Stabilized Growth Benchmark, 10% Private Growth Benchmark
01/01/2016	06/30/2016	77% Traditional Growth Benchmark, 17% Stabilized Growth Benchmark, 6% Private Growth Benchmark
10/01/2014	12/31/2015	78% Traditional Growth Benchmark, 17% Stabilized Growth Benchmark, 5% Private Growth Benchmark

For the historical components Traditional Growth Benchmark and Private Growth Benchmark please refer to Public Equity Benchmark and Private Equity Benchmark, respectively. Public Growth Benchmark and Stabilized Growth Benchmark are no longer in use. Please see their historical compositions in the “Discontinued Custom Benchmarks” section.

Diversifying Strategies Benchmark

From	To	Diversifying Strategies Benchmark
01/01/2024	Current	87% Liquid Defensive Historical Benchmark, 13% Illiquid Diversifying Historical Benchmark
07/01/2022	12/31/2023	45% Liquid Defensive Historical Benchmark, 40% Liquid Diversifying Benchmark, 15% Illiquid Diversifying Historical Benchmark
04/01/2017	06/30/2022	50% Liquid Defensive Historical Benchmark, 40% Liquid Diversifying Benchmark, 10% Illiquid Diversifying Historical Benchmark

Liquid Diversifying Benchmark is no longer in use. Please see its historical compositions in the “Discontinued Custom Benchmarks” section.

Custom Benchmarks: Global Equity Composite

Global Equity Historical Benchmark

Global Equity composite was created effective on 01/01/2024 to aggregate the Public and Private Equity components which had previously existed within separate higher-level composites. Accordingly, the Global Equity Policy Benchmark was retroactively reconstructed for periods prior to 01/01/2024 reflecting the historical policy targets for the underlying Public and Private Equity components.

From	To	Global Equity Historical Benchmark
01/01/2024	Current	51.3% Public Equity Historical Benchmark, 48.7% Private Equity Historical Benchmark
07/01/2022	12/31/2023	54.3% Public Equity Historical Benchmark, 45.7% Private Equity Historical Benchmark
07/01/2021	06/30/2022	64.7% Public Equity Historical Benchmark, 35.3% Private Equity Historical Benchmark
07/01/2020	06/30/2021	70.8% Public Equity Historical Benchmark, 29.2% Private Equity Historical Benchmark
01/01/2019	06/30/2020	69.5% Public Equity Historical Benchmark, 30.5% Private Equity Historical Benchmark
01/01/2018	12/31/2018	75.4% Public Equity Historical Benchmark, 24.6% Private Equity Historical Benchmark
07/01/2016	12/31/2017	81.8% Public Equity Historical Benchmark, 18.2% Private Equity Historical Benchmark
01/01/2016	06/30/2016	92.8% Public Equity Historical Benchmark, 7.2% Private Equity Historical Benchmark
10/01/2014	12/31/2015	94.0% Public Equity Historical Benchmark, 6.0% Private Equity Historical Benchmark
07/01/2013	09/30/2014	88.9% Public Equity Historical Benchmark, 11.1% Private Equity Historical Benchmark

Public Equity Historical Benchmark

From 10/2014 through 12/2023, public equity assets have resided within the Broad Growth strategic class with names such as “Traditional Growth” or “Traditional Equity”. Thus, Public Equity Benchmark may be considered the successor of Traditional Growth and Traditional Equity Benchmarks. Please note that Public Equity Benchmark is different from the discontinued Public Growth Benchmark; its historical benchmark composition is included in the “Discontinued Custom Benchmarks” section.

From	To	Public Equity Historical Benchmark
10/01/2014	Current	100% MSCI All Country World Investable Market Index (Net)
07/01/2012	09/30/2014	53.6% Russell 3000, 46.4% MSCI All Country World ex US (Net)
10/01/2011	06/30/2014	62.5% Russell 3000, 32.1% MSCI World ex US (Net), 5.4% MSCI Emerging Markets (Net)
07/01/2011	09/30/2011	70.7% Russell 3000, 25.0% MSCI World ex US (Net), 4.3% MSCI Emerging Markets (Net)
01/01/2009	06/30/2011	70.7% Russell 3000, 25.0% MSCI EAFE (Net), 4.3% MSCI Emerging Markets (Net)
03/01/2008	12/31/2008	57.3% S&P 500, 7.4% S&P Mid Cap 400, 7.4% Russell 2000, 23.8% MSCI EAFE (Net), 4.1% MSCI Emerging Markets (Net)

Custom Benchmarks: Global Equity Composite (Continued)

Private Equity Historical Benchmark

From 10/2014 through 12/2023, private equity assets have resided within the Broad Growth strategic class as "Private Growth". Thus, Private Equity Benchmark may be considered the successor of Private Growth Benchmark.

From	To	Private Equity Historical Benchmark
01/01/2024	Current	100% MSCI ACWI IMI (Net) (Quarter Lagged)
10/01/2014	12/31/2023	100% MSCI ACWI IMI (Net) +2% (Quarter Lagged)
10/01/2011	09/30/2014	Private Equity Actual Performance

Custom Benchmarks: Global Credit Composite

Global Credit Historical Benchmark

From	To	Global Credit Historical Benchmark
01/01/2024	Current	33.3% Public Credit Historical Benchmark, 66.7% Private Credit Historical Benchmark
07/01/2021	12/31/2023	50% Public Credit Historical Benchmark, 50% Private Credit Historical Benchmark
07/01/2020	06/30/2021	25% Public Credit Historical Benchmark, 75% Private Credit Historical Benchmark
10/01/2014	06/30/2020	100% Public Credit Historical Benchmark

Public Credit Historical Benchmark

From	To	Public Credit Historical Benchmark
07/01/2021	Current	50% Bloomberg Global High Yield (Hedged), 50% Morningstar LSTA US Leveraged Loan 100 Index
07/01/2020	06/30/2021	50% Bloomberg Global High Yield (Hedged), 50% Morningstar LSTA US Leveraged Loan 100 Index*
10/01/2014	06/30/2020	50% Bloomberg Global Credit (Hedged) 33.3% Bloomberg Global High Yield (Hedged), 16.7% Morningstar LSTA US Leveraged Loan 100 Index*

Private Credit Historical Benchmark

From	To	Private Credit Historical Benchmark
01/01/2024	Current	50% Bloomberg Global High Yield (Hedged) (Quarter Lagged), 50% Morningstar LSTA US Leveraged Loan 100 Index (Quarter Lagged)
07/01/2021	12/31/2023	25% Bloomberg Global High Yield (Hedged) +1% (Month Lagged), 25% Morningstar LSTA US Leveraged Loan 100 Index +1% (Month Lagged), 25% Bloomberg Global High Yield (Hedged) +1% (Quarter Lagged), 25% Morningstar LSTA US Leveraged Loan 100 Index +1% (Quarter Lagged)
07/01/2020	06/30/2021	50% Bloomberg Global High Yield (Hedged) +1% (Month Lagged), 50% Morningstar LSTA US Leveraged Loan 100 Index +1% (Month Lagged)*
11/01/2019	06/30/2020	100% Public Credit Historical Benchmark

From 11/2019 to 06/2020, Private Credit Benchmark is the same as Public Credit Benchmark.

Notes on Component Indices

Historically, prior to 07/01/2021, Morningstar LSTA US Leveraged Loan Index (formerly known as "S&P LSTA US Leveraged Loan Index") was used in the places where Morningstar LSTA US Leveraged Loan 100 Index occurs on this page. Due to licensing issues, Morningstar LSTA US Leveraged Loan 100 Index is applied retroactively to periods prior to 07/2021. Compositions which historically used Morningstar LSTA US Leveraged Loan Index are marked on this page with an asterisk (*).

Custom Benchmarks: Real Assets Composite

Real Assets Historical Benchmark

Real Assets composite contains the following asset classes: Real Estate (Core and Non-Core), Agriculture (or Farmland), Timberland, Infrastructure (Private and Public), and Other Real Assets. They existed separately under various higher level composites at different points in the Plan's history prior to the Real Asset composite's inception in 07/2020.

Prior to 07/2016, **Real Estate** was an immediate sub-composite of Total Fund. From 07/2016 through 06/2020, Core Real Estate and Non-Core Real Estate were separately subsumed into Stabilized Growth and Private Growth categories respectively (which were both contained within Broad Growth). From 10/2014 to 07/2020, **Agriculture, Timber, and Infrastructure** constituted the Private Inflation-Linked component within Real Return, an immediate subordinate of Total Fund.

The Real Assets Policy Benchmark for periods prior to 07/2020 were retroactively reconstructed using the historical policy allocation targets for the underlying components.

From	To	Real Assets Historical Benchmark
01/01/2024	Current	47% Real Estate Historical Benchmark, 7% Agriculture Historical Benchmark, 9% Timber Historical Benchmark, 37% Infrastructure Historical Benchmark
07/01/2022	12/31/2023	70% Real Estate Historical Benchmark, 10% Agriculture Historical Benchmark, 10% Timber Historical Benchmark, 10% Infrastructure Historical Benchmark
07/01/2021	06/30/2022	70% Real Estate Historical Benchmark, 8% Agriculture Historical Benchmark, 12% Timber Historical Benchmark, 10% Infrastructure Historical Benchmark
07/01/2020	06/30/2021	75% Real Estate Historical Benchmark, 5% Agriculture Historical Benchmark, 12.5% Timber Historical Benchmark, 7.5% Infrastructure Historical Benchmark
01/01/2019	06/30/2020	52% Real Estate Historical Benchmark, 48% Real Return Benchmark
01/01/2018	12/31/2018	57% Real Estate Historical Benchmark, 43% Real Return Benchmark
04/01/2017	12/31/2017	70% Real Estate Historical Benchmark, 30% Real Return Benchmark
07/01/2016	06/30/2017	75% Real Estate Historical Benchmark, 25% Real Return Benchmark
01/01/2016	06/30/2016	80% Real Estate Historical Benchmark, 20% Real Return Benchmark
10/01/2014	12/31/2015	83% Real Estate Historical Benchmark, 17% Real Return Benchmark

Custom Benchmarks: Real Assets Composite (Continued)

Real Estate Historical Benchmark

Real Estate composite became effective in 01/2024 as an aggregate of the Core and Non-Core Real Estate components. The Real Estate Policy Benchmark was retroactively reconstructed for periods prior to 01/2024 reflecting the historical policy allocation targets for the underlying Core and Non-Core components.

From	To	Real Estate Historical Benchmark
01/01/2024	Current	100% FTSE EPRA NAREIT Global REITs Index (Gross) (Quarter Lagged)
07/01/2022	12/31/2023	57.1% Core Real Estate Historical Benchmark, 42.9% Non-Core Real Estate Historical Benchmark
07/01/2021	06/30/2022	55.7% Core Real Estate Historical Benchmark, 44.3% Non-Core Real Estate Historical Benchmark
07/01/2020	06/30/2021	53.3% Core Real Estate Historical Benchmark, 46.7% Non-Core Real Estate Historical Benchmark
07/01/2019	06/30/2020	60% Core Real Estate Historical Benchmark, 40% Non-Core Real Estate Historical Benchmark
07/01/2018	06/30/2019	66% Core Real Estate Historical Benchmark, 34% Non-Core Real Estate Historical Benchmark
07/01/2017	06/30/2018	73% Core Real Estate Historical Benchmark, 27% Non-Core Real Estate Historical Benchmark
07/01/2016	06/30/2017	80% Core Real Estate Historical Benchmark, 20% Non-Core Real Estate Historical Benchmark
07/01/2013	06/30/2016	100% Core Real Estate Historical Benchmark

Core Real Estate Historical Benchmark

From	To	Core Real Estate Historical Benchmark
01/01/2024	Current	100% FTSE EPRA NAREIT Global REITs Index (Gross) (Quarter Lagged)
01/01/2018	12/31/2023	100% NCREIF ODCE (Net) (Quarter Lagged)
07/01/2013	12/31/2017	100% NCREIF Property Index (Net) (Quarter Lagged)

Non-Core Real Estate Historical Benchmark

From 07/2016-06/2020, this composite sat within Private Growth segment and was benchmarked against Private Equity Benchmark (formerly, "Private Growth Benchmark").

From	To	Non-Core Real Estate Historical Benchmark
01/01/2024	Current	100% FTSE EPRA NAREIT Global REITs Index (Gross) (Quarter Lagged)
07/01/2020	12/31/2023	100% NCREIF ODCE (Net) +1% (Quarter Lagged)
07/01/2016	06/30/2020	100% Private Equity Historical Benchmark
07/01/2013	06/30/2016	100% NCREIF Property Index (Net) (Quarter Lagged)

Custom Benchmarks: Real Assets Composite (Continued)

Agriculture Historical Benchmark

From	To	Agriculture Historical Benchmark
01/01/2024	Current	100% S&P GCSI Agriculture Index (Quarter Lagged)
10/01/2021	12/31/2023	100% NCREIF Farmland Index (Quarter Lagged)

Timber Historical Benchmark

From	To	Timber Historical Benchmark
01/01/2024	Current	100% S&P Global Timber & Forestry Index (Net) (Quarter Lagged)
09/01/1999	12/31/2023	100% NCREIF Timberland Index (Quarter Lagged)

Infrastructure Historical Benchmark

From	To	Infrastructure Historical Benchmark
01/01/2024	Current	100% Dow Jones Brookfield Global Infrastructure Index (Net) (Quarter Lagged)
12/01/2014	12/31/2023	100% Consumer Price Index (Seasonally Adjusted) +4%

Custom Benchmarks: Diversifying Strategies Composite

Liquid Defensive Historical Benchmark

From	To	Liquid Defensive Historical Benchmark
01/01/2024	Current	30.8% MLM Global Index EV (Blend), 15.4% Bloomberg US Treasury: Long Index, 53.8% Bloomberg US Treasury: Intermediate Index
07/01/2022	12/31/2023	40% MLM Global Index EV (Blend), 40% 90-Day T-Bill +2.5%, 15% Bloomberg US Treasury: Long Index, 5% Bloomberg US Intermediate Aggregate ex Credit
07/01/2021	06/30/2022	35% MLM Global Index EV (Blend), 20% 90-Day T-Bill +2.5%, 15% Bloomberg US Treasury: Long Index, 15% Bloomberg US Intermediate Aggregate ex Credit, 15% Bloomberg US TIPS 5+ Year Index
07/01/2016	06/30/2021	40% MLM Global Index EV (Blend), 30% Bloomberg US Treasury: Long Index, 30% Bloomberg US Intermediate Aggregate ex Credit Index

Defensive Return Capture Historical Benchmark

Defensive Return Capture and Discretionary Alpha Benchmarks have the same underlying components since 07/01/2020.

From	To	Defensive Return Capture Historical Benchmark
01/01/2024	Current	100% Bloomberg US Treasury: Intermediate Index
07/01/2020	12/31/2023	100% 90-Day T-Bill +2.5%

Discretionary Alpha Benchmark

Defensive Return Capture and Discretionary Alpha Benchmarks have the same underlying components since 07/01/2020.

From	To	Discretionary Alpha Benchmark
01/01/2024	Current	100% Bloomberg US Treasury: Intermediate Index
07/01/2020	12/31/2023	100% 90-Day T-Bill +2.5%

Intermediate Duration Treasury Benchmark

From	To	Intermediate Duration Treasury Benchmark
01/01/2024	Current	100% Bloomberg US Treasury: Intermediate Index
04/01/2017	12/31/2023	100% Bloomberg US Intermediate Aggregate ex Credit

Custom Benchmarks: Diversifying Strategies Composite (Continued)

Long Duration Treasury Historical Benchmark

From	To	Long Duration Treasury Historical Benchmark
04/01/2022	Current	100% Bloomberg US Treasury: Long Index
02/01/2021	03/31/2022	50% Bloomberg US Treasury: Long Index, 50% Bloomberg TIPS 5+ Year Index
04/01/2017	01/31/2021	100% Bloomberg US Treasury: Long Index

MLM Global Index EV (Blend)

MLM Global Index EV (Blend) is used as the benchmark for the Systematic Trend Following composite and as a component of other custom benchmarks.

From	To	MLM Global Index EV (Blend)
04/01/2019	Current	100% MLM Global Index EV (15V)
04/01/2017	03/31/2019	100% MLM Global Index LT 15V

Illiquid Diversifying Historical Benchmark

From	To	Illiquid Diversifying Historical Benchmark
01/01/2024	Current	100% Swiss RE Global Catastrophe Bond Hedged Index
07/01/2022	12/31/2023	65% 90-Day T-Bills +3.5%, 35% Swiss RE Global Catastrophe Bond Hedged Index
07/01/2021	06/30/2022	50% 90-Day T-Bills +3.5%, 50% Swiss RE Global Catastrophe Bond Hedged Index
04/01/2014	06/30/2021	65% 90-Day T-Bills +3.5%, 35% Swiss RE Global Catastrophe Bond Hedged Index

Idiosyncratic Return Capture Historical Benchmark

From	To	Idiosyncratic Return Capture Historical Benchmark
01/01/2024	Current	100% Swiss RE Global Catastrophe Bond Hedged Index
07/01/2020	12/31/2023	100% 90-Day T-Bills +3.5%

Discontinued Custom Benchmarks

This section includes only the discontinued custom benchmarks which have been a component of current custom benchmarks' history and does not include all the discontinued historical custom benchmarks. The items in this section are ordered alphabetically.

