

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

MINUTES OF THE QUARTERLY MEETING OF THE COMMITTEE

The Quarterly meeting of the City and County of Honolulu Deferred Compensation Plan Committee ("Committee") was held on Friday, November 22, 2024, in 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)
Connie Kaneshiro (Committee Member-Active)
John Hashimoto (Committee Member-Active)
Michael Golojuch (Committee Member-Retiree)

Excused: Nola Miyasaki (DHR Director & Committee Member)

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

Guests: Vince Learned (NFP – Vice President, Advisory Services)
Matt Dickey (NFP – Managing Director of Government Plans) (via WebEx)
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) (via WebEx)

I. CALL TO ORDER

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

II. ANNOUNCEMENTS

A. Recognition of Jenny Tobin's (Jenny) service to the Committee – Chair recognized and thanked Jenny for her 40 years of service to the Committee and the City, commending her positive outlook and institutional knowledge.

III. MINUTES OF PREVIOUS MEETING – Action

Committee members reviewed the August 29, 2024, Quarterly Meeting minutes and Chair asked for discussion.

On a motion duly made by Michael Golojuch, seconded by Reid Yamashiro and

unanimously carried, the Committee approved the Quarterly Meeting minutes from August 29, 2024.

IV. PUBLIC COMMENTS – Information

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

V. VOYA REPORT – Information/Action

A. Quarterly Report –Sharra Querner (Sharra) provided the following highlights for the period of January 1, 2024, through September 30, 2024:

1. Plan Statement – Assets at the beginning of the year totaled \$959 million. As of September 30th, plan assets totaled \$1.074 billion. As of November 21st, the total is now \$1.08 billion as assets continue to grow with the market.
2. Participation – The period began with 9,739 participants, and had 348 accounts opened, and 1,135 accounts closed. The high number of closed accounts is a result of the force out of small account balances in June that closed out 813 accounts. As of September 30th, there were 8,952 total accounts.
3. Deferral Summary – As of October 21st, there were 1,129 participants deferring on a percentage basis, which is an increase of 25 from last quarter. The average deferral rate of 9.5%, which also increased from 9.3% since last quarter.
4. Participant Engagement –There were 542 unique participant engagements that included 290 increasing contributions, 18 enrolling into managed accounts, 62 changing their allocations, and 6 rolling monies into the plan. Participants who engage with the website defer an average of 11.4%, those who engage with the MyOrangeMoney tool have an average of 10.7%, whereas those who do not engage online or with the mobile app defer an average of 7.9%. The average deferral rates are much higher than the benchmarks.
5. Transaction Activity – There has been about \$28 million in contributions and about \$47 million in distributions which includes the forced outs accounts. The Plan is in a negative cash flow position, and has been so for a number of years. There were 7,266 participants actively contributing into the plan for both pre-tax and Roth, which equated to a 3.67% increase in contributions. There were 55 individuals who transferred funds from a previous employer. There was also a revenue credit of \$262,865 that was reimbursed back to participants.
6. Contribution Summary – Sharra covered the charts showing the average participant contributions by age group over the past 5 years, noting the number of unknown age increased for the reporting period and that Voya is looking into the data to determine what information is missing. Gavin Gruenberg (Gavin) added that the this can happen when a trust is designated as a beneficiary.
7. Current Participation and Enrollment Statistics – Participant count decreased to 8,952 due to the force out. There were 318 new enrollments. 107 new enrollments have an average deferral rate of 10% and 52 new enrollments defer a flat dollar average of \$179, both of which increased from the past quarter.
8. Participant Balance – The average participant balance continues to grow, from \$90,000 for the same period last year to \$120,000 for the current year. The plan exceeds the benchmark of average account balance in all age groups
9. Diversification – The average number of investment options utilized per participant without asset allocation funds or target date funds is about 5, which is almost double the benchmark of 2.7. There are also around 500 participants in Stable Value.
10. Managed Accounts – As of September 30th, there were 430 individuals utilizing Morningstar's managed accounts, totaling about \$67 million.
11. Total Plan Assets and Contributions by Investment Option – There is about \$263 million in asset allocation funds. For the year-to-date, about \$13.1 million of new dollars are going to an asset allocation fund. Stable Value is almost 15% of the plan assets, with 7.04% of new contributions going to Stable Value.

