

Board Packet List of Documents

Administrative & Audit Committee Meeting November 2, 2026

- Meeting Agenda
- New Business
 2. Compliance Office Quarterly Report on Enterprise Governance, Risk, and Compliance
 3. Compliance Office Quarterly Report on the ERS Modernization Project
 4. Internal Audit Update Report by KMH LLP
- APPROVAL OF MINUTES – August 19, 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: Monday, November 2, 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/2416639542259436?p=eDVu6JP2mTVBZH9MSN>

Or join by entering meeting ID: 241 663 954 225 943 6 Passcode: QD2p26UQ

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: 648 508 666#

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

AGENDA

QUORUM/CALL TO ORDER

PUBLIC COMMENT

Members of the public may submit written testimony on these agenda items via e-mail or postal mail with receipt recommended by 4:30 p.m. on Friday, October 30, 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. Discuss Recent Departure of Vice Chair of the Administrative & Audit Committee.
2. Compliance Office Quarterly Report on Enterprise Governance, Risk, and Compliance.
3. Compliance Office Quarterly Report on the ERS Modernization Project.
4. Internal Audit Update Report by KMH LLP on the Current Status of Activities Completed During September 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 – August 19, 2026

APPROVAL OF EXECUTIVE SESSION MINUTES – August 19, 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 Wednesday, October 28, 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 Governance Quarterly Report

Employees' Retirement System of the State of Hawai'i

Administration & Audit Committee · October 2026

Chief Compliance Officer · Kona Mann

Today's Governance Discussion

- | | | |
|-----------|--|---|
| 01 | Executive Summary | What has advanced, what remains a concern, and what evidence comes next. |
| 02 | Five Priority Risks | Current progress and remaining exposure across the five priority areas. |
| 03 | Human Capital & Cybersecurity | Progress, remaining exposure, and the next evidence expected. |
| 04 | Employer Compliance (Act 87) | FY2026 testing results, recurring patterns, and corrective-action expectations. |
| 05 | Procurement & Financial Reporting | Process improvement, capacity, remediation milestones, and remaining concerns. |
| 06 | Internal Audit Remediation | Movement from open findings toward actions, evidence, and independent closure. |

Movement since the last report and the areas that now warrant Committee visibility

- 01

Employer Compliance

Testing now provides a measurable baseline: 67 employers, 2,409 samples, 860 exceptions and a 35.7% testing exception rate.
- 02

Internal Audit

Optro is moving open findings into defined remediation actions, owners, due dates and evidence. Accounting improvement work now has milestones.
- 03

Top Risks

Five previously identified priority areas remain the reporting focus: human capital, cybersecurity, employer reporting, procurement and financial reporting.
- 04

ERM

Formal assessment is progressing. RSM’s validated prioritization and heat map will replace the preliminary view when ready.
- 05

Reporting Advancement

The report is shifting from describing activity to showing evidence, ownership, milestones and whether exposure is actually decreasing.

COMMITTEE TAKEAWAY | ERS is moving from identifying issues toward structured remediation. The five priority risks remain visible. The reporting is advancing by showing measurable results and remediation progress where evidence exists.

Five Priority Risks – Progress & Current Concern

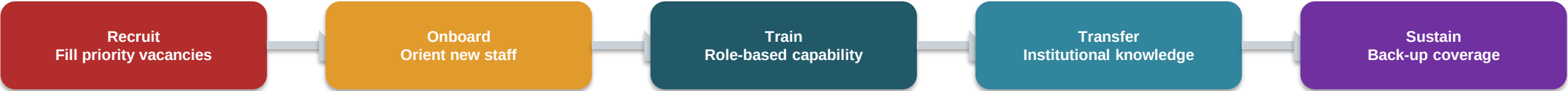
Six areas are highlighted for near-term visibility based on known operational conditions, open remediation work and current management activity. They are not formally ranked or scored.



Governance - Human Capital – Progress & Remaining Exposure

Recruitments are progressing. The remaining governance concern is whether hiring translates into sustainable capability, succession and backup coverage.

Current Remediation Process:



Current Concern

- Critical knowledge remains concentrated in experienced staff.
- Recruitment alone does not solve succession or continuity.
- Modernization adds workload while ERS rebuilds capacity.
- Retirements and turnover can accelerate knowledge loss.

Progress

Recruitment activity is progressing. Management continues to fill priority vacancies and rebuild capacity.

