

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

**OPEN SESSION MINUTES  
MEETING # 416**

Date: September 20, 2017

Place: Department of Human Resources Development  
14<sup>th</sup> Floor Merit Appeals Board Conference Room  
235 South Beretania Street, State Office Tower  
Honolulu, HI 96813

Present: Brian Moto, Chairperson  
Wesley Machida, Ex-Officio Member  
Kanoë Margol, Employee Member  
Kenneth Villabrille, Employee Member  
Kalei Rapoza, Employee Member

Others: Mana Moriarty, Deputy Attorney General  
Krishna Jayaram, Deputy Attorney General  
Cynthia Akiyoshi, DHRD Staff  
Glenn Ezard, Segal Marco Advisors  
Grace Baracao, Plan Administrator Staff (Prudential)/Honolulu Office  
Jeanne Kanai, Plan Administrator Staff (Prudential)/Honolulu Office  
Julie Klassen and Carol Blumenthal, Prudential Retirement – via conference call

Absent: James Nishimoto, Ex-Officio Member  
Roderick Becker, Employee Member

Call to Order: There being a quorum present, Chairperson Brian Moto 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 Moto welcomed everyone including DAG Krishna Jayaram, who has been assigned to the Board. He noted that this meeting is DAG Moriarty's last meeting and extended thanks to him and expressed appreciation for providing legal services during this interim period. He proceeded with introductions and stated that all trustees were present except for Trustees Nishimoto and Becker, and that there were no guests from the public in attendance.

Chairperson Moto proceeded to Agenda item #1.

Agenda

Item # 1: New Business

a. Discussion and Consideration on the Submittal of the Shareholder Proxy Vote Received From Vanguard

Chairperson Moto stated that a shareholder proxy notice was received. Ms. Akiyoshi summarized the 3 proposals described by Vanguard. The first is Proposal 1, which is for the election of 12 trustees; the second one, is Proposal 3, which is to approve a manager-of-manager arrangement with wholly-owned subsidiaries of Vanguard; and the third one, which is Proposal 7, was related to instituting procedures that would avoid holdings in an investment that substantially contribute to genocide. The recommendations by Vanguard are for the approval of the manager-of-manager arrangement and to vote against Proposal 7. Mr. Ezard commented that for the manager-of-manager arrangement, it is not unusual to have this type of structure. For Proposal 7, Mr. Ezard noted that Vanguard does a fair amount of indexing and this might inhibit their ability to provide an index fund and which could hurt their investment strategy. It doesn't necessarily mean that you are supporting genocide, you would look to Vanguard to address the issues with the individual companies of those funds.

**A motion was made by Trustee Machida and seconded by Trustee Margol to submit a vote in favor of Proposals 1 and 3, and to cast an abstaining vote on Proposal 7. The motion passed unanimously.**

Agenda

Item # 2: Ongoing Business

a. Status Report on Maui County Council's Consideration on the Resolution Item PEA-39, A Deferred Compensation Plan for County Employees

Chairperson Moto stated that a letter has been prepared and submitted to the PEA committee.

DAG Moriarty commented that the PEA committee met on September 8, 2017, and the notice reflects that the letter was received by the PEA committee. DAG Moriarty noted that he viewed the hearing, and summarized that there was a wide range of comments. Mayor Arakawa was in attendance and he had indicated support and interest in looking for a separate plan. The committee members had discussed the termination provision within the county agreement with the State and whether termination was appropriate. Council member Cochran had remarked that

she participates in the Plan and noted that she was not sure why there is a need for this discussion. Council members Hokama and Guzman talked about the termination provision and the 2 resolutions proposed by Council member Hokama and Council member Crivello. Mayor Arakawa noted he was generally in support but is not committed either way on a proposed approach. Although Council approval was not necessary, Council member Hokama and Mayor Arakawa indicated that bringing this topic through public forum serves as a way to notify employees of this issue that is being considered. DAG Moriarty also stated that there was not any discussion about the points referenced in our letter to the PEA about the legal issues that Maui County should investigate and consider. The PEA committee did not indicate any timeline for this initiative to take place. The PEA committee does need to prepare a report and send the report to the full Council.

b. Discussion and Consideration on Possible Course of Action Related to Victory's Retroactive Revenue Sharing

DAG Moriarty remarked that the review of Victory's draft settlement is in progress. More updates will be provided at a future meeting, and recommended deferral to a future meeting. There were no objections.

c. Discussion and Consideration on the Announcement from J.P. Morgan on the Dissolution of the J.P. Morgan Diversified Real Return Fund

Mr. Ezard stated that a notice was received from J.P. Morgan that the J.P. Morgan Diversified Real Return Fund will close and the fund will be liquidated. DAG Moriarty summarized that the Board had agreed upon a modified and compressed competitive search process and had authorized Segal Marco Advisors to look for investment fund options to replace the existing J.P. Morgan Diversified Real Return Fund.

d. Discussion and Review of Draft Request For Proposals for Off-the-Shelf Target Date Fund Investment Options

Chairperson Moto asked that the Board move into Executive Session to confer with legal counsel on Agenda Items 2.c. and 2.d.

**A motion was made by Trustee Machida and seconded by Trustee Rapoza to move into Executive Session at 9:35 a.m. to confer with the Plan's legal counsel on Agenda items 2.c. and 2.d., and to deliberate or make a decision upon a matter that requires the consideration of information that must be kept confidential pursuant to a state or federal law, pursuant to HRS §§ 92-5(a)(8), 103D-105, and 103D-303. The motion passed unanimously.**

EXECUTIVE SESSION

All guests were excused except for Segal Marco Advisors.

Meeting

Reconvened: **A motion was made by Trustee Machida and seconded by Trustee Margol to move out of Executive Session at 10:17 a.m. The motion passed unanimously.**

Chairperson Moto stated that further discussion on Agenda item #2.b. will be deferred, and returned to Agenda Item #2.c.

- c. Discussion and Consideration on the Announcement from J.P. Morgan on the Dissolution of the J.P. Morgan Diversified Real Return Fund

**A motion was made by Trustee Machida and seconded by Trustee Rapoza to accept the recommendations on the potential top candidates, proposed by Segal Marco Advisors, for a replacement fund to the J.P. Morgan Diversified Real Return Fund, and have Segal Marco Advisors ask for best and final offers. The motion passed unanimously.**

- d. Discussion and Review of Draft Request For Proposals for Off-the-Shelf Target Date Fund Investment Options

Chairperson Moto stated that the Board will be issuing a RFP for a Target Date Fund investment option.

**A motion was made by Trustee Rapoza and seconded by Trustee Machida to authorize Board staff to issue a RFP for a Target Date Fund investment option. The motion passed unanimously.**

There was no other business. Chairperson Moto thanked everyone for attending today's meeting.

**A motion was made by Trustee Rapoza and seconded by Trustee Machida to adjourn the meeting at 10:21 a.m. The motion passed unanimously.**

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