

**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 18, 2022, 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 Corporation Counsel (COR) Dana Viola) (by webex)
Alison Look (Acting Internal Control Chief Accountant & Committee Member designee by Managing Director Michael Formby) (by webex)
Nola Miyasaki (Department of Human Resources (DHR) Director Designate & Committee Member) (DHR Conference Room) (by webex)
Chase Masuda (Committee Member)
Michael Golojuch (Committee Member)
Douglas Chun (Committee Member) (by webex)
- Staff: Laura Shimada (BFS Administrative Services Officer & Deferred Compensation Plan Committee Administrator)
Carrie Caste (BFS Deputy Director) (by webex)
Jennifer Tobin (Chief, DHR Benefits, Research, and Transactions Branch) (DHR Conference Room) (by webex)
Florencio “Bugs” Baguio, Jr. (DHR Assistant Director) (DHR Conference Room) (by webex)
Lynn Wakatsuki (Deputy Corporation Counsel)
Jennifer Bishop (BFS Administrative Specialist) (by webex)
- Guests: Bill Tugaw (NFP Retirement (NFP)) – Managing Director) (by webex)
Paul Hackleman (NFP Senior Consultant) (by webex)
Gavin Gruenberg (Voya – Senior Vice President – Institutional Clients) (by webex)
Deirdre Jones (Voya – Vice President – Strategic Relationship Management) (by webex)
Jared Nakamoto (Voya – Financial Advisor and Hawaii Case Manager)
Stacey Laxton (Voya – Communications Consultant) (by webex) Nate Black (Voya – Consumer Driven Health) (by webex)
Charles Griffin (Voya – Technology Risk and Security Management Group) (by webex)

Andrew Kawano (Chair) read a statement on public participation and testimony to comply with Social Distancing Requirements set forth in Governor Ige's Emergency Proclamation dated January 26, 2022, and Mayor Rick Blangiardi's Proclamation and Emergency order 2022-01 dated January 5, 2022.

I. CALL TO ORDER

With quorum present, Chair called the meeting to order at 8:03 a.m. and presided as chair of the meeting. Laura Shimada (Laura) acted as secretary.

**II. INTRODUCTION OF NEW COMMITTEE MEMBERS AND
ACKNOWLEDGEMENT OF PREVIOUS MEMBERS – Information**

Chair introduced and welcomed new Committee members DHR Director Designate, Nola Miyasaki (Nola) and COR Designee, Reid Yamashiro (Reid). Chair also thanked former COR Designee, Krishna Jayaram for his service last year.

III. MINUTES OF PREVIOUS MEETING – Action

Committee members reviewed the February 19, 2021, Annual Meeting minutes and Chair asked for any discussion.

On a motion duly made by Reid Yamashiro, seconded by Michael Golojuch, and unanimously carried, the Committee approved amendment of the last sentence of Section IV.B.2.a. of the February 19, 2021, Annual Meeting minutes to read, "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."

On a motion duly made by Michael Golojuch, seconded by Reid Yamashiro, and unanimously carried, the Committee approved the amended February 19, 2021, Annual Meeting minutes.

IV. PUBLIC COMMENTS – Information

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

V. VOYA & NFP PRESENTATIONS – Information/Action

A. Voya Cybersecurity Update – Charles Griffin (Charles) presented information regarding cybersecurity and preventing fraud. He explained that the Department of Labor issued information security guidance in April 2021 that included 12 areas of record-keeping guidance, all of which Voya is in compliance. Charles further explained that Voya has people, processes and technology in place to address cybersecurity and fraud prevention. Voya has over 100 employees dedicated to cyber security, is a part of the Financial

Services Industry Information Sharing Analysis Center, comprised of peer organizations as well as the FBI and NSA, to stay on top of the current exploits, and uses technology, such as artificial intelligence and predictive analytics, to more accurately and timely identify potential fraud. The Voya Secure Accounts for Everyone (S.A.F.E.) Guarantee makes accounts whole should there be assets taken due to unauthorized activity through no fault of the participant.

Douglas Chun (Doug) thanked Charles for the presentation and asked Charles for recommendations to increase the security assurance to the participants. Charles recommended that the Committee remind participants to use unique username and passwords when creating their online accounts, and to ask participants to provide their personal cell phone number as their primary channel of communication with Voya for instant notifications. He further added that using a passphrase is more secure than a password. Paul Hackleman (Paul) added that about 49% of participants have not registered their accounts online, which underscores the importance of encouraging participants to register online to protect their accounts.

- B. Demonstration of myHealth&Wealth Decision Support Tool – Nate Black (Nate) provided a demonstration of the tool. He stated that employer benefit providers usually each have their own tool to show employees how to optimize only one particular benefit, leading to fragmented guidance that does not take constraints into account. The myHealth&Wealth tool was developed to help individuals determine how to best maximize their benefits, including retirement while improving their financial wellness by creating a budget and action plan. The budget shows a recommended personalized budget to meet the individual's goals and the action plan shows recommended actions with links to benefit providers' sites to immediately make the changes.

Doug thanked Nate for the demonstration and asked what makes Voya's myHealth&Wealth system different from other providers who offer a similar type of product. Nate explained that other tools either focus on the health benefit or the financial side whereas Voya's system brings together considerations for health benefits, emergency funds and retirement during open enrollment periods, which is an opportune time for individuals to think of these items holistically. He added that myHealth&Wealth also focuses on the household, not just the individual. Nate further added that another advantage is the integration with the benefit provider systems, and the ability for individuals to easily and immediately take action.

Nola asked whether the tool would be integrated into the open enrollment process at the front end for everyone. Jenny Tobin (Jenny) explained that the City's health benefits provider is working on a benefits administration system, but that the provider is a State agency, and not part of the City.

Nola stated the usage of tool would be a challenge if the system requires too many links or gets too complicated and the integrated system is the only way there would be much traction from the majority of City employees. She noted that it is a sophisticated tool, but that it would need to be easy to use

Chair stated that close to 60% of Honolulu's population lives paycheck-to-paycheck and that City employees are probably a good representation of the Honolulu population. He further stated that it is likely that the decision tool will recommend that a significant increase be made to the plan, which may be difficult for many participants. Nate explained that the tool is designed for the individual living paycheck-to-paycheck and that these individuals would realize the most significant impact by optimizing their dollar. Nate explained that they are currently discussing how to make changes to the system that show and communicate how small incremental changes would help maximize the next dollar. In response to a question about the cost, Nate also explained that since the tool is in the pilot phase, there is a cost to develop the tool, but there is no cost to the participant.

Gavin Gruenberg (Gavin) thanked the Committee for the dialogue and acknowledged that the system may not be a good fit for Honolulu, but that it was good to start up the conversation.

Chair thanked Charles for the Cybersecurity presentation and Nate for the myHealth&Wealth demonstration.

C. Voya Annual Report – Gavin highlighted the following plan data for calendar year 2021.

1. Client Health Review

- a. Plan Statement – 2021 began with about \$855 million in the plan, and had \$37 million in contributions, \$45 million in distributions, and \$1.1 million in other activity. It was strong year with \$42 million in dividends and \$87 million in equity and bond market return, which shows positive appreciation in mutual funds. The year ended with substantial growth at \$977 million. The first month of 2022 has been less positive. As of the close of February 17, 2022, there was \$911 million in the plan.
- b. Participation – 2021 began with 9,529 accounts. There were 414 new enrollments and 291 closed accounts, ending the year with 9,652 accounts. There are 3,433 accounts from terminated employees who have retained assets in the plan.
- c. Deferral Summary – There are 851 individuals contributing on a percentage basis. The remainder are contributing on a flat dollar amount. Participants who contribute on a percentage basis defer an average 9.3% which compares favorably to both the industry benchmark at 6.9% and the Voya's book of business for governmental plans at 6.3%
- d. Participant Engagement – Gavin noted that the usage of the mobile app has continued to grow 3-4% per year over the last several years and

the mobile app was used for deferral updates by 908 participants, which is close to the number of participants that made deferral updates via the web at 1,082. Gavin also highlighted that 327 of the 908 unique individuals that engaged with Voya's tools took some type of unique action, which is a 36% action rate. Individuals that engage with the MyOrangeMoney tool save the most with an average 11.5%, those that engage via the website save an average of 10.5%, those that engage with the mobile app save an average of 10%, and those that do not use the web or mobile app save an average of 8%.