What Comes Next

Show whether hiring translates into documented knowledge, cross-training, succession planning, interim coverage and fewer single-person dependencies.

ACCOUNTABILITY DED + Branch Management

Cybersecurity – Progress & Remaining Exposure

RSM/vISO work is progressing. This update keeps the enterprise exposure visible without duplicating or getting ahead of specialist cyber reporting.

01

Current Concern

Third-party exposure, incident readiness and vulnerability remediation remain important enterprise concerns.

02

Progress

vISO, policy, incident-response, vulnerability-management and third-party-risk work continue.

03

What Comes Next

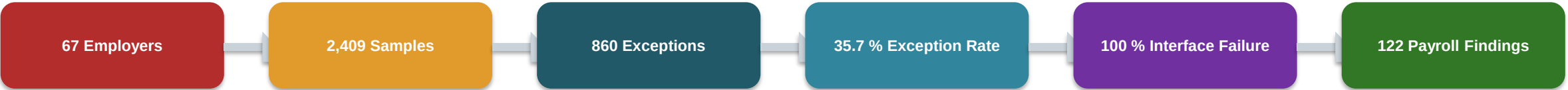
RSM/vISO reporting should show current posture, remediation movement, material challenges and next actions.

COMMITTEE LENS | Is the security program becoming more sustainable while significant exposures remain visible?

Employer Reporting – Measurable Results

This area has advanced from activity reporting to a measurable compliance baseline and recurring patterns that can now be tracked through corrective action.

Current Results:



What The Results Show

- Personnel-interface file failures were systemic.
- Few Round 1–2 payroll findings were corrected.
- Requirements are interpreted inconsistently.
- Charter schools had the highest Round 3 exception rates.

Next Steps Response

Standardize requirements and pay-code mapping; clarify common guidance; review the interface process; track corrections; target training and escalation where patterns persist.

What Comes Next

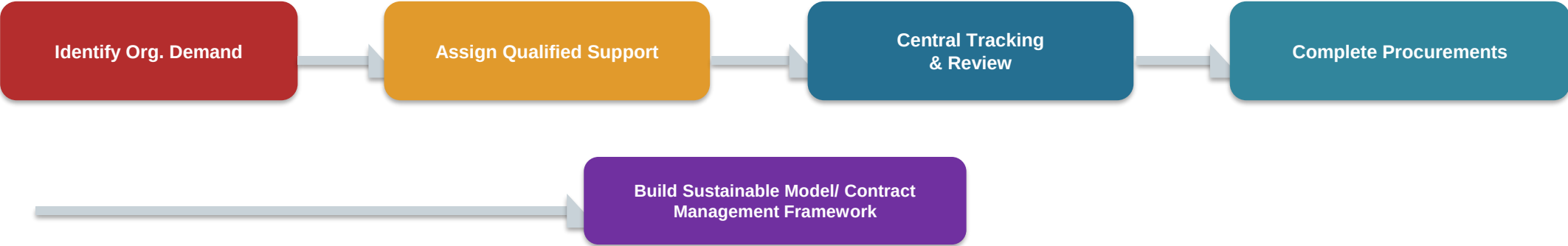
Assign owners and target dates; complete Round 3 correction tracking; use future testing to show whether exception and correction rates improve.

ACCOUNTABILITY CCO + Operational Owners

Contracting & Procurement – Progress & Remaining Exposure

Recruitment and process-improvement work are progressing. The remaining concern is maintaining throughput and controls while building a sustainable procurement and contract-management capability.

Committee Lens:



Current Concern

Limited dedicated capacity can affect contract timing, vendor support, compliance and timely execution of agency needs.

Progress

Qualified staff continue to support procurement while recruitment progresses. Defined improvement work now includes assessment, policies/procedures and contract-lifecycle monitoring.

Next Evidence

Recruitment results plus completion of the November improvement milestones: current-state assessment, policies/procedures and standardized lifecycle-monitoring tools.

ACCOUNTABILITY Accounting Branch Chief + DED

Financial Reporting / ACFR – Progress & Remaining Exposure

Financial reporting remains a concern, but remediation is becoming more structured. The next test is execution against defined ACFR, accounts-payable and budget-governance milestones.

