

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

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

A meeting of the City and County of Honolulu **Deferred Compensation Plan Committee** was held on Friday, August 13, 2021, at the Mayor's Conference Room, Honolulu Hale, 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)  
Noel T. Ono (Department of Human Resources (DHR) Director & Committee Member) (DHR Conference Room)  
Alison Look (Acting Internal Control Chief Accountant & Committee Member designee by Managing Director Michael Formby) (by webex)  
Douglas Chun (Committee Member) (by webex)  
Chase Masuda (Committee Member)  
Michael Golojuch (Committee Member) (DHR Conference Room)

Excused: Krishna F. Jayaram (Committee Member)

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

Guests: Bill Tugaw (NFP – Managing Director – NFP Retirement)  
Paul Hackleman (NFP – Senior Consultant)  
Gavin Gruenberg (Voya – Senior Vice President – Institutional Clients)  
Jared Nakamoto (Voya – Hawaii Case Manager)

Andrew T. Kawano (Chair) read a statement on public participation and testimony to comply with social distancing requirements set forth in Governor Ige's Emergency Proclamation relating to the COVID-19 response dated August 5, 2021 and Executive Order No. 21-05 dated August 10, 2021, and Mayor Rick Blangiardi's Emergency Order No. 2021-09 and Fourteenth Proclamation, both dated July 2, 2021.

**I. CALL TO ORDER**

With quorum present Chair called the meeting to order at 10:03 a.m. and presided as chair of the meeting. Laura Shimada (Laura) acted as secretary of the meeting.

**II. INTRODUCTION OF ACTIVE AND RETIREE COMMITTEE MEMBERS – Information**

Chair introduced and welcomed newly elected active and retiree Committee members Chase Masuda, Douglas Chun, and Mike Golojuch.

**III. MINUTES OF PREVIOUS MEETINGS – Action**

Committee members reviewed the May 14, 2021, Quarterly Meeting minutes and Chair asked for any discussion.

**On a motion duly made by Michael Golojuch, seconded by Douglas Chun, and unanimously carried, the Committee approved the May 14, 2021, Quarterly minutes.**

**IV. PUBLIC COMMENTS – Information**

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

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

**A. Quarterly Report**

A summary of Voya's quarterly report provided by Gavin Gruenberg (Gavin) for the period of January 1, 2021 to June 30, 2021 follows.

**1. Client Health Review**

- a. Plan Statement – Gavin summarized and noted that the plan assets were \$854 million, almost \$20 million in contributions, about \$28 million in distributions, and \$3.6 million in dividends. He highlighted that the biggest change was in market return, which is the appreciation of investments in the plan. There was almost \$75 million of market appreciation in the first six months, which is very strong. The end of the period had \$925 million in plan assets.
- b. Participation – At the start of the year, there were 9,529 accounts and 253 new enrollments have since been added. In all of 2020, there was 301 enrollments for the entire calendar year, and so the City is on pace to have about 500 new enrollments for this year. There were 173 accounts that were closed out. There were 9,609 accounts as of June 30, 2021. There is an 87% participation rate. Gavin highlighted the participants by age group summary that shows there has been a decline in the under 30 age group from June 2020 to June 2021 and an increase in the 30-39 and the 60+ age groups. He noted that there had been a trend of the younger age groups growing, but hiring slowed down with the pandemic.
- c. Deferral Summary – This summary only applies to percentage contributions, and does not take into account individuals who

participate with a flat dollar contribution. The average deferral rate is 9.1% which compares very favorably to both industry benchmark at 6.9% and other Voya plans for governmental plans at 6.1%. At the end of 2020, the deferral rate was 8.9%, and so it has increased a bit since then. Voya continues to encourage people to start with or move to percentage contributions instead of flat dollar so that as their compensation grows over time, their contributions to the plan also grows naturally.

