Board Packet List of Documents

Administrative & Audit Committee Meeting
August 19, 2026

- Meeting Agenda

- New Business
    1. Compliance Office Update
    2. Internal Audit Update Report
       by KMH LLP

- APPROVAL OF MINUTES – July 8, 2026

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, August 19, 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 Administrative and Audit Committee 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 provide testimony in person or by teleconference, either audio or video, at the following link or phone number:
https://teams.microsoft.com/meet/291220676677809?p=xl9fKmWO5ZXLBFe7AY

Or join by entering meeting ID: 291 220 676 677 809 Passcode: VW6pg9qu

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: 310 860 596#

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, August 18, 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 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. Compliance Office Update on Enterprise Governance, Risk, and Modernization Project.
2. Internal Audit Update Report by KMH LLP on the Current Status of Activities Completed During July and August 2026, and an Update on the Completion Status of Management Action Plans for Past Non-Information Technology Internal Audit Observations and Recommendations.

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 – July 8, 2026

APPROVAL OF EXECUTIVE SESSION MINUTES – July 8, 2026

Pursuant to HRS § 92-5(a)(2), (4), (6) and (8), the Committee may enter into executive session if such approval requires the consideration of sensitive matters relating to public safety or security; the consideration of information that must be kept confidential pursuant to State law; the consideration of the hire, evaluation, dismissal, or discipline of an officer or employee or of charges brought against the officer or employee, where consideration of matters affecting privacy will be involved; and/or 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.

EXECUTIVE SESSION

1. Executive Session, pursuant to HRS §92-5(a)(4) and (6), to consider sensitive matters related to Cyber Security that involves Information Security, Technology Risk Management, and the protection of Employees' Retirement System Information Assets, and to consider and consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities with respect to such matters.

ADJOURNMENT

If you require auxiliary aid/service or other accommodation due to a disability, please contact Dale Kehau Kanae at (808) 586-1706 or dale.kanae@hawaii.gov as soon as possible, preferably by Friday, August 14, 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.

Compliance Office Update

Employees’ Retirement System of the State of Hawai‘i

Administrative & Audit Committee · August 2026
Chief Compliance Officer · Kona Mann

Today’s Governance Discussion

01	**Orientation & Reporting Model**	How to read the package and who owns each layer of reporting.
02	**ERM Development Roadmap**	What RSM is building and when the Committee should expect more mature risk reporting.
03	**Risk Universe**	The complete preliminary inventory and why it should not be read as a current-state assessment.
04	**Near-Term Enterprise Priorities**	Human capital, cybersecurity, employer reporting, procurement, financial reporting and modernization.
05	**Modernization Outlook**	Current governance concerns, general sequencing and the next 90 days.

Orientation – What the Committee Should Know

ERS is strengthening several governance capabilities at the same time. This report is intended to give the Committee a simpler, more consistent view of governance activities across the ERS.

WHAT NEEDS ATTENTION NOW

- Is reporting approach moving in the direction the Committee intended?
- Does the report provide the right Board lens: what matters, management's response, who is accountable, when can completion be expected, and what come's next?

WHAT IS BEING BUILT

- Formal ERM assessment and validated risk prioritization.
- Business continuity / disaster recovery maturity.
- Optro-enabled governance and risk reporting.

HOW TO READ TODAY'S REPORT

- Compliance provides the integrated enterprise view.
- RSM provides detailed ERM and cybersecurity reporting.

KMH provides independent audit assurance; Branch Chiefs own management remediation and progress reporting.

COMMITTEE AGREEMENT REQUESTED | Compliance Office will refine future reports based on the Committee's feedback on usefulness, level of detail and reporting cadence.

How Governance Reporting Fits Together

The Compliance Office provides the integrated governance context. Detailed risk, technical and assurance reporting remains with the responsible management owners and assurance partners.