Current Remediation Process:



Current Concern	Progress	What Comes Next
Timely, repeatable financial reporting remains important to audit readiness, management visibility, accountability and continuity.	Improvement work now includes ACFR process assessment, a master calendar, accountability matrix, standardized workpapers and documented policies/procedures, with milestones through January 2027.	Demonstrate completion against the roadmap, attach evidence, identify overdue actions early and move completed remediation to KMH for validation.

- COMMITTEE LENS Are defined remediation actions restoring a reliable reporting and control environment?
- ACCOUNTABILITY Accounting Branch Chief + DED

Internal Audit Remediation – From Open Findings to Evidence

Internal Audit reporting is advancing from a list of open findings toward a repeatable remediation process with actions, owners, dates, evidence and independent validation.

WHAT HAS ADVANCED	CURRENT CONCERN	WHAT PROGRESS SHOULD LOOK LIKE
<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none">• A facilitated enterprise-wide assessment across leadership and branches.• Formally validated likelihood and impact scoring.• Validated residual risk, risk appetite or treatment prioritization.	<ul style="list-style-type: none">• Structured interviews and facilitated prioritization.• A refined risk register and consistent terminology.• Validated assessment / heat map and treatment planning.• A repeatable ERM reporting process.

COMMITTEE TAKEAWAY | Management owns remediation. KMH validates closure. Compliance makes progress, delay and remaining exposure visible to the Board.

Compliance Office Modernization Quarterly Report

Employees' Retirement System of the State of Hawai'i

Administration & Audit Committee · October 2026

Chief Compliance Officer · Kona Mann

Today's Modernization Project Discussion

- | | | |
|-----------|--|--|
| 01 | Executive Summary | What's changed, what is moving, and what the Committee should watch. |
| 02 | Contract & Migration Readiness | Year-end execution path and the consequence of delay. |
| 03 | People & Organizational Readiness | Whether committed capacity can support migration and operations. |
| 04 | Testing & Delivery Readiness | Testing gap, required pace and shared delivery accountability. |
| 05 | Progress & Quick Wins | Visible delivery progress and near-term outcomes. |
| 06 | Next 90 Days | The few conditions that determine migration readiness. |

What changes since the last report and what matters next...

- 01

Contract

ERS and Majesco are working toward a year-end migration agreement. Early December is the working target to preserve time for final approvals and execution.
- 02

Resources

Branch Chiefs are resourcing toward Linea's approximately 14 FTE-equivalent model; Administration is pursuing intern support for pre-migration work.
- 03

Testing

About 900 test candidate scripts are scoped; 176 are approved and 724 remain. A sustained pace near 30 per week would be needed to finish by the end of March.
- 04

Team Alignment

RBB SMEs are strongly engaged. PM coordination, communication and inclusion are improving across the program.
- 05

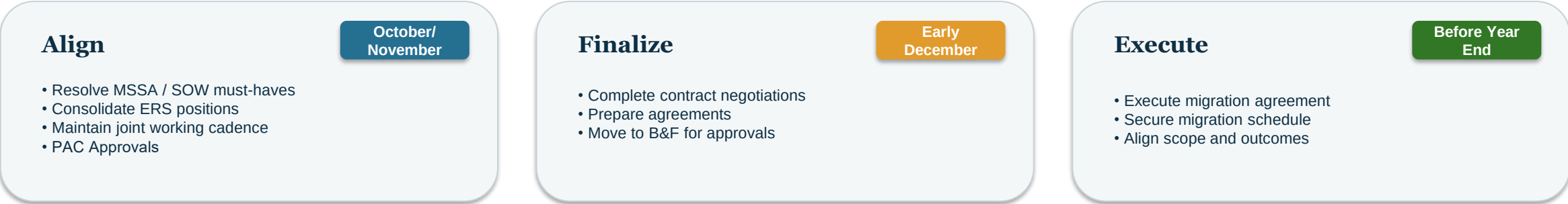
Quick Wins

Website inquiry form and FAQ improvements are nearing rollout, providing visible member-service progress before migration.

COMMITTEE TAKEAWAY | The project is moving. Is management converting contract progress, committed capacity and improved coordination into measurable migration readiness?

Contract & Migration Readiness

ERS and Majesco share the objective of executing the migration agreement before year-end. The working target is early December to preserve time for final approvals and execution.



WHY TIMING MATTERS



COMMITTEE TAKEAWAY | Both parties are invested in year-end execution. Is the agreement progressing fast enough to protect year-end execution and ERS’ place on the migration schedule?

