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August 4, 2017

2017 AUG -4 AM 7: 57

OFFICE OF THE
COUNTY COUNCIL

MEMO TO: PEA-39 File

F R O M: Councilmember Stacy Crivello

SUBJECT: **TRANSMITTAL OF INFORMATIONAL DOCUMENT RELATING TO
ADDITIONAL DEFERRED COMPENSATION PLAN FOR COUNTY
EMPLOYEES** (PAF 17-182)

The attached informational document pertains to Item 39 on the Committee's agenda.

paf:mcc:17-182a

Attachment

ALAN M. ARAKAWA
Mayor



DAVID J. UNDERWOOD
Director

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CYNTHIA M. RAZO-PORTER
Deputy Director

2017 JUN -7 AM 9:26

COUNTY OF MAUI OFFICE OF THE MAYOR
DEPARTMENT OF PERSONNEL SERVICES

200 S. HIGH STREET * WAILUKU, MAUI, HAWAII 96793-2155
PHONE (808) 270-7850 * FAX (808) 270-7969

Website: www.mauicounty.gov/departments/Personnel - Email: personnel.services@mauicounty.gov

June 7, 2017

Honorable Alan M. Arakawa
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

For Transmittal to:

Honorable Stacy Crivello
Councilmember
Maui County Council
200 South High Street
Wailuku, Hawaii 96793

RECEIVED
2017 JUN -8 PM 4:02
OFFICE OF THE
COUNTY CLERK

Al Arakawa 6/8/17

Dear Councilmember Crivello:

SUBJECT: DEFERRED COMPENSATION PLAN

We are in receipt of your letter of May 30, 2017, which poses a number of questions regarding the County's supplemental retirement savings plan. Please find our answers below:

Question 1. How is the plan provider for the County selected? Explain the process.

Chapter 88E of the Hawaii Revised Statutes authorizes the State of Hawaii to establish a deferred compensation plan in accordance with section 457 of the Internal Revenue Code. This statute also allows the County to enter into an agreement with the State to extend the deferred compensation plan to employees of the County. The County has been party to such an agreement since 1983.

The plan is administered by a board of trustees, made up of seven members appointed by the Governor. The board selects the third-party administrator and plan providers via formal solicitation of proposals.

Question 2: Does the County review the performance of the plan provider? If so, submit the most current performance review.

While the County does not independently review the performance of the plan provider, the board of trustees does review the performance of the plan provider on an ongoing basis. Please find attached the performance summary as of April 30, 2017.

Honorable Stacy Crivello
June 7, 2017
Page 2

Question 3: How long is the term of the plan provider? When is the next opportunity to submit a proposal for interested plan providers?

The current third-party administrator, Prudential Retirement, assumed that role in July 2013. The timetable for any changes will be set by the board of trustees, and advertised as a formal request for proposals.

Question 4: Is it possible to have more than one provider for Maui County employees? If so, explain the process to expand the options for the County employees. If not, explain why not.

We are not aware of any statute that specifically prohibits a qualified governmental employer from adopting multiple 457(b) plans. However, we would note that IRS regulations require that all contributions to such plans, whether to a single plan or to multiple plans, count toward an employee's annual contribution limit.

While nothing appears to prevent the County from establishing such a plan, the County does not currently have a defined process for doing so. As there are serious fiduciary obligations and liabilities involved in creating and administering such plans, and since these plans and the associated activity must comply with very specific federal and state laws, the County would need to seek assistance from a consulting firm specializing in this area. (The board of trustees of the State plan retains the services of such a firm to advise them in administering that plan, rating the performance of the various funds, etc. This firm is separate and distinct from the third-party administrator.)

Question 5: Is there a cost to the County or its employees for the services provided by Island Savings Plan? Explain.

Under the state statute, costs for implementing and administering the plan must be borne by the plan and its participants, so there is no cost to the County for the services provided. Employees who choose to participate in the plan are charged administration and management fees. These fees vary depending on which funds the employee chooses to invest in.

Question 6: What is the current value of the County employees investment portfolio for deferred compensation?

The balance of the Maui County sub-plan as of March 31, 2017 was \$102,595,814. The total balance for the Island Savings Plan as a whole is in excess of \$2 billion.

I hope this addresses your request. If you have any questions, please feel free to contact me at extension 7850.