2. Plan Activity

- a. Transaction Activity Detail – Gavin covered the side-by-side comparison of 2020 and 2021. In December 2020, the plan had a negative \$9 million net cash flow, and by December 2021, the negative net cash flow was reduced to negative \$8.4 million. For calendar year 2021, there was a little over \$29 million in pre-tax contributions, and \$7.7 million in Roth contributions. For several years there have been more individuals taking advantage of the Roth contributions option each quarter. In 2021, there was a 15% increase in Roth participants with 165 additional individuals, and there was a decline in the number of participants utilizing the traditional pre-tax option, down by 143 participants. There were 20 death claims which resulted in \$2.2 million leaving plan. There was a substantial decrease in hardship withdrawals with just 20 transactions totaling over \$173,000 versus 189 transactions totaling \$6.3 million in 2020, which was driven by COVID-19. The Coronavirus-Related Distributions (CRD) that were available in 2020 were not available in 2021 leading to hardship withdrawals returning to normal levels. Minimum distributions rose in 2021 as expected with the expiration of COVID-related legislation that waived minimum required distributions. There was an increase in periodic payments. There was \$37.7 million withdrawn in either cash or rolled over to an IRA. Gavin reported that about \$27 million was in IRA rollovers. There was about \$3 million moved into the plan and \$42 million in dividends
- b. Current Participation and Enrollment Summary – Based on the 851 individuals participating in the percentage based deferral, the average deferral rate is 9.4%. The plan participation rate is a strong 85.6%. In 2021, there were 376 new enrollments with an average deferral rate of 10.1% for those participating on a percentage basis and \$189 for those participating on a flat-dollar rate.
- c. Participant Balance – As in prior years, the average participant balance has grown and is now at around \$101,000. The average balance is better than the benchmark in each age group measured.

- d. Distribution Summary – Gavin highlighted the hardship withdrawal category, noting the spike in 2020 due to CRDs that returned to normalized levels in 2021.
 - e. Diversification – The average number of investment options per participant is 3.4 when asset allocation funds, such as Vanguard Target Date Funds and Risk-based portfolios, are included. Without the asset allocation funds, the average is a consistent and strong 4.9 funds per account. Gavin covered the information for participants that invest in a single fund in their account. The vast majority of the single fund investors, 3,738, are in one of the asset allocation funds. There are 633 in the Stable Value as their sole investment. Gavin noted that an annual campaign is sent to these participants relaying the benefits of diversification, but that it is generally the older demographic in the Stable Value that are interested in the stability principal and guaranteed return.
 - f. Managed Accounts – At the beginning of 2021, there were 431 participants with \$49.6 million in assets, there were 15 new participants that added the service and 21 that cancelled, ending the year with 425 participants using managed accounts with about \$53.8 million in assets.
3. Plan Investment Review
- a. Total Plan Assets and Contributions by Investment Option – The risk-based portfolios remain a popular option for the plan as well as the Vanguard target date retirement funds. Gavin explained that the even number year increments such 2020, 2030, etc., have substantially less than the 2015, 2025, etc., funds because the five-year increment plans were added just last year; previously the plan had only ten-year increments. Additionally, in 2021, the City’s plan qualified to move from Vanguard investor share class to the institutional class which provided expense savings. The expenses went from 12 to 13 basis points down to 9 basis points. This is also why the Vanguard Investor Share funds are showing zero balances. Gavin also noted that in the past week Vanguard merged the institution class with the investor share class which resulted in further reducing the expenses to the participants from 9 basis points to 8 basis points. The Stable Value option continues to see a decline in assets and participants year after year, with 16.8% of assets in the Stable Value option, down from 19% last year. The TDI Ameritrade Self-Directed Brokerage has 22 participants, which is an increase of 4 from last year.
- D. Voya Communication & Digital Engagement Update – The Voya Communication & Digital Engagement Update was deferred to the Quarterly Meeting on February 18, 2022, at 10:00 a.m.
- E. Provider Performance Review – Paul explained that NFP conducts an annual review of 40 performance standards and guarantees of non-financial services

provided by Voya. Paul noted that Voya provided comprehensive responses, did a good job in meeting the standards and thanked Gavin, Jared, and the team for the work that they have done consistently over the years in meeting the standards and guarantees. He provided the following summary of the Provider Performance Review.