B. Stabilizer Update

1. Fixed Income Market Review – The US 10 Year Treasury Yield is down at 3.78% from 4.40% from last quarter.
2. Performance Analysis – Sharra noted that the Investment Team will provide an in-depth review of the stable value funds in the February 2025 meeting. Investment Grade Corporate is one of the larger holdings and remained flat. High-Yield Corporate was slightly positive towards performance. Asset-Backed Securities and Commercial Mortgage-Backed Securities were positive contributors. Duration for the portfolio had minimal impact.
3. Performance Summary – In each measured period, the portfolio outperformed the benchmark with rates of return of 4.88% for the quarter (outperformed by 29 basis points), 5.78% for the year-to-date (outperformed by 115 basis points). Calendar years 2021 and 2022 were challenging. The main contributors for the strong year-to-date performance were asset allocation and security selections.
4. Market Value to Book Value Report – Cash flows started to improve with the Federal Reserve lowering rates. The yield curve helps the market to book ratios. Over the last three months, the market to book ratio has improved by about 3.7%. As of September 30, 2024, about \$164.7 million was the value of the bonds in the portfolio and participant balances in the plan was at about \$175.1 million leading to a ratio of 94.06%. The net cash flow year-to-date is negative \$10.3 million, but less negative than in 2023.

C. Participant Communication & Education Update – Stacey Laxton (Stacey) provided the following update.

1. Save More Results – 38 more participants are saving more since last quarter.
2. Beneficiary Results – 2 more individuals added a beneficiary since last quarter.
3. Diversification – Results stayed the same since last quarter.
4. Restart – 6 more individuals restarted their contributions
5. Max Out – 1 individual max out their contributions since the last quarter.
6. Overall Financial Wellness Messaging – Overall, 73% of participants take some sort of action after receiving the email.
7. Participant Engagement – Since last quarter, call center usage has gone up 1%, mobile app, e-delivery and web registration remained the same.
8. MyOrangeMoney – 141 individuals took action after using the MyOrangeMoney tool.
9. Increase Deferral Campaign – This campaign was sent out in July. One communication was targeted to participants who contribute below 8% or below \$249 per pay check. It was emailed to 1,707 participants, and resulted in 162 increasing their contributions. Another communication was targeted to participants contributing 8% or \$250 or more per paycheck, and resulting in 214 participants increasing their contributions.
10. Restart Campaign – This was mailed to 804 participants and resulted in 116 restarting their contributions.
11. Diversification – custom campaign – emailed to 288 participants and mailed to 143 participants, resulting in 5 participants who diversified their account.
12. Participant Survey – Emailed to 5,313 participants and mailed to 2,319. There were 350 individuals that completed the survey and another 56 that partially completed the survey.

On a motion duly made by John Hashimoto, seconded by Michael Golojuch, and unanimously carried, the Committee approved and accepted the Voya Report.

D. Other Issues

1. Jared Nakamoto (Jared) reported on the National Retirement Security Month presentations. There was a total of 228 attendees, which is a record high. Previously, the record was 130 attendees, which was during the pandemic. The most

popular sessions were estate planning and social security. The retiree session did not do very well and that may have been because it was a virtual session. Next year, the plan is to have an in-person retiree session.

VI. NFP CONSULTING REPORT – Information/Action

- A. Semi-Annual Fund Review – Vince Learned (Vince) provided the following updates for the third quarter.
1. Long-Term U.S. Stock Returns and Elections – Vince highlighted the chart that showed stocks have continued higher regardless of the party holding presidency. While the market has ups and downs in the short term, it continues to climb in the long term.
 2. Market Review – U.S. Equity was up about 6% for the quarter, and at 20% for the year. International Equity up 8% for the quarter and 14.2% for the year and Fixed Income up 4.4% for the year. As of November 15th, U.S. Equity is up to 23%, International Equity up 6.3% and Fixed Income up to 1.3% for the year. The labor market continues to be strong with relatively low unemployment of 4.1%. The Federal Reserve finally reduced the rate by 50 basis points in September and it is expected to cut the rate again by 25 basis points in December.
 3. U.S. Equity – Small Cap Value was up 10.2% and Large Cap Growth was up 3.2%. Growth is outperforming Value; however, the magnitude of the outperformance has gone down over the last quarter. Technology is near the bottom of the pack up, only 1.6% for the quarter. Utilities and Real Estate led the way up about 19% and 17%, respectively.
 4. International Equity – This is the second consecutive quarter where Emerging Markets led the way, at 8.7% for the quarter. Developed International Markets are still outperforming Emerging Markets, but the outperformance is trending downwards. Domestic continues to outperform International.
 5. Fixed Income – Good performance across the board for bonds. Corporate Investment Grade was close to 6%, TIPS at 4.1%, with Cash at the lowest with 1.4%.
 6. Chart of the Quarter – Vince explained the Historical Market Returns Following Rate Cuts charts, noting that for six of the last rate-cut cycles, the market was positive for four of the cycles. The other two cycles had a negative market for two years.
 7. Scorecard – Vince went over each fund and explained any missed points.
 - a. PIMCO High Yield Institutional – This fund scored a 7 for the most recent two quarters and is flagged because it had dropped to a score of 6 in 2024 Q1.
 8. Plan Allocation by Asset Type – About 47% of funds are in U.S. Equity, 31% in Asset Allocation, 14.6% in Specialty which is the Stable Value, and just under 4% in Fixed Income and International.
- B. Watch List Update
1. Summary of Considerations – NFP recommends keeping PIMCO High Yield Institutional on the Watch List.

