

**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 September 19, 2017, at 9:04 a.m.

Members present: Chair Steve Toth; Mr. Robert Blair; Senator Jay Hottinger; Mr. Sean Loftus; Mr. Christopher Mabe; Mr. John W. Maurer; Mr. Herman H. Mollmann, Jr.; Ms. Cinthia Sledz; Mr. Ken Thomas; and Mr. James R. Tilling.

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, Mr. Chris McConaughy; and Ms. Brenda Anderson of Nationwide; Mr. Rob Palmeri and Ms. Mikaylee O'Connor of RVK, Inc. (RVK); Mr. John Axtel and Mr. John Bisset of Goldman Sachs Asset Management (GSAM); and Mr. Joe Oleksak and Ms. Andrea Selke of Plante & Moran.

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

Due to the departure of Mr. Charles Latsa from the Board, Vice Chair Toth assumed the position of Chair.

Chair Toth called the meeting to order.

Chair Toth moved, Mr. Thomas seconded to nominate Mr. Loftus as Vice Chair.

Discussion was held regarding the nomination.

Roll call vote was taken:

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

The motion passed unanimously.

Minutes

The minutes of the May 16, 2017 Audit Committee meeting, the May 16, 2017 Board meeting, and the August 14, 2017 Strategic Planning meeting were presented.

Mr. Maurer moved, Mr. Thomas seconded to accept and file the minutes as presented.

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

Roll call vote was taken:

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

The motion passed unanimously.

Committee Reports

None.

Action Items

Senator Hottinger moved, Mr. Loftus seconded to go into Executive Session under Ohio Revised Code §121.22(G)(6) at 9:10 a.m. to discuss details relative to security arrangements for Ohio Deferred Compensation.

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

Roll call vote was taken:

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

The motion passed unanimously.

(A break was taken from 9:45-9:53 a.m. Senator Hottinger left the meeting at 9:45 a.m.)

The meeting returned to regular session at 10:27 a.m. (Mr. Tilling left the meeting.)

Chair Toth moved, Ms. Sledz seconded to accept the Information Security Assessment Summary Report issued by Plante & Moran, and to direct staff to take the necessary actions to implement the recommendations.

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

Roll call vote was taken:

Mr. Blair	yes	Ms. Sledz	yes
Mr. Loftus	yes	Mr. Thomas	yes
Mr. Maurer	yes	Chair Toth	yes
Mr. Mollmann	yes		

The motion passed unanimously.

Ms. Sledz moved, Mr. Blair seconded for staff to follow-up on the issue as discussed in Executive Session.

Roll call vote was taken:

Mr. Blair	yes	Ms. Sledz	yes
Mr. Loftus	yes	Mr. Thomas	yes
Mr. Maurer	yes	Chair Toth	yes
Mr. Mollmann	yes		

The motion passed unanimously.

(Mr. Tilling entered the meeting.)

Mr. Palmeri presented the executive summary of recommendations for the Stable Value Option (SVO) annual review, and the performance, investment objectives and fees of the SVO.

(Senator Hottinger entered the meeting.)

Mr. Palmeri indicated that RVK would be conducting a manager structure analysis, and a review of the allocations between active and passive management in the SVO. Discussion was held regarding the appropriate number of SVO managers, wrap fees, and active and passive management allocation.

Mr. Axtel provided an overview of how stable value is used by defined contribution plans, the 20-year risk/return analysis, and how the SVO is designed with fixed income portfolios and wrap contracts to provide intermediate yield and principal stability. Mr. Axtel discussed the variations in wrap contracts and fees, the status of wrap fees in relationship to the current wrap capacity, wrap provider funding requirements, and how yield affects risk modeling.

Mr. Bisset presented the SVO portfolio overview that included the manager and wrap structure, the types of wrap contracts, credit quality, duration, market/book value ratio, and sector allocation.

(Senator Hottinger left the meeting.)

Mr. Axtel summarized the wrap contract coverage for the SVO, and the successful completion of the MetLife stable value contract restructuring. GSAM is currently negotiating a new wrap contract with Transamerica and is recommending replacing the existing contract with the new contract. Mr. Axtel noted the restructuring of the Metropolitan Life wrap contract which reduced fees from 23 bps to 19 bps. Discussion was held regarding the reasons for the recommended adjustment to the asset allocation targets within the SVO Investment Policy Statement.

(Mr. Mabe entered the meeting.)

Ms. O'Connor reviewed the recommended changes to SVO Investment Policy Statement and the compliance review of the Policy. RVK determined the Ohio DC SVO to be following the Policy. Ms. O'Connor explained the differences between synthetic wraps and traditional GICs.

