

**Minutes of  
OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION BOARD**

A publicly noticed meeting of the Ohio Public Employees Deferred Compensation Board was held at the Ohio Public Employees Retirement System offices located at 277 East Town Street, Columbus, Ohio on January 17, 2017 at 8:40 a.m.

Members present: Chair Charles Latsa; Senator Jay Hottinger; Mr. Sean Loftus; Mr. Christopher Mabe; Ms. Cinthia Sledz; Mr. Robert C. Smith; Mr. Patrick Smith, representing Mr. Robert Blair; Mr. Ken Thomas; Mr. James R. Tilling; and Mr. Steve Toth.

Also present: Mr. Keith Overly, Executive Director, Mr. Paul D. Miller, Mr. James E. Heagen, Mr. Doug Lepper, Mr. Joshua King, and Ms. Cindy Ward of the Ohio Public Employees Deferred Compensation Program; Mr. Peter Jamison of the Attorney General's office; Mr. Matt Gill, Mr. Cedric Gaaskjolen, and Mr. Dave Howell of Nationwide; and Mr. Kevin Vandolder, Mr. Chris Behrns, and Mr. Chris Riley of Aon Hewitt (Aon).

Member(s) absent: Representative Kristin Boggs; Mr. John W. Maurer;

Investment Consultant Representatives: Mr. Ben Taylor, Mr. Michael Joecken, and Mr. Brady O'Connell of Callan Associates; Mr. Frank Picarelli, Ms. Wendy Carter, Ms. Cathie Eitelberg, and Mr. William Mitchner of Segal Rogerscasey; Mr. Rob Palmeri, Ms. Mikaylee O'Connor, and Mr. Johnathan Kowolik of RVK; Mr. Kevin Vandolder, Mr. Chris Behrns, and Mr. Chris Riley of Aon Hewitt.

Chair Thomas called the meeting to order.

Mr. Toth moved, Mr. Latsa seconded to excuse Mr. Maurer.

All aye. The motion passed without dissent.

**Minutes**

The minutes of the November 15, 2016 Board meeting, the December 20, 2016 Board Governance Committee meeting, and the December 20, 2016 Investment Consultant Search meeting were presented.

Ms. Sledz moved, Mr. Latsa seconded to accept and file the minutes listed above as presented.

All aye. The motion passed without dissent.

**Committee Reports**

Mr. Toth, Chair of the Board Governance Committee, reported that the Committee met in December to review the Plan Document and the Board Governance Manual. No changes to the Plan Document are recommended, but changes to the Investment section and the addition of the Litigation/Settlement Proceeds Policy to Appendix G of the Board Governance Policy Manual are recommended.

Mr. Toth moved, Mr. Tilling seconded to approve the Board Governance Policy Manual changes as recommended by the Board Governance Committee.

Chair Thomas asked for any questions regarding the motion.

Roll call vote was taken:

Mr. Latsa	yes	Mr. Tilling	yes
Mr. Loftus	yes	Mr. Toth	yes
Ms. Sledz	yes	Chair Thomas	yes
Mr. Patrick Smith	yes		

The motion passed unanimously.

Mr. Toth indicated that he received a nomination for Mr. Latsa as Chair. Chair Thomas asked for any more nominations for Chair. Chair Thomas closed nominations.

Mr. Latsa will be the 2017 Chair of the Ohio DC Board by acclamation.

Senator Hottinger entered the meeting at 8:45 a.m.

Chair Thomas requested nominations for Vice Chair. Discussion was held regarding Board member interest in serving as Vice Chair. Chair Thomas nominated Mr. Toth for Vice Chair. Chair Thomas asked for any other nominations for Vice Chair. Chair Thomas closed nominations.

Mr. Toth will be the 2017 Vice Chair of the Ohio DC Board by acclamation.

Chair Latsa asked the Executive Director to summarize the investment consultant search process. The Executive Director indicated that after receiving and scoring seven responses to the Investment Consultant RFP, the Committee determined the Board would hear presentations from the four finalists.

Mr. Taylor, Mr. Joecken, and Mr. O'Connell of Callan Associates reviewed their investment consultant presentation. Questions from the Board were discussed regarding the expected relationship with the Board, Callan's differentiation from the Board's current vendor, Callan's proprietary database, employee diversity, and white labeling philosophy.

(Mr. Smith entered the meeting at 8:52 a.m. and Mr. Mabe entered the meeting at 9:13 a.m.).

Mr. Picarelli, Ms. Carter, Ms. Eitelberg, and Mr. Mitchner of Segal Rogerscasey reviewed their investment consultant presentation. Questions from the Board were discussed regarding the appropriate number of fund options, white labeling philosophy, lead consultants, and Segal's differentiation from the Board's current vendor.

