

**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 23, 2024, 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)
Reid Yamashiro (Deputy Corporation Counsel & Committee Member designee for Corporation Counsel Dana Viola)
Chamara Silva (Administrative Services Officer & Committee Member designee for Managing Director Michael Formby)
John Hashimoto (Committee Member (Active))
Michael Golojuch (Committee Member (Retiree))

Excused: Nola Miyasaki (DHR Director & Committee Member)
Connie Kaneshiro (Committee Member (Active))

Staff: Carrie Castle (BFS Deputy Director)
Lynn Wakatsuki (Deputy Corporation Counsel)
Jenny Tobin (DHR Benefits, Research, and Transactions Branch Chief)
Jennifer Bishop (BFS Administrative Services Officer & Deferred Compensation Plan Administrator)
Leslie Chinn (DHR Compliance Manager)

Guests: Bill Tugaw (NFP Retirement (NFP)) – Managing Director)
Deirdre Jones (Voya – Vice President – Strategic Relationship Management)
Jared Nakamoto (Voya – Financial Advisor and Hawaii Case Manager)
Stacey Laxton (Voya – Communications Consultant) (by webex)
Nicole Grondahl (Voya – Client Relationship Manager) (by webex)
Russell Kaya

I. CALL TO ORDER

With quorum present, Andrew Kawano (Chair) called the meeting to order at 10:07 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 March 10, 2023, 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 March 10, 2023, Annual Meeting minutes.

III. PUBLIC COMMENTS – Information

Chair asked if there was any public input. No oral or written testimony was received by the Committee.

IV. VOYA & NFP PRESENTATIONS – Information/Action

A. Voya Annual Report – Deirdre Jones (Deirdre) provided the following highlights for Calendar Year 2023:

1. Client Health Review

- a. Plan Statement – Plan assets closed calendar year 2023 with over \$959 million, an increase of about 16% from January, mostly due to earnings. Contributions and distributions remained about the same from the previous year.
- b. Participation – The year ended with 9,739 participants with a balance, which is inclusive of 972 terminated employees with a balance. In 2023, the Committee restated the Plan Document to include mandatory distributions that force out participants with balances under \$5,000. The notice to affected participants is being finalized and is expected to be sent out at the end of March 2024. There will be about \$2 million leaving the plan from the force out. The participation rate is at 64.5%. For plans that do not have auto-enrollment, the participation rate is usually at around 40-45%.
- c. Deferral Summary – The average deferral rate is 9.3%, which is higher than the benchmark at 6.8% and other Voya plans at 6.4%. The percentage rate does not consider participants that contribute flat dollar amounts.
- d. Participant Engagement – Not including interactions with the local representatives, participants engage mostly with the website or mobile app. The most common transactions are fund changes, investment elections or deferral changes. Voya launched a new dashboard experience that allows participants to add outside accounts and is intended to encourage participants to have a complete snapshot of their accounts in one place. Statistics show that participants who engage with the web or mobile app have higher deferral rates at 11.5% for web and 9.4% for mobile app versus 7.8% for those that do not engage with the web or mobile app. In 2023, Voya also introduced step-up authentication which requires users to re-authenticate by entering a passcode before allowing high risk transactions such as withdrawals. Voice authentication was also implemented during 2023.

2. Plan Activity

- a. Transaction Activity Detail – Distributions of about \$50 million outweighed the \$35 million in contributions, both of which are fairly consistent with the prior year. Over the past year, more participants have elected to make Roth deferrals. There were more death distributions and required minimum distributions (RMDs) than the previous year. Deirdre explained that in the past, if there was a lump sum payment and the participant was RMD eligible, it was assumed the participant met the RMD. Now, lump sums are excluded from the RMD.
- b. Contribution Summary – More participants are making Roth contributions each year. As participants near to retirement age, contributions start increasing. Deirdre explained that in the Average Participant Contribution by Age Group chart, the unknown age category may be due to their age being in dispute.
- c. Current Participation and Enrollment Statistics – The average deferral rate for percentage-based deferrals is 9.3%. New enrollments that elected a flat dollar contribution had an average deferral of \$203. The participation rate for the year is 64.5%.

- d. Participant Balance – The current average participant balance as of December 2023 was \$98,481, well exceeding the benchmark of \$49,194.
- e. Distribution Summary – Death distributions were higher than previous years in both dollar amount and count. Hardship withdrawals were slightly higher than the prior year. Deirdre suggested encouraging participants to put away emergency savings to avoid having to withdraw from their deferred compensation. Avoiding foreclosures or having to pay for medical expenses are the typical reasons for hardship withdrawals.
- f. Diversification – The average number of investment options utilized per participant with asset allocation funds is 3.3 and without asset allocation funds is 4.9, which is on par with other governmental clients.

Chair asked how the average age of participants compare to other plans. Deirdre responded she need to look into it and get back to the Committee.

