

**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, November 17, 2023, in the Mayor's Conference Room located at 530 South King Street, 3rd Floor, Honolulu, Hawaii 96813.

- Present:** Andrew Kawano (Department of Budget and Fiscal Services (BFS) Director & Committee Chair) – joined at 9:49 a.m.
Carrie Castle (BFS Deputy Director & Committee Chair Alternate and Committee Chair until Andrew Kawano joined meeting)
Nola Miyasaki (Department of Human Resources (DHR) Director & Committee Member) – joined at 9:39 a.m.
Florencio "Bugs" Baguio, Jr. (DHR Assistant Director & Alternate for Nola Miyasaki and Committee member until Nola Miyasaki joined meeting)
Reid Yamashiro (Deputy Corporation Counsel & Committee Member Designee for Corporation Counsel Dana Viola)
Chamara Silva (Managing Director's Office Administrative Services Officer & Committee Member Designee for Managing Director Michael Formby)
Michael Golojuch (Committee Member (Retiree))
John Hashimoto (Committee Member (Active))
Connie Kaneshiro (Committee Member (Active))
- Staff:** Lynn Wakatsuki (Deputy Corporation Counsel)
Jenny Tobin (DHR Benefits, Research, and Transactions Branch Chief)
Jennifer Bishop (BFS Administrative Services Officer & Deferred Compensation Plan Committee Administrator)
Leslie Chinn (DHR Human Resource Manager)
- Guests:** Bill Tugaw (NFP Retirement – Managing Director)
Vince Learned (NFP Retirement – Vice President, Advisory Services)
Deirdre Jones (Voya – Vice President, Strategic Relationship Management)
Jared Nakamoto (Voya – Financial Advisor and Hawaii Case Manager)
Russell Kaya (DHR Labor Relations Specialist)

I. CALL TO ORDER

With quorum present, Carrie Castle (Carrie), Acting Committee Chair, called the meeting to order at 9:34 a.m. and presided as Chair of the meeting. Jennifer Bishop (Jennifer) acted as secretary.

II. ANNOUNCEMENTS – Information.

Carrie welcomed and introduced new committee member Connie Kaneshiro (Connie). The Mayor appointed Connie to replace elected active member Chase Matsuda. Connie has served as the BFS Chief Fiscal/CIP Analyst since 2011 and has a proven track record in

understanding fiduciary responsibilities, exercising sound judgment, and understanding long and short term strategic objectives, all of which makes her an excellent choice of the Mayor.

III. MINUTES OF PREVIOUS MEETING – Action

Committee members reviewed the August 25, 2023, Quarterly Meeting minutes and Carrie asked if there was any discussion. There was none.

On a motion duly made by John Hashimoto, seconded by Michael Golojuch, and unanimously carried, the Committee approved the August 25, 2023, Quarterly Meeting minutes.

IV. PUBLIC COMMENTS – Information

Carrie asked if there was any public input. There was none.

V. VOYA REPORT – Information/Action

Deirdre Jones (Deirdre) announced that the change of funds from American Funds EuroPacific Fund to the MFS International Growth Fund would occur today, November 17, 2022. She also announced IRS Cost of Living Adjustments limits for 2024. , the contribution limits for deferred compensation plans for participants under the age of 50, will increase from \$22,500 to \$23,000, and the catch up contribution limits for participants age 50 and over will remain the same at \$7,500.

A. Quarterly Report – Deirdre provided the following highlights for the quarter ending September 30, 2023.

1. Client Health Review

- a. Plan Statement – The plan had positive appreciation of over \$52 million, with an overall 6.2% increase in plan assets from the prior quarter, bringing the total plan assets to over \$881 million.

At 9:39 a.m., Nola Miyasaki (Nola) joined the meeting as Committee Member in place of Florencio “Bugs” Baguio, Jr (Bugs).

