

**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 16, 2018 at 9:09 a.m.

Members present: Chair Steve Toth; Ms. Julie Albers; Mr. Robert Blair; Representative Richard Brown; Mr. Randy V. Desposito; Senator Jay Hottinger; Mr. Seth Metcalf; 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; Ms. Lydia Arko Zigler of the Attorney General's office; Mr. Matt Gill, Mr. Cedric Gaaskjolen, and Ms. Brenda Anderson of Nationwide; Mr. Rob Palmeri and Ms. Mikaylee O'Connor of RVK, Inc. (RVK); and Mr. John Axtel of Goldman Sachs Asset Management (GSAM).

Member(s) absent: Mr. Christopher Mabe.

Chair Toth called the meeting to order.

Chair Toth welcomed the three new Trustees, Ms. Albers, Mr. Desposito, and Mr. Metcalf.

Minutes

The minutes of the November 14, 2017 Board meeting and the December 19, 2017 Board Governance Committee meeting were presented.

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

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Mollmann	yes
Mr. Blair	yes	Ms. Sledz	yes
Representative Brown	yes	Mr. Tilling	yes
Mr. Desposito	yes	Chair Toth	yes
Mr. Metcalf	abstain		

The motion passed unanimously with one abstention.

Committee Reports

Mr. Tilling, Chair of the Board Governance Committee, reported that the Committee met in December to review changes to the Board Governance Policy Manual and the Travel and Expense Policy, and to discuss nominations for the 2018 Board Chair and Vice Chair. Mr. Tilling indicated that Mr. Toth expressed interest in remaining the Board Chair.

Mr. Tilling moved, Ms. Sledz seconded to re-elect Mr. Toth as Board Chair.

Roll call vote was taken:

Ms. Albers	yes	Mr. Mollmann	yes
Mr. Blair	yes	Ms. Sledz	yes
Representative Brown	yes	Mr. Tilling	yes
Mr. Desposito	yes	Chair Toth	yes
Mr. Metcalf	yes		

The motion passed unanimously.

Mr. Tilling indicated that he had not received any nominations for Vice Chair prior to the meeting.

Mr. Tilling moved, Ms. Sledz seconded to nominate Mr. Mollmann as Vice Chair.

Roll call vote was taken:

Ms. Albers	yes	Mr. Mollmann	yes
Mr. Blair	yes	Ms. Sledz	yes
Representative Brown	yes	Mr. Tilling	yes
Mr. Desposito	yes	Chair Toth	yes
Mr. Metcalf	yes		

The motion passed unanimously.

Mr. Tilling noted the Committee recommended changes to the Travel and Expense Policy and the Board Governance Policy Manual.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Mollmann	yes
Mr. Blair	yes	Ms. Sledz	yes
Representative Brown	yes	Mr. Tilling	yes
Mr. Desposito	yes	Chair Toth	yes
Mr. Metcalf	yes		

The motion passed unanimously.

Action Items

(Mr. Thomas entered the meeting.)

Mr. Gill reviewed the 2017 Annual Service Plan metrics, service efforts, and Nationwide's lobbying efforts regarding the tax reform bill. Mr. Gill presented the 2018 Annual Service Plan that includes face-to-face services, electronic communications, employer engagement/recognition, administrative projects, and a primary marketing initiative. Mr. Gill explained that the Nationwide staff would participate in the testing and implementation of the new recordkeeping system, and contribute to the design and development of the new website. Mr. Gill reported on the primary marketing initiative that will focus on participant empowerment over their retirement, presented samples of the My Interactive Retirement Planning tool, and highlighted the 2018 service metrics.

(Mr. Thomas left the meeting.)

Discussion was held regarding the possibility of populating the My Interactive Retirement Planning tool with available participant data.

Ms. Sledz moved, Ms. Albers seconded to accept the Nationwide 2018 Annual Service Plan as presented.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Mollmann	yes
Mr. Blair	yes	Ms. Sledz	yes
Representative Brown	yes	Mr. Tilling	yes
Mr. Desposito	yes	Chair Toth	yes
Mr. Metcalf	abstain		

The motion passed unanimously with one abstention.

The Executive Director presented his goals and Program metrics for 2018. Discussion was held regarding the status of efforts to eliminate the 30-day rule in 457 plans.

(Mr. Thomas entered the meeting.)

Mr. Mollmann requested that an additional goal be added to research the feasibility of populating the My Interactive Retirement Planning tool with available participant data. Discussion was held regarding the need to formally adopt the goals and metrics.

Mr. Thomas moved, Mr. Mollmann seconded to approve the 2018 Goals and Program Metrics Targets as presented and amended.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Mollmann	yes
Mr. Blair	yes	Ms. Sledz	yes
Representative Brown	yes	Mr. Thomas	yes
Mr. Desposito	yes	Mr. Tilling	yes
Mr. Metcalf	abstain	Chair Toth	yes

The motion passed unanimously with one abstention.

The Executive Director presented the 2018 Board meeting schedule and noted the possibility of coordinating a change to the November meeting with OPERS.

Mr. Tilling moved, Mr. Thomas seconded to approve the 2018 Board meeting schedule as presented.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Mollmann	yes
Mr. Blair	yes	Ms. Sledz	yes
Representative Brown	yes	Mr. Thomas	yes
Mr. Desposito	yes	Mr. Tilling	yes
Mr. Metcalf	yes	Chair Toth	yes

The motion passed unanimously.

The Executive Director presented the revised Investment Policy Statement that was provided to the Board in November. He indicated the Assistant Attorney General reviewed the proposed changes and indicated they did not violate any statutory or regulatory guidance.