- d. Participant Engagement – The majority of the unique participant interactions are from the traditional website with 2,866 and from the mobile app with 1,300. The unique participants using the mobile app for all of 2020, totaled 1,267; this year has already exceeded the number of participants using the mobile app in 2020. The website remains the most popular method at almost 60% of the unique participants. Gavin noted that participants are taking action after engaging with either the website or the mobile app such as changing contribution rates or moving investments.

There were 551 individuals that engaged with the myOrangeMoney tool. There were 63 individuals who used the personal financial dashboard, which is a robust tool used to create a dashboard using outside personal accounts such as IRAs or a spouse's retirement plan. There were 21 individuals that took action after talking to the Call Center. Voya uses a predictive analytics to relay relevant messages to participants. For example, a participant over the age of 50 on the website may get a popup message about the 50+ catchup. If that participant calls the call center, the same message will display for the call center representative who can then remind the participant of the same message. There were 45 individuals that accessed advice from Morningstar and 616 participant engagements. There were 140 participants that increased their contributions, 1 enrolled in managed accounts, 4 rolled assets into the plan from an outside account, and 69 that changed their current or future investments. The takeaway is 180 people of the 616 that engaged took some kind of action, which is about a 30% action rate. Participants who use the myOrangeMoney tool contribute an average of 9.6%, those that have been on the website contribute an average of 10.2%, mobile app participants average 9.6%, and those that do not engage save less on average at 8.1%. Gavin noted that when compared to other Voya government plans, the City and County's numbers look fantastic. All of the participants are saving at a good rate compared to peer organizations.

## 2. Plan Activity

- a. Transaction Activity Detail – There was an increase in contributions from \$17.5 million to \$19.7 million. There was a slight decline in the number of participants contributing. Distributions are up significantly from \$18.9 million in the first six months of 2020 to \$28 million in the

2021. Gavin explained that this has been a common trend in other plans as well due to the economic environment related to the pandemic.

- b. Activity Highlights – There has been \$15.96 million contributions in the traditional pre-tax deferral and \$3.75 million contributions in Roth. Roth continues to grow in popularity in both dollar amount and participants. When compared to the same timeframe in 2020, there are 95 less individuals participating on a pre-tax basis and 143 more on a Roth basis. There was \$1.8 million in distributions for death claims that occurred during the first six months of the year. The amount and number of hardship withdrawals subsided, which may have been directly related to COVID-related distributions being stopped at the end of 2020. Required minimum distributions (individuals required to take distributions from the plan when they reach a certain age) increased and the number of individuals and total assets with periodic payments also increased. Lump sum withdrawals made up the majority of the distributions at \$24.3 million.

Gavin noted that he would look into the lump sum withdrawals to determine if individuals are taking cash distributions due the current economic environment or if there is a particular area the withdrawals are going. Paul Hackleman (Paul) asked if Voya was able to track the number of individuals who leave a balance in the plan. Gavin responded that although there are a handful of individuals that may leave a balance in the Stable Value for the stability of principal, but that is not usually the case. Paul asked whether there should be a stronger educational push. Gavin noted that Voya continues its educational efforts and that last year, one of the educational campaigns focused on pre-retirement individuals. Reminders were sent on a regular basis of the fact that individuals can stay in the plan after retirement and continue to take advantage of the services; however, individuals may be getting outside advice. Jared Nakamoto (Jared) noted that he and his staff are receiving more calls from participants that have an advisor from another company on the line at the same time.

Chair asked how phone call engagements compare between web and mobile engagements. Gavin clarified that in this report, the phone calls are calls to the Voya call centers located in Arizona and Connecticut. Most calls come in locally and those statistics are usually reported during the annual meeting. Jared noted that one year the local office received up to 30,000 phone calls.

Gavin highlighted that asset transfers shows 59 individuals that have rolled money into the City's plan. There was a strong level of dividends from the mutual funds at \$3.66 million. There were 32

participants that had inter-participant transfers, which is when accounts are split according to a court order.