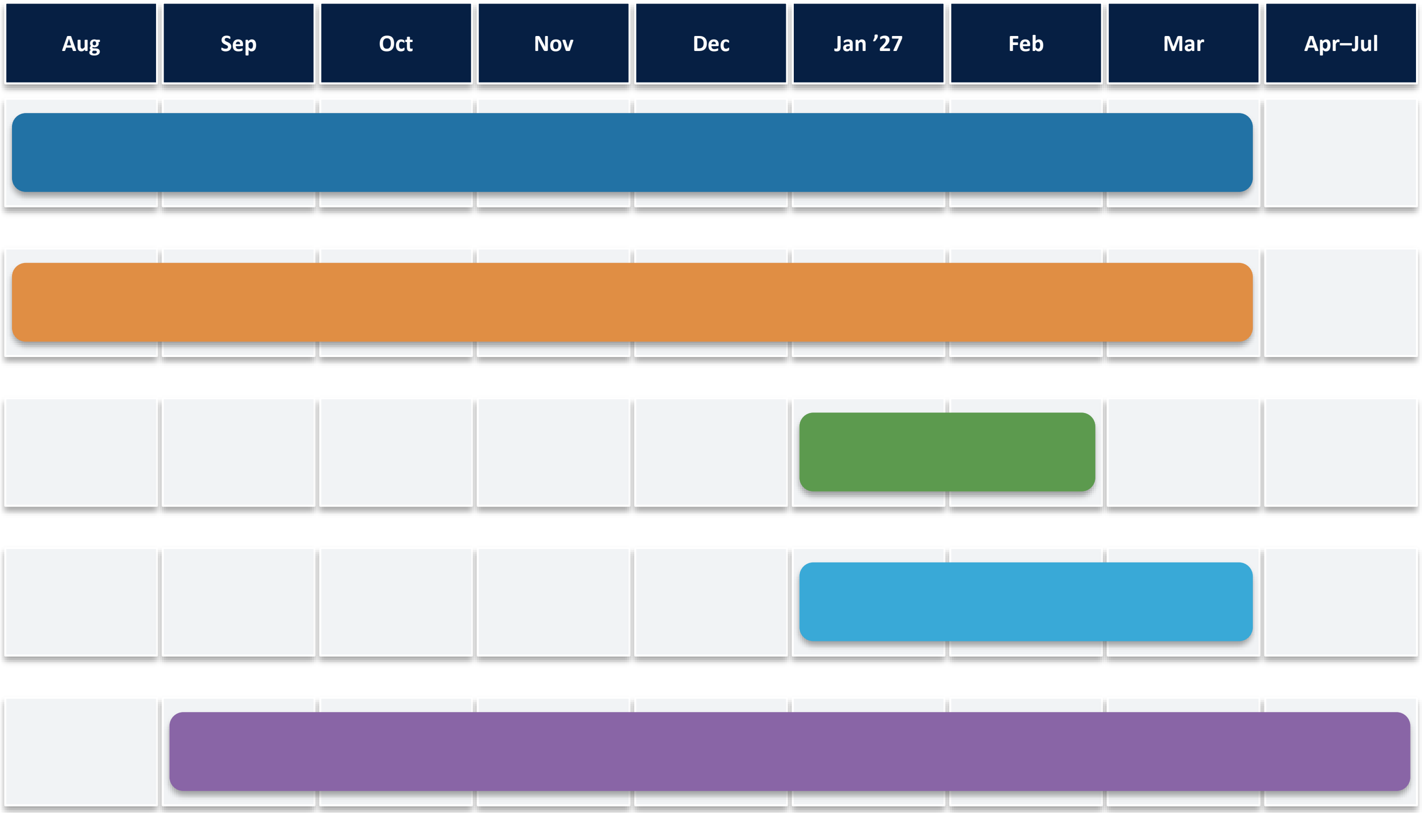
01	**Compliance Office**	Integrated enterprise view: significant governance matters, cross-functional dependencies, near-term priorities and Board context.
02	**RSM – ERM & Cybersecurity**	Formal ERM methodology, assessment and scoring validation; detailed cyber risk posture, incident response and remediation reporting.
03	**KMH – Internal Audit**	Independent assurance: audit results, open findings, and validation of whether corrective actions are sufficient to support closure.
04	**Branch Chiefs / Management**	Own corrective action plans, target dates and evidence; report remediation progress and barriers; escalate delays requiring executive support.

Governance principle: management owns remediation; Internal Audit independently validates closure; Compliance integrates significant matters for Committee oversight.

Risk & Resilience Program Roadmap – RSM Workstreams

The RSM calendar provides the delivery sequence behind ERS's emerging cyber, ERM, resilience and GRC capabilities. Reporting reflects these milestones.

vISO / Cyber	IA remediation through Mar '27 • IR process Aug '26 • Cyber risk assessment Sep '26 • TPRM Jun–Sep '26
ERM	Plan Aug • Interviews Sep • Prioritize Oct • Assessment + heat map Nov • Mitigation templates Dec • Risk appetite Jan '27 • Executive dashboards Mar '27
Organizational Resilience	BIA / continuity assessment and refresh Jan–Feb '27
Disaster Recovery	Assessment Jan–Feb '27 • Tabletop Mar '27
Optro	Health check Sep '26 • Optimization Oct–Jan • Training Dec–Feb • Visualizations Jan–Mar • Automations Apr–Jul '27



BOARD TAKEAWAY | ERM & Disaster Recovery are still being built. The validated enterprise risk assessment and heat map are scheduled for November 2026; resilience and disaster recovery work follows in early 2027; Optro reporting capability matures progressively through 2027.

Why This Is Not Yet a Current-State ERM Report

Employees' Retirement System of the State of Hawaii

The current risk information is a transitional governance view. It gives the Committee visibility now, but the formal assessment work needed to validate likelihood, impact and prioritization is still underway.

What We Have Now

- Risks carried forward from management input, prior audit work and the existing ERS Risk Dashboard.
- A complete preliminary risk universe.
- Six near-term priorities selected for Board visibility based on known conditions and active governance matters.

What We Do Not Yet Have

- A facilitated enterprise-wide assessment across leadership and branches.
- Formally validated likelihood and impact scoring.
- Validated residual risk, risk appetite or treatment prioritization.

What RSM Will Add

- Structured interviews and facilitated prioritization.
- A refined risk register and consistent terminology.
- Validated assessment / heat map and treatment planning.
- A repeatable ERM reporting process.

BOARD TAKEAWAY | Use the current slides to understand the breadth of risk and management's near-term concerns—not as a final ranking of enterprise risk.

Preliminary Enterprise Risk Universe – Complete Inventory (1 of 2)

Governance | Operational | Financial | Cyber / Tech | Compliance | Strategic

Complete inventory of risks currently identified by ERS. Category colors show the shape of the risk universe before formal ERM validation.

