

**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 Friday, February 19, 2021, at the Mayor's Conference Room, 530 South King Street, 3rd 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 Acting Corporation Counsel (COR) Paul S. Aoki) (by webex)
Alison Look (Acting Internal Control Chief Accountant & Committee Member designee by Managing Director Michael Formby) (by webex)
Florencio "Bugs" Baguio, Jr. (Department of Human Resources (DHR) Acting Assistant Director & Committee Member Alternate for DHR Acting Director Noel T. Ono) (DHR Conference Room)
Douglas Chun (Committee Member) (by webex)
Denise Peterson (Committee Member) (by webex)
Michael Golojuch (Committee Member) (DHR Conference Room)
- Excused:** Noel T. Ono (DHR Acting Director & Committee Member)
- Staff:** Kelli Nishimura (BFS Acting Deputy Director)
Jennifer Tobin (Chief, DHR Benefits, Research, and Transactions Branch) (DHR Conference Room)
Lynn Wakatsuki (Deputy Corporation Counsel)
Laura Shimada (Deferred Compensation Plan Committee Administrator and BFS Administrative Services Officer)
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)
Scott Hudson (Voya – Connecticut Participant Technology Specialist) (by webex)
Stacey Laxton (Voya – Participant Engagement Consultant) (by webex)
Jared Nakamoto (Voya – Hawaii Case Manager)
Andrew Kam (Voya – Investment Advisor Representative) (by webex)
Marisa Sacks (Voya – Investment Advisor Representative) (by webex)

Matthew Takamatsu (Voya – Investment Advisor Representative) (by webex)

Nick Yee (Voya – Investment Advisor Representative) (by webex)

Andrew T. Kawano (Chair) read a statement on public participation and testimony to comply with Social Distancing Requirements set forth in Governor Ige's Eighteenth Proclamation related to the COVID-19 Emergency issued on February 12, 2021, and Mayor Rick Blangiardi's Emergency order 2021-01 dated February 9, 2021.

I. CALL TO ORDER

With quorum present Andrew T. Kawano (Chair) called the meeting to order at 8:02 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 and unanimously adopted a motion by Douglas Chun, seconded by Denise Peterson, to approve the minutes of the February 21, 2020 Annual meeting.

III. PUBLIC COMMENTS – Information

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

IV. VOYA & NFP PRESENTATIONS – Information/Action

A. Voya – Demonstration of Participant Digital Experience. Scott Hudson (Scott) provided a demonstration of Voya's website for the City and County of Honolulu participants, including the interactive and intuitive tools, myOrangeMoney, and personalized retirement journey video. The goal is to get 100% of our employees to get 70% of their income in retirement. There are also built in resources for financial wellness to assist with managing debt and savings. All tools are available on any device and can be translated to Spanish. Individuals can also chat with live representatives and sign up for live sessions led by trained Voya education specialists or watch on-demand sessions.

Douglas Chun (Doug) asked about the mobile app. Scott shared information about the mobile app and that the website is also mobile friendly. Doug commended Voya on the mobile app. Gavin relayed that more participants are migrating from the website to the mobile app.

Reid Yamashiro (Reid) asked if translations in languages such as Tagalog, Ilocano, and Vietnamese, are being considered. Scott stated that Spanish translation was recently implemented in the fall and that he would check on the status of other languages. He noted that the system has the

foundation to include other languages. Gavin shared that the call center provides for translations in over 30 languages.

- B. Voya Annual Report – The following is a summary of Voya’s annual report provided by Gavin for the period of January 1, 2020, to December 31, 2020. Gavin noted that Voya is now ranked first in the government market in assets and participants, up from third.

1. Client Health Review

- a. Plan Statement – The summary provides a side-by-side comparison of 2019 and 2020. The plan started 2020 with \$756 million in plan assets, and \$33 million in contributions, which is favorable compared to 2019 contributions, despite the COVID-19 pandemic. Distributions were also up at \$42 million, mostly driven by Coronavirus Related Distributions (CRD). There were \$2 million in other activities, \$19 million in dividends due to the positive equity market, and about \$86 million in market gains in mutual funds. The year ended at almost \$855 million, which shows that the plan continues to grow.
- b. Participation Statistics – 2020 began with 9,475 accounts, with 355 new enrollments, and 301 closed accounts where the participants terminated and distributed all of the assets from their account. The year ended with 9,529 accounts. Gavin noted that in the last couple of months there was a resurgence of new enrollments and there are now currently a little over 9,700 accounts. There are over 3,000 terminated employees that have retained assets in the plan. The participation rate stands at 87.3%, which Gavin noted is phenomenal for a voluntary government deferred compensation plan, as the industry-wide average for comparable plans is in the high 40% range. Gavin reviewed the participant accounts by age group and noted a bit of decline in the younger demographic in 2020 that may be due to reduced hiring rates during the pandemic.
- c. Deferral Summary – Gavin noted that there are 758 participants deferring on a percentage basis. Percentage deferral is preferable since it will automatically increase the contribution amount as the individual’s salary increases. The average deferral rate for the City’s plan is about 8.9%, which compares favorably to the industry benchmark at 6.8% and other Voya governmental plans at 5.9%. The vast majority of the participants are still on the flat dollar rate arrangement, but there has been growth in the usage of the percentage deferral.
- d. Participant Engagement – This section is a reflection of Voya’s home base, and does not take into account the work of Jared Nakamoto’s and his local team. Gavin highlighted that over the past three years, the website has remained the main point of

