

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

MINUTES OF THE ANNUAL MEETING OF THE COMMITTEE

The Annual meeting of the City and County of Honolulu Deferred Compensation Plan Committee (“Committee”) was held on **Thursday, February 20, 2025**, at the Mayor’s Conference Room, 530 South King Street, 3rd Floor, City Hall, Honolulu, Hawaii.

Present: Andrew Kawano (Department of Budget and Fiscal Services (BFS) Director & Committee Chair)
Florencio “Bugs” Baguio, Jr. (Department of Human Resources (DHR) Assistant Director & Alternate for Committee Member Nola Miyasaki)
Chamara Silva (Administrative Services Officer & Committee Member designee for Managing Director Michael Formby) (via Webex)
John Hashimoto (Committee Member (Active))
Michael Golojuch (Committee Member (Retiree))

Excused: Nola Miyasaki (DHR Director & Committee Member)
Reid Yamashiro (Deputy Corporation Counsel & Committee Member designee for Corporation Counsel Dana Viola)
Connie Kaneshiro (Committee Member (Active))

Staff: Jennifer Bishop (BFS Administrative Services Officer & Deferred Compensation Plan Administrator)
Carrie Castle (BFS Deputy Director)
Leslie Chinn (DHR Compliance Manager)
Lynn Wakatsuki (Deputy Corporation Counsel)

Guests: Vince Learned (NFP – Vice President – Advisory Services)
Gavin Gruenberg (Voya – Head of Defined Contribution Sales, Large & Government Markets)
Sharra Querner (Voya – Assistant Vice President, Strategic Relationship Manager)
Jared Nakamoto (Voya – Financial Advisor and Hawaii Case Manager)
Stacey Laxton (Voya – Communications Consultant)
Tony Camp (Voya – Vice President, Stable Value Product Group)
Paul Buren (Voya – Senior Vice President, Senior Portfolio Manager) (via Webex)
Russell Kaya

I. CALL TO ORDER

With quorum present, Andrew Kawano (Chair) called the meeting to order at 8:10 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 23, 2024, Annual 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 February 23, 2024, Annual Meeting minutes.

III. PUBLIC COMMENTS – Information

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

IV. VOYA & NFP PRESENTATIONS – Information/Action

A. Voya Annual Report –Gavin Gruenberg (Gavin) thanked the Committee for another year of partnership and the continued opportunity to serve the City and County employees. Gavin highlighted milestones of the 46-year partnership between the Deferred Compensation Committee and Voya. Sharra Querner (Sharra) provided the following highlights from the Annual Report covering calendar year 2024:

1. Client Health Review
 - a. Plan Statement – At the beginning of 2024, plan assets were just over \$959 million. The year closed with over \$1 billion in assets, growing more than 20%.
 - b. Participation – The year started with 9,739 participants, had 453 new accounts added, and 1,211 accounts closed. The closed accounts include the force outs of 813 participants, which is why it may seem a bit high. The year ended with a total of 8,981 participants. About 77% of the participants are age 40 or older.
 - c. Deferral Summary – There are 1,160 participants deferring on a percentage basis, with an average deferral rate of 9.3%, which is more than the benchmark of 7.4% and other Voya plans that average 6.5%. The percentage rate does not consider participants that contribute flat dollar amounts.
 - d. Participant Engagement – 648 participants engaged with the MyOrangeMoney tool. There were 376 participants that increased their contributions, 22 who enrolled in managed accounts, and 10 who rolled money into the plan. There were 97 participants who made a change to their allocations. Participants who engage with the MyOrangeMoney tool have a 10.6% deferral rate, while those that do not engage in the web or mobile app have a deferral rate of 7.8%.
2. Plan Activity
 - a. Transaction Activity Detail – The calendar year had \$37 million in contributions and \$66 million in distributions, which is slightly higher than the previous calendar year due to the implementation of the annual force outs. The plan continues to have a negative cash flow. There are 7,444 participants who are actively contributing for both pre-tax and/or Roth. Total contributions had an increase of 4.43% from the prior year. Total distributions also rose by 31.23% compared to the prior year. There are a few mutual funds in the plan that offer a revenue credit back to the participants. For 2024, the revenue credit totaled about \$347 thousand for 4,316 participants.
 - b. Current Participation and Enrollment Statistics – The total number of participant accounts decreased to 8,981 due to the force outs. The City, including the Board of Water Supply, had 9,330 eligible employees at the end of year, of which 5,462 have been actively deferring in the last 4 months, which equates to a 58% participation rate. There were 413 new enrollments, of which 136 are deferring an average of 10.8% and 93 who chose a flat dollar contribution that average \$190.
 - c. Participant Balance – The average participant account balance continues to grow, from about \$90,000 in 2020 to \$119,171 in 2024, which far exceeds the benchmark of \$52,760.
 - d. Diversification – The average number of investments without asset allocations is at 4.9, which is almost double the benchmark of 2.6. At the end of the year, there were 485 participants solely in the Stable Value fund.