- c. Contribution Summary – Gavin noted the trend of continuing to see Roth contributions grow over time. Pre-tax contributions did grow as well, but had a bit of a slowdown.
- d. Current Participation and Enrollment Statistics – The participation rate remains very strong at 87%. There were 213 new enrollments with the average deferral rate at 9.9% for individual electing for a percentage deferral and \$228 for those that elect a flat-dollar contribution.
- e. Participant Balance – Because of the huge turnaround in the equity markets, there was a big bounce back in the average balance. In June 2020, there the average was about \$78,000 compared to \$96,000 in June 2021. Gavin noted that this is a very strong average balance for a governmental, voluntary deferred compensation plan. For each age group, the City's participants have a higher balance on average than the benchmark.
- f. Distribution Summary – Gavin highlighted that minimum distributions have grown and noted that as the population within the City's plan are reaching the age requiring distributions. He also noted that periodic payments have also grown and, in general, there are more individuals who have retired and left assets in the plan and are now starting to withdraw. The lump sum withdrawal amount is either cash or rollover withdrawal and Gavin highlighted the significant increase for the current period. Paul noted that the number of individuals has stayed steady, but the dollar amount per person has increased.
- g. Diversification – The average number of investment options utilized per person with asset allocation funds, including lifestyle, conservative, moderate, aggressive and target date funds is 3.4. When excluding asset allocation funds that are diversified on their own, the average number of investments is 4.9, which is almost double the benchmark. A number of individuals have chosen one of the lifestyle portfolios or target-date funds as their sole investment, which are diversified options. There are quite a few Vanguard target date funds showing as zero or a small amount of participants because the Committee just recently added those vintages to the plan. Gavin also noted that the Vanguard Target Retirement 2015 Fund – Investor Shares shows up because they were in the plan in the past and they were replaced with the institutional share class, which was at a lower cost. He explained that we went from 13-14 basis points in the old share class to about 9 basis points in the new class, which is a substantial savings for participants. There are 642 individuals in the Stable Value option. There is a trend of fewer individuals being 100% invested in the Stable Value. At the end of 2020, there were 683 individuals in the Stable Value option. For the most part, these individuals are already retired and are taking advantage of the stability. Gavin noted that Voya has an annual educational campaign on diversification that specifically

targets individuals in a single investment to make sure they were aware of the benefits of being diversified.

- h. Managed Accounts – At the start of the period, there were 429 individuals utilizing the Morning Star managed account services with about \$49.3 million. There was one individual that added the service during the first six months of the year and 12 that cancelled, which is larger than what is usually seen and may be driven by some market volatility. At the end of the period there were 418 individuals with \$51.4 million in the managed accounts.

3. Plan Investment Review

- a. Total Plan Assets and Contributions by Investment Option – Gavin highlighted that there are \$162 million in the Stable Value, which is about 17.5% of the portfolio. There is a continued downward trend in the use of Stable Value. He noted that people seem to be gravitating more to the equity markets and away from the Stable Value. There is about \$1 million in assets where individuals have transferred out of their core account to TD Ameritrade. During this period, one new individual took advantage of the TD Ameritrade Self Directed Brokerage account option.
- b. Performance Update – Gavin noted there are a lot of positive numbers, which is good.

