

**STATE OF HAWAII
DEFERRED COMPENSATION PLAN
BOARD OF TRUSTEES**

**OPEN SESSION MINUTES
MEETING # 375**

Date: June 19, 2013

Place: Department of Human Resources Development
14th Floor Merit Appeals Board Conference Room
235 South Beretania Street
Honolulu, HI 96813

Present: Wayne Chu, Chairperson
Kalbert Young, Ex-Officio Member
Barbara Krieg, Ex-Officio Member
Neal Miyahira, Employee Member
Wesley Machida, Employee Member
Scott Kami, Employee Member
Michael Okumoto, Employee Member

Others: Rodney J. Tam, Deputy Attorney General
Cynthia Akiyoshi, DHRD Staff
Troy Saharic and David Williams, Mercer Investment Consulting - via conference call
Brian Merrick, ING/Plan Administration Office-Boston Office – via conference call
Jeanne Kanai, and Grace Baracao, ING/Honolulu Office
Greg Hodges, Prudential Retirement

Call to Order: There being a quorum present, Chairperson Wayne Chu called the meeting to order at 10:04 a.m.

Agenda: The agenda for this meeting was filed with the Office of the Lieutenant Governor, as required by Hawaii Revised Statutes section 92-7.

Chairperson Chu welcomed Trustees and guests, and asked for introductions of ING staff and guests present, and for introduction of attendees participating via the conference phone line.

Agenda

Item # 1: Overview of Alternative Managers for Small Cap Value and Growth Mandates

Mr. Williams stated that both the Century Small Cap Growth manager and Harbor Funds Small Cap Value manager are both on the watch list. Recognizing the search process and timing, the Board requested information on a comparison of the candidates within the small cap value universe and the small cap growth universe. Mr. Williams reviewed the lists of potential candidates within the Mercer database that their manager research closely follows.

Mr. Saharic stated that the small cap managers have struggled but both are seeing positive returns now, so the Board may want to wait for another quarter. If the Board does lose confidence in the current managers, there are viable candidates. He added that because of the long procurement process timeline, another possible option is that the Board may want to consider a multi-manager strategy. It is a way to mitigate some of the risk. Other concerns would be cost and confusion to participants with the white labeling of the funds. The Board agreed to wait for another quarter.

Agenda

Item # 2:

Plan Administrator's Report

- a. Plan Updates
- b. Transition Updates

Mr. Merrick reported that ING is working on the day-to-day administrative tasks and transition updates. They have been working with the Board staff and Prudential on the transition activities up to July 24, 2013. They are also working with N&K CPAs on the next audit up through the valuation date of July 24, 2013.

Mr. Merrick noted that they are working with and having scheduled calls with Prudential to facilitate the transition activities and dates to help with the new transition.

Agenda

Item # 3:

Transition Overview by the Plan's new TPA, Prudential Retirement

Mr. Hodges reported that transition is going well and on track. Christine McHugh is leading the transition team.

Mr. Hodges provided some highlights:

- The services agreement was executed on April 30, 2013.
- The initial announcement letter went out on May 24, 2013.
- With respect to the Local Office, there were 7 offers that were extended

on/around the end of May and all 7 were accepted. Training will commence on July 15, 2013.

- The new Local Office Plan manager, Kevin Malmud, will start on July 8, 2013.
- The transition brochure will provide an overview and include the toll-free phone line, custom website, and the transition education dates.
- Exchange of test files has been scheduled with ING.
- Payroll interfaces are being established and working with key agencies.
- Trust and managed accounts agreements are currently being reviewed.

Ms. Akiyoshi added that there are 113 scheduled transition meetings which include 97 group meetings and 16 webinars, covering the 6 islands and 20 different locations.

DAG Tam reported that there are four (4) more contracts to complete. There is the trust agreement and the managed accounts agreement with Morningstar, and two (2) extension agreements – one with ING and one with State Street.

Agenda

Item # 4:

Staff's Administrative Report to the Board

Ms. Akiyoshi highlighted some activities:

- Working with ING and Prudential on the transition activities, identifying the key dates and clarifying the processes.
- Working on the necessary agreements with ING and State Street.
- Working with Prudential on completing their business processes agreement which validates all the processes that will done.
- Working with payroll interfaces.
- Working on communication campaign efforts and the statewide payroll message.
- Coordinated alternative communication mediums to get the information out (e.g., webinars and a pre-recorded presentation to post on the website, etc.)
- Because the second quarter statements will be issued in August 2013, preparation of ING's second quarter Plan newsletter will be posted on ING's website.
- The Prudential Honolulu Office will be located at 1100 Alakea Street on the 15th Floor (the building where T-Mobile is located).
- The Prudential website will go live on June 20, 2013, and the materials will be posted.

Ms. Akiyoshi reported that the Consultant's contract has been renewed for an

additional one (1) year period to June 30, 2014.

Ms. Akiyoshi reported working on reviewing the contracts with the Investment Fund managers.

Ms. Akiyoshi reported working with LSW, the PTS Plan administrator, on completing the application for the new Annuity contract.

Agenda

Item # 5:

Other Business/Announcements

a. Presentations of Resolutions to Outgoing Trustees and ING

Chairperson Chu presented a resolution on behalf of the Board to ING to thank ING for their service to the Plan since 2003. Mr. Merrick provided closing remarks on behalf of ING.

Chairperson Chu presented resolutions to the two (2) outgoing Trustees – Trustee Machida and Trustee Kami to acknowledge their service on the Board and the achievements and successes while on the Board. Trustees Machida and Kami provided closing remarks.

Chairperson Chu adjourned the meeting at 11:00 a.m.

(Note: Signed copy on file.)