- b. Participation – There were 9,719 participants at the end of the quarter, 30% of which are terminated employees that kept a balance within the plan.
- c. Mandatory Distributions Update - Terminated employees who have a balance of under \$1,000 will be notified that they will be sent a check for their account balance if they do not take action within 60 days of the notice. For terminated employees who have a balance between \$1,000 and \$5,000, their accounts will be rolled over to an IRA. The City’s DHR is reviewing the list of over 900 participants to confirm their terminated status and they expect to complete their review by the end of the calendar year. Going forward, there will be an annual process established in order to take timelier action on these terminated accounts.
- d. Deferral Summary – Stacey continues to work on encouraging participants to defer on a percentage basis so the participant’s contributions will automatically grow as their salary increases. At the end of the quarter, there were 958 participants that were deferring on a percentage basis, which is a slight increase from 904 at the beginning of the year. The average deferral rate for these participants is 9.4%.
- e. Participant Engagement – Mobile app usage has increased to 33%, up from 28% from September 2022. Voya will continue to educate participants on the

functionality available on the mobile app. Most users use the mobile app for investment elections and deferral changes. Bill Tugaw (Bill) stated that historically the local Voya office receives a lot of activity from participants. Jared Nakamoto (Jared) stated that his team receives calls all the time, at times up to 30 to 40 calls a day. Unfortunately, the local telephone provider has been unable to provide ports to better track the number of calls. Bill noted that the local office's engagement with participants is not presented in the Voya quarterly review. Deirdre stated that they will look into including a report separately that captures the local office's activity.

2. Plan Activity

- a. Transaction Activity Detail – Contributions and distributions have remained fairly consistent year over year. The increase in total plan assets was the result of appreciation in earnings. The number of participants deferring on a pre-tax and Roth basis has also remained fairly consistent. There was an increase of about \$3 million in withdrawals from the plan as well as an increase in the number of participants making withdrawals.

At 9:49 a.m., Andrew Kawano joined the meeting.

- b. Current Participation and Enrollment Statistics – The current participation rate for the plan has remained steady at 65%.
- c. Managed Accounts – There is about \$52 million in assets being managed by Morningstar, representing about 5.8% of the total plan assets. At the end of the calendar year, Morningstar will still be mechanism to make recommendations in terms of how funds will be allocated, but Voya Retirement Advisors will take over as fiduciary and own the entire experience. The fees will not change and the integration with the website will be much smoother. Participants will receive a notice through their Morningstar manager of this change at the end of this month.

3. Plan Investment Review

- a. Total Plan Assets and Contributions by Investment Option - The top two fund options are City and County of Honolulu Stable Value Option with assets totaling over \$146 million and the American Century Ultra Fund – R6 Class with funds over \$119 million.

Bill ask about the information for the Charles Schwab Self Direct Brokerage Account showing assets of over \$1 million and zero participants investing.

Deirdre stated that she would have to look into it to confirm the reason and will report back to the Committee.

- B. Stabilizer Update – It continues to be a tough year for the Stable Value fund. The yield curve continues to drive retirees to look for other options like money markets or cash options. The Market to Book ratio continues to trend downward and that trend is expected to continue. The Fed has continued to increase rates, although the rates are expected to stabilize at the beginning of 2024. Andrew asked whether the 25 basis points adjustments are too slow of a response. Bill explained that the very complicated formula is designed to bring it back to Book Value and recommended to continue to follow Voya's recommendations on the adjustments. The Fed's action is what is driving this anomaly and NFP has seen a negative market value adjustment across all Stable Value Funds. Vince Learned (Vince) confirmed that the City's plan is in line with peer plans and all bond portfolios are suffering from the increasing interest rates.

- C. Participant Communication & Education Update – Deirdre provided the following highlights for the quarter ending September 30, 2023.
 - 1. Save More Results – This campaign encourages participants to save more as they prepare for retirement. In following up from the last quarterly meeting, Stacey Laxton was able to confirm that the 14% action rate is the highest action across governmental clients which have an average action rate of 12%.
 - 2. Account Registration – This campaign promotes online account registration and was sent out in October and was emailed to 437 participants and mailed to 3,580 participants. Results should be ready to be reported at the next quarterly meeting.
- D. Other Issues – None

On a motion duly made by Chamara Silva, seconded by Andrew Kawano, and unanimously carried, the Committee accepted the Voya Quarterly Report.

