



GOV. MSG. NO. **505**

EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

April 22, 2010

The Honorable Colleen Hanabusa, President
and Members of the Senate
Twenty-Fifth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

I am transmitting herewith SB2394 HD1, without my approval, and with the statement of objections relating to the measure.

SB2394 HD1

A BILL FOR AN ACT
RELATING TO THE BOARD OF TRUSTEES OF THE
DEFERRED COMPENSATION PLAN.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Lingle".

LINDA LINGLE

EXECUTIVE CHAMBERS

HONOLULU

April 22, 2010

STATEMENT OF OBJECTIONS TO SENATE BILL NO. 2394

Honorable Members
Twenty-Fifth Legislature
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, Senate Bill No. 2394, entitled "A Bill for an Act Relating to the Board of Trustees of the Deferred Compensation Plan."

The purpose of this bill is to delete the requirement that the Director of Human Resources Development be the Chairperson of the Deferred Compensation Plan Board of Trustees ("Board"), and to provide that the Director is an ex officio member. This bill also eliminates two appointed at-large members of the Board of Trustees, and replaces them with two state employee appointees. This bill is objectionable because it negatively impacts the State's supplemental retirement plan for over 28,000 government employees by changing the composition of the Plan's Board of Trustees.

First, this measure adversely impacts the Board of Trustee's ability to make sound investment decisions by removing two at-large member positions. The two at-large member positions are currently filled by non-government employees, including one with private sector finance and investment experience. First-hand experience and working knowledge of banking and investment is helpful for a plan with \$1,400,000,000 in assets. Moreover, non-state members have the ability to provide a perspective on the management and performance of the plan that may not be available to state members. Given that five of the seven members currently on the Board are state employees, employee concerns are

already adequately represented on the Board.

Secondly, this measure unnecessarily disrupts the administration of the Plan by removing the Director as the Chair of the Board. Currently, the Plan is administratively attached to the Department of Human Resources Development ("Department"), which provides staff support and ensures the Plan is consistently administered along with all other employee benefits in the State's total compensation package. As part of those duties, the Department responds to inquiries by Plan participants, prepares information and fliers regarding the Plan for beneficiaries and oversees the Plan contractors. Removing the Department Director as the Chair of the Board will remove the administrative support and coordination provided by her office.

The Board has had the same statutory structure since 1981, and has carried out its fiduciary responsibilities in an appropriate manner.

I would note that since 2007, the Plan has received several nationally recognized awards. The Plan's most recent awards include the National Association of Government Defined Contribution Administrators' 2008 and 2009 "Leadership Recognition Awards". Given the positive steps that the Board of Trustees has taken to improve the Plan, this bill is unnecessary.

For the foregoing reasons, I am returning Senate Bill No. 2394 without my approval.

Respectfully,



LINDA LINGLE
Governor of Hawaii

A BILL FOR AN ACT

RELATING TO THE BOARD OF TRUSTEES OF THE DEFERRED COMPENSATION
PLAN.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Section 88E-4, Hawaii Revised Statutes, is
2 amended to read as follows:

3 "§88E-4 Composition of the board of trustees. The board
4 of trustees shall consist of seven members as follows:

5 (1) The director of human resources development of the
6 State [~~who shall serve as its chairperson,~~] or a
7 designated representative, ex officio;

8 (2) The director of finance of the State or a designated
9 representative, ex officio; and

10 (3) Five other persons, [~~three of whom~~] who shall be
11 public employees and represent employee interests."

12 SECTION 2. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 3. This Act shall take effect upon its approval.