Crisis Risk Offset (CRO) Benchmark

Crisis Risk Offset (CRO) Benchmark was a component of Total Fund Policy Benchmark from 2017 to 2020. The composite consisted of Systematic Trend Following, Alternative Return Capture, and Treasury Duration Capture (in the form of long duration treasuries) components.

From	To	Crisis Risk Offset (CRO) Benchmark
04/01/2019	06/30/2020	35% MLM Global Index EV (Blend), 40% 90-day T-Bills +2.5%, 25% Bloomberg US Treasury: Long Index
04/01/2017	03/31/2019	45% MLM Global Index EV (Blend), 30% 90-day T-Bills +5%, 25% Bloomberg US Treasury: Long Index

Liquid Diversifying Benchmark

Liquid Diversifying Benchmark was a component of Diversifying Strategies Benchmark from 2017 through 2023.

From	To	Liquid Diversifying Benchmark
04/01/2017	12/31/2023	100% 90-Day T-Bills +2.5%

Options-Based Equity Benchmark

Options-Based Equity Benchmark was a component of Public Growth Benchmark from 2020 to 2022.

From	To	Options-Based Equity Benchmark
07/01/2020	06/30/2022	50% CBOE S&P 500 PutWrite (PUT), 35% CBOE MSCI EAFE PutWrite (PXEA), 15% CBOE MSCI Emerging Markets PutWrite (PXEF)

Principal Protection Benchmark

Principal Protection Benchmark was a component of Total Fund Policy Benchmark from 2014 to 2020. The composite primarily consisted of intermediate duration bonds.

From	To	Principal Protection Benchmark
01/01/2018	06/30/2020	55% Bloomberg US Intermediate ex Credit Index, 45% Bloomberg Global Intermediate ex Credit Index (Hedged)
10/01/2014	12/31/2017	100% Bloomberg Global Intermediate ex Credit Index (Hedged)

Discontinued Custom Benchmarks (Continued)

Public Growth Benchmark

Public Growth Benchmark was a component of Broad Growth Benchmark from 2020 through 2023. Please see Global Credit Benchmark and Traditional Growth Benchmark in the Current Custom Benchmarks section under Global Credit Benchmark and Public Equity Benchmark respectively.

From	To	Public Growth Benchmark
07/01/2022	12/31/2023	66.5% Traditional Growth Benchmark, 20% Global Credit Benchmark, 8% MSCI ACWI Minimum Volatility (Net), 5.5% ICE BofA All US Convertibles All Qualities (VXA0)
07/01/2021	06/30/2022	55.5% Traditional Growth Benchmark, 16% Options-Based Equity Benchmark, 15.5% Global Credit Benchmark, 9% MSCI ACWI Minimum Volatility (Net), 4% ICE BofA All US Convertibles All Qualities (VXA0)
07/01/2020	06/30/2021	55.5% Traditional Growth Benchmark, 20% Options-Based Equity Benchmark, 15.5% Global Credit Benchmark, 9% MSCI ACWI Minimum Volatility (Net)

Real Return Benchmark

Real Return Benchmark was a component of Total Fund Policy Benchmark from 2014 to 2020.

From	To	Real Return Benchmark
10/01/2014	06/30/2020	100% Consumer Price Index (Seasonally Adjusted) +3%

Stabilized Growth Benchmark

Stabilized Growth Benchmark was a component of Broad Growth Benchmark from 2014 to 2020.

From	To	Stabilized Growth Benchmark
01/01/2018	06/30/2020	8.5% Bloomberg Global Credit (Hedged), 5.67% Bloomberg Global High Yield (Hedged), 17% CBOE S&P 500 BuyWrite (BXM), 17% CBOE S&P 500 PutWrite (PUT), 2.83% Morningstar LSTA Leveraged Loan, 8.5% MSCI ACWI ex US (Net), 8.5% 90-day T-Bills, 17% MSCI ACWI Minimum Volatility (Net), 15% NCREIF ODCE Index (Net) (Quarter Lagged)
07/01/2016	12/31/2017	8.5% Bloomberg Global Credit (Hedged), 5.67% Bloomberg Global High Yield (Hedged), 17% CBOE S&P 500 BuyWrite (BXM), 17% CBOE S&P 500 PutWrite (PUT), 2.83% Morningstar LSTA Leveraged Loan, 8.5% MSCI ACWI ex US (Net), 8.5% 90-day T-Bills, 17% MSCI ACWI Minimum Volatility (Net), 15% NCREIF Property Index (Net) (Quarter Lagged)
10/01/2014	06/30/2016	30% Bloomberg Global Credit (Hedged), 20% Bloomberg Global High Yield (Hedged), 40% CBOE S&P 500 BuyWrite (BXM), 10% Morningstar LSTA Leveraged Loan Index

Performance Attribution Glossary

Performance Attribution is the process of comparing a portfolio's performance with its benchmark identifying and quantifying the sources of differential returns (also called active returns).

Differential Returns / Active Returns / Value Added are the difference between the return on a portfolio and the return on the benchmark.

Impact on Return

Attribution Segment	Definition	Formula	Where:
Weighting (also called allocation, sector allocation, or pure sector allocation)	The effects of portfolio manager decisions to over/underweight each sector	$(w_i - W_i) \times (b_i - b)$	w_i = portfolio segment weight W_i = benchmark segment weight b_i = benchmark segment return b = total benchmark return
Selection (also called within-sector selection)	The effects of portfolio manager decision to buy specific securities	$(r_i - b_i) \times W_i$	r_i = portfolio segment return b_i = benchmark segment return W_i = benchmark segment weight
Interaction (also called allocation/selection interaction)	The effects of portfolio managers decisions to security selection can inadvertently cause sector over/underweighting	$(r_i - b_i) \times (w_i - W_i)$	r_i = portfolio segment return b_i = benchmark segment return w_i = portfolio segment weight W_i = benchmark segment weight

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Diversifying Strategies – Liquid Defensive and Liquid Diversifying (‘DS-LD’)

2024 Annual Review

February 2025

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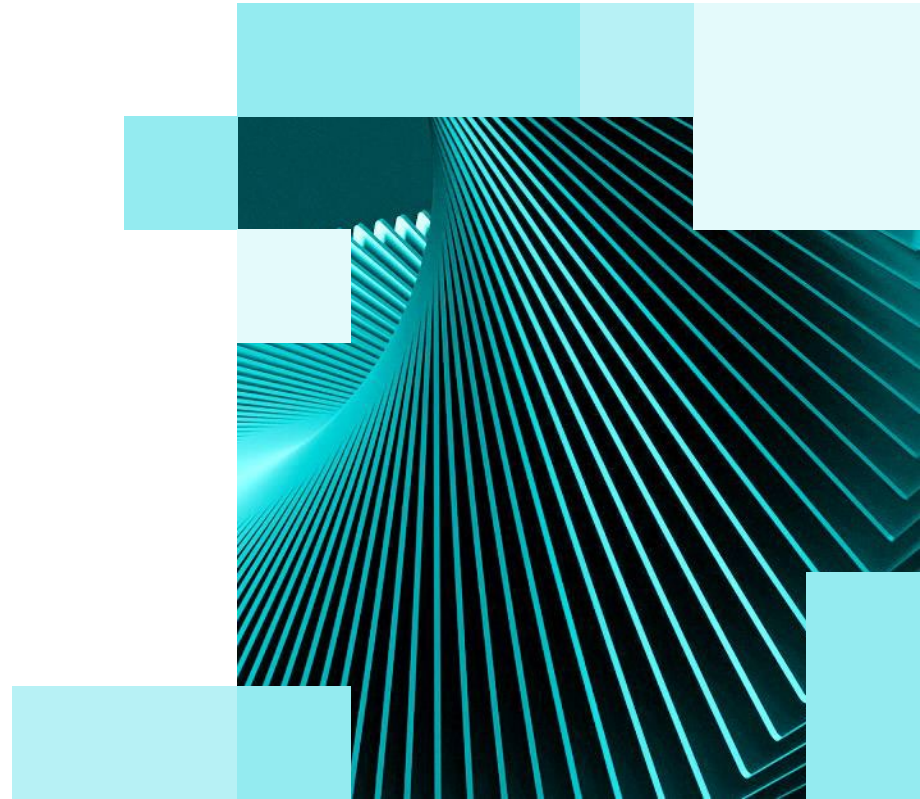
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Diversifying Strategies – Liquid Defensive and Liquid Diversifying ('DS-LD')



Annual Highlights: DS-LD

2024



-0.89%

2024 Net Performance¹

-0.06%

2024 Benchmark Performance²

Performance⁴

- DS-LD 2024 net performance was -0.89%
- Net contribution⁵ by component:
 - IDC: +70 bp
 - DA: +2 bp
 - DRC: -35 bp
 - LDC: -62 bp
 - STF: -66 bp
- Estimate gross contribution by asset class:
 - FX: +134 bp
 - Convertible Bonds: +91 bp
 - Commodities: +7 bp
 - Fixed Income: -87 bp
 - Equity: -187 bp

Risk & Exposures³

- Crisis risk status indicators remained **GREEN** throughout 2024
- DS-LD realized daily volatility was 3.70% (annualized)
- Correlation to the rest of the ERS portfolio was 0.06
- For the year ending December 31st, ERS volatility increased to 4.99% from 4.94% in 2023 (annualized)
- Realized volatility for ERS ex-DS-LD was 6.19%
- At year-end, DS-LD was long equities, both including and excluding SPACs (risk-additive), flat credit (risk-neutral), long interest rates (potentially risk-mitigating), long US Dollar (potentially risk-mitigating), and long commodities (risk-additive)

Operations

- During January, ERS fully redeemed out of Credit Suisse to fund SLC Intermediate Duration. ERS also received the bulk of Shaolin redemption.
- During March, ERS fully redeemed Weiss and consolidated Aequim.
- During May, ERS fully redeemed from Lombard Odier
- During July, ERS fully redeemed Aristeia Class B and consolidated proceeds to Aristeia Class A
- In September, ERS completed the first tranche of the redemption from MY Asian Opportunities Fund. On December, ERS executed the second tranche of the redemption, proceeds went to SLC Intermediate Duration
- Full liquidation of Monashee communicated in December
- Total NAV of DS-LD at December month end was \$5.8BN.

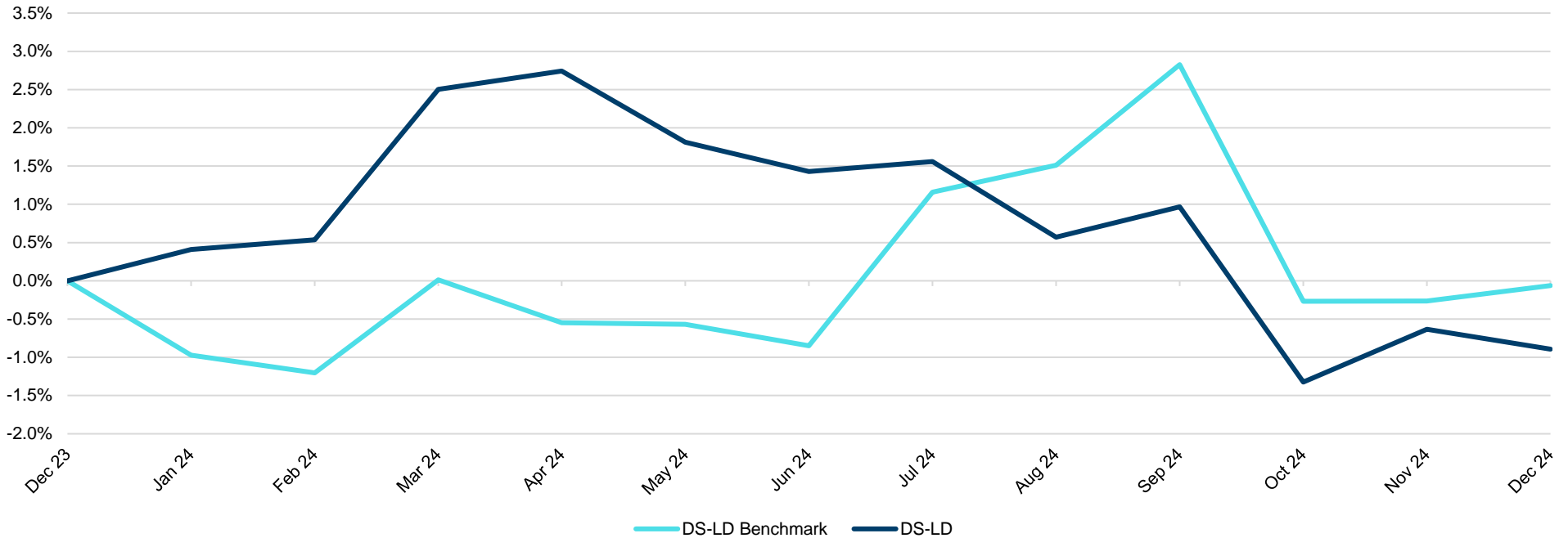
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DS-LD - Performance vs. Benchmark^{1,2}

January 1 to December 31, 2024

- DS-LD finished the fiscal year in slight negative territory, driven by losses in Q2, Q3 (sell-off in August driven by STF managers) and Q4 (US dollar sell-off impacting the STF manager's long greenback positioning in October), which were partially offset by gains in Q1 (driven by STF managers)
- The benchmark saw mixed performance between Q1-Q3. However, all gains were wiped out in Q4, driven by the poor performance of Trend in October, as well as surging rates in October and December. The benchmark ended the year with muted losses
- DS-LD outperformed the benchmark until the end of July. STF managers' equity and FX losses in July and August resulted in underperformance with respect to their benchmark (MLM Index). Q4 was a particularly challenging quarter for DS-LD, with most of the losses concentrated in October, driven by the STF, LDC and IDC managers



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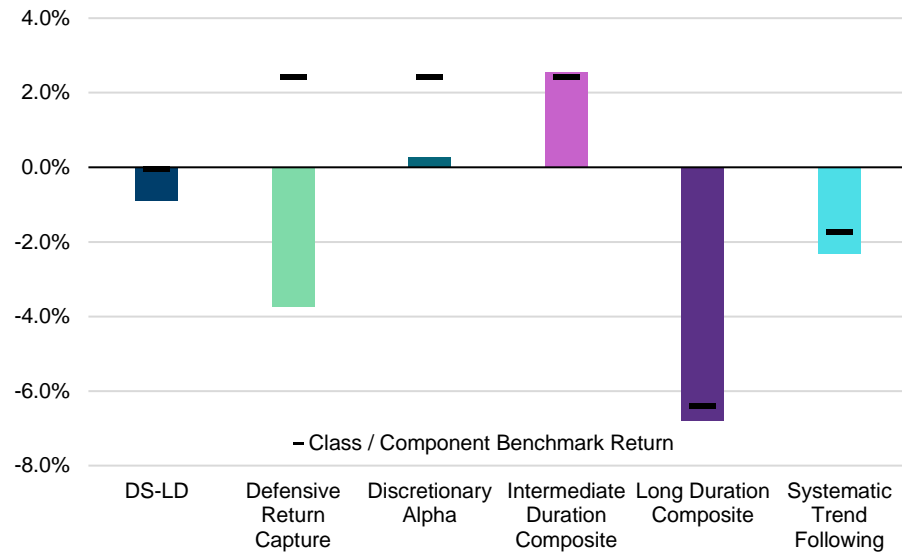
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DS-LD - Component Performance and Contribution

