

## Board Packet List of Documents

### Administrative & Audit Committee Meeting February 11, 2026

- Meeting Agenda
- New Business
  2. Administrative & Audit Committee Charter
    - 2.1 Internal Audit Charter
    - 2.2 Ethics Compliance Charter
    - 2.3 Admin & Audit Committee 2025 Year Review
  3. Internal Audit Update Report
  4. Business Continuity Plan Tabletop Exercise (After-Action Report)
    - 4.1 Business Continuity Plan Tabletop Exercise (After-Action Report – Opp Deliv)
  5. Compliance Support Staff Report
- APPROVAL OF MINUTES – October 20, 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: Administrative and Audit Committee of the Board of Trustees of the Employees' Retirement System of the State of Hawaii

DATE: Wednesday, February 11, 2026; 1:00 p.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 and members of the public may participate via interactive conference technology or in person at the meeting place stated above.

Members of the public may attend the meeting by teleconference, either audio or video, at the following link or phone number:

<https://teams.microsoft.com/meet/2483691154368?p=JYGoUXcDeqkcyqlawF>

Or join by entering meeting ID: 248 369 115 436 8 Passcode: 9K7gy3wG

Members of the public may provide testimony in person or by teleconference. 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: 307 922 842#

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 Tuesday, February 10, 2026, in order to ensure it is distributed in time for consideration. Please address written testimony if by e-mail to: [dale.kanae@hawaii.gov](mailto: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.

#### NEW BUSINESS

1. Discussion and Election of Chair and Vice Chair of the Administrative and Audit Committee.
2. Review and Discuss Revisions to the Administrative and Audit Committee, Internal Audit, and Ethics Compliance Charters to Include Administrative and Audit Committee Performance Assessment.

3. Internal Audit Update Report by KMH LLP on the Proposed Updates to the 2026 Internal Audit Plan, the Current Status of Activities Completed During Q4, 2025, and an Update on the Completion Status of Management Action Plans for Past Non-Information Technology Internal Audit Observations and Recommendations.
4. 2025 Business Continuity Plan Tabletop Exercise After-Action Report by KMH LLP.
5. Compliance Support Staff Report and Update on Implementation of ERS' Compliance Program on Risk Assessment, Policies & Procedures, and Third-Party Risk Management.

Pursuant to HRS §92-5(a)(4), and (8), the Committee may enter into Executive Session to consider information that must be kept confidential pursuant to a state or federal 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 these matters.

#### APPROVAL OF MINUTES – October 20, 2025

#### EXECUTIVE SESSION

1. Executive Session, pursuant to HRS §92-5(a)(4) and (6), to consider and consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities, and to consider sensitive matters related to Cyber Security Updates.
2. Executive Session, pursuant to HRS §92-5(a)(4) and (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 Employees' Retirement System Risk Dashboard.
3. Executive Session, pursuant to HRS §92-5(a)(8), to Review and Approve Executive Session Minutes of October 20, 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](mailto:dale.kanae@hawaii.gov) as soon as possible, preferably by Friday, February 6, 2026, and the ERS will try to obtain the auxiliary aid/service or accommodation, but cannot guarantee that the request will be fulfilled.

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



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

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**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. COMMITTEEMEMBERSHIP**

- 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.



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- 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.



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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.



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- 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.



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- 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.
- J. Meet separately with the Chief Audit Executive<sup>1</sup> and/or Management to discuss any matters that the Committee, or these parties, believe should be discussed privately.
- K. Review the effectiveness of the internal audit functions, including alignment with the Institute of Internal Auditors' Global International Audit Standards for the Professional Practice of Internal Auditing.
- L. 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.

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



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- 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.

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- 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.



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- 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

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## **I. INTRODUCTION**

Internal auditing is an independent, risk-based, objective assurance and advisory activity<sup>1</sup> designed to create, protect, and sustain 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 the internal audit function, reports functionally to the ERS Administrative & Audit Committee ("Committee") and administratively to the ERS Executive Director ("ED")

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<sup>1</sup> 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 an *advisory* activity refers to consulting and related client service activities intended to add value and improve an organization's processes.



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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.



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**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 internal audit activities encompasses, but is not limited to, objective examinations of evidence to provide independent assurance and advisory services to ERS and management on the adequacy and effectiveness of risk management, control, and governance processes, as designed and represented by management, is adequate and



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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:

**Standards**

- A. 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.



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- C. 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").

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.





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- 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.
- 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**  
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**ETHICS & COMPLIANCE CHARTER**

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**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 Team<sup>1</sup>, 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;

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



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- 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;



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- 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.

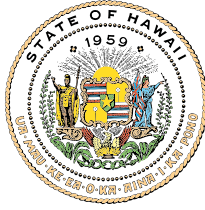
### **III. CHARTER REVIEW & HISTORY**

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*

JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LIEUTENANT GOVERNOR



KALBERT K. YOUNG  
EXECUTIVE DIRECTOR

GAIL STROHL  
DEPUTY EXECUTIVE DIRECTOR

**STATE OF HAWAII  
EMPLOYEES' RETIREMENT SYSTEM**

February 11, 2026

TO: Administrative and Audit Committee of the Board of Trustees  
Employees' Retirement System of the State of Hawaii

FROM: Kalbert Young, Executive Director  
Employees' Retirement System of the State of Hawaii

SUBJECT: Committee Review, January 2025 - December 2025

Here is a review of Administrative and Audit Committee meetings from January 2025 to December 2025.

**February 18, 2025**

The Administrative and Audit Committee re-elected Chair Chan and Vice Chair Barfield following a nomination by Trustee Ley, with the motion unanimously approved.

The Committee reviewed proposed revisions to the Administrative and Audit Committee, Internal Audit, and Ethics & Compliance Charters, including the addition of committee performance assessment. While no substantive changes were proposed for the Ethics & Compliance Charter, the Committee requested clarification to language regarding the Chief Compliance Officer's role and the Leadership Team definition. The revised charters were unanimously accepted and will be forwarded to the Board for approval.

KMH LLP and RSM US LLP presented the Q4 2024 Internal Audit Update Report, including the status of ongoing audits, management action plans, cumulative observations, and issued report findings. This item was informational only, and no action was required.

KMH LLP also presented the Risk Assessment Re-Evaluation and Proposed Two-Year Internal Audit Plan for 2025 and 2026. The Committee requested enhanced transparency for high-risk ratings, including references to completed audits, ratings, and report dates, and asked executive leadership to proactively notify the Committee and Board of significant risks. The Committee unanimously accepted the plan and will present it to the Board for approval.



**Employees' Retirement System**  
of the State of Hawaii

The Chief Compliance Officer provided a quarterly update on the implementation of ERS' Compliance Program, Governance, Risk, and Compliance platform, and risk strategy. The Committee reiterated its request for a comprehensive risk dashboard identifying the top 10–20 organizational risks and their impacts. No action was required.

An update was provided on employer payroll reporting requirements under Act 87, SLH 2015. ERS is refining reporting controls and diagnostic tools with KMH LLP, and it is anticipated that no employers will be subject to pre-payment penalties in FY 2025. This item was informational only.

Finally, the Committee received a proposed timetable for the 2026 Trustee elections for one General Employee and one Retirant seat, with key milestones outlined for 2025. A final timetable will be presented to the Board at its next meeting. Staff also noted ongoing efforts to update Hawaii Administrative Rules related to trustee election procedures, including nominations and electronic voting.

### **August 21, 2025**

Gabriel Roeder Smith & Company (GRS) presented the results of the three-year actuarial experience study, including the preliminary impact on the 2025 Annual Actuarial Valuation for the fiscal year ending June 30, 2024. The presentation covered the role of actuarial valuations and assumptions, investment return assumptions and national trends, salary growth experience, and specific considerations for police and fire members. GRS outlined recommended assumption updates to be used in the June 30, 2025 valuation. The Committee unanimously accepted the experience study and recommended it be presented to the Board for approval.

GRS also presented a proposed funding policy, including amortization reserve funding, intended to guide how and when high contribution rates may be unwound while maintaining liquidity and cash flow stability. The Committee supported the recommendation, noting the value of increased transparency and consistency for stakeholders, and agreed to present the funding policy to the Board at its next meeting.

KKDLY LLC presented the draft Auditor's Report and Financial Statements of the Employees' Retirement System as of June 30, 2024. After reviewing the audit objectives, scope, and financial highlights, the Committee unanimously accepted the report and recommended it be forwarded to the Board for approval.

KMH LLP, together with RSM US LLP, presented an Internal Audit Update Report covering activities completed during Q1 and Q2 of 2025, as well as the status of management action plans for prior audit findings. The Committee emphasized the importance of executive management accountability for high- and medium-risk outstanding items, including clear action plans and reliable resolution dates. The Committee unanimously accepted the internal audit report and recommended it be presented to the Board. Executive management committed to providing regular progress updates, including the possibility of monthly reports, and the Committee requested that internal audit updates be included on every Committee meeting agenda.

Several agenda items were deferred due to time constraints, including information and cybersecurity training under the virtual Information Security Officer project, enterprise risk

management training, compliance program implementation updates, and the Velocity pension administration system upgrade. The Investment Manager Selection and Evaluation Review was presented in summary as part of the Internal Audit Update Report and accepted by the Committee for presentation to the Board.

### **October 20, 2025**

Gabriel Roeder Smith & Company (GRS) presented the Employees' Retirement System's Draft Funding Policy to the Committee. After discussion, the Committee unanimously accepted the Draft Funding Policy as presented and agreed to forward it to the Board for approval at its next meeting.

KMH LLP, together with RSM US LLP, presented the Internal Audit Update Report covering activities completed during Q3 of 2025 and the status of management action plans for prior internal audit observations and recommendations. The presentation included updates on current audit projects, proposed changes to the 2025 Internal Audit Plan, results summaries, management action dashboards, cumulative observations, and issued report findings. The Committee recommended that future business continuity tabletop exercises include a cybersecurity breach scenario and that such exercises be conducted annually.

The Committee reiterated its concerns regarding outstanding high-risk audit findings and strongly emphasized executive management's responsibility to provide accurate status updates and realistic targeted completion dates. Continued extensions and inaccurate reporting were deemed unacceptable. Executive management acknowledged the Committee's expectations and agreed to review and correct targeted completion dates as necessary. The Committee also requested that information technology-related findings, although reported in Executive Session, be referenced within the Internal Audit Report. The Committee unanimously accepted the Internal Audit Update Report, including the proposed changes, and recommended it be presented to the Board for approval.

The Chief Compliance Officer provided an update on the implementation of ERS' Compliance Program, including risk assessment efforts, policy and procedure development, third-party risk management, IT policy road mapping, and the AuditBoard implementation and migration projects. The Committee requested that written compliance reports be provided in advance of future meetings. This item was informational and required no action.

Lastly, the Committee received an informational report on the launch of the V3locity Pension Administration System upgrade, including key features, project costs, and the projected migration schedule. No action was required.

**Source:** Administrative and Audit Committee minutes (Note: October 20, 2025 minutes pending approval by the board)

# Employees' Retirement System Internal Audit

## Administrative & Audit Committee Update Report

February 11, 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

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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. Most recently met with the Executive Director and Deputy Executive Director in January and February 2026 to provide IA’s perspective on the ERS and to discuss proposed updates to the 2026 Internal Audit Plan.
- Continue to meet with the Chief Compliance Officer (“CCO”) on a weekly basis to stay apprised on current ERS and CCO initiatives, including the V3locity Migration and AuditBoard implementation projects. Also discussed at weekly meetings are emerging risk areas, challenges and issues, and upcoming events and other matters.
- ERS exercised its one-year option to extend IA’s contract through January 31, 2027.

## Status on Current Projects:

### Contracting & Procurement Review

- Extended project timeline due to delays in receiving requested information and documents.
- Current plan is to complete fieldwork by the end of February 2026 and issue a final report in March 2026.
- Objectives include evaluating whether procurement and contracting processes comply with applicable Hawaii Revised Statutes, Hawaii Administrative Rules, and leading practices established by the Hawaii State Procurement Office (SPO); and assessing the area’s ability to fulfill the organization’s strategic objectives and business needs for procuring goods and/or services in an effective and efficient manner.