interaction used by participants; however, the mobile app has grown from 14.5% a couple of years ago to almost 18% in 2019 and to 21% in 2020. Gavin contributed the growth in the mobile app to the COVID-19 environment and also the general trend in how individuals are interact within the banking environment. Gavin also highlighted that when individuals engage with Voya, it often results in some sort of action by the individual. There were 847 people that changed how much they were contributing to the plan from the mobile app. He also noted that individuals who engage in the MyOrangeMoney tool save on average 10.9%, individuals on the website save an average of 9.7%, individuals on the mobile app are saving 10.2% and if they are not engaged, they are saving an average of 7.9%. Voya continues to drive participants to engage with the website, mobile app or face-to-face with Jared and his team.

2. Plan Activity

- a. Transaction Activity Detail – Gavin covered a comparison of contributions and distributions from 2019 and 2020. There was an increase in the total dollar amount contributed to the plan from \$31.7 million in 2019 to \$33.6 million in 2020. He noted that the dollar amount increased even though there were 146 less participants. Distributions were up a little at \$42.5 million in 2020 versus \$40.3 million in 2019. On a net cash flow basis, \$33 million went into the plan and \$42 million left the plan but \$6 million of the distributions were due to the CRD, which is an anomaly as CRD was not available in 2019.
- b. Activity Highlights – Gavin noted that there has been continued growth in the Roth option. There were 2,559 participants and \$6.6 million in 2020, up from \$5.9 million and 2,451 participants in 2019. Death claims were down a bit from the prior year. Hardship withdrawals includes the CRD and unforeseeable emergencies withdrawals, which has strict rules and could be used for an unexpected medical expense or natural disaster. The City has outsourced the review and approval process for unforeseen emergencies to Voya. In 2020, Voya processed 39 emergency withdrawals from 19 unique participants. Gavin explained that one of the approvable requests is when the applicant is in imminent risk of foreclosure on their home and so the individual requests an emergency withdrawal to cover one month and then may have to request another emergency withdrawal in the following months. There were about 49 applications that were declined. Minimum distributions were down significantly from the prior year. There were about \$1 million of required minimum distribution in 2020 compared

to \$2.5 million in 2019. Gavin explained that this is because in prior years the age at which an individual was required to take a minimum distribution was age 70 ½, and recent legislation changed it to age 72. Withdrawals were down from \$33 million in 2019 to \$31.5 million in 2020; these are lump sum distributions and include when a participant rolls their account over to another employer's plan. For the past couple of years, the Committee, NFP and Voya have been keeping track of where the withdrawals are going and Gavin explained that he will provide more information in Provider Performance Review. Asset Transfers, where participants roll money into the City's plan, is up to \$3.5 million, which is very encouraging. There were \$19 million in Dividends and \$1.39 million in Voya fees. There were 59 inter-participant transfers that occurred last year; these occur when there is a divorce and the accounts are split.

- c. Contribution Summary – Gavin noted that there is continued growth in contributions over time, both in pre-tax deferral and in Roth.
- d. Current Participation and Enrollment – There are almost 6,000 participants actively contributing, with 758 participating on a percentage-based deferral of 8.9%. Overall participation is at 87.3%, which is very strong. There were 444 new enrolments in 2020, with the average deferral rate at 7.5% for those that elected to participate in a percentage based deferral. The average deferral amount for those with that elect the flat dollar amount was \$134 per pay period. Gavin noted that the smallest amount allowable per pay period is \$25, so having the average at \$134 is very encouraging.
- e. Participant Balance – The average balance continues to be an encouraging picture year after year. For the City's plan, the average balance has grown over time and as of December 2020, it was just shy of \$90,000, which is nearly double the benchmark. This is a very strong average balance, especially for a plan that does not have a matching contribution from the employer. Gavin noted that the average balance is very encouraging especially since the City has continued to see a growth in new enrollments, which start with a balance of zero. Gavin further noted that the average balance for each 10-year age bracket is above the benchmark, where the benchmark includes all of Voya's government plans in the nation.
- f. Distribution Summary – Withdrawals, which are lump sum payouts, had been trending up. In 2016, withdrawals totaled \$22 million, then \$29 million in 2017, \$34 million in 2018, it slowed down a little in 2019 at \$33 million and then again in 2020 at \$31 million, which is an encouraging trend.