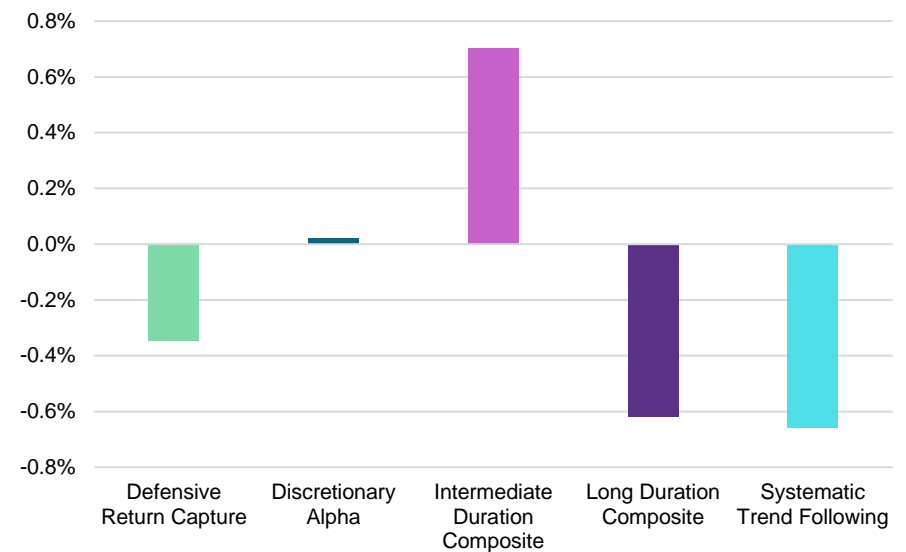
2024

- 2024 was a difficult year for STF managers which were caught by multiple asset class reversals. Despite the strong start to the year, STF managers suffered losses, with Fixed Income being the most detrimental to performance. The August sell-off erased the positive H1 equity PnL. Despite the year-end strengthening in the greenback, which erased earlier FX losses, surging yields on worries over the rising fiscal deficit and the potential for inflation to reaccelerate impacted the rates PnL and STF managers finished the year in red, underperforming their benchmark
- LDC managers detracted as long terms yields along the curve spiked (As of December 31st 2024: US10Y : 4.57%, +69bps YtD; US30Y: 4.78%, +75bps YtD)
- All the IDC managers contributed positively, driven by strong Q3 performance
- DRC managers detracted as losses on short equity positions overwhelmed the gains in long USD/short FX
- DA's positive contributions were driven by Aequim MAC's convertible bond exposure and the specials situations strategy in MYAM

Annual Component Net Performance (Jan. 1 – Dec. 31 , 2024)^{1,2}



Annual Component Net Contribution (Jan. 1 – Dec. 31 , 2024)¹

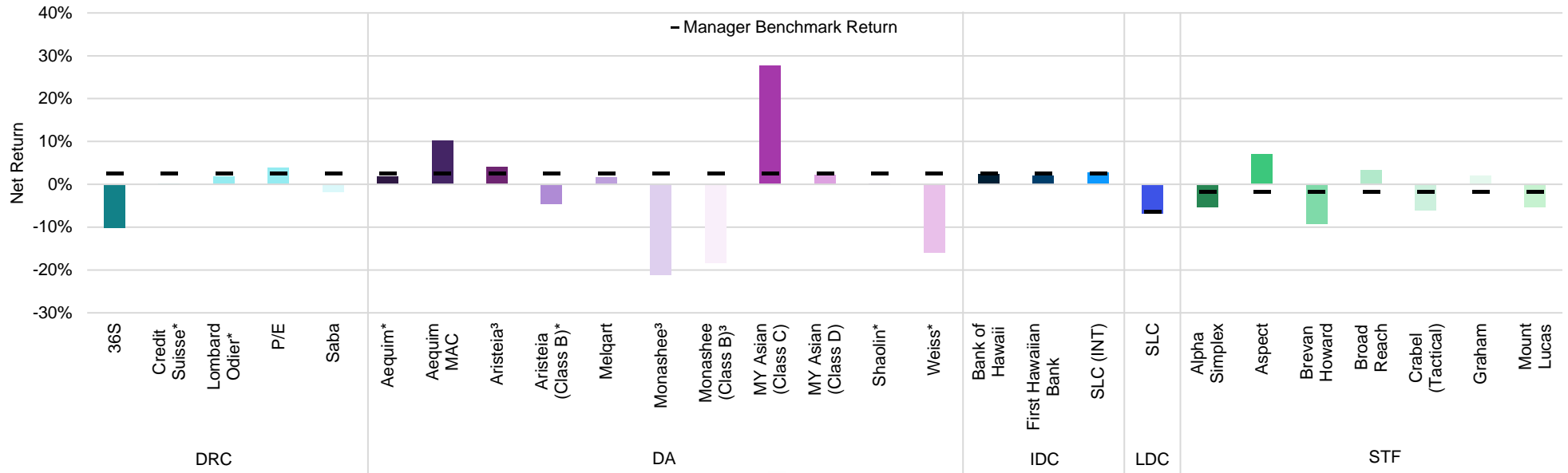


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DS-LD - Manager Performance

2024 Manager Net Performance (Jan. 1 – Dec. 31, 2024)^{1,2,3}



- A difficult year for STF managers as losses, driven by Brevan Howard, Crabel (Tactical), Mount Lucas and Alpha Simplex, overwhelmed the gains of the remaining managers. Managers struggled with fixed income and FX market volatility, driven in-part by ever changing central bank policy expectations. Brevan Howard's losses were concentrated in their equity positioning throughout the year, as well as their short FX positioning in Q1. Crabel Tactical suffered losses, primarily in June and August. During June, a reversal of the long-term trend created challenges for short interest rate futures positioning. Similarly in August, the risk-off sentiment driven by the August sell-off triggered a rally in Fixed Income, which worked against the manager's short rates positioning. Mount Lucas and Alpha Simplex lagged, driven by fixed income, commodities and FX positions
- DRC also detracted with losses concentrated in 36S and Saba. The dominating detractor for 36S in 2024 were highly defensive, left-tail convexity options, which suffered steady bleed, primarily as equity markets performed strongly at low vol, but also in FX markets during Q3. Saba suffered from their credit exposure due to compression in HY-IG spread. On the positive side, P/E added thanks to long greenback exposure during Q4 which contributed significantly after the US elections
- LDC managers detracted, driven by the rates spike in the long tenor of the yield curve. IDC managers had a volatile year, driven by changes in risk sentiment. Q3 was a strong quarter as yields dropped significantly on the shorter tenor of the yield curve with respect to the longer tenors
- DA contributed positively, driven by positive performance from MY Asian, Aequim MAC and Aristeia. MY Asian Opportunities had an extremely successful year, with special situations being the main contributor in Japan and Greater China. Merger arbitrage and credit also added to performance. For Aequim MAC, most of the gains came in Q3, driven by the convertible arbitrage trading

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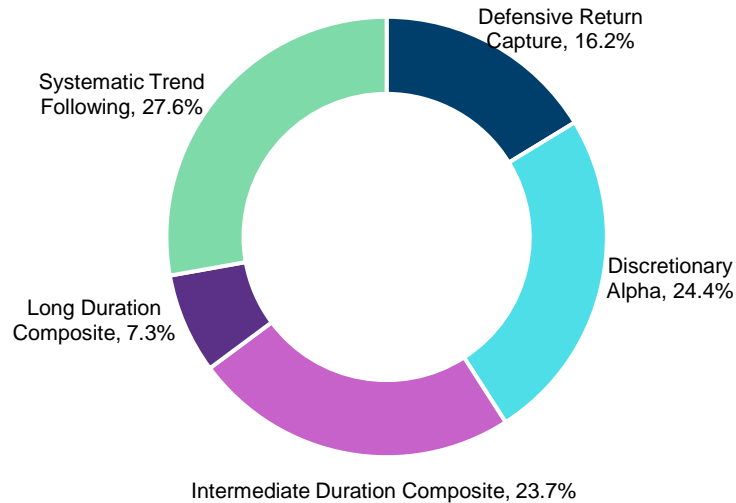
DS-LD Component Capital Allocations

2024

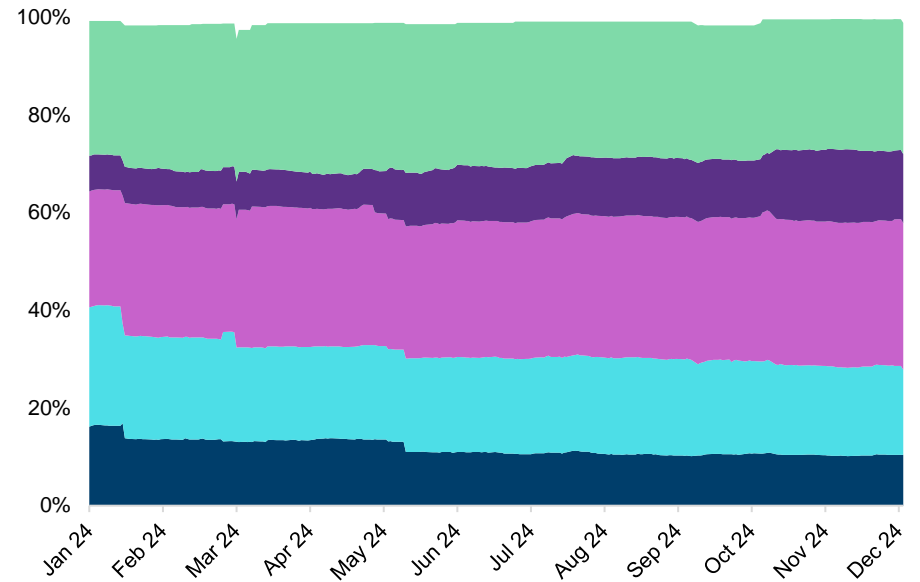


- There were five manager redemptions during FY 2024; three in DA² (\$472MM); two in DRC (\$343M) (Total of \$815MM). Redeemed managers in DA were Shaolin (1/16), Weiss (3/7) and Aristeia Class B (7/10). Redeemed from DRC were Credit Suisse (1/17) and Lombard Odier Bear Convexity (5/22)
- ERS also instructed an additional redemption from DS-LD for March and June 2024 with \$86MM from DA component (MY Asian Opportunities Fund)
- On component level, the largest capital allocation increases were LDC and IDC at six percentage points (driven by SLC and SLC INT respectively). The largest decrease was in DA at seven percentage points
- Total DS-LD strategies NAV at December month end was \$5.8BN (By component: IDC: \$1.8BN , STF: \$1.5BN , DA: \$1BN, LDC: \$800MM, DRC: \$600MN)

Year-End Component Capital Allocations¹



Historical Component Capital Allocations¹



■ Defensive Return Capture ■ Discretionary Alpha ■ Intermediate Duration Composite ■ Long Duration Composite ■ Systematic Trend Following

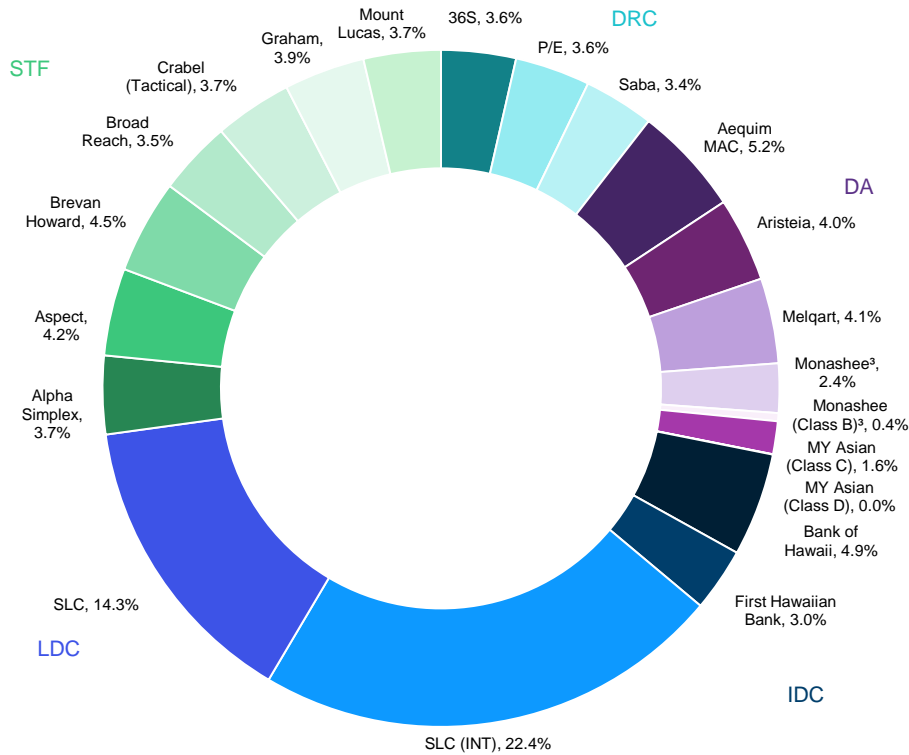
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DS-LD Manager Capital Allocations

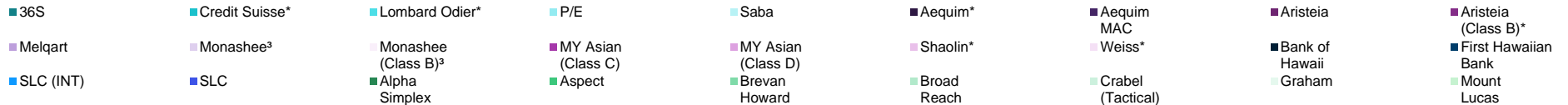
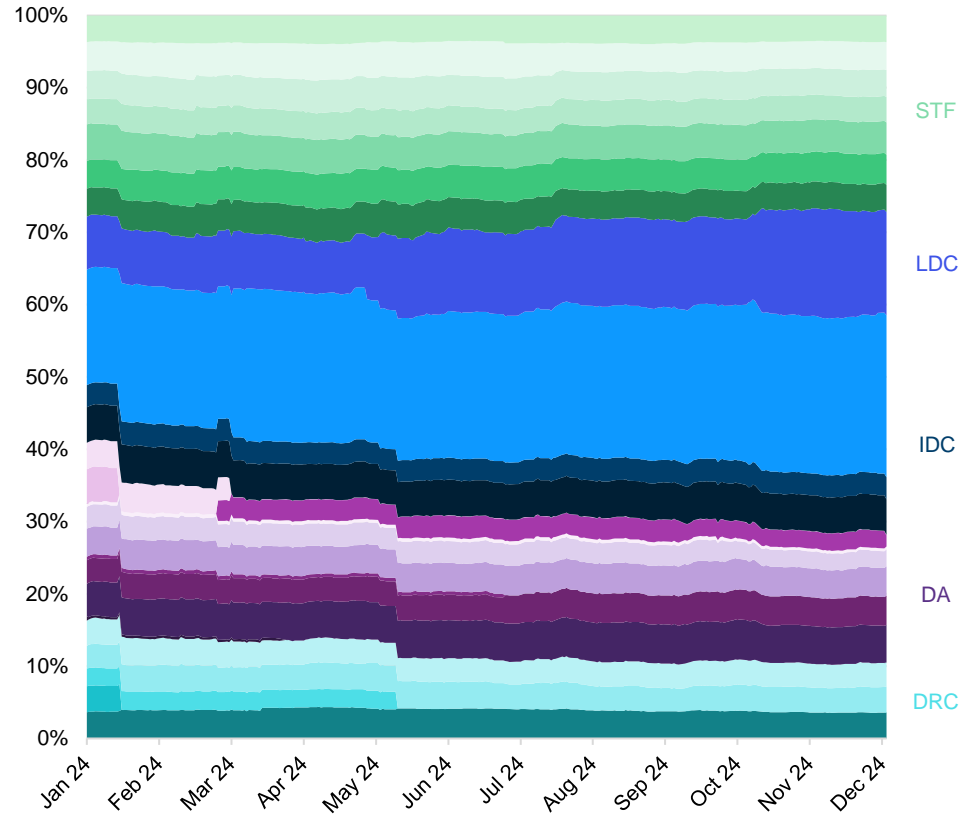
2024



Year-End Manager Capital Allocations¹ (% DS-LD NAV)



Historical Manager Allocations¹

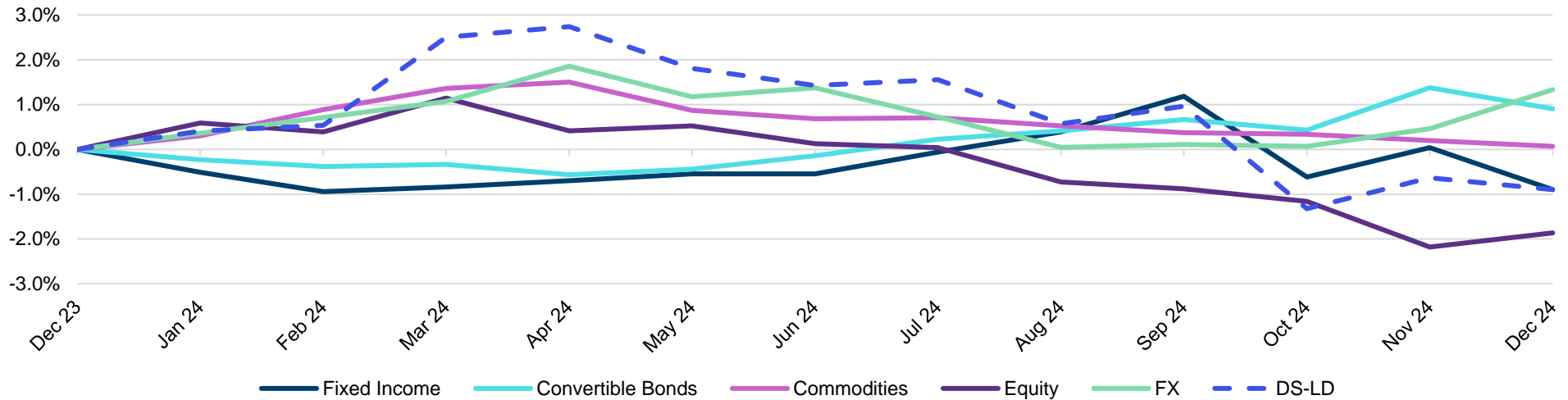


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DS-LD - Asset Class Cumulative Contribution