Mr. Palmeri presented the capital markets review. Ms. O'Connor reviewed the asset allocation, fund monitoring summary, comparative performance, and fee analysis of the Program's investment options.

Mr. Axtel explained the GIC maturity payments, and how they will be handled and appropriately allocated when they occur.

Mr. Tilling moved, Mr. Loftus seconded to accept the RVK second quarter Investment Performance Analysis and the Annual Stable Value Option Review and approve the proposed changes as recommended.

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

The Executive Director asked for clarification that the motion includes the recommendation for the addition to the 2017 budget to complete the Fidelity share class transitions on October 6.

Chair Toth indicated the motion was intended to include all seven recommendations presented in the Board memo in the agenda. Mr. Tilling and Mr. Loftus concurred.

Roll call vote was taken:

Mr. Blair	yes	Ms. Sledz	yes
Mr. Loftus	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Mr. Maurer	yes	Chair Toth	yes
Mr. Mollmann	yes		

The motion passed unanimously.

The Executive Director presented the strategic plan update that included new objectives for Phase II of the recordkeeping modernization project, a website implementation plan, a Roth 457 implementation plan, and research of potential new uses of technology.

Mr. Thomas moved, Mr. Blair seconded to approve the new strategic objectives and the strategic plan update as presented.

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

Roll call vote was taken:

Mr. Blair	yes	Ms. Sledz	yes
Mr. Loftus	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Mr. Maurer	yes	Chair Toth	yes
Mr. Mollmann	yes		

The motion passed unanimously.

Mr. Gill reviewed the eight employers recommended for formal recognition with the adoption of a Board resolution, and the criteria and process for their selection. Resolutions for the following employers were presented:

Switzerland of Ohio Board of Education
 Warren County
 City of Reynoldsburg
 City of Lakewood

Paulding County Memorial Hospital
Miami County
Wauseon Exempted Village Schools
City of North Ridgeville

Mr. Gill invited Trustees to help present the resolutions to employers that are located near them.

Mr. Maurer moved, Mr. Mollmann seconded to adopt the recommended resolutions to formally recognize this group of exemplary employers.

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

Roll call vote was taken:

Mr. Blair	yes	Ms. Sledz	yes
Mr. Loftus	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Mr. Maurer	yes	Chair Toth	yes
Mr. Mollmann	yes		

The motion passed unanimously.

Chair Toth read the resolutions for Mr. Charles Latsa and Mr. Patrick Smith into the record.

WHEREAS, *Charles Latsa* has served on the Ohio Public Employees Deferred Compensation Board and represented the Non-teaching College/University Employees since January 2015; and,

WHEREAS, *Charles Latsa's* faithful service has significantly contributed to the success of the Ohio Public Employees Deferred Compensation Program; and

NOW, THEREFORE, BE IT RESOLVED, the Ohio Public Employees Deferred Compensation Board, collectively and individually, respectfully expresses its appreciation to *Charles Latsa* for his diligent service, and further wishes him continued success, good health, and happiness in all his future endeavors.

Accepted by the Board on this 19th day of September 2017.

WHEREAS, *Patrick Smith* has served on the Ohio Public Employees Deferred Compensation Board since November 2015; and,

WHEREAS, *Patrick Smith's* faithful service has significantly contributed to the success of the Ohio Public Employees Deferred Compensation Program; and

NOW, THEREFORE, BE IT RESOLVED, the Ohio Public Employees Deferred Compensation Board, collectively and individually, respectfully expresses its appreciation to *Patrick Smith* for his diligent service, and further wishes him continued success, good health, and happiness in all his future endeavors.

Accepted by the Board on this 19th day of September 2017.

Mr. Tilling moved, Mr. Blair seconded to accept the resolutions as presented.

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

Roll call vote was taken:

Mr. Blair	yes	Ms. Sledz	yes
Mr. Loftus	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Mr. Maurer	yes	Chair Toth	yes
Mr. Mollmann	yes		

The motion passed unanimously.

Discussion Items

Mr. Jamison presented his summary report on the Attorney General's time and activities for Ohio DC. Mr. Mollmann asked about the requested analysis of the cost to process QDROs. Information was provided in the August agenda, and staff will bring back information and a recommendation to the November Board meeting.

Information Items

The Executive Director highlighted the activities planned for the National Retirement Security Week (October 15-21). He noted the follow-up information provided regarding recordkeeping modernization costs and federal tax expenditures.

Mr. Mabe moved, Mr. Tilling seconded to adjourn the meeting at 12:20 p.m. until the next regular meeting of the Board, November 14, 2017, to be held at the Ohio Public Employees Retirement System offices, located at 277 East Town Street.