

**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, March 10, 2023, 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)
Nola Miyasaki (Department of Human Resources (DHR) Director & Committee Member)
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)
Chase Masuda (Committee Member (Active))
Michael Golojuch (Committee Member (Retiree))
John Hashimoto (Committee Member (Active))

Staff: Carrie Castle (BFS Deputy Director)
Florencio “Bugs” Baguio, Jr. (DHR Assistant Director)
Lynn Wakatsuki (Deputy Corporation Counsel)
Jenny Tobin (DHR Benefits, Research, and Transactions Branch Chief)
Jennifer Bishop (BFS Administrative Services Officer & Deferred Compensation Plan Committee Administrator)

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)
Brent Yonemoto (Voya – Financial Advisor)

Andrew Kawano (Chair) agreed to allow allowed Voya staff to participate remotely.

Chair read a statement on allowing public participation and testimony in a manner consistent with safe COVID-19 practices in compliance with Act 220, Session Laws of Hawaii (SLH) 2021, Act 177 and Act 264, SLH 2022.

I. CALL TO ORDER

With quorum present, Chair called the meeting to order at 10:05 a.m. and presided as chair of the meeting. Jennifer Bishop (Jennifer) acted as secretary.

II. WELCOME & INTRODUCTION OF NEW MEMBER AND STAFF

Chair announced that the Mayor has appointed John Hashimoto as a Committee Member to replace Douglas Chun. Chair also announced that Jennifer will replace Laura Shimada as Committee Staff.

III. MINUTES OF PREVIOUS MEETING – Action

Committee members reviewed the February 18, 2022, Annual 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 February 18, 2022, Annual Meeting minutes.

IV. PUBLIC COMMENTS – Information

Chair asked if there was any public input. There was no one from the public in attendance.

V. VOYA & NFP PRESENTATIONS – Information/Action

A. Voya Annual Report – Deirdre Jones (Deirdre) provided the following highlights for Calendar Year 2022:

1. Voya Update - Voya is one of the top providers for retirement plans with over \$741 billion in assets under management and recently acquired Benefitfocus to focus on health, wealth, and retirement.
2. Client Health Review
 - a. Plan Statement – Plan assets closed CY 2022 with over \$829 million for the year. Contributions, distributions, and other activities remained fairly consistent with previous years.
 - b. Participation – The year ended with 9,747 participants with a balance.
 - c. Deferral Summary – The Plan's average deferral rate is 9.4%, which is higher than the benchmark at 7.6% and other Voya plans at 6.3%. The percentage rate does not consider participants that contribute flat dollar amounts.
 - d. Participant Engagement - Most participants engage with the website or mobile app with the most common transactions are for deferral changes or withdrawals.
 - e. Transaction Detail – The number of required minimum distributions (RMD) went from 435 in the previous year to 263 in 2022, which may be a result of the Secure Act 1.0 increasing the age for RMDs from 70½ to 72. Additionally, Deirdre explained the Adjustment of \$500,000 was the August 2022 reimbursement to participants and as the Voya contract was renegotiated from 18 basis to 11.3 basis points in November 2021, which resulted in a one month reduction in fees. As some funds share revenue with Voya, the Revenue Credit reflects the fee levelization that was opted to use for the funds so that all participants are paying the same fee amount of 11.3 basis points.
 - f. Contribution Summary – More participants are making Roth contributions each year, which is common amongst plans that provide strong communication and education efforts regarding Roth.
 - g. Current Participation and Enrollment Statistics – The participation rate dropped slightly from 68% to 66.4%. Deirdre also provided an update on the mandatory distribution of terminated accounts, which the Committee approved of in a

previous meeting. A resolution will be brought to the next Committee quarterly meeting to amend the plan document and adoption agreement to allow for these mandatory distributions. Chair reminded the committee that the objective of the mandatory distributions is to reduce the cost of the plan administration.

- h. Participant Balance – The current average participant balance is \$85,088. Although lower than last year, the average balance is much higher than the benchmark of \$41,829.
- i. Managed Accounts – There were 434 participants using this feature, which allows Morningstar to actively manage the participant's investments, totaling a little over \$48M.
- j. Performance Update - The overall gains and losses are due to high inflation, the conflict in Ukraine and the rise in interest rates. This trend is common with other Voya plans across the board.
- k. Market to Book Ratio - Deirdre provided a handout of updated rates as of February 2023. Bill Tugaw (Bill) reminded the Committee that the book value is guaranteed by Voya and explained that all Stable Value Funds are currently at 90%, like Honolulu's. Bill recommended that, at the next quarterly meeting, Sean Banai, Portfolio Manager, provide the Committee an update on strategies. He expects that Sean's team is working to shorten duration so that bonds held in the plan react faster to the rate hikes. A year and half ago, the Market to Book ratio was 104%. If needed, the Committee could move the assets in kind to another portfolio manager if they thought they had a better way of executing to take care of negative market value adjustments.

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

B. Voya Communication & Digital Engagement Update

- 1. 2022 Review - Stacey Laxton (Stacey) provided the following updates as of February 2023:
 - a. Save More –After last quarterly meeting, 28 individuals increased contributions.
 - b. Beneficiary – No changes from the previous quarter.
 - c. Diversification – Two more individuals diversified accounts since November.
 - d. Restart – One individual restarted contributions.
 - e. Financial Wellness/Education – Two more individuals took the wellness assessment since November.
 - f. Overall Financial Wellness Messaging - Overall, 61% of participants took action after opening the emails, exceeding Voya's benchmark of 44%.
 - g. Participant Engagement – Call rate is low and does not include calls to the local office. Mobile App, web engagement and e-Delivery have stayed the same since November. Web Registration went up 1%.
 - h. MyOrangeMoney – 17% of participants took action after using the tool, with 35 participants changing deferral rate and 88 changing deferral amount.
 - i. Personal Financial Dashboard – Went up by 1% with 1 person taking action after using the dashboard.