People & Organizational Readiness – Capacity Must Become Delivery

Management is assembling the resource model. The oversight question is whether that capacity becomes dependable project delivery without materially affecting operations.

Current Committee Lens:



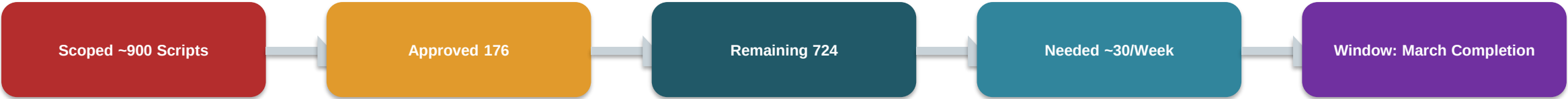
ACCOUNTABILITY CCO + Systems Supervisor + Linea

COMMITTEE TAKEAWAY | Is committed capacity translating into delivery without materially affecting core operations?

Testing & Delivery Readiness

Testing is the clearest near-term delivery constraint. The issue is shared across ERS, Linea and Majesco and requires a predictable weekly rhythm.

Current Committee Lens:



Delivery Gap

Testing, data remediation, defect support and process documentation require sustained branch time. Delay in decisions or staffing pushes work downstream while vendor and project costs continue.

Shared Accountability

- Branches may not have the capabilities and resources to close work streams.
- Branch Chiefs own the balance of operations and project work: set priorities, name decision-makers, assign staff, protect critical services and escalate capacity conflicts early.

Management Response

Validate the resource demand against actual workloads. Decide what continues, what can be deferred or reassigned, and where added support is required. Do not allow unresolved decisions to become schedule delay.

ACCOUNTABILITY CCO + Systems Supervisor + Linea

COMMITTEE TAKEAWAY | Is testing throughput increasing fast enough to protect the migration path, and are quality or turnaround issues being resolved?

Next 90 Days – What the Committee Should Watch

The next 90 days should show whether recent progress is becoming repeatable delivery and whether the remaining dependencies are being reduced.

Current Committee Lens:



ACCOUNTABILITY CCO

COMMITTEE TAKEAWAY | Are the key dependencies shrinking each reporting period, or are they beginning to affect cost, schedule, readiness or operations?

Employees' Retirement System Internal Audit

Administrative & Audit Committee Update Report

October 13, 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.

Table of Contents

Report sections and corresponding page references

	<u>Page</u>
 Executive Summary	1
 ERS Priority Improvement Areas Summary	3
 ERS Priority Improvement Areas Roadmap	4
 Reports with Open Non-IT Internal Audit Finding Remediation	5
 Non-IT Internal Audit Finding Remediation — Progress	6
 Non-IT Internal Audit Finding Remediation — Task and Sub-Task Detail	7
 2026 Internal Audit Plan Results Summary	8

Executive Summary

Overview of key matters, priorities, and status updates



Administrative and Other Matters

- Internal Audit continues to support ERS in addressing longstanding non-IT audit findings and other areas requiring attention. This assistance is provided under the direction of the Administrative & Audit Committee and Board, without assuming management responsibilities.
- Regular meetings with the Executive Director continue to ensure ongoing visibility into internal audit activities and facilitate discussion of emerging organizational priorities.
- Weekly meetings are held with the Chief Compliance Officer to discuss the status of key ERS initiatives, including audit finding remediation, CCO initiatives, and other strategic priorities.

Risk Assessment Re-Evaluation & Two-Year Audit Plan

- Internal Audit and Enterprise Risk Management (ERM) completed combined risk assessment interviews in September 2026 with executive management, branch leadership, and select members of the Board of Trustees.
- Draft results of the risk assessment and the proposed 2027-2028 Internal Audit Plan, informed by stakeholder feedback and other risk assessment considerations, will be discussed and evaluated with executive management in October 2026; the final risk assessment and two-year audit plan will be presented at the first Administrative & Audit Committee meeting in calendar year 2027.

V3locity Pension Administration System (“PAS”) Assessment and Updates

- Internal Audit maintains visibility over PAS migration progress through ongoing participation in leadership meetings and review of project artifacts, including workplans, timelines, and related documentation. Discussions with Linea Solutions are planned to further understand the timing of major operational and IT milestones and activities.