- e. Managed Accounts – There were 455 participants who are utilizing managed accounts with total assets of \$64 million.
- 3. Plan Investment Review
 - a. Total Plan Assets and Contributions by Investment – There were \$258 million in asset allocation funds that had \$17.6 million in contributions for the year, and 846 participants with \$156 million in assets in Stable Value, with active contributions totaling \$2.4 million.

Chair noted the continuation of more distributions than contributions and asked whether it may be due to the City's older workforce. Gavin commented that the City's demographics are such that it is typical to see distributions continue to grow over time. There have been campaigns to emphasize the benefits of staying in the plan. However, from time to time, there have been other advisors targeting City employees for rollovers. Many plan sponsors struggle with keeping money in the plan even with the benefits to the participants. Jared Nakamoto (Jared) noted that almost \$4 million of the distributions were due to Required Minimum Distributions.

B. Voya Communication & Digital Engagement Update

- 1. 2024 Review - Stacey Laxton (Stacey) provided the following updates:
 - a. Save More – There were 31 more participants that took action after opening the email, making the total 511 for the year. 159 participants are saving an average of 2.6% more and 408 are saving an average of \$51 more per pay period.
 - b. Beneficiary – Five more participants added a beneficiary after receiving this communication. Chair asked what percentage of participants have a beneficiary. Stacey stated she would check and get back to the Committee. *NOTE: After the meeting, Stacey emailed the following information: Plan 666823 has 8,135 participants with balances who have a beneficiary and 286 participants with balances who do not have a beneficiary. Plan 666824 has 521 participants with balances who have a beneficiary and 24 participants with balances who do not have a beneficiary.*
 - c. Diversification – The communication was sent to 27 additional participants; however, results stayed the same from last quarter.
 - d. Max Out – Increased by 2 individuals since the prior quarter.
 - e. Financial Wellness/Education – 10 additional participants completed the financial wellness assessment.
 - f. Overall Financial Wellness Messaging – Overall, 72% of participants take action after opening an email. Other governmental plans average 49%.
 - g. Participant Engagement – eDelivery and web registration have continued to increase each quarter, now at 49% and 61%, respectively; both up by 1% from the prior quarter. Other governmental plans average 45% and 42%, respectively.
 - h. Participant Engagement Trends – June and October had the highest web logins, likely due to the June Restart campaign and the October survey.
 - i. MyOrangeMoney – Sent to 5,284 individuals. 715 engaged with the tool, and 165 took action after using the tool. 51 participants are saving an average of 0.1% more and 106 participants are saving an average of \$109 more per pay period. Additionally, 21 participants changed a fund allocation, 3 enrolled into a managed account, and 2 rolled money into the plan.
 - j. Retirement Outcomes – On average, participants are on track to replace approximately 60% of their income in retirement and 33% of participants are on track to generate at least 70% of income in retirement. Gavin noted more accurate income replacement averages when participants have provided information about outside assets, such as ERS.

- k. Financial Wellness – Participants are feeling least confident in the area of Protection, scoring 17% compared to the benchmark of 39%.
- 2. 2025 Proposed Communication Strategy – Stacey covered the proposed strategy including quarterly newsletters, quarterly local representative emails to drive participants to Jared’s team, and the following targeted campaigns: Catchup, Beneficiary, Voya Learn/Webinars (in response to survey results), MyOrangeMoney/Consolidation, Save More/Restart, Asset Allocation, Account Registration, and Nearing Retirement. Chair asked whether Voya is using generative A.I. in regards to personalized messaging. Gavin stated that while Voya is using A.I. it is not necessarily generative A.I., but it continues to be something Voya evaluates in order to become more efficient with operations.

Paul Barron joined the meeting via Webex at 8:55 a.m.

Chair also asked if the Survey results indicated areas in which more could be done. Jennifer responded that one of the action items from the Survey included more education about the available webinars and articles that are on the website, which is being addressed in the 2025 proposed strategy. Another action item from the survey included more in-person base yard visits from Jared’s team, which is also already being addressed.

On a motion duly made by Michael Golojuch, seconded by Florencio “Bugs” Baguio, Jr., and unanimously carried, the Committee approved and accepted Voya’s Annual Report and 2025 Strategic Communication Plan as proposed.