Risk	Risk Category	Responsible	Accountable
Employer Reporting	Compliance & Regulatory	RBB + Accounting/Work Reports + PS	CCO
Legislative / Regulatory Changes	Compliance & Regulatory	Program Specialists	Executive Leadership + Board + AG
IT Operations / System Downtime	Cybersecurity & Technology	I/S Branch	I/S Branch Chief + DED
Cybersecurity / Data Breach or Ransomware	Cybersecurity & Technology	I/S Branch/ I/S Branch Chief + vISO + CCO	I/S Branch Chief + CCO
Investment Market Risk	Financial	Investments + CIO	CIO + Executive Director + Board
Cash Flow / Liquidity	Financial – Cash Management	Accounting + Investments	Accounting Branch Chief
Financial Reporting / ACFR	Financial – Reporting	Accounting Branch + Accounting Branch Chief	Accounting Branch Chief + DED
Litigation / Legal Cost Exposure	Financial – Legal	Executive Leadership + AG	Executive Director + AG’s
Insufficient Staffing	Governance – Human Resources	Branch Leadership + HR	DED
Succession / Knowledge Loss	Governance	Branch Leadership + Executive Management	DED

** Preliminary view only. ERS has not completed a formal enterprise risk assessment; likelihood, impact, ranking and prioritization have not been formally validated. RSM’s formal ERM assessment sequence culminates in delivery of the assessment and heat map in November 2026.*

Preliminary Enterprise Risk Universe – Complete Inventory (2 of 2)

Governance | Operational | Financial | Cyber / Tech | Compliance | Strategic

Complete inventory of risks currently identified by ERS. Category colors show the shape of the risk universe before formal ERM validation.

Risk	Risk Category	Responsible	Accountable
Staff Mobility / Retention	Governance	Branch Leadership + HR	Executive Leadership
Contracting & Procurement	Operational	Procurement + Branch Leads	Accounting Branch Chief + DED
Budget Development	Operational	Accounting Staff + Accounting Branch Chief + Executive Leadership	Executive Director
Member Operations / Benefit Processing	Operational	RBB/Member Services + Benefits	DED
Business Continuity & Recovery	Operational	Branch Leadership + Executive Leadership	CCO
Vendor Management	Operational	Branch Leadership + CCO + DED	Branch Leadership
Employee Safety / Working Conditions	Operational – Crisis Management	Branches + Executive Management	Executive Director
Budget Autonomy / External Approvals	Strategic	Executive Leadership	Executive Director
Internal Communication / Priority Alignment	Strategic	Program Specialists + Executive Leadership	Executive Leadership
Obsolete Systems & Processes	Strategic – Innovation	I/S Branch + I/S Branch Chief + Branch Leads	I/S Branch Chief + DED

** Preliminary view only. ERS has not completed a formal enterprise risk assessment; likelihood, impact, ranking and prioritization have not been formally validated. RSM's formal ERM assessment sequence culminates in delivery of the assessment and heat map in November 2026.*

Near-Term Enterprise Priorities – Preliminary View

Six areas are highlighted for near-term visibility based on known operational conditions, open remediation work and current management activity. They are not formally ranked or scored.

20	6	Nov 2026
risks in preliminary universe	areas highlighted for visibility	RSM assessment / heat map

#	Area	Description
01	**Governance – Human Capital**	Vacancies, succession and institutional knowledge.
02	**Cybersecurity**	Third-party exposure and evolving threats.
03	**Employer Reporting**	Employer data quality and timeliness.
04	**Procurement & Contracting**	Procurement capacity and process throughput.
05	**Financial Reporting / ACFR**	Overdue reporting and dated procedures.
06	**Modernization / Legacy PAS**	Readiness and contract dependencies.

* Preliminary management view only. Formal ERM assessment, scoring and prioritization will be informed by RSM's work through November 2026.

Governance-Human Resources – Near-Term Priority

Vacancies are being actively addressed; the next governance challenge is converting hiring activity into operational capability.

Current Remediation Process:

Recruit
Fill priority vacancies

Onboard
Orient new staff

Train
Role-based capability

Transfer
Institutional knowledge

Sustain
Back-up coverage

Why It Matters

- Staffing gaps increase dependency on experienced employees.
- Retirements and turnover can accelerate knowledge loss.
- Modernization adds workload while ERS rebuilds capacity.

Management Response

- DED is coordinating with B&F to advance recruitment and fill priority vacancies.
- Leadership is aligning hiring activity to critical operations and modernization needs.
- DED anticipates all related recruitment actions to be addressed before the end of the calendar year.

What Comes Next

- Vacancy progress.
- Onboarding and training readiness.
- Whether staffing gains reduce operational bottlenecks.

ACCOUNTABILITY **DED**

Cybersecurity – Near-Term Priority

Cybersecurity remains elevated. This Compliance update provides enterprise context; RSM's cyber report carries detailed remediation and incident-specific reporting.

01

Third-Party Breaches

Vendor and data exposure risk requires sustained escalation and oversight.

02

Active Remediation

vISO roadmap, incident response, vulnerability management and third-party risk governance continue.

03

Detailed Reporting

RSM to provide current cyber posture, remediation progress, challenges and next actions.

CURRENT FOCUS **Third-party risk • Incident response • Vulnerability management • Security roadmap**

Employer Reporting – Near-Term Priority

Employer reporting is a significant operational and compliance exposure because inaccurate or untimely employer data can flow directly into member records and benefit administration.

Current Audit Process:

Employer Data → ERS Validation → Compliance Review → Findings → Corrective Action → Annual Trend Analysis

Why It Matters

• Act 87 testing covers class-code reporting, personnel-interface transactions and payroll reporting.
• Baseline compliance requirements include submission timing, file, format/content, action-code mapping, overpayments and corrections.

Management Response

• A dedicated ERS/KMH team is in place to conduct compliance reviews, communicate findings and recommendations, and work with employers on corrective actions.

• Testing results are aggregated and reviewed annually to identify improvement opportunities.

What Comes Next

• Complete the current FY26 testing cycle and employer exit meetings.

• Track recurring findings and corrective actions by employer / requirement.

