

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

**OPEN SESSION MINUTES
MEETING # 330**

Date: February 4, 2009

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, Employee Member
Ryan Ushijima, Member
Kenneth Taira, Member

Others: Cynthia Akiyoshi, Staff
Tracy Kiyabu, Staff
Rodney Tam, Deputy Attorney General
Melody Takacs, Plan Administrator Staff (ING-Honolulu Office)
Grace Baracao, Plan Administrator Staff (ING-Honolulu Office)
Carol Cann, Plan Administrator Staff (ING-Boston Office)–Via Telephone
Troy Saharic, Mercer Investment Consulting –Via Telephone

Absent: Wayne Chu, Employee Member
Sandra Yahiro, Employee Member

Call to Order: There being a quorum present, Chairperson Marie Laderta called the meeting to order at 8:37 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: Ratification of Unforeseeable Emergency Withdrawal Cases # s 209 and #16

A motion was made by Trustee Kawamura and seconded by Trustee Ushijima to ratify the UEW Sub-committee's approval of the Plan Administrator's recommendations on UEW case nos. 209 and 216. The motion passed unanimously.

Agenda

Item # 2: Approval of Minutes #279, #280, #286, #287, #306, #307, #321 & #322

The minutes were not ready for review and therefore this agenda item was deferred.

To assist with the minutes, the Board requested a temporary arrangement be made to have ING, the Plan's Third Party Administrator, take the minutes beginning with this meeting.

Agenda

Item # 3: 2009 Proposed Employees' Benefits Fairs Schedule

Ms. Akiyoshi shared with the Board that the Plan's investment providers were surveyed to determine their availability for the next upcoming 2009 Fairs. Based on feedback received, a revised schedule that included only two sets of Fairs for 2009, rather than three, was presented to the Board for review and comments. To relieve some of the logistical costs of the Fairs, Trustee Kawamura proposed having only one neighbor-island Fair this year. The consensus by the Board was to schedule two fairs on Oahu in May (Aloha Stadium and University of Hawaii) and one fair on Maui in October/November (Location TBD).

Agenda

Item # 4: Plan Administrator's Report

Ms. Cann reported on the Local Office updates and 4th Quarter updates. She also reported that the project to allow rollovers from the ERS into the Plan is complete and participants are now able to request rollovers.

Ms. Cann reported that the Required Minimum Distribution rules have been suspended in 2009. (see, handout on IRS Notice 2009-9 for more details.) The original RMD rules for all other years, including 2008, remain unchanged. Letters to affected participants will be mailed on February 5, 2009.

Trustee Kawamura asked Ms. Cann if, due to the investment climate, ING is seeing a pattern with Plan participants transferring their account assets into the Stable Value Fund. Ms. Cann stated that she was not sure and would generate a report to share with the Board. Mr. Saharic of Mercer then interjected that the balance in the Stable Value Fund at the end of 2007 was \$739.4 million; at the end of 2008 the balance in 2008 was \$829.3 million, which is a gain of over \$90 million in the Stable Value Fund during 2008 alone. He stated this increase in the Stable Value Fund

is consistent with what his firm is seeing in other plans, as well.

Ms. Cann stated that ING announced a reduction of 8% in staff and a change in the Service Team. Spencer Brennan's position has been eliminated; however, he will stay and assist through the end of March 2009.

Agenda

Item # 5:

2009 Legislation Updates

Ms. Akiyoshi reported that the proposed bill on Automatic Enrollment into the Plan was introduced; refer to handouts on H.B. No. 1104 and S.B. No. 922 for details.

Chairperson Laderta met with legislators – Representative Rhoads and Senator Takamine. Trustee Ushijima also was present at the meeting with Senator Takamine. Both meetings were positive; there were no immediate concerns. Chairperson Laderta will testify at the hearing on February 6, 2009.

Agenda

Item # 6:

Chairperson Laderta asked that Board move to item #7 and take this item out of order. There was no disagreement by the other Board members.

Agenda

Item # 7:

Mercer Update on the Stable Value Fund

Mr. Saharic reported that due to a considerable amount of money flowing into Stable Value Funds, insurance wrap providers are nervous and not taking in more assets or new business. Mr. Saharic reminded the Board that INVESCO was placed on watch due to a significant number of members of management and employees leaving the company. Mr. Saharic informed the Board that Mercer continues to monitor INVESCO closely. It was noted that INVESCO missed opportunity to diversify its wrap protection of its portion of the Stable Value Fund and upon Mercer's review of the Stable Value Fund with INVESCO, it was determined that INVESCO did not have an adequate contingency plan for alternative wrap protection on the portion of the Stable Value Fund they manage. Mr. Saharic stated there are no problems with the Stable Value Fund; however, it is Mercer's duty to look out for the best interests of the Plan and Fund, and has asked both Prudential and INVESCO to be more proactive in ensuring adequate insurance wrap protection on the portions of the Fund they manage.

