



OHIO DEFERRED COMPENSATION

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2018 PAFR

2018 Popular Annual Financial Report
Ohio Public Employees Deferred Compensation Program

Keith Overly
Executive Director

Ohio457.org

Dear Ohio Deferred Compensation Participants,

It is with great pleasure that the Ohio Deferred Compensation (Ohio DC) Board of Trustees, and staff, present this 2018 Popular Annual Financial Report (PAFR). The PAFR is an easy-to-read summary of the Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2018. Ohio DC is one of the largest 457 plans in the U.S., with more than 237,000 participant accounts from 1,949 State and local government employers. This PAFR has been prepared to assist you in understanding Ohio DC's program and how we help participants in supplementing their retirement income.

This PAFR will provide you with a variety of examples as to how we are fulfilling our mission of guiding our participants along the path to retirement income security. Members of Ohio's retirement systems can contribute to Ohio DC on a voluntary basis to supplement their retirement income. As a self-directed plan, participants are responsible for their own savings and investment decisions, but much of their investment success depends on the amount of contributions and the overall direction of the financial markets.

The U.S. stock markets were down 4.4 percent in 2018, as tracked by the S&P 500 index, after achieving nine consecutive years of positive performance. The long positive market trend gave many participants the confidence to maintain or increase their payroll contributions, and it encouraged other public employees to enroll. With only one year of negative performance, the expectations are that participants will not react negatively to this one-year decline, and the current savings trend will continue.

Ohio DC achieved these all-time highs in 2018:

- \$496,300,000 total annual contributions
- 1,949 contributing employers
- 237,100 participant accounts
- 120,990 total actively contributing participants

Ohio DC also faces several challenges. The number of public employees eligible to participate in Ohio DC has generally declined over the past ten years, with distributions to participants rising 53 percent and transfers to other plans have risen 29 percent over the past ten years.

2018 Initiatives and Beyond

In 2015, we began the recordkeeping modernization project, which took several years to complete and cost approximately \$9.5 million. Implementation took place in Q1 2019 and came in under budget.

Planning and programming has already begun on the second phase of the recordkeeping modernization project. The second phase of the recordkeeping modernization project is targeted for late 2019 or early 2020, and it will include the addition of new functionality to the system including:

- After-tax (Roth) accounts
- A new participant website
- End-result exchange capability
- Automatic account rebalancing

In order for the Program to offer an after-tax savings plan (Roth 457), the Ohio Revised Code was amended in 2017, and the Program's Plan Document was amended in 2018. Once the recordkeeping system is updated to accommodate Roth 457 accounts, the Program will begin educational campaigns for employers and employees about the differences between pre-tax and after-tax investing.

Changes were made to the Ohio DC investment line-up during 2018 to improve portfolio management and net returns to participants. Line-up changes included:

- The Program moved investors in the LifePath target date options from class L shares to class N shares. The class N shares have the same investment strategy, but lower fees, and participants invested in the LifePath options will save over \$550,000 annually in investment fees.
- The Program moved investors in the Fidelity Contrafund and Growth Company collective investment trusts from class 2 shares to class 3 shares. The class 3 shares have the same investment strategy, but lower fees, and participants invested in the Fidelity options will save over \$750,000 annually in investment fees.
- The Program reallocated assets among the Stable Value Option portfolios to reduce exposure to passive investment strategy by approximately 50 percent.



As we move forward, the Ohio DC Board and staff will continue their commitment to low participant fees and fee transparency while enhancing our services and products to help participants save for a better retirement. Thank you for your engagement and continued partnership with us in helping participants to save for a secure retirement.

Kindest regards,

A handwritten signature in black ink, appearing to read "K Overly".

Keith Overly
Executive Director

HELPING YOU SAVE FOR RETIREMENT

IT'S WHAT WE ARE HERE FOR

Ohio Deferred Compensation is dedicated to making sure our participants are well informed about what it means to save for retirement. As a self-directed plan, our participants are responsible for making their own savings and investment decisions, but for them to succeed, they need to be educated about the need to invest early and regularly and to be informed about the basics of investing.



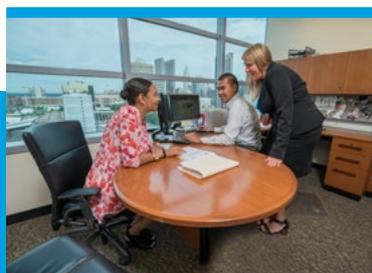
WE MAKE THINGS SIMPLE



SMarT Plan Enrollment Form



NEVER COMPROMISE
ON QUALITY



Dedicated Staff



PREPARE FOR RETIREMENT



Retirement Planning Specialists

OUR MISSION

Guiding our participants along the path to retirement income security.

We are driven to provide our participants with the tools and resources they need, to be able to take control of their own retirement outcomes.



OUR VALUES

INTEGRITY AND ETHICS

FIDUCIARY ACCOUNTABILITY

PROFESSIONALISM

INNOVATION

EFFICIENCY

OUR GOALS

Provide quality participant services and promote financial literacy through effective education and clear communication.

Establish plan features and tools that encourage supplemental savings to provide income through retirement.

Provide suitable, diverse, cost effective investment options.

Accurately and fairly apply laws; when appropriate, advocate regulatory and legislative changes.

Develop and implement prudent practices to effectively govern and administer the Plan.



ASSETS AND LIABILITIES

We can help you save more!

The below statement shows the various plan assets and liabilities for the years ended December 31, 2018 and 2017. The plan net position represents the funds accumulated thus far to pay retirement income benefits to participants. Ohio Deferred Compensation

is a non-profit organization and all assets are held in trust on behalf of the employers for the exclusive benefit of participants and their beneficiaries with the goal of providing them with retirement income security.

ASSETS:	2018	2017	\$ CHANGE	% CHANGE
INVESTMENTS	\$13,112,231,768	\$13,559,995,372	\$-447,763,604	-3.3%
CASH AND CASH EQUIVALENTS	14,771,228	14,273,965	497,263	3.5%
CONTRIBUTIONS RECEIVABLE AND CASH HELD FOR INVESTMENT	5,877,871	7,316,040	-1,438,169	-19.7%
OTHER ASSETS	11,211,824	8,497,829	2,713,995	31.9%
TOTAL ASSETS	13,144,092,691	13,590,083,206	-445,990,515	-3.3%

LIABILITIES:				
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	3,547,647	3,409,363	138,284	4.1%
NET PENSION LIABILITY	3,403,207	2,540,312	862,895	34.0%
TOTAL LIABILITIES	6,950,854	5,949,675	1,001,179	16.8%
PLAN NET POSITION AVAILABLE FOR BENEFITS	\$13,137,141,837	\$13,584,133,531	\$-446,991,694	-3.3%



ADDITIONS:	2018	2017	\$ CHANGE	% CHANGE
NET INVESTMENT INCOME (LOSS)	-\$341,828,165	\$1,798,830,803	-\$2,140,658,968	-119.0%
PARTICIPANT CONTRIBUTIONS	496,296,253	475,928,694	20,367,559	4.3%
TRANSFERS FROM OTHER PLANS	117,389,189	116,925,187	464,002	0.4%
OTHER ADDITIONS	1,149,560	1,394,036	-244,476	-17.5%
TOTAL ADDITIONS	273,006,837	2,393,078,720	-2,120,071,883	-88.6%