• Use results to focus outreach, training and future remediation.

ACCOUNTABILITY **CCO**

Contracting & Procurement – Near-Term Priority

ERS currently lacks a dedicated procurement specialist. The immediate objective is to maintain required procurement throughput while the vacancy is filled without weakening delegation, training or controls.

Current Remediation Process:

Identify Org. Demand → Assign Qualified Support → Central Tracking & Review → Complete Procurements

→ Build Sustainable Model/ Contract Management Framework

Why it Matters

Procurement capacity affects contracts, vendor support and timely execution of agency needs.

Management Response

Qualified branch staff are supporting procurement activity with centralized tracking and review while the vacancy is addressed. KMH is also supporting development of a more centralized procurement and contract-management framework.

What Comes Next

Continue recruitment, confirm roles / training and build the procurement improvement roadmap. KMH's August work includes establishing planned activities, target dates and resource needs for priority improvement initiatives.

ACCOUNTABILITY Accounting Branch Chief + DED

Financial Reporting / ACFR – Near-Term Priority

Financial reporting remains overdue and requires sustained remediation, but management action is underway. The governance objective is to restore a reliable reporting cadence.

Current Remediation Process:

Overdue Reporting → Document Policies & Procedures → Develop Process To Track Errors and Improve Employer Communication → Training → Monitor Progress

Why It Matters

Timely financial reporting supports management visibility, audit readiness, accountability and continuity of the Accounting function.

Management Response

• Accounting and KMH are developing the financial-reporting framework, policies, procedures, training and ACFR process improvements, including clearer ownership and milestones.

• Remaining associated activities concerning the 2025 ACFR to be completed by the end of August.

What Comes Next

Work to the agreed remediation schedule: financial-reporting framework policies target November 2026; related procedures and training target March 2027. Continue monitoring budget visibility and accounts-payable process improvements.

ALSO MONITOR **Budget visibility • Accounts-payable timeliness • Internal Audit corrective actions**

ACCOUNTABILITY **Accounting Branch Chief + DED**

Modernization Timeline – General Sequencing

Project approach is framed in three periods. Actual dates remain dependent on contract execution and the approved implementation schedule.

Pre-Migration

~12 Months

- Assess / capabilities
- Data profiling
- Workflows / BPI
- OCM strategy
- Tech / Cyber / EA review

Migration

~24 Months

- Project management
- Testing
- OCM & training
- Implement BPI

Post-Migration

~12 Months

- Stabilization
- Confirmation
- Continued OCM / training

NEXT 90 DAYS

AUGUST

Close pre-migration readiness work

- Test candidate / script approvals / JIRA ticket resolution
- Data profiling updates
- Training and OCM strategy development
- BPI / EA implementation work

SEPTEMBER

Validate and prepare for transition

- Data Cycles 7–8 and assessment runs
- Training strategy approval
- OCM leadership / feedback activities
- Complete Aquarius pre-migration build

OCTOBER

Begin migration-phase activities

- Start data migration services
- Testing assessment begins
- Launch phased rollout / member & employer improvements
- Finalize BPI and OCM deliverables

BOARD TAKEAWAY | The next 90 days are about closing pre-migration readiness work, validating transition readiness, and beginning migration-phase activity as dependencies allow.

Modernization / Legacy PAS – Near-Term Priority

Modernization governance is functioning, but delivery confidence depends on closing dependencies and improving organizational readiness before implementation activities accelerate.

Current 90 Work Stream:

Contract Approvals → Data Readiness → Testing / Process Documentation → Organizational Readiness → Migration Activities

Why It Matters

Internal Executive Sponsor / PM have been established. The program spans multiple branches and vendors, so dependencies and capacity constraints can affect sequencing and delivery.

Management Response

• Data remediation, test candidates, process documentation, branch capacity and organizational readiness are interconnected. RAID management and branch participation are being tracked.

• Branches may not have the capabilities and resources to close work streams.

What Comes Next

Use the 90-day outlook to monitor closure of readiness work, transition preparation and the start of migration-phase activity as dependencies allow.

ACCOUNTABILITY CCO + Systems Supervisor

KMHLLP

Employees' Retirement System Internal Audit

Administrative & Audit Committee Update Report

August 19, 2026

Employees' Retirement System of the State of Hawaii

Table of Contents

Report sections and corresponding page references

Executive Summary

Overview of key matters, priorities, and status updates

Administrative and Other Matters

- Acting under the direction and with the support of the Administrative & Audit Committee and the Board of Trustees, Internal Audit deferred assurance engagements scheduled in the 2026 internal audit plan so that Internal Audit could assist ERS in closing longstanding non-IT audit findings and tend to other areas of the organization that warrant immediate attention. Throughout this effort, no ERS management responsibilities or ownership will be assumed by IA.
- Regular meetings between Internal Audit and Executive Management remain ongoing, ensuring leadership stays informed of audit activities while emerging organizational needs are discussed. Meetings with the Executive Director and Interim Deputy Executive Director took place in July, and beginning in August, biweekly meetings will be arranged for Internal Audit to report on the status of audit finding remediation and other support initiatives.
- Weekly discussions are held with the Chief Compliance Officer ("CCO") as a means of tracking active ERS and CCO initiatives, among them the remediation of internal audit findings, the V3locity Migration, and Risk & Resiliency workstreams covering vISO support, Enterprise Risk Management, and business continuity and disaster recovery planning.