2024

Cumulative Estimated Asset Class Contribution and DS-LD Net Performance (Jan. 1 – Dec. 31, 2024)¹



- DS-LD finished the year in negative territory, driven by losses in Equity and Fixed Income which partially offset gains coming from FX, Convertible Bonds and Commodities
- Despite DS-LD maintaining a net long exposure to equities during the year, the asset class detracted from performance. Losses from DRC's and DA's net short positioning more than offset performance gains from STF's net long exposure. Specially within DRC, P/E and 36 South were the largest source of equity losses at the portfolio level, in addition to further losses from Weiss and Melqart. STF managers finished the year with flat equity PnL, as managers were adversely impacted from the market whipsaw during April, August and October.
- Equity losses in Weiss concentrated on long REITS positioning in February during the liquidation of the manager. P/E lagged due to short positioning in S&P, Russell and DAX during H1. Similarly, the losses in 36 South detracted due to shorts in S&P.
- Fixed Income was an additional source of losses for DS-LD, driven by STF and LDC managers. Brevan Howard, Mount Lucas and Aspect were adversely impacted by the rates spikes during Q1 and Q4. The spike in the rates in the longer tenor was detrimental for SLC
- FX was the largest positive contributor to overall performance, driven by DRC and STF managers. During H1, appreciation in the greenback generated FX gains for the long USD positioning in P/E and 36 South. Within STF managers, Graham, Brevan Howard, Broad Reach and Aspect benefitted from the FX gains

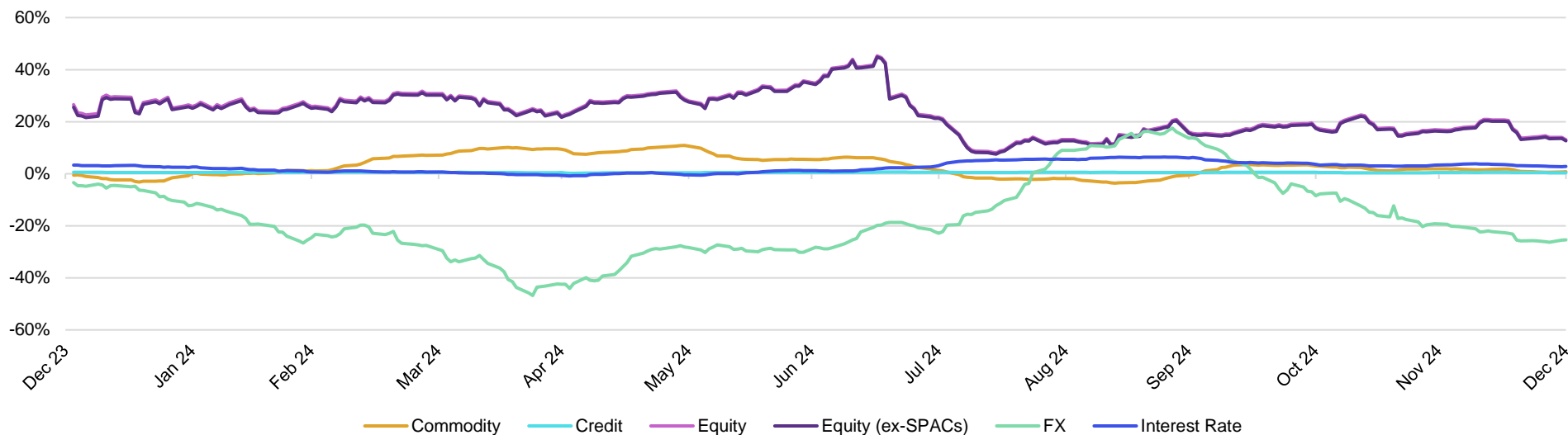
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DS-LD Asset Class Delta

2024

Asset Class Delta Evolution (Jan. 1 – Dec. 31, 2024)^{1,2}



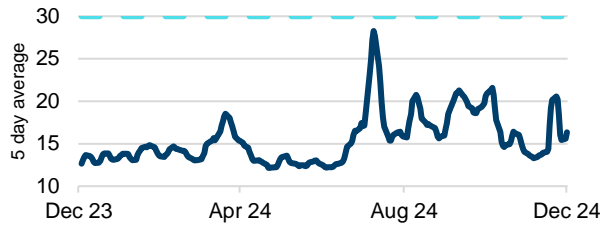
- DS-LD maintained a long bias to equities throughout the year driven by DA and STF managers. However, the portfolio reached its lowest delta after the market sell-off during August (driven by Trend and Discretionary Alpha Managers). However, it increased its long exposure again from STF managers and by trimming short exposure in DRC managers
- FX exposure oscillated between net long USD (short foreign currency) and net short USD (between September and early October) throughout the year. STF managers drove most of this dynamic exposure, although P/E within DRC maintained a more constant net long USD positioning throughout the year
- Commodities were typically traded from the long side during the year, although at the underlying market level exposure remained dynamic, driven by STF managers. Exposures in energies and precious metals were largest during the year on both the long and short side.
- The portfolio maintained its long rates exposure, driven by LDC and IDC managers. During 2024, expectation of fewer rate cuts drove the changes in STF managers (which resulted in negative rate exposure between April – June mainly from Alpa Simplex, Crabel Tactical and Aspect) whereas LDC and IDC kept its long rates profile during the year
- Credit exposure remained minimal during the year, driven primarily by Broad Reach and Aequum

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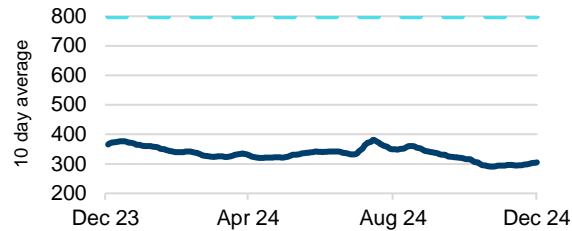
DS-LD Crisis Risk Indicators

January 1 to December 31, 2024

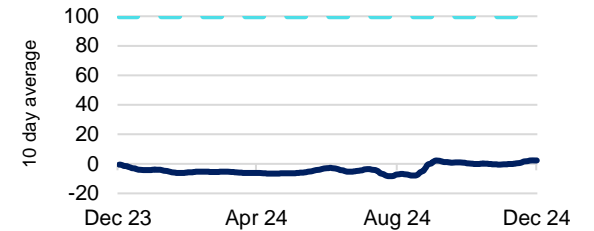
Market Risk



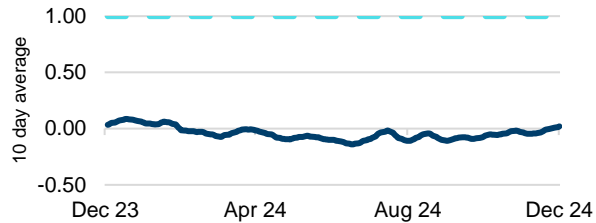
Solvency Risk



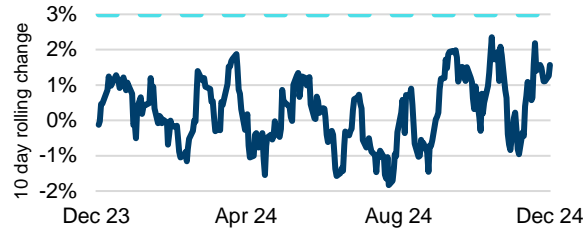
Liquidity Risk



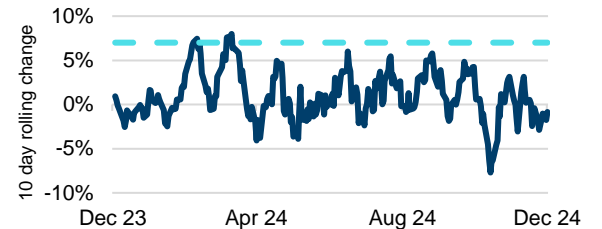
Flow Risk



Dollar Risk



Gold Risk



Overall Systemic Risk



- Gold breached its Crisis Level of 7% a total of 5 times during 2024: March 8, March 11, April 5, April 8 and April 9
 - During March and April, the breaches were driven by geopolitical tensions, the uncertainty in Middle East and concerns over inflation (Gold: 27% 2024 YtD)
- None of the other Crisis Risk Indicators breached during 2024 and all the indicators ended the fiscal year in **GREEN**

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DS-LD Component Equity and Benchmark Beta

2024

Beta to Equities¹

Period	Defensive Return Capture	Discretionary Alpha	Intermediate Duration Composite	Long Duration Composite	Systematic Trend Following
Last 3M	-0.34	-0.21	0.05	0.15	0.17
Last 6M	-0.50	-0.03	-0.01	-0.02	0.42
Last 12M	-0.55	0.08	0.05	0.15	0.33

Beta to Component Benchmark

Period	Defensive Return Capture	Discretionary Alpha	Intermediate Duration Composite	Long Duration Composite	Systematic Trend Following
<i>Benchmark</i>	<i>Bloomberg US Intermediate Treasury TR Index Unhedged</i>			<i>Bloomberg US Long Treasury Total Return Index Unhedged</i>	<i>MLM Global Index EV (15V) Total Return</i>
Last 3M	-1.21	0.25	1.00	0.95	0.69
Last 6M	-0.77	0.24	1.01	0.98	0.99
Last 12M	-1.03	0.09	1.05	0.98	0.83

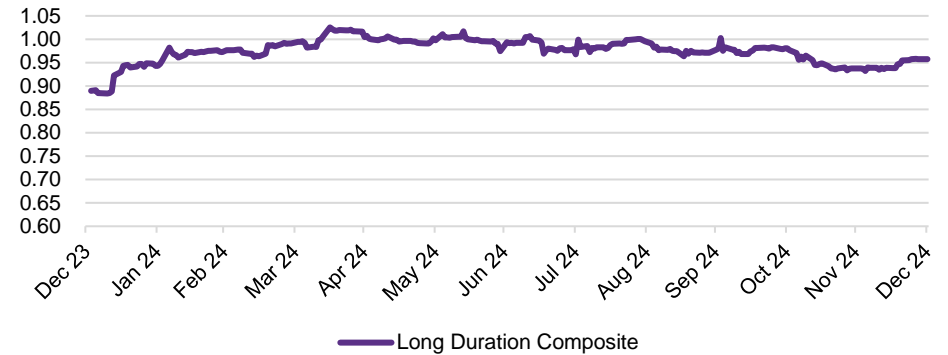
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DS-LD Component Rolling Benchmark Beta's 2024

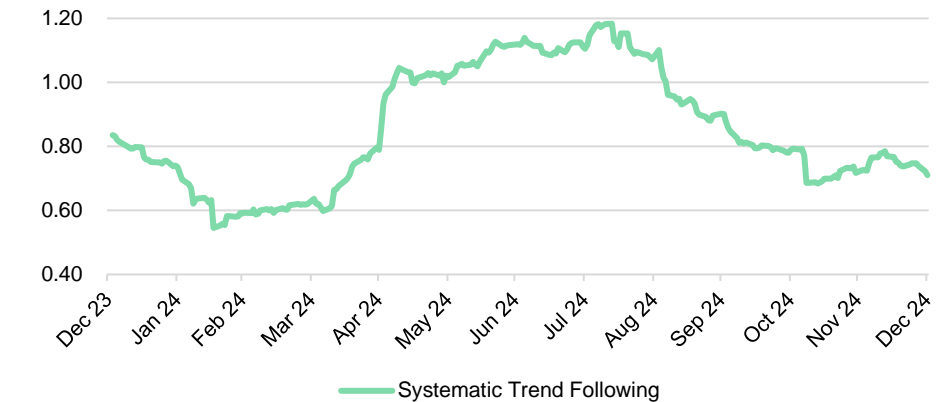
Rolling 3M Beta to Bloomberg US Intermediate Treasury TR Index Unhedged



Rolling 3M Beta to Bloomberg US Long Treasury Total Return Index Unhedged

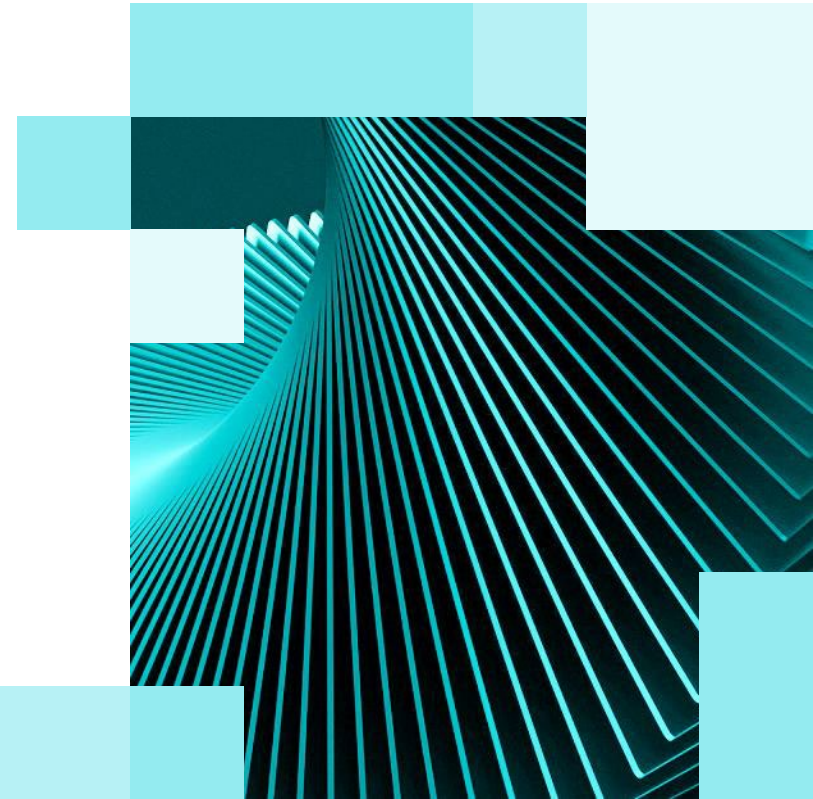


Rolling 3M Beta to MLM Global Index EV (15V) Total Return



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Diversifying Strategies – Illiquid Diversifying ('DS-ID')



DS-ID – Executive Summary

Portfolio Exposures and Performance Summary

9.26%

2024 Net
Performance

17.61%

2024 Benchmark Performance¹

Non-Drawdown Funds

Fund (Manager)	Type	NAV (US \$ m) ¹	Inception Date ¹
Mauna Loa Capital Fund LP (Blackstone)	Multi-Strategy	21.8	1/1/2021
Pillar Enso Fund – Class A (Pillar) ⁴	Insurance-Linked Securities	274.7	7/1/2020
Ulu Fund, Ltd. (Nephila)	Insurance-Linked Securities	218.0	1/1/2021
Stable Quarry (TQ Intermediate) (Stable)	Multi-Strategy	28.9	3/1/2023
Stable Shadowfall (Stable)	Multi-Strategy	24.8	1/10/2023
Stable Tribune (Stable)	Multi-Strategy	27.0	1/2/2024
Stable Clear Alpha	Multi-Strategy	27.7	6/1/2023
Total		622.9	-

Drawdown Funds

Fund (Manager)	Type	Total LP Commitment (US\$ m) ²	Total Unfunded Commitment (US\$ m) ²	Total Contributions (US\$ m) ²	Total Distributions (US \$ m) ²	NAV (US \$ m) ³
Leahi Capital Fund (Cloverlay)	Private Equity	300.0	104.5	214.0	18.4	240.3
Parabellum Partners III, LP (Parabellum)	Litigation Finance	100.0	41.8	58.2	0.0	58.0
Total		400.0	146.3	272.2	18.4	298.3

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This material is being provided at the express request of the Employees' Retirement System of the State of Hawaii and is not for forward distribution. As of December 31, 2024, unless otherwise specified. 1. DS-ID Benchmark is calculated as 100% Swiss Re Cat Bond Total Return Index. 2. As reported by the underlying manager. 3. Asset values are generally reported with at least a one quarter lag. Performance is net of fees and expenses charged by the underlying investment managers, as well as those charged by Man. Please note that the DS-ID returns are based upon the NAV provided by the administrator, however they should be considered estimated returns due to the private nature of these investments. The final performance return may be materially different from the estimate provided and as such should only be taken as indicative data for information purposes only. A decision to invest should not be based on then estimated performance returns. Past Performance is not a reliable indicator of future results. 4. Pillar full redemption was submitted in September 2024. Source: Man Group Database and Employees' Retirement System of the State of Hawaii unless otherwise noted.