- g. Diversification – The average number of investment options utilized per participant without asset allocation funds is almost 5, which is almost double the benchmark of 2.8. This excludes participants who are invested solely in a pre-diversified account. There are 4,513 participants that have chosen one investment option, of that the vast majority, 3, 536, are fully diversified as they are in one of the risk based portfolio or target retirement date funds. The next largest group in a single fund investment are the 683 participants that are in the Stable Value. Voya has periodically looked at these individuals to see if it is appropriate that they remain in the Stable Value to determine if they are in or near retirement, whether they need the stability or, conversely, are they new to the plan and investing too conservatively. Voya has communicated to individuals in the younger demographics, suggesting they consider being more diversified and Voya makes sure the participants are aware of the benefits of diversification and being properly allocated. Gavin noted that the number of participants in the Stable Value option has actually been trending down, which is surprising with the volatility of the market in the past year, but good to see. There are 61 participants in the T. Rowe Price Capital Appreciation which is a balanced fund at 60/40 of stocks and bonds, which is a reasonable choice. Voya continues to monitor to make sure there is not a particular migration into a fund that may be too risky.
 - h. Managed Accounts – Gavin explained that Voya offers the ability for participants to receive third-party investment advice from Morning Star. Participants have the choice to act on the advice or they can turn over management of the account to Morning Star. There are 429 participants with about \$49 million being managed by Morning Star, which is about 6% of overall plan assets.
3. Plan Investment Review
- a. Total Plan Assets and Contributions by Investment Option – Gavin walked the Committee through the handout and highlighted that \$153 million, or 18%, of the plan is in an Asset Allocation fund. He noted that 35% of new contributions are going to an Asset Allocation fund, which may be driven by the new enrollment process. There is a total of \$165 million in stable value, which is a little less than 20% of the total plan. This is an allocation that has come down the last several years. A few years ago, 24-25% of the plan was in stable value. With equity returns increasing and also less participants allocating the stable value has come down a bit. Only 11% of future contributions are being directed to stable value. TD Ameritrade Self-Directed Brokerage is at 0.11% and this is an option for individuals to make investment selections outside of the

core line up that the Committee has review over. These individuals have the opportunity to transfer a portion of their deferred compensation account to self-directed account with TD Ameritrade and they can then invest in a mutual fund of their choosing and pay the corresponding commission or trading charge. This option is not highly used, with only 19 individuals participating, which is in line with what Voya sees with other customers.

4. Communication and Education

- a. Optimizing Your Plan – Gavin pointed out that the City's plan does all of the best practices noted in the handout, such as letting employees change their contributions online, updating beneficiaries online, etc. Gavin commented that the City's plan has always been forward looking and offers these types of services as a default. He noted that it would be good to have automatic enrollment and automatic escalation but these topics have been discussed with the Committee in the past and Hawaii's anti-wage garnishment law prohibits automatic escalation and automatic enrollments. He noted that the City has a strong participation rate with 83% of the eligible participants enrolled in the plan, which is higher than most governmental plans.

Chair asked Gavin to provide more information on the kinds of entities that make up the peer group. Gavin explained that it is any public entity including cities, counties, municipalities, and special districts. It would not include public sector K-12 school districts.

Chair asked what institutions are behind the three risk-based funds. Gavin explained that these funds are custom to the City's plan and the underlying holdings are from the remainder of the core lineup. He explained that this is something driven by NFP. As the City's investment consultants, they would make recommendations on other options in the core lineup to build out these three portfolios. Bill Tugaw (Bill) noted that over the years they periodically review the different risk portfolios and funds in them. They last did it about three years ago and said that NFP would take a look at it again for the next quarterly meeting. Chair stated he would appreciate that. Gavin noted that the three risk-based asset funds have been around much longer than the target date funds, which is why the assets are much larger.

Reid ask about the Plan Statement Summary that shows Other Activity at \$2.088 million. Gavin explained that is when participants roll other accounts into the City's plan with Voya.

- C. Voya Communication & Digital Engagement Update – Stacey Laxton (Stacey) walked the Committee through Voya’s Communication and Digital Engagement Update handout.