Risk Assessment Re-Evaluation & Two-Year Audit Plan

- The Risk Assessment Re-Evaluation process will begin this month and will include the development of the 2027-2028 Internal Audit Plan.
- In September 2026, Internal Audit will be scheduling and conducting interviews with Executive Management, Branch Leadership, and select Board of Trustees.
- To make the best use of participants' time and streamline the effort, interviews will be carried out jointly with the Enterprise Risk Management (ERM) team.

Executive Summary (continued)

Overview of key matters, priorities, and status updates

Employees' Retirement System of the State of Hawaii

Internal Audit Support and Remediation Activities Update (July 2026)

- Met with the Interim Deputy Executive Director to identify and prioritize key improvement initiatives. The highest-priority areas for support are summarized on Page 3.
- Developed detailed remediation workplans for all open findings and conducted meetings with responsible branches to review and align remediation activities.
- Provided training to branches with open findings on the use of Optro, ERS's Governance, Risk, and Compliance (GRC) tool, including the implementation of tasks and sub-tasks to support remediation tracking. Training included guidance on system access, status updates, and progress monitoring.
- Conducted working sessions with branches to identify and agree upon remediation sub-tasks, assign ownership, and establish target completion dates. Following completion of these activities, Internal Audit initiated recurring meetings to support remediation execution and monitor progress.

Support Tasks in Process (August 2026)

- Finalize remediation tasks, sub-tasks, ownership assignments, and target completion dates for all open findings related to the Accounting Branch.
- Develop a comprehensive improvement roadmap outlining key focus areas, workstreams, participating branches, planned activities, and target completion dates. Progress against the roadmap will be reported periodically.
- Complete assessment on the level of support required for prioritized improvement initiatives and develop corresponding workplans, timelines, and resource estimates.

ERS Priority Improvement Areas Summary

Areas in which Internal Audit is providing support

In consultation with Executive Management, Internal Audit will continue to provide support to ERS throughout the term of its contract in the priority improvement areas identified below. The table summarizes each focus area, the support to be provided by Internal Audit, and the estimated hours required to complete the work.

	Area	Support Needed	Estimated Hour Range
1.	Non-IT Open Internal Audit Findings	Assist with the remediation of seven open non-IT internal audit findings, encompassing the completion of 10 remediation tasks and related sub-tasks. Support activities will include developing and documenting draft policies, procedures, and other key documentation; enhancing operational processes and controls; and providing training.	450 to 500
2.	Accounts Payable Process	Support the implementation of a centralized procure-to-pay process, including procurement, contract management, and accounts payable, through process documentation, policy development, and enhanced invoice aging and accountability reporting.	300 to 350
3.	Budget Development and Oversight	Assist with formalizing and strengthening the budget process by documenting procedures, defining roles and responsibilities, enhancing the annual budget calendar, and standardizing periodic management reporting.	150 to 200
4.	Contracting and Procurement	Support the establishment of a centralized procurement and contract management framework aligned with Chapter 103D and SPO guidance through standardized policies, procedures, templates, core competencies for execution, and systems to track procurement and contract lifecycles.	150 to 200
5.	Annual ACFR audit process improvements	Assist in revamping the current ACFR audit management framework to improve its structure and establish a repeatable process that is clearly understood across the Accounting Branch, enhancing accountability, consistency, and oversight. This includes the creation of a master calendar and milestones, a schedule and disclosure owner accountability matrix, standardized workpapers, documentation of policies and procedures, and recurring status meetings.	350 to 400

Reports with Open Non-IT Internal Audit Finding Remediation

Open non-IT findings by review with risk rating, remediation tasks, and start and target completion dates

For clarity and in response to feedback from the previous A&AC meeting, the table below provides a summary of open non-IT internal audit findings by review, including the report issuance date, finding identifier, and original risk rating. The Task column outlines Internal Audit's recommendations and the corresponding remediation timeline, including start and target completion dates.

Review Name	Report Issue Date	Responsible Branch	ID	Finding Level	Task	Start Date	Target Date
Member Enrollment & Re-Enrollment Process	April 2024	Compliance / Staff Support Services	ME-2	**High**	Develop file management, organization and storage policies and procedures that align with the State of Hawaii Records Management Branch	July 2026	February 2027
		Retirement Benefits	ME-5	**Medium**	Update Return to Work Transfers policies, procedures and process for clarity and to include reconciliation process	July 2026	January 2027
Financial Reporting Process	April 2019	Accounting	FR-3-1	**Medium**	Develop financial reporting framework policies	July 2026	November 2026*
			FR-3-2	**Medium**	Develop financial reporting framework procedures and provide training	October 2026	March 2027*
			FR-4-1	**Medium**	Develop investment accounting policies	July 2026	November 2026*
			FR-4-2	**Medium**	Develop investment accounting procedures and provide training	October 2026	March 2027*
			FR-5-1	**Medium**	Develop process to detect and track errors in employer submissions	July 2026	December 2026*
			FR-5-2	**Medium**	Enhance employer support and increase communication protocols	July 2026	December 2026*
Human Resources – Personnel Development and Retention	October 2020	Accounting	HR-2	**Medium**	For the Accounting Branch: Identify successor(s) and develop succession plan	August 2026	November 2026*
Employer Communication & Reporting Framework	July 2022	Accounting	ECR-3-1	**Low**	Develop procedures to review and process employer-specific Work Reports and use procedures to provide cross-training to Work Reports Team staff	September 2026	March 2027*

*** Target Date is subject to final approval by the Accounting Branch Manager.**

Non-IT Internal Audit Finding Remediation — Progress

Sub-task completion against open non-IT internal audit findings

Employees' Retirement System of the State of Hawaii

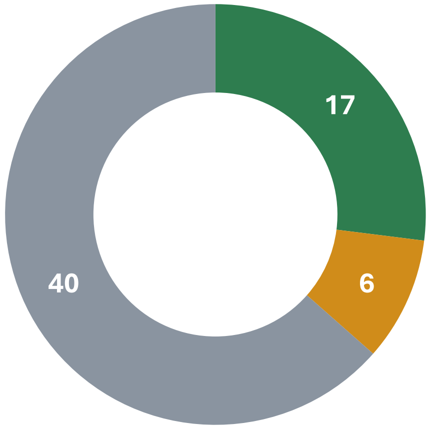
17
Sub-tasks complete

6
In progress

40
Not started

~27%
Closure rate

SUB-TASK COMPLETION — AS OF AUGUST 10, 2026



Complete · In Progress · Not Started

63 sub-tasks tracked across open non-IT internal audit findings at the prior reporting date.