# Executive Summary

## Status on Current Projects (cont'd):

### **Business Continuity Plan - Tabletop Exercise**

- Tabletop exercise was completed in October 2025.
- The scope of the exercise was to explore the continuity plan activation, immediate crisis communications, and continuity planning considerations following a tsunami that leaves ERS branches inaccessible.
- Participants included the Executive Director, Deputy Executive Director, Chief Investment Officer, Chief Compliance Officer, Branch Chiefs, Program Specialist Supervisor, and Staff Support Services Supervisor.
- Presentation of the After Action Report detailing the exercise results and recommendations will be provided during today's meeting.

### **Virtual Information Security Officer (vISO) Initiative – Roadmap Implementation**

- vISO continuing to provide support to the Information Systems ("I/S") Branch and hold periodic meetings with the State Chief Information Security Officer, Information Technology Manager and I/S branch staff.
- Security Steering Committee continues to meet monthly to discuss threat updates, roadmap completion, cyber risk management, and cyber education.
- IT-related findings remediation status will be presented during Executive Session.

# Executive Summary

## Status on Current Projects (cont'd):

### 2026 Internal Audit Plan Update Process

- The purpose and objective of this process was to develop an updated 2026 Internal Audit Plan for the ERS. The Plan was updated based on discussions with ERS management and the Board of Trustees during the past year; review of the current industry environment; and an evaluation of completed projects in recent years.
- The resulting 2026 Internal Audit Plan was developed to ensure that the ERS has sufficient and continuous internal audit coverage of those auditable areas judged as having a relatively higher risk profile or that otherwise require internal audit attention.

**Action: Seeking approval from Administrative & Audit Committee of proposed updates to 2026 Internal Audit Plan.**

# 2025 Internal Audit Plan Results Summary

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# 2025 Internal Audit Plan Results Summary

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	Actual	ETC	Variance
<b>IA 2024 Carryover Projects</b>																
Investment Manager Selection & Evaluation Review													150	159	-	9
Contracting & Procurement Review													375	350	200	175
<b>IA Assurance</b>																
Benefit Claims & Refund and Retiree Overpayments Processing Review													400	40	375	15
Member/Retiree Record Processing, Retention, and Storage													350	45	350	45
Business Continuity Plan - Tabletop Exercise													250	254	10	14
<b>IA Advisory &amp; Other</b>																
vISO Initiative - Roadmap Implementation													750	789	-	39
ERM Capability Roadmap and Training													250	296	-	46
Extension of vISO Initiative - Roadmap Implementation													250	256	-	6
BC and Crisis Communication Plans - Revisions and Updates													100	58	-	(42)
IA Recommendation & Implementation Assistance													100	13	-	(87)
Internal Audit Plan Update for Year 4													100	12	-	(88)
Compliance Office Collaboration and Assistance													150	238	-	88
Reporting, Communication and Other Administration													350	462	-	112
Total Hours													3,575	2,972	935	332



**Key:**

**Budget:** Original Approved Budget and Budget Changes Approved by the Administrative & Audit Committee

**Actual:** Actual Hours Incurred Through December 31, 2025

**ETC:** Estimated Time to Complete

**Variance:** [(Actual + ETC) - Budget] = over / (under) budget

# 2026 Internal Audit Plan – Proposed Updates

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# 2026 Internal Audit Plan – Proposed Updates

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
<b>Carryover Projects</b>													
Contracting & Procurement Review													200
Benefit Claims & Refund and Retiree Overpayments Processing Review													375
Member/Retiree Record Processing, Retention, and Storage													350
<b>Assurance</b>													
Biennial Follow-Up Review													300
Investment Management, Monitoring & Performance Evaluation													450
<b>Advisory &amp; Other</b>													
V3locity Assessment and Updates													250
Extension of vISO Initiative - Roadmap Implementation													275
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													3,050

◆ Project Start Date

■ In Process

◆ — ◆ 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.*

# 2026 Internal Audit Plan – Original (Approved in Feb 25’)

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
<b>Assurance</b>													
Biennial Follow-Up Review	◆												300
Investment Management, Monitoring & Performance Evaluation				◆									450
Investment Accounting									◆				450
V3locity Business Readiness Assessment							◆		◆				500
<b>Advisory &amp; Other</b>													
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													<b>3,000</b>



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.*

# 2026 Internal Audit Plan – Project Descriptions

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.
<b>2025 CARRYOVER PROJECTS</b>				
<b>Contracting &amp; Procurement Review</b> 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.  <b>PRIMARY FOCUS: Operational/Compliance</b>	<b>Administration</b> <i>Contracting &amp; Procurement</i>	Business Interruption Risk Compliance Risk Cycle Time Risk Efficiency Risk Performance Gap Risk Service Failure Risk	Q1	200
<b>Benefit Claims &amp; Refund and Retiree Overpayments Processing Review</b> 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.  <b>PRIMARY FOCUS: Operational/Financial</b>	<b>Accounting</b> <i>Benefit Claims &amp; Refund Audit</i> <i>Processing of Retiree Overpayments</i> <i>Disbursements of Benefit Payments</i>	Compliance Risk Customer Satisfaction Risk Cycle Time Risk Efficiency Risk Performance Gap Risk Service Failure Risk	Q1	375

# 2026 Internal Audit Plan – Project Descriptions (continued)

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

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
<b>2025 CARRYOVER PROJECTS</b>				
<b>Member/Retiree Record Processing, Retention, and Storage</b> 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. <b>PRIMARY FOCUS: Operational/Compliance</b>	<b>Staff Support Services</b> <i>Member/Retiree Record Retention and Storage Data</i>	Availability Risk Compliance Risk Access Risk Regulatory Risk Efficiency Risk	Q2	350
<b>TOTAL PROPOSED CARRYOVER HOURS: 01/26 - 12/26</b>				<b>925</b>

# 2026 Internal Audit Plan – Project Descriptions (continued)

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

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
<b>ASSURANCE</b>				
<b>Biennial Follow-Up Review</b> 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 remediated findings from the following reviews: - IT Security Rapid Assessment & Internal Network Security Review - Employer Communication & Reporting Review - Member Enrollment & Re-Enrollment Process Review - Cash & Liquidity Management Review - Investment Manager Selection & Evaluation Review  <b>PRIMARY FOCUS: Operational/Compliance/Financial</b>	Various (Org-wide)	Cycle Time Risk Efficiency Risk Performance Gap Risk Service Failure Risk	Q3	300

# 2026 Internal Audit Plan – Project Descriptions (continued)

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

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
<b>ASSURANCE</b>				
<b>Investment Management, Monitoring &amp; Performance Evaluation</b>				
Review and evaluate the Investment Office's recently updated framework, processes and controls over the management, monitoring and performance evaluation of its Investment Managers. 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.	<b>Investment Office</b> <i>Investment Management, Monitoring &amp; Performance Evaluation</i>	Organization Structure Risk Authority/Limit Risk Alignment Risk Efficiency Risk	Q4	450
<b>PRIMARY FOCUS: Operational/Financial</b>				
<b>TOTAL PROPOSED ASSURANCE HOURS: 01/26 - 12/26</b>				<b>750</b>

# 2026 Internal Audit Plan – Project Descriptions (continued)

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

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
<b>ADVISORY</b>				
<b>V3locity Assessment and Updates</b> <p>The objective of this project is to provide ongoing, independent oversight of the V3locity implementation and identify leading practice recommendations to be considered and incorporated. The implementation of a new pension administration system represents a significant organizational investment and introduces substantial operational, financial, technological, and compliance risks.</p> <p>This project aims to help ensure that leadership remains informed about project progress, emerging risks, and the effectiveness of governance and controls throughout the system development lifecycle. By maintaining visibility into the implementation through periodic updates, Internal Audit will support the ERS' ability to deliver a secure, accurate, and timely system that meets member, employer, and regulatory requirements.</p> <p><b>PRIMARY FOCUS: Operational/Information Technology</b></p>	Various (Org-wide)	Availability Risk Communications Risk Infrastructure Risk Security Risk Service Failure Risk Technological Innovation Risk	Q1	250

# 2026 Internal Audit Plan – Project Descriptions (continued)

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

Project	Auditable Area(s)	Quadrant I Risk(s)	Timing	Est. Hrs.
<b>ADVISORY</b>				
<b>Extension of vISO Initiative - Roadmap Implementation</b> 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.  <b>PRIMARY FOCUS: Operational/Information Technology</b>	Various (Org-wide)	Various Risks	Q1	275
<b>IA Recommendation &amp; Implementation Assistance</b> 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.  <b>PRIMARY FOCUS: Operational/Compliance/Financial</b>	Various (Org Wide)	Various Risks	Ongoing	100
<b>TOTAL PROPOSED CONSULTING HOURS: 01/26 - 12/26</b>				<b>625</b>



# 2026 Internal Audit Plan – Project Descriptions (continued)

## 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			Q3	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				3,050

# Management Action Dashboard

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# Management Action Dashboard

The following represents the status of IA reviews with uncleared or overdue findings and recommendations. For IT-related review findings and recommendations, ERS' vISO and IT Manager are responsible for tracking and monitoring remediation. Statuses provided by management on IT-related recommendations are presented in Executive Session due to the sensitivity of information around IT and cybersecurity.

Name of Review	Contact	Overall Rating <sup>1</sup>	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	10	0	0	0	2	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	0	0	5	0
Employer Communication & Reporting Review	Retirement Benefits Manager, Accounting Manager, Program Specialist	Marginal	3	0	2	1	2	0	0	0	1	0
Cloud Risk and Security Assessment - Phase 2	IT Manager	Unacceptable	5	4	1	0	0	0	0	0	5	0
Member Enrollment & Re-Enrollment Review	Retirement Benefits Manager, SSS Supervisor, IT Manager	Unacceptable	5	2	3	0	2	0	2	0	1	0
TOTAL			37	13	22	2	17	0	2	0	18	0

# Management Action Dashboard (continued)

## <sup>1</sup> 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.

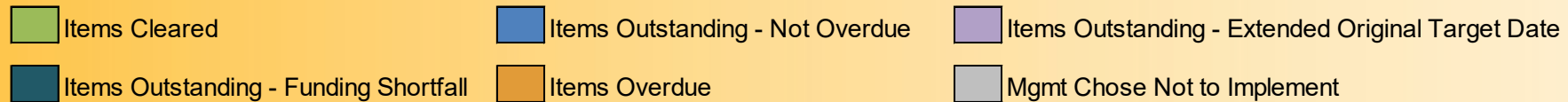
# Management Action Plans – Completion Status

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# Management Action Plans – Completion Status

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

COMPLETION STATUS  
AS OF JANUARY 31, 2026



# Cumulative Observation Analysis

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# Cumulative Observation Analysis

Based on the 15 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.

Report	Areas of Improvement			
	Oversight & Monitoring	Policies and/or Procedures	Obtaining Appropriate Resources	Developing Efficient Processes
IT Security Rapid Assessment & INSR	✓	✓	✓	
Cash & Liquidity Management Review	✓	✓	✓	
Disability Hearings and Contested Cases Review	✓	✓	✓	
Investment and Risk Monitoring and Reporting Review	✓	✓		✓
Financial Reporting Process Review	✓	✓	✓	✓
Investment Consultant Selection and Evaluation	✓			✓
Communications and Community Relations Review		✓	✓	✓
Human Resources - Personnel Development & Retention Review		✓	✓	
Cloud Risk and Security Assessment - Phase 1	✓	✓	✓	
Benefit Estimates & Final Benefit Calculation Processing Review			✓	
Employer Communication & Reporting Review	✓	✓		✓
Cloud Risk and Security Assessment - Phase 2	✓	✓	✓	✓
Member Enrollment & Re-Enrollment Review	✓	✓	✓	✓
Investment Manager Selection & Evaluation Review	✓			

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



# Issued Reports Finding Status

Pages 25 to 33 represent 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.