Mr. Tilling moved, Mr. Desposito seconded to approve the revised Investment Policy Statement as presented.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Mollmann	yes
Mr. Blair	yes	Ms. Sledz	yes
Representative Brown	yes	Mr. Thomas	yes
Mr. Desposito	yes	Mr. Tilling	yes
Mr. Metcalf	abstain	Chair Toth	yes

The motion passed unanimously with one abstention.

Chair Toth read the following resolution:

RESOLUTION

WHEREAS, *Robert C. Smith* has served on the Ohio Public Employees Deferred Compensation Board from September 2004 to August 2007, and since January 2013; and,

WHEREAS, *Robert C. Smith's* investment expertise and faithful service has significantly contributed to the success of the Ohio Public Employees Deferred Compensation Program, and its mission of guiding participants along the path to retirement income security; and

NOW, THEREFORE, BE IT RESOLVED, the Ohio Public Employees Deferred Compensation Board, collectively and individually, respectfully expresses its appreciation to *Robert C. 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 16th day of January 2018.

Ms. Sledz moved, Mr. Tilling seconded to approve the resolution for Mr. Smith.

Roll call vote was taken:

Ms. Albers	yes	Mr. Mollmann	yes
Mr. Blair	yes	Ms. Sledz	yes
Representative Brown	yes	Mr. Thomas	yes
Mr. Desposito	yes	Mr. Tilling	yes
Mr. Metcalf	yes	Chair Toth	yes

The motion passed unanimously.

Discussion Items

Mr. Palmeri reviewed the executive summary recommendations for the Stable Value Option (SVO) enhancements to the open-maturity managers to improve the risk/return profile. Mr. Palmeri presented the review process used to identify the potential alternative open-maturity manager structures, the alternative manager allocations, and the details of the three proposed alternatives. Mr. Palmeri compared the potential for an improved risk/return profile, and historical performance for the alternative structures.

Discussion was held regarding the reasons for the alternative allocation amounts between Nationwide and JP Morgan, and the effect of the SVO changes on the wrap contracts. Mr. Axtel indicated that he did not anticipate any issues with the wrap providers, provided an update on recent SVO wrap fee reductions, and noted GSAMs role to have ongoing discussions about fees with the wrap providers.

Mr. Palmeri reported that RVK negotiated several fee reductions with the SVO managers that don't require portfolio allocation changes, and he explained the fee impact for the recommended alternatives.

(Senator Hottinger entered the meeting.)

Discussion was held regarding SVO manager tiered fee schedules, the amounts allocated to the WMOE managers in relation to their fees, the need for the fixed managers to outperform the passive index, the importance of maintaining the WMOE policy, the possibility of phasing in the SVO passive re-allocation, and other re-allocation alternatives.

Ms. O'Connor noted that the wrap issuer fees in the presentation do not reflect the recently renegotiated lower fees, and she indicated that adding value with better risk/return may require additional fees.

Discussion was held regarding the timeline for making a final decision on one of the alternatives, and to implement the approved re-allocation transition.

Chair Toth instructed staff and RVK to bring back additional information on the manager tiered fee schedules and other risk/return allocation alternatives to the March meeting.

Mr. Thomas moved, Senator Hottinger seconded to finalize the lower SVO fee schedules with Nationwide, Earnest, JP Morgan, Payden, and State Street.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Mollmann	yes
Mr. Blair	yes	Ms. Sledz	yes
Representative Brown	yes	Mr. Thomas	yes
Mr. Desposito	yes	Mr. Tilling	yes
Senator Hottinger	yes	Chair Toth	yes
Mr. Metcalf	yes		

The motion passed unanimously.

Ms. O'Connor reviewed the executive summary recommendations and observations of the Target Date Fund Review which included retaining BlackRock, transitioning all LifePath funds to the proposed lower-fee share class, and adding the 2060 vintage in the fall of 2019.

Ms. O'Connor presented the target date fund market overview. Discussion was held regarding the fee levels, the securities lending, and management type of the top 10 target date fund series. The asset allocation glide path comparison with passive target date fund peers was discussed.

Ms. O'Connor reviewed the function and design of the glide path. Discussion was held regarding the goals and objectives of the BlackRock glide path. Mr. Palmeri noted the RVK target date fund evaluation process.

Ms. O'Connor reported on the target date fund utilization of the Ohio DC participants. Discussion was held regarding participant behaviors about their retirement and continuing to communicate the need to save in conjunction with the pension plan benefits.

Ms. O'Connor presented the BlackRock LifePath investment philosophy, design and asset allocation strategy. She reviewed the projected balance accumulation examples for an Ohio DC participant invested solely in a LifePath fund, and the BlackRock LifePath fee comparison and historical performance.

Mr. Thomas moved, Mr. Tilling seconded to retain BlackRock as the target date fund manager, and move to the lower-costing share class as soon as administratively possible.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Mollmann	yes
Mr. Blair	yes	Ms. Sledz	yes
Representative Brown	yes	Mr. Thomas	yes
Mr. Desposito	yes	Mr. Tilling	yes
Senator Hottinger	yes	Chair Toth	yes
Mr. Metcalf	yes		

The motion passed unanimously.

Attorney General Report—Ms. Arko Zigler indicated that she did not have anything to add to her written report in the agenda.

Information Items

The Executive Director noted the 2018 Communications Plan Summary, and the 2017 Program Metrics and Objectives. He reviewed the sample annual statement.

Discussion was held regarding communication efforts that target participants who are invested solely in the SVO.

Mr. Thomas moved, Mr. Tilling seconded to adjourn the meeting at 12:00 p.m. until the next regular meeting of the Board, March 20, 2018, to be held at the Ohio Public Employees Retirement System offices, located at 277 East Town Street.