

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

**OPEN SESSION MINUTES  
MEETING # 366**

Date: October 12, 2012

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

Present: Wayne Chu, Chairperson  
Scott Kami, Employee Member  
Kalbert Young, Ex-Officio Member (arrived at 10:05 a.m.)  
Neal Miyahira, Employee Member  
Michael Okumoto, Employee Member

Others: Rodney J. Tam, Deputy Attorney General  
Cynthia Akiyoshi, DHRD Staff  
David Williams and Andrew Ness, Mercer Investment Consulting  
– via conference call  
Brian Merrick, Carol Cann, ING/Boston Office – via conference  
call  
Melody Takacs, Grace Baracao, and Jeanne Kanai, ING Honolulu Office  
Harry Mattson, ING  
Lisa Hoxha, Great West Retirement Services  
Greg Hodges, Prudential  
Carl Lutz, Life Insurance of the Southwest

Absent: Barbara Krieg, Ex-Officio Member  
Wesley Machida, Employee Member

Call to Order: There being a quorum present, Chairperson Wayne Chu 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.

Agenda

Item #1: Plan Administrator's Updates

Mr. Merrick reported the following:

- a. Launch Status of the International Large Cap Value Equity Investment Option and Transition Update

The AllianceBernstein International Value Fund is scheduled to be replaced by the MFS International Value Fund on October 19, 2012. ING has been in contact with AllianceBernstein and MFS to discuss coordination and transfer plans. No issues anticipated and will be available to participants on October 22, 2012.

- b. Updates on the 457 Plan Audit by N&K

ING contracted N&K to conduct a Plan financial audit. Ms. Cann reported on the progress. ING has been working closely with them and providing reports for N&K to conduct a sample audit of participant population. ING is assisting in sending out confirmations to the payroll agencies to confirm contribution amounts that were posted to ING. No issues to report. ING plans to have N&K provide an update on the conclusion of the audit.

- c. Service Review of Performance Standards

Mr. Merrick reported that ING is reviewing the performance standards identified in the contract. Some service standards have financial penalties. An audit was conducted for the period July 1, 2011 to June 30, 2012. It was discovered that out of seventeen (17) specific service standards, ING did not exceed the performance penalty number of points so there are no financial penalties. ING met fifteen (15) standards and failed to meet two (2). One is related to QDROs and the other item identified was related to the number of hours of unscheduled web maintenance. A component of this review was the satisfaction survey.

Agenda

Item # 2: Status on Amendments to INVESCO's Contract and Investment Guidelines

Ms. Akiyoshi reported that the amendments to the contract have not been completed yet. Staff requests that this item be deferred.

Agenda

Item # 3: 2013 Legislative Initiatives

Ms. Akiyoshi stated that the DHRD received proposed legislative changes from DLIR to change the PTS Plan law to exclude certain employees in the work

experience program from the Plan. DLIR has been in communication with DHRD about certain employees in the work experience program. DLIR asked whether these employees could be excluded from the PTS Plan, and referred to the provision within the Plan document that refers to the exclusion for persons hired through programs to relieve unemployment. Historically, one of the programs, the Job Training Partnership Act under the federal act, employees hired in this program were specifically excluded from the Plan and the U.S. Dept. of Labor did provide a clarification letter to DLIR exempting these JTPA program employees from the PTS Plan. These employees are not to be placed into a retirement plan. DLIR asked DHRD to make a similar exclusion. DHRD responded that they could not make that interpretation to exclude the work experience program employees. DLIR asked if the Board could make the interpretation and would consider approving the changes. DLIR noted that if the Board provides the interpretation that the employees in the work experience program can be excluded then they would not pursue the legislative changes. DLIR is preparing more information for the Board to present at future meetings.

DAG Tam added that DLIR has been told to explain what these employees do and to justify how this group of employees fit into the exemption and exclusions. DAG Tam informed DLIR that they must fit into the five categories covered in the law. DAG Tam advised that it would not be practical to change the law in this situation since the number of employees affected is small.

Agenda

Item # 4:      PTS Plan

Ms. Akiyoshi reported that the quarterly crediting rate for the 4<sup>th</sup> Quarter 2012, effective October 1, 2012 is 3.68%.

In addition, Ms. Akiyoshi reported that LSW has secured an independent auditor to conduct the Plan audit. The estimated quote is between \$13,000.00 to \$14,000.00. DAG Tam added that LSW will be covering the cost of the audit expenses.

Agenda

Item # 5:      Discussion on RFP No. DCP-12-1, For Independent Third Party Administration Services (in Executive Session Pursuant to HRS sections 92-5, 103D-105, and 103D-303)

**A motion was made by Trustee Miyahira and seconded by Trustee Kami to move into Executive Session at 9:25 a.m. to discuss procurement matters. The motion passed unanimously.**

ING and guests were excused from the meeting.

Mercer joined the meeting via conference call for the discussion.

EXECUTIVE SESSION

Mr. Lutz joined the Executive Session meeting at 10:25 a.m.

Meeting

Reconvened: **A motion was made by Trustee Kami and seconded by Trustee Miyahira to move out of Executive Session at 12:03 p.m. The motion passed unanimously.**

Chairperson Chu adjourned the meeting at 12:03 p.m.

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