# Issued Report Finding Status

On a go-forward basis, statuses **provided by management on IT-related recommendations** will be presented in Executive Session due to the sensitivity of information around IT and cybersecurity. ERS' vISO will lead this presentation. Remediation status updates from the following reports will be covered:

- IT Security Rapid Assessment & Internal Network Security Review ("INSR")
- Cloud Risk and Security Assessment - Phase 1
- Cloud Risk and Security Assessment - Phase 2
- Member Enrollment & Re-Enrollment Process Review (Finding No. 4 Only)

# Issued Report Finding Status (continued)

Financial Reporting Process Review	
<b>Finding</b>	<b>Finding 3</b> – Financial reporting policies and procedures have not been reviewed or updated since the 1990s.
<b>Recommendation</b>	<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"> <li>▪ Annual financial audit and CAFR preparation</li> <li>▪ Monthly financial statement activities</li> <li>▪ Financial statement preparation and distribution</li> <li>▪ Management reports (internal)</li> </ul>
<b>Rating</b>	Moderate
<b>Target Completion Date(s)</b>	<p>June 2020                      (Revised #1 Target Date: December 2021); (Revised #2 Target Date: December 2024); (Revised #3 Target Date: December 2025);  <b>(Revised #4 Target Date: December 2026)</b></p>
<b>Status – Provided by Management</b>	<p><b>Outstanding – Overdue –</b>                      ERS will seek the necessary resources to assist in the development of policies, procedures, and related training. Refer to updates provided for the Cash &amp; Liquidity Management Review related to the timing of obtaining a third-party consultant.</p>

# Issued Report Finding Status (continued)

Financial Reporting Process Review	
<b>Finding</b>	<b>Finding 4</b> – Accounting policies and procedures have not been adjusted to maintain alignment with the changing Investment Policy and shifts in the investment portfolio.
<b>Recommendation</b>	<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 Accounting Branch personnel to on-site due diligence visits for select high valuation risk investments.</p>
<b>Rating</b>	Moderate
<b>Target Completion Date(s)</b>	<p>June 2020</p> <p>(Revised #1 Target Date: December 2021); (Revised #2 Target Date: December 2024); (Revised #3 Target Date: December 2025);</p> <p><b>(Revised #4 Target Date: December 2026)</b></p>
<b>Status – Provided by Management</b>	<p><b>Outstanding – Overdue –</b></p> <p>The Investment Office and Accounting Branch actively work together, with staff attending the weekly investment meeting and completing investment documentation.</p> <p>ERS is in the process of converting the accounting book of record from a combination of Custodian Bank and Investment Manager for Investments, to all investment reporting from the Custodian Bank. This includes implementing automated financial reporting process and reconciliation tools for investments with ERS custodian bank. This will be effective with reporting periods from July 1, 2026, for FY 2027.</p>

# Issued Report Finding Status (continued)

Financial Reporting Process Review	
<b>Finding</b>	<b>Finding 5</b> – 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.
<b>Recommendation</b>	<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"> <li>▪ Developing IT scripts specific to individual employer submissions that may be able to identify common errors.</li> <li>▪ 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.</li> </ul>
<b>Rating</b>	Moderate
<b>Target Completion Date(s)</b>	<p>December 2020 (Revised #1 Target Date: December 2022); (Revised #2 Target Date: December 2024); <b>(Revised #3 Target Date: TBD**)</b></p> <p>**Progress is evaluated on an on-going basis and it is unrealistic to determine a due date. See status comments.</p>
<b>Status – Provided by Management</b>	<p><b>Outstanding – Overdue –</b></p> <p>ERS (with KMH team assisting with Act 87 requirements) continues to meet and work 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. to complete the compliance reporting requirements per Act 87.</p> <p>Limited ERS and employer resources hinders both parties in implementing the audit recommendations identified.</p> <p>It is unrealistic to determine the final implementation date given the results are highly dependent on employers implementing changes to the payroll and personnel systems to accurately and consistently report information to ERS; or for ERS to modify its pension system. These systems require approval of funding from legislature and city councils.</p>

# Issued Report Finding Status (continued)

Human Resources – Personnel Development and Retention Review	
<b>Finding</b>	<b>Finding 2</b> – The ERS can improve its succession planning processes by incorporating “Succession Management” into their plans.
<b>Recommendation</b>	IA recommends the ERS incorporate Succession Management into their existing succession planning processes. Key components of a succession management approach should include: <ol style="list-style-type: none"> <li>1) Improved documentation around preparation, planning, and development improvement steps</li> <li>2) Detailed developmental planning (training, coaching and mentoring)</li> <li>3) Knowledge transfer and management practices</li> </ol>
<b>Rating</b>	Medium
<b>Target Completion Date(s)</b>	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 #5 Target Date: June 2025); (Revised #6 Target Date: December 2025); <b>(Revised #7 Target Date: June 2026)</b>
<b>Status – Provided by Management</b>	<b>Outstanding – Overdue –</b> For the Accounting Branch, potential successors have been identified by ERS. Training plan/development steps to be documented by March 2026, with training to be completed by June 2026. Future training to be included in personnel performance appraisals.

# Issued Report Finding Status (continued)

## Employer Communication & Reporting Framework

<b>Finding</b>	<b>Finding 3</b> – 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.
<b>Recommendation</b>	IA recommends that each Work Reports Team staff have formal, consistent procedures, and sufficient detail to document how they address their assigned employer's issues and complexities in their review and processing of Work Reports. The Work Reports Team should develop a plan or schedule to ensure that the staff are able to cross train each other on their assigned employers and review files by using the procedures noted above.
<b>Rating</b>	Low
<b>Target Completion Date(s)</b>	December 2023 (Revised #1 Target Date: December 2024); (Revised #2 Target Date: December 2025); <b>(Revised #3 Target Date: TBD**)</b> **Progress is evaluated on an on-going basis and it is unrealistic to determine a due date. See status comments.
<b>Status – Provided by Management</b>	<p><b>Outstanding – Overdue –</b> Effective date may need to be revised due to increased staff vacancies, and the V3locity migration project. It is difficult to determine a target date for actual implementation.</p> <p>Cross training in Accounting's work report processing has occurred for all employer reports, although formalized procedures are still being worked on and revised by the team member who was cross trained. Delays in documenting procedures are expected to continue due to leaves, increased staff vacancy, delays in B&amp;F Hiring process and V3locity Migration project.</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 LLP 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>Accounting requested two Account Clerk V positions to be converted to Accountant III positions in order to hire staff with a higher skillset to understand employer payroll systems and perform employer outreach. 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 changes. Completing these objectives has been negatively impacted by the staff vacancy since October 2022.</p> <p>In October 2025, ERS received approval to reclassify two Account Clerk V positions to Accountant III positions for the Work Report Team. Several ERS human resource actions are pending with Budget and Finance in order to fill vacant positions.</p>

# Issued Report Finding Status (continued)

Member Enrollment & Re-Enrollment Process Review	
<b>Finding</b>	<b>Finding 2</b> – 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.
<b>Recommendation</b>	IA recommends that management address the above finding in the following ways: 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.
<b>Rating</b>	High
<b>Target Completion Date(s)</b>	June 2025 (Revised #1 Target Date: November 2025); <b>(Revised #2 Target Date: September 2026)</b>
<b>Status – Provided by Management</b>	<b>Outstanding – Extended Original Target Date –</b> 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. SSS, IT, RBB and the CCO will then work on the development of branch-specific policies and procedures that address file management, organization and storage.



# Issued Report Finding Status (continued)

Member Enrollment & Re-Enrollment Process Review	
<b>Finding</b>	<b>Finding 3</b> – 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.
<b>Recommendation</b>	<p>IA recommends that management implement the following to address this finding: RBB should develop a formal, documented review process to verify the accuracy of member enrollment information input into the PAS.</p> <ul style="list-style-type: none"> <li>▪ 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).</li> <li>▪ 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.</li> </ul>
<b>Rating</b>	Medium
<b>Target Completion Date(s)</b>	December 2024 (Revised #1 Target Date: March 2025); <b>(Revised #2 Target Date: November 2025)</b>
<b>Status – Provided by Management</b>	<b>Cleared</b> – Completed. Audit log has been created and are maintained with monthly samples from audits.

# Issued Report Finding Status (continued)

Member Enrollment & Re-Enrollment Process Review	
<b>Finding</b>	<b>Finding 5</b> – 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.
<b>Recommendation</b>	IA recommends that management address the above finding in the following ways: 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.
<b>Rating</b>	Medium
<b>Target Completion Date(s)</b>	November 2024, February 2025 (Revised #1 Target Date: November 2025); (Revised #2 Target Date: December 2025); <b>(Revised #3 Target Date: June 2026)</b>
<b>Status – Provided by Management</b>	<b>Outstanding – Overdue –</b> Change in plans since WF is unable to develop this. Looking into using the CCR and the PIF to compare data to derive a report to be reviewed.  In addition, Data Cleansing is currently being developed as part of our pre-migration for our PAS. Reports will be generated for review of potential miscoding of RTW members.

# Employees' Retirement System (ERS) of the State of Hawaii

## Business Continuity Tabletop Exercise After-Action Report

Exercise Date: October 2, 2025

Draft Report Date: December 5, 2025

Final Report Date: January 29, 2026



# Table of Contents

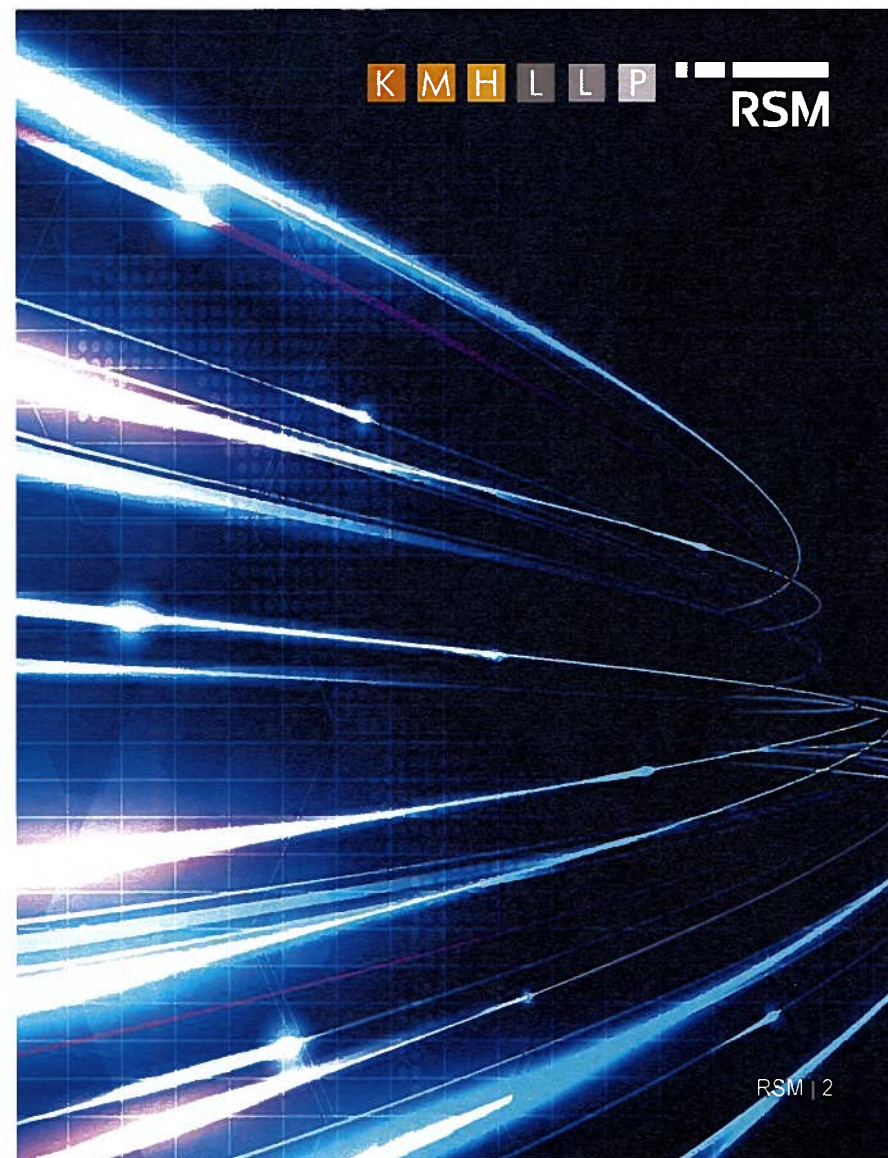
**3** Exercise Scope, Purpose and Objectives

