

**CITY AND COUNTY OF HONOLULU  
DEFERRED COMPENSATION PLAN COMMITTEE MEETING**

**MINUTES OF THE QUARTERLY MEETING OF THE COMMITTEE**

The Quarterly meeting of the City and County of Honolulu Deferred Compensation Plan Committee (“Committee”) was held on Friday, February 18, 2022, at the Mayor’s Conference Room, 530 South King Street, 3<sup>rd</sup> Floor, City Hall, Honolulu, Hawaii.

Present: Andrew T. Kawano (Department of Budget and Fiscal Services (BFS) Director & Committee Chair)  
Reid Yamashiro (Deputy Corporation Counsel & Committee Member designee for Corporation Counsel (COR) Dana Viola) (by webex)  
Alison Look (Acting Internal Control Chief Accountant & Committee Member designee by Managing Director Michael Formby) (by webex)  
Nola Miyasaki (Department of Human Resources (DHR) Director Designate & Committee Member) (DHR Conference Room - by webex)  
Chase Masuda (Committee Member)  
Michael Golojuch (Committee Member)  
Douglas Chun (Committee Member) (by webex)

Staff: Laura Shimada (Deferred Compensation Plan Committee Administrator & BFS Administrative Services Officer)  
Carrie Caste (BFS Deputy Director) (by webex)  
Lynn Wakatsuki (Deputy Corporation Counsel)  
Florencio “Bugs” Baguio, Jr. (DHR Assistant Director) (DHR Conference Room - by webex)  
Jennifer Tobin (Chief, DHR Benefits, Research, and Transactions Branch) (DHR Conference Room - by webex)  
Jennifer Bishop (BFS Administrative Specialist) (by webex)

Guests: Bill Tugaw (Managing Director – NFP Retirement (NFP)) (by webex)  
Paul Hackleman (NFP Senior Consultant) (by webex)  
Gavin Gruenberg (Voya – Senior Vice President – Institutional Clients) (by webex)  
Deirdre Jones (Voya – Vice President – Strategic Relationship Management) (by webex)  
Stacey Laxton (Voya – Communications Consultant) (by webex)  
Jared Nakamoto (Voya – Financial Advisor and Hawaii Case Manager)

Andrew T. Kawano read a statement on public participation and testimony to comply with Social Distancing Requirements set forth in Governor Ige’s Emergency Proclamation

dated January 26, 2022, and Mayor Rick Blangiardi's Proclamation and Emergency Order 2022-01 dated January 5, 2022.

**I. CALL TO ORDER**

With quorum present Andrew T. Kawano (Chair) called the meeting to order at 10:32 a.m. and presided as chair of the meeting. Laura Shimada (Laura) acted as secretary of the meeting.

**II. MINUTES OF PREVIOUS MEETING – Action**

Committee members reviewed the November 5, 2021, Quarterly Meeting minutes and Chair asked for any discussion.

**On a motion duly made by Michael Golojuch, seconded by Chase Masuda, and unanimously carried, the Committee approved the November 5, 2021, Quarterly Meeting minutes.**

**III. PUBLIC COMMENTS – Information**

Chair asked if there was any public input. No one wished to speak.

**IV. VOYA REPORT – Information/Action**

- A. Communication and Digital Engagement Update – deferred from the February 18, 2022, Annual Meeting. Stacey Laxton (Stacey) provided the following highlights from 2021.
  - 1. Personalized Messaging
    - a. Save More Results – Individuals that have not made a contribution change in the past 6 months were sent this communication. In 2021, there were 222 individuals who increased their contributions, with 52 individuals saving an average of 2.4% and 191 individuals saving an average of \$46 more per pay period.
    - b. Beneficiary Results – Participants are encouraged to designate a beneficiary and this communication is sent only once a year on the plan's the anniversary date or the anniversary date of when an individual enrolled into the plan. Results were 11 individuals that named a beneficiary.
    - c. Diversification Results – Individuals who have less than 2 investments in their portfolio, excluding target dates, were sent this communication, resulting in 18 participants that diversified their portfolio.
    - d. Restart Savings – Individuals that have stopped contributing to the plan were sent this communication, resulting in 11 participants that resumed their contributions, with 2 saving an average of 7.5% and 9 saving an average of \$131 more per pay period.