B. Stabilizer Update

- 1. Fixed Income Market Review – Gavin highlighted the fixed income market returns, including the total return for the asset class within the fixed income and the excess return. There were a handful of sectors within fixed income that had excess returns vs. Treasuries, such as investment grade corporate, and high yield corporate and emerging market sovereign debt. Gavin noted that it is not surprising to see both the corporate and high yield with excess return since the economy is rebounding and corporate earnings are strong.
- 2. Performance Analysis – Gavin explained that Sean Banai (Sean) and his team break down each of the decision that they have made in the portfolio and provide an analysis of how that decision impacted investment returns in the portfolio. Gavin noted that Duration had a small negative impact on returns, while Investment-Grade Corporate, Agency Residential Mortgages, Non-Agency Residential Mortgage-Backed Securities, Asset-Backed Securities and Commercial Mortgage-Backed Securities all had a positive impact.
- 3. Performance Summary – For the quarter, the portfolio returned 1%, with the benchmark at 78 basis points with an excess return over the benchmark of 22 basis points. For year-to-date as of June 30, gross return for the portfolio is -25 basis points, but that is 59 basis points better than the benchmark. In each of the measured time periods, Sean and his team have outperformed the benchmark.
- 4. Portfolio Characteristics – Gavin explained the Performance Attribution chart, which summarizes what contributed to the returns in the quarter.

The chart shows duration was -11 basis points in the second quarter and asset allocation, being in the right asset class, provided a positive contribution of 24 basis points and the Security Selection, which is the particular bonds purchased and held in the portfolio, also contributed positively for an overall year-to-date performance of 59 basis points. For Holdings-Based Characteristics, the Yield-to-Worst, which is the yield of the portfolio after the impact of callable bonds and Yield-to-Maturity are both around 1.60%, meaning the portfolio is generating a yield of 1.60% but the participants are receiving a crediting rate was 2.25%, its now at 2.10% as of July 1. The higher crediting rate for participants is because the portfolio has returned better than the benchmark. There is a positive market value versus the book value and that is passed on to the participants in the form of a higher credit. Gavin explained that if Yields remain in the 1.60% range, the crediting rate will drift down over time, which will happen naturally for the portfolio to stay in good health.

5. Asset Allocation – Gavin highlighted the biggest change is a rotation out of Agency Mortgages mostly into US Treasury and Cash, which contributed positively to the performance in the quarter and moved US Treasury and Cash up 7.8%. Sean and his team continue to be proactive with the portfolio and make some changes as conditions warrant.
  6. Market to Book Value Ratio – Gavin noted that as of June 30, there was a market value of \$185.7 million, which is the value of all the bonds held in the portfolio. There is a positive difference of \$7 million in excess market value between the market value and the book value, which is the sum of the participant balances in the stabilizer. The market value to book ratio is 103.92%. As of July 31, the ratio is 104.43%. The market value excess is what allows a higher interest rate to participants than what the portfolio yields.
- C. Participant Communication & Digital Engagement Update
1. Personalized Messaging – Gavin explained that they have automated campaigns that occur for anyone who has an email address on file and has opted into receiving messages.
    - a. Save More – This campaign was targeted towards individuals who are already contributing to the plan to encourage them to save at a higher rate and was sent to 1,927 participants as of mid-July. 65% of the people who received the email opened the email, 17% clicked on a link within the email to learn more, and a total of 175 people took action because they received this email, which is a 14% action rate. There are 41 participants that are saving an average of 2.7% more per pay period because they took action from the email.
    - b. Beneficiary – This email goes out to participants that do not have a beneficiary on file. The email was delivered to 112 participants, with a 61% open rate, 32% clicked through the email, and 16% took action. There were 11 participants who added a beneficiary because they received this email.