- j. Financial Wellness –There was a slight decrease in participants feeling comfortable with protection, emergency fund and retirement, which has been seen across the board
2. 2023 Strategic Plan - Stacey presented the proposed communication strategy for 2023 that includes continuing the quarterly newsletter, a new Catch-Up/3-Year Special Catchup campaign, and continuing other campaigns including: Digital Resources/Tools, e-Delivery, Financial Wellness- Emergency Fund, Beneficiary, Save/Restart/ Financial Wellness- Protection Fund, Account Registration and Nearing Retirement/Millennials; in addition to the Personalized Messages and ongoing educational efforts such as America Saves Week and National Save For Retirement Month.

Stacey announced that with the results from the 2022 campaigns, she will be submitting a NAGDCA award nomination for Participant Education Communication.

On a motion duly made by Michael Golojuch, seconded by Nola Miyaski, and unanimously carried, the Committee approved and accepted Voya's 2023 Strategic Communication Plan.

C. Provider Performance Review –

Sadly, Bill informed the Chair and Committee that Paul Hackleman unexpectedly passed away. He indicated that Mindy Harris would be covering Paul's role with the Committee. Chair recognized Paul's service to the Plan and Committee since 2005 and asked Bill to give our condolences to Paul's Family.

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 1, there were a few instances not meeting the standard of having a response time of 24 hours due to technical difficulties. Jared provided an update indicating that the problem with his voicemail has been resolved.

Relating to Question 5, Voya fell short of the response time only in the first quarter of 2022. Deirdre noted that the first quarter is the busiest time as individuals call in inquiring about RMDs and tax information and documents, which results in each call taking longer than usual. Deirdre also explained that at the beginning of 2022 with hiring and attrition. The recruitment process has since been addressed and Voya is confident going forward in being prepared for the influx of calls received during the first quarter.

Relating to Question 7, Bill stated that a strategy to encourage participants to move from a flat dollar to a percentage contribution and to also register digitally would be beneficial to the participants in the plan.

Relating to Question 10, Bill noted that Voya's updated specimen plan document is under review by Committee staff and that NFP should also be involved. Lynn Wakatsuki (Lynn) stated that provisions of Secure 2.0 would not be included in this amendment as rules and regulations are still pending. Bill recommended that the Committee start to discuss which permissible provisions Secure 2.0 it would like to include during the August meeting.

Relating to Question 14, the last customer service survey was conducted in 2017. Bill suggested and Chair agreed that Voya bring the question of whether to conduct a survey to the next meeting for the Committee to take action during the August meeting.

Relating to Question 17, Jared provided an update stating that the City's benefits processing and pre-retirements sessions are still virtual and that for the departmental meetings, in-person, virtual, and hybrid meetings were offered based on what departments had requested.

Relating to Question 25, Voya's contract includes an offer to manage a custom target date fund series on an age-basis. Chair asked for Voya to provide information and data on actual results compared to the index or benchmark in a future meeting. Bill noted that no other portfolio will have the same underlying assets as the City.

On a motion duly made by John Hashimoto, seconded by Michael Golojuch, and unanimously carried, the Committee approved and accepted NFP's recommendations on the Provider Performance Review.

D. NFP Secure 2.0 Update - Bill provided the following highlights:

1. First of the Month Rule has been eliminated with the enactment of the Act.
2. Effective now, RMDs went from age 72 to age 73 and will be 75 in 2032.
3. New Catch-up provision starting at \$10K effective after December 31, 2024 for participants over the age of 60.
4. New permissive provision of withdrawal of up to \$1K for emergency expenses.
5. New permissive self-certification for unforeseen hardships which can removes the administration of unforeseen hardships from plan sponsors. Deirdre noted there was an uptick in unforeseen hardships, majority were to prevent evictions and foreclosures, loss wages, and to pay medical expenses.
6. Record keepers, like Voya, can establish Emergency Savings Accounts.
7. Reduction in penalty for not taking RMDs has been reduced from 50% to 25% and can be further reduced to 10% if corrected during a correction window of time.
8. Catch-up contributions treated as Roth if compensation over \$145K. Jenny Tobin noted that this provision may have impacts to the City's Department of Information Technology and the City and Board of Water Supply payroll systems.

E. Other Business – None.

VI. 2023 COMMITTEE BUDGET – Information/Action

Jennifer presented the actual expenses for Calendar Year 2022 and the Deferred Compensation Calendar Year 2023 Budget and Reserve Calculation. Calendar Year 2023

had beginning balance of \$189,583 and is budgeted to have a total of \$171,981 in expenses, ending the year with an ending balance of \$192,602.

On a motion duly made by Nola Miyasaki, seconded by Michael Golojuch, and unanimously carried, the Committee approved the Deferred Compensation Budget and Reserve Calculation for Calendar Year 2023.

VII. NEXT ANNUAL MEETING DATE

Tentatively in 1st Quarter of CY 2024 with exact date and time to be determined by the Deferred Compensation Committee Chair.

VIII. ANNOUNCEMENTS

Jared introduced Brent Yonemoto, Financial Advisor, who recently joined the local Voya team.

IX. ADJOURNMENT

There being no further business, the meeting was adjourned at 11:48 a.m.

Respectfully submitted,

Jennifer Bishop
Secretary