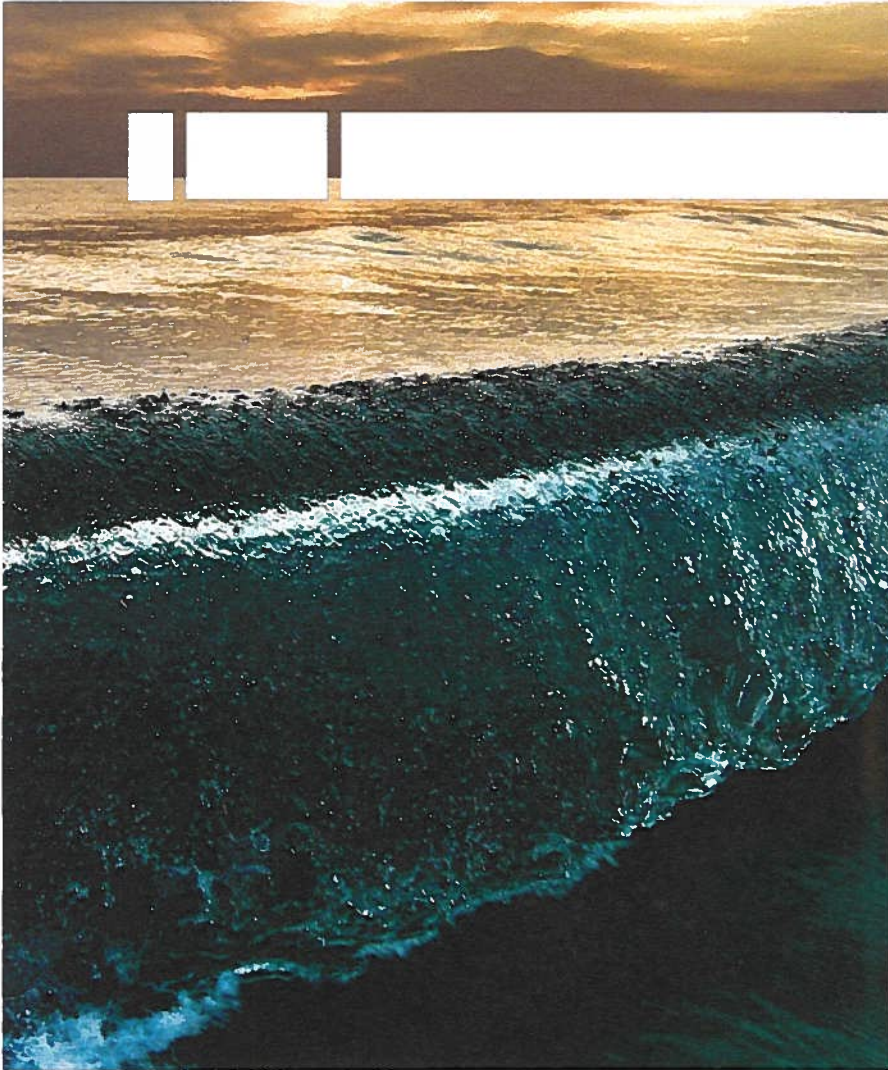
**4** Exercise Participants

**5** Executive Summary

**6** Detailed Exercise Information

**16** Appendix: Tabletop Exercise Materials





## Exercise Objectives

**Scope:** The scope of the ERS business continuity tabletop exercise was to explore the continuity plan activation, immediate crisis communications and continuity planning considerations related to a tsunami scenario.

**Purpose:** The purpose was to discuss crisis communications, alternate/backup decision-makers and identify longer-term continuity strategies through scenario-based discussions.



Evaluate the effectiveness of communication protocols with employees and the affiliated entities.



Present short-term continuity decisions based on event assessment.



Identify alternate executive and Branch Chief decision-makers.



Discuss longer-term continuity planning activities.





## Exercise Participants

### → RSM Team

- Alfred Ko
- Charles John
- Alyssa Connick
- Patrick Raeke

### → KMH Team

- Tyson Suehiro
- Peter Hanashiro

### → Hawaii ERS Exercise Participants

- Accounting Branch
- Information Systems Branch
- Investment Office
- Retirements Benefits Branch
- Support Services Branch

# Executive Summary

## Strengths

- Teams collaborated well in the absence of key leadership positions by deferring to preidentified alternate leadership to manage the incident.
- Branches utilized existing business continuity documentation and exhibited resilience despite the loss of critical resources.
- Strong internal communication protocols were demonstrated, including the use of top-down communication methods through Branch Chiefs.
- External communication procedures were effectively identified, including leveraging the external website and direct communication to members (if warranted).

## Observations

- Information systems leadership identified a critical reliance on the State of Hawaii's IT disaster recovery capabilities as ERS data is backed up to the state data center.
- Information systems leadership identified risk associated with the on-site data center location on the second floor, which may be impacted by heavy flooding during a natural disaster.
- There is no formal work-around for the loss of Bank of Hawaii, which is responsible for disbursing member benefits payments.
- Some critical staff do not have laptops, which may impact remote work ability.
- Some aspects of existing crisis management and business continuity strategies do not include sufficient detail to support the effective navigation of a crisis.

## Recommendations

- Collaborate with the state data center to better understand their information technology disaster recovery capabilities and communication procedures (including a point of contact) during a disaster event.
- Consider executing a risk assessment of the second-floor data center to better understand flooding risk and identify mitigation opportunities.
- Request access to business continuity and disaster recovery plans from Bank of Hawaii and Bank of New York Mellon. If possible, collaborate with Bank of New York Mellon to develop a strategy for a member benefits payment work-around if Bank of Hawaii was unavailable.
- Consider the need to equip critical staff with laptops to enhance remote work abilities (i.e., Cash Management Supervisor).
- Add additional detail to existing business continuity and crisis management strategies as part of the annual update process.

## Detailed Exercise Information



# Scenario Timeline

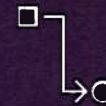
## Inject 1: Crisis Management:

Day before member benefits payment @ 12:30 p.m.



## Inject 3: Extended Continuity

Day before member benefits payment @ 4:00 p.m.



## Ground Truth: Major Earthquake and Tsunami Watch

Day before member benefits payment @ 10:00 a.m.



## Inject 2: Continuity

Day before member benefits payment @ 3:30 p.m.

# Scenario: Ground Truth and Immediate Decisions



## Participant Discussion: What We Heard

- **Strengths**
  - In the absence of the executive director and the deputy executive director, the chief investment officer identified and assumed their succession planning responsibilities, demonstrated critical authorization capabilities and effectively collaborated with the chief compliance officer to assume crisis leadership responsibilities.
- **Observations**
  - Teams discussed the approximate 1% of member benefits payments that are executed through physical checks (approximately 150 people).
    - Couriers are used to pick up and deliver the physical checks from the ERS office to members. However, a tsunami would likely disrupt courier services and/or traffic routes.
    - Teams discussed the potential need to secure physical checks and communicate to members that check delivery may be delayed.
  - Teams discussed the potential impact to the Bank of Hawaii, including the scenario in which the Bank of Hawaii was unable to execute member benefits payments.
    - The opportunity for Bank of New York Mellon to make payments in the absence of Bank of Hawaii capabilities was discussed, but teams were unsure of the viability as no formal work-around has been discussed or collaboratively documented with Bank of New York Mellon.
    - Continuity and recovery plans for both banks have not been assessed.
  - Due to the scenario impact and timing, branches discussed the possibility that ERS may not be open to accept retirement applications, cancellations or adjustments.
    - Branches considered an extension of the deadline or adjustments to delivery (email or fax) methods, but this has not been discussed formally and would require approval from leadership.
  - Branch leadership did not have a formal plan to provide HR support, such as paid time off or administrative leave for those impacted by a disaster.

## Scenario Summary

- A magnitude 9.0 earthquake occurs near Alaska's Shumagin Islands. NOAA deepwater buoys detect coastal wave amplitudes exceeding 3.0 meters.
- 30 minutes after the earthquake from the Pacific Tsunami Warning Center (PTWC): "A tsunami watch is in effect for Hawaii. Stay tuned for updates."
- The first wave was expected to reach Hawaiian shores four hours and 50 minutes after the earthquake.

## Discussion Points

- ❖ Who is in charge at ERS given the executive director is unavailable?
- ❖ Based on the scenario events, identify ERS's top priorities?
- ❖ Determine the general content topics for internal messages.
- ❖ How long will it take to create and distribute communication? What would be used to send the messages?
- ❖ For a tsunami warning, identify triggers to activate the continuity plans for the branches?
- ❖ What are the top business continuity priorities now?



# Scenario: Ground Truth and Immediate Decisions



## Improvement Opportunities

- Consider developing a contingency plan for the loss of courier services responsible for the pickup and delivery of approximately 150 physical checks for member benefits payments.
  - This may include securing checks in a dry, secure area and delaying delivery until normal operations are resumed.
    - Consider communication needs associated with informing members of adjusted check delivery timing or methods (if applicable).
- Consider requesting access to continuity and recovery plans from both the Bank of Hawaii and Bank of New York Mellon to assess continuity and recovery capabilities.
  - Also consider collaborating with Bank of New York Mellon to assess their capabilities to execute member benefit payments in the event of Bank of Hawaii loss.
    - If viable, develop and formally document a business continuity strategy outlining the ability to work around the loss of Bank of Hawaii through Bank of New York Mellon, specifically related to member benefits payments.
- Formally assess the potential need to extend deadlines associated with retirement applications, adjustments or cancelations if the deadline is impacted by a disaster event.
  - Consider required approvals within the state government and the communication procedures associated with extending this deadline.
- Collaborate to identify support that ERS can offer to impacted employees, including, but not limited to, the following:
  - Paid time off or administrative leave
  - Wellness benefits

## Scenario Summary

- A magnitude 9.0 earthquake occurs near Alaska's Shumagin Islands. NOAA deepwater buoys detect coastal wave amplitudes exceeding 3.0 meters.
- 30 minutes after the earthquake from the Pacific Tsunami Warning Center (PTWC): "A tsunami watch is in effect for Hawaii. Stay tuned for updates.
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- ❖ Who is in charge at ERS given the executive director is unavailable?
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- ❖ For a tsunami warning, identify triggers to activate the continuity plans for the branches?
- ❖ What are the top business continuity priorities now?

# Inject 1: Crisis Management



## Participant Discussion: What We Heard

- Strengths
  - Leadership identified communication needs as a top priority and outlined both internal and external communication procedures and considerations.
- Observations
  - Communications strategies lack the following detail:
    - Internal:
      - Leadership will need to meet to assess which critical staff are required within the next three hours (prior to expected wave impact) and who may be impacted by the coastal evacuation.
      - Immediate communication would be disseminated to Branch Chiefs via email and followed-up on via phone calls (if required). While Branch Chiefs stated that there are effective backup capability through Branch Supervisors, this is not documented.
      - Branch chiefs would execute top-down communication within their respective branches (i.e., leadership would communicate critical information to Branch Chiefs, and they would be responsible for informing their direct reports). However, not all staff have laptops/remote work capability. Branch Supervisors would backfill chiefs in the event of their unavailability.
      - Branches discussed communications to staff regarding life safety during a tsunami scenario, including a consideration for continued leadership check-ins with Branch Supervisors to determine staff availability and critical work activity progress.
    - External
      - Leadership identified the external website as the primary means of communication to members and that those communications would be paramount during benefit payment windows.
      - External messaging would be informed by the crisis communication plan and aim to assure members that ERS has prepared for such situations through detailed continuity planning and their member benefit payments will be delivered.
      - Communication lines would need to be established between critical third parties, such as Bank of New York Mellon and Bank of Hawaii.

## Scenario Summary

- PTWC upgrades the alert to a tsunami warning: “A tsunami warning is in effect. Evacuate coastal areas immediately.
- Three hours and 10 minutes until the wave arrival, emergency sirens have been activated and evacuation begins.
- At least half of the ERS branches will likely be inaccessible (but not necessarily due to water damage).