DS-ID – Operations and Capital Summary

Drawdown Funds Reconciliation as of December 31, 2024

Contributions Summary^{1,2}

Manager	Contributions (US \$ m)	Distributions (US \$ m)	Total (US \$ m)
Leahi	32.6	8.8	23.8
Parabellum	6.0	0.0	6.0
Total	38.6	8.8	29.8

Leahi Capital Fund (Cloverlay)^{1,2}

	QTD (US \$ m)	YTD (US \$ m)	ITD (US \$ m)
Beginning NAV	196.2	185.2	-
Contributions	32.6	32.6	213.9
Distributions	8.8	8.8	19.2
Appreciation	20.9	31.9	45.6
Ending NAV	240.3	240.3	240.3

Portfolio Reconciliation^{1,2}

	QTD (US \$ m)	YTD (US \$ m)	ITD (US \$ m)
Beginning NAV	248.9	220.1	-
Contributions	38.6	55.1	272.1
Distributions	8.8	8.8	19.2
Appreciation	19.6	31.9	45.4
Ending NAV	298.3	298.3	298.3

Parabellum Partners III, LP (Parabellum)^{1,2}

	QTD (US \$ m)	YTD (US \$ m)	ITD (US \$ m)
Beginning NAV	52.7	34.9	-
Contributions	8.6	16.5	52.2
Distributions	0.0	0.0	0.0
Appreciation	1.8	1.3	0.5
Ending NAV	58.0	58.0	58.0

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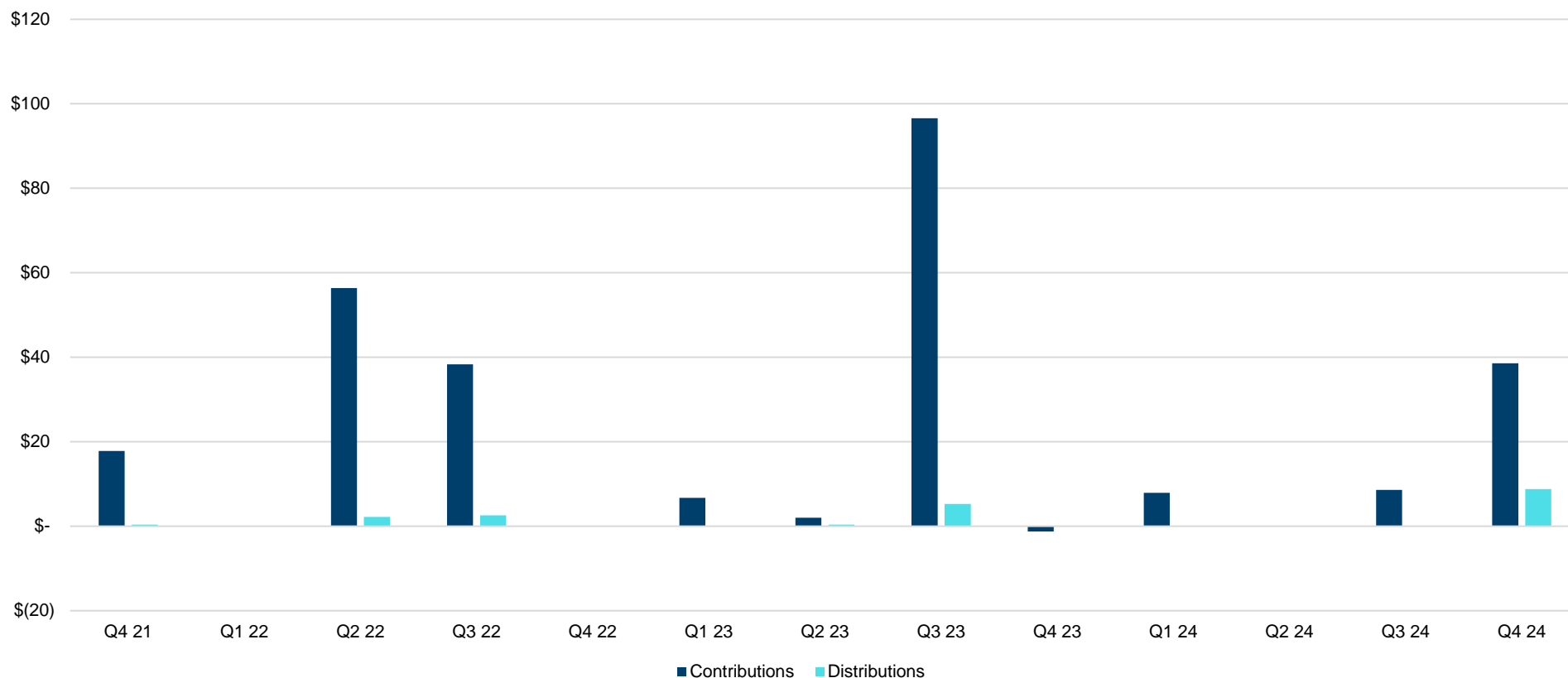
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DS-ID – Illiquid Strategies

Drawdown Funds Commitment Summary as of Q4 2024



Quarterly Cash Flows¹



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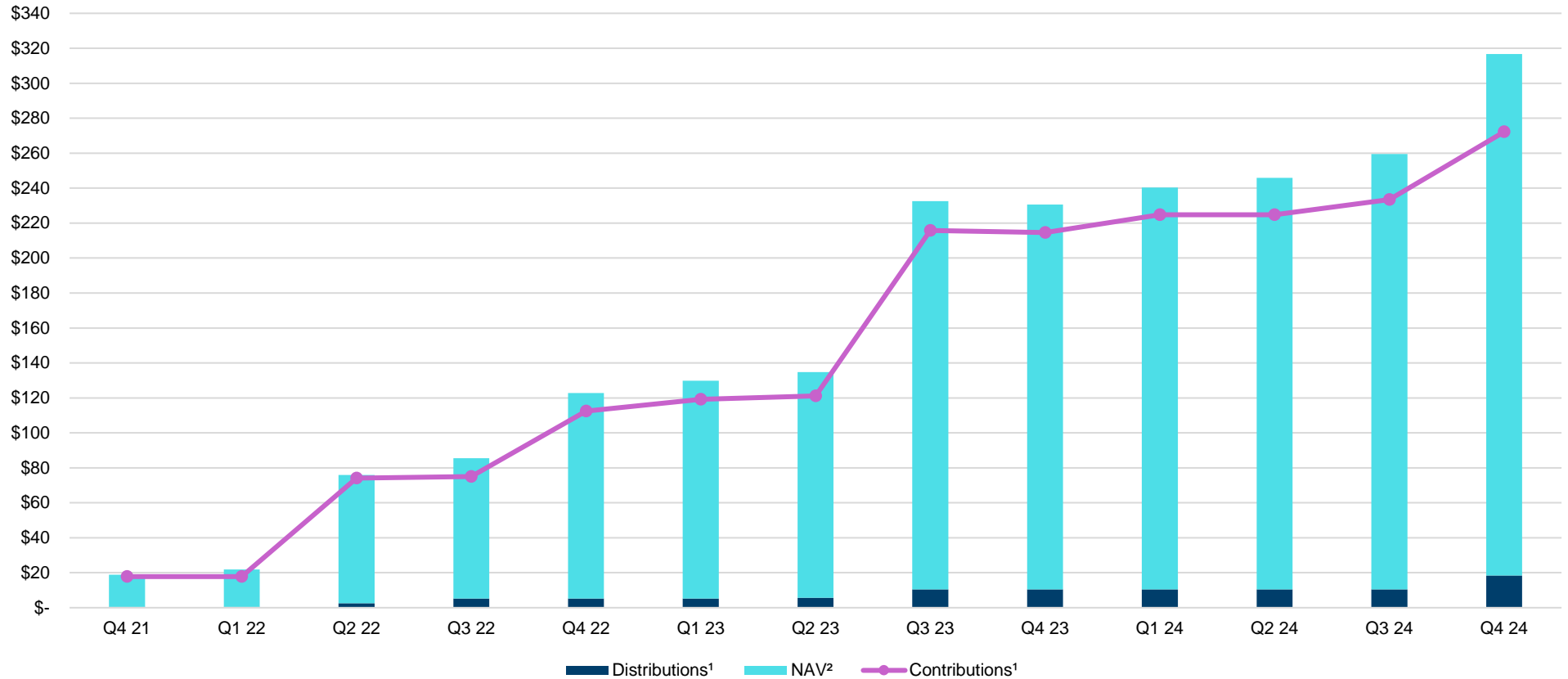
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DS-ID – Illiquid Strategies

Drawdown Funds Commitment Summary as of Q4 2024



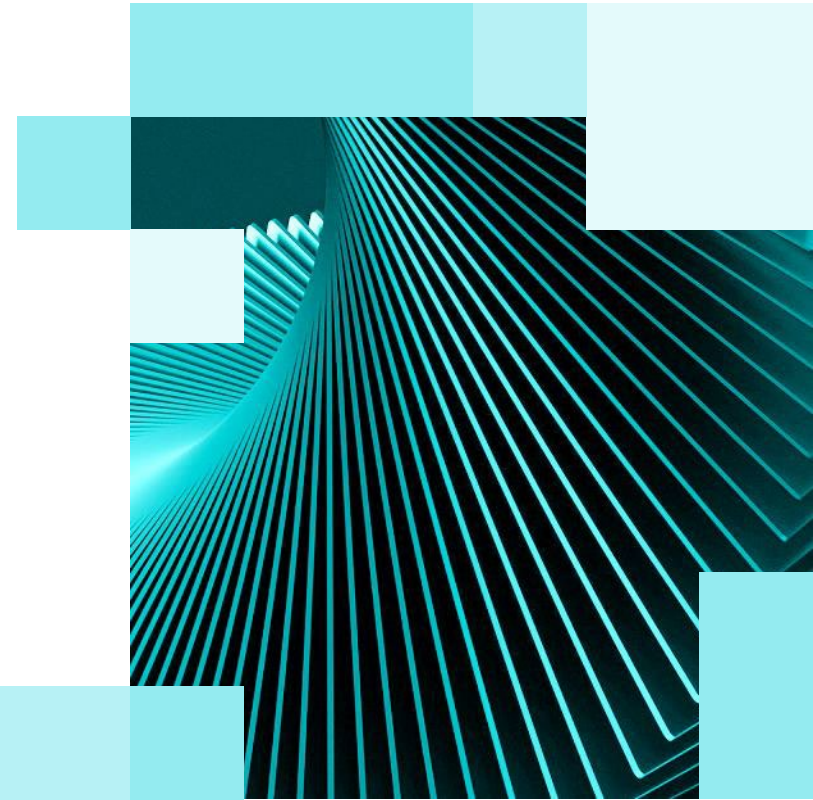
Cumulative Value



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Strategy Outlook



Man External Alpha - Hedge Fund Strategy Outlook

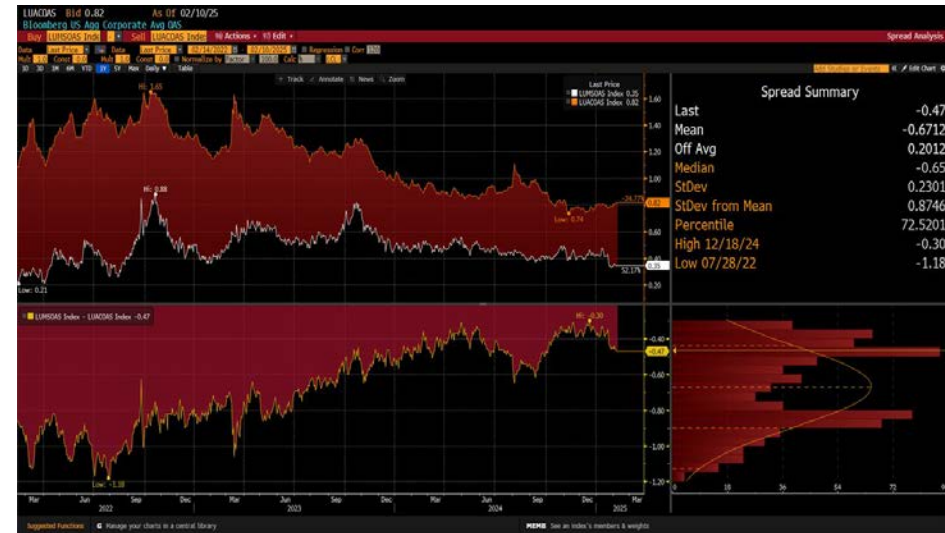
Q1 2025 Outlook Vs Q4 2024 Outlook

- We remain constructively cautious on hedge fund returns, maintaining a Neutral stance on most strategy categories for Q1, reflecting potential short-term volatility during the early stages of the Trump presidency
- Convertible Arbitrage has been downgraded to Neutral due to tight pricing in convertible bonds and the likely realization of returns from the refinancing theme tied to Covid-era debt
- Maintain a Positive outlook on Global Macro supported by expectations of higher macroeconomic volatility, elevated rates, and market dispersion, which continue to drive alpha
- Neutral to Positive outlook on Volatility strategies as Trump policy mandates may result in market-moving events, and changes are better for vol

Strategy	Q4 2024	Q1 2025	Change	HIERS Manager Coverage
Cat Bonds / ILS	Positive	Positive	-	Nephila (Ulu), Pillar (ENSO)
Convertible Arbitrage	Positive	Neutral	Downgrade	Aequim, Aristeia
Credit Long/Short	Neutral	Neutral	-	Aequim, Aristeia
Crossovers	Neutral	Neutral	-	Monashee
Discretionary Macro	Positive	Positive	-	Brevan Howard
Hedge Fund Seeding	Neutral	Neutral	-	Stable
Intermediate Duration	Negative	Positive	Upgrade	SLC Management Intermediate Duration, Bank of Hawaii, First Hawaiian Bank
Litigation Finance	Neutral	Neutral	-	Parabellum Partners
Long Duration	Negative	Positive	Upgrade	SLC Management
Long Vol / Tail Hedge	Positive	Positive	-	36 South, Saba
Merger Arbitrage	Neutral	Neutral	-	Melqart
Niche Co-investments	Neutral	Neutral	-	Leahi Capital Fund (Cloverlay)
Special Situations	Neutral	Neutral	-	Melqart, MY Asian Opportunities
Systematic Macro	Neutral	Neutral	-	P/E, Graham
Trend-Following	Neutral	Neutral	-	Broad Reach, Aspect, MLM, Crabel, Alpha Simplex

Intermediate Duration

- Upgrade the outlook from Negative to Positive for Q1 2025
- With the break-evens trending back to 2%, we expect The Intermediate Treasury portfolio with an ~20% weight to Agencies will benefit, as clearing levels on rates come in we expect rate volatility to be contained and serve as a tailwind for Agency mortgage spreads
- We view the opportunity set in Agency MBS as attractive as compared to corporate credit. On a 3-year basis: MBS spreads (represented as LUMSOAS) vs corporate spreads (represented as LUACOAS) are still trading in the 70+% spread percentile



Long Duration

- Upgrade the outlook from Negative to Positive for Q1 2025
- We expect longer term break-evens will trend back towards 2% bringing down nominal yields across the curve. In this scenario, we see the long duration Treasury portfolio benefiting from the duration extension out the curve
- Key risks: Reflationary impulse which would result the interest rate cuts further priced out of the market, unforeseen large number of tariffs spanning across a wide range of industries that would lead to reflation and wane on Agency mortgage spreads. US deficit potentially weighing on Treasury yields through need for market absorption of any unforeseen large increase in issuance via coupons

Trend-Following

- Remain Neutral - Shifts in the political and geopolitical landscape can prompt strong price trends in markets as new relationships form within and between asset classes and regions
- Rising inflation risks also serve Trend-Following strategies well given their ability to short rates and go long commodities¹, while their tendency to be positively convex to risk assets is attractive given the economic pressures forming in certain DM economies. However, we are mindful of the unpredictable nature of the new Trump administration and the risk of sharp, short-lived reversals as policy actions are imposed and swiftly retracted, leaving Trend-Followers susceptible to whipsaws
- More volatile macro fundamentals may also lead to a choppy market backdrop, and as such Discretionary Macro managers may be able to navigate the market uncertainty better than Trend-Following programs

Discretionary Macro

- Remain Positive - The new Trump administration will significantly influence global financial markets, though the specifics around the size, scope and impact of its policies remain unclear
- Shifts in US trade and immigration policy can have significant impacts on growth and inflation both domestically and internationally, with the potential to reshape global trade patterns. Adding to this, disparate economic outlooks highlight the need for tailored policy responses as growth pressures intensify
- We expect a robust opportunity set for Discretionary Macro in the year ahead driven by rising policy uncertainty, increased volatility and growing economic divergence

