

**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 15, 2018 at 9:03 a.m.

Members present: Chair Steve Toth; Ms. Julie Albers; Mr. Robert Blair; Mr. Christopher Mabe; Mr. Seth Metcalf; Mr. Herman H. Mollmann, Jr.; Mr. Timothy Steitz; 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 Ms. Shana Sellers-McElroy 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. Zac Morris of Rea & Associates (Rea).

Member(s) absent: Representative Richard Brown; Mr. Randy V. Desposito; Senator Jay Hottinger; and Ms. Cinthia Sledz.

Chair Toth called the meeting to order and welcomed Mr. Steitz to the Board.

Mr. Mabe moved, Mr. Thomas seconded to excuse Mr. Desposito and Ms. Sledz.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Steitz	yes
Mr. Blair	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Mr. Mollmann	yes	Chair Toth	yes

The motion passed unanimously.

Minutes

The minutes March 20, 2018 Audit Committee meeting, the March 20, 2018 Board meeting, and the April 17, 2018 Personnel and Salary Review Committee meeting were presented.

Mr. Thomas moved, Mr. Mabe 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. Steitz	abstain
Mr. Blair	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Mr. Mollmann	yes	Chair Toth	yes

The motion passed unanimously with one abstention.

Committee Reports

Mr. Mollmann, Audit Committee Chair, reported that the Committee met to hear a presentation by staff and Rea regarding the results of the 2017 audit. The Audit Committee is recommending approval of the audit reports and Comprehensive Annual Financial Report (CAFR).

Mr. Mollmann moved, Ms. Albers seconded to approve the 2017 audit reports and CAFR as presented.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Steitz	yes
Mr. Blair	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Mr. Mollmann	yes	Chair Toth	yes

The motion passed unanimously.

Mr. Miller reviewed the 2017 CAFR highlights that included the audit results, statistical information, management discussion and analysis, an update on GASB 68 reporting, and Program actions and initiatives.

Action Items

Mr. Axtel reviewed the outcomes from the wrap contract negotiations to implement the manager allocation changes approved by the Board. A transition manager can be used to affect the re-allocation

changes and the Investment Management Agreement with Payden & Rygel will need to be amended. Mr. Bisset presented the proposed market value, book value, and portfolio structure changes based on the manager re-allocations. Mr. Bisset noted that Transamerica recently agreed to lower their wrap fee to 18 bps. Mr. Axtel explained the proposed Payden & Rygel investment guideline changes that will enhance flexibility and seek to mitigate risk.

Discussion was held regarding the investment guideline changes in the Payden & Rygel portfolio. Ms. O'Connor noted the benefits of engaging a transition manager and reported that RVK requested transition manager bids from State Street and Blackrock.

Mr. Mollmann moved, Mr. Blair seconded to approve the proposed Stable Value Option wrapper/manager structure, authorize the hiring of a transition manager, and authorize the Executive Director to sign an amended Investment Management Agreement with Payden & Rygel.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Steitz	yes
Mr. Blair	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Mr. Mollmann	yes	Chair Toth	yes

The motion passed unanimously.

Ms. O'Connor presented the criteria for the total plan costs benchmarking survey RVK conducted with twenty-one large plan sponsors.

Ms. O'Connor reviewed the survey results regarding the breakdown of plan costs and fees. Ohio DC costs and fees are at or lower than the median peer results.

(Mr. Metcalf entered the meeting.)

Mr. Palmeri presented the first quarter 2018 capital markets review, including information on the economic environment, key economic indicators, and market performance.

(Mr. Metcalf left the meeting.)

Ms. O'Connor presented the plan performance review, asset allocation, and fund monitoring summary. Fiera Small-Cap Growth is in a "yellow" status due to short- and long-term under performance. Discussion was held regarding Fiera's performance, stock selection, and style discipline. Ms. O'Connor reviewed the comparative performance of the investment options. RVK does not recommend any changes to the fund line-up or managers.

Ms. Albers moved, Mr. Mabe 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	Mr. Steitz	yes
Mr. Blair	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Mr. Mollmann	yes	Chair Toth	yes

The motion passed unanimously.

The Executive Director indicated the Board was seeking a contract extension for up to two years with Nationwide to allow staff time to complete Phase I and II of the recordkeeping modernization. Nationwide proposed a discount to the base fees for the final year, and a freeze on total incentive compensation if a three-year extension is approved. The Executive Director reviewed the key provisions of the two-year and three-year extensions. Comments were made regarding the long-time, successful partnership with Nationwide and the good faith negotiations.

Mr. Thomas moved, Ms. Albers seconded to approve a three-year Nationwide contract extension as presented.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Steitz	yes
Mr. Blair	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Mr. Mollmann	yes	Chair Toth	abstain

The motion passed unanimously with one abstention.

The Executive Director indicated staff would present Plan Document amendments for the Roth option at the August Strategic Planning meeting, and the Roth option would be targeted for implementation in mid-2019. The Executive Director reviewed the recommended Roth provisions.

Mr. Thomas moved, Mr. Blair seconded to approve the provisions related to the Roth option as presented, which will allow staff to proceed with the development and implementation of the Roth option.

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

Discussion was held regarding available Roth provisions. The Executive Director indicated that the recommended provisions follow best practices, and staff is not recommending in-plan conversions now. Discussion continued regarding the Roth option being elective vs. opting-out by the employer, the need to allow Roth roll-ins when an employer is not a designated Roth employer, and potential additional costs and push back from employers.

Mr. Thomas and Mr. Blair agreed to an amendment to the motion to allow Roth roll-ins when an employer is not a designated Roth employer.

Roll call vote was taken on the amended motion:

Ms. Albers	yes	Mr. Steitz	yes
Mr. Blair	yes	Mr. Thomas	yes
Mr. Mabe	yes	Mr. Tilling	yes
Mr. Mollmann	yes	Chair Toth	yes

The motion passed unanimously.

The Executive Director reviewed the recommended amendment to Ohio Revised Code (ORC) 148 that would allow the State of Ohio to automatically enroll newly hired employees in Ohio DC. He explained that the amendment would permit automatic enrollment as an alternative to the current Opt in/out practice.

Ms. Albers moved, Mr. Mollmann seconded to authorize the Executive Director to pursue an amendment to ORC 148 to allow the State of Ohio to automatically enroll newly hired employees in Ohio DC.

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

Discussion was held on how automatic enrollment works, including the minimum deferral amount and the 90-day timeframe to opt-out before deferrals are deducted. The Board requested that the Executive Director review the proposed ORC amendment with Senator Hottinger and Representative Brown prior to moving ahead with the amendment.

Roll call vote was taken:

Ms. Albers	yes	Mr. Mabe	no
Mr. Blair	yes		
Mr. Mollmann	yes		
Mr. Steitz	yes		
Mr. Thomas	yes		
Mr. Tilling	yes		
Chair Toth	yes		

The motion passed 7 to 1.

Discussion Items

The Executive Director presented the proposed Strategic Planning meeting agenda topics. Mr. Tilling requested that information be provided on what other systems are doing or cutting-edge ideas.

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 2017-2018 Proxy Summary Annual Report.

Mr. Mabe moved, Mr. Mollmann seconded to adjourn the meeting at 10:57 a.m. until the next regular meeting of the Board, August 13, 2018, to be held at the Ohio Public Employees Retirement System offices, located at 277 East Town Street.