At 10:01 a.m., Andrew Kawano (Chair) presided over this meeting as Chair in place of Carrie.

II. NFP CONSULTING REPORT – Information / Action

- A. Semi-Annual Fund Review - Vince provided the following highlights.
 - 1. Market Review – U.S. Equity fell 3.3% for the quarter, but up 12.4% for the year. International Equity fell approximately 4% for the quarter, but up 5.3% for the year. Fixed Income also fell 3.2% for the quarter, and down 1.2% for the year. The unemployment rate increased to 3.8%. The U.S. labor market was expecting 180,000 new jobs to be created but fell short at 150,000. The lower than expected jobs created this quarter raised the possibility that the Fed would not take any further action in hiking interest rates. While there was one increase of 25 basis points in the 3rd quarter, the Fed did not take action at the most recent November meeting and no increase is expected for December.
 - a. U.S. Equity – Growth outperformed Value. Small Cap Value held up relatively the best down 3%, while Small Cap Growth was down 7.3%. Most sectors were in the negative for the quarter with the exception of Energy up 12.6%. Information Technology which had been doing well in the first half of the year went down about 6% in the 3rd quarter.
 - b. International Equity - Large Value did the best at 0.6% for the quarter. Large Growth was down 9.2%. Developed International markets continue to outperform Emerging markets, and Domestic is outperforming International.
 - c. Fixed Income – Yields are up across the board resulting in a slightly flattened inverted yield curve. Most of the bond sectors were in the negative value with the exception of Cash which was up 1.3% and High Yield Corporate Bond had a modest gain of 0.5%.
 - 2. Market Kaleidoscope – Chart exhibits the volatility of asset class returns from year to year by indices in order of performance, highlighting the importance of diversified portfolios.
 - 3. Chart of the Quarter – Vince reviewed the Long Term Yields Rise, particularly the nominal 10-year U.S. Treasury yield rising. As of September 30, 2023, was at 4.57%. On a real basis factoring in inflation was at 0.18% versus a historic average about 2.1%.

4. Scorecard– Vince explained the methodology, including the Manager Research methodology, and scorecard strategies. Vince covered the scorecard for all of the City’s fund options, highlights below.
 - a. American Century Ultra dropped from a 9 to a 7 with narrow misses for Risk/Return, Up/Down, and Information Ratio.
 - b. Virtus Ceredex Mid-Cap Value Equity fund scored a 6 with a couple of narrow misses for Information Ratio and Up/Down. This is the 3rd quarter the fund is on the watch list.
 - c. Vanguard FTSE Social Index Admiral index scored a 6.
5. Plan Allocation by Investment Type – The chart shows that 44% of assets are currently being invested in U.S. Equity, 30% in Asset Allocation, which is comprised of both target date funds and the risk based funds, 18% in Specialty investments, which is primarily Stable Value and the self-directed brokerage assets, 4% being invested in Fixed Income or bonds and 3% in International/Global Equity.
- B. Watch List Update – NFP recommends to place or maintain the Vanguard FTSE Social Index Admiral and the Virtus Ceredex Mid-Cap Value Equity I on the Watch List.

On a motion duly made by Reid Yamashiro, seconded by John Hashimoto, and unanimously carried, the Committee approved to accept NFP’s recommendation on the Watch List.