~27% closed

WHAT THE MOVEMENT SHOWS

Focused Remediation Assistance
Due to competing operational priorities and ongoing initiatives, management capacity to drive remediation efforts has been limited. To accelerate progress, Internal Audit deployed a core team of five resources, with remediation activities strategically allocated across team members to support multiple workstreams and advance remediation efforts concurrently.

Remediation Workplan Development
To facilitate effective remediation and accountability, Internal Audit findings were translated into detailed tasks and sub-tasks, enabling structured execution, progress monitoring, and timely completion.

Collaborative Remediation Effort
Ongoing management engagement and collaboration with Internal Audit have facilitated information sharing, documentation gathering, and progress toward remediation objectives.

Non-IT Internal Audit Finding Remediation — Task and Sub-Task Detail

Task and sub-task status by finding, with target completion dates

The table below summarizes the overall remediation status for each finding, including the number of sub-tasks completed, in progress, and not yet started.

ID	Task	Business Risk	Target Date	Complete	In Progress	Not Started	Progress
ME-2	Develop file management, organization and storage policies and procedures that align with the State of Hawaii Records Management Branch	The lack of a formal process and documentation increases the risk of data inaccuracies, missing documentation, and non-compliance with applicable recordkeeping requirements.	February 2027	3	1	8	**8%**
ME-5	Update Return to Work Transfers policies, procedures and process for clarity and to include reconciliation process	Errors in service credit records may negatively affect retirement eligibility and benefits while requiring additional ERS resources to resolve.	January 2027	5	1	3	**56%**
FR-3-1	Develop financial reporting framework policies	Inadequate and outdated policies and procedures increase the risk of delayed decision-making and financial reporting, misaligned stakeholder expectations, and ineffective succession and knowledge transfer.	November 2026	3	1	3	**43%**
FR-3-2	Develop financial reporting framework procedures		March 2027	–	–	5	**0%**
FR-4-1	Develop investment accounting policies	Without effective alignment of policies, procedures, and training between the Investment Office and Accounting Branch, ERS faces an increased risk of material misstatements in its financial statements.	November 2026	3	1	3	**43%**
FR-4-2	Develop investment accounting procedures and provide training		March 2027	–	–	5	**0%**
FR-5-1	Develop process to detect and track errors in employer submissions	Inadequate employer reporting processes may lead to inaccurate pension liabilities, delayed financial reporting, and errors in member benefit payments.	December 2026	1	–	1	**50%**
FR-5-2	Enhance employer support increased communications with them		December 2026	1	1	1	**33%**
HR-2	For the Accounting Branch: Identify successor(s) and develop succession plan	Failure to establish effective succession planning and knowledge transfer processes may result in operational disruptions and the loss of critical institutional knowledge.	November 2026	1	1	4	**17%**
ECR-3-1	Develop procedures to review and process employer-specific Work Reports and use procedures to provide cross-training to Work Reports Team staff	Limited staff redundancy and knowledge transfer may result in delayed work report processing, loss of institutional knowledge, and inaccurate salary and contribution data.	March 2027	–	–	7	**0%**

2026 Internal Audit Plan Results Summary

Audit plan schedule, budget-to-actual hours, and estimated time to complete (ETC)

Internal Audit Plan (Approved by A&AC in February 2026)

Internal Audit Plan Period: January 1, 2026 through December 31, 2026																
	Q1 2026			Q2 2026			Q3 2026			Q4 2026			Hours			
PROJECT	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Budget	Actual	ETC	Variance
Carryover Projects																
Contracting & Procurement Review													200	45	-	(155)
Benefit Claims & Refund and Retiree Overpayments Processing Review													375	160	-	(215)
Member/Retiree Record Processing, Retention, and Storage													350	20	-	(330)
Assurance																
Biennial Follow-Up Review													300	22	-	(278)
Investment Management, Monitoring & Performance Evaluation													450	-	-	(450)
Advisory & Other																
V3locity Assessment and Updates													250	24	150	(76)
Extension of vISO Initiative - Roadmap Implementation													275	310	-	35
IA Recommendation & Implementation Assistance and Other Support													100	110	1,600	1,610
Risk Assessment Re-Evaluation & Two-Year Audit Plan													250	18	232	-
Compliance Office Collaboration and Assistance													150	108	50	8
Reporting, Communication and Other Administration													350	291	100	41
												Total Hours	**3,050**	**1,108**	**2,132**	**190**

In Process

Project Started but Postponed due to IA Effort Redirection

Project Deferred due to IA Effort Redirection

Advisory & Other Projects

Meetings, Board Support, Other

Key:

Budget: Original Approved Budget and Budget Changes Approved by the A&AC
Actual: Actual Hours Incurred through July 31, 2026
ETC: Estimated Time to Complete
Variance: [(Actual + ETC) - Budget] = over / (under) budget

