

**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 18, 2018 at 9:00 a.m.

Members present: Chair Steve Toth; Ms. Julie Albers; Representative Richard Brown; Mr. Randy V. Desposito; Senator Jay Hottinger; Mr. Seth Metcalf; Mr. Herman H. Mollmann, Jr.; Ms. Cinthia Sledz; Mr. Timothy Steitz; Mr. Ken Thomas; Mr. James R. Tilling; and Mr. Matt Whatley representing Mr. Robert Blair.

Also present: Mr. Keith Overly, Executive Director, Mr. Paul D. Miller, Mr. James E. Heagen, Mr. Joshua King, Ms. Andrea Feicht; 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; Ms. Mikaylee O'Connor and Mr. Jim Voytko of RVK, Inc. (RVK); and Mr. John Axtel and Mr. John Bisset of Goldman Sachs Asset Management (GSAM).

Member(s) absent: Mr. Christopher Mabe.

Chair Toth called the meeting to order.

Minutes

The minutes of the May 15, 2018 Audit Committee meeting, the May 15, 2018 Board meeting, and the August 13, 2018 Strategic Planning meeting were presented.

Ms. Albers moved, Representative Brown 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	Ms. Sledz	yes
Representative Brown	yes	Mr. Steitz	yes
Mr. Desposito	yes	Mr. Tilling	yes
Mr. Metcalf	yes	Mr. Whatley	yes
Mr. Mollmann	yes	Chair Toth	yes

The motion passed unanimously.

Committee Reports

None.

Action Items

Ms. O'Connor introduced Mr. Axtel, Mr. Bisset, and Mr. Voytko.

Ms. O'Connor presented the executive summary of the Stable Value Option (SVO) annual review. RVK does not have any recommended changes to the structure, allocation, wrap issuers, or managers of the SVO. One edit to the SVO Investment Policy Statement is recommended.

(Mr. Thomas entered the meeting.)

Ms. O'Connor reviewed highlights of the SVO performance, decreased fees, and historical trailing performance compared to benchmarks.

Mr. Axtel provided an overview of how stable value options are used by defined contribution plans and the 20-year risk/return analysis.

(Senator Hottinger entered the meeting.)

Discussion was held regarding the duration differences between money market funds and stable value funds.

Mr. Axtel explained how the SVO is designed with fixed income portfolios and wrap contracts to provide an intermediate yield and principal stability. Discussion was held regarding the reconciliation frequency, book value variance, and rounding of the SVO crediting rate.

Mr. Axtel presented the formula for the crediting rate and the expected movement of the market-to-book ratio as market conditions change. Discussion was held regarding instances when the wrap providers would make payments and the current SVO wrap fees. Mr. Axtel summarized wrap contract coverage and historical wrap contract fees. Discussion was held regarding the process for a wrap provider to exit a contract and how GSAM negotiates the wrap coverage on behalf of Ohio DC.

Mr. Axtel reviewed the SVO portfolio highlights for the previous twelve months.

Discussion was held regarding the accounting standards for book value accounting, the need for wrap providers to reserve capital to maintain the required coverage, the risk assumed by the wrap providers, and the responsibilities of wrap provider contracts during market fluctuations.

Mr. Bisset presented information comparing the performance of the Ohio DC SVO to the eVestment Stable Value Separate Account Universe. The SVO performance ranks in the top quartile. Discussion was held regarding the differences in crediting rate, management style and risk tolerance of the portfolios in the high and 25th percentile. Mr. Axtel indicated that the eVestment universe includes stable value Separate Account composites reported by each manager submitting results, and he noted the possible structure differences of the plans that are in the “high” ranking.

(Mr. Thomas left the meeting.)

Mr. Bissett reviewed the SVO spot yield, portfolio overview, and portfolio structure detail.

Ms. O'Connor highlighted various stable value fund lawsuits over the past few years, stable value industry comparisons, and the SVO performance history. Ms. O'Connor indicated there were no recommendations regarding the SVO managers. RVK recommended a change to the Stable Value Investment Policy Statement to memorialize the periodic review of stable value structure. She also highlighted the fund fees peer group analysis and portfolio cash flows.

Mr. Voytko discussed the treasury yield curve in the second quarter investment performance report.

Ms. O'Connor noted the RVK capital market assumptions, and the Program's asset allocation by management, asset class and manager. Ms. O'Connor reviewed the fund monitoring summary and indicated the Templeton Foreign fund and the Fiera portfolio within the Ohio DC Small Cap Growth fund were in yellow status and will be closely monitored.

Ms. Albers moved, Mr. Tilling seconded to accept the Quarterly Investment Performance Analysis and Annual Stable Value Option Review, and the edits to the Stable Value Option Investment Policy Statement, as presented.

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

Roll call vote was taken:

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

The motion passed unanimously.

The Executive Director presented the Strategic Plan update that included new objectives for the feasibility of developing a joint financial wellness program with the Ohio retirement systems and DAS, a participant survey to understand distribution and/or rollover choices, and an RFP to retain a master custodian for all separate accounts.

Mr. Whatley moved, Mr. Desposito 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:

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

The motion passed unanimously.

(Mr. Thomas entered the meeting.)

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:

Parma City School District
Hocking Valley Community Hospital
City of East Cleveland
City of Sandusky
City of Middletown
Sandusky County
Napoleon Area Schools
Athens County

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

Ms. Sledz moved, Senator Hottinger 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:

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

Mr. Thomas moved, Mr. Desposito seconded to excuse Mr. Mabe.

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

Roll call vote was taken:

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

The motion passed unanimously.

Information Items

The Executive Director noted the Inter-University Council of Ohio’s issuance of an RFP to assess the vendors, investment options and costs of retirement plans offered by five universities. He also learned, during a meeting with The Ohio State University (OSU), that OSU is also looking at all of its retirement plans. This may result in a reduction of competing plans and increased participation in Ohio DC.

The Executive Director mentioned the upcoming NAGDCA Conference, September 23-26, and the Personnel and Salary Review Committee meeting on October 17.

Mr. Tilling moved, Mr. Whatley seconded to adjourn the meeting at 11:10 a.m. until the next regular meeting of the Board, November 13, 2018, to be held at the Ohio Public Employees Retirement System offices, located at 277 East Town Street.