On a motion duly made by Reid Yamashiro, seconded by Connie Kaneshiro, and unanimously carried, the Committee approved and accepted Watch List recommendations.

- C. Legislative and Regulatory Update – Matt Dickey (Matt) provided the following updates.
1. Secure 2.0 – IRS provided updated limits for 2025, with the maximum increasing from \$23,000 to \$23,500 and no change to the over age 50 catch up that will remain at \$7,500. For ages 60 to 63, their catchup limit will be \$11,250. The mandatory Roth catchup provision, affecting those that have FICA wages of \$145,000 or more and participate in 50+ catchup contributions, will go into effect after 12/31/2025.
 2. Plan Fees – As fiduciaries, part of the responsibility is to ensure fees included in the plan, such as plan administration fees, investment management fees, and any

participant fee that may be applied to the plan, are benchmarked on an annual basis. It is the plan sponsor's responsibility to make sure the fees are reasonable and employees still have the ability to successfully save for their retirement. Matt also mentioned the Committee's diligence in considering indemnification language and operations of collective investment trusts.

3. Cyber Security – Matt commended Voya for a tremendous job in providing additional information around their cyber security. On an annual basis, NFP issues a security questionnaire as part of an in-depth review of policies and procedures, which also includes requesting copies of SOC 1 and SOC 2 reports.
4. Chevron doctrine – The US Supreme Court recently overturned the Chevron doctrine that allowed Department of Labor and other federal agencies to provide guidance on interpretation and implementation of legislative items.

D. Other Issues – None.

VII. OTHER BUSINESS

- A. Limit Increase for Age 60-63 – Resolution – Jennifer explained that the Secure 2.0 Working Group and the Committee have not previously addressed the higher contribution limits for ages 60-63 and it is now being brought to the Committee for a decision. Should the Committee choose to implement the provision, the Department of Information Technology and the City's Payroll Section have confirmed that they should be able to implement by the first pay date in January. Chair asked whether the provision was a mandatory or optional provision and Jennifer explained that it is unclear. The provision is listed as being optional, but based on NAGDCA's previous guidance, it may be mandatory for plans that allow the Age 50+ Catchup.

On a motion duly made by John Hashimoto, seconded by Chamara Silva, and unanimously carried, the Committee approved and adopted Resolution 2024-2 to increase the limit on catch-up contributions for individuals aged 60 to 63 as provided by Section 109 of the Secure 2.0 Act.

- B. New Investment Policy Statement – Resolution – Jennifer reported that Committee staff worked with Vince to revise the Investment Policy Statement (IPS) template for the City's plan. The intent of the new IPS is to account for the different score cards that are currently used for the different fund types since the current IPS only includes one version of the scorecard. Connie Kaneshiro (Connie) questioned why the Roles and Responsibilities and the Monitoring of Services Provider sections were removed. Lynn Wakatsuki (Lynn) explained those two sections do not have a direct impact in regard to investments and the policy of how and what kinds of investments are being brought forward. Gavin added that roles and responsibilities are included in the Committee's bylaws and the monitoring of service providers is the Committee's duty. He further explained that in the past, record keepers would have investments within the plan, whereas today the recordkeeper only provides the Stable Value Option, and that striking this section from the IPS makes sense.

