



**Ohio Public Employees Deferred
Compensation Program**

**Annual Comprehensive
Financial Report**

**For the years ended
December 31, 2023 and 2022**

**OHIO PUBLIC EMPLOYEES
DEFERRED COMPENSATION PROGRAM**

**Annual Comprehensive Financial Report
For the years ended December 31, 2023 and 2022**

Paul D. Miller, Director of Finance

257 East Town Street, Suite 400, Columbus, Ohio 43215-4623



TABLE OF CONTENTS

INTRODUCTORY SECTION	3
CERTIFICATE OF ACHIEVEMENT	4
ORGANIZATIONAL CHART.....	5
TRANSMITTAL LETTER.....	6
PLAN SUMMARY.....	12
FINANCIAL SECTION	19
INDEPENDENT AUDITORS' REPORT.....	Error! Bookmark not defined.
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	23
<u>BASIC FINANCIAL STATEMENTS</u>	
STATEMENTS OF PLAN NET POSITION AVAILABLE FOR BENEFITS	30
STATEMENTS OF CHANGES IN PLAN NET POSITION AVAILABLE FOR BENEFITS	31
NOTES TO THE FINANCIAL STATEMENTS – AN INTERGRAL PART OF THESE STATEMENTS	32
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
SCHEDULE OF THE PROGRAM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	67
SCHEDULE OF THE PROGRAM'S PENSION CONTRIBUTIONS	68
SCHEDULE OF THE PROGRAM'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)	69
SCHEDULE OF THE PROGRAM'S CONTRIBUTIONS - OPEB	70
<u>SUPPLEMENTARY INFORMATION</u>	
COMBINING SCHEDULE OF PLAN NET POSITION AVAILABLE FOR BENEFITS	71
COMBINING SCHEDULE OF CHANGES IN PLAN NET POSITION AVAILABLE FOