

**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, May 16, 2025**, in the Mayor's Conference Room, 530 South King Street, 3rd Floor, City Hall, Honolulu, Hawai'i.

Present: Andrew Kawano (Department of Budget and Fiscal Services (BFS) Director & Committee Chair)
Reid Yamashiro (Deputy Corporation Counsel & Committee Member designee for Corporation Counsel Dana Viola)
Nola Miyasaki (Department of Human Resources (DHR) Director & Committee Member)
Chamara Silva (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: Jennifer Bishop (BFS Administrative Services Officer & Deferred Compensation Plan Administrator)
Carrie Castle (BFS Deputy Director & Alternate for Committee Chair Andrew Kawano)
Lynn Wakatsuki (Deputy Corporation Counsel)
Leslie Chinn (DHR Compliance Manager) (via Webex)

Guests: Vince Learned (NFP – Vice President – Advisory Services)
Matt Dickey (NFP – Managing Director of Government Plans)
Jeff Scott (NFP – Senior Vice President – Retirement)
Sharra Querner (Voya – Assistant Vice President, Strategic Relationship Manager)
Jared Nakamoto (Voya – Financial Advisor and Hawaii Case Manager)
Stacey Laxton (Voya – Communications Consultant)
Russell Kaya

I. CALL TO ORDER

With quorum present, Andrew Kawano (Chair) called the meeting to order at 10:04 a.m. and presided as chair of the meeting. Jennifer Bishop (Jennifer) acted as secretary.

II. MINUTES OF PREVIOUS MEETING – Action

Committee members reviewed the February 20, 2025, Quarterly Meeting minutes and Chair asked for discussion.

On a motion duly made by John Hashimoto, seconded by Michael Golojuch, and unanimously carried, the Committee approved the Quarterly Meeting minutes from February 20, 2025.

III. PUBLIC COMMENTS – Information

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

IV. VOYA REPORT – Information/Action

A. Quarterly Report – Sharra Querner (Sharra) provided the following highlights for the quarter ending March 31, 2025.

1. Plan Statement – At the end of the quarter, Assets were at \$1.041 billion, which is down from \$1.070 billion at the start of the quarter due to market volatility. As of the day prior to this meeting, Assets were back to \$1.078 billion. Since March 2021, Assets have increased nearly 20%.
 2. Participant Engagement – 179 participants engaged with the MyOrangeMoney tool, of which 85 increased their contributions, 3 enrolled in managed accounts, 5 made investment changes or asset allocation changes, and 1 participant rolled money into the plan. Those who engage with the MyOrangeMoney tool, web, or mobile app have a higher average deferral rate than the benchmark.
 3. Participation – There were 9,042 total participants at the end of the quarter, with 142 new accounts and 81 closed accounts. There were 2,875 terminated employees with an account balance. About 78% of participants are age 40 or older.
 4. Deferral Summary – As of April 10, 2025, there were 1,230 participants contributing on a percentage basis. The average deferral rate for these participants is 9.4%, which is higher than the industry benchmark of 7.4% and other Voya plans at 6.5%.
 5. Transaction Activity Detail – For the quarter, there were \$11.3 million in contributions and \$18.8 million in distributions resulting in a negative cash flow of about \$7.5 million. There were 6,903 participants contributing during the quarter, with 1,281 contributing both pre-tax and Roth. For distributions, there were \$16.4 in withdrawals that include cash distributions, rollovers from the plan (\$9 million) and in-plan Roth conversions (\$700,000). The top five rollovers include \$1.9 million to LPL Financial, about \$866,000 to Edward Jones, \$530,000 to New York Life, \$529,000 to Wells Fargo and \$472,000 to Fidelity. There was a revenue credit, which is the reimbursements back to participants based on their investments, that totaled over \$84,000.
 6. Current Participation and Enrollment Statistics – The quarter ended with 9,042 participant accounts. There are a total of 9,484 eligible participants and a total of 5,549 participants actively deferring during the last 4 months, resulting in a participation rate of 58%. When the 6,167 active participants with an account balance are considered, the participation rate is 65%. There were 178 new enrollments with 69 deferring an average of 10.5% and 79 deferring an average of \$142 per pay period.
 7. Participant Balance – The average participant balance is at \$115,181, which far exceeds the benchmark of \$51,241, and is also up from last year's Q1 average of \$103,946.
 8. Diversification – Average number of investment options per participant remains at 3.3 with asset allocation funds and 4.9 without asset allocation funds, which is the same as last year. There are a total of 482 participants in the Stable Value fund, which is slightly down from last quarter which had 485.
 9. Managed Accounts – There were 465 participants using managed accounts with \$66.7 million in assets.
- B. Stabilizer Update – Sharra provided the following updates:
1. Market Review – US 10-Year Treasury slightly down for Q1 at 4.21% compared to 4.57% at then end of the prior quarter.
 2. Performance Summary – Manager outperformed the benchmark by 5 basis points for Q1 2025 and by 89 basis points for the year. The year started in a defensive position looking at short term spread durations, high quality lower allocation to highly relative to central tendency and investment grade which helped weather some of the market volatility for Q1.
 3. Market Value to Book Value Report – At the quarter end, Market Value was \$162,413,605 with Book Value at \$174,486,954, resulting in a 93.08% ratio.
- C. Participation Communication & Education Update – Sharra provided the following highlights:
1. Save More Results – Sent to almost 4,000 participants with 17%, taking action, which exceeds the benchmark of 15%.