- c. Diversification – This went out to 500 individuals. There were 343 individuals that opened the email, and 65 that clicked through the email. There were 15 participants that took action and changed their allocation because of this message.
  - d. Restart Savings – This email went out to individuals that were saving in the plan but stopped to encourage them to restart. There were 302 emails sent, 148 were opened and a 6% action rate. There were 9 individuals that restarted their contributions.
  - e. Financial Wellness – This email encourages individuals to go through the Financial Wellness questionnaire on the website that asks about the participant's situation to gather a holistic view of finances. The survey takes about 4-5 minutes to complete and results in a scorecard. This email went out to 3,357 individuals, which is everyone with an email address on file, and 62% opened the email and 17% clicked through. There were 3%, or 52 people, that completed the financial wellness assessment.
2. Text Nudges – Gavin explained that individuals can now opt-in via the website to receive text messages from Voya. The text messages can relate to the aforementioned campaigns, but can also relate to transactions.
  3. Participant Engagement – Gavin highlighted that about a third of the participants have opted for e-delivery of statements, and almost half of the participants have registered on the website. Registration on the website helps communication with participants, but it is also important for security purposes.
  4. Personalized Video – There are five or six videos with a specific message and is personalized to the individual with their name, expected retirement income and any action step, such as saving more or being more diversified. There were 168 participants that reviewed their personalized video, 66 clicked on the call to action, and 22 took action. There were 18 participants that changed their deferral amount, 4 that changed a fund allocation, and 1 that rolled money into the plan.
  5. Financial Wellness – There were 346 participants that started the assessment and 323, that completed the assessment and viewed the results, and 274 viewed the dashboard. On average, the City's participants score a 6.3 out of 10 in how they feel about their current financial situation, which matches exactly with Voya's book of business.
  6. e-Delivery Campaign – This campaign is to encourage participants to access their account online and go paperless. The email was sent to 6,191 participants, 37% opened the email, and 90 unique clicks. The campaign resulted in 618 people signing up for e-Delivery.
  7. Beneficiary Campaign – This one is both digitally and mailed out to folks that have not registered on the website. There were 5,104 participants that received the email, with 13.5% clicking through. There were 318 participants that received the physical mailer, with 33 people adding a beneficiary after receiving the post-card.

8. Increase Deferral and the Restart Campaigns – These campaigns started in July and results will be reported in the next quarterly meeting.
- D. Other Issues – Gavin updated the Committee on industry discussion about employee benefits elections and impacts to their retirement elections and ability to save in the 457 plan. Voya is working on a decision support tool, which should roll out within the next couple of months, to help individuals decide which medical plan and other supplemental benefits would be appropriate for the individual and their family and to help the individual to identify if they are able to save on what they have been spending on the benefits and redirect that savings to the retirement plan.

Doug asked whether the Committee is obligated to take an action since the agenda lists the item as information/action. After discussion, it was determined to have an action to approve the Voya report.

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

## **VI. NFP CONSULTING REPORT – Information/Action**

- A. Watch List Update – Bill Tugaw (Bill) reported that in the last quarterly meeting, the American Fund Growth Fund of America, Principal Midcap Institutional, and PIMCO Real Return Fund were on the watch list.
  1. America Funds Growth Funds of America – This fund is still on the watch list since it scored a 6 and the fund's upside downside capture ratio is off by 1 point. One of their portfolio managers is retiring at the first of 2022, but there will still 12 portfolio managers running different sleeves of the Growth Fund of America. Bill noted that this has been a very, very good fund over the years. It is a little more conservative and has a little more international holdings than its peers. NFP is not particularly worried about this fund and recommends this fund stay on the watch list.
  2. Principle MidCap Institutional Fund – Bill stated that the portfolio manager for this fund has been the manager for the last 24 years and is very conservative. He has a buy and hold strategy and is not trading. It had poor performance in 2020, being in the bottom quartile. It is recovering nicely and is in the top quartile year-to-date. NFP recommends this fund remain on the watch list.
  3. PIMCO Real Return Fund – This fund has been generating a score of 9 for the last four quarters. According to the investment policy statement, it is eligible to be taken off the watch list, which is what NFP recommends. Bill noted that the rest of the portfolio is doing very well. He recapped that NFP's recommendation is to leave the American Funds Growth Fund of America and the Principle Midcap Institutional Fund on the watch list.

Doug voiced his support for NFP's recommendation relative to the watch list.