DEDUCTIONS:				
BENEFIT DISTRIBUTIONS	387,336,401	351,506,917	35,829,484	10.2%
TRANSFERS TO OTHER PLANS	321,205,624	295,491,754	25,713,870	8.7%
ADMINISTRATIVE EXPENSES	10,389,667	10,565,698	-176,031	-1.7%
TOTAL DEDUCTIONS	718,931,692	657,564,369	61,367,323	9.3%
NET INCREASE (DECREASE)	-445,924,855	1,735,514,351	-2,181,439,206	-125.7%
PLAN NET POSITION, BEGINNING OF YEAR	13,584,133,531	11,848,619,180	1,735,514,351	14.6%
RESTATEMENT EFFECT OF GASB 75	-1,066,839	0	-1,066,839	
PLAN NET POSITION, END OF YEAR	\$13,137,141,837	\$13,584,133,531	-\$446,991,694	-3.3%

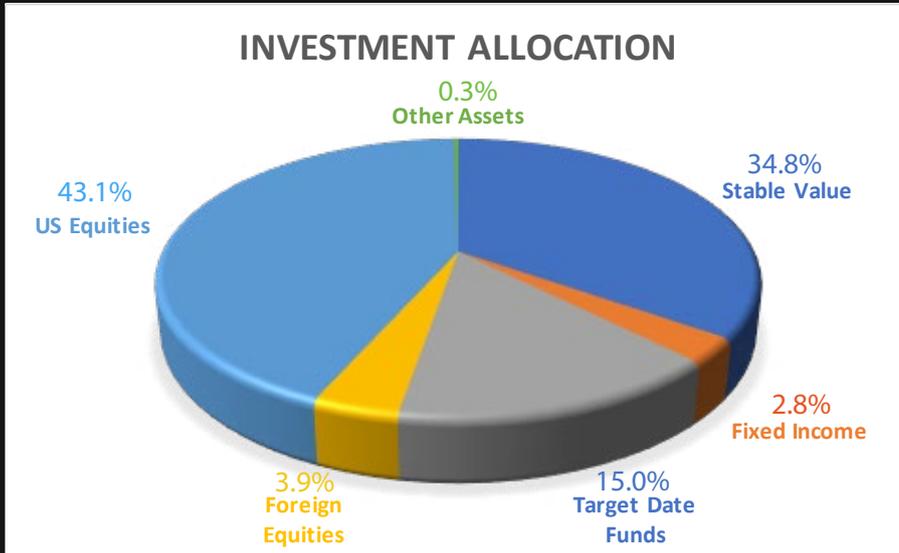
INCOME AND EXPENSES

The above statement shows the annual additions (income) and deductions (expenses) for Ohio DC. Additions come from participant contributions, transfers from other plans, investment income earned on participant accounts, and recordkeeping rebates/income.

The primary deductions are benefit payments, transfers out to other plans and administrative expenses, which are required to manage the program. A net increase represents more assets were accumulated in the current year to pay more retirement income benefits.



INVESTMENTS - SUMMARY



ASSET CLASS	ALLOCATIONS
STABLE VALUE	\$4,574,809,130
FIXED INCOME	\$369,710,796
TARGET DATE FUNDS	\$1,975,028,887
FOREIGN EQUITIES	\$517,397,300
US EQUITIES	\$5,660,667,083
OTHER ASSETS	\$39,528,641
TOTAL ASSETS	\$13,137,141,837

ALLOCATION SUMMARY

Investment markets are extremely complex and market volatility is impossible to predict. For these reasons, Ohio Deferred Compensation, as well as all responsible retirement plans, stress the need for

investors to take advantage of their ability to diversify their investments. Diversification reduces portfolio risk. In the above chart, you can see the various asset classes that Ohio DC participants invest in.

PARTICIPANT INVESTMENTS

Ohio Deferred Compensation is a self-directed plan, so participants choose the investment options for their current deferrals and balances. The Board

has adopted an investment policy to ensure that a suitable number of diverse investment options are offered and regularly monitored.