## Discussion Points

- ❖ **Branch chiefs: If you are not available, what is your succession plan at your branch (i.e., your successor and their backup)?**
- ❖ **Branch chiefs: Identify your five most important decisions to make for your branch and four critical continuity considerations. What information do you need from leadership?**
- ❖ **ERS leadership: Distinguish for employees the difference between a tsunami “watch” and a “warning” in your crisis communication messages.**
- ❖ **ERS leadership: Does coastal area evacuation impact operations (i.e., day before pay period closes)? What is the main content for an updated communications message?**

# Inject 1: Crisis Management



## Improvement Opportunities

- Branch chiefs should assess their capability to utilize multiple communication methods when tasked with communicating to staff within their branches, considering some staff do not have remote work capabilities and may be evacuating.
  - Leadership should collaborate with Branch Chiefs to assess the need to equip additional critical staff members (i.e., Cash Management Supervisor) with laptops to bolster remote work and critical activity continuity capabilities within branches.
- The crisis communication plan should be assessed to determine if backups (Branch Supervisors) for Branch Chiefs are identified and documented (including their contact information) in the event that a Branch Chief is forced to evacuate or is unreachable due to a disaster event.
- Consider developing, documenting and exercising a protocol for scripted emergency check-ins between ERS leadership and Branch Chiefs during disaster events.
  - Check-ins may focus on situational impact updates (including scope of damage), challenges, communication needs and operational continuity strategy effectiveness.

## Scenario Summary

- **PTWC upgrades the alert to a tsunami warning: “A tsunami warning is in effect. Evacuate coastal areas immediately.**
- **Three hours and 10 minutes until the wave arrival, emergency sirens have been activated and evacuation begins.**
- **At least half of the ERS branches will likely be inaccessible (but not necessarily due to water damage).**

## Discussion Points

- ❖ **Branch chiefs: If you are not available, what is your succession plan at your branch (i.e., your successor and their backup)?**
- ❖ **Branch chiefs: Identify your five most important decisions to make for your branch and four critical continuity considerations. What information do you need from leadership?**
- ❖ **ERS leadership: Distinguish for employees the difference between a tsunami “watch” and a “warning” in your crisis communication messages.**
- ❖ **ERS leadership: Does coastal area evacuation impact operations (i.e., day before pay period closes)? What is the main content for an updated communications message?**



## Inject 2: Continuity



### Participant Discussion: What We Heard

- **Strength**
  - The investment office detailed the need to maintain contact with Bank of New York Mellon to ensure that enough cash was on-hand pending scenario timing and operational impact.
- **Observations**
  - Participants discussed potential flooding concerns and their related impact to both technology and hard-copy paper records on-site.
    - Information Systems stakeholders identified the risk associated with the on-site data center being located on the second floor of the building, which may be impacted by severe inland flooding.
      - Data backups are stored within the State of Hawaii's data center. Recovery capabilities and data retention volume of the state data center were not fully understood.
    - Staff discussed the need to secure vital paper records on-site prior to a widespread flooding event, including physical checks.
  - Pension payments are normally processed via ACH transfer to Bank of New York Mellon six days in advance of payment delivery, which would alleviate the risk associated with an impact occurring near or at a benefit payment window.
    - ERS's accounting branch is working to develop a plan related to ACH transfer impact.
  - Leadership discussed communication needs during impact, including addressing frequent questions or concerns received by members.
    - If additional or enhanced communication was needed, leadership would work to disseminate a press release via email to media partners identified in the crisis communication plan.

### Scenario Summary

- **30 minutes before wave arrival, PTWC issues the following: "Tsunami waves are imminent. All evacuations should be complete. Stay away from shorelines."**
- **There are 10-foot waves that began flooding low-lying coastal areas, debris is carried inland, primary access roads are flooding, and beachfront homes are severely damaged or swept away.**
- **All ERS branches will likely be inaccessible (but not necessarily due to water damage).**

### Discussion Points

- ❖ **Leadership concerns: With impact imminent, discuss the continuity priorities for the next three days if: offices are inaccessible, there is no power, roads are closed and the pay period is imminent.**
- ❖ **Branch concerns: With impact imminent, discuss the continuity priorities for the next three days if: offices are inaccessible, there is no power, roads are closed, and the pay period is imminent.**
- ❖ **What is the updated messaging to the affiliated entities?**
- ❖ **How often will messaging take place with employees after impact?**

## Inject 2: Continuity



### Improvement Opportunities

- Collaborate with the state data center to better understand their information technology disaster recovery capabilities and communication procedures (including a point of contact) during a disaster event through requesting and analyzing their continuity and recovery plans.
- Consider executing a risk assessment of the second-floor data center to better understand flooding risk and identify mitigation opportunities.
- Assess or develop plan(s) for securing vital paper records, including physical checks in the event of widespread flooding or other physical damage to the office.
  - Within these plans, the types of vital paper record(s) should be identified and prioritized for securing, pending criticality for short-notice events, such as a tsunami.
  - Leadership may also consider investing in waterproof storage cabinets.
- The accounting branch should continue to develop, document and exercise a plan to continue with member benefit payments despite impact to the normal ACH transfer schedule (six days prior to payments).

### Scenario Summary

- **30 minutes before wave arrival, PTWC issues the following: "Tsunami waves are imminent. All evacuations should be complete. Stay away from shorelines."**
- **There are 10-foot waves that began flooding low-lying coastal areas, debris is carried inland, primary access roads are flooding, and beachfront homes are severely damaged or swept away.**
- **All ERS branches will likely be inaccessible (but not necessarily due to water damage).**

### Discussion Points

- ❖ **Leadership concerns: With impact imminent, discuss the continuity priorities for the next three days if: offices are inaccessible, there is no power, roads are closed and the pay period is imminent.**
- ❖ **Branch concerns: With impact imminent, discuss the continuity priorities for the next three days if: offices are inaccessible, there is no power, roads are closed and the pay period is imminent.**
- ❖ **What is the updated messaging to the affiliated entities?**
- ❖ **How often will messaging take place with employees after impact?**

# Inject 3: Extended Continuity



## Participant Discussion: What We Heard

### ➤ Observations

- The retirement benefits branch outlined an all-hands-on-deck approach to answering member inquiries and responding as quickly as possible. A quick reference guide or frequently asked questions tool to be used when responding to an overwhelming volume of inquiries was not discussed.
- Leadership discussed the reputational harm associated with missing a member benefit payment and the barriers to executing payment would be exacerbated if in-office capabilities were lost, such as receiving and sending physical mail, reprocessing continuing benefits and having access to paper checks. These scenarios were discussed ad hoc and do not have operational continuity strategies.
- The pension administration system was identified by the accounting branch as being extremely critical and vital to the processing of pension payments. An operational continuity strategy for the loss of the pension administration system has not been developed.
  - If this system were lost, staff assessed the potential for the Bank of Hawaii to reprocess last period's payments but have not verified or documented this capability.
  - Staff indicated that if a disaster impacted the ERS office location, the Bank of Hawaii (close geographical proximity) would likely be impacted as well.
- Participants discussed their reliance on critical third parties, such as the mail scanning vendor and the physical check courier(s). A formal work-around for the loss of these vendors has not been developed.
- Information systems stakeholders described various scenarios for potential technology loss, highlighting that while ERS staff would be able to work if the on-site data center is preserved, cloud storage capabilities are supported by the State of Hawaii data center, and their continuity and recovery capabilities are not fully understood.

## Scenario Summary

- **Wave impact was worse than predicted and ERS branches are anticipated to be closed and inaccessible for two weeks.**
- **Given the increased impact and damage, staff absenteeism is predicted to be 25% across all ERS branches.**
- **A second benefits payment will be affected by the tsunami impacts.**

## Discussion Points

- ❖ **Leadership concerns: What impacts will 25% staff absenteeism have across ERS operations? Are there pension payroll concerns? Identify triggers to instruct staff to return to the office after two and a half weeks.**
- ❖ **Branch concerns: Discuss the essential operations to be maintained for up to three weeks at your branch. What additional challenges will you face or need to consider over this period?**
- ❖ **For those employees scheduled for ERS-issues cellular devices, but do not have them currently, what is the impact?**



# Inject 3: Extended Continuity



## Improvement Opportunities

- Consider developing situation-dependent message templates the retirement benefits branch can leverage in the event of a high volume of member inquiries.
  - Templates may include general responses for frequently asked questions related to ERS's top hazards (i.e., tsunami or other severe weather, wildfire and/or cyberattack).
- Continue to collaborate with the Bank of Hawaii to determine if they have the capability to reprocess a previous period's benefit payments.
  - If able, work with business continuity stakeholders to formally develop, document and exercise this process, including reconciliation activities associated with disbursing a previous pay period's payment.
- Assess continuity capabilities associated with the loss of critical vendors, such as the physical mail scanner and the courier service.
  - This may include requesting access to the vendor company's business continuity plans and assessing whether internal ERS employees could backfill these roles in the event of a loss.

## Scenario Summary

- **Wave impact was worse than predicted and ERS branches are anticipated to be closed and inaccessible for two weeks.**
- **Given the increased impact and damage, staff absenteeism is predicted to be 25% across all ERS branches.**
- **A second benefits payment will be affected by the tsunami impacts.**

## Discussion Points

- ❖ **Leadership concerns: What impacts will 25% staff absenteeism have across ERS operations? Are there pension payroll concerns? Identify triggers to instruct staff to return to the office after two and a half weeks.**
- ❖ **Branch concerns: Discuss the essential operations to be maintained for up to three weeks at your branch. What additional challenges will you face or need to consider over this period?**
- ❖ **For those employees scheduled for ERS-issues cellular devices, but do not have them currently, what is the impact?**

# **Appendix: Business Continuity Tabletop Exercise Materials**

# Employees' Retirement System of the State of Hawaii

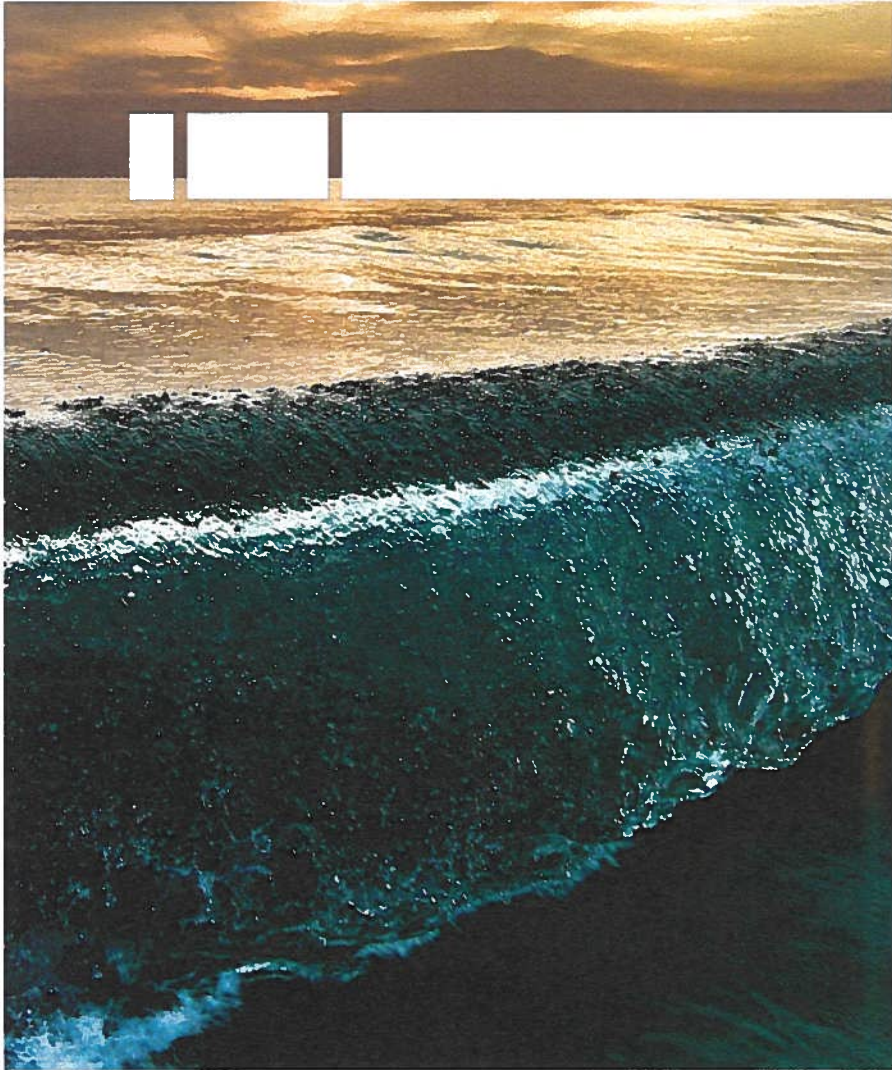
## Business Continuity Exercise

October 4, 2025



# Agenda

Topic	Time
Welcome and Introductions	5 minutes
Purpose, Scope and Objectives	5 minutes
Scenario Background	5 minutes
Module 1: Immediate Decisions	15 minutes
Module 2: Crisis Management and Communications	25 minutes
Module 3: 96-Hour Continuity Planning	20 minutes
Module 4: Extended Continuity Planning	20 minutes
Closing Remarks and Next Steps	5 minutes