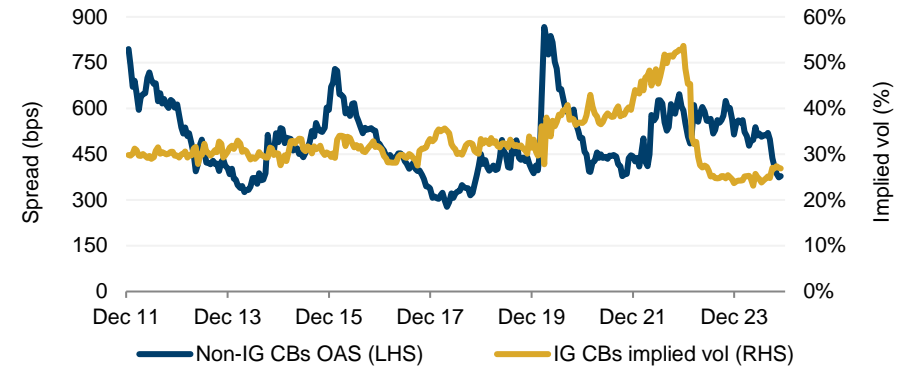
Systematic Macro

- Remain neutral - we are wary of the business pressures we anticipate on managers in this sub-strategy peer-group. In our view, based solely on returns and statistical outcomes, there's a case to be made for a better 2025 after a difficult 2024, but we cannot afford to be short-sighted in quantitative investing, as the themes at play tend to unfold over the longer term
- Our caution reflects the relatively low Sharpe ratio of Systematic Macro strategies (due to their narrower instrument breadth compared to their Micro counterparts) and we believe that there are higher Sharpe multi-asset quant capacity options available in 2025 – and competitively priced.
- We believe this will likely be more appealing to investors than standalone Macro Quantitative strategies, particularly given their recent poor performance and their frequent role as a substitute for hard-to-access liquid multi-strategy exposure

Convertible Arbitrage

- Moving to a neutral stance on CB arb, expecting more moderate returns after two strong years. CBs have performed well, and broad markets (US, Europe) now trade close to estimates of fair value. Spreads for credit-sensitive names that had lagged US HY have compressed meaningfully
- Key risks: Deep recession/meaningful pick-up in defaults/significant uptick in net supply/HF deleveraging

Non-IG Converts OAS & IG Converts implied vol

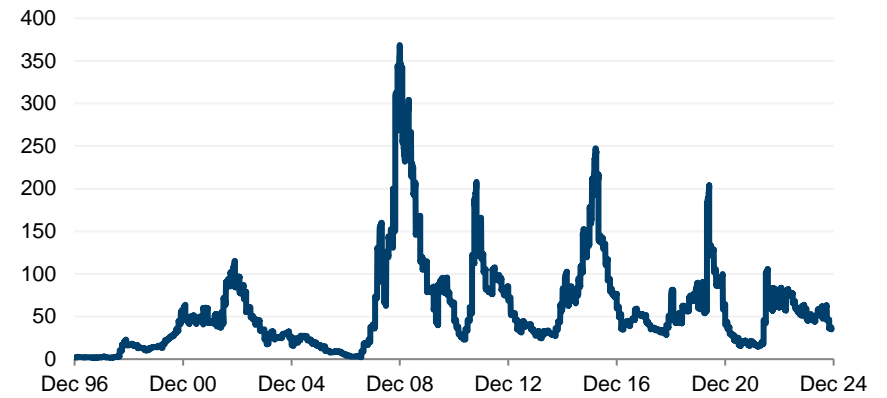


Source: Barclays

Credit Long/Short

- Remain neutral on Credit Long-Short: HY spreads at YTD lows and post-GFC tightens reduce outright long opportunities. Hard to express shorts in lower-rated loans that might face fundamental challenges
- Key risks: Deep recession/meaningful pick-up in defaults

US HY bonds trading over 1,000bps (market value, \$bn)



Source: Bloomberg

Special Situations

- Remain Neutral - Potential for numerous strong themes as well as catalysts benefiting from increasing corporate deal activity, lower rates and global consolidation trends, and other restructuring pressures like activism campaigns or corporate governance reforms
- Key risks: geopolitical tensions, tariff uncertainty, policy disappointments and market pullbacks extending weaker catalysts

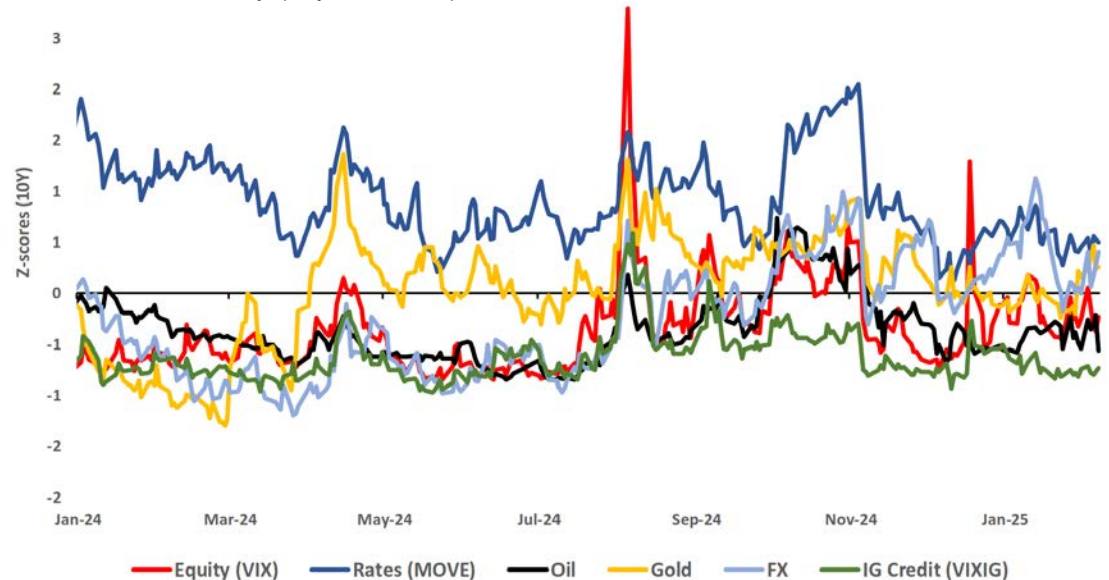
Crossovers

- Remain Neutral - IPO activity is expected to pick up in 2025 due to:
 - a backlog of issuance and increase in filed S-1's
 - strong equity valuations and narrowing valuation spreads between public and private markets
 - a looser regulatory environment. This should serve as a tailwind for realizations in a crossover portfolio

Long Vol / Tail Hedge

- Remain Positive: Offer portfolio benefit of highly reliable defensive protection in case of a significant drop in markets as well as good entry levels to accumulate long vol. Potential for significant vol increases across most asset classes

Cross-Asset Volatility (10yr Z-scores)

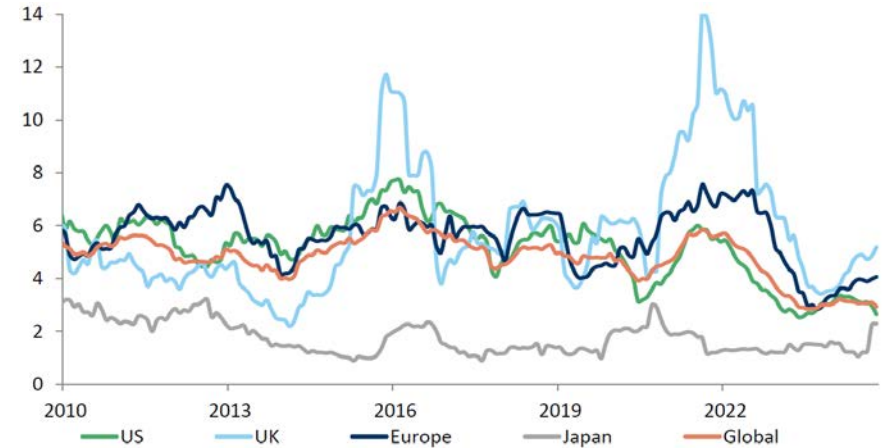


Source: CBOE

Merger Arbitrage

- Remain Neutral, however, with a clear tilt toward optimism for 2025. Global M&A rose modestly in 2024, but still trailing historical averages and building up significant pent-up demand
- Trump administration and Republican majority are expected to adopt a more lenient antitrust stance, and encouraging business-friendly practices and deregulation

12M Aggregate M&A Deal Value (% of Market Cap)

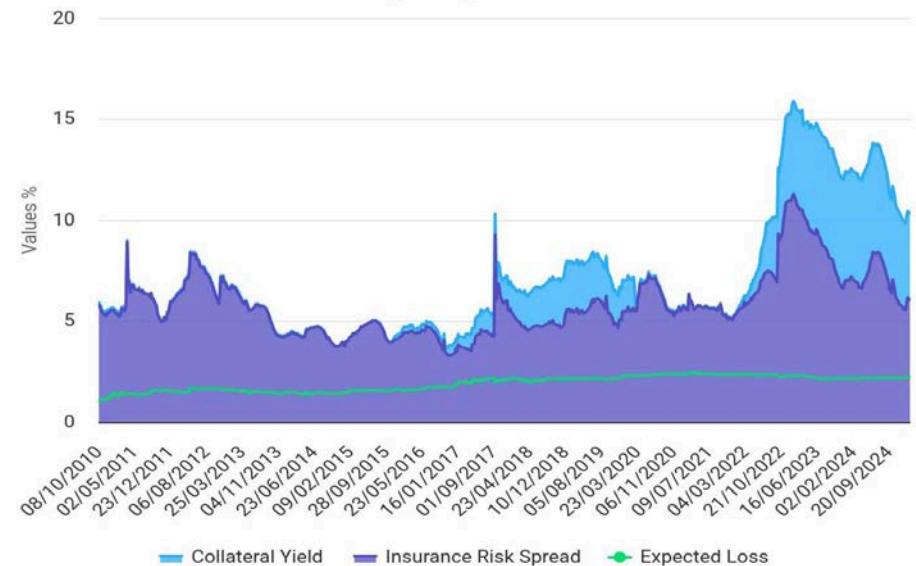


Source: Refinitiv, Morgan Stanley Research

Cat Bonds / Private ILS

- Positive outlook across ILS. Cat Bonds continue to offer attractive spreads, as well as stable return streams with low correlations to financial markets. Some spread widening expected as a result of the January LA fires, but also sensitive to supply-demand flows
- Private reinsurance is relatively more attractively priced than Cat Bonds, as demand for risk-remote exposure has supported junior tranche yields. Even more uncorrelated asset class, but less liquid and more prone to smaller loss events

Catastrophe Bond Market Yield (USD)



Source: Artemis

Litigation Finance

- Remain Neutral - the amount of capital being devoted to commercial litigation has grown. Sourcing ability is key to long term success and differentiation
- Performance expectations remain attractive, but lack of realizations is a concern

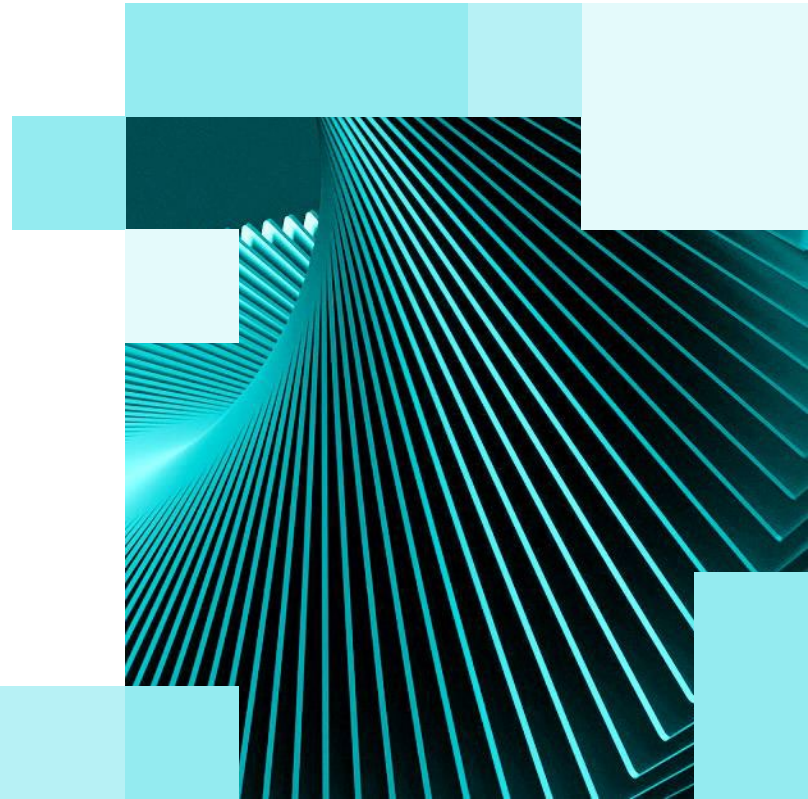
Hedge Fund Seeding

- Remain Neutral - the number of hedge fund launches continued to fall in 2024 as multi-strat/multi-manager hedge funds posted strong returns and remained attractive for investment talent.
- However, there are signs that some of the mid-tier multi-strat firms are starting to see redemptions leading to high calibre teams exiting these businesses and looking for seed capital.
- Positive hedge fund performance across strategy types in 2024 may see allocations to hedge funds as a whole increase in 2025 - which should benefit hedge fund seeding platform

Niche Co-Investments

- Remain Neutral - We continue to see growth in capital invested in niche and diversifying private market strategies, however as more money chases these opportunities projected returns are slightly diminished