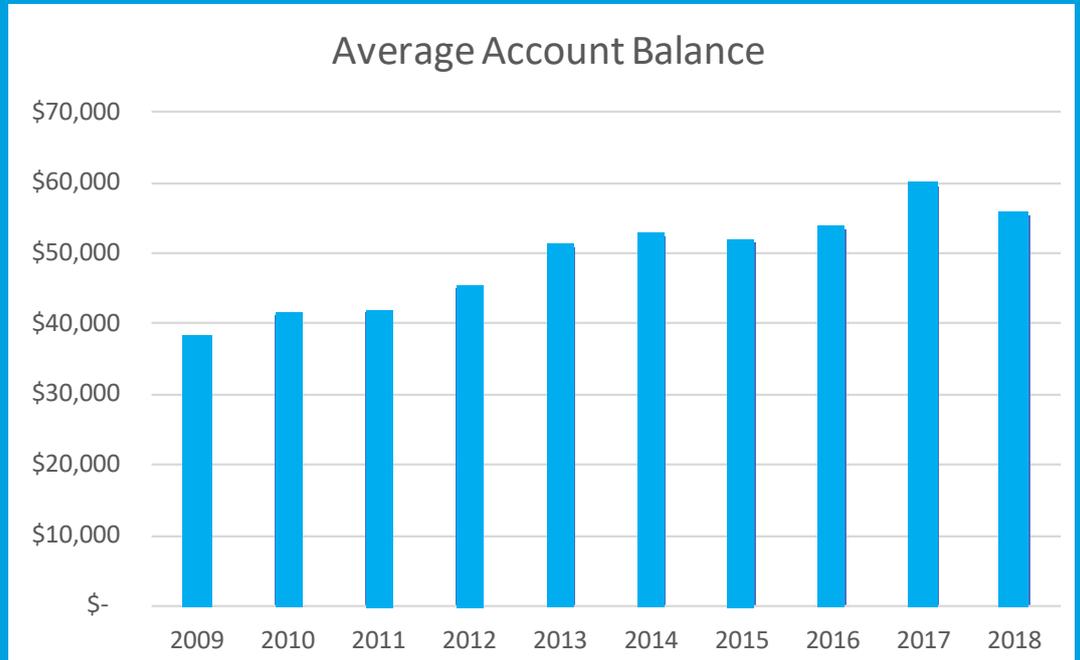


OHIO DEFERRED COMPENSATION

In facts and numbers

AVERAGE PARTICIPANT ACCOUNT

2009	\$38,185
2010	\$41,282
2011	\$41,695
2012	\$45,197
2013	\$50,962
2014	\$52,382
2015	\$51,445
2016	\$53,362
2017	\$59,480
2018	\$55,408



ACCOUNT BALANCES

Higher account balances will result in higher retirement incomes for our participants. While this seems like common sense, people often do not realize that they need to set a goal for what they

would like to accumulate for retirement. For some, this might be a total amount of savings. For others, it's easier to look at how much income they will earn per month in retirement, based on their savings.

