

**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 May 16, 2017 at 9:02 a.m.

Members present: Chair Charles Latsa; Senator Jay Hottinger; Mr. Sean Loftus; Mr. John W. Maurer; Mr. Herman H. Mollmann, Jr.; Ms. Cinthia Sledz; 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, Mr. Dave Howell, and Ms. Brenda Anderson of Nationwide; Mr. Robert Palmeri and Ms. Mikaylee O'Connor of RVK, Inc.; Mr. Zac Morris of Rea & Associates; Mr. Ron Henry of Fidelity; and Mr. Gregory Kneller.

Member(s) absent: Representative Kristin Boggs; Mr. Christopher Mabe; and Mr. Robert C. Smith.

Chair Latsa called the meeting to order.

Minutes

The minutes of the March 14, 2017 Audit Committee meeting and the March 14, 2017 Board meeting were presented.

Mr. Thomas moved, Mr. Toth seconded to accept and file the minutes listed above as presented.

All aye. The motion passed without dissent.

Mr. Kneller addressed the Board to express his opinions on the fee policy, the transparency of the reported expense ratios, the Stable Value Option (SVO) interest rate, and the application of the exchange restriction policy.

Chair Latsa stated that the Program does its best to minimize costs and the fee policy was designed to be as fair as possible to all participants in the Program.

(Senator Hottinger entered the meeting.)

Discussion was held regarding providing information to Mr. Kneller, if not already provided, that would further explain the fee policy and how the interest rate is set for the SVO. The Executive Director indicated that during the RVK presentation an explanation of how the SVO works could be given, that staff will review the Investment Performance Report, and clarified that administrative fees and rebates are disclosed on the individual participant statements.

Committee Reports

(Mr. Patrick Smith entered the meeting.)

Mr. Maurer, Chair of the Audit Committee, reported that the Committee met to hear a presentation by staff and Rea & Associates regarding the results of the 2016 audit. The audit produced a clean opinion.

Mr. Maurer moved, Mr. Loftus seconded to accept the Comprehensive Annual Financial Report and the audit reports as presented.

Roll call vote was taken:

Senator Hottinger	yes	Mr. Patrick Smith	yes
Mr. Loftus	yes	Mr. Thomas	yes
Mr. Maurer	yes	Mr. Tilling	yes
Mr. Mollmann	yes	Mr. Toth	yes
Ms. Sledz	yes	Chair Latsa	yes

The motion passed unanimously.

Mr. Miller reviewed the 2016 CAFR highlights that included the audit results, statistical information, financial highlights, an update on GASB 68 reporting, Program actions and initiatives, and recordkeeping reimbursements.

Mr. Maurer asked which state banking regulations are followed to monitor the LifePath Portfolios. Discussion was held regarding state and federal oversight of the LifePath Portfolios.

The Executive Director thanked Mr. Miller, the finance staff, and Rea for being prepared for a successful audit.

Action Items

Mr. Palmeri and Ms. O'Connor introduced themselves to the Board as the Ohio DC account contacts. Mr. Palmeri reviewed the table of contents in the investment report.

Mr. Palmeri presented the capital markets review and highlighted the first quarter economic environment, market performance, and key economic indicators. Mr. Palmeri discussed the U.S. Equity, Non-U.S. Equity, Fixed Income markets, and the annual asset class history.

Mr. Palmeri reviewed the Ohio DC portfolio by asset allocation management, asset class, and option. Discussion was held regarding the percent of assets in the SVO, and the number of options in each asset class. Mr. Palmeri mentioned that at the Strategic Planning meeting RVK will present information regarding the investing behavior of Ohio DC participants. The asset class breakdown of the LifePath Portfolios was noted.

Mr. Palmeri presented the fund monitoring summary and indicated that all funds were in "green" status, except for the "yellow" rating for the FPA Capital fund. FPA Capital and Hartford Small Company are scheduled to be closed and mapped to the Ohio DC Small-Cap Value and Ohio DC Small-Cap Growth funds on June 2.

Ms. O'Connor explained the layout of the comparative performance report. She noted that comparing the target date funds' performance can be challenging because of the difference in the asset allocation and glidepath between managers. Ms. O'Connor discussed the asset allocation philosophy of the LifePath Portfolios compared to other target date funds.

Ms. O'Connor reviewed the comparative performance and benchmarks of the Program's target date, passively managed, and actively managed options. Ms. O'Connor noted the percentage of similar stock holdings between the two Fidelity funds and the Ohio DC Large-Cap Growth fund.

Ms. O'Connor presented the comparative performance report for the SVO, and discussed the recommended change of the SVO benchmark to the BofA Merrill Lynch T-Bill Index. Discussion was held regarding the SVO book value vs. market value ratio, and the renegotiation of MetLife wrap contract.

Mr. Palmeri explained the layout of and reviewed the fund fees peer group analysis. Discussion was held regarding comparing Ohio DC with other plans around the country, public and private. Mr. Palmeri noted the fee analysis of the Program options. Discussion was held regarding the status of SVO wrapper fees and capacity.

(Mr. Patrick Smith left the meeting.)

Ms. O'Connor explained the correlation matrix that assists in determining the amount of diversification offered by the Ohio DC funds.

The Executive Director noted the recommended changes to the Investment Policy and the Stable Value Option Investment Policy.

Mr. Maurer moved, Mr. Toth seconded to accept the RVK Quarterly Performance Investment Analysis for the First Quarter 2017, and approve the proposed changes to the Investment Policy and the Stable Value Option Investment Policy as presented.

Roll call vote was taken:

Senator Hottinger	yes	Mr. Thomas	yes
Mr. Loftus	yes	Mr. Tilling	yes
Mr. Maurer	yes	Mr. Toth	yes
Mr. Mollmann	yes	Chair Latsa	yes
Ms. Sledz	yes		

The motion passed unanimously.

The Executive Director complimented RVK on their cooperation, assistance, and feedback with the upcoming fund changes.

The Executive Director presented the recommendation to cancel the July Board meeting, which conflicts with the OPERS two-day strategic planning meeting. The August Strategic Planning meeting can be designated as a regular Board meeting.

Mr. Thomas moved, Mr. Tilling seconded to cancel the regular July Board meeting and designate the August Strategic Planning meeting as a regular Board meeting.

Roll call vote was taken:

Senator Hottinger	yes	Mr. Thomas	yes
Mr. Loftus	yes	Mr. Tilling	yes
Mr. Maurer	yes	Mr. Toth	yes
Mr. Mollmann	yes	Chair Latsa	yes
Ms. Sledz	yes		

The motion passed unanimously.

Discussion Items

The Executive Director reviewed the proposed Strategic Planning meeting agenda topics. It was requested that the Board be provided additional information on deemed accounts.

(Senator Hottinger left the meeting.)

Mr. Lepper explained the auto-rebalancing feature that is being considered for addition to the recordkeeping modernization project.

Attorney General Report—Mr. Jamison indicated that he did not have anything to add to his written report in the agenda. Mr. Mollmann asked if there has been any consideration of the need to charge an administration fee for filing a Qualified Domestic Relations Order (QDRO) with the Program. The staff will evaluate the current costs to process a QDRO and the number of QDROs that are processed by the Program and report back to the Board.

Mr. Lepper explained the difference between the Program’s Incident Response Plan and the Disaster Recovery Plan.

Information Items

The Executive Director noted the 2017 Program Metrics that were included with the April Board Update.

Mr. Maurer moved, Mr. Toth seconded to adjourn the meeting at 11:16 a.m. until the next regular meeting of the Board, August 14, 2017, to be held at the Ohio Public Employees Retirement System offices, located at 277 East Town Street.