

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

**OPEN SESSION MINUTES  
MEETING # 373**

Date: March 25, 2013

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

Present: Wayne Chu, Chairperson  
Kalbert Young, Ex-Officio Member (arrived at 9:37 a.m.)  
Barbara Krieg, Ex-Officio Member  
Neal Miyahira, Employee Member  
Scott Kami, Employee Member  
Michael Okumoto, Employee Member

Others: Rodney J. Tam, Deputy Attorney General  
Cynthia Akiyoshi, DHRD Staff  
Troy Saharic, David Williams and Andrew Ness, Mercer Investment Consulting  
– via conference call  
Brian Merrick and Carol Cann, ING/Plan Administration Office-Boston Office – via  
conference call  
Melody Takacs, Jeanne Kanai, and Grace Baracao, ING/Honolulu Office  
Greg Hodges and Julie Klassen, Prudential Retirement

Absent: Wesley Machida, Employee Member

Call to Order: There being a quorum present, 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 welcomed Trustees and guests, and asked for introductions of attendees on the conference phone line.

Agenda

Item # 1: Approval of Minutes Nos. 365, 366, 367, 368, and 371

Chairperson Chu stated that Minutes No. 367 was not included in the distribution and staff had requested to defer Minutes No. 367. Chairperson Chu asked for any corrections to the four other minutes.

Trustee Krieg noted a correction to Minutes No. 368, under agenda item no. 4.c., to correct the DLIR reference to the U.S. Department of Labor.

**A motion was made by Trustee Krieg and seconded by Trustee Miyahira to approve Minutes Nos. 365, 366, and 371, as is, and approve Minutes No. 368, with noted corrections. The motion passed unanimously.**

Agenda

Item # 2:

Plan Administrator's Report

a. Status on Plan Audit Report

Mr. Merrick reported that there are a few remaining items before the Plan audit report is completed. He anticipates that the report will be completed and ready to report at the next Board meeting.

b. Compliance Audit

In response to a previous question, Mr. Merrick is gathering information to report on the issues that get audited on within Plans. He will present to the Board when he has the information.

c. Other Plan Issues – No other Plan issues to report.

Agenda

Item # 3:

2013 Lifecycle portfolio review by Mercer

Mr. Williams summarized the current glidepath of the LifeCycle portfolios, and which includes the new investment options that were incorporated into the LifeCycle portfolio allocations in 2012. There have been no substantive changes to the Plan's investment option structure, so minor adjustments are being recommended for the 2013 allocations. Mr. Williams explained Mercer's preference on the glidepath whereby the portfolios will roll into the Income Portfolio five to ten years after the target retirement date and through 2015. The Plan's LifeCycle portfolios are designed as "through design" portfolio and this continues to fit the participant usage profile.

**A motion was made by Trustee Miyahira and seconded by Trustee Kami to accept Mercer's recommendations for the 2013 LifeCycle portfolio**

**allocations. The motion passed unanimously.**

Agenda

Item # 4: Discussion on 2013 Semi-Annual Meeting on Kauai

Ms. Akiyoshi reported that plans for the Oahu Semi-Annual meeting and Benefits Fair are on hold and are being left open for now, with a tentative target date after July 1, 2013.

For the fall Semi-Annual meeting and Benefits Fair, Ms. Akiyoshi stated that sites have been identified for the Semi-Annual meeting. The conference room at the Kauai County Building is available for the meeting on Wednesday, October 16, 2013, and the Kauai War Memorial Convention Center is available for the Fair on October 15, 2013. There were no objections by the Board. Ms. Akiyoshi will follow-up with Board members to confirm attendance at the meeting to ensure quorum.

Agenda

Item # 5: Staff's Administrative Report to the Board

Ms. Akiyoshi highlighted some of the ongoing TPA activities that are being monitored, including the deposit and credit of the BlackRock Income credit into the Funds that was previously reported on.

Ms. Akiyoshi reported on the monitoring of the Consultant's activities, and includes working with Mercer on the updates to the Investment Policy statement. The updates will be presented at an upcoming meeting.

Ms. Akiyoshi reported on monitoring announcements on organizational changes occurring among the Investment Fund managers – from Victory, Winslow (MainStay Fund), and Century Capital Management. In addition, the following information from INVESCO's monthly reports was provided:

- Assets as of February 28, 2013 is at \$417.1 million;
- The wrap provider ratings remain at A1, A3, A+, A-, and AA-; and
- The market-to-book value is above 100%.

Trustee Miyahira raised the question whether the ratings have stabilized with the wrap contract issuers and if the turmoil in the markets has changed.

Mr. Saharic responded with comments and felt that he does not feel the wrap situation will fall apart. When the market is above book value, you can exit without a loss. The options would be to take cash, to money market fund, or fixed income strategy.

Ms. Akiyoshi reported that the PTS Plan contract has now been fully executed and distributed.

The Board agreed to take agenda item # 7 at this time.

Agenda

Item # 7:

Other Business/Announcements

a. 2013 NAGDCA Conference

Ms. Akiyoshi provided information on the upcoming 2013 NAGDCA conference which will be held September 8 – 11, 2013, in Louisville, Kentucky. Ms. Akiyoshi asked that interested Board members please respond back to her via email by end of April.

**A motion was made by Trustee Kami and seconded by Trustee Miyahira to move into Executive Session at 9:37 a.m., to discuss the agenda item related to procurement. The motion passed unanimously.**

All ING staff and guests were excused from the meeting.

EXECUTIVE SESSION

Agenda

Item # 6:

Status Report on Contract Award for RFP No. DCP-12-1, For Independent Third Party Administration Services

Mercer joined the meeting via conference call.

**A motion was made by Trustee Miyahira and seconded by Trustee Kami to move out of Executive Session at 11:08 a.m. The motion passed unanimously.**

Chairperson Chu adjourned the meeting at 11:08 a.m.

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