

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

**OPEN SESSION MINUTES
MEETING # 341**

Date: May 4, 2010

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

Present: Marie C. Laderta, Chairperson
Georgina Kawamura, Ex-Officio Member
Sandi Yahiro, Employee Member
Scott Kami, Employee Member
Wesley Machida, Employee Member

Others: Rodney J. Tam, Deputy Attorney General
Cynthia Akiyoshi and Lily Chu, DHRD Staff
Kenneth Taira, Former At-Large Member
Ryan Ushijima, Former At-Large Member
Troy Saharic and John Bothwell, Mercer Investment Consulting –
Via Conference Call
Melody Takacs, Plan Administrator Staff (ING)/Honolulu Office
Grace Baracao, Plan Administrator Staff (ING)/Honolulu Office
Jeanne Kanai, Plan Administrator Staff (ING)/Honolulu Office
Bernie Wong, Plan Administrator Staff (ING-Boston Office)

Call to

Order: There being a quorum present, Vice Chairperson Yahiro called the meeting to order at 9:01 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.

Vice Chairperson Yahiro suggested that the Board move to Item # 2 on the agenda to discuss this item first.

Agenda

Item # 2: Status of Bill SB No. 2394 (HB No. 2259), Relating to the Board of Trustees of

the Deferred Compensation Plan

DAG Tam explained that this bill initially was introduced to amend HRS chapter 88E to require elections of Board members. Subsequently, the bill passed and effective April 29, 2010, this bill makes the Director of the Department of Human Resources be one of two ex-officio members and deletes the requirement for the director to be the Chairperson for the Plan's Board of Trustees. This bill also requires that all five members of the Board be employee members. In the past, in addition to the Directors of Human Resources Development and the Department of Budget and Finance, the Board consisted of three employee members and two at-large members. The two-at large member seats were very important to the Plan as they were used to find representatives from the private sector who brought different backgrounds and experiences to the Board.

As a result of this bill, effective April 29, 2010 when the legislature overrode the Governor's veto, all members of the Board must be employee members. Unfortunately, this bill removes Trustees Kenneth Taira and Ryan Ushijima from the Board effective April 29, 2010 as they no longer meet the requirements.

DAG Tam noted that the bill also does not automatically make the DHRD Director the chairperson, so the Board should elect a chairperson. Typically, Boards elect a chairperson once a year. Vice Chairperson Yahiro asked for nominations for a Chairperson.

A motion made by Trustee Machida and seconded by Trustee Kawamura to appoint Marie Laderta as the Board's Chairperson. The motion passed unanimously.

Vice Chairperson Yahiro recognized that Marie Laderta is now the chairperson. The Board discussed how to designate the chairperson, and agreed that a good time to elect a new chairperson would be at one of the semi-annual meetings, and agreed that the next chairperson be elected at the next semi-annual Board meeting in October 2010. The Board discussed replacement candidates and noted that the Governor could appoint two board members to fill the vacancies on an interim basis.

Chairperson Laderta asked staff to prepare a memo to recommend and transmit names of potential candidates to the Governor for consideration.

Agenda

Item # 1: Ratification on the Decision to Proceed with the new BlackRock Index Funds

Ms. Akiyoshi reported that just prior to going live with the BlackRock Index

Funds, the Fund Fact Sheets were being reviewed, and BlackRock raised an issue regarding additional fees which were not disclosed by BlackRock in the contract. BlackRock cited that there were administrative costs of 2 basis points that should be added onto the regular fees for each of the Index Funds. After ongoing discussions with BlackRock, Blackrock agreed to waive the 2 basis points for all the Index Funds except the Blackrock Non-U.S. Equity Index Fund. The information was reviewed and discussed with the Plan's Consultant, Mercer Investment Consulting, and Mercer noted that although this represented a change in the fees, the cost analysis revealed that the change in the BlackRock Funds would not impact the scoring results for that RFP. This information was presented to Vice Chairperson Yahiro, in Chairperson Laderta's absence, who made a decision to proceed with the launch of the BlackRock Index Funds scheduled on April 1, 2010. Thus, the Board is now asked to ratify her decision.

A motion made by Trustee Kawamura and seconded by Trustee Kami to ratify the decision made by Vice Chairperson Yahiro to proceed with the launch of the BlackRock Index Funds on April 1, 2010. The motion passed unanimously.

Agenda

Item # 3: Discussion on Complaint received in Heckman v Jorgensen-Weber, et al., Civil No. 10-1-0071

DAG Tam provided the Board with the general facts of the case and the information provided in the Board members' meeting packets. He noted that this is the first complaint filed against the Plan which involves the sister of a deceased Plan participant. When the participant joined the Plan, he had named his wife as his primary beneficiary and his parents as contingent beneficiaries. When the participant got divorced, he never changed the beneficiary on his beneficiary designation form. In 2008, the participant died and in 2009, his former spouse, contacts the Plan, produces the decedent's death certificate, and files a claim for his monies in the Plan. The decedent's sister, as the representative for the decedent's estate, found out about the claim made by her brother's ex-wife and asserts that the monies should go to decedent's parents. ING noted it is their normal practice that unless there is any other change in the designation, they will follow what's in writing, which was the original HBI form. The form indicated the former spouse was the beneficiary and there were no subsequent beneficiary changes by the participant. Thus, ING paid out the monies to his former spouse. Now the decedent's sister has filed a suit against the former spouse as well as the Plan, claiming that the Plan improperly paid out the monies to the ex-wife. Because this was the first time that this issue was raised, the Board needs to discuss this matter.