- C. Provider Performance Review – Vince Learned (Vince) thanked the Committee for the privilege of being a partner of the Committee for many years. Vince directed the Committee to the two handouts: The questionnaire with Voya’s responses and NFP’s memo and recommendations. He explained that the primary goal is to assess whether the contractually promised services were delivered and to identify any key issues, strategic planning, and/or decisions that might need to be made. Overall, Voya provided very comprehensive responses and exceptional compliance.
- 1. Consultant Recommendations & Committee Action – Relating to Question #7 to continue promoting web enhancements, 61% of active participants have registered their accounts online and 49% have elected electronic communication. This an increase from 56% and 46%, respectively from the year before. Recommendation is to keep up the promotional work to increase web registration and eDelivery.

Relating to Question #11 in regard to the Investment Policy Statement (IPS), Vince noted that it is relatively rare for record keepers to be included in the IPS and noted that NFP, as a fiduciary to the Plan, drafts and follows the IPS in deploying the scorecard methodology. Recommendation is for the Committee to consider setting aside this performance standard in future years.

Chamara Silva joined the meeting via Webex at 9:05 a.m.

Relating to Question #14 in regard to employee survey conducted in October 2024, the recommendation is to review forthcoming Voya recommendations for communication and education campaigns.

Relating to Question #17 in regard to education, Vince noted there were 223 department meetings equating to over 3,000 individuals and two mid-career sessions with over 160 attendees. The National Retirement Security Month had a high turnout with 228 attendees, and Voya also conducted about 400 individual meetings, and attended/led a number of other sessions. The local Voya office fielded approximately 5,000 phone calls, versus the 1,220 calls to the Call Center. Recommendation is to discuss the timing of meetings and the Committee's strategy around in-person and virtual meetings in 2025.

Relating to Question #18, Voya provided 4 quarterly newsletters in 2024. Recommendation is to determine the number of customized newsletters to be provided in 2025.

Relating to Question #19 regarding managed accounts. 455 participants are using managed accounts with just over 6% of the plan assets. Recommendation is to continue monitoring managed account reporting.

Relating to Question #27, Voya noted the first \$5,000 and under force-out distribution was processed in June 2024 to improve financial standing of the plan. Recommendation is to continue reporting on the impact

The Committee discussed the recommendation relating to Question #11 to follow the more common practice of the recordkeeper not participating in the review of the IPS.

One a motion duly made by John Hashimoto, seconded by Michael Golojuch, and unanimously carried, the Committee approved removing the record keeper involvement in review of the Investment Policy Statement.

On a motion duly made by Florencio "Bugs" Baguio Jr., seconded by John Hashimoto, and unanimously carried, the Committee approved and accepted NFP's recommendations on the Provider Performance Review.

D. Other Business – None.

V. 2024 COMMITTEE BUDGET – Information/Action

Jennifer presented the actual expenses for Calendar Year 2024 and the Deferred Compensation Calendar Year 2025 Budget and Reserve Calculation. Calendar Year 2024 had a beginning balance of \$275,815.39. There was a total of \$147,500 in allowances, which is more than what was previously budgeted due to the 2023 Q4 and 2024 Q1 reimbursements at the prior amount of \$43,750. As of April 1, 2024, the reimbursements were reduced to \$30,000. Expenses totaled \$63,267.28 and included costs for NFP consulting services, 457 University training, NAGDCA and IFEBP membership dues, travel costs relating to the annual NAGDCA conference, and giveaways for brownbag sessions. The calendar year 2024 ending balance is \$360,048.11 which includes the reserves. In reserves, there is \$16,000 for a mock compliance audit, \$76,000 for a plan change/RFP, \$84,445 in contingency/stabilization, and \$24,000 for Elections. Later this year, possibly in the next quarterly meeting, the Committee will be asked to review the reserve policy for possible adjustments. It was last reviewed in 2019, and the reserve amounts haven't changed since they were established in 2013. The proposed 2025 budget considers the possibility of increasing the reserve amounts. The Committee may also want to consider adding a reserve for future Benefits Fair planning and coordination.

For calendar year 2025, the starting balance is \$360,048, and we are budgeting a total of \$120,000 in allowances. A total of \$78,625 is budgeted for expenses, and includes anticipated increases in costs for 457 University room and equipment rental charges, NAGDCA Conference, and expenses related to the preparation of the 2026 election.

On a motion duly made by John Hashimoto, seconded by Michael Golojuch, and unanimously carried, the Committee approved the Deferred Compensation Budget and Reserve Calculation for Calendar Year 2025.

VI. NEXT ANNUAL MEETING DATE

Tentatively in 1st Quarter of Calendar Year 2026 with exact date and time to be determined by the Deferred Compensation Committee Chair.

VII. ANNOUNCEMENTS – Information

None.

VIII. ADJOURNMENT

There being no further business, the meeting was adjourned at 9:20 a.m.

Respectfully submitted,

Jennifer Bishop
Secretary