Sincerely,



DAVID UNDERWOOD
Director of Personnel Services

DU
Attachments

ISLAND SAVINGS PLAN – INVESTMENT OPTIONS

**ISLAND
SAVINGS
PLAN**

State of Hawaii Deferred Compensation Plan
Performance Update For Period Ending 2017-04-30

Available for Participant Use

The performance quoted represents past performance. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Past performance does not guarantee future results. Current performance may be lower or higher than the performance data quoted. For performance information current to the most recent month end, please call 1-888-71-ALOHA (888-712-5642) or visit our website at www.prudential.com/islandsavings.

Registered mutual funds are identified with a Ticker symbol.

Asset Class, Fund and Index	Ticker	3 Month	Year To Date	Average Annual Total Return				Since Inception	Inception Date	Gross / Net Expense Ratio
				1 Year	3 Year	5 Year	10 Year			
Fixed Income - Intermediate Bond										
PIMCO Total Return Instl	PTTRX	1.76%	2.48%	2.84%	2.81%	2.83%	5.68%	-	-	0.47% / 0.47%
Blackrock US Bond Index F Cl		1.42%	1.62%	0.86%	2.73%	2.33%	N/A	3.67%	04/01/10	0.07% / 0.07%
Balanced - Value										
Vanguard Wellington Admiral	VWENX	3.27%	4.24%	12.00%	7.19%	9.86%	6.94%	-	-	0.16% / 0.16%
Balanced - Blend										
JPMorgan Diversified Real Return R5	JRLRX	1.29%	2.59%	5.67%	0.72%	0.75%	N/A	1.19%	03/31/11	1.62% / 0.75%
Large Cap Stock - Growth										
MainStay Large Cap Growth I	MLAIX	8.68%	14.40%	18.29%	10.91%	11.89%	8.88%	-	-	0.75% / 0.74%
Large Cap Stock - Blend										
Blackrock US Large Cap Index		5.16%	7.16%	17.93%	10.51%	13.71%	N/A	12.99%	03/31/10	0.04% / 0.04%
Victory Inst Diversified Stock	VIDSX	5.17%	6.54%	11.74%	5.69%	10.98%	5.44%	-	-	0.68% / 0.68%
Large Cap Stock - Value										
Wellington CIFI Trust Research		2.30%	4.69%	15.59%	8.33%	13.75%	6.16%	-	-	0.50% / 0.50%
Mid Cap Stock - Blend										
Blackrock US Small/Mid Cap Ind		3.54%	5.73%	21.73%	8.47%	12.98%	N/A	12.96%	04/01/10	0.07% / 0.07%
Stable Value										
Stable Value Fund		0.64%	0.87%	2.77%	2.87%	N/A	N/A	2.81%	06/20/13	N/A

Asset Class, Fund and Index	Ticker	3 Month	Year To Date	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date	Gross / Net Expense Ratio
Small Cap Stock - Blend										
Harbor Small Cap Value Instl	HASCX	4.12%	6.21%	27.19%	11.15%	14.23%	7.63%	-	-	0.87% / 0.87%
Small Cap Stock - Growth										
William Blair Small Mid Cap Growth		9.83%	12.51%	20.96%	N/A	N/A	N/A	8.38%	06/29/15	0.81% / 0.81%
International Stock - Growth										
American Funds Europacific Growth R6	RERGX	8.04%	12.83%	15.14%	3.30%	7.39%	N/A	9.55%	05/01/09	0.50% / 0.50%
International Stock - Blend										
MFS International Value R6	MINJX	8.19%	10.91%	12.47%	7.23%	11.40%	5.62%	-	-	0.66% / 0.66%
BlackRock Non-US Equity Index		6.57%	10.47%	13.78%	1.05%	5.28%	N/A	4.10%	04/01/10	0.11% / 0.11%
International Stock - Emerging Markets										
Hartford Schroders Emerging Mkts Eq SDR	SEMTX	8.24%	15.69%	23.45%	N/A	N/A	N/A	4.87%	12/30/14	1.10% / 1.10%
Other - Lifecycle										
Lifecycle Income Portfolio		2.67%	3.98%	7.01%	4.16%	4.88%	4.25%	-	-	0.45% / 0.45%
Lifecycle 2035 Portfolio		5.97%	9.10%	15.09%	6.79%	9.24%	4.60%	-	-	0.58% / 0.58%
Lifecycle 2045 Portfolio		6.40%	9.73%	16.20%	7.13%	9.76%	4.54%	-	-	0.58% / 0.58%
Lifecycle 2015 Portfolio		3.74%	5.63%	9.40%	5.03%	6.59%	4.09%	-	-	0.50% / 0.50%
Lifecycle 2025 Portfolio		5.17%	7.85%	12.90%	6.15%	8.37%	4.40%	-	-	0.56% / 0.56%
Lifecycle 2055 Portfolio		6.56%	9.98%	16.61%	7.24%	9.87%	N/A	9.91%	07/14/10	0.58% / 0.58%