- e. Financial Wellness/Education – On a quarterly basis, this communication is sent, resulting in 64 participants completing the Financial Wellness Assessment.
- 2. Participant Engagement
  - a. Participant Engagement via the Web/Mobile/Call Center – 35% of individuals elected to participate in e-Delivery and 51% of individuals registered their account online. Both of these numbers continue to grow each quarter. Compared to Voya's benchmark: Call Center benchmark is 13% and the plan is at 8%; Mobile App benchmark is 6% and the plan is at 16%; Web usage benchmark is 33% and the plan is at 35%; e-Delivery benchmark is 38% and the plan is at 35%; and Web registration benchmark is 37%, and the plan is at 51%. Stacey asked the Committee to consider providing an incentive for participants to register online and participate in e-Delivery.
  - b. MyOrangeMoney – 20% of participants took action after utilizing the MyOrangeMoney tool: 42 participants saved an average of 1.3% and 153 participants saved an average of \$94 more per pay period and 48 individuals made a fund allocation, 1 enrolled into a managed account, and 2 rolled money into the plan.
  - c. Personalized Video – This message is based on where the participant is on their journey to retirement and resulted in 5% of individuals taking action. There are 2 participants now saving an average of 13% more per pay period, 6 changed their deferral amount, and 3 changed their fund allocation.
  - d. Financial Wellness – 33 more individuals started the assessment, 32 individuals completed the assessment and 26 more viewed the dashboard since last time. Nine out of 10 individuals that complete the assessment take action. The confidence level of participants increased from 6.2% to 6.4%. Protection, emergency, and retirement are still the areas of most concern for individuals.
- 3. Communication Results – Communication results presented in the handout are the same as those Stacey highlighted in the Committee's November 2021 Quarterly meeting.
- 4. 2022 Proposed Communication Strategy – Goals for 2022 include increasing engagement, increasing restart/enrollment and save more, encouraging participants to designate a beneficiary, and encouraging participants to engage with the MyOrangeMoney tool. Stacey presented a 2022 proposed communication schedule.

Douglas Chun (Doug) recommended that the Cost of Waiting campaign be included in the 2022 Proposed Communication Strategy and to modify the campaign to be more visual by decreasing the amount of text and increasing the graphics in the message.

In response to a question from Bill Tugaw (Bill), Stacey stated that she may have a campaign that could be added to the schedule to inform individuals of the benefits of remaining in the plan and to be aware of predators who convince individuals to roll over their assets out of the plan to IRAs.

Chair asked Stacey to include a campaign focused on cyber security to educate individuals of the security benefits of registering their accounts online and importance of providing mobile phone numbers. Laura added that there is money budgeted for a giveaway to encourage individuals to create their online accounts and provide their mobile phone numbers. After discussion, the Committee agreed to proceed with both the e-Delivery and Cyber Security campaigns and to later decide if a giveaway is warranted.

**On a motion duly made by Douglas Chun, seconded by Michael Golojuch, and unanimously carried, the Committee approved and accepted the 2022 Proposed Communication Strategy as discussed.**

- B. Stabilizer Update – Gavin Gruenberg (Gavin) highlighted the following:
1. Portfolio Summary – In the 4<sup>th</sup> quarter, the portfolio gross had a return of negative 41 basis points, which outperformed the benchmark of negative 51 basis points. For the one-year return, there was an absolute return of negative 43 basis points, which outperformed the benchmark of negative 129 basis points. He noted that going back to the inception of the portfolio, the team has outperformed the benchmark.
  2. Portfolio Characteristics – The Yield to Maturity stands at 2% based on underlying holdings, a 47 basis point premium to the benchmark yield.
  3. Asset Allocation – Not a lot of movement occurred in the 4<sup>th</sup> quarter.
  4. Market to Book Ratios – The 2021 calendar year ended with 102.38% premium. As of January 31, 2021, we are at 100.60% premium due to the rise in interest rates.

Gavin also briefly explained the stabilizer and the portfolio management team's process. Bill added Voya sends NFP a recommendation for the crediting rate, then in turn, NFP sends their recommendation to the Chair, and Chair has the authority to change the crediting rate up to 25 basis points. Any changes more than 25 basis points requires the Committee's approval.

- C. Other Issues – None.

**On a motion duly made by Douglas Chun, seconded by Michael Golojuch, and unanimously carried, the Committee accepted the Voya Report as presented.**

**V. NFP CONSULTING REPORT – Information/Action**

- A. Watch List Update – Bill noted that the domestic portfolio has outperformed international portfolios for a number of years. He also stated that 33% of the S&P 500 came from only five stocks: Apple, Microsoft, Alphabet, Amazon, and Facebook, which has skewed the market, and 80% of managers have underperformed the Russell 1000 Growth Index.
1. American Funds Growth Funds of America – This fund has scored a 6 in the past three quarters. This fund has a multi-manager approach and is more diversified and conservative. This fund allows 30% of its assets to go into international stock, which is more than its peers. If this fund remains on the watch list in the next quarter, NFP will bring several replacement alternatives that are performing better for the Committee to discuss and decide on in the next quarterly meeting.
  2. Principal MidCap Institutional – This fund was on the watch list in the past year, and is now receiving an acceptable score of 7.
  3. American Funds Europacific Growth – This fund scored a 9 in the previous quarter but is now scoring a 6. This fund had some borderline misses of the performance metrics, but is still very profitable in its peer group.
  4. American Funds Capital World Growth and Income – This fund also had some borderline misses of the performance metrics.
- NFP recommends the 4 funds remain on the watch list.

