
SENATE RESOLUTION

REQUESTING THE SENATE COMMITTEE ON LABOR TO CONDUCT A HEARING TO ASSESS THE PERFORMANCE OF THE BOARD OF TRUSTEES OF THE DEFERRED COMPENSATION PLAN AND PLAN ADMINISTRATORS, AND TO RECOMMEND APPROPRIATE MEANS TO RESOLVE COMPLAINTS BY PLAN MEMBERS.

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
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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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31 WHEREAS, numerous public employees and retirees of both the
32 State and counties who are members of the Deferred Compensation
33 Plan have complained of the substantial lack of information on

1 their accounts, their inability to obtain information on their
2 investments from the Plan administrators, and the difficulties
3 that many of them have experienced in obtaining assistance in
4 planning for their retirement, in meeting technical requirements
5 of the Internal Revenue Service, and simply determining what to
6 do with their investments in a rapidly changing economy; and
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8 WHEREAS, despite having a Board of Trustees, the members
9 have little or no information relating to any meetings that the
10 Board of Trustees may have had or may have in the future on
11 matters that deal with the investments, with no reports on any
12 decisions that may have been made by the Board on any current
13 and future plans for the Deferred Compensation Plan; and
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15 WHEREAS, some members who have accepted ING Group as their
16 Plan administrator were promised easy access, timely and
17 appropriate information, and an excess of information, and these
18 promises have yet to materialize, resulting instead in difficult
19 access, with little if any information available to the members;
20 and
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22 WHEREAS, the recent downturn in the economy, the
23 substantial loss of investments by many Deferred Compensation
24 Plan members and the need for these members to make decisions
25 that may affect their investments, and the inability to access
26 Plan administrators has created great concern among the
27 employees and retirees with the Deferred Compensation Plan, the
28 Board of Trustees, and the Plan administrators; and
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30 WHEREAS, given the growing number of members, particularly
31 the growing number of retirees, the need to maximize members'
32 investments, together with the need to make timely and
33 appropriate decisions regarding members' investments, the Board
34 of Trustees and the Plan administrators contracted by the Board
35 of Trustees must take positive steps to allow timely and easy
36 access to each member's investments to enable the members to
37 make timely and appropriate decisions on their investments; and
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39 WHEREAS, there is a need to assess the performance of the
40 Board of Trustees and the Deferred Compensation Plan
41 administrators to ensure that the Board of Trustees and the Plan
42 administrators are acting in the best interest and meeting the
43 needs of Deferred Compensation Plan members; now, therefore,
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1 BE IT RESOLVED by the Senate of the Twenty-fifth
2 Legislature of the State of Hawaii, Regular Session of 2009,
3 that the Senate Committee on Labor hold a joint hearing to
4 assess the performance of the Board of Trustees of the Deferred
5 Compensation Plan and the Plan administrators, and to recommend
6 appropriate means to resolve complaints by Plan members; and
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8 BE IT FURTHER RESOLVED that the Senate Committee on Labor
9 is requested to review the contract decisions of the Board of
10 Trustees, including a review of Plan administrators contracted
11 by the Board of Trustees, Plan administrators' investment
12 expenses, the number of investment managers retained by Plan
13 administrators, method of selection of investment managers,
14 criteria used to retain investment firms, the rate of return for
15 each investment manager's portfolio, and a comparison of these
16 investment decisions with deferred compensation plans of other
17 jurisdictions; and
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19 BE IT FURTHER RESOLVED that the Board of Trustees, the
20 Board of Trustees' staff, and Plan administrators are requested
21 to fully cooperate and promptly respond to requests by the
22 Senate Committee on Labor in conducting this review; and
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24 BE IT FURTHER RESOLVED that the Senate Committee on Labor
25 is requested to produce a report on the Committee's findings and
26 recommendations, including any proposed implementing
27 legislation, to the Senate upon the conclusion of the hearing
28 but no later than twenty days before the convening of the
29 Regular Session of 2010; and
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31 BE IT FURTHER RESOLVED that certified copies of this
32 Resolution be transmitted to the President of the Senate, the
33 Chair of the Senate Committee on Labor, and the Chairperson of
34 the Board of Trustees of the Deferred Compensation Plan.