**On a motion duly made by Douglas Chun, seconded by Michael Golojuch, and unanimously carried, the Committee approved and accepted the NFP consulting report, including the updated watch list recommendations presented.**

- B. Review of Asset Allocation Models – Bill stated that NFP is very comfortable with the allocation. He noted that the risk-based asset allocation funds are not in many portfolios as they have been replaced by target date funds. The target date funds have the ability to de-risk over time whereas the risk based models do not. With the Committee planning to cover target-date fund analysis over the next two meetings, Bill suggested the Committee start considering migrating the risk-based funds to target date funds.

Doug noted that the risk-based funds are much more expensive than the target date funds. Bill stated that the target date funds that are in the portfolio right now are index-based with Vanguard at a very low expense. The asset allocation funds are actively managed funds which are aggressively priced. Doug further noted that the risk-based asset allocation funds require the participant to keep an active monitoring of these funds, and if the participant does not monitor the funds, the risk-based asset allocation funds would continue regardless of the participant's age, financial status, etc., whereas the target-date funds have an automatic life tap towards a more conservative equity investment relative to the passage of time. Bill concurred with Doug's statement. Doug voiced his support of the proposal for the Committee to consider migrating participants in risk-based asset allocation funds to target date funds. Noel Ono (Noel) stated that he supported continued discussion of the proposal to migrate the participants after NFP's report over the next several meetings.

Chair asked if NFP is looking at risk-based funds as well. Bill responded that risk-based funds will be included in the reports over the next couple of meetings. The discussion will be based upon the outcome of the fit analysis based on information provided by Voya such as the savings rates. Voya and NFP do not have salary information, which would help fine tune the analysis; however, NFP can make a recommendation of a proper fit without the salary information. Laura stated that in the past, there was not sufficient information for the Committee to decide since only 10% of the participants participate in a percentage-based contribution. She is working with the Department of Information Technology to provide NFP with the amount deferred and the salary amount of participants so that an accurate analysis can be completed.

- C. Legislative and Regulatory Update – Paul covered the U.S. Department of Labor Cybersecurity Guidelines. The Employee Benefits Security Administration has provided new guidance and tips for hiring a service provider. It is recommended a process be included in requests for proposals to ascertain the provider's ability to have robust cybersecurity protection, including information on how past breaches have been handled, which is

typically covered by Voya's educational sessions that have been offered to the City and County in the past. The guidelines also cover how to ensure protections such as professional liability, error and omission liability, and cybersecurity liability. Paul suggested to make cybersecurity a discussion on a biennial basis with a caveat that allows the discussion to occur more frequently when merited. Gavin agreed with Paul and noted that if needed, a discussion could happen sooner.

Paul relayed information about the Securing a Strong Retirement Act of 2021, which is a revision of what was offered last year. Paul also shared information relating to student loans, 44 million borrowers with \$1.8 trillion in student debt. Student loans come at cost to the retirement system, because the assets the students are directing to pay back their loans are assets they cannot direct to secure their own retirement. It will be valuable for employers to find strategies to address this student loan burden concern.

The National Association for Government Defined Contribution Administrators (NAGDCA) will be holding a virtual conference from September 13 – 16, 2021. Paul encouraged as many Committee members as possible to participate in this program to gain the ability to more deeply understand the legislation and the consequences and opportunities that the legislation creates for governmental plans. Paul also announced that NAGDCA is looking for volunteers and such volunteers have found it rewarding.

## **VII. OTHER BUSINESS – Information/Action**

- A. 2021 Election Results – Laura reviewed the election costs which showed that approximately \$4,500 more was paid in 2021 than in 2017. Almost 1,000 more ballots were mailed this year, but less were received back than in 2017. The drop in response rate may be because there was no active member election as two candidates were selected to fill two seats without an election. There were 784 spoiled and undeliverable ballots received. She explained that the cost for 2021 increased with more ballots mailed and increased postage and printing costs.
- B. Voya Contract Status and Administrative Expense Reimbursement Amount – Bill stated that Voya provided a draft administrative services agreement (draft ASA) with a provision allowing the Committee to change the dollar amount of the annual administrative expense reimbursement to the Trust account as needed. Gavin explained that any change could be effectuated by a letter signed by the Chair. Laura asked how the participants are impacted. Gavin explained that Voya's record keeping fee is 9.5 basis points and then the basis points needed to generate the specified reimbursement amount would be added on, for example 2.5 basis points. The participants are paying the full fee at 12 basis points. It is an on-going assessment throughout the course of the year. Every month the asset based fees are deducted from the accounts.