Executive Summary (continued)

Overview of key matters, priorities, and status updates



Internal Audit Support and Remediation Activities Update (August to September 2026)

- Internal Audit developed a comprehensive priority improvement areas roadmap (see page 4) identifying priority improvement areas, responsible branches, planned activities, and target completion dates. Detailed workplans for each area were developed to support timely execution. Progress against the roadmap will be monitored and reported periodically to the Administrative & Audit Committee.
- Established recurring meetings with participating branches to monitor progress on both priority improvement areas and open internal audit remediation activities, discuss status updates, and support timely achievement of target completion dates.
- Non-IT audit finding remediation continues to advance through Internal Audit's collaboration with management (see pages 5 to 7). This is supported by a dedicated five-person team and a detailed workplan that strengthens accountability and enables concurrent progress across workstreams.

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 Hours
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

ERS Priority Improvement Areas Roadmap

Priority areas in which Internal Audit will provide support, with planned activities and targeted completion dates. Target completion dates are based on and contingent upon the availability of Accounting Branch personnel.



Priority Improvement Area	Aug 2026	Sep 2026	Oct 2026	Nov 2026	Dec 2026	Jan 2027
Accounts Payable Process 300 to 350 hours <i>Accounting Branch / Cash Disbursements Section</i>	Assess and document current procure-to-pay process	Assist in developing a refined procure-to-pay process	Document the refined procure-to-pay process	Support the design and rollout of an invoice aging and accountability reporting process		
Budget Development and Oversight 150 to 200 hours <i>Accounting Branch</i>	Assess and document current budget process		Support the enhancement of the budget planning process	Assist management with developing updated budget policies and procedures	Assist in establishing a standardized budget-to-actual reporting process	
Contracting and Procurement 150 to 200 hours <i>Accounting Branch / Executive Admin</i>			Assess the current procurement and contracting environment	Assist management with developing procurement and contract management policies and procedures and standard templates	Assist with establishing a contract and purchase order tracking and monitoring process	
Annual ACFR Audit Process Improvements 350 to 400 hours <i>Accounting Branch / Investment Audit Section</i>	Assess and document current ACFR preparation and audit process		Assist in developing a master calendar and milestone framework	Assist in developing a schedule and disclosure accountability matrix	Assist with standardizing and enhancing ACFR workpaper documentation and reporting processes	Assist management with enhancing existing and developing new ACFR policies and procedures

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

Responding to feedback from the previous A&AC meeting, the table below clarifies the status of open non-IT internal audit findings by review and identifies the report issuance date, finding identifier, and original risk rating. Each entry in the Task column presents Internal Audit's recommendations, accompanied by a remediation timeline specifying start and target completion dates approved by the Executive Director.

Review Name	Report Issue Date	Responsible Branch	ID	Finding Level	Task	Start Date	Target Date*
Member Enrollment & Re-Enrollment Process	April 2024	Compliance (K. Mann) / Staff Support Services (D. Tomimoto)	ME-2	High	Develop file management, organization and storage policies and procedures that align with guidance from the State of Hawaii Records Management Branch	July 2026	April 2027
		Retirement Benefits (L. Kobayashi)	ME-5	Medium	Update Return to Work Transfers policies, procedures and processes to improve clarity and incorporate a reconciliation process	July 2026	January 2027
Financial Reporting Process	April 2019	Accounting (L. Wolfe)	FR-3-1	Medium	Develop financial reporting framework policies	July 2026	March 2027
			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	March 2027
			FR-4-2	Medium	Develop investment accounting procedures and provide training	October 2026	March 2027
			FR-5-1	Medium	Develop a process to detect and track errors in employer submissions	July 2026	November 2026
			FR-5-2	Medium	Enhance employer education and support by increasing communications with employers on identified errors	July 2026	December 2026
Human Resources – Personnel Development and Retention	October 2020	Accounting (L. Wolfe)	HR-2	Medium	For the Accounting Branch: Identify successor(s) and develop succession plan	August 2026	October 2026
Employer Communication & Reporting Framework	July 2022	Accounting (L. Wolfe)	ECR-3	Low	Develop procedures for reviewing and processing employer-specific Work Reports, and use those procedures to cross-train Work Reports Team staff	September 2026	June 2027

* Target dates have been finalized and approved by the Executive Director. These dates will remain unchanged as the original baseline for tracking progress.