1. 2020 Review

- a. Personalize Messaging – Stacey explained that these messages are automatically sent depending on where the participant is on their journey to retirement, and not everyone receives the same message.
 - (a) The Save More message went to participants actively contributing in the plan that have not made a recent contribution change. The purpose of this message is to nudge the individual to increase their contribution. There were 129 participants, or 12%, that took action after opening a Save More email.
 - (b) The Beneficiary message is sent once a year on the plan’s anniversary date or when the individual enrolled into the plan. There were 10 participants, or 17%, that named a beneficiary after receiving this email.
 - (c) The Diversification message is sent to individuals who are invested in two or less funds, not including target date or lifestyle funds. After receiving the email, 13 participants, or 4%, diversified their accounts.
 - (d) The Restart Savings email is sent to individuals that were actively contributing to the plan, have a balance, but are no longer contributing. There were 8 participants, or 6%, that resumed contributions after receiving the email.
 - (e) The Financial Wellness/Education message is sent quarterly and encourages participants to take the Financial Wellness Assessment and engage with all of Voya’s services. There were 44 participants, or 2%, that completed the Financial Wellness Assessment after receiving the email.
- b. Digital Engagement – Stacey noted that for the year, 41% of active plan participants have engaged with either the call center, the mobile app, or the web and 34% engaged digitally. Compared to last quarter, all the numbers have gone up a small percentage.
 - (a) MyOrangeMoney - There were 197 participants, or 20%, that took action after using MyOrangeMoney.
 - (b) The Personalized Financial Dashboard allows individuals to manage and organize all of their finances on one platform and allows participants to link their outside online bank accounts. 13% of participants took action after utilizing the Personalized Financial Dashboard.

- (c) The Personalized Video is sent to individuals based on where they are in their journey to retirement. After viewing the video, 15% of the participants took action.
 - (d) Financial Wellness Assessment – There were 324 participants who started the Financial Wellness Assessment, of which 303 completed the Assessment, which is 94% and exceeds Voya's book of business which is at 88%. After completing the Assessment, there were 254 participants that continued on to utilize the Dashboard and other tools and resources Voya makes available. Stacey noted that the areas of Protection, Emergency Fund, and Retirement were rated the lowest from the participants, and that these are the areas that should be focused on going forward.
 - (e) 2020 Communication Results – Stacey explained that the communication campaigns are in addition to the personalized messaging. She reviewed the Beneficiary Campaign, the eDelivery Campaign, Increase Deferral Campaign, and the Restart Campaign.
 - (f) National Retirement Security Month – Stacey explained that last year's goal was focused on financial wellness and driving more participants to digital engagement.
2. 2021 Communication Strategic Plan – Stacey covered the 2021 Proposed Communication Strategy and the tentative dates of the campaigns and personalized messages. She also noted that the America Saves Week, which focuses on budgeting and saving outside of retirement, is happening next week and that Voya has already sent out the emails to participants.

Doug stated that relative to the 2021 Campaign Strategy, he liked all of the campaigns listed, and asked if a new campaign could be included that was targeted towards employees fairly new on their journey to encourage them to take advantage of the benefits and better prepare for their retirement. Stacey thank Doug for the feedback and stated she will add it to the Communication Strategy.

- D. Provider Performance Review – Paul Hackleman (Paul) provided a summary of the 2021 Provider Review. He explained that the assessment of non-financial provider services is to assess delivery of contractually proposed services, identify issues for strategic planning and identify key initiatives for the next year. NFP's general comments on the 2021 provider review is that the responses were comprehensive and there was good compliance with contract and other promised services.
- a. Question 1: Responsiveness to voicemails – Voya noted that in July some voicemails were delayed by AT&T but once that issue

was discovered the voicemails were immediately returned. Paul noted this should not constitute a failure on Voya's part.

