

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

**OPEN SESSION MINUTES
MEETING # 353**

Date: September 7, 2011

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

Present: Wayne Chu, Chairperson
Sunshine Topping, Ex-Officio Member
Kalbert Young, Ex-Officio Member
Scott Kami, Employee Member
Wesley Machida, Employee Member
Dennis Vanairsdale, Employee Member

Others: Rodney J. Tam, Deputy Attorney General
Cynthia Akiyoshi, DHRD Staff
John Bothwell, Troy Saharic, and Andrew Ness, 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
Jeralyn Casino, Guest

Absent: Neal Miyahira, Employee Member

Call to Order: There being a quorum present, Board Chairperson Wayne Chu called the meeting to order at 9:02 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 also reviewed with everyone the emergency evacuation procedures, and opened the meeting with introductions of Board members, ING staff, conference line attendees, and guests.

Agenda

Item # 1: Approval of Minutes No. 350

A motion was made by Trustee Machida and seconded by Trustee Kami to accept the minutes as provided. The motion passed unanimously.

Agenda

Item # 2: Action on Unforeseeable Emergency Withdrawal Case No. RJT02

A motion was made by Trustee Vanairsdale and seconded by Trustee Topping to go into Executive Session at 9:08 a.m. The motion passed unanimously.

ING staff, with the exception of Ms. Kanai, and other attendees were excused.

EXECUTIVE SESSION

Meeting

Reconvened: **A motion was made by Trustee Kami and seconded by Trustee Machida to get out of Executive Session at 9:54 a.m. The motion passed unanimously.**

ING staff and other meeting attendees rejoined the meeting.

Chairperson Chu explained to the UEW applicant the requirements under the IRS regulations for an unforeseeable emergency withdrawal under the Plan.

A motion was made by Trustee Topping and seconded by Trustee Vanairsdale to accept the UEW request based on the IRS regulations for full liquidation of the account. The motion passed with two votes in opposition by Trustees Young and Machida.

Chairperson Chu informed the UEW applicant that the Board determined that the facts presented met the requirements for the unforeseen emergency event based on the IRS regulations, and the UEW request for full liquidation is being granted.

Trustee Machida was excused from the meeting at 10:00 a.m.

Agenda

Item # 3: Investment Management Overview by Mercer, including:

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

Mr. Bothwell of Mercer provided an update on the performance of Plan's funds as of August 15, 2011:

- The Stable Value Fund did well; the market to book value ratio did increase.
- The equity managers struggled.
- The Harbor Small Cap Value Fund outperformed in the 1-1/2 months of the quarter; no change in the recommendation to continue on the watch list.
- The Century Small-Mid Cap Growth Fund underperformed during the first 1-1/2 months of the quarter but outperforming year-to-date.
- Bernstein International Value Fund underperformed during the year-to-date and for the 1-1/2 months of the quarter.

Agenda

Item # 4: Plan Administrator's Report

a. Plan Updates

Ms. Kanai provided highlights:

- Retirement Evaluation Campaign: Letters to participants and kits will be mailed out to those participants with salary information on file. ING contacted departments which don't share salary information to determine if the information will/will not be released. Participants without salary information on file will receive the mailers but not the retirement evaluation kit, and are asked to call if they would like a customized evaluation kit.

Ms. Melody Takacs provided local office activities:

- Plan Consultant Al Lee attended a faculty meeting event at the KCC campus to provide information on the Plan to interested faculty employees. Trustee Vanairsdale noted that he will explore other opportunities that ING staff could attend.

b. Semi-Annual Meeting and Employees' Benefits Fair in Hilo

Ms. Akiyoshi reminded the Board about the upcoming dates of October 4, 2011 for the semi-annual meeting, and on October 6, 2011 for the Benefits Fair scheduled to be held in Hilo.

c. No other Plan issues for discussion.

Agenda

Item # 4: Discussion on RFP No. DCP-11-1, Request for Proposals for an Emerging Market Equity Option and RFP No. DCP-11-1, Diversified Inflation Hedge Investment

Option

Chairperson Chu asked the Board if any objections in taking item # 5 out of sequence and discussing first before moving on to item # 4. There were no objections.

Agenda

Item # 5: Review and Discuss Draft Request For Proposals for an International Value Investment Option

The Board agreed to take item # 6 out of order before item # 5.

Agenda

Item # 6: Discussion on Third Party Administrator Trends by Mercer Investment Consulting

Mr. Ness presented a report on Third Party Administration services for discussion planning purposes. Mr. Ness presented information on prevalent record keepers in the market who are likely to bid and current trends among the 457 plans when considering RFP goals. Also, Mr. Ness provided suggested alternatives to products and services, in comparison to current Plan offerings, to consider when deciding on an approach, and a tentative timeline for the search process.

Agenda

Item # 5: Review and Discuss Draft Request For Proposals for an International Value Investment Option

A motion was made by Trustee Topping and seconded by Trustee Vanairsdale to move into Executive Session at 10:42 a.m. to confer with legal counsel on procurement procedures. The motion passed unanimously.

ING staff and guests were excused from the meeting

EXECUTIVE SESSION

Agenda

Item # 8: Discussion on RFP No. DCP-11-1, Request for Proposals for an Emerging Market Equity Option and RFP No. DCP-11-1, Diversified Inflation Hedge Investment Option

EXECUTIVE SESSION

Meeting

Reconvened: **A motion was made by Trustee Topping and seconded by Trustee Young to get out of Executive Session at 11:11 a.m. The motion passed unanimously.**

ING staff and guests rejoined the meeting.

Agenda

Item # 8: PTS Plan

- a. Approval of Report of Funds Not Deposited in the State/County Treasuries for the Period Ending June 30, 2011.

Ms. Akiyoshi referred to the asset report for the Board's review and approval and noted that the Quarterly Management Report is also provided for information from the TPA.

A motion was made by Trustee Young and seconded by Trustee Topping to approve the Report on Funds, as provided. The motion passed unanimously.

Agenda

Item # 9: Other Business Announcements

- a. Next Board Meeting(s)

Ms. Akiyoshi recapped the upcoming scheduled meetings.

- b. Presentation to Outgoing Trustee Topping

A lei was presented to outgoing member Trustee Topping with acknowledgements on her service to the Board.

Motion to

Adjourn: **A motion was made by Trustee Topping and seconded by Trustee Young to adjourn the meeting at 11:17 a.m. The motion passed unanimously.**

(NOTE: Signed copy on file.)