1. In response to Question #5, Voya indicated that they fell short of the response time for phone calls in only the last quarter of 2021. Gavin clarified that performance standard was met, but there was a 90-day period in which they responded to 87% of calls, missing the 90% mark for the quarter. He further stated that during the last quarter, the Call Center experienced longer call durations than previously experienced, which impacted the Call Center's ability to answer calls as timely as before. Paul noted that other providers have reported similar situations.
2. In response to Question 7, Voya indicated that Board of Water Supply (BWS) participants may now contribute on a percentage basis in addition to the flat dollar contribution basis. NFP supports the ability for the BWS to contribute on a percentage basis and that a campaign would be appropriate.
3. In response to Questions 7 and 20, 49% of participants have not registered their accounts online, which can be a cybersecurity risk. NFP urges both the Committee and Voya to think about strategies that are likely to continue to increase the number of participants that digitally register so that they have the added layer of protection against cyber fraud.
4. Question 14 relates to Voya conducting a survey. Paul stated that in 2020 and 2021 Voya offered to conduct a survey, and that the Committee elected to not conduct a survey due to other obligations and COVID-19. NFP urges the Committee to entertain conducting a survey in 2022.
5. In response to Question 15, Voya stated that fiduciary training has not been provided since 2019. With the number of new committee members and the importance of fiduciary responsibility, NFP recommends incorporating a summary of fiduciary responsibilities in the 457 University course held in August.
6. Relating to Question 17, NFP recommends that the Committee discuss whether future meetings, including meetings with participants, will be person-to-person, continue to be virtual or have a hybrid approach.
7. In response to Question 18, Voya proposed moving to quarterly, rather than semi-annual, newsletters in 2022. NFP recommends that the Committee approves Voya's proposal.
8. In response to Question 25, Voya indicated that there are sufficient assets in the Target Date Funds for the Committee to customize the funds on an age-basis. NFP recommends the Committee include this topic on an agenda for a quarterly meeting or during the 457 University in August.

Paul urged that the Committee include all of NFP recommendations on an upcoming agenda. Paul concluded that Voya is meeting its contractual promises and that most of the resulting NFP recommendations are strategic items the Committee should consider going forward.

9. Consultant Recommendations & Committee Action – The Consultant Recommendations & Committee Action was deferred to the Quarterly Meeting on February 18, 2022, at 10:00 a.m.

On a motion duly made by Douglas Chun, seconded by Michael Golojuch, and unanimously carried, the Committee approved the NFP Provider Review Performance Report as presented.

F. Other Business – None.

VI. 2022 COMMITTEE BUDGET – Information/Action

Laura stated that the Committee approved reimbursing participants \$500,000 at the last quarterly meeting in November 2021 based on her recommendation from reviewing the quarterly report. However, after further reviewing the reserves, she determined that if the Committee wants to hold its first Benefits Fair in 2022, which is estimated to cost \$80,000, then the amount to be reimbursed to participants will have to be modified. The Committee discussed the feasibility of holding a Benefits Fair in 2022 and concluded that it would take 8 to 9 months to properly plan the Benefits Fair and 2023 would be the earliest possible time. Thus, the November 2021 approved reimbursement should be completed.

On a motion duly made by Michael Golojuch, seconded by Nola Miyasaki, and unanimously carried, the Committee approved the Deferred Compensation Budget and Reserve Calculation for Calendar Year 2022.

VII. NEXT ANNUAL MEETING DATE

Tentatively in 1st Quarter of CY 2023 with exact date and time to be determined by the Deferred Compensation Committee Chair

VIII. ANNOUNCEMENTS – None.

IX. ADJOURNMENT

There being no further business, the meeting was adjourned at 10:16 a.m.

Respectfully submitted,

Laura H. Shimada
Secretary