- b. Question 2: NFP did not have an issue with the timeliness of Voya's response to complaints, but noted that Voya should not disclose the individual's full name. Paul stated that first name only or a substitute designation would suffice for the purpose of the review.
- c. Question 4: Voya references publication standards in 2015. Gavin confirmed that the year should be 2019 and not 2015. Paul asked that Voya send a corrected Provider Service Questionnaire handout.
- d. Question 5: Voya fell short of the response time to calls in 2020 by 3.5% and that it was partly attributed to the pandemic and call center loads. Paul relayed that technically Voya did not meet the standards here, which potentially could result in a \$1,000 penalty for failure to comply with the standard. Paul noted that given the disruptiveness of the pandemic, NFP's recommendation is to not penalize Voya for the reduction in response time when historically Voya has done a very good job in meeting the standards. Paul further noted that the Committee has the ability to either impose or excuse a penalty.
- e. Question 10: Voya indicated that there were no Plan Document changes that were necessary. Paul noted that both the CARES and SECURE Acts instituted mandatory provisional changes to plans but the regulations do not require Plan Document changes until December 31, 2024. NFP recommends that Voya include a reference to the status of their updating of the Plan Documents.
- f. Questions 13 and 15: Voya mentioned the mayoral changes. Paul noted that given the number of new Committee members, the Committee, Voya and NFP should discuss the content of the 457 University to ensure that new committee members understand their roles and responsibilities.
- g. Question 14, Voya offered to conduct a survey in 2020 but the Committee took no action. Paul noted that the last survey was in 2017 and asked the Committee to think about whether a survey should be offered in 2021.
- h. Question 25, Voya indicated that there are sufficient assets in the Target Date Funds to be customized on an age-basis and suggested the Committee include a discussion on this in an upcoming agenda.
- i. Paul noted that, unrelated to the Performance Review, many clients have found that virtual interactions have sometimes led to higher participation rates and that there are advantages to virtual

education in terms of accessibility of participants to the information. He recommended that the Committee plan to include a discussion with Voya on their findings of the advantages of virtual education compared to face-to-face interactions, and whether a combination of virtual and face-to-face education may maximize effectiveness and participation.

Consultant Recommendations & Committee Action - Paul stated that Voya is currently meeting vast majority of its commitments and asked the Committee about whether the Committee wants to invoke the \$1,000 penalty on Voya in regards to the response time.

Doug stated that he believes Voya is an outstanding partner and that he whole-heartedly agrees with the recommendation to not invoke the \$1,000 penalty with the full understanding that this Committee reserves the right to impose a penalty in the future should this type of non-compliance occurs.

Chair thanked Paul for his report and noted that the report was eye opening coming from the private sector. He further stated that he found the evaluation process to be very comprehensive.

On a motion duly made by Doug Chun, seconded by Michael Golojuch, and unanimously carried, the Committee accepted and approved NFP's 2021 Provider Review of Voya's performance and approved the recommendation not to impose the penalty for the call center response time.

E. Other Business—None.

V. 2021 COMMITTEE BUDGET – Information/Action

Laura reviewed the Deferred Compensation CY 2021 Budget and Reserve Calculation handout that compares Calendar Years 2020 and 2021. She noted that in 2020, because of the COVID-19 pandemic, NAGDCA did not hold their usual conference, and instead four (4) Committee members participated in NAGDCA Connect, which is a virtual version of the conference. She further noted that there is usually \$80,000 allotted for Education/Training materials for the Benefits Fair, but that was also put on hold in 2020 because of the pandemic. Because of the healthy amount in reserves, Laura reduced the amount budgeted for Education/Training to \$5,000. The rest of the costs were budgeted at 2.65% increase, which is what Joan Bolte recommended last year. All of the reserves are at the maximum and the reserves for the elections will be spent but will likely to cost a little more than \$30,000. Laura projected that CY 2021 will end with a balance of \$486,918.

Chair asked for discussion on the budget as presented by Laura. Doug noted that the budget looks to be in good shape. Laura agreed and stated that the even with the previous \$600,000 reimbursement to participants, the Committee will likely have to do another reimbursement because the Committee did not spend the money as budgeted. Chair asked if the discussion to reimburse participants should happen now or at the quarterly meeting. Laura explained that additional assessment would have to be completed to determine the actual amount to be reimbursed and once determined, the Committee would vote and it could be done at any time.

Bill noted that the Committee adopted a reserve policy that provides guidelines for when there is an excess of reserves. Chair asked Bill for his assessment of the balance and whether the Committee is slightly or significantly above the reserve guidelines. Bill stated that he would take a look at the reserve policies, but it is likely that because of the savings in the Education/Training Materials, the Committee could either reimburse participants or have Voya adjust the administrative expense that is calculated and pulled from accounts right now to gradually reduce the reserves. Bill will review the reserve policy and make a recommendation to the Committee on how to reduce the reserves.

On a motion duly made by Doug Chun, seconded by Michael Golojuch, and unanimously carried, the Committee accepted and approved the Deferred Compensation CY 2021 Budget and Reserve Calculation as presented.

VI. NEXT ANNUAL MEETING DATE

Laura announced the next annual meeting date will be in the first quarter of the calendar year 2022, with the date to be set and determined at a later time by the Committee Chair.

VII. ANNOUNCEMENTS

VIII. ADJOURNMENT

There being no further business, the meeting was adjourned at 10:06 a.m.

Respectfully submitted,

Laura H. Shimada
Secretary