The Board will confer with legal counsel on the case in Executive Session after the other agenda items are finished.

Chairperson Laderta was excused for a few minutes; Vice-Chairperson Yahiro continued the meeting. The Board agreed to take Item # 5 out of order.

Agenda

Item # 5: PTS Plan

a. New Crediting Rate Effective April 1, 2010

Vice Chairperson Yahiro referred the Board to LSW's notice on the new crediting rate. Ms. Akiyoshi reported the new rate of 4.43% for the quarter beginning April 1, 2010; which is a slight increase from 4.42%.

b. Approval of Quarterly Report on Funds not deposited in the State/County Treasuries for Period ending March 31, 2010.

A motion was made by Trustee Kami and seconded by Trustee Machida to approve the Quarterly Report. The motion passed unanimously.

Chairperson Laderta rejoined the meeting and continued the meeting.

Ms. Akiyoshi referred to the Quarterly Management Report submitted for the period ending March 31, 2010. Trustee Machida inquired what the difference was between the figure derived for the Trust Analysis and the figure in the balance for the Report on Funds not Deposited in the Treasury. Trustee Yahiro asked that the question be referred to Carl Lutz of LSW for a response.

A motion was made by Trustee Yahiro and seconded by Trustee Kawamura to enter into Executive Session at 9:30 a.m. to confer with Legal Counsel on the Heckman vs. Jorgensen-Weber case. The motion passed unanimously.

ING staff, Mercer, and guests were excused from the meeting.

EXECUTIVE SESSION

Meeting

Reconvened: **A motion was made by Trustee Yahiro and seconded by Trustee Kawamura to get out of Executive Session at 9:46 a.m. The motion passed unanimously.**

The meeting resumed at 9:46 a.m. ING staff and Mercer rejoined the meeting.

Agenda

Item # 4: Discussion on American Funds' Revenue Sharing

Mr. Bothwell from Mercer explained that he is exploring whether we should move to a different share class for the American Fund/ EuroPacific Growth Fund. Right now the Plan is in the "A" share class for the American Fund/ EuroPacific Growth Fund and the Plan has an option to move into the "R5" or "R6" share class. Mr. Bothwell stated he is currently gathering information from ING and American Funds on the different revenue sharing amounts associated with the "A" share class. Once that research has been completed, he will issue a memo outlining the options and the Board can decide whether to move to the "R5" or "R6" share class. The memo should be available after the May 18, 2010 Board meeting.

Agenda

Item # 6: Other Business / Announcements

a. Updates on Employees Benefits Fairs and Semi-Annual Board Meeting

Ms. Akiyoshi reminded the Board about the Benefits Fairs that are scheduled for May 17, Monday, at the Koolau Golf Course Ballroom and on May 19, Wednesday, at the Hawaii Okinawa Center. The Board had requested that special invitations be sent to legislators and Union leaders to the Fairs as well as to the Semi-Annual Board meeting which is on Tuesday, May 18 at the Willows Restaurant. Trustees should notify Cynthia Akiyoshi of their availability to man the Board table at the Fairs. DAG Tam mentioned that more importantly, the Board members need to attend the Semi-Annual Board Meeting on May 18, since Trustee Kawamura will not be able to attend the May 18 meeting. All other Trustees must be present in order to have quorum to start the meeting. A draft agenda was presented and reviewed by the Board; the Board did not have any objections to the draft agenda.

Ms. Akiyoshi reported that the Fall Benefits Fairs have been tentatively scheduled for October 20, 2010 at the Kauai War Memorial Convention Hall. The Semi-Annual meeting will be held on October 21, 2010, tentatively at the Kauai County Building.

b. 2010 Annual NAGDCA Conference

Ms. Akiyoshi referred the Board to the conference and registration information provided in the Board packets, and announced that this year it will be in Philadelphia at the Philadelphia Marriott Hotel Downtown from September 11 to 15, 2010. Ms. Akiyoshi mentioned that deadlines are coming

up for the early registration, so asked that the Board respond back if planning to attend.

A motion was made by Trustee Kawamura and seconded by Trustee Yahiro to allow all Board staff to attend the 2010 NAGDCA conference. The motion passed unanimously.

Motion to
Adjourn:

A motion was made by Trustee Yahiro and seconded by Trustee Kawamura to adjourn the meeting at 10:02 a.m. The motion passed unanimously.

(Note: Signed copy on file)