- C. Legislative and Regulatory Updates – Bill reported the mandatory and optional Secure 2.0 Act provisions will be addressed by the Committee at the beginning of next year, the Department of Labor announced that the provision of the catch up Roth contributions for those who make over \$145,000 has been postponed for two years, and reiterated the maximum increases to the catchup contributions that Deidre mentioned at the start of the Voya report.
- D. NAGDCA Conference Summary – Vince reported NFP had 6 members attend the conference and provided the following highlights.
 1. Recruitment, Retention and Total Employee Well-Being – research shows that for most public sector employees, benefits tend to matter more than in other industries. Job security, personal satisfaction and work-life balance were among the major factors that attracted employees to their current jobs. Successful initiatives including telework, flexible schedules, community volunteering and involvement.
 2. Building a Plan for Those Who Need It Most - differences in savings and behaviors among different employee groups. It could be effective to leverage demographic data to help the plan sponsor meet the needs of those different populations and partnering with your provider to implement different types of outreach initiatives.
 3. Communicating Complex Plans – this was a panel presentation led by a representative from the Kentucky Deferred Compensation Authority that highlighted the importance of utilizing existing partnership and resources with the record keeper and plan advisor and using analytics as one way to evaluate the effectiveness. Another panelist from Nationwide Financial Employees’ Retirement System of Georgia focused on the changing the customary four page, black and white statements that participants normally receive to make it colorful with charts and tables, more user-friendly.
 4. RFP Best Practices for Government Plan Sponsors – The process is broken up into three parts: Prepare, Execute and Decide. Preparation includes considering whether

moving to a new provider would impact cash options and establishing an appropriate timeline to optimize your goal. Execution includes understanding all the fees from the provider such as record keeping and investment management and how they are paid. Finally making a decision should include checking the providers' references.

5. NAGDCA Award Case Studies – Financial Wellness. In 2021, the City of Anaheim had an Olympic themed event and turned it into a competition for their employees which improved engagement. The County of Los Angeles utilized a board game theme with impressive results.
6. Investments in an Uncertain World – There has been good work in the industry in terms of increasing participant education, participation, and contributions but still some work to be done in terms of helping with the drawdown strategy/decumulation.
7. Insights from the NAGDCA Fees Task Force – The three major fees associated with a plan are recordkeeping, investment management, and consultant/advisory. A representative from Empower stated that the three recordkeeping cost drivers are Plan Size, Participant Education, and Communications.

Chair thanked Vince for the detailed summary. Nola asked whether advice or strategies were shared to address decumulation to which Vince replied no. Bugs added that there were a couple of States that passed legislation to match contributions, and a discussion about match limits, match funding, and defined benefits followed.

E. Other Issues – none.

VII. OTHER BUSINESS – Information / Action

- A. Health and Wealth Fair (Fair) Update – Jenny Tobin (Jenny) noted that the Fair Committee included herself, Jennifer, Lynn Wakatsuki, Leslie Chinn (Leslie), Kessy Kepaa and Jared Nakamoto. Stacey also helped with the registration form and communication pieces. Jenny reported that there were a total of 440 people who attended the Fair, including the vendors. To encourage attendance, the Plan subsidized \$5 per vehicle in parking dues and provided mini-bentos to those who attended during certain time periods. Everyone who attended the Fair received a swag bag that lanyards, pens, letter openers, and magnetic clips branded with the Plan's Save for Retirement design. Lessons learned include better directional signage, information center, registration confirmation emails, and descriptions for informational sessions. Jenny also recapped the feedback received from the evaluation forms:
 1. Vendor Feedback – Vendors were very happy with the locations and City employees. Several vendors mentioned that City employees had specific questions which led to great interaction and made the worthwhile on their part.
 2. City employees seemed happy to see all vendors at one place as a one-stop shop. They were thankful to the Committee for providing EUTF vendors as well as financial vendors.
 3. Total Evaluations – 237 evaluations were submitted at the end of the Fair of which 204 were plan participants. All attendees who submitted their evaluations received a gift.
 4. Overall Experience – Very positive. 51% of the participants rated the overall experience as excellent, 35% rated as very good, and 12% rated as good.
 5. Able to Obtain All Fair Benefits and Investment Provider Information I was Seeking – 53% strongly agreed, 38% agreed.

