

**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 November 14, 2017, at 9:00 a.m.

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

Also present: Ms. Julie Albers; Mr. Keith Overly, Executive Director, Mr. Paul D. Miller, Mr. James E. Heagen, Mr. Doug Lepper, Mr. Joshua King, Ms. Andrea Feicht, 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, Ms. Penny Monahan, and Ms. Brenda Anderson of Nationwide; and Mr. Rob Palmeri, Ms. Mikaylee O’Connor, Mr. Jonathan Kowolik, and Mr. Steven Budinsky of RVK, Inc. (RVK).

Member(s) absent: Mr. Robert C. Smith.

Chair Toth called the meeting to order and welcomed Representative Brown to the Board.

**Minutes**

The minutes of the September 19, 2017 Board meeting, and the October 18, 2017 Personnel and Salary Review Committee meeting were presented.

(Mr. Tilling entered the meeting.)

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

Roll call vote was taken:

Mr. Blair	yes	Ms. Sledz	yes
Representative Brown	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Mr. Mollmann	yes	Chair Toth	yes

The motion passed unanimously.

**Committee Reports**

Chair Toth reported that the Personnel and Salary Review Committee met in October to review the 2018 salary and benefit recommendations.

Chair Toth moved, Mr. Tilling seconded to:

1. Increase the pay range schedules by 2 percent.
2. Increase the salary budget by 3 percent.
3. Budget for a compensation study in 2018.

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

Roll call vote was taken:

Mr. Blair	yes	Ms. Sledz	yes
Representative Brown	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Mr. Mollmann	yes	Chair Toth	yes

The motion passed unanimously.

Chair Toth moved, Mr. Blair seconded to go into Executive Session under Ohio Revised Code §121.22(G)(1) at 9:07 a.m. to discuss the Executive Director's performance evaluation and compensation.

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

Roll call vote was taken:

Mr. Blair	yes	Ms. Sledz	yes
Representative Brown	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Mr. Mollmann	yes	Chair Toth	yes

The motion passed unanimously.

(Mr. Loftus entered the meeting at 9:12 a.m.)

The meeting returned to regular session at 9:28 a.m.

Ms. Sledz moved, Mr. Blair seconded to approve the Executive Director's compensation as reviewed and discussed in Executive Session.

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

Roll call vote was taken:

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

The motion passed unanimously.

### **Action Items**

Mr. Palmeri presented the third quarter 2017 capital markets review and noted the key economic indicators, the treasury yield curve, market performance, and the valuations of the U.S. Equity, Non-U.S. Equity, and Fixed Income markets. Discussion was held regarding the appropriate information to provide the Board to help manage future expectations of the market environment, the fiduciary responsibility to offer appropriate investment options and the tools to create a portfolio, advice vs. education, and financial literacy challenges.

Ms. O'Connor presented the Program's asset allocation by management, asset class, and manager, highlighting the Program's four white label options. Ms. O'Connor reviewed the fund monitoring summary and noted the "yellow" rating of the Ohio DC Small-Cap Growth was based on historical performance and not the performance since the fund was added to the Program in June.

Ms. O'Connor reported the third quarter 2017 comparative performance. She indicated that RVK will do a complete review of the Program's LifePath Portfolios and the target date fund universe, and will provide the results to the Board in January. Ms. O'Connor also noted the successful transition of the Fidelity Contrafund and Growth Company to lower-cost Class 2 shares on October 6. Mr. Mollmann requested additional information on the Venezuela market exposure in the Templeton Foreign fund.

(Senator Hottinger entered the meeting.)

Ms. O'Connor noted the fund fee analysis indicates the Program's fees are reasonable, and reviewed the Program's cash flows by investment option. Discussion was held regarding the potential reasons for movement out of the small-cap options.

Ms. O'Connor presented a summary of the recommended changes to the Investment Policy Statement. The Board requested the Attorney General's office review the recommended edits and the policy be brought back for review at the January meeting.

Mr. Tilling moved, Mr. Mollmann seconded to accept the RVK Quarterly Investment Performance Analysis.

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

Roll call vote was taken:

Mr. Blair	yes	Mr. Mollmann	yes
Representative Brown	yes	Ms. Sledz	yes
Senator Hottinger	yes	Mr. Thomas	yes
Mr. Loftus	yes	Mr. Tilling	yes
Mr. Mabe	yes	Chair Toth	yes

The motion passed unanimously.