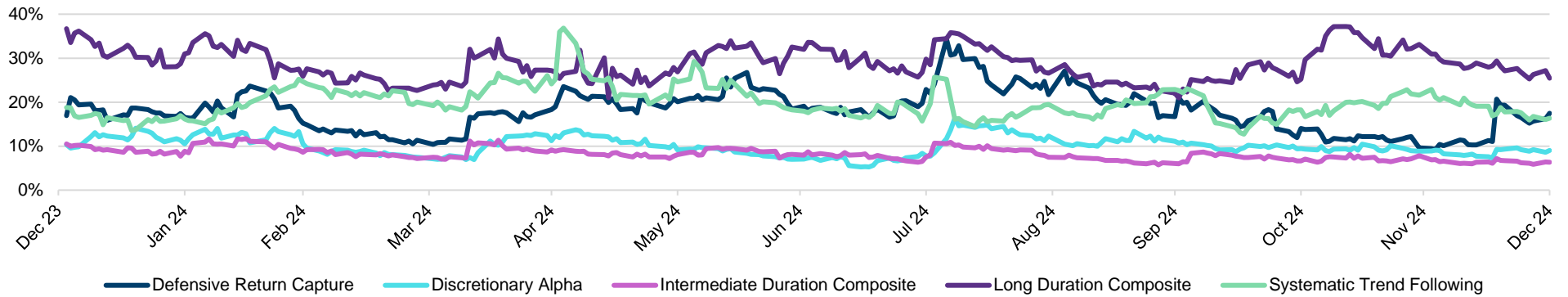
Appendix



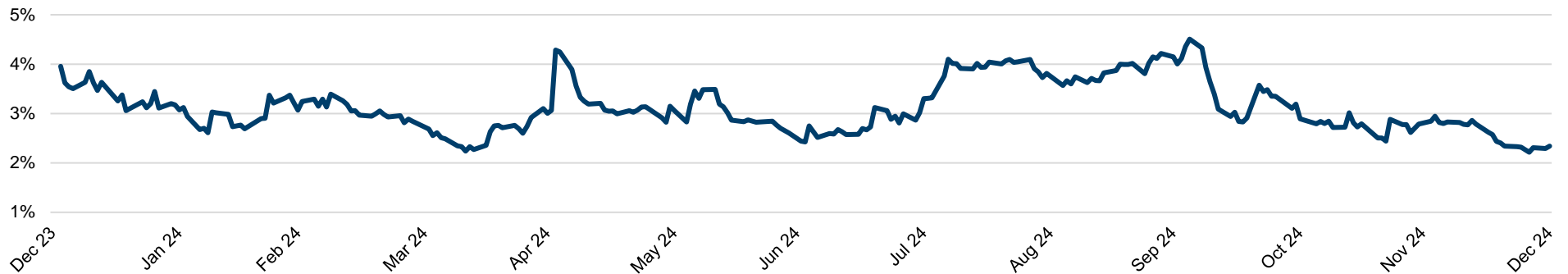
DS-LD Component and Class risk

2024

Component Ex-Ante Volatility¹



Class Ex-Ante Volatility¹



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Market Summary

2024



Equities & Currencies				Sectors, Factors & Hedge Funds				Rates, Credit & Commodities				
		YTD				YTD				YTD		
Equities	CSI300	3,935	14.7%	Equity Factors	Beta	163.66	6.6%	Rates	UST 2Y	4.24	-0.01	
	DAX	19,909	18.8%		Dividend Yield	47.35	-12.1%		UST 10Y	4.57	0.69	
	Euro Stoxx 50	4,896	8.3%		Growth	172.75	19.4%		UST 30Y	4.78	0.75	
	FTSE 100	8,173	5.7%		Leverage	89.84	8.8%		GBP 2Y Swap	4.27	0.24	
	GS Most Shorted	198.51	23.1%		Momentum	168	54.8%		GBP 10Y Swap	4.07	0.78	
	MS Crowded Longs	211	41.8%		Momentum Longs	330	47.6%		EUR 2Y Swap	2.19	-0.60	
	MSCI EM	1,075	5.1%		Momentum Shorts	106.34	-5.8%		EUR 10Y Swap	2.36	-0.13	
	MSCI World	3,708	17.0%		Quality	64.58	2.6%		Yen 2Y Swap	0.65	0.46	
	NASDAQ	19,311	28.6%		Size	127.58	9.4%		Yen 10Y Swap	1.05	0.20	
	Nikkei 225	39,895	19.2%		Value	38.8	-16.3%		MOVE Index	98.8	-15.82	
	Russell 2000	2,230	10.0%		Volatility	118.95	-4.0%		US 5Y5Y Inflation Swap	2.48	-0.04	
	S&P 500	5,882	23.3%		Communications	342	38.9%		US Breakeven 2Y	2.54	0.52	
	S&P Equal Weight	7,101	10.9%		Consumer Discretionary	1,831	29.1%		UST Liquidity	3.08	0.14	
VIX Index	17.35	4.90	Consumer Staples	854	12.0%	Global Agg	463	-1.7%				
Currencies	AUD	1.62	-10.2%	Equity Sectors	Energy	655	2.3%	Credit Assets	HYG Index	78.65	1.6%	
	Bitcoin	93,672	123.3%		Financials	804	28.4%		IG Index	318	1.2%	
	BRL	6.18	-27.2%		Health Care	1,605	0.9%		LQD Index	106.84	-3.5%	
	CAD	1.44	-9.1%		Industrials	1,116	15.6%		Regional Bank Index	60.35	15.1%	
	CHF	0.91	-7.7%		Info Tech	4,610	35.7%		Aluminium	2,536	7.9%	
	CNY	7.19	-1.5%		Materials	530	-1.8%		Copper	403	3.5%	
	Currency VIX	8.5	0.77		Real Estate	256	1.7%		Dutch Nat Gas	48.79	53.0%	
	DKK	7.2	-6.7%		Utilities	385	19.6%		Gold	2,625	27.2%	
	DXY Index	108.49	7.1%		60/40 Index	380	15.2%		Iron Ore	779	-25.3%	
	EUR	1.04	-6.3%		HFRX Equity Hedge	1,668	7.8%		Silver	28.9	21.5%	
	GBP	1.25	-1.8%	HFRX Event Driven	1,711	3.7%	US Nat Gas	3.63	44.5%			
	JPY	157.16	-11.5%	HFRX FI Credit	2,372	5.2%	WTI 12M	67.88	-2.9%			
	MXN	20.79	-22.8%	HFRX Global	1,485	5.3%	WTI 1M	71.72	0.1%			
	NOK	11.36	-11.8%	HFRX Macro/CTA	1,295	3.8%	Oil VIX	30.02	-6.20			
	NZD	1.78	-13.0%	HFRX Merger Arbitrage	1,991	-1.8%	S&P Agriculture & Livestock	368	4.3%			
	SEK	11.05	-9.6%	SG CTA	2,910	2.5%	S&P Softs	165.29	29.8%			
	TRY	35.36	-19.7%	SG Trend	3,811	2.7%	CDX EM	173	6.22			
	ZAR	18.87	-3.2%							CDX HY	312	-44.48
										CDX IG	50	-6.79
									ITraxx Europe	58	-0.55	
									ITraxx Xover	314	3.93	

Description of Crisis Risk Indicators

Market Indicators	Type	Instrument (Bloomberg Ticker)	Crisis Level	Measurement	Comment
Market Risk	Volatility (Implied)	VIX	30	Average over 5 trading days	Measure of implied equity market volatility. Considered as market 'fear gauge'.
Solvency Risk	Credit Spreads	DLJHSTW	800	Average over 10 trading days	CS HY Index II. Measures average spread in basis points for U.S. high yield market.
Liquidity Risk	TED Spread (SOFR 3 Month – 3 Mo US)	BASPTDSP	100	Average over 10 trading days	Measures the risk premium financial institutions are charged for money market operations over 'risk-free'.
Flow Risk	Money Market Flows (Normalized)	GFSIFMM	1	Average over 10 trading days	Normalized measure of flows into money market. Inflows indicate investors' preference to withdraw cash from risk assets.
Dollar	Trade Weighted	BBDXY	3%	Pct move over 10 days	Value of US Dollar vs. trade weighted basket of foreign currencies. USD appreciation expected in crisis.
Gold	Spot	XAU Curncy	7%	Pct move over 10 days	Gold is considered a safe haven.
Systematic Risk Indicator	Type	Instrument (Bloomberg Ticker)	Crisis Level	Measurement	Comment
Overall Systemic Risk	BAML GFSI Indicator	GFSI	0.90	Average over 10 trading days	BoA risk indicator. Uses 24 measures, including OTC markets. Divided into three components: Risk, Flow and Skew.

MEMORANDUM

March 10, 2025

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

THROUGH: Thomas Williams, Executive Director
Employees' Retirement System of the State of Hawaii

FROM: Anthony D. Goo, Deputy Chief Investment Officer
Employees' Retirement System of the State of Hawaii

SUBJECT: 2025 ERS Investment Education Summit – Site Location and Budget

Recommendation

Receive and file.

Background

The ERS hosts an annual Investment Summit with the purpose of bringing together the Board of Trustees, relevant staff, and all ERS investment stakeholders to discuss a variety of investment topics in an educational setting. The goal is to develop and enhance investment policies and strategies. Staff believes that the knowledge shared, and information exchanged at these events is crucial for fulfilling the fiduciary responsibilities of Trustee members. The dates for the 2025 Investment Education Summit have been set for September 23-26, 2025.

Following the rotation schedule, the 2025 Summit will be held on the Island of Kauai. The last Summit on the Kauai took place in 2018. ERS staff began venue discussions in April with several hotels, including the Sheraton Kauai, Grand Hyatt Kauai and 1 Hotel. These properties were chosen for further review based on initial proposals, capabilities, and reputation in hosting conferences like the Summit.

Each property was evaluated based on several criteria, such as location, conference and business center facilities, catering options, staffing, accessibility, audio/visual capabilities, hotel room quality and availability, and recreational opportunities. After assessment, the Grand Hyatt Kauai was determined to be the best venue for the Summit.

Budget

The budget analysis for the 2025 Investment Summit has been completed. The estimated cost for ERS trustees (8) and staff (13) is \$72,000. This includes airfare, ground transportation, per diem, hotel accommodations for three nights, food and beverages, conference facilities, entertainment, audio/visual services, service charges and taxes.

Conference Events	\$44,000
Hotel	\$23,000
Airfare	\$3,000
Ground Transportation	<u>\$2,000</u>
Total	\$72,000

The final budget may vary depending on negotiations with the hotel, meal options and staff attendance.

AG

Retirement Benefits Branch (RBB)

MARCH 10, 2025

LORI KOBAYASHI, RETIREMENT SYSTEM BENEFITS MANAGER

Retirement Benefits Branch (RBB)

- ❑ Overview
- ❑ Core Activities
- ❑ 2024 Accomplishments
- ❑ 2025 Upcoming Projects
- ❑ RBB Staffing
- ❑ Challenges

Overview

- ❑ Coordinates the Retirement Program for our active/inactive members and retirees of the:
 - State of Hawaii
 - City and County of Honolulu
 - Counties of Hawaii, Maui (including Lanai and Molokai), and Kauai
- ❑ Membership as of June 30, 2024
 - *130,004* (65,337/8,847 of active/inactive members)
 - 55,820 retirees/beneficiaries

Core Activities

- ❑ Enrollments (New and returning members)
- ❑ Deaths (Active & Retiree)
- ❑ Refunds (Terminating members)
- ❑ Counseling and Outreach Activities
- ❑ Program Changes (Procedural changes, V3 testing, research)

2024 Accomplishments

- As of September 30, 2024, no pending pensions to finalize over 6 months.
 - HRS Section 88-74.5 requires interest payments on pensions finalized after 6 months for retirements from January 1 – December 1 and 7 months for December 31.

- Unclaimed Properties
 - RBB sent 43 records via Accounting to transfer \$296,416 of death benefits where beneficiaries could not be located.

2024 Accomplishments

□ Employer Reporting

- Reporting requirements completed
- Employer audit process being established with assistance from KMH auditors
- Internal class code and personnel reporting process are being reviewed

2024 Accomplishments

- HRS 88-64 - Retroactive reinstatement; retroactive recission of suspension; retroactive payments (effective June 2023)
 - Development of process for new legislation affecting settlement cases in collaboration with Admin Program Specialist, DAG, and RBB
 - 20 letters sent out to inform members of the new requirements

2025 Projects

- ❑ Migration to V3locity
 - Initial assessment completed in January 2025
 - Development & testing planned for next two years before going live
- ❑ Temporary Hazard Pay (THP) payments
 - Payments made by Employers (i.e.: State, Maui County, UPW, and Judiciary) to retirees will require re-finalizations of pensions
 - Totals and payment reporting still to be determined
 - Still pending other employers (i.e.: City, Hawaii County, etc.) payments still under negotiations

2025 Projects

□ Branch Meetings

- Scheduling more branch meetings with entire staff to ensure we are all on the same page due to complexity of the benefit calculations

□ "Remodeling"

- RBB continues to assess the 14th floor for staff's relocation to be efficient & have all branch staff on one floor.

RBB Staffing (54)

- ❑ **General Professionals (3)** – Leads Sections (Membership, Benefits, and Neighbor Island & Operational Support Services) [3 Vacancies]
- ❑ **Supervisors (4)** – 2 per Section- Benefits and Membership [1 Vacant]
- ❑ **Retirement Claims Examiners (39)** including 7 Neighbor Island Staff (5 Vacancies)
- ❑ **Office Assistants (7)** – Clerical support (1 vacancy)
- ❑ **Retirement Systems Benefits Manager (1)**

Note: Pending Administration Program Specialist position to be detailed to RBB.

Challenges

- ❑ **Employer Reporting** – Specifically, on the electronic reporting of personnel and salary transactions (Act 87/2015) with the State and County entities to provide timely and accurate data for membership services. On-going joint efforts with Accounting and Administration on compliance requirements.
- ❑ **ERS Priorities** – Manage and coordinate RBB activities which requires other Section's collaboration to service our membership timely.
- ❑ **Staffing** – Completing assignments with limited resources due to our vacancies.

Thank you

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

JANUARY 13, 2025

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

Trustees present: Mr. Emmit Kane, Chair (in person)*
(by teleconference) Mr. Lance Mizumoto, Vice Chair*
Mr. Vincent Barfield*
Dr. Catherine Chan*
Dr. Genevieve Ley*
Mr. Luis Salaveria
Mr. Bennett Yap

Trustees absent: Mr. David Louie

Staff present: Mr. Thomas Williams, Executive Director*
(City Financial Tower Ms. Gail Strohl, Deputy Executive Director*
by teleconference) Mr. Kona Mann, Chief Compliance Officer*
Mr. James Greubel, Program Specialist*
Ms. Shanna Sakagawa, Program Specialist*
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
Mr. Andrew Chen, Investment Officer – Credit Markets
Ms. Lynn Kamimoto, Investment Officer – Risk
Mr. Ian Wetzel, Investment Officer – Real Assets
Ms. Gerri Konishi, Member Home Loan Assistant
Ms. Masayo Zabinski, Accountant
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: Ms. Jenny Nakamoto, Deputy Attorney General*
(by teleconference) Ms. Lori Tanigawa, Deputy Attorney General*
Ms. Elmira Tsang, Deputy Attorney General*
Ms. Diane Wong, Deputy Attorney General*

Guests present: Mr. Joe Newton, Gabriel Roeder Smith & Company (in person)
(by teleconference) Mr. Lewis Ward, Gebriel Roeder Smith & Company (in person)
Mr. Colin Bebee, Meketa Investment Group, Inc.
Mr. Jeff Leighton, The Townsend Group
Ms. Kathryn Finneran, The Townsend Group
D'metrius Grier, The Townsend Group

Public present: Mr. Joe Ebisa, With Intelligence
(by teleconference) Ms. Phyllis Ida, HSTA Representative (retired)

*Attended Executive Session.

QUORUM/CALL TO ORDER

A quorum being present (Chair Kane, Vice Chair Mizumoto, Trustees Barfield, Chan, Ley, 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 10:00 a.m. and requested each Trustee identify themselves and confirm that they are the only ones present at their remote location while attending the meeting. Each of the Trustees present confirmed same.

On a motion made by Trustee Ley, seconded by Trustee Chan, 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.

PUBLIC COMMENT

Chair Kane called for public comment. There was no public present in person, however, two (2) 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 ADMINISTRATION OF THE SYSTEM WITH RESPECT TO SIGNIFICANT DEVELOPMENTS IN INVESTMENTS, POLICY, POTENTIAL LEGISLATION, AND REGULATORY MATTERS

Executive Director (ED) Williams gave an oral report to the Board on the Administration of the System with Respect to Significant Developments in Investments, Policy, Potential Legislation, and Regulatory Matters as follows:

- Looking forward to 2025; however, challenges carrying over from 2024 include staff vacancies within ERS, migration to new pension administration system that includes contracting, employer reporting requirements for employee membership, new State audit firm, and temporary hazard pay. Thankful to all of ERS staff for their efforts in 2024.
- ERS staff meeting was held on December 12, 2024, that included neighbor island staff. Presentations were given by Branch Chiefs of their accomplishments in 2024, and new staff members were welcomed. In particular, Deputy Executive Director (DED) Gail Strohl who is attending her first Board meeting, was introduced.
- Announced addition of new Trustee appointed by Governor Josh Green, and yet to be confirmed by the Legislature, David Louie former State Attorney General. Many thanks to the following Trustees for their assistance in securing Trustee Louie's appointment: Trustee and Budget & Finance Director Luis Salaveria, for his recommendation to the Governor and Chair Kane and Trustee Barfield for interviewing Trustee Louie. Trustee Louie was not available for the meeting, however, will attend the next Board meeting.
- 99th Annual Actuarial Valuation Report to be given by Gabriel, Roeder, Smith & Company at this meeting. A stress test was also being presented. Meetings presenting the report are scheduled with the State Legislature, employee organizations, EUTF staff, and ERS staff.
- Annual ERS Reports have been submitted to the Legislature and are to be presented by the Legislative Committee on Act 85/2017, Act 87/2015, Act 192/2007, and Act 260/2007.
- Budget meetings have been scheduled with the House Finance and Senate Ways and Means and ERS' budget is included within Budget & Finance.
- An unanticipated retirement by one of the doctors of the Medical Board may require a Request for Proposal to select a replacement. The Chair of the Medical Board has suggested a number of candidates.
- An educational presentation on securities litigation by Labaton, as well as a report of ERS' litigation by Deputy Attorney General will be scheduled for the next Board meeting in March.
- Met with former Governor Neil Abercrombie regarding temporary hazard pay and the impact on the retirement system and the University of Hawaii.
- Internal and external committees have been established and will be meeting to work on ideas for the ERS 100-year anniversary. An external committee comprised of former Trustees Pili Lee Loy, Jackie Ferguson-Miyamoto, Wesley Machida, and former ERS staff David Shimabukuro, Karl Kaneshiro, and Donna Curry has been convened. A 100th Anniversary logo

has been developed and will be used for communications and the theme of the Investment Education Summit.

DEPUTY EXECUTIVE
DIRECTOR'S REPORT ON
THE OPERATIONS OF THE
SYSTEM WITH RESPECT
TO ISSUES AFFECTING
MEMBER SERVICES,
ACCOUNTING, AND
INFORMATION SYSTEMS

Chair Kane welcomed Deputy Executive Director (DED) Gail Strohl to the meeting. DED Strohl reported to the Board that she has appreciated being welcomed by ERS staff as she meets with them to learn more about operations. DED Strohl further reported that the December 2024 Monthly Operations Report highlights some of the major achievements of the branches, and mentioned in particular, the status of staffing recruitment and the positive feedback from the ERS Customer Satisfaction Surveys. DED Strohl also mentioned that she is excited to be here and looks forward to 2025.