Laura noted that the current reserve is at \$457,000 and that there are two quarterly checks outstanding, totaling \$110,000. Chair asked whether the checks could be waived and not deposited to the Trust. Doug agreed, and added that the Committee should avoid collecting more than needed to avoid reimbursing or refunding in the end and to continue the pattern is not beneficial to the participants. He stated he would be in favor of any recommendation from Voya, NFP or the Committee to avoid having to have this discussion again. Lynn Wakatsuki (Lynn) stated that the new ASA has not been signed yet and pointed out that the new draft ASA is for the next five years and includes flexibility where the amounts of the reimbursement can be changed by a letter from the Chair once the new ASA is executed. Laura stated that the current reimbursement amount is \$220,000, or \$55,000 per quarter. The new ASA would allow the Committee to tell Voya to reduce the reimbursement, which means a lower or no amount would be collected from the participants to pay the Trust.

Florencio "Bugs" Baguio, Jr. (Bugs) stated that in the strategic plan that was put together a couple of years ago included a recommendation to reduce the carry over amount. This new ASA is consistent with the recommendation from 2019. Bugs further noted that the strategic plan states to substantially reduce the amount of carryover by continuing the practice placed in effect in 2019 of not accumulating and carrying over the contingency stabilization reserve amount that is calculated and set annually.

Chair recapped the two issues: To credit the Trust account with the administrative expense reimbursement to the amount that the Committee is going to expend to avoid building up carryover going forward and how to correct the \$457,000 carry forward, which has to be reduced. Laura stated that the past practice is that participants are returned a lump sum based on the amount of money they have invested. Bill suggested that the Committee follow the ASA and the two outstanding checks totaling \$110,000 be paid and then the Committee would direct Voya to reimburse participants on a pro-rata basis. Laura added that there will be the third quarter collection, covering July through September. Chair stated that the consultants have recommended to follow the contract and do a return to the participants, as the contract is currently written. Chair stated that the balance after the third quarter collection will be \$622,500 and asked if the Committee is comfortable returning to the participants a pro-rata reallocation to their accounts of about \$500,000. Doug stated he is okay with that amount as long as there is enough to cover expected expenses. Laura stated that since the election has been paid and there are no travel expenses for NAGDCA conference, and no educational benefits fair due to COVID restrictions, she believes the remaining balance would be sufficient for the rest of the calendar year. Based on Laura's response, Doug stated he was comfortable with the amount.

**On a motion duly made by Douglas Chun, seconded by Michael Golojuch, and unanimously carried, the Committee approved the return of \$500,000 from the Deferred Compensation Trust account to the to the Deferred Compensation Plan Participant accounts.**

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

Laura reviewed the quarterly report and noted that the beginning balance was \$474,420.35 and expenditures of totaling \$16,920.64. The ending balance as of August 12, 2021, was \$457,499.71.

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

**IX. EXECUTIVE SESSION (not required)**

The Committee did not go into Executive Session.

**X. NEXT MEETING DATES – Information**

Fourth Quarter – Mayor's Conference Room  
Friday, November 5, 2021, 9:30 a.m. – 12:00 p.m.

**XI. ANNOUNCEMENTS**

On behalf of Voya, Gavin thanked the Committee and the City and County for trusting the plan with Voya for another five years. Voya has appreciated this relationship since 1979 and is happy to continue with this business partnership.

**XII. ADJOURNMENT**

There being no further business, the meeting was adjourned at 11:56 a.m.

Respectfully submitted,

Laura Shimada  
Secretary