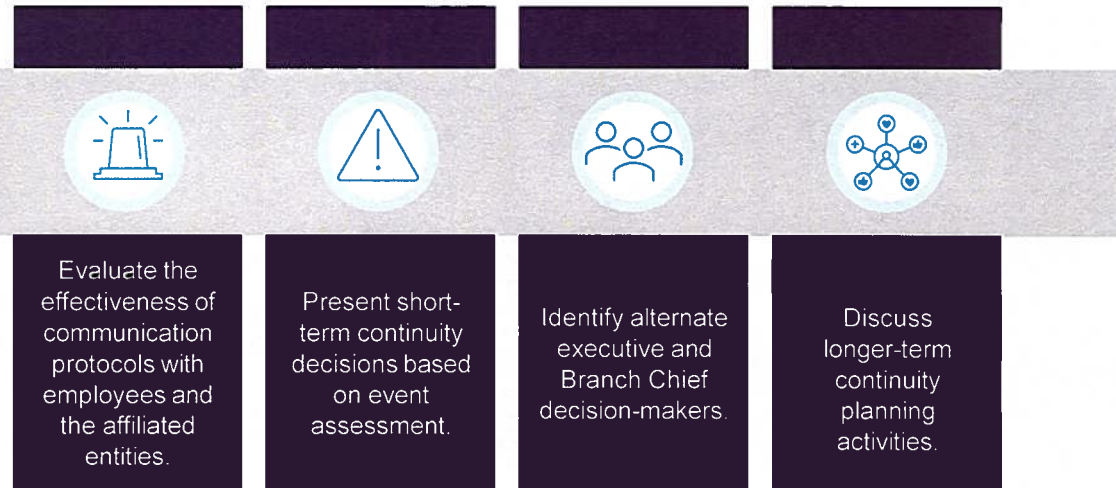


K M H L L P

## Exercise Objectives

**Scope:** The scope of the ERS business continuity tabletop exercise is to explore the continuity plan activation, immediate crisis communications and continuity planning considerations following a tsunami.

**Purpose:** The purpose is to discuss crisis communications, alternate/backup decision-makers and identify longer-term continuity strategies through scenario-based discussions.





# Exercise Assumptions

Do not fight the scenario.

The public followed the warnings and alerts and evacuated as instructed without serious injuries and fatalities to any ERS employees.

Emergency management actions and activities were carried out as planned.

The ERS executive director is on the mainland and is completely unreachable throughout the scenario timeline.





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## Scenario Background

Day Before Benefits Payment @ 10:00 a.m.–10:30 a.m.



A magnitude 9.0 earthquake occurs near Alaska's Shumagin Islands.

NOAA deepwater buoys detect coastal wave amplitudes exceeding 3.0 meters.



30 Minutes after the earthquake, from the Pacific Tsunami Warning Center (PTWC):

"A tsunami watch is in effect for Hawaii. Stay tuned for updates."



First wave expected to reach Hawaiian shores four hours and 50 minutes after the quake.

# Module 1 Discussion: Immediate Decisions

**Day Before Benefits Payment @ 10:00 a.m.–10:30 a.m.**



## Immediate Decisions

- Who is in charge at ERS given the executive director is unavailable?
- Based on the scenario events, identify ERS's top priorities?



## Crisis Communications

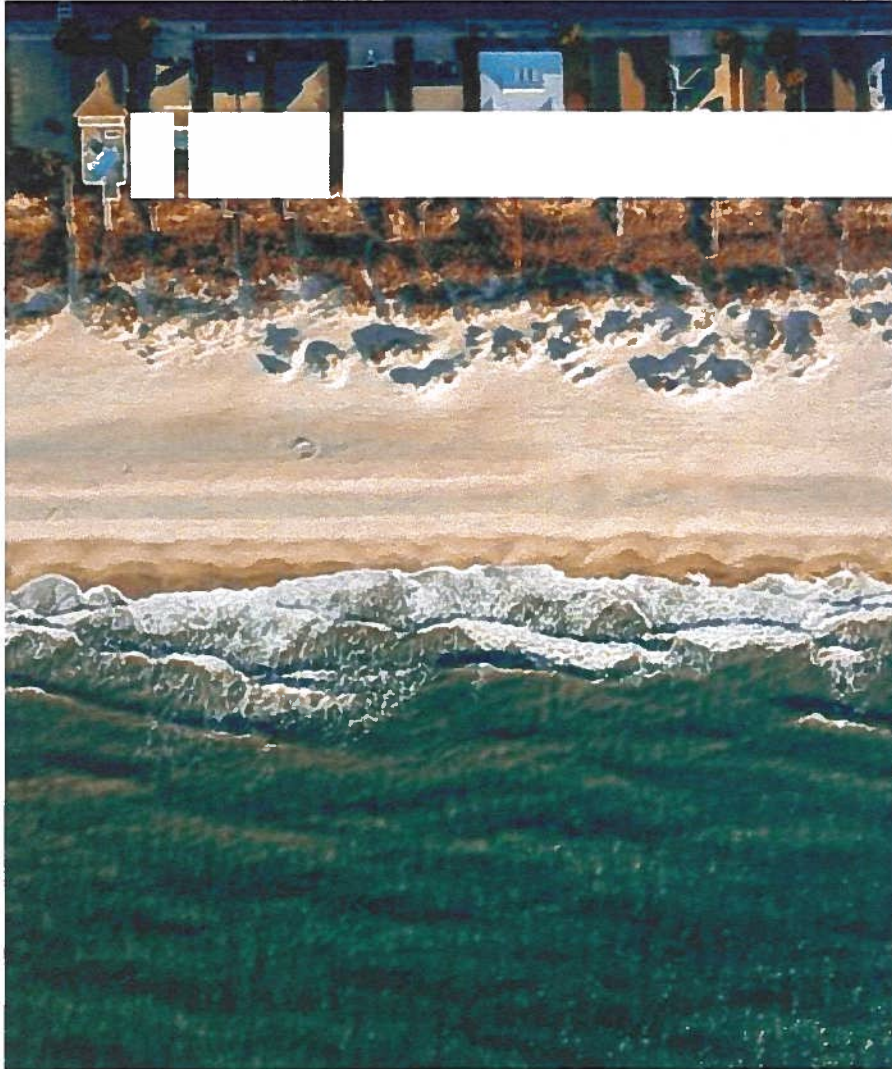
- Determine the general content topics for internal messages (e.g., employees) and external messages (e.g., members).
- How long will it take to create and distribute the communication? What would be used to send the messages?



## Continuity Considerations

- For a tsunami warning, identify the event triggers to activate the continuity plans for the branches.
- What are the top business continuity priorities now?





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## Inject: Crisis Management

Day Before Benefits Payment @ 12:30 p.m.



PTWC upgrades the alert to a tsunami warning.

“A tsunami warning is in effect. Evacuate coastal areas immediately.”



Three hours and 10 minutes until wave arrival: Emergency sirens have been activated, and evacuation begins.



At least half of the ERS branches will likely be inaccessible (but not necessarily due to water damage).

## Module 2 Discussion: Crisis Management and Communications

**Day Before Benefits Payment @ 12:30 p.m.**

### Instructions:

- Take five minutes to address the answers to Questions 1–4.
- We will call on each branch to provide a short brief out.
- ERS leadership—Be prepared to discuss the main content for an updated crisis communications message to include affiliated entities if appropriate.

01

**All Branch Chiefs:** If you are not available, what is your succession plan at your branch (i.e., your successor, plus their backup)?

02

**All Branch Chiefs:** Identify your five most important decisions to make for your branch and four critical continuity considerations. What information do you need from leadership?

03

**ERS leadership:** Distinguish for employees the difference between a “watch” and a “warning” in your crisis communication messages.

04

**ERS leadership:** Does coastal area evacuation impact operations (i.e., day before pay period closes)? What is the main content for an updated communications message?





K M H L L P

## Inject: Continuity

Day Before Benefits Payment @ 3:30 p.m.



30 minutes before wave arrival, PTWC issues the following:

“Tsunami waves imminent. All evacuations should be complete. Stay away from shorelines.”



### Wave Impact

- There are 10-foot waves that began flooding low-lying coastal areas.
- Debris carried inland.
- Primary access roads flooded.
- Beachfront homes severely damaged or swept away.



All ERS branches will likely be inaccessible (but not necessarily due to water damage).

# Module 3 Discussion: 96-Hour Continuity Planning

**Day Before Benefits Payment @ 3:30 p.m.**



## Leadership Concerns

- With impact imminent, discuss the continuity priorities for the next three days if:
  - Offices are inaccessible.
  - There is no power.
  - Roads are closed.
  - Pay period closes Tomorrow.



## Branch Concerns

- With impact imminent, discuss the continuity priorities for the next three days if:
  - Offices are inaccessible.
  - There is no power.
  - Roads are closed.
  - Pay period closes Tomorrow.



## Crisis Communications

- What is the updated messaging to the affiliated entities?
- How often will messaging take place with employees after impact?

K M H L L P

# Inject: Extended Continuity

Day Before Benefits Payment @ 4:00 p.m.



Wave impact was worse than predicted and ERS branches are anticipated to be closed and inaccessible for two weeks.



Given the increased impact and damage, staff absenteeism is predicted to be 25% across all ERS branches.



A second benefits payment will be affected by the tsunami impacts.



# Module 4 Discussion: Extended Continuity Planning

**Day Before Benefits Payment @ 4:00 p.m.**



## Leadership Concerns

- What impacts will 25% staff absenteeism have across ERS operations?
- Are there pension payroll concerns?
- Identify the triggers (or information necessary) to instruct staff to return to the office after two and a half weeks.



## Branch Concerns

- Discuss the essential operations to be maintained for three weeks at your branch.
- What additional challenges will you face or need to consider over this time period?



## Moving Forward

- For those employees scheduled for ERS-issued cellular devices, but do not have them currently, what is the impact?

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RSM

# Exercise Wrap-Up

Closing remarks and thank you!



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# Prioritization Framework

To ensure the effective enhancement of Hawaii Employees' Retirement System's (ERS's) business continuity program, we have developed a prioritization framework for the proposed initiatives. This framework is designed to strategically prioritize actions based on their impact, feasibility and alignment with Hawaii ERS's business objectives.