On a motion duly made by Reid Yamashiro, seconded by Michael Golojuch, and unanimously carried, the Committee approved and adopted Resolution 2024-3 to adopt the Investment Policy Statement dated November 22, 2024.

- C. Honolulu Deferred Compensation Plan Survey Results – Jennifer reported that of the 400 or so responded to the survey, the vast majority provided positive feedback and comments, especially of Jared and his team. Majority of the survey takers were participants actively participating in the plan. A small group of those that are not actively contributing to the plan reported that they were not familiar with the plan, did not know they could participate, or how to enroll. Majority of survey takers were very satisfied

(30.3%) or satisfied (49.9%) with the plan. A handful of the comments mentioned dissatisfaction with the inability to withdraw prior to retirement or take out loans. A couple of comments requested more in-person meetings, including visits to baseyards and worksite. Majority of respondents were not aware of the library of on-demand resources available on the website. Almost 92% have never used the Call Center, which shows how greatly our participants rely on Jared and his team. Participants are not aware of certain options provided in the plan such as the self-directed brokerage accounts and the 3-year catchup. Gavin noted that the recent communication campaigns related to the 3-year catch up were targeted to participants nearing the retirement age. Additional comments requested to simplify information and to provide information to new employees. Jennifer noted that Voya does provide information during the City's new employee orientation/benefit processing session, but that the sessions are often 4 hours long and new employees may be overwhelmed with the amount of information received. Jennifer stated staff would work with Voya on the feedback of the survey and come up with an action plan to address any areas that should be improved upon.

- D. Collective Investment Trusts (CIT) – Chair provided information from a meeting with NFP that included a presentation by Great Gray Trust Company (Great Gray). Chair stated that Great Gray uses a custodian, Northern Trust, and it has been difficult to obtain certain information, such as the SOC 1 and SOC 2 and financial statements. Since it is not a public company, Great Gray is hesitant to provide information on their financial position with regard to the SOC 1 report, and they would like the Committee to sign a non-disclosure agreement before providing information. Chair recommended convening a Special Meeting in the coming months for the Committee to discuss the informational requests in more detail and have a discussion on how to best move forward in regard to CITs. Lynn stated that NFP only presented Great Gray as the CIT and asked if there are other CITs that should be considered. Vince responded that NFP is comfortable with other CITs and that they happened to have negotiated the special rates for funds that our Committee identified as best in class with Great Gray as the trustee. Vince added that he would work with Voya to identify other potential CIT options that may exist. Lynn stated that it would be good for the Committee to be able to have a variety to discuss and compare. Chair added that as a government, there usually no concerns when we ask for SOC reports.

VIII. REPORT ON ADMINISTRATIVE EXPENSES – Information/Action

Jennifer provided the administrative expenses for the period beginning August 29, 2024, with a balance of \$351,360.48 and ending November 21, 2024, with a balance of \$331,089.79. Receipts included a \$700 refund from NAGDCA for cancelled conference registration fees. Expenses totaled \$20,970.69 and included \$12,375.00 for NFP 2024 third quarter consulting services, \$6,764.19 for travel expenses related to the NAGDCA annual conference, \$800 for NAGDCA annual conference registration fees, \$911 for 457 University expenses \$120.50 for National Retirement Security Month prize drawings. Jennifer noted that the 2024 third quarter reimbursement of \$30,000 from Voya has not yet been received, and Sharra reported that the check is being issued.

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

IX. EXECUTIVE SESSION (as required)

The Committee did not go into Executive Session.

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

Annual and First Quarter – Mayor's Conference Room

Thursday, February 20, 2025, 8:00 a.m. - 12:00 p.m.

- Annual Meeting: 8:00 a.m. –9:55 a.m.
- First Quarter – 10:00 a.m. – 12:00 p.m.

Second Quarter – Mayor's Conference Room

Friday, May 16, 2025, 10:00 a.m. – 12:30 p.m.

457 University Training – Neil Blaisdell Center

Thursday, August 21, 2025, 9:00 a.m. – 3:00 p.m.

Third Quarter – Mayor's Conference Room

Friday, August 22, 2025, 10:00 a.m. – 12:30 p.m.

Fourth Quarter – Mayor's Conference Room

Friday, November 14, 2025, 10:00 a.m. – 12:30 p.m.

XI. ADJOURNMENT

There being no further business, the meeting was adjourned at 11:33 a.m.

Respectfully submitted,

Jennifer Bishop
Secretary