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

JULY 8, 2026

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

Trustees present: (City Financial Tower by teleconference)	Mr. David Louie, Chair* (in person) Dr. Seth Colby, Vice Chair* Mr. Vincent Barfield* Ms. Darlene Blakeney* Dr. Amanda Lowrey
Staff present: (City Financial Tower by teleconference)	Mr. Kalbert Young, Executive Director* Mr. Wesley Machida, Interim Deputy Executive Director* Mr. Anthony Goo, Interim Chief Investment Officer* Mr. Kona Mann, Chief Compliance Officer* Mr. James Greubel, Program Specialist* Ms. Shanna Sakagawa, Program Specialist* Mr. Keith Miyamoto, Information Systems Branch Manager* Ms. Dale Kehau Kanae, Recording Secretary/Administrative Assistant* Ms. Lori Kim, Administrative Assistant* Ms. Andrea Gasper, Administrative Assistant
Attorneys present: (by teleconference)	Ms. Lori Tanigawa, Deputy Attorney General* Ms. Nietzsche Tolan, Deputy Attorney General* Ms. Diane Wong, Deputy Attorney General*
Guests present: (City Financial Tower by teleconference)	Mr. Joe Newton, Gabriel Roeder Smith & Company Mr. Lewis Ward, Gabriel Roeder Smith & Company Mr. Tyson Suehiro, KMH LLP* Mr. Alfred Ko, RSM US LLP* Mr. Ty Smith, RSM US LLP*
Public present:	Mr. Ryan Kagimoto
	*Attended Executive Session

QUORUM/CALL TO ORDER

A quorum being present (Chair Louie, Vice Chair Colby, and Trustees Barfield and Blakeney), Chair Louie 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 2:32 p.m. and identified himself as 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 Louie 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. Trustee Lowrey also attended the meeting by teleconference but did not participate in either deliberation or voting.

PUBLIC COMMENT

Chair Louie called for public comment. There was no public present in person, however, one (1) member of the public attended by teleconference and had no comment. There was also no written public testimony received for this Committee meeting.

UPDATE ON TRUSTEE ELECTION AND ANNOUNCE NEW BOARD MEMBER

Executive Director (ED) Kalbert Young Updated the Committee on the Trustee Election. A vacancy on the Board was created when Trustee Bennett Yap retired from government service on March 1, 2026. A notice for candidate nominations for a General Member Trustee was published in local newspapers and communications sent to general employee union organizations with a deadline to submit names by June 19, 2026. Only one nomination was received by the deadline from the Hawaii Government Employees Association of Dr. Amanda Lowrey and ERS has deemed and declared her to be duly and legally elected. Trustee Lowrey has been sworn in with the Oath of Office this morning and is subject to the Chair's assignment of Committees. ED Young acknowledged Trustee Lowrey's attendance and offered her an opportunity to address the Committee.

Trustee Lowrey shared with the Committee that she is excited to serve on the Board, has a lot to learn, will have a lot of questions, and appreciates everyone's help with her on-boarding. Committee Chair Louie and Trustees attending congratulated and welcomed Trustee Lowrey to the ERS Board and thanked her for her service.

PRELIMINARY ANNUAL ACTUARIAL VALUATION REPORT BY GABRIEL ROEDER SMITH & COMPANY FOR THE YEAR ENDING JUNE 30, 2026

Gabriel Roeder Smith & Company's Joe Newton and Lewis Ward attended the meeting by teleconference and presented an oral and written report to the Committee on a Preliminary Annual Actuarial Valuation Report for the Year Ending June 30, 2026, a mid-year update, and discussed in summary:

Legislation – Act 134 (SLH 2026 – SB 3096)
Projected 2026 Actuarial Valuation Results
Projection of Funding Period from 2016 Legislative Impact Statement vs Actual Valuation Outcomes
Actual vs Projected UAAL
Funding Period
Comparison of 7% and 6% Future Actual Returns
Summary

On a motion made by Trustee Blakeney, seconded by Vice Chair Colby, and unanimously carried, the Committee accepted the Preliminary Annual Actuarial Valuation Report by Gabriel Roeder Smith & Company for the year ending June 30, 2026, as presented, and recommended it be presented to the Board for approval at the next Board meeting.

Messrs. Newton and Ward left the meeting by ending their teleconference.

INTERNAL AUDIT UPDATE REPORT BY KMH LLP ON THE CURRENT STATUS OF ACTIVITIES COMPLETED DURING Q1 AND Q2, 2026, AND AN UPDATE ON THE COMPLETION STATUS OF MANAGEMENT ACTION PLANS FOR PAST NON-INFORMATIONAL TECHNOLOGY INTERNAL

KMH LLP's (KMH) Peter Hanashiro and Tyson Suehiro (attended in person), and RSM US LLP's (RSM) Alfred Ko attended the meeting by teleconference, and presented an oral and written report to the Committee of KMH's Internal Audit Update Report on the Current Status of Activities Completed During Q1 and Q2, 2026, and an Update on the Completion Status of Management Action Plans for Past Non-Informational Technology Internal Audit Observations and Recommendations and discussed in summary:

EXECUTIVE SUMMARY
Administrative and Other Matters
Status on Current Projects

AUDIT OBSERVATIONS AND RECOMMENDATIONS

- Contracting & Procurement Review
- Benefit Claims & Refund and Retiree Overpayments Processing Review
- Virtual Information Security Officer (vISO) Initiative
- Optro (GRC Tool) Management Training

2026 INTERNAL AUDIT PLAN RESULTS SUMMARY

KMH's Mr. Hanashiro informed the Committee that other items in the report will be discussed in detail in Executive Session. Any action by the Committee of this report will also be done in Executive Session.