## QUICK WINS

Low-effort, high-impact tasks that can be completed quickly and yield immediate benefits

## MAJOR PROJECTS

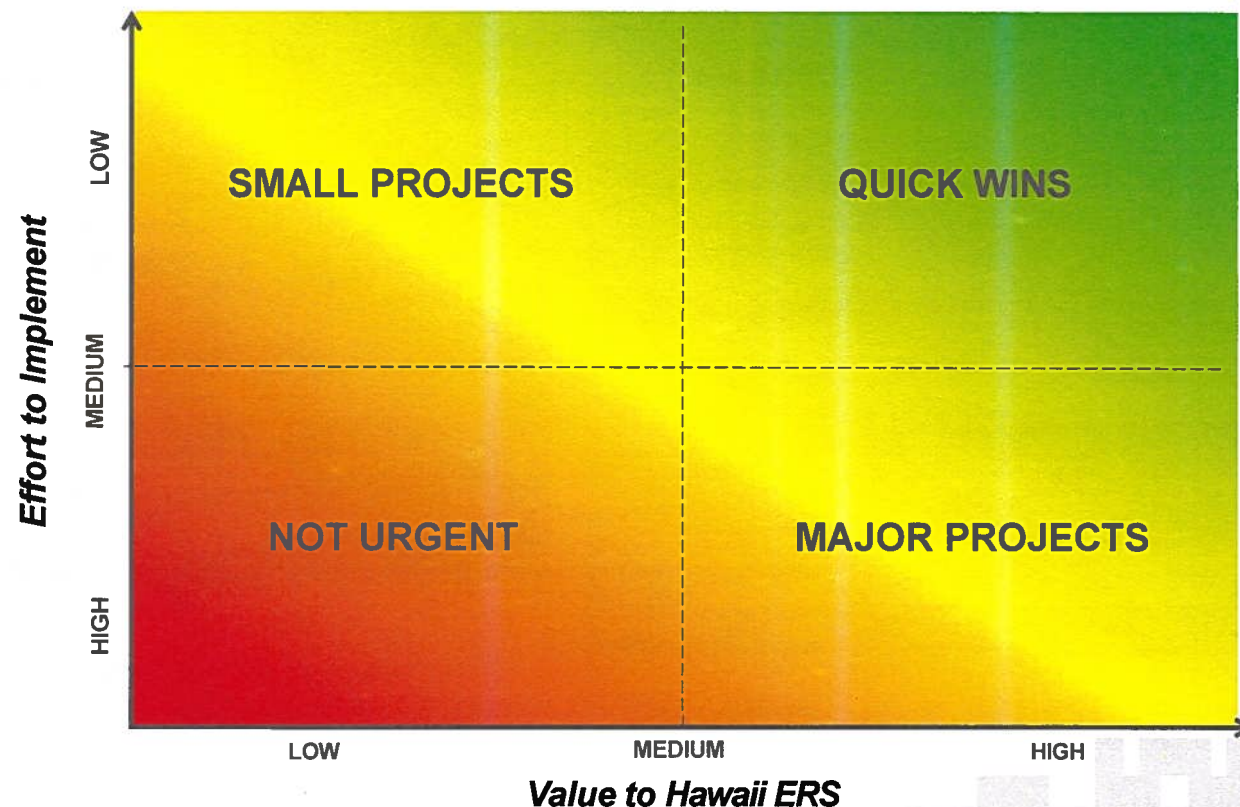
High-impact initiatives that require substantial effort and resources, resulting in significant long-term benefits

## SMALL PROJECTS

Moderate-impact tasks that are relatively easy to implement and contribute to incremental improvements

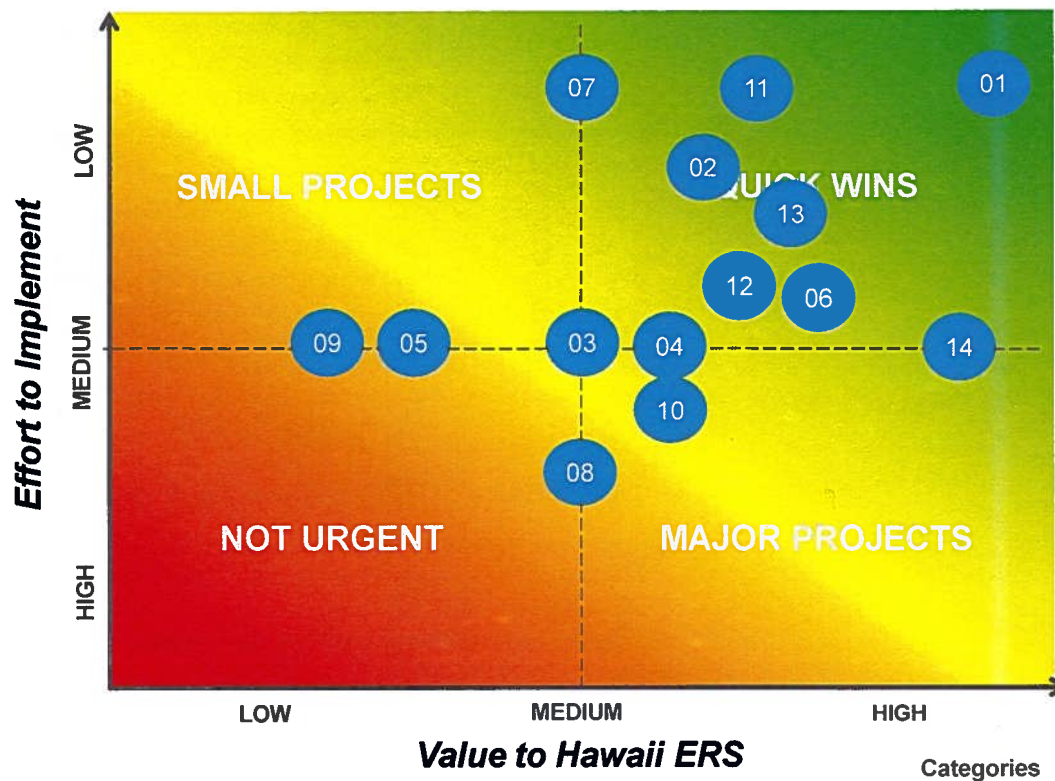
## NOT URGENT

Low-impact activities that consume resources without delivering valuable results



# Effort/Benefit Analysis of Initiatives

Each initiative is evaluated based on its potential impact on Hawaii ERS's overall business continuity capabilities. Initiatives that significantly enhance program operation, reduce downtime and improve recovery times are given higher priority. Initiatives that are more straightforward to implement and require fewer resources are prioritized to support quick wins.



## Recommendations

01	Assessment of Crisis Communications Plan
02	Emergency Check-In Protocol
03	State Data Center Continuity Collaboration
04	Internal Data Center Risk Assessment
05	Vital Paper Record Continuity
06	ACH Outage Impact to Member Payment Continuity Strategy
07	Bank of Hawaii Continuity Collaboration (Disbursal of Previous Period's Member Payments)
08	Critical Vendor Continuity Capabilities
09	Loss of Courier Services Continuity Planning
10	Bank of Hawaii and Bank of New York Mellon Continuity Capabilities
11	Member Deadline (Due to Emergency) Extension Requirements
12	Employee Disaster Support
13	Branch Chief Communication Redundancy
14	High-Volume Member Inquiry Messaging Templates

Categories:

Governance

Requirements

Strategy and Planning

Exercise, Testing and Trainings



## Recommendations

O1	<ul style="list-style-type: none"> <li>The crisis communication plan should be assessed to determine if backups (Branch Supervisors) for Branch Chiefs are identified and documented (including their contact information) in the event that a Branch Chief is forced to evacuate or is unreachable due to a disaster event.</li> </ul>
O2	<ul style="list-style-type: none"> <li>Consider developing, documenting and exercising a protocol for scripted emergency check-ins between ERS leadership and Branch Chiefs during disaster events.               <ul style="list-style-type: none"> <li>Check-ins may focus on situational impact updates (including scope of damage), challenges, communication needs and operational continuity strategy effectiveness.</li> </ul> </li> </ul>
O3	<ul style="list-style-type: none"> <li>Collaborate with the state data center to better understand their information technology disaster recovery capabilities and communication procedures (including a point of contact) during a disaster event through requesting and analyzing their continuity and recovery plans.</li> </ul>
O4	<ul style="list-style-type: none"> <li>Consider executing a risk assessment of the second-floor data center to better understand flooding risk and identify mitigation opportunities.</li> </ul>
O5	<ul style="list-style-type: none"> <li>Assess or develop plan(s) for securing vital paper records, including physical checks in the event of widespread flooding or other physical damage to the office.               <ul style="list-style-type: none"> <li>Within these plans, the types of vital paper record(s) should be identified and prioritized for securing, pending criticality for short-notice events, such as a tsunami.</li> <li>Leadership may also consider investing in waterproof storage cabinets.</li> </ul> </li> </ul>
O6	<ul style="list-style-type: none"> <li>The accounting branch should continue to develop, document and exercise a plan to continue with member benefit payments despite impact to the normal ACH transfer schedule (six days prior to payments).</li> </ul>
O7	<ul style="list-style-type: none"> <li>Continue to collaborate with the Bank of Hawaii to determine if they have the capability to reprocess a previous period's benefit payments.               <ul style="list-style-type: none"> <li>If able, work with business continuity stakeholders to formally develop, document and exercise this process, including reconciliation activities associated with disbursing a previous pay period's payment.</li> </ul> </li> </ul>

### Categories:

Governance

Requirements

Strategy and Planning

Exercise, Testing and  
Trainings

## Recommendations

O8	<ul style="list-style-type: none"> <li>Assess continuity capabilities associated with the loss of critical vendors, such as the physical mail scanner and the courier service.               <ul style="list-style-type: none"> <li>This may include requesting access to the vendor company's business continuity plans and assessing whether internal ERS employees could backfill these roles in the event of a loss.</li> </ul> </li> </ul>
O9	<ul style="list-style-type: none"> <li>Consider developing a contingency plan for the loss of courier services responsible for the pickup and delivery of approximately 150 physical checks for member benefits payments.               <ul style="list-style-type: none"> <li>This may include securing checks in a dry, secure area and delaying delivery until normal operations are resumed. Consider communication needs associated with informing members of adjusted check delivery timing or methods (if applicable).</li> </ul> </li> </ul>
10	<ul style="list-style-type: none"> <li>Consider requesting access to continuity and recovery plans from both the Bank of Hawaii and Bank of New York Mellon to assess continuity and recovery capabilities.               <ul style="list-style-type: none"> <li>Also consider collaborating with Bank of New York Mellon to assess their capabilities to execute member benefit payments in the event of Bank of Hawaii loss. If viable, develop and formally document a business continuity strategy outlining the ability to work around the loss of Bank of Hawaii through Bank of New York Mellon, specifically related to member benefits payments.</li> </ul> </li> </ul>
11	<ul style="list-style-type: none"> <li>Formally assess the potential need to extend deadlines associated with retirement applications, adjustments or cancellations if the deadline is impacted by a disaster event.               <ul style="list-style-type: none"> <li>Consider required approvals within the state government and the communication procedures associated with extending this deadline.</li> </ul> </li> </ul>
12	<ul style="list-style-type: none"> <li>Collaborate to identify support that ERS can offer to impacted employees, including, but not limited to, the following:               <ul style="list-style-type: none"> <li>Paid time off or administrative leave</li> <li>Wellness benefits</li> </ul> </li> </ul>
13	<ul style="list-style-type: none"> <li>Branch Chiefs should assess their capability to utilize multiple communication methods when tasked with communicating to staff within their branches, considering some staff do not have remote work capabilities and may be evacuating.               <ul style="list-style-type: none"> <li>Leadership should collaborate with Branch Chiefs to assess the need to equip additional critical staff members (i.e., Cash Management Supervisor) with laptops to bolster remote work and critical activity continuity capabilities within branches.</li> </ul> </li> </ul>
14	<ul style="list-style-type: none"> <li>Consider developing situation-dependent message templates the retirement benefits branch can leverage in the event of a high volume of member inquiries.               <ul style="list-style-type: none"> <li>Templates may include general responses for frequently asked questions related to ERS's top hazards (i.e., tsunami or other severe weather, wildfire and/or cyberattack).</li> </ul> </li> </ul>

Categories:

Governance

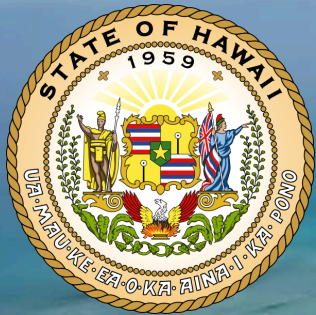
Requirements

Strategy and Planning

Exercise, testing and  
Trainings



# Employees' Retirement System of the State of Hawaii

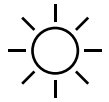


Employees' Retirement System  
of the State of Hawaii

Compliance Quarterly Update  
Kona Mann  
February 20, 2025

# Executive Summary:

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



## Key Highlights

- Compliance & Risk Management Activities: Continued IT Policy Development and Road Mapping; ERM Program Advancement; AuditBoard Implementation; Procurement of Risk & Resilience Managed Services; Procurement of Data & Analytics Consulting Services; Migration Project Management.
  - These key initiatives are currently underway.
  - These projects and initiatives are designed to enhance ERS' security and resilience posture.



## Next Steps

- Actively work toward “standardized and repeatable” risk management activities, where risk processes are standardized, repeatable, and measured across the ERS.
- Finalize contracts with selected bidders for Risk and Resilience Managed Services and Data and Analytics Consulting Services.
- Finalize migration contract with Vitech/Majecso.



# ERS Compliance & Risk Management Program

- **IT Policy Development & Road Mapping:**

The vISO, myself and the IT team have finalized the first stack of IT security policies (Cyber Risk Management, Vendor Risk Management, and Data Classification). The vISO and I continue to have our regular cadenced progress meetings with the IT branch. We continue our efforts to ensure accurate timelines for addressing and resolving outstanding IA findings as well as progress toward RoadMap Activities.