The target date is the approximate date when investors plan to start withdrawing their money. The asset allocation of the target date funds will become more conservative as the target date approaches by lessening your equity exposure and increasing your exposure in fixed income type investments. The principal value of an investment in a target date fund is not guaranteed at any time, including the target date. It is possible to lose money by investing in securities.

Fund Footnotes

1. Source: Morningstar Inc. Morningstar average annual returns may differ from the returns calculated by the fund.
2. Fixed income investments (bonds) are subject to interest rate risk; their value will decline as interest rates rise.
3. The performance in this report is based, in part, on adjusted historical returns of the oldest share class of the fund, which has been adjusted to reflect the fees and expenses of this share class.
4. Small and mid-sized companies may present greater opportunities for capital appreciation, but may also involve greater risks than larger companies. As a result, the value of stocks issued by these companies may fluctuate more than stocks of larger issuers.
5. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and political and economic changes. This may result in greater share price volatility.
6. Investing in emerging markets is generally riskier than investing in foreign securities. Emerging market countries may have unstable governments and/or economies that are subject to sudden change. These changes may be magnified by the countries' emergent financial markets, resulting in significant volatility to investments in these countries. These countries may also lack the legal, business and social framework to support securities markets.
7. The Advisor has contractually agreed to waive fees and/or reimburse expenses through January 31, 2019.
8. The Advisor has contractually agreed to waive fees and/or reimburse expenses through February 28, 2018.

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Your investment returns are reduced by various fees and expenses. For each plan investment option, the "Expense Ratio" column shows these charges as an annual percentage. Depending on the type of investment, these charges are paid to Prudential or to unaffiliated mutual fund complexes or bank collective trusts. If your plan has mutual fund investment options, the Expense Ratio is not reduced by any fee or expense waivers from the fund complex, and therefore the actual Expense Ratio may be lower. For other investment options, the benefit of any waivers is reflected in the Expense Ratio shown.

Some mutual funds and bank collective trusts, or their affiliates, compensate Prudential for selling their shares and servicing your retirement plan, as detailed in the Fact Sheet for that investment option. For other investment options, the charges reflected in the Expense Ratio are typically deducted by Prudential in return for investment and record-keeping services, and product distribution. For some plans, the charges also enable Prudential to satisfy the plan's request for allowances to defray plan expenses. Your retirement plan may not include investment options with lower fee structures or lower cost share classes in order to compensate Prudential, in the aggregate, for servicing your retirement plan.

These performance results represent the change in net asset value of an investment over a stated period, assuming the reinvestment of dividend and capital gains distributions. **The performance returns shown do not reflect the deduction of the sales charge that may apply if fund shares were purchased outside of a retirement plan or program. If a sales charge were reflected, performance may be lower.** This is the performance that best reflects your investment experience, as sales charges do not apply to your plan.

Historical investment results are shown for each of the funds that are included in your plan. Performance results for nonproprietary funds were supplied by Morningstar Inc. Morningstar returns may differ slightly from the returns calculated by the fund. The performance information represents past performance. Past performance is not a guarantee of future performance.

Investors should consider the fund's investment objectives, risks, charges and expenses before investing. The prospectus, and if available the summary prospectus, contain complete information about the investment options available through your plan. Please call 1-877-778-2100 for a free prospectus and if available, a summary prospectus that contain this and other information about our mutual funds. You should read the prospectus and the summary prospectus, if available carefully before investing. It is possible to lose money when investing in securities.

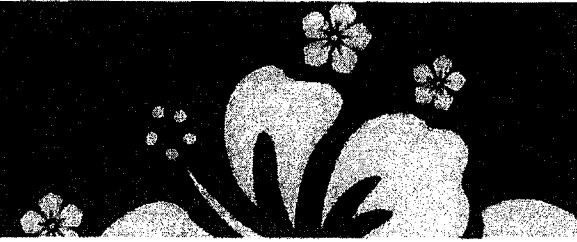
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Prudential Retirement's separate accounts are available under group variable annuity contracts issued by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT. PRIAC is a Prudential Financial company.