The Committee shared their concern of not being able to rely on targeted completion dates within the report. ED Young responded to the Committee that ERS Administration will work on a truer targeted completion date, once subtasks by KMH are validated and identified, to be able to progress towards an earlier completion date.

The Committee requested if the dashboard within the report could include the original date of the finding. The Committee also requested the findings be prioritized starting with the most critical.

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

Chief Compliance Officer (CCO) Kona Mann presented an oral and written 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
Security Policy Development & Road Mapping
AuditBoard Implementation Project
Procurement of Data and Analytics Consulting Services
ERS Modernization Project Management

ERS MODERNIZATION PROJECT
Overall Project Status
Progress Since Last Update
Key Outstanding Activities

ERS MODERNIZATION PROJECT – CRITICAL ACTIVITIES
Majesco Migration
Vendor Coordination
Linea Readiness Activities

ERS MODERNIZATION PROJECT – EXECUTIVE FOCUS
Management Remains Focused On
Organizational Readiness

The Committee requested a dashboard to be able to quickly identify prioritized critical risks that show progress with mitigation plans to reduce risks, timelines, and completion dates of all ERS risks including Cyber Security and Investments.

COMPLIANCE SUPPORT STAFF REPORT AND UPDATE ON IMPLEMENTATION OF ERS' COMPLIANCE PROGRAM ON RISK ASSESSMENT, POLICIES & PROECUDURES, AND THIRD-PARTY RISK MANAGEMENT (CONT'D)	CCO Mann also presented a risk dashboard to the Committee showing ERS' top six high- to medium-risk findings taken from a list managed with the support of RSM US LLP. Three of the six non-Information Technology (IT) risk findings are Employer Reporting (Unidentified member, errors and delays), Human Resources (Insufficient staff/Staff mobility – Lack of staff), and Procurement and Contracting (Unable to secure services and resources). Plans to mitigate findings were listed. The other three IT-related risk findings will be reported in Executive Session. The Committee again requested CCO Mann produce a dashboard of all ERS risks be made available to the Committee and Board and presented at the next Committee meeting. The Committee noted that the request of a risk dashboard has been discussed at the last three or four Committee meetings and the Committee has not received anything substantial. CCO Mann and ED Young acknowledged the Committee's request of an ERS risk dashboard to be presented at the next Committee meeting. This staff report and update was provided for the Committee's information, and no action was required. This report will also be presented at the next Board Meeting.
APPROVAL OF MINUTES - FEBRUARY 11, 2026	On a motion made by Trustee Barfield, seconded by Vice Chair Colby and unanimously carried, the Committee approved both the regular Minutes and Executive Session minutes of the February 11, 2026, meeting as presented, noting a correction on the Executive Session Minutes that Trustee Barfield did not attend as he was not a member of the Committee and could only attended public session.
APPROVAL OF EXECUTIVE SESSION MINUTES - FEBRUARY 11, 2026	
PUBLIC COMMENT	Chair Louie again called for public comment. There was no public present in person, however, one (1) member of the public attended by teleconference and had no comment. (Chair Louie 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 Louie provided the reason to enter into Executive Session: Executive Session, pursuant to HRS §92-5(a)(4), (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 involving Information Security, Technology Risk Management, and the protection of ERS Information Assets; the Internal Audit Resource Reallocation; and the Risk Dashboard involving Cyber Security, Information Security, Technology Risk Management, Security Vulnerabilities, and related Mitigation Activities.)
ENTER EXECUTIVE SESSION	On a motion made by Vice Chair Colby, seconded by Trustee Blakeney, and unanimously carried, the Committee entered into Executive Session at 3:42 p.m.

(Chair Louie 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 that involves Information Security, Technology Risk Management, and the protection of Employees' Retirement System Information Assets.
- Pursuant to HRS §92-5(a)(4) and (6), to consider and consult with the Internal Auditors and the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities, and to consider sensitive matters related to the Internal Audit Resource Reallocation.
- Pursuant to HRS §92-5(a)(4) and (6), to consider and consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities, and to consider sensitive matters related to the Risk Dashboard that involves Cyber Security, Information Security, Technology Risk Management, Security Vulnerabilities, and related Mitigation Activities.

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 THAT INVOLVES INFORMATION SECURITY, TECHNOLOGY RISK MANAGEMENT, AND THE PROTECTION OF EMPLOYEES' RETIREMENT SYSTEM INFORMATION ASSETS

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

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

CYBER SECURITY, INFORMATION SECURITY, TECHNOLOGY RISK MANAGEMENT, SECURITY VULNERABILITIES, AND RELATED MITIGATION ACTIVITIES	
EXIT EXECUTIVE SESSION	On a motion made by Trustee Barfield, seconded by Vice Chair Colby, and unanimously carried, the Committee exited Executive Session at 4:52 p.m. Participants of the Executive Session in the virtual breakout room were moved to the main room with the public participants. Chair Louie announced that while in Executive Session, the Committee discussed sensitive matters related to Cyber Security information and plans, of which no action was taken; the Committee discussed the Internal Audit Resource Reallocation plans, of which no action was taken; and the Committee was presented information on the Risk Dashboard, that involves Cyber Security, Information Security, Technology Risk Management, Security Vulnerabilities, and related Mitigation Activities of which no action was taken.
ADJOURNMENT	On a motion made by Vice Chair Colby, seconded by Trustee Blakeney, and unanimously carried, Chair Louie adjourned the meeting at 4:55 p.m.

REDACTED SIGNATURE

Kalbert Young
Executive Director

dkik