Chairperson Laderta called a break at 9:23 a.m. The meeting resumed at 9:36 a.m.

Agenda

Item # 4:

Ms. Akiyoshi asked to cover an additional matter under the Plan Administrator's report. In regards to the 2009 Required Minimum Distribution issue, a participant, who is reaching age 70 1/2 (the usual RMD requirement age) in 2009, raised concern when he requested to do a rollover out of the Plan and was told by ING that he would be given two distribution checks as part of the rollover. One check would be made to the company to receive the rollover, and the other would be made out to the participant. The participant expressed great concern with having a rollover check made payable to him. According to Ms. Cann, two checks are required due to a systematic issue. Though the participant is not technically receiving an RMD, due to his age, the system is recognizing it as such. The system automatically processes RMDs with rollovers and to turn this procedure off just for this year (RMDs are not required for 2009) would not be feasible. After discussion with the Board and counsel, Ms. Cann stated she will look into the ability to change the payee and/or endorsement on the second check to reflect the receiving company rather than the participant's name.

Agenda Item # 6:

Status Update on the Addition of a Brokerage Window

DAG Tam reported that he will be working on an agreement between the affected parties to cover a brokerage window. Ms. Cann reported that Brokerage Accounts could be made available to participants at the end of June, subject to contract execution. Ms. Cann will provide DAG Tam with more information from Schwab.

Agenda

Item # 8:

Status Update on Request for Proposals (in Executive Session Pursuant to HRS sections 92-5, 103D, and 103D-303):

- a. RFP No. DCP-FY-09-1, Request For Proposals for a Large Cap Growth Equity Investment Option; and
- b. RFP No. DCP-FY-09-2, Request For Proposals for Passively Managed Investment Options

A motion was made by Trustee Kawamura and seconded by Trustee Ushijima to go into Executive Session at 9:45 a.m. to confer with legal counsel and the Plan's consultant. The motion passed unanimously.

ING staff was excused from the meeting. Conference call established with the Plan's consultant.

EXECUTIVE SESSION

Meeting

Reconvened:

A motion was made by Trustee Kawamura and seconded by Trustee Ushijima to move out of Executive Session at 9:59 a.m. The motion passed unanimously.

Agenda

Item # 9:

New Business and Announcements

Ms. Akiyoshi reported that LSW, the Plan administrator for the Part-Time, Temporary, and Seasonal/Casual Employees submitted its report on the balances for the Board's reimbursement account. The total available for Board reimbursement is \$24,022.51.

Ms. Akiyoshi asked that the PTS Plan - Report of Funds Not Deposited in the State/County Treasuries be added to the Agenda for Board review and approval.

A motion was made by Trustee Kawamura and seconded by Trustee Taira to add to the agenda the PTS Plan - Report on Funds Not Deposited into the State/County Treasuries. The motion passed unanimously.

A motion was made by Trustee Ushijima and seconded by Trustee Kawamura to accept the two reports of the PTS Plan Report on Funds Not Deposited into the State/County Treasuries for the quarters ending September 30, 2008 and December 31, 2008, as submitted by LSW. The motion passed unanimously.

Ms. Akiyoshi reported that a payroll message has been prepared and is targeted for the March 20, 2009 pay period. The Board accepted the draft payroll message, with noted edits.

A Plan participant letter addressed to Chairperson Laderta that acknowledges assistance by staff to help resolve an issue was shared with the Board. The letter included some suggestions for ING in regards to improving Plan information and streamlining some processes. Chairperson Laderta asked that the letter be shared with ING's staff.

Plan Relationship Manager Position – DAG Tam asked about the status of

ING hiring a Plan Relationship Manager for the Plan Administrator's Honolulu office. Ms. Akiyoshi reported that Kim Alger, from ING's Plan Administration, said they are still interviewing and searching for candidates who would be a good fit for the position.

Vanguard Annual Symposium – This event will be held at the Halekulani Hotel. Trustee Taira expressed his interest in attending.

A motion was made by Trustee Laderta and seconded by Trustee Kawamura to adjourn the meeting at 10:11 a.m. The motion passed unanimously.

(Note: Signed copy on file)