Mr. Miller presented the 2017 financial results. Mr. Miller reviewed the 2018 Administrative Fund Budget. The revenues are budgeted to increase 9.7 percent, expenses are budgeted to increase 2.0 percent, capital expenditures are budgeted at \$3.3 million, and the ending fund reserves are projected to be at 13.5 months of expenses and will not require a change in the administrative fee of 0.14 percent.

Discussion was held regarding the factors and participant statistics that could be considered when determining the need to change the administrative fee structure.

Senator Hottinger moved, Mr. Tilling seconded to approve the 2018 administrative expense budget, and approve the 2018 capital expenditure budget, which includes the recordkeeping modernization project.

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

Roll call vote was taken:

Mr. Blair	yes	Mr. Mollmann	yes
Representative Brown	yes	Ms. Sledz	yes
Senator Hottinger	yes	Mr. Thomas	yes
Mr. Loftus	yes	Mr. Tilling	yes
Mr. Mabe	yes	Chair Toth	yes

The motion passed unanimously.

Chair Toth read the resolution for Mr. Sean Loftus into the record.

WHEREAS, *Sean Loftus* has served on the Ohio Public Employees Deferred Compensation Board since January 2014; and,

WHEREAS, *Sean Loftus*' 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 *Sean Loftus* 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 14<sup>th</sup> day of November 2017.

Chair Toth read the resolution for Mr. John W. Maurer into the record.

WHEREAS, *John W. Maurer* has served on the Ohio Public Employees Deferred Compensation Board from 1991-1994 and 2006-2017; and,

WHEREAS, *John W. Maurer*'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 *John W. Maurer* for his diligent service and notable contribution to the Ohio Deferred Compensation's mission of guiding participants along the path to retirement income security.

Accepted by the Board on this 14<sup>th</sup> day of November 2017.

Mr. Mabe moved, Mr. Tilling seconded to accept the resolution for Mr. Loftus as presented.

Roll call vote was taken:

Mr. Blair	yes	Mr. Mollmann	yes
Representative Brown	yes	Ms. Sledz	yes
Senator Hottinger	yes	Mr. Thomas	yes
Mr. Loftus	yes	Mr. Tilling	yes
Mr. Mabe	yes	Chair Toth	yes

The motion passed unanimously.

Chair Toth moved, Mr. Mabe seconded to accept the resolution for Mr. Maurer as presented.

Roll call vote was taken:

Mr. Blair	yes	Mr. Mollmann	yes
Representative Brown	yes	Ms. Sledz	yes
Senator Hottinger	yes	Mr. Thomas	yes
Mr. Loftus	yes	Mr. Tilling	yes
Mr. Mabe	yes	Chair Toth	yes

The motion passed unanimously.

### **Discussion Items**

Mr. Heagen explained the current discretionary services the Program provides to participants without charging additional fees, and he reviewed the average cost and number of Qualified Domestic Relations Orders (QDROs) processed by the Program, and the NAGDCA survey data that shows only 30 percent of plans charge separately for QDRO processing. Based on this information, staff recommends the Program continue the current practice of funding all Program operations through the asset-based administrative charge.

Attorney General Report—Mr. Jamison presented the summary report of time and activities for Ohio DC.

The Executive Director discussed the rationale for extending the Nationwide contract. Since the current Nationwide contract expires on June 30, 2019 and Phase II of the Recordkeeping Modernization Project (new participant website) is scheduled for completion in June 2019, a contract extension would provide additional time to implement the new website prior to issuing a Request for Proposal for a Service Provider. The Board instructed the Executive Director to negotiate a Nationwide contract extension for up to two years.

### **Information Items**

The Executive Director presented information on the Program's current crime deductibles and insurance coverages. The staff recommendation is to keep the insurance coverages/deductibles at the current levels.

The Executive Director provided the Board with an update on the status of the Federal tax reform issues, and the work with an Ohio coalition of some of the retirement systems and the NAGDCA lobbyist.

Mr. Mabe moved, Mr. Loftus seconded to adjourn the meeting at 11:18 a.m. until the next regular meeting of the Board, January 16, 2018, to be held at the Ohio Public Employees Retirement System offices located at 277 East Town Street.