

**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 March 20, 2018 at 9:07 a.m.

Members present: Chair Steve Toth; Ms. Julie Albers; Mr. Robert Blair; Mr. Randy V. Desposito; Senator Jay Hottinger; Mr. Christopher Mabe; 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, Ms. Brenda Anderson and Mr. Mark Bursinger of Nationwide; Mr. Rob Palmeri and Ms. Mikaylee O'Connor of RVK, Inc. (RVK); and Mr. Zac Morris of Rea & Associates (Rea).

Member(s) absent: Representative Richard Brown.

Chair Toth called the meeting to order.

Minutes

The minutes January 16, 2018 Board meeting were presented.

Mr. Mabe moved, Mr. Desposito 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:

Mr. Blair	yes	Mr. Mollmann	yes
Mr. Desposito	yes	Ms. Sledz	yes
Senator Hottinger	yes	Mr. Thomas	yes
Mr. Mabe	yes	Chair Toth	yes
Mr. Metcalf	yes		

The motion passed unanimously.

(Ms. Albers entered the meeting.)

Committee Reports

Mr. Mollmann, Audit Committee Chair, reported that the Committee met to review the 2017 audit scope and audit arrangement letter. Mr. Mollmann indicated the Board should communicate any matters considered relevant to the audit to him and he would contact Rea. An amendment to the arrangement letter was made to reflect the potential communication by the Board in the engagement timetable.

Mr. Mollmann moved, Mr. Mabe seconded to approve the 2017 audit scope and the amended arrangement letter.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Metcalf	yes
Mr. Blair	yes	Mr. Mollmann	yes
Mr. Desposito	yes	Ms. Sledz	yes
Senator Hottinger	yes	Mr. Thomas	yes
Mr. Mabe	yes	Chair Toth	yes

The motion passed unanimously.

Action Items

(Mr. Tilling entered the meeting.)

Mr. Palmeri presented the Stable Value Option (SVO) Review executive summary, observations and recommendations, and manager and wrap fee reduction updates. Mr. Palmeri discussed items to consider regarding complementary multi-manager white label structures, WMOE managers, passive management, and the fee benefits of larger mandates.

Discussion was held regarding the purpose and responsibilities of the wrap provider contracts, the appropriateness of passive management in a fixed income option, the risk associated with passive management, and the duration, credit quality limits and interest rate lag of the SVO.

Mr. Palmeri presented the SVO review process, historical manager performance statistics, and excess return correlations. Mr. Palmeri reviewed the attributes of the four potential manager structures including passive management reduction, risk/return profiles, fee levels, and the impact of performance in dollar terms.

Discussion was held regarding how wrap contracts help with volatility and interest rate smoothing. Mr. Mollmann explained his reasons for suggesting to move approximately 50 percent from passive management with the alternative four manager structure.

Mr. Mollmann moved, Mr. Desposito seconded to proceed with the SVO alternative four management structure.

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

Discussion was held regarding the attributes of the other three alternatives, the need to eliminate passive management in the SVO, and the appropriate timing of eliminating passive management. Mr. Palmeri indicated that a transition plan would be brought back to the Board that would include the timing to move the assets and time for Goldman Sachs Asset Management to renegotiate the new mandate with the wrap providers. Discussion continued about the appropriate timing for the transition, the four alternatives, and the need to let staff and RVK work with a transition manager to layout the most prudent timing.

Roll call vote was taken:

Ms. Albers	yes	Mr. Mabe	no
Mr. Blair	yes		
Mr. Desposito	yes		
Senator Hottinger	yes		
Mr. Metcalf	yes		
Mr. Mollmann	yes		
Ms. Sledz	yes		
Mr. Thomas	yes		
Mr. Tilling	yes		
Chair Toth	yes		

The motion passed 10 to 1.

Ms. O'Connor presented information on the Ohio DC historical menu changes, fiduciary compliance with the Investment Policy Statement, investment menu characteristics, white label funds, and investment fee reduction. Ms. O'Connor noted the DC plan evolution of simplifying the investment menu design, and investment menu long-term objectives.

(Mr. Mabe left the meeting.)

Discussion was held regarding white label fund education, participant investment decisions and diversification, and any potential need to change the Ohio DC investment menu when the Roth 457 is added. It was noted that the same investment line-up would be offered for the Roth 457.

(Mr. Metcalf left the meeting.)

Ms. O'Connor indicated that RVK did not have any concerns with the existing Ohio DC investment managers.

Mr. Thomas moved, Senator Hottinger seconded to accept the RVK reports as presented.

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

Roll call vote was taken:

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

The motion passed unanimously.

The Executive Director presented the recommendation to move the November Board meeting to November 13 to coordinate with the revised OPERS November meeting dates.

Ms. Albers moved, Mr. Desposito seconded to change the regular November Board meeting from November 20 to November 13, 2018.

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

Roll call vote was taken:

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

The motion passed unanimously.

The Executive Director indicated the 2018 NAGDCA Annual Conference will be held September 23-26 in Philadelphia, Pennsylvania. Board approval would be required to allow Board members to attend the conference.

Mr. Thomas moved, Mr. Desposito seconded to approve travel for any Board member interested in attending the 2018 NAGDCA Annual Conference.

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

Roll call vote was taken:

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

The motion passed unanimously.

Discussion Items

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 2017 Benchmark Trend Report included in the agenda. He reported the Personnel and Salary Review Committee would meet on April 17 to review the RFP responses for the Compensation Study. The RFP responses are due on March 30. The Executive Director attended the NAGDCA spring Capitol Hill visit where he met with legislators to discuss the NAGDCA priorities.

Mr. Tiling moved, Ms. Albers seconded to adjourn the meeting at 11:20 a.m. until the next regular meeting of the Board, May 15, 2018, to be held at the Ohio Public Employees Retirement System offices, located at 277 East Town Street.