

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

**OPEN SESSION MINUTES  
MEETING # 357**

Date: January 17, 2012

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

Present: Barbara Krieg, Ex-Officio Member  
Kalbert Young, Ex-Officio Member  
Scott Kami, Employee Member  
Neal Miyahira, Employee Member  
Dennis Vanairsdale, Employee Member

Others: Rodney J. Tam, Deputy Attorney General  
Cynthia Akiyoshi, DHRD Staff  
John Bothwell, David Williams, Mercer Investment Consulting –  
Via Conference Call  
Carol Cann, Plan Administration Manager (ING)/ Boston Office -  
Via conference call  
Melody Takacs, Grace Baracao, and Jeanne Kanai, Plan Administrator Staff  
(ING)/Honolulu Office  
Brian Merrick, Plan Relationship Manager (ING)/Boston Office  
Harry Mattson, Guest

Absent: Wayne Chu, Chairperson  
Wesley Machida, Employee Member

Call to Order: There being a quorum present, Trustee Krieg called the meeting to order at 9:07 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.

Trustee Krieg will serve as Chairperson in Chairperson Chu's absence. Trustee Krieg opened the meeting with introductions of Board members, ING staff, conference line attendees, and guests, and reviewed the emergency evacuation procedures.

Agenda

Item # 1:     Approval of Minutes No. 352

**A motion was made by Trustee Young and seconded by Trustee Miyahira to accept the minutes as provided. The motion passed unanimously.**

Approval of Minutes No. 353

**A motion was made by Trustee Young and seconded by Trustee Miyahira to accept the minutes as provided. The motion passed unanimously.**

Trustee Krieg asked to take agenda item nos. 3 and 4 before agenda item # 2. There were no objections.

Agenda

Item # 3:     Discussion on Proposals Received for RFP No. DCP-11-3, Request For Proposals for an International Large Cap Value Equity Investment Option

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

**A motion was made by Trustee Young and seconded by Trustee Miyahira to move into Executive Session at 9:09 a.m. to discuss procurement related items and to confer with legal counsel on agenda item # 5. The motion passed unanimously.**

ING staff and guests were excused from the meeting.

EXECUTIVE SESSION

Agenda

Item # 4:     Status Report on Contract Award for RFP No. DCP-11-1 and RFP No. DCP-11-2

EXECUTIVE SESSION

Agenda

Item # 5:     Review and Approval of Draft RFP for Third Party Administration Services

EXECUTIVE SESSION

Meeting

Reconvened: **A motion was made by Trustee Miyahira and seconded by Trustee Young to move out of Executive Session at 10:05 a.m. The motion passed**

**unanimously.**

ING staff and other attendees rejoined the meeting.

Trustee Krieg was excused from the meeting at 9:45 a.m. Trustee Kami was asked to continue and chair the meeting.

Agenda

Item # 2: Performance Evaluation Report by Mercer for 3<sup>rd</sup> Quarter 2011, Period Ending September 30, 2011, including but not limited to:

a. Performance Overview on Funds Currently on the Watch List:

Mr. Bothwell of Mercer provided highlights of the market environment during the 3<sup>rd</sup> Quarter 2011:

- Market was down, except for Treasuries.
- Investor reaction was fear due to the crisis in Europe.
- Plan assets ended at \$1.45 billion.
- Saw participant transfer movement to more conservation options.

Mr. Bothwell reported that the market rebounded during the 4<sup>th</sup> Quarter.

Mr. Williams provided commentary on the termination and exit of the Schwab Stable Value Fund by Charles Schwab Bank from the market. As they exit stable value business, other stable value managers are looking at the amount of assets under management and making sure they have ability to manage those assets.

Mr. Bothwell reported on the funds on the watch list:

- The Harbor Small Cap Value Fund outperformed for the quarter and 1 year period; however, there is no change in the recommendation to continue to keep the fund on the watch list.
- The Century Small-Mid Cap Growth Fund outperformed its benchmark for the quarter and 1 year period; however, there was also no change in the recommendation to continue the fund on the watch list.

