

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

**OPEN SESSION MINUTES
MEETING # 359**

Date: February 22, 2012

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

Present: Wayne Chu, Chairperson
Scott Kami, Employee Member
Barbara Krieg, Ex-Officio Member
Kalbert Young, Ex-Officio Member (arrived at 9:15 a.m.)
Wesley Machida, Employee Member
Neal Miyahira, Employee Member
Dennis Vanairsdale, Employee Member

Others: Rodney J. Tam, Deputy Attorney General
Cynthia Akiyoshi, DHRD Staff
Troy Saharic, John Bothwell, David Williams, Andrew Ness
Mercer Investment Consulting – Via Conference Call
Melody Takacs, Grace Baracao, and Jeanne Kanai, Plan Administrator Staff
(ING)/Honolulu Office
Brian Merrick, Plan Relationship Manager (ING)/Boston Office
Mark Curran, StateStreet Bank and Trust
Harry Mattson, guest

Call to Order: There being a quorum present, Chairperson Wayne Chu called the meeting to order at 9:03 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 everyone and opened the meeting with introductions of Board members and guests. Chairperson Chu noted that in an emergency, an announcement on the evacuation and procedures will be made and thanked Director Krieg for the use of the conference room at DHRD.

Agenda

Item # 1: Approval of Minutes Nos. 356, 357, and 358

A motion was made by Trustee Krieg and seconded by Trustee Miyahira to approve Minutes Nos. 356, 357, and 358, as provided. The motion passed unanimously.

Chairperson Chu stated that the Board will be going into Executive Session to discuss the agenda item related to procurement which includes scoring.

DAG Tam explained the various scoring methods and that the Board has used the median method of scoring for other past procurement search processes. The Board agreed to use the median method of scoring for RFP No. DCP-11-3.

A motion was made by Trustee Vanairsdale and seconded by Trustee Krieg to adopt the median method of scoring for RFP No. DCP-11-3. The motion passed unanimously.

A motion was made by Trustee Miyahira and seconded by Trustee Krieg to move into Executive Session at 9:10 a.m. to discuss Agenda Item # 2 related to procurement. The motion passed unanimously.

ING staff and guests were excused from the meeting.

Mercer consultants were available via conference call.

Agenda

Item # 2: RFP No. DCP-11-3, For an International Large Cap Value Equity Option (in Executive Session Pursuant to HRS sections 92-5, 103D-105, and 103D-303), including but not limited to:

- a. Best and Final Offers Received
- b. Scoring of Proposals and Award of Contract

EXECUTIVE SESSION

Agenda

Item # 3: Review Draft Request For Proposals for Third Party Administration Services

EXECUTIVE SESSION

Meeting

Reconvened: **A motion was made by Trustee Vanairsdale and seconded by Trustee Miyahira to move out of Executive Session at 10:56 a.m. The motion passed unanimously.**

ING staff and guests rejoined the meeting. Mercer consultants remained on the conference line.

Chairperson Chu stated that since the Board has made a selection for a new International Large Cap Value fund manager that the Board should decide whether to continue to retain AllianceBernstein or replace them as recommended by Mercer based on their continued underperformance.

A motion was made by Trustee Young and seconded by Trustee Miyahira to terminate and replace AllianceBernstein, and replace them with a new international large cap value fund. The motion passed unanimously.

Agenda

Item # 4: Plan Administrator's Report

a. Plan Updates for 1st Quarter 2012

Ms. Kanai reported on:

- UEW data for the 4th Quarter of 2011; total hardship distribution during this period was \$461,531.53.
- UEW 2011 data including the number of calls and applications received and approved, and the nature of the applications. The total hardship distribution was \$2,509,681.93. Trustee Kami asked about hardship distributions compared to other plans; Mr. Merrick responded that ING can do a comparison with other plans similar in size to benchmark some trends.
- The Multi-factor authentication was launched on January 26, 2012. Mr. Merrick noted that the objective was to enhance the security when participants access their account information. ING is not aware of any participant concerns on this security enhancement. Also reported that a new mobile application is now available that can be downloaded onto phones.
- The meeting that was held with UH and Trustee Vanairsdale to discuss improving the notification process for the Early and Post Separation Vacation Pay Deferral programs; increasing awareness of the 457 plan on the campuses; communicating the comparisons on the 403(b) versus 457 plans which Trustee Vanairsdale added that the comparison should focus on the fee disclosures and differences in those fees between the plans, and that the fees should be disclosed on one page. The Board asked that ING look at comparing plans to address cost factors.

Mr. Merrick added that ING is in the process of developing disclosures

for its corporate (ERISA) clients in response to new federal regulations that require disclosure statements be provided on what the fees are. Comparison would align with those federal regulations.