ALL-TIME HIGHS IN 2018

\$496 MILLION



TOTAL ANNUAL CONTRIBUTIONS

1,949



CONTRIBUTING EMPLOYERS

237,100



PARTICIPANT ACCOUNTS

120,990



ACTIVELY DEFERRING PARTICIPANTS

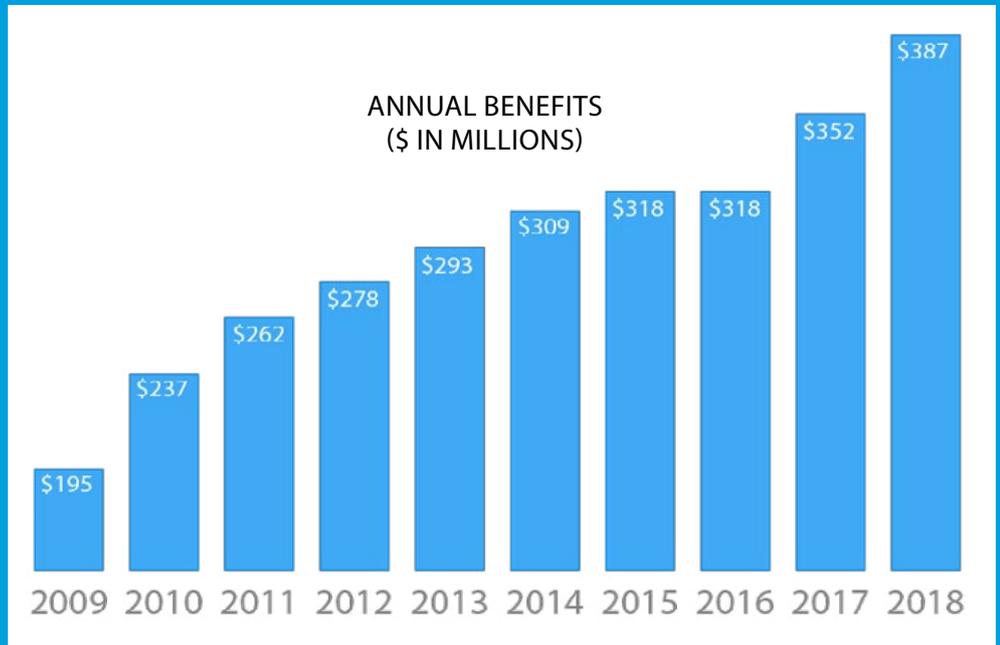


OHIO DEFERRED COMPENSATION

In facts and numbers

TOTAL DISTRIBUTIONS

2009	\$195 MILLION
2010	\$237 MILLION
2011	\$262 MILLION
2012	\$278 MILLION
2013	\$293 MILLION
2014	\$309 MILLION
2015	\$318 MILLION
2016	\$318 MILLION
2017	\$352 MILLION
2018	\$387 MILLION