Non-IT Internal Audit Finding Remediation — Progress



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

23

Sub-tasks complete

15

In progress

25

Not started

~37%

Sub-task completion rate

SUB-TASK COMPLETION — As of August 10, 2026

Status	Count
Complete	17
In Progress	6
Not Started	40

Complete

In Progress

Not Started

63 sub-tasks tracked across open non-IT internal audit findings as of the last committee meeting in August.

~27% complete

SUB-TASK COMPLETION — As of October 1, 2026

Status	Count
Complete	23
In Progress	15
Not Started	25

Complete

In Progress

Not Started

63 sub-tasks tracked across open non-IT internal audit findings as of October 1, 2026.

~37% complete

WHAT THE MOVEMENT SHOWS

Focused Remediation Assistance

While management continues to balance remediation efforts with ongoing operational priorities and strategic initiatives, Internal Audit has maintained a core team of five resources to support remediation activities. Work has been strategically distributed across the team to advance multiple workstreams concurrently and sustain progress toward remediation.

Remediation Workplan Execution

The detailed remediation workplan’s tasks and sub-tasks for each finding continue to serve as an effective roadmap for management, supporting accountability, progress monitoring, and the successful advancement of remediation activities.

Collaborative Remediation Effort

Management continues to actively engage with Internal Audit throughout the remediation process, promoting timely information sharing, documentation support, and steady 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 guidance from 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.	April 2027	3	4	5	25%
ME-5	Update Return to Work Transfers policies, procedures and processes to improve clarity and incorporate a reconciliation process	Errors in service credit records may negatively affect retirement eligibility and benefits while requiring additional ERS resources to resolve.	January 2027	5	2	2	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.	March 2027	3	1	3	43%
FR-3-2	Develop financial reporting framework procedures and provide training		March 2027	—	2	3	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.	March 2027	3	1	3	43%
FR-4-2	Develop investment accounting procedures and provide training		March 2027	—	2	3	0%
FR-5-1	Develop a 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.	November 2026	1	1	—	50%
FR-5-2	Enhance employer education and support by increasing communications with employers on identified errors		December 2026	2	1	—	67%
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.	October 2026 (Completed)	6	—	—	100%
ECR-3	Develop procedures for reviewing and processing employer-specific Work Reports, and use those procedures to cross-train 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.	June 2027	—	1	6	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

PROJECT	Q1 2026			Q2 2026			Q3 2026			Q4 2026			Hours			
	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	37	100	(113)
Extension of vISO Initiative - Roadmap Implementation													275	310	-	35
IA Recommendation & Implementation Assistance and Other Support													100	630	1,000	1,530
Risk Assessment Re-Evaluation & Two-Year Audit Plan													250	109	141	-
Compliance Office Collaboration and Assistance													150	132	30	12
Reporting, Communication and Other Administration													350	299	75	24
Total Hours													3,050	1,764	1,346	60

 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 September 30, 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

AUGUST 19, 2026

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

Trustees present:
(City Financial Tower
by teleconference)

Mr. David Louie, Chair*
Dr. Seth Colby, Vice Chair*
Mr. Vincent Barfield* (in person)*
Ms. Darlene Blakeney*

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*

Attorneys present:
(by teleconference)

Ms. Jenny Nakamoto, Deputy Attorney General*
Ms. Lori Tanigawa, Deputy Attorney General*
Ms. Nietzsche Tolan, Deputy Attorney General*

Guests present:
(City Financial Tower
by teleconference)

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 (Vice Chair Colby, and Trustees Barfield and Blakeney), Vice Chair Colby 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 1:00 p.m. and identified Trustee Barfield as attending in person and requested Trustees attending remotely to confirm that they are the only ones present at their remote location while attending the meeting. Each of the Trustees present confirmed same. Vice Chair Colby 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

Vice Chair Colby 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.

