
SENATE CONCURRENT RESOLUTION

REQUESTING THE STATE AUDITOR TO CONDUCT A MANAGEMENT AND
PERFORMANCE AUDIT OF THE BOARD OF TRUSTEES OF THE STATE
DEFERRED COMPENSATION PLAN AND PLAN ADMINISTRATORS
CONTRACTED BY THE BOARD.

1 WHEREAS, the state Deferred Compensation Plan was
2 established in 1981 in chapter 88E, Hawaii Revised Statutes
3 (HRS), in accordance with section 457 of the Internal Revenue
4 Code of 1954, as amended, for the benefit of public employees of
5 the State and the counties of the State of Hawaii to enable
6 these employees to defer a portion of their compensation to a
7 future period of time; and

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9 WHEREAS, pursuant to chapter 88E, HRS, a Board of Trustees
10 was established with its members appointed by the Governor of
11 the State of Hawaii to perform necessary duties and functions to
12 establish and maintain a deferred compensation plan and to
13 authorize the Board to engage the services of a plan
14 administrator in accordance with specifications as may be
15 established by the Board; and

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17 WHEREAS, since its inception, the Deferred Compensation
18 Plan has experienced rapid growth, with large numbers of public
19 employees participating in the Plan and contributing a portion
20 of their compensation into the Plan to be held and invested by
21 the Board of Trustees in accordance with investment products
22 permitted under the Plan and chapter 88E, HRS; and

23
24 WHEREAS, concerns have been raised in recent years about
25 the Deferred Compensation Plan and the Plan administrators' lack
26 of communication with the Plan members, lack of easy access to
27 information relating to each member's contribution, investment
28 performance, investment expenses, costs of administration, and
29 each member's special needs and circumstances; and

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1 WHEREAS, numerous public employees and retirees of both the
2 State and counties who are members of the Deferred Compensation
3 Plan have complained of the substantial lack of information on
4 their accounts, their inability to obtain information on their
5 investments from the Plan administrators, and the difficulties
6 that many of them have experienced in obtaining assistance in
7 planning for their retirement, in meeting technical requirements
8 of the Internal Revenue Service, and simply determining what to
9 do with their investments in a rapidly changing economy; and
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11 WHEREAS, despite having a Board of Trustees, the members
12 have little or no information relating to any meetings that the
13 Board of Trustees may have had or may have in the future on
14 matters that deal with the investments, with no reports on any
15 decisions that may have been made by the Board on any current
16 and future plans for the Deferred Compensation Plan; and
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18 WHEREAS, some members who have accepted ING Group as their
19 Plan administrator were promised easy access, timely and
20 appropriate information, and an excess of information, and that
21 these promises have yet to materialize, resulting instead in
22 difficult access, with little if any information available to
23 the members; and
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25 WHEREAS, in light of the recent downturn in the economy,
26 the substantial loss of investments experienced by many Deferred
27 Compensation Plan members, and the need for these members to
28 make decisions that may affect their investments, the inability
29 to access Plan administrators has created great concern among
30 employees and retirees with regard to the Deferred Compensation
31 Plan, the Board of Trustees, and the Plan administrators; and
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33 WHEREAS, given the growing number of members, particularly
34 the growing number of retirees, the need to maximize members'
35 investments, together with the need to make timely and
36 appropriate decisions regarding members' investments, the Board
37 of Trustees and the Plan administrators contracted by the Board
38 of Trustees must take positive steps to allow timely and easy
39 access to each member's investments to enable the members to
40 make timely and appropriate decisions on their investments; and
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42 WHEREAS, there is a need for the State Auditor to conduct a
43 management and performance audit of the Board of Trustees and
44 the Deferred Compensation Plan to ensure that the Board of

1 Trustees and the Plan administrators are acting in the best
2 interest and meeting the needs of Deferred Compensation Plan
3 members; now, therefore,
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5 BE IT RESOLVED by the Senate of the Twenty-fifth
6 Legislature of the State of Hawaii, Regular Session of 2009, the
7 House of Representatives concurring, that the State Auditor is
8 requested to conduct a management and performance audit of the
9 Board of Trustees of the Deferred Compensation Plan; and
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11 BE IT FURTHER RESOLVED that the State Auditor is requested
12 to include in the audit a review of the contract decisions of
13 the Board of Trustees, including a review of current and
14 previous Plan administrators contracted by the Board of
15 Trustees, Plan administrators' investment expenses, the number
16 of investment managers retained by the Plan administrators,
17 method of selection of investment managers, criteria used to
18 retain investment firms, the rate of return for each investment
19 manager's portfolio, and a comparison of these investment
20 decisions with deferred compensation plans of other
21 jurisdictions; and
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23 BE IT FURTHER RESOLVED that the Board of Trustees, the
24 Board of Trustees' staff, and Plan administrators are requested
25 to fully cooperate and promptly respond to the State Auditor's
26 requests in conducting this audit; and
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28 BE IT FURTHER RESOLVED that the State Auditor is requested
29 to report findings and recommendations, including any proposed
30 implementing legislation, to the Legislature no later than
31 twenty days before the convening of the Regular Session of 2010;
32 and
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34 BE IT FURTHER RESOLVED that certified copies of this
35 Concurrent Resolution be transmitted to the State Auditor and to
36 the Chairperson of the Board of Trustees of the Deferred
37 Compensation Plan.
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