

**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 13, 2018 at 9:00 a.m.

Members present: Chair Steve Toth; Ms. Julie Albers; Mr. Robert Blair; Representative Richard Brown; Mr. Randy V. Desposito; Senator Jay Hottinger; Mr. Christopher Mabe; Mr. Seth Metcalf; Mr. Herman H. Mollmann, Jr.; Ms. Cinthia Sledz; 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; Mr. James R. Patterson of the Attorney General’s office; Mr. Matt Gill, Mr. Cedric Gaaskjolen, and Ms. Penny Monahan of Nationwide; and Ms. Mikaylee O’Connor and Mr. Jim Voytko of RVK, Inc. (RVK).

Chair Toth called the meeting to order.

Minutes

The minutes of the September 18, 2018 Board meeting, and the October 17, 2018 Personnel and Salary Review Committee meeting were presented.

Ms. Albers 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:

| | | | |
|----------------------|-----|-------------|-----|
| Ms. Albers | yes | Ms. Sledz | yes |
| Mr. Blair | yes | Mr. Steitz | yes |
| Representative Brown | yes | Mr. Thomas | yes |
| Mr. Desposito | yes | Mr. Tilling | yes |
| Mr. Mabe | yes | Chair Toth | yes |
| Mr. Mollmann | yes | | |

The motion passed unanimously.

Committee Reports

Mr. Thomas, Chair of the Personnel and Salary Review Committee, reported that the Committee met in October to review the compensation study results, salary and benefit recommendations. The Committee voted to recommend approval of the recommendations to the full board.

Mr. Thomas moved, Ms. Sledz seconded to:

1. Accept the compensation study report from CBIZ
2. Approve the new 2019 pay range schedule
3. Approve a 3-percent increase to the 2019 salary budget to fund pay for performance adjustments, plus \$20,100 for compression pay adjustment.

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. Steitz | yes |
| Representative Brown | yes | Mr. Thomas | yes |
| Mr. Desposito | yes | Mr. Tilling | yes |
| Mr. Mabe | yes | Chair Toth | yes |
| Mr. Mollmann | yes | | |

The motion passed unanimously.

Action Items

Mr. Voytko presented the third quarter 2018 capital markets review and noted the treasury yield curve, interest rates, inflation, the labor market, economic indicators, and the U.S. Equity market.

(Mr. Metcalf entered the meeting.)

Ms. O'Connor presented Ohio DC's asset allocation by management, asset class, the core options, and the Stable Value managers. Ms. O'Connor reviewed the fund monitoring summary, explained the underperformance of the active management options, and explained the four-quarter "yellow" rating of Fiera Small Cap Growth, an underlying manager in the Ohio DC Small-Cap Growth fund. The rating is due to underperformance and a divergence from their portfolio strategy. RVK is continuing to monitor Fiera and will have an on-site due diligence visit. Discussion was held regarding the timeline for evaluation, and the lead-time and options for removing a manager from a white-label option. The asset weightings of the Ohio DC Small Cap Growth fund, and the available options to

change the allocation to Fiera or move Fiera out of the fund were discussed. RVK will make a recommendation on Fiera in January.

(Senator Hottinger entered the meeting.)

Ms. O'Connor presented the fund fees analysis and indicated that in December the Fidelity Contrafund and Growth Company funds would be transitioned to class 3 shares, moving the expense ratio from 0.38% to 0.35%. Ms. O'Connor reported that the assets in the Ohio DC Intermediate Bond fund (managed by Met West CIT) have decreased below the asset level required to receive the 0.25% expense ratio. If the asset level does not increase, the funds will be moved to a higher fee share class with an expense ratio of 0.30% in the first quarter of 2019. Discussion was held regarding alternate solutions for the assets in the Ohio DC Intermediate Bond fund, and potential reasons for the lower asset level. RVK will bring a recommendation back to the Board in January.