Mr. Palmeri, Ms. Mikaylee O'Connor, and Mr. Kowolik of RVK reviewed their investment consultant presentation. Questions from the Board were discussed regarding RVK's partnership with the Board, a RVK case study on participant investment decisions; and RVK's differentiation from the Board's current vendor.

Mr. Vandolder, Mr. Behrns, and Mr. Riley of Aon Hewitt reviewed their investment consultant presentation. Mr. Vandolder noted that Aon proposes to keep their current year fees steady for the five-year agreement, without any inflationary increases. Question from the Board were discussed regarding Aon's differentiation from the other candidates and Aon's rationale for a "buy" rating on the FPA Capital fund.

The meeting recessed from 10:49 a.m. to 10:57 p.m. (Senator Hottinger left the meeting.)

The Board discussed the four consultant presentations, and the strengths and weaknesses of the candidates.

Mr. Smith moved, Ms. Sledz seconded to engage RVK as the Board's independent investment consultant, subject to a due diligence visit.

Roll call vote was taken:

Mr. Loftus	yes	Mr. Mabe	no
Ms. Sledz	yes	Mr. Thomas	no
Mr. Bob Smith	yes		
Mr. Patrick Smith	yes		
Mr. Tilling	yes		
Mr. Toth	yes		
Chair Latsa	yes		

The motion passed 7 to 2.

**Action Items**

The Executive Director summarized the background and status of the small-cap fund searches. The Executive Director also noted that he and Aon had a due diligence meeting with Apex in Dayton, Ohio.

Mr. Behrns presented Aon’s recommendations for the small-cap growth and small-cap value searches, and the Templeton Foreign fund.

Recommendations:

1. Replace Hartford Small Company with the white label Ohio DC Small-Cap Growth fund managed 70 percent by Westfield and 30 percent by Apex.
2. Replace FPA Capital with the white label Ohio DC Small-Cap Value fund managed 100 percent by Westwood.
3. Move the Templeton Foreign investment to the lower cost R6 share class.

Mr. Riley reviewed the key decision factors of the small-cap growth recommendation to fund Apex and Westfield. Mr. Behrns discussed the final quoted expense ratios and the comparison of potential multi manger portfolios.

Mr. Thomas moved, Mr. Smith seconded to approve a transition of the Templeton Foreign investment to the R6 share class that does not include recordkeeping reimbursements.

Roll call vote was taken:

Mr. Loftus	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Ms. Sledz	yes	Mr. Toth	yes
Mr. Bob Smith	yes	Chair Latsa	yes
Mr. Patrick Smith	yes		

The motion passed unanimously.

Ms. Sledz moved, Mr. Tilling seconded to replace Hartford Small Company with the white label Ohio DC Small-Cap Growth fund managed 70 percent by Westfield and 30 percent by Apex, and waive the Investment Policy criteria that the 3- and 5-year fund returns at least equal the appropriate benchmark.

Roll call vote was taken:

Mr. Mabe	yes	Mr. Loftus	no
Ms. Sledz	yes		
Mr. Bob Smith	yes		
Mr. Patrick Smith	yes		
Mr. Thomas	yes		
Mr. Tilling	yes		
Mr. Toth	yes		
Chair Latsa	yes		

The motion passed 8 to 1.

Chair Latsa moved, Mr. Smith seconded to replace FPA Capital with a white label Ohio DC Small-Cap Value fund managed 100 percent by Westwood.

Roll call vote was taken:

Mr. Mabe	yes	Mr. Loftus	no
Ms. Sledz	yes		
Mr. Bob Smith	yes		
Mr. Patrick Smith	yes		
Mr. Thomas	yes		
Mr. Tilling	yes		
Mr. Toth	yes		
Chair Latsa	yes		

The motion passed 8 to 1.

The Executive Director presented the 2017 Board meeting schedule.

Mr. Tilling moved, Mr. Thomas seconded to approve the 2017 Board meeting schedule as presented.

Chair Latsa asked for any questions or discussion regarding the motion.

Roll call vote was taken:

Mr. Loftus	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Ms. Sledz	yes	Mr. Toth	yes
Mr. Bob Smith	yes	Chair Latsa	yes
Mr. Patrick Smith	yes		

The motion passed unanimously.

It was determined that the presentation of the Nationwide Annual Service Plan will be moved to the March 14, 2017 Board meeting agenda.

**Discussion Items**

Attorney General Report—Mr. Jamison indicated that he did not have anything to add to his written report in the agenda.

**Information Items**

The Executive Director noted the Information Technology Security Review, the 2016 Program Metrics and Objectives, and the 2017 Communications Plan-Summary were included in the Information Items.

Discussion was held regarding the decrease in the first quarter Stable Value Option crediting rate.

Mr. Mabe moved, Mr. Thomas seconded to adjourn the meeting at 11:55 a.m. until the next regular meeting of the Board, March 14, 2017, to be held at the Ohio Public Employees Retirement System offices, located at 277 East Town Street.