2. Beneficiary Results – Sent to 264 participants, 19% took action and updated their beneficiary information.
 3. Diversification Results – Sent to 849 participants with 4% taking action.
 4. Restart Results – Sent to 449 participants with 5% taking action.
 5. Max Out Results – Sent to 2,018 participants with 5% taking action.
 6. Financial Wellness/Education – Sent to over 5,200 participants with 3% taking action.
 7. Overall Financial Wellness Messaging – Sent to 6,788 participants with 1,449 participants engaging by clicking on the link. 75% of those who clicked on a link took action.
 8. Participant Engagement – The call center has 8% engagement; however, many participants call Jared Nakamoto (Jared) and his team locally rather than using the national call center. Jared noted that his team received nearly 600 calls in March, with many asking whether they should make changes by rebalancing or reallocating their funds due to the market volatility. The mobile app is at 24% and web engagement is at 38% with e-delivery at 49% and web registration at 61%. Once participants register their accounts, it enables the Voya S.A.F.E. guarantee in case a bad actor accesses their account.
 9. Catchup Campaign – Emailed to 1,671 participants and mailed to 1,048 in January, resulting in 117 increasing their contributions.
 10. Beneficiary Campaign – Emailed to 127 participants and mailed to 170 in February, resulting in 23 adding a beneficiary.
 11. Voya Learn Campaign – Emailed to 3,901 participants and resulted in 19 unique clicks.
- D. Other Issues – None.

On a motion duly made by Chamara Silva, seconded by Connie Kaneshiro, and unanimously carried, the Committee approved and accepted the Voya Report.

V. NFP CONSULTING REPORT – Information/Action

- A. Semi-Annual Fund Review – Vince Learned (Vince) provided the following highlights.
 1. Market Review – For Q1, US Equity was down close to 5%, International was up about 5% and Fixed Income up 2.8%. The Federal Reserve has taken no action so far, though it is widely believed that there will be rate cuts before the end of the year. More recently, the market has responded favorably to the announcement of the pause on tariffs between US and China.
 - a. US Equity – Large Cap Value was up 2%, Large Growth was down 10% and Small Growth was down 11%. Technology had a rough quarter, down nearly 13%, unlike previous quarters.
 - b. International Equity – Positive returns across the board with Large Value up 12.7% and Large Growth up 1.8%. Emerging Markets narrowly outperformed Developed Markets, and Domestic US Equity outperformed International.
 - c. Fixed Income – Yield Curve is continuing to normalize. TIPS up 4% with Cash and High Yield Corporate Bonds up 1%.
 - d. Chart of the Quarter – Vince explained that drawdowns are not uncommon and that a 5% or 10% drawdown on average happens fairly frequently and the market tends to recover quickly.
 2. Scorecard - Vince reviewed the scores of each of the funds and highlighted the following:
 - a. American Century Large Cap Growth has scored a 7 in the past two quarters and has an expense of 54 basis points. The CIT equivalent with the same strategy has a 40-basis point expense.
 - b. MFS International Growth has scored a 10 with a 72-basis point expense. The CIT equivalent has a 57-basis point expense.

- c. Vanguard Mid Cap Index Institute scored an 8 in the most recent quarter, but is recommended to remain on the watch list due scoring a 6 in the prior quarter.
 - d. The Plan Allocation by Investment type – Approximately 46% in US Equity, 31% in Asset Allocation, 15% is Stable Value and 4% each in Fixed Income and International Equity.
- B. Watch List Update – NFP recommends to keep Vanguard Mid Cap Index on the watchlist. NFP also brought forth two CIT equivalents for the American Century Large Cap Growth and The MFS International Growth funds. Chair asked if the two CIT investments use the same advisor as their respective mutual funds. Vince confirmed they do. Chair also inquired about the trustees for the CITs, and Vince said he would need to provide that information later.