Ms. O'Connor reviewed the SVO participant utilization data. Discussion was held regarding the communication efforts used to educate participants that are invested in a single fund.

Ms. Albers moved, Mr. Tilling seconded to accept the Quarterly Investment Performance Analysis 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. Steitz | yes |
| Mr. Desposito | yes | Mr. Thomas | yes |
| Senator Hottinger | yes | Mr. Tilling | yes |
| Mr. Mabe | yes | Chair Toth | yes |
| Mr. Metcalf | yes | | |

The motion passed unanimously.

(Mr. Thomas left the meeting.)

Mr. Miller presented the request for a \$37,000 amendment to the 2018 budget to cover the printing and postage costs to notify participants of the December 14, 2018 transition to class 3 shares in the Fidelity Contrafund and Growth Company Commingled Pools.

Mr. Mabe moved, Mr. Mollmann seconded to approve a \$37,000 increase to the 2018 printing and postage budgets to accommodate the Fidelity fund transition.

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 |
| Representative Brown | yes | Ms. Sledz | yes |
| Mr. Desposito | yes | Mr. Steitz | yes |
| Senator Hottinger | yes | Mr. Tilling | yes |
| Mr. Mabe | yes | Chair Toth | yes |

The motion passed unanimously.

(Mr. Thomas entered the meeting.)

Mr. Miller presented the 2018 financial results and explained the budget variances. Mr. Miller reviewed the 2019 Administrative Fund Budget. The revenues are budgeted to decrease 0.3 percent, expenses are budgeted to increase 5.4 percent mostly due to recordkeeping modernization amortization costs, capital expenditures are budgeted at \$4.0 million, and the ending fund reserves are projected to be at 13.1 months of expenses and will not require a change in the administrative fee of 0.14 percent.

Discussion was held regarding the renewal of the office lease, the increase in the amortization expenses, and the changes to the parent company for the recordkeeping modernization consultants.

Ms. Sledz moved, Mr. Desposito seconded to approve the 2019 administrative expense budget, and approve the 2019 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:

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

The motion passed unanimously.

Discussion Items

Mr. Lepper and Mr. King presented a strategic objective (2-47) report on Ohio DC’s current or near-term use of technology, the research on potential future technologies, and technologies that are currently not practical for Ohio DC.

Discussion was held regarding the security of cloud services, IP blocking, the employer education needed to mandate the use of the Ohio Business Gateway (OBG) to remit participant deferrals, and the potential to coordinate OBG website training with the State and the OBG.

Attorney General Report–Mr. Patterson indicated that he did not have anything to add to the written report in the agenda.

Information Items

The Executive Director did not have anything to report on the information items.

Mr. Thomas moved, Mr. Tilling seconded to go into Executive Session under Ohio Revised Code §121.22(G)(1) at 11:14 a.m. to review the employment and compensation of the Executive Director.

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. Steitz | yes |
| Mr. Desposito | yes | Mr. Thomas | yes |
| Senator Hottinger | yes | Mr. Tilling | yes |
| Mr. Mabe | yes | Chair Toth | yes |
| Mr. Metcalf | yes | | |

The motion passed unanimously.

(Senator Hottinger left the meeting at 11:37 a.m. and Representative Brown left the meeting at 11:54 a.m.)

The meeting returned to regular session at 12:05 p.m.

Mr. Thomas moved, Ms. Sledz seconded to approve the Executive Director's compensation as discussed in Executive Session and not to exceed those parameters.

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. Steitz | yes |
| Mr. Desposito | yes | Mr. Thomas | yes |
| Mr. Mabe | yes | Mr. Tilling | yes |
| Mr. Metcalf | yes | Chair Toth | yes |
| Mr. Mollmann | yes | | |

The motion passed unanimously.

Mr. Mabe moved, Mr. Mollmann seconded to adjourn the meeting at 12:06 p.m. until the next regular meeting of the Board, January 15, 2019, to be held at the Ohio Public Employees Retirement System offices, located at 277 East Town Street.