6. Informational Sessions Were Informative and Helpful – Jenny thanked Voya and all of the partners for having the sessions that attendees found helpful.
7. I Would Only Attend Future Fairs if a Free Mini-Bento is Offered – Overall, it was great that the free bento was something that would not make or break anyone's decision to go to the fair, proving that attending the Fair itself was very valuable.
8. I would Encourage Others to Attend – Overwhelmingly great statistics with 63% strongly agreed and 34% agreed.

Bugs informed the Committee that he was asked to speak at the Cabinet meeting subsequent to the Fair. Bugs stated that the Mayor was very supportive and Bugs thanked him for the two hours of administrative leave he granted to City employees to attend. There was a nice mix of employees and retirees that showed up. Bugs will share the feedback with the Mayor to reinforce positive support moving forward.

Nola commented that it would have been good to survey the attendees about whether the two hours of administration time encouraged attendance.

Chair thanked the Fair Committee and commented that it was a very good fair and people were happy and appreciative of the event. Chair asked whether it would be possible to upload the informational sessions from the conference on YouTube for a limited time for participants to watch. Jenny replied that the Fair Committee did bring that point up during their post-evaluation meeting and there were a few concerns with whether the speakers would want to have their presentation recorded since information could change. Another concern was sensitive information or questions that attendees may ask during the sessions, and not wanting to discourage active discussions between the vendors and attendees. If people know they're being recorded, they may refrain from asking questions. Leslie commented that the State was successful in their participation and attendance rate when they did a hybrid fair and perhaps vendors would be amenable to live streaming certain sessions, especially if attendance for a particular session was for participants in an overflowing room. More participants could be engaged remotely if it was live-streamed. Jared added that, as a vendor who has done benefit fairs with other companies, the Fair was very well ran and the Fair Committee did an amazing job. There were more than 40 service items for Voya resulting from the Fair, including about a dozen departments that asked Voya to do presentations to their staff.

VIII. REPORT ON ADMINISTRATIVE EXPENSES – Information / Action

Jennifer reviewed the quarterly expense report covering the period from August 22, 2023, to November 16, 2023. The quarter started with a balance of \$276,929.38. Receipts included the 3rd quarter Voya reimbursement of \$43,750, and a refund of \$700 for the NAGDCA Conference Fees. Expenses included the 3rd quarter NFP Consulting fees at \$12,375, lunch for the 457 University Training at \$301.44, NAGDCA Conference Advanced Per Diem expenses at \$3,262.50, and \$3,563.51 in NAGDCA Conference travel expenses paid out to date. The 2023 Health and Wealth Fair expenses that are itemized on the report. Jennifer noted that there are quite a few Fair expenses that have not yet posted and therefore not included in this report but will be included in our next quarter's report. The quarter's overall expenses totaled \$37,643.22 and the quarter ends with a balance of \$283,736.16.

On a motion duly made by Chamara Silva seconded by Michael Golojuch, and unanimously carried, the Committee approved and accepted the Committee's administrative expense report as presented.

IX. EXECUTIVE SESSION (as required)

The committee did not go into Executive Session.

X. NEXT MEETING DATES – Information

Annual and First Quarter – Mayor's Conference Room

Friday, February 23, 2024, 10:00 a.m. – 2:00 p.m.

- Annual Meeting: 10:00 a.m. – 11:55 a.m.
- First Quarter: 12:00 p.m. – 2:00 p.m.

Second Quarter – Mayor's Conference Room

Friday, May 24, 2024, 10:00 a.m. – 12:30 p.m.

457 University Training – FMB 10th Floor

Wednesday, August 28, 2024, 9:00 a.m. – 3:00 p.m.

Third Quarter – Mayor's Conference Room

Thursday, August 29, 2024, 8:30 a.m. – 10:30 a.m.

Fourth Quarter – Mayor's Conference Room

Friday, November 22, 2024, 10:00a.m. – 12:30 p.m.

XI. ADJOURNMENT

There being no further business, the meeting was adjourned at 10:57 a.m.

Respectfully submitted,

Jennifer Bishop
Secretary