B. Voya Communication & Digital Engagement Update

1. 2023 Review - Stacey Laxton (Stacey) provided the following updates.
 - a. Save More – There was an increase in participants taking action in the last quarter, from 359 to 370. There are 101 participants saving an average of 1.8% more and 302 participants saving an average of \$38 more per pay period.
 - b. Beneficiary – A beneficiary notice went out this month. There were 3 more individuals that added a beneficiary to their account.
 - c. Diversification – Results stayed the same from the prior year, but the campaign was sent to 16 additional participants.
 - d. Restart – Results stayed the same as last quarter.
 - e. Max Out – This is a new campaign to encourage participants to continue to have a stellar saving habit and max out their contributions. It is sent to anyone that is younger than 70, focusing on those around the age of 50, who have not made a contribution change in three months. It was sent to over 1,900 participants with 51 taking action.
 - f. Financial Wellness/Education – There were 86 participants who took action in 2023.
 - g. Birthday – There were 270 participants who took action in 2023.
 - h. Overall Financial Wellness Messaging - Overall, 67% of participants took action after opening the emails, exceeding Voya's benchmark of 47%.
 - i. Participant Engagement – Since last quarter, eDelivery and web registration increased by 1%. Participant engagement with web, mobile app, e-delivery, and web registration exceed the benchmark.
 - j. MyOrangeMoney – There were 167 participants who took action after using MyOrangeMoney, resulting in 47 participants saving an average of 0.4% more and 113 participants saving an average \$1 more per pay period, 23 participants changed a fund allocation, two enrolled in a managed account and one participant rolled money into the plan.
 - k. Retirement Outcomes – The goal is to help individuals replace at least 70% of their income for retirement. On average, participants are on track to replace 59% of their income, and 32% are on track to generate at least 70% of their income for retirement.
 - l. Financial Wellness – 80% of participants viewed the dashboard after completing the financial wellness assessment, compared to the benchmark of 78%
 - m. Web Visits and Page Views – Stacey began pulling monthly web reports to monitor where employees are engaging. In 2023, there were over 15,000 visits

to the website, which is more than double the number of site visits from the previous year. There was an influx of visits during September and October, coinciding with the City's first-ever Health and Wealth Fair.

2. 2024 Strategic Plan - Stacey presented the proposed communication strategy for 2024 that includes continuing the quarterly newsletter, a quarterly email to drive participants toward the local representatives, a Catch-Up/3-Year Special Catchup campaign, and a new Dollar to Percent campaign video, and a VRA powered by Morningstar announcement, as well as MyOrangeMoney, Save More, Restart, Beneficiary Reminder, Account Registration and Nearing Retirement campaigns.

Chair asked how many participants have registered an email address. Stacey responded that she will have to get back to the Committee on that number.

On a motion duly made by Chamara Silva, seconded by Michael Golojuch, and unanimously carried, the Committee approved and accepted Voya's Annual Report.

On a motion duly made by John Hashimoto, seconded by Reid Yamashiro, and unanimously carried, the Committee approved and accepted Voya's 2024 Strategic Communication Plan.

- C. Provider Performance Review – Bill Tugaw (Bill) explained the purpose of the review is to ensure that Voya is doing everything contractually agreed to in the administrative services agreement and also explained the review process. Voya provided a comprehensive response to the questionnaire and showed to be in good compliance with contract provisions.

1. Consultant Recommendations & Committee Action - Relating to Question 7 to continue promoting web enhancements and overall account engagements, 56% active participants have registered their accounts online and 46% have elected for electronic communication. Bill noted that account registration may also minimize cyber-security threats. The 2024 Communication Strategy that Stacey presented includes encouraging online account registration and eDelivery.

Relating to Question 14, the last customer service survey was conducted in 2017. A survey was deferred last year due to the Health and Wealth Fair and other activities. Bill suggested and Chair agreed for the Committee to work with Voya and bring a survey to the next meeting for the Committee to take action on during the calendar year.

Relating to Question 17, the recommendation is to discuss the number of in-person and virtual meetings with participants.

Relating to Question 18, Bill noted that Stacey's 2024 Communication plan included sending out quarterly newsletters.

Relating to Question 19, Bill noted that Stacey's 2024 Communication plan also included an announcement of the VRA powered by Morningstar managed account option to all participants to help those who are not comfortable with investments.

Relating to Question 27, Bill noted Deirdre's update regarding mandatory distribution that notices will go out to almost 1,000 individuals in late March. Reducing the

number of accounts that have to be maintained may also reduce revenue requirements at the time of contract renewal.

On a motion duly made by Michael Golojuch, seconded by Florencio “Bugs” Baguio, Jr., and unanimously carried, the Committee approved and accepted NFP’s recommendations on the Provider Performance Review, including conducting a survey in calendar year 2024.

D. Other Business – None.

V. 2024 COMMITTEE BUDGET – Information/Action

Jennifer presented the actual expenses for Calendar Year 2023 and the Deferred Compensation Calendar Year 2024 Budget and Reserve Calculation. Calendar Year 2023 had a beginning balance of \$189,583.07, \$175,000 in allowances, and a total of \$88,767.68 in expenses, ending the year with a balance of \$275,815.39. For Calendar Year 2024, Jennifer proposed to double the reserves for Mock Compliance Audit, Plan Change/RFP, and Elections to ensure the reserves would be fully funded by the start Calendar Year 2026. Jennifer also proposed to reduce the annual reimbursement from \$175,000 to \$120,000 to avoid building up an excess of funds that would have to be returned back to participants.

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 2023.

[Note: In the First Quarterly Meeting held on February 23, 2024, the Chair and Deirdre agreed to target April 1, 2024, as the effective date of the reduced annual reimbursement rate.]

VI. NEXT ANNUAL MEETING DATE

Tentatively in 1st Quarter of Calendar Year 2024 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 11:08 a.m.

Respectfully submitted,

Jennifer Bishop
Secretary