COMPLIANCE OFFICE
UPDATE ON ENTERPRISE

Chief Compliance Officer (CCO) Kona Mann discussed with the Committee his former and current role and presented an oral and written report on the Compliance Office Update and discussed in summary:

GOVERNANCE, RISK, AND
MODERNIZATION PROJECT
COMPLIANCE OFFICE
UPDATE ON ENTERPRISE
GOVERNANCE, RISK, AND
MODERNIZATION PROJECT
(CONT'D)

TODAY'S GOVERNANCE DISCUSSION

Orientation and Reporting Model

- What the Committee Should Know
- How Governance Reporting Fits Together

ERM Development Roadmap

- Risk & Resilience Program Roadmap – RSM Workstreams
- Why This is Not Yet a Current-State ERM Report

Risk Universe

- Preliminary Enterprise Risk Universe – Complete Inventory

Near-Term Enterprise Priorities

- Preliminary View
- Governance-Human Resources
- Cybersecurity
- Employer Reporting
- Contracting & Procurement
- Financial Reporting/ACFR
- Modernization/Legacy PAS

Modernization Outlook

- Modernization Timeline – General Sequencing

The Committee requested, if the Financial Reporting/ACFR is delayed, could it be noted (i.e., closing is delayed by 90 days) to better understand the current state.

The Committee also requested an executive summary page or a one-page dashboard for the Committee and Board to see details on the top risks, the changes that have happened since the last meeting, any new urgent items to be aware of, any degradation and risks in our management of them, a general status, and a page highlighting the challenges and how they will be addressed and solved.

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

(Chair David Louie joined the meeting by teleconference at 1:45 p.m. and confirmed that he was the only one present at his location while attending the meeting.)

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

KMH LLP's (KMH) Peter Hanashiro and Tyson Suehiro (attended in person), and RSM US LLP's (RSM) Alfred Ko, Ty Smith, and Alicia Preddy attended the meeting by teleconference, and presented an oral and written report to the Committee of KMH's 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 and discussed in summary:

EXECUTIVE SUMMARY

Administrative and Other Matters

Risk Assessment Re-Evaluation and Two-Year Audit Plan

Internal Audit Support and Remediation Activities Update (July 2026)

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
(CONT'D)

Support Tasks in Process (August 2026)

ERS PRIORITY IMPROVEMENT AREAS SUMMARY
REPORTS WITH OPEN NON-IT INTERNAL AUDIT FINDING
REMEDATION
NON-IT INTERNAL AUDIT FINDING REMEDIATION –
PROGRESS
NON-IT INTERNAL AUDIT FINDING REMEDIATION – TASK
AND SUB-TASK DETAIL
2026 INTERNAL AUDIT PLAN RESULTS SUMMARY

The Committee requested, as in past meetings, that any target date change be lined out but not deleted and any new date added, for historical purposes.

Deputy Executive Director (DED) Wesley Machida presented an oral and written report to the Committee on an Internal Audit Finding: Human Resources – Personnel Development and Retention and discussed Succession Planning for the ERS and referenced a 2024 Succession Plan that was presented to the Human Resources Committee on October 27, 2025. In particular, DED Machida discussed a Succession Plan for the Accounting Branch and recommended options to be considered over the short-term (3-12 months) and long-term (1 year+).

These reports were provided for the Committees information, and no action was required. The Internal Audit Update Report by KMH LLP will be presented at the next Board Meeting.

PUBLIC COMMENT

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

APPROVAL OF MINUTES
- JULY 8, 2026

On a motion made by Trustee Barfield, seconded by Chair Louie and unanimously carried, the Committee approved both the regular Minutes and Executive Session minutes of the July 8, 2026, meeting as presented.

APPROVAL OF EXECUTIVE
SESSION MINUTES
- JULY 8, 2026

(Vice Chair Colby 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.

Vice Chair Colby provided the reason to enter into Executive Session: 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 involving Information Security, Technology Risk Management, and the protection of ERS Information Assets.)

ENTER EXECUTIVE SESSION

On a motion made by Chair Louie, seconded by Trustee Barfield, and unanimously carried, the Committee entered into Executive Session at 2:17 p.m.

(Vice Chair Colby 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 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.

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

EXIT EXECUTIVE SESSION

On a motion made by Trustee Barfield, seconded by Chair Louie, and unanimously carried, the Committee exited Executive Session at 2:42 p.m.

Vice Chair Colby announced that while in Executive Session, the Committee discussed sensitive matters related to Cyber Security that involves Information Security, Technology Risk Management, and the protection of Employees' Retirement System Information Assets of which no action was taken.

ADJOURNMENT

On a motion made by Trustee Barfield, seconded by Chair Louie, and unanimously carried, Vice Chair Colby adjourned the meeting at 2:43 p.m.

REDACTED SIGNATURE

Kalbert Young
Executive Director

dkik