NOTE: Following the meeting, Sharra emailed Chair a copy of the SOC1, SOC2, and Financial Statements dated December 31, 2024, for both the American Century US Premier Large Cap Growth CIT and MFS International Growth Fund CIT.

On a motion duly made by Nola Miyasaki, seconded by Chamara Silva, and unanimously carried, the Committee approved keeping Vanguard Mid Cap Index on the Watch List and replacing American Century Ultra and MFS International Growth with American Century US Premier LCG Trust CIT and MFS International Growth Equity CIT, respectively.

- C. Legislative and Regulatory Update – Matt Dickey (Matt) provided an update and information on the following:
 - 1. Disaster Relief Related to Retirement Plans – The IRS issued Fact Sheet 2024-19, covering FAQs on federally declared disaster-related distributions and plan loans.
 - 2. Secure 2.0 Mandatory Higher-Income Roth Catch-Up – Effective January 1, 2026. NFP encourages plans to review payroll systems and proactively communicate before year-end.
 - 3. Upcoming Educational Opportunities – 119th GFOA Annual Conference, June 29–July 2 in Washington, D.C., and NAGDCA Annual Conference, September 28–October 1 at Hilton San Diego Bayfront.
- D. Other Issues – None.

VI. OTHER BUSINESS – Information/Action

- A. NFP/Voya Managed Accounts Update – Jeff Scott (Jeff) explained that especially during times of market volatility, employees may be allocated inappropriately. In-plan managed account services help employees access scalable financial advice. Managed accounts use more data points to optimize allocations than target-date funds and has proven to improve participant outcomes. For Honolulu’s plan, managed accounts are more frequently adopted at hire, but less so afterward. Enrollment challenges include participant understanding, perceived costs compared to target-date funds, and the opt-in process. Voya and NFP developed a lower-cost managed accounts version with a strict passive menu costing 3 basis points, using the same scorecard methodology, rather than the Plan’s core menu funds. Implementing this version is a three-month process. After discussion, the Chair requested this be included in the 457 University educational session in August, with an index fund performance breakdown and participant experience demo.
- B. Benchmarking Report – Public Sector Plans – Matt explained the report helps benchmark industry trends and guide plan design conversations. About 77% of government/public plans offer a 457(b) plan. Plans between \$200M and \$1B show increased offering of nonqualified deferred compensation (NQDC) plans to offset mandatory Roth contributions for highly compensated employees. There is growth in the usage of health savings accounts, retiree health benefits, and 529 college savings plans via payroll deductions. Only 23% of government plans have automatic enrollment, which Hawai’i law currently prohibits. There is an increase in offering professionally managed account services.
- C. Collective Investment Trusts – *Addressed during the NFP Consulting Report.*

- D. Force Out/Cash Out Update – Jennifer reported Voya provided a list of terminated participants with account balances of \$5,000 or less. DHR is reviewing to confirm separations without rehire. Leslie Chinn (Leslie) expects DHR to complete the review by next month.
- E. Service Agreements Working Group Update – Jennifer reported that service agreements with NFP and Voya end in late 2026. The Committee seeks at least two volunteers to serve on a working group to guide new RFPs. NFP will draft the RFP, conduct solicitation, review proposals, and make recommendations. The Chair asked members to consider volunteering; a special meeting will be held to designate working group members.

VII. REPORT ON ADMINISTRATIVE EXPENSES – Information/Action

Jennifer reported the period started on February 20, 2025, with a balance of \$375,848.11. A \$30,000 quarterly reimbursement check was received. Expenses totaled \$14,624.67, including NFP's quarterly consulting fee of \$12,735.00, registration fees for two members to attend the NAGDCA 2025 Conference totaling \$1,500.00, and \$749.67 for 30 door prizes sent for the Participant/Employee Survey conducted last October. The period ended on May 15, 2025, with a balance of \$391,223.44. Jennifer reminded the Committee that reserves are being built up for the upcoming 2026 expenses and that the Reserve Policy is scheduled to be reviewed in the August meeting.

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

VIII. EXECUTIVE SESSION (as required)

The Committee did not go into Executive Session.

IX. ANNOUNCEMENTS

A. NAGDCA 2025 Annual Conference: September 28 – October 1, Hilton San Diego Bayfront

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

457 University Training – Neil Blaisdell Center
Thursday, August 21, 2025, 9:00 a.m. – 3:00 p.m.

Third Quarter – Mayor's Conference Room
Friday, August 22, 2025, 10:00 a.m. – 12:30 p.m.

Fourth Quarter – Mayor's Conference Room
Friday, November 14, 2025, 10:00 a.m. – 12:30 p.m.

XI. ADJOURNMENT

There being no further business, the meeting was adjourned at 11:48 a.m.

Respectfully submitted,

Jennifer Bishop
Secretary