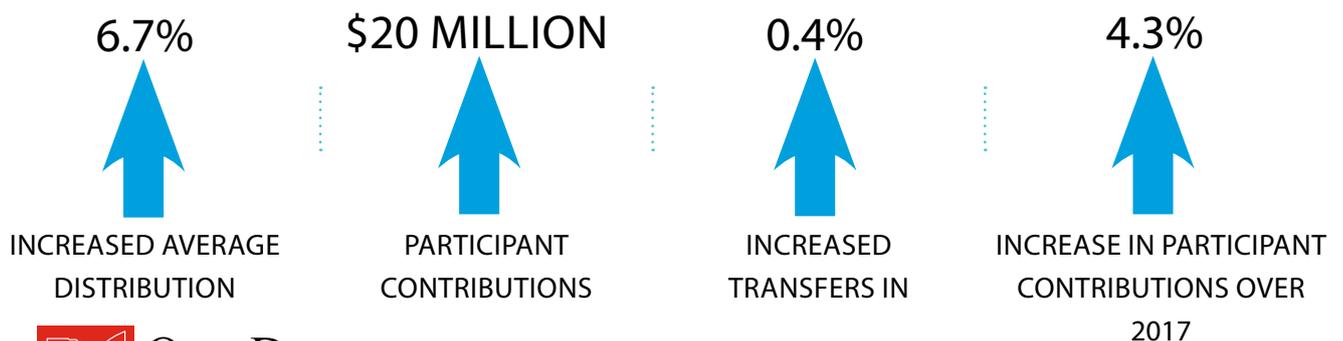


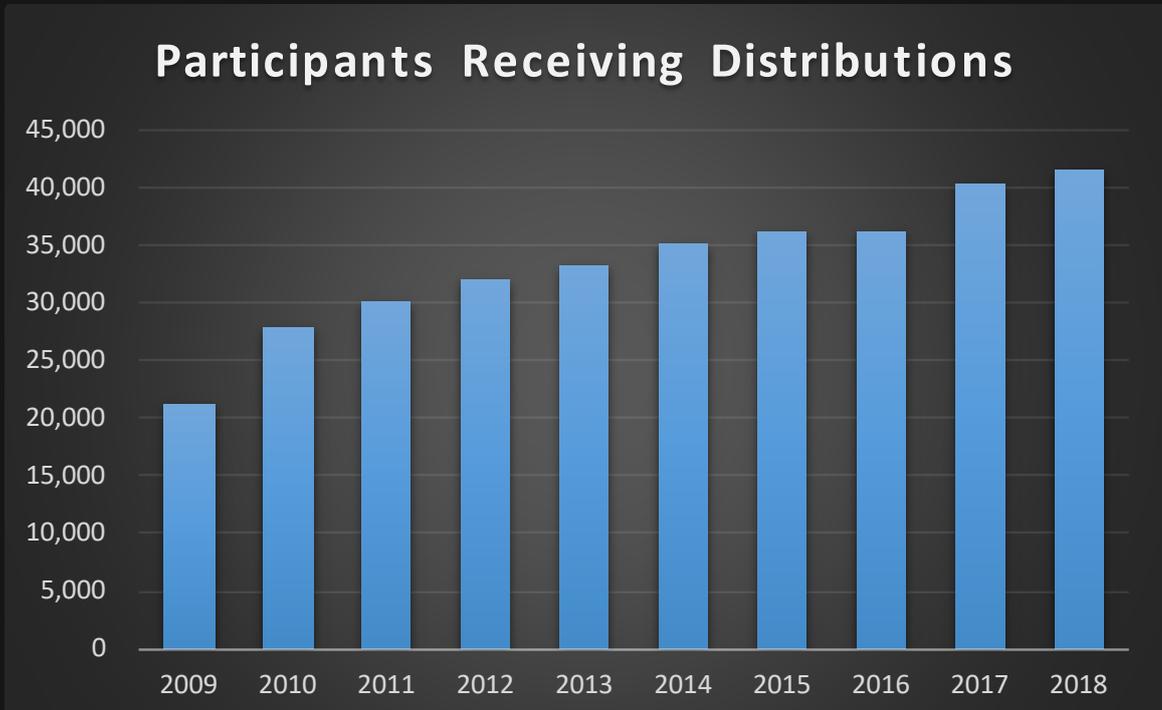
OVERALL PARTICIPANT DISTRIBUTIONS

Ohio Deferred Compensation provided 41,715 participants with distributions in 2018, up from 40,421 in 2017. The average annual distribution in 2018 equaled \$9,277, a significant increase in the total retirement

income received by most participants. Ohio DC is now delivering over \$385 million in benefit distributions annually to provide additional retirement income and a more secure retirement to our participants.

ANALYSIS OF INCOME AND CONTRIBUTIONS





DISTRIBUTION RECIPIENTS PER YEAR

2009	21,212
2010	27,884
2011	30,249
2012	32,106
2013	33,359
2014	35,132
2015	36,101
2016	36,111
2017	40,421
2018	41,715

OVERALL TOTAL DISTRIBUTIONS

The graph above shows the 10-year history of the total number of distributions, not just participants, but beneficiaries as well. The general trend over this period has been a steady increase in distributions. This overall

trend was generated by more people taking distributions (larger numbers of baby boomers retiring). Deductions seemed to level off for several years beginning in 2013, but increased in 2017 and 2018.

RECOGNITION



CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING FOR FISCAL YEAR 2017 FROM THE GOVERNMENT FINANCE OFFICERS ASSOCIATION (GFOA)



I ABOUT THIS PAFR

This Popular Annual Financial Report is derived from information contained in the Ohio Deferred Compensation (Ohio DC) Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2018, but does not contain detailed financial information by plan, nor is it presented in a manner to conform to Generally Accepted Accounting Principles (GAAP). For a complete set of financial definitions included in this summary report please refer to the Ohio DC CAFR, which is prepared in conformity with GAAP and may be obtained by visiting our website at Ohio457.org or by contacting Ohio DC to request a copy.



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