Agenda

Item # 6: Plan Administrator's Report

a. Plan Updates

Ms. Kanai provided overview of Plan activities during the 4<sup>th</sup> Quarter 2011:

- Benefits Fair held on October 6, 2011 in Hilo with approximately 271 attendees.
- Retirement Evaluation Campaign: Campaign held in conjunction with National Save For Retirement Week in October.
- Asset growth from December 31, 2010 of \$1.498 billion to December 31, 2011 of \$1.524 billion.
- Rollovers into the Plan totaled a little over \$3 million
- Intake of 33 new UEW applications, total withdrawals for the quarter of \$461,531.53.
- There were 127 new set-ups in the SDBA during the quarter, totaling \$568,117.85.

Ms. Melody Takacs provided local office activities:

- Conducted 130 group meetings, with the attendance of a little over 1,000 employees.
- Enrolled 108 employees into the Plan.
- Held 1,635 one-on-one consultations.
- As of 1/1/2012, a new Plan Consultant is on board and will be based on the Big Island. The new Plan Consultant is Tom Kalili and he will cover the Big Island.

b. Security Enhancements for Plan's Website

Mr. Merrick reported on some enhancements:

- Changes on the website are with a dashboard style.
- Will be rolling out soon mobile apps for the phone.
- As a result of the Personal Evaluation campaign, out of 17,000 mailouts, almost 700 participants responded. Of that, 359 participants enrolled in the Professional Account Manager. It was a highly successful campaign.
- ING added feature to enhance the security access to participant accounts called Multi-Factor Authentication to mitigate risk of inappropriate access to accounts. Requires registering the computer in use and inputting a

serious of security questions. Have rolled out for other clients and response has been positive. Announcement has been included in the 4<sup>th</sup> Quarter Plan newsletter.

c. Planning Schedule for 2012 Benefits Fair and Semi-Annual Meetings

Ms. Akiyoshi noted that the survey comments for the last October 2011 Benefits Fair were positive overall. Plans are in progress for the 2012 Benefits Fair and Semi-Annual Meetings. Dates and sites are tentatively during May possibly at the Bishop Museum, and October on Maui. During October, an Oahu site is being considered in addition to a fair on Maui. This is due to the rollout of the new investment options. Looking to have the representatives from the new investment funds be available soon after the launch of the new funds as opposed to waiting until next year. Also looking at changing the fair times to 10 a.m. to 5 p.m. to accommodate the DOE employee population who have difficulty getting to the Fairs by 3:00 p.m.

Agenda

Item # 7: Discussion on Proposed Budget for Plan Years 2011-2013

This is a follow-up item and asked the item to be deferred to the next regular meeting.

Agenda

Item # 8: PTS Plan Quarterly Crediting Rate Effective January 1, 2012

Ms. Akiyoshi reported that the crediting rate as of January 1, 2012 is 4.04%, which is slightly down from last quarter.

Agenda

Item # 9: Other Business/Announcements

a. Selection of Chairperson and Vice-Chairperson

Trustee Kami stated that at the last semi-annual meeting in October nominations were asked for a chairperson and a vice-chairperson. Selection and action was deferred. So, at this time nominations are open for a chairperson and for a vice-chairperson.

Trustee Vanairsdale noted the excellent work Trustee Wayne Chu has done chairing the meetings.

**A motion was made by Trustee Vanairsdale and seconded by Trustee Young that Trustee Chu continue to serve as Chairperson. The**

**motion passed unanimously.**

**A motion was made by Trustee Miyahira and seconded by Trustee Young to nominate Trustee Kami to serve as Vice-Chairperson. The motion passed unanimously.**

b. Next Board Meeting(s)

Ms. Akiyoshi announced the next meetings that have been confirmed. The next meeting is on January 31, 2012, and the following meeting is scheduled for February 22, 2012.

c. Ms. Akiyoshi announced that we received a letter from Century Capital Management that saying that monies were received from of a settlement involving the securities investigation that occurred a few years ago. This item will be placed for discussion at the next regular meeting to discuss the disposition on the settlement monies.

Motion to  
Adjourn:

**A motion was made by Trustee Vanairsdale and seconded by Trustee Miyahira to adjourn the meeting at 10:52 a.m. The motion passed unanimously.**

**(NOTE: Signed copy on file.)**