

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

**OPEN SESSION MINUTES
MEETING # 382**

Date: May 22, 2014

Place: Department of Human Resources Development
14th Floor Director's Conference Room
235 South Beretania Street
Honolulu, HI 96813

Present: Wayne Chu, Chairperson
Barbara Krieg, Ex-Officio Member
Kalbert Young, Ex-Officio Member
Michael Okumoto, Employee Member
Brian Moto, Employee Member

Others: Rodney J. Tam, Deputy Attorney General
Cynthia Akiyoshi, DHRD Staff
David Williams and Troy Saharic, Mercer Investment Consulting
Julie Klassen, Deborah Baran, Prudential Retirement

Absent: Neal Miyahira, Employee Member
Kenneth Villabrille, Employee Member

Call to Order: There being a quorum present, Chairperson Wayne Chu called the meeting to order at 9:18 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 Prudential staff. There were no attendees via conference call. Trustees Miyahira and Villabrille were excused from today's meeting.

Chairperson Chu stated that the Board will be going into Executive Session to discuss procurement related matters on the first agenda item.

Agenda

Item # 1: Discussion on Proposals Received for RFP No. DCP-14-1, Request For Proposals

for a Small/Mid Cap Growth Equity Investment Option (in Executive Session Pursuant to HRS sections 92-5, 103D-105, and 103D-303), Including But Not Limited to:

- a. Review and Evaluation of Proposals
- b. Scheduling of Interviews with Priority-Listed Offerors

A motion was made by Trustee Okumoto and seconded by Trustee Moto to move into Executive Session at 9:19 a.m. to discuss procurement matters and confer with the Plan's legal counsel. The motion passed unanimously.

All guests were excused, except for representatives from Mercer.

EXECUTIVE SESSION

Meeting

Reconvened: **A motion was made by Trustee Krieg and seconded by Trustee Young to move out of Executive Session at 10:19 a.m.. The motion passed unanimously.**

All guests rejoined the meeting.

Agenda

Item # 2: Approval of Minutes Nos. 378 and 380

Ms. Akiyoshi reported that the draft minutes are under final review and requested that this item be deferred. The Board asked that the minutes be ready for the next scheduled meeting.

Agenda

Item # 3: PTS Plan

- a. New Crediting Rate Effective April 1, 2014

Ms. Akiyoshi reported that the new quarterly crediting rate effective April 1, 2014 is 2.85%.

- b. Approval of Report of Funds Not Deposited in the State/County Treasuries for the Period Ending March 31, 2014

Ms. Akiyoshi presented the report on the assets in the Plan as of March 31, 2014. The total assets in the Plan are just over \$103 million.

A motion was made by Trustee Moto and seconded by Trustee Krieg

to approve the Report of Funds Not Deposited in the State/County Treasuries for the 1st Quarter ending March 31, 2014. The motion passed unanimously

- c. Quarterly Management Reports for the Period Ending March 31, 2014

Ms. Akiyoshi stated that the PTS Plan Quarterly Management Report for the period ending March 31, 2014, is provided for the Board's review and information.

Agenda

Item # 4:

Other Business/Announcements

- a. Status on DHRD's Legislative Request to Establish a Position to Staff the Plan that is Funded by the Plan

Trustee Krieg reported that the Legislature granted DHRD's request to establish the position for the Plan. Trustee Krieg thanked everyone, especially the Board, and Budget and Finance.

DHRD's administrative staff is working with Budget and Finance to set up the Special Fund account and after the account is set-up, the account needs to be funded by the Plan. At that point in time the position can then be filled. The position is authorized effective July 1, 2014.

Trustee Krieg explained that DHRD's plan is to conduct a civil service recruitment for the position. An Internal Vacancy Announcement will be sent out; applications will be screened; and a selection committee will be set up to evaluate the candidates. She asked if the Board would like to be involved in the decision-making process and if any Board members are willing to participate on the selection committee to reply back to her. The duties and responsibilities included in position description were drafted based on the duties and responsibilities approved by the Board when the current Memorandum of Agreement was executed. DAG Tam agreed to serve on the selection committee panel. A report will be presented to the Board.

Although the position will continue to report to the Benefits section supervisor, the Board also remains responsible for the position and in providing evaluation feedback on the staff support services that are provided.

Trustee Krieg summarized to say that the selection will be conditional upon Board approval and a report will be made at the following Board

meeting. An agreement will be prepared to formalize the establishment of the position and the anticipated funding which needs to be provided at the beginning of each fiscal year.

- b. Flyer/postcard by Royal State Insurance re: services to provide professional investment advice in the Plan's Self-Directed Brokerage Option

Ms. Akiyoshi reported that a call and email were received from an employee who asked about the Island Savings Plan reference on the postcard. The call from the broker agent stated that he could offer her investment advice assistance when working with Pacific Financial Group. It appeared that Pacific Financial Group handled Plan participant accounts within the Self-Directed Brokerage option under TD Ameritrade.

Trustee Krieg added that Royal State Insurance is the provider of life insurance to State employees. Royal State Insurance had a prior arrangement with HGEA, and HGEA has been handling the mailings to members' homes.

In addition, she stated that an EUTF employee received this same mailing and EUTF had asked Royal State Insurance to stop the mailings.

The Board agreed, and asked staff to prepare the following:

- A message to all participants informing them that the Board and Plan have not approved nor endorsed any agents/agencies to assist participants in investing their Plan account assets through the SDBO. If participants use an agent/agency to assist them in investing their Plan account assets through the SDBO, the participants do so at their own risk. The Board agreed that the communication should be sent to all Plan participants and also posted on the Plan's website.
- A notification to Royal State Insurance to inform them that the use or reference of the Plan's registered name in their solicitations/mailings may be misleading and should not be used in their future communications.

The Board asked to defer the topic on the current policy of handling RIA authorizations and how the Registered Investment Advisors (RIAs) are compensated from the Self-Directed Brokerage account. Ms. Klassen will follow-up and provide more information at the next meeting. The Board can then decide what type of policy to adopt.

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Trustee Krieg raised other business pertaining to some employee/participant inquiries that were received, and asked for follow-up. Ms. Klassen noted that she believed these were addressed but will provide a status report at the next meeting.

Chairperson Chu adjourned the meeting at 11:18 a.m.

(NOTE: Signed copy on file.)