- **AuditBoard Implementation Project:**

Implementation of AuditBoard, ERS' new GRC (Governance, Risk, and Compliance) platform continues. Phase I focuses on uploading and testing foundational data. Expected completion date is pushed back to March 2026. This system will provide greater visibility, consistency in management, and reporting of risk related operational activities.

- **Procurement of Risk and Resilience Managed Services:**

A procurement to secure external expertise for the following services is in process of being approved and finalized with B&F:

- Virtual Information Security Officer Services
- Risk Management Program Development
- Business Continuity Planning (BCP)
- Disaster Recovery Planning (DRP)

These solicitations aim to bring specialized guidance and accelerate maturity in areas requiring focused technical and strategic capabilities.

- **Procurement of Data and Analytics Consulting Services:**

The year (1) key objectives are to drive organizational awareness, develop data literacy curriculum, and implement executable policies, processes, and controls.

- **Migration Project Management:**

A team is in place to manage our migration to V3locity with as minimal operational disruption as possible. Risk, business process improvement, change management, data assessments are embedded into project planning with our PM (Linea) to support effective governance and outcomes.



MINUTES OF THE MEETING OF THE  
ADMINISTRATIVE AND AUDIT COMMITTEE OF THE BOARD OF TRUSTEES OF THE  
EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII

OCTOBER 20, 2025

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

Trustees present: (City Financial Tower by teleconference)	Dr. Catherine Chan, Chair* Mr. Vincent Barfield, Vice Chair* Mr. Luis Salaveria (in person)*
Trustee absent:	Dr. Genevieve Ley
Staff present: (City Financial Tower by teleconference)	Mr. Thomas Williams, Executive Director* Ms. Gail Strohl, Deputy Executive Director* Ms. Kristin Varela, Chief Investment Officer* Mr. Kona Mann, Chief Compliance Officer* Mr. James Greubel, Program Specialist* Ms. Shanna Sakagawa, Program Specialist* Mr. Keith Miyamoto, Information Services Branch Manager* Ms. Sandra Straub, Information Services Systems Supervisor* Ms. Lori Kobayashi, Retirement Benefits Branch Manager Ms. Dale Kehau Kanae, Recording Secretary/Administrative Assistant* Ms. Andrea Gasper, Administrative Assistant*
Attorneys present: (by teleconference)	Ms. Nietzsche Tolan, Deputy Attorney General* Ms. Diane Wong, Deputy Attorney General*
Guests present: (City Financial Tower by teleconference)	Mr. Lewis Ward, Gabriel Roeder Smith & Company Mr. Peter Hanashiro, KMH LLP* Mr. Tyson Suehiro, KMH LLP* Mr. Alfred Ko, RSM US LLP* Ms. Alicia Preddy, RSM US LLP* Mr. Ty Smith, RSM US LLP*

\*Attended Executive Session

QUORUM/CALL TO ORDER

A quorum being present (Chair Chan, Vice Chair Barfield, and Trustee Salaveria), Chair Chan called the meeting of the Administrative and Audit Committee (Committee) of the Board of Trustees (Board) of the Employees' Retirement System of the State of Hawaii (ERS) to order at 1:06 p.m. and identified the Trustees attending in person and requested Trustees attending remotely confirm that they are the only ones present at their remote location while attending the meeting. Each of the Trustees present confirmed same. Chair Chan reminded the Committee to please be sure that they are visible on their video cameras and that they remain on while the meeting is in session.

PUBLIC COMMENT

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



DISCUSS EMPLOYEES'  
RETIREMENT SYSTEM'S  
DRAFT FUNDING POLICY  
DISCUSS EMPLOYEES'  
RETIREMENT SYSTEM'S  
DRAFT FUNDING POLICY  
(CONT'D)

INTERNAL AUDIT UPDATE  
REPORT BY KMH LLP ON  
THE CURRENT STATUS OF  
ACTIVITIES COMPLETED  
DURING Q3, 2025, AND AN  
UPDATE ON THE  
COMPLETION STATUS OF  
MANAGEMENT ACTION  
PLANS FOR PAST INTERNAL  
AUDIT OBSERVATIONS AND  
RECOMMENDATIONS

Gabriel Roeder Smith & Company's Lewis Ward attended the meeting by teleconference and presented an oral and written report to the Committee on an Employees' Retirement System's (ERS) Draft Funding Policy.

On a motion made by Vice Chair Barfield, seconded by Trustee Salaveria, and unanimously carried, the Committee accepted the ERS Draft Funding Policy, as presented, and will present it for approval by the Board at the next meeting.

KMH LLP's Peter Hanashiro and Tyson Suehiro, and RSM US LLP's Alfred Ko, Ty Smith, and Alicia Preddy attended the meeting by teleconference and presented an oral and written report to the Committee of KMH LLP's Internal Audit Update Report on the Current Status of Activities Completed During Q3, 2025, and an Update on the Completion Status of Management Action Plans for Past Internal Audit Observations and Recommendations and discussed in summary:

INTERNAL AUDIT UPDATE REPORT  
EXECUTIVE SUMMARY

*Administrative and Other Matters*

*Status on Current Projects*

- Contracting & Procurement Review
- Enterprise Risk Management (ERM) Capability Roadmap and Training
- Business Continuity Plan – Tabletop Exercise
- Virtual Information Security Officer (vISO) Initiative – Roadmap Implementation
- Proposed Changes to 2025 Internal Audit Plan

2025 INTERNAL AUDIT PLAN RESULTS SUMMARY  
2025 INTERNAL AUDIT PLAN – PROPOSED CHANGES  
MANAGEMENT ACTION DASHBOARD  
MANAGEMENT ACTION PLANS – COMPLETION STATUS  
CUMULATIVE OBSERVATION ANALYSIS  
ISSUED REPORTS FINDING STATUS

The Committee suggested, as a part of the next tabletop exercise, one focused on Cyber Security Breach be considered and that exercises be done annually.

The Committee sternly reminded executive management, as stated at the last meeting, to continue to update comments on the status of findings particularly the high-risk rated outstanding items and to include accurate targeted completion dates. The Committee also reiterated that executive management has been asked, on several occasions by the Committee and Board, to take responsibility for outstanding items identified as theirs and continued extensions or errors of reported completion dates were no longer acceptable. The Committee clarified with executive management the meaning of "Targeted Completion Date(s)" and asked if they clearly understood that it meant the date the finding would be completed. Executive management in attendance acknowledged that they understood. The Committee requested executive management review all "Targeted Completion Date(s)" and report accurate dates going forward. Executive management acknowledged and agreed to review and amend any necessary dates.

INTERNAL AUDIT UPDATE REPORT  
BY KMH LLP ON THE CURRENT  
STATUS OF ACTIVITIES  
COMPLETED DURING Q3, 2025, AND  
AN UPDATE ON THE COMPLETION  
STATUS OF MANAGEMENT ACTION  
PLANS FOR PAST INTERNAL AUDIT  
OBSERVATIONS AND  
RECOMMENDATIONS (CONT'D)

COMPLIANCE SUPPORT  
STAFF REPORT AND UPDATE  
ON IMPLEMENTATION OF  
ERS' COMPLIANCE  
PROGRAM ON RISK  
ASSESSMENT, POLICIES &  
PROCEDURES, AND THIRD-  
PARTY RISK MANAGEMENT

REPORT ON LAUNCH OF  
V3LOCITY PENSION  
ADMINISTRATION SYSTEM  
UPGRADE

APPROVAL OF MINUTES  
- AUGUST 21, 2025

PUBLIC COMMENT

Mr. Hanashiro reminded the Committee that once a date has been extended twice it would then be reported as being overdue.

The Committee further requested that although being reported in Executive Session, the separate report on Information Technology status of findings should be referenced within the Internal Audit Report.

On a motion made by Vice Chair Barfield, seconded by Trustee Salaveria, and unanimously carried, the Committee accepted KMH LLP's 2025 Internal Audit Update Report with proposed changes, as presented, and recommended it be presented to the Board for approval at the next Board meeting.

Chief Compliance Officer Kona Mann presented an oral report to the Committee on the Compliance Support Staff Report and Update on Implementation of ERS' Compliance Program on Risk Assessment, Policies & Procedures, and Third-Party Risk Management and discussed in summary:

#### EXECUTIVE SUMMARY

*Key Highlights*

*Next Steps*

#### ERS COMPLIANCE & RISK MANAGEMENT PROGRAM

*IT Policy Development & Road Mapping*

*AuditBoard Implementation Project*

*RFP Development*

*Migration Project Management*

The Committee requested a written report be provided prior to meetings going forward.

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

Information Services Branch Chief Keith Miyamoto provided an oral report to the Committee on the Launch of V3LOCITY Pension Administration System Upgrade and discussed in summary:

#### OVERVIEW

V3LOCITY MIGRATION KEY FEATURES

PROJECT COST

PROJECTED V3LOCITY MIGRATION SCHEDULE

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

On a motion made by Trustee Salaveria, seconded by Vice Chair Barfield (with a comment noting page 4 of the minutes, regarding executive management's responsibility to follow-up on the outstanding items within the Internal Audit Report, making it clear it's an on-going effort to tighten up the process) and unanimously carried, the Committee approved the minutes of the August 21, 2025, meeting as presented.

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

(Chair Chan identified all the participants in Executive Session, the Board, ERS Staff, Deputy Attorneys General, and Guests are identified with an asterisk on these minutes and listed on the Executive Session Minutes. Participants of Executive Session met virtually in a separate breakout room while public participants remained in the main room.

Chair Chan provided the reason to enter into Executive Session: Executive Session, pursuant to HRS §92-5(a)(4), (6), and (8), to consider and consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities, and to consider sensitive matters related to Cyber Security Updates; Enterprise Risk Management Updates; Business Continuity Plan; and-to make a decision on the Approval of Executive Session Minutes.)

#### ENTER EXECUTIVE SESSION

On a motion made by Trustee Salaveria, seconded by Vice Chair Barfield, and unanimously carried, the Committee entered into Executive Session at 2:28 p.m.

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

- Pursuant to HRS §92-5(a)(4) and (6), to consider and consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities, and to consider sensitive matters related to Cyber Security Updates.
- Pursuant to HRS §92-5(a)(4) 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 Enterprise Risk Management Updates.
- 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 a Business Continuity Plan "Tabletop Exercise" and Update.
- Pursuant to HRS §92-5 (a)(8), to review and approve Executive Session Minutes of August 21, 2025.

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

EXECUTIVE SESSION, PURSUANT TO HRS §92-5(a)(4) 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  
ENTERPRISE RISK MANAGEMENT  
UPDATES

EXECUTIVE SESSION, PURSUANT  
TO HRS §92-5(a)(4) AND (6), TO  
CONSIDER AND CONSULT WITH  
THE BOARD’S ATTORNEYS ON  
QUESTIONS AND ISSUES  
PERTAINING TO THE BOARD’S  
POWERS, DUTIES, PRIVILEGES,  
IMMUNITIES, AND LIABILITIES,  
AND TO CONSIDER SENSITIVE  
MATTERS RELATED TO A  
BUSINESS CONTINUITY PLAN  
“TABLETOP EXERCISE” AND  
UPDATE

EXECUTIVE SESSION PURSUANT  
TO HRS §92-5(a)(8), TO REVIEW AND  
APPROVE EXECUTIVE SESSION  
MINUTES OF AUGUST 21, 2025

EXIT EXECUTIVE SESSION

On a motion made by Trustee Salaveria, seconded by Vice Chair Barfield, and unanimously carried, the Committee exited Executive Session at 3:00 p.m.

Participants of the Executive Session in the virtual breakout room were moved to the main room with the public participants.

Chair Chan announced that while in Executive Session, the Committee discussed matters related to Updates on Cyber Security and Enterprise Risk Management, of which neither had any action taken. Due to time constraints, the Update related to Business Continuity Plan “Tabletop Exercise” was deferred to the next meeting, and the Committee approved the Executive Session Minutes of August 21, 2025.

ADJOURNMENT

On a motion made by Vice Chair Barfield, seconded by Trustee Salaveria, and unanimously carried, Chair Chan adjourned the meeting at 3:02 p.m.

**REDACTED SIGNATURE**

Thomas Williams  
Executive Director

TW:dkik