- Improvements that are being made to the paycheck recall process due to situations arising when employees have been overpaid by the employer due to separations, death, etc.

b. UH Payroll Recall Issue

Ms. Kanai summarized the recall issue that occurred:

ING is working to resolve the recovery of an overpayment on a deferral for a UH employee who was overpaid. Ms. Kanai reported that collection attempts were made to UH and the former employee who had since taken a total distribution but refused to return the excess deferral paid out to her. Trustee Young noted that the State is pursuing recovery of collections in other situations. The Board stated that the Employer should collect the deferral amount as the situation originated with their actions, or pursue collection attempt with the former employee one more time as it is not fair for the employee to keep the monies.

Trustee Miyahira was excused from the meeting at 11:55 a.m.

c. State Street Custody Services Summary

Mr. Merrick introduced Mark Curran from State Street, who heads the team at State Street in the administration of the custodial services provided to the Plan.

Mr. Curran provided background information on himself and his role and responsibilities at State Street. State Street's responsibility as the custodian is to manage the assets and described the account structure in place for the Plan's funds. He also explained the daily process flows that take place when a participant initiates a transaction/trade.

Mr. Merrick noted that ING as the record keeper matches their records to the records at State Street.

d. Other Plan Issues – No other issues reported.

Chairperson Chu suggested taking Agenda item # 6 before Agenda item # 5. There were no objections.

Agenda

Item # 6:

Discussion on Proposed Budget for Plan Years 2011 - 2013

Mr. Merrick reviewed the ING memo dated February 22, 2012 to the Board, along with the spreadsheet, to explain the contractual budget accounts set aside and the accrued Board and Plan expenditures. The spreadsheets also disclose the additional expense accounts on the additional revenue that the Plan generates. Mr. Merrick pointed out the remaining balance in those additional expense accounts as of December 31, 2011.

The Board discussed audits that were conducted on the Plan in the past. Ms. Akiyoshi provided a summary of the all the audits that were conducted beginning with the audit for the Plan Year ending on 6/30/2003, that covered the end of the contract period with the prior TPA. This audit was paid under the prior TPA agreement. Since that audit, three (3) other audits were conducted under ING's administration of the Plan.

The Board discussed the length of time between audits and when the next audits should take place, given the amount of monies remaining in the budget for audits. The Board requested that ING explore the costs to do another audit.

Agenda

Item # 5: Updates on 2012 Benefits Fair and Semi-Annual Meeting

Ms. Akiyoshi informed the Board that based on the responses received, the Board is available on May 10, 2012 for the semi-annual meeting. So, this meeting date is confirmed and the meeting will be held at the Hawaii Prince Hotel.

Ms. Akiyoshi asked the Board if there were any objections to holding the Benefits Fair on the day before the meeting (Wednesday, May 9, 2012), at the Bishop Museum. There were no objections.

Agenda

Item # 7: Settlement Claim Payment from Century Capital Management Related to Comverse Technology, Inc. Securities Litigation

Ms. Akiyoshi informed the Board that a settlement check was received from Century Capital Management as a result of a securities litigation involving one of the holding companies. Options were presented; and an additional option was proposed by Mr. Curran.

A motion was made by Trustee Young and seconded by Trustee Kami to deposit the settlement monies into the respective fund in the Plan and allocate it to current participants invested in the fund as earnings of the fund. The motion passed unanimously.

Agenda

Item # 8: 2012 Legislative Initiatives on Sunshine Law

Ms. Akiyoshi referred to a handout summarizing some legislative bills that are being monitored. The bills relate to sections pertaining to Sunshine law and public meetings.

Agenda

Item # 9: PTS Plan

a. Annual Letter from Life Insurance Company of the Southwest on the Amount Available for Reimbursement

Ms. Akiyoshi directed the Board to LSW's letter dated January 17, 2012, reporting on the amount collected in premiums in 2011, the amount set aside available for reimbursement, the amount expended for the address search project, and the remaining balance for Plan expenses.

Agenda

Item # 10: Other Business/Announcements

a. Scheduling of Board Meetings

Ms. Akiyoshi confirmed the upcoming scheduled meetings based on the Board's responses, for March 20, 2012, April 19, 2012, and May 10, 2012. Ms. Akiyoshi asked whether the Board would consider pre-scheduled meetings, assigning a specific day of each month for the remainder of the year. The Board proposed the first Wednesday of each month. Staff will check with all others to determine if this day works.

Motion to

Adjourn:

A motion was made by Trustee Young and seconded by Trustee Machida to adjourn the meeting at 1:26 p.m. The motion passed unanimously.

(NOTE: Signed copy on file.)