ACCOUNTING BRANCH
REPORT ON GENERAL
DUTIES, CURRENT AND
FUTURE PROJECTS,
GOALS, AND
ACHIEVEMENTS

Accounting Manager (AM) Larry Wolfe gave an oral and written report to the Board on a brief overview of the services the Accounting Branch provides and discussed short term and intermediate goals as it relates to:

- Employer Compliance Testing (Act 87/2015) Reporting Team;
- Payroll Reporting including Temporary Hazard Pay;
- Financial Audit with KKDLY LLP for FY 2024;
- Procurement for FY 2025;
- ERS Policy and Procedures;
- Increase Staff Development, Training, and Hiring; and
- Expand Investment Reporting to include new services with Custodian Bank.

AM Wolfe also added to the written report:

- Migration of the Pension Administration System; and
- Pension Reporting Issuing of 1099R.

DISCUSS 2025 BOARD OF
TRUSTEES ELECTION OF
OFFICERS AND
COMMITTEE
ASSIGNMENTS

Chair Kane discussed with the Board the Election of Officers and Committee Assignments and requested nominations for Chair and Vice Chair of the Board for 2025. Trustee Barfield shared with the Board that the cycle as Chair has been to alternate between an elected Trustee and an appointed Trustee, and that the Vice Chair normally succeeds as Chair the next year. However, as Vice Chair Mizumoto has respectfully declined, Trustee Barfield nominated Trustee Kane to remain as Chair and Trustee Mizumoto to remain as Vice Chair for 2025.

Chair Kane asked if there were any other nominations from the Board. The Board had no other nominations.

On a motion made by Trustee Barfield, seconded by Trustee Ley, and unanimously carried, the Board approved Chair Kane to remain as Chair and Vice Chair Mizumoto to remain as Vice Chair.

Chair Kane continued the meeting and discussed the 2025 Committee Assignments, as presented, noting that all Trustees have requested to remain on the same respective Committees, however, some changes were made which included the addition of new Trustee David Louie. Chair Kane requested that the current Committee Chairs and Vice Chairs preside until each Committee elects a Chair or Vice Chair for 2025.

On a motion made by Vice Chair Mizumoto, seconded by Trustee Ley, and unanimously carried, the Board approved the composition of the Committees as presented pending the election of the Chairs and Vice Chairs.

Chair Kane requested and reminded the Committee Chairs to review their Committee Charters and complete the Committee performance reviews of 2024

UPDATE REPORT OF
ACTIVITY BY THE
ADMINISTRATIVE &
AUDIT COMMITTEE
CHAIR

ANNUAL ACTUARIAL
VALUATION REPORT
BY GABRIEL, ROEDER,
SMITH & COMPANY
FOR THE YEAR
ENDING JUNE 30, 2024

at their first meeting to be presented for acceptance by the Governance Policy Committee prior to approval by the Board.

Administrative & Audit Committee (Committee) Chair Chan reported to the Board that the Committee last met on October 23, 2024, prior to the last Board meeting of November 12, 2024.

Gabriel Roeder Smith & Company (GRS), Messrs. Joe Newton and Lewis Ward presented an oral and written report to the Board on the Annual Actuarial Valuation Report for the Year Ending June 30, 2024, and discussed:

Purpose of the Actuarial Valuation

- Annual Health Checkup of ERS, Primary Purpose, and Funding Period.

Actuarial Valuation Highlights

- Results on track (original projections from Act 17/2017), Funding Period decreased from 23 to 22 years, Funded Ratio improved from 62.2% to 63.0%, The Unfunded Actuarial Accrued Liability (UAAL) increased by approximately \$300 million, from \$13.7b to \$14.0b.

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

Funding Period

- (Act 192/2024) lowered the maximum allowable funding period from 30 to 25 years.

2024 NASRA Survey of Largest Public Pension Plans Current Funding Period, Maximum Funding Period

History of the ERS Active Headcount and Payroll

Actual vs Projected UAAL

History of Funded Ratio

Projection of Funded Ratio Compared to Original Legislative Communications

2024 NASRA Public Fund Survey Funded Ratio

Projected Funding Period: 6% Actual Returns

Funding Period Sensitivities

Temporary Hazard Pay from 2020 through 2022

Valuation Summary

- The disciplined commitment to follow the contribution schedule from Act 17 (2017) continues the process of strengthening the financial outlook for ERS.
- The scheduled employer contribution rates are expected to be adequate to satisfy Hawaii Revised Statutes §88-122(e)(1). The Statutory Stress Test shows this is true even with substantial adverse experience.
- Act 192 (2024), implementing the new maximum amortization period, will better protect the System over the longer term.
- The reduction in the maximum funding period will be viewed favorably by bond raters and satisfies all of the new Actuarial Standards of Practice.

Chair Kane mentioned to the Board and ERS staff to be prepared for questions that could arise in the upcoming Legislative session regarding qualifying member's Temporary Hazard Pay and how that could affect the UAAL.

On a motion made by Committee Chair Chan, seconded by Trustee Ley, and unanimously carried, the Board accepted the recommendation by the Committee and approved the Annual Actuarial Valuation Report for the Year Ending June 30, 2024.

(Trustee Salaveria joined the meeting at 11:17 a.m. by teleconference)

REPORT BY THE
LEGISLATIVE
COMMITTEE

Legislative Committee (Committee) Chair Yap reported to the Board that the Committee last met on February 2, 2024, however, is scheduled to meet later in the month or early February.

2025 LEGISLATIVE
PROPOSALS RELATING
TO THE EMPLOYEES'
RETIREMENT SYSTEM

BUF-17(25) "A BILL FOR AN
ACT RELATING TO THE
EMPLOYEES' RETIREMENT
SYSTEM," PROPOSES TO
MAKE AUTOMATIC
DISTRIBUTIONS AND ERS
FEDERAL TAX
QUALIFICATION
REQUIREMENTS UNDER
CHAPTER 88, HAWAII
REVISED STATUTES,
CONFORM TO THE
REQUIREMENTS OF THE
INTERNAL REVENUE CODE
OF 1986, AS AMENDED

BUF-18(25) "A BILL FOR AN
ACT RELATING TO THE
EMPLOYEES' RETIREMENT
SYSTEM'S EMPLOYER
REPORTING REVIEW,"
PROPOSES TO EXTEND THE
PERIOD FOR THE PRE-
PAYMENT OF EMPLOYER
CONTRIBUTIONS AND
LEGISLATIVE REPORTING
OF NON-COMPLIANCE OF
EMPLOYER REPORTING BY
ONE FISCAL YEAR FROM
WHAT IS CURRENTLY
REQUIRED

ANNUAL REPORT TO THE
LEGISLATURE REQUIRED
BY ACT 85/2017
REGARDING THE
ACTUARIAL ASSET AND
LIABILITY STRESS TEST
2024

ANNUAL REPORT TO THE
LEGISLATURE REQUIRED
BY ACT 87/2015
REGARDING STATUS OF
EMPLOYER REPORTING
OF INFORMATION 2024

ANNUAL REPORT TO THE
LEGISLATURE REQUIRED
BY ACT 192/2007
REGARDING DIRECT
HOLDINGS IN SUDAN
SCRUTINIZED
COMPANIES 2024

ANNUAL REPORT TO THE
LEGISLATURE REQUIRED

Program Specialist (PS) James Greubal presented to the Board, as previously discussed at the September 9, 2024, meeting, two (2) Bills submitted with the administration's executive branch package to be introduced for next session:

The first proposed bill entitled, An Act Relating to the Employees' Retirement System, amends Chapter 88, HRS to conform to updated required beginning dates and automatic cashout requirements in the Internal Revenue Code (IRC) 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 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.

The second proposed bill entitled, An Act Relating to the Employees' Retirement System's Employer Reporting Review, 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.

ERS staff have been notified that the Governor may include in his package a bill to re-introduce a Tier 2 vesting change with the purpose of reducing the minimum number of years of credited service to be eligible for vested benefits status for service retirement allowance purposes from ten years to five years; and to increase employer contributions to offset the resulting liability. The purpose of this bill is to assist state and county governments experiencing challenges in recruiting and retaining qualified employees for job vacancies.

Gabriel Roeder Smith & Company's (GRS) Joe Newton presented an oral and written report to the Board on the Actuarial Asset and Liability Stress Test 2024, as submitted to the Legislature. There was no action required of the Board for this agenda item.

After this agenda item, GRS Messrs. Newton and Ward left the meeting.

ED Williams reported that the next three (3) Annual Reports, as presented, were submitted to the Legislature, and was provided for the Board's information. No action was required of the Board for these agenda items.

BY ACT 260/2007
REGARDING THE
INNOVATION ECONOMY
(HAWAII TARGETED
INVESTMENT PROGRAM
(HiTIP))

(Trustee Chan left the meeting by ending her teleconference at 11:28 a.m. Quorum was maintained with Chair Kane, Vice Chair Mizumoto, Trustees Barfield, Ley, Salaveria, and Yap in attendance.)

REPORT BY THE
INVESTMENT COMMITTEE

Investment Committee (Committee) Chair Mizumoto reported to the Board that the Committee last met on November 18, 2024, and reviewed the Total Fund Performance for Period Ending September 30, 2024, the Rotating Alternative Asset Class, Real Assets for Period Ending June 30, 2024, the Annual Benchmarking, the Annual Plan Liquidity Target, and the Annual Investment Policy Statement with appropriate action. Chief Investment Officer (CIO) Kristin Varela gave an introduction to each of the following reviews:

REVIEW TOTAL FUND
PERFORMANCE FOR
PERIOD ENDING
SEPTEMBER 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 for period ending September 30, 2024, and highlighted:

INTRODUCTION

Portfolio Valuation

ERS Total Fund Relative Performance

Asset Allocation vs. Target

Annualized Return vs. Annualized Standard Deviation, and Annualized Risk-Return

- 3-Years Ending, and 5-Years Ending, September 30, 2024

ERS PORTFOLIO REVIEW

Asset Class Performance Summary

- QTD, 1 Yr, 3 Yrs, 5 Yrs, 7 Yrs

This report was provided for the Board's information, and no action was required.

REVIEW ROTATING
ALTERNATIVE ASSET
CLASS, REAL ASSETS
FOR PERIOD ENDING
JUNE 30, 2024

Investment Officer – Real Assets Ian Wetzel and Townsend Group's Kathryn Finneran, D'metrius Grier, and Jeff Leighton joined the meeting by teleconference and presented an oral and written report to the Board on the Rotating Alternative Asset Class, Real Assets for Period Ending June 30, 2024, and highlighted:

EXECUTIVE SUMMARY

Total Real Asset Portfolio Funding Status and Composition

Total Real Assets Portfolio Performance Summary

REAL ESTATE PORTFOLIO

Real Estate Portfolio Funding Status and Composition

Core Real Estate Portfolio Funding Status & Returns

Non-Core Real Estate Portfolio Funding Status

Real Estate Diversification vs. FTSE EPRA/NAREIT Global REITs Index

PRIVATE INFRASTRUCTURE PORTFOLIO (ex-Olomana)

Private Infrastructure Portfolio (ex-Olomana) Funding Status and Composition

Private Infrastructure (ex-Olomana) vs. Public Benchmark (Detail)

Private Infrastructure (ex-Olomana) Performance

This report was provided for the Board’s information, and no action was required.

After their presentation, Townsend Group’s Ms. Finneran, Messrs. Grier and Leighton left the meeting by ending their teleconference.

REVIEW ANNUAL
BENCHMARKING

Meketa’s Mr. Bebee presented an oral and written report to the Board on the Annual Benchmarking Review, and highlighted:

INTRODUCTION

LONG-TERM POLICY PORTFOLIO

Asset Liability Results and Corresponding Benchmarks

FUTURE CHANGES

Future Changes and Conclusion

- Meketa and ERS Staff believe that the ERS’s current benchmarks remain appropriate for the ERS Total Portfolio and corresponding asset classes, and thus no changes are proposed.
- Benchmark reviews will continue to occur on a recurring basis with potential changes proposed to the ERS Board/IC when appropriate.

On a motion made by Committee Chair Mizumoto, seconded by Committee Vice Chair Yap, and unanimously carried, the Board accepted the recommendation by the Committee and approved the Annual Benchmarks for the ERS Total Portfolio and Corresponding Asset Classes as presented.

REVIEW ANNUAL PLAN
LIQUIDITY TARGET

Meketa’s Mr. Bebee presented an oral and written report to the Board on the Annual Plan Liquidity Target Review, and highlighted:

INTRODUCTION

ERS – 2024 YTD EXPERIENCE

ERS Tier 1 Assets – 2024 YTD through 9/30

CONCLUSION

- Based on current market values and actuarial projections, Meketa and ERS Staff recommend that the 5% minimum remain unchanged for calendar year 2025.

On a motion made by Committee Chair Mizumoto, seconded by Committee Vice Chair Yap, and unanimously carried, the Board accepted the recommendation by the Committee and approved the Annual Plan Liquidity Target for the ERS Total Portfolio as presented.

REVIEW ANNUAL
INVESTMENT POLICY
STATEMENT

Chief Investment Officer (CIO) Kristin Varela presented an oral and written report to the Board on the Annual Investment Policy Statement, noting that the updated revised report from the Committee meeting was not distributed to the Board, however, shared the revised report via teleconference.

On a motion made by Committee Chair Mizumoto, seconded by Committee Vice Chair Yap, and unanimously carried, the Board accepted the recommendation by the Committee and approved the revisions to the Annual Investment Policy Statement as presented.

APPROVAL OF MINUTES
– NOVEMBER 12, 2024

On a motion made by Vice Chair Mizumoto, seconded by Trustee Salaveria, and unanimously carried, the Board approved the Minutes of November 12, 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) and (8), to consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities, with respect to the Trustees’ Fiduciary Duties and Immunities, Appeals, and the Sunshine Law; and to discuss and to make a decision on the approval of Executive Session and Confidential Executive Session Minutes of November 12, 2024, which are confidential under State law.

ENTER EXECUTIVE SESSION

On a motion made by Trustee Salaveria, seconded by Vice Chair Mizumoto, and unanimously carried, the Board entered into Executive Session at 12:05 p.m.

(Public participation concluded by ending the teleconference link.)

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

EXECUTIVE SESSION

- Pursuant to HRS §92-5(a)(4), to consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities and liabilities with respect to the Trustees’ Fiduciary Duties and Immunities, Appeals, and the Sunshine Law.
- Pursuant to HRS §92-5(a)(4), to consult with the Board’s attorneys on questions and issues pertaining to the Board’s powers, duties, privileges, immunities and liabilities with respect to the Closure of Weiss Asset Management.
- Pursuant to HRS §92-5(a)(8), to Review and Approve Executive Session Minutes of November 12, 2024.
- Pursuant to HRS §92-5(a)(8), to Review and Approve Confidential Executive Session Minutes of November 12, 2024.

EXECUTIVE SESSION,
PURSUANT TO §92-5(a)(4),
CONSULT WITH THE BOARD’S
ATTORNEYS ON QUESTIONS
AND ISSUES PERTAINING TO
THE BOARD’S POWERS,
DUTIES, PRIVILEGES,
IMMUNITIES, AND
LIABILITIES, WITH RESPECT
TO THE TRUSTEES’
FIDUCIARY DUTIES AND
IMMUNITIES, APPEALS, AND
THE SUNSHINE LAW

EXECUTIVE SESSION,
PURSUANT TO HRS §92-5(a)(4),
TO CONSULT WITH THE
BOARD’S ATTORNEYS ON
QUESTIONS AND ISSUES
PERTAINING TO THE BOARD’S
POWERS, DUTIES, PRIVILEGES,
IMMUNITIES, AND
LIABILITIES WITH RESPECT

TO THE CLOSURE OF WEISS
ASSET MANAGEMENT

EXECUTIVE SESSION,
PURSUANT TO HRS §92-5(a)(8),
TO REVIEW AND APPROVE
EXECUTIVE SESSION
MINUTES OF NOVEMBER 12,
2024

EXECUTIVE SESSION,
PURSUANT TO HRS §92-5(a)(8),
TO REVIEW AND APPROVE
THE CONFIDENTIAL
EXECUTIVE SESSION
MINUTES OF NOVEMBER 12,
2024

EXIT EXECUTIVE SESSION

On a motion made by Trustee Yap, seconded by Trustee ley, and unanimously carried, the Board exited Executive Session at 12:35 p.m.

Chair Kane announced that while in Executive Session, the Board received an overview of the ERS Trustees' duties and responsibilities from its counsel, discussed the closure of Weiss Asset Management, and the Board also approved the Executive Session and Confidential Executive Session Minutes of November 12, 2024.

ADJOURNMENT

On a motion made by Trustee Salaveria, seconded by Trustee Ley, and unanimously carried, Chair Kane adjourned the meeting at 12:36 p.m.

REDACTED SIGNATURE

Thomas Williams
Executive Director

TW:dkik