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State of Hawaii
Deferred Compensation Plan



Sub Plan 4 County of Maui

Investment Option	Balance as of 12/31/2016	Contributions	Retirement, Termination & Disability	Transfer In	Transfer Out	Market Value Adjustment	Balance as of 3/31/2017
AMERICAN FUNDS EURO PACIFIC GROWTH R6	\$4,708,648	\$86,409	(\$29,835)	\$57,277	(\$265,363)	\$438,123	\$4,995,259
BLACKROCK NON-US EQUITY INDEX	\$630,131	\$9,380	(\$2,535)	\$7,671	(\$126,835)	\$39,496	\$456,308
BLACKROCK US BOND INDEX F CL	\$1,428,221	\$10,373	(\$20,117)	\$31,075	(\$165,245)	\$9,872	\$1,294,179
BLACKROCK US LARGE CAP INDEX	\$11,569,829	\$98,047	(\$120,824)	\$47,344	(\$495,290)	\$713,084	\$11,812,190
BLACKROCK US SMALL/MID CAP IND	\$1,587,865	\$34,807	(\$33,718)	\$215,522	(\$68,065)	\$72,217	\$1,808,629
HARBOR SMALL CAP VALUE INSTL	\$2,312,967	\$55,735	(\$12,971)	\$242,022	(\$50,596)	\$117,093	\$2,664,240
HARTFORD SCHRODERS EMERGING MKTS EQ SDR	\$176,175	\$2,508	(\$617)	\$49,584	(\$11,054)	\$22,989	\$239,586
HAWAII SELF DIRECTED	\$1,944,039	\$0		\$5,292	(\$2,300)	\$46,786	\$1,993,817
JPMORGAN DIVERSIFIED REAL RETURN R5	\$17,589	\$1,328		\$51,626	(\$337)	\$178	\$70,383
LIFECYCLE 2015 PORTFOLIO	\$1,180,725	\$12,186	(\$127)	\$0	(\$1,068)	\$50,465	\$1,252,180
LIFECYCLE 2025 PORTFOLIO	\$2,111,713	\$34,875	(\$1,586)	\$0	(\$12,549)	\$125,417	\$2,257,870
LIFECYCLE 2035 PORTFOLIO	\$1,326,181	\$35,597	(\$55,356)	\$0	(\$36,416)	\$91,336	\$1,361,341
LIFECYCLE 2045 PORTFOLIO	\$1,413,554	\$37,280	(\$2,114)	\$0	(\$24,844)	\$104,196	\$1,528,071
LIFECYCLE 2055 PORTFOLIO	\$176,349	\$6,554	(\$2)	\$0	(\$877)	\$13,420	\$195,445
LIFECYCLE INCOME PORTFOLIO	\$569,222	\$5,175	(\$716)	\$10,000	(\$3,029)	\$16,882	\$597,532
MAINSTAY LARGE CAP GROWTH I	\$4,434,649	\$87,986	(\$29,376)	\$48,444	(\$152,066)	\$498,755	\$4,889,392
MFS INTERNATIONAL VALUE R6	\$1,599,033	\$58,454	(\$20,020)	\$276,522	(\$149,154)	\$134,831	\$1,899,665
PIMCO TOTAL RETURN INSTL	\$3,480,206	\$67,131	(\$57,962)	\$118,776	(\$88,291)	\$97,267	\$3,647,127
STABLE VALUE FUND	\$41,109,116	\$1,093,441	(\$877,253)	\$1,041,148	(\$348,846)	\$291,803	\$42,309,409
VANGUARD WELLINGTON ADMIRAL	\$6,638,641	\$180,418	(\$61,376)	\$287,518	(\$217,942)	\$230,378	\$7,057,638
VICTORY INST DIVERSIFIED STOCK	\$2,207,543	\$19,018	(\$15,151)	\$28,670	(\$123,190)	\$115,811	\$2,232,701
WELLINGTONCIFI TRUST RESEARCH	\$4,710,927	\$70,966	(\$65,687)	\$74,979	(\$223,543)	\$236,649	\$4,804,293
WILLIAM BLAIR SMALL MID CAP GROWTH	\$2,961,672	\$46,574	(\$26,427)	\$56,563	(\$83,135)	\$273,309	\$3,228,557
TOTAL	\$98,214,997	\$2,073,241	(\$1,432,770)	\$2,650,035	(\$2,650,035)	\$3,740,347	\$102,595,814

Total Participants in Sub Plan 4 as of 3/31/2017 = 1,825

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