**On a motion duly made by Douglas Chun, seconded by Michael Golojuch, and unanimously carried, the Committee accepted and approved the NFP Fiduciary Investment Review report to include the Watch List as follows: American Funds Growth Fund of America, Principal MidCap Institutional, American Funds Europacific Growth, and American Funds Capital World Growth and Income.**

- B. Legislative and Regulatory Update – Bill expects the Secure 2.0 bill in the House and the Portman-Cardin bill to be reintroduced in the 2022 session. Both bills have bipartisan support and include the elimination of the First of the Month rule, adding a catchup provision for age 60 and older, and gradually moving the required minimum distribution age from 72 to 75. He also shared regulatory information that the Department of Labor (DOL) issued an informational letter stating defined contributions and deferred compensation plans are able to have alternative investments, specifically private equity. When the private equity firms used the DOL letter to generate more business, DOL issued a second statement stating that smaller plans (< \$1 billion) should not engage in private equity.

C. Other Issues

1. The NAGDCA is scheduled to be in Baltimore on September 18-21, 2022 and will be held both in-person and virtually.
2. Provider Performance Review Recommendations – deferred from the February 18, 2022, Annual Meeting. Paul provided an overview of NFP's recommendations:
  - a. Consider a communication campaign to notify BWS participants of the percentage contribution feature.
  - b. Consider a communication campaign relative to registering digitally to address the issue of 49% of participants not currently registered.
  - c. Determine whether a survey should be conducted in 2022.
  - d. Decide whether to include fiduciary training in the City's 457 University.
  - e. Discuss whether the Committee would like to offer a customized age-based target-date options.
  - f. Discuss in-person meeting strategies.
  - g. Determine the number of newsletters to be provided in 2022.

**On a motion duly made by Douglas Chun, seconded by Michael Golojuch, and unanimously carried, the Committee accepted the NFP recommendations relative to all of the NFP Provider Review items as discussed with the exception of the item relative to the survey, which the Committee will discuss further.**

**VI. OTHER BUSINESS – None**

**VII. REPORT ON ADMINISTRATIVE EXPENSES – Information/Action**

Laura reviewed the quarterly expense report. The beginning balance in November 2021 was \$586,522.48 and about \$14,000 in expenses were paid for NFP's contract and the IFEBP and NAGDCA annual membership dues. The ending balance as of February 17, 2022, was \$572,447.48.

**On a motion duly made by Douglas Chun, seconded by Michael Golojuch, and unanimously carried, the Committee accepted and approved the Committee's administrative expenses report as presented.**

**VIII. EXECUTIVE SESSION (as required)**

The Committee did not go into Executive Session.

**X. NEXT MEETING DATES – Information (subject to change)**

Second Quarter – Mayor’s Conference Room

Friday, May 20, 2022, 9:30 a.m. – 12:00 p.m.

457 University Training – FMB 10th Floor

Thursday, August 25, 2022, 9:00 a.m. – 3:00 p.m.

Third Quarter – Mayor’s Conference Room

Friday, August 26, 2022, 10:00 a.m. – 12:00 p.m.

Fourth Quarter – Mayor’s Conference Room

Friday, November 18, 2022, 9:30 a.m. – 12:00 p.m.

**XI. ANNOUNCEMENTS**

A. Use of City Computers

Laura announced that the Ethics Commission reversed their prior opinion and City employees may now use City computers for webinars pertaining to City employee benefits. She thanked Krishna Jayaram, Ernest Nomura, and DHR for their help in requesting that the Ethics Commission revisit this issue.

B. NAGDCA Award Nominations for 2022

Mike shared that NAGDCA is accepting award nominations for the following categories: Education and Communication, Plan Design and Administration, Technology/Interactive Multimedia/Cyber Security, and National Retirement Security Month Campaign. The deadline to submit is Friday, April 29, 2022. Bill suggested the Committee consider submitting a nomination regarding the City’s high participation rate without a match or automatic enrollment. Voya will work with the Committee on a write up.

**XII. ADJOURNMENT**

There being no further business, the meeting was adjourned at 11:49 a.m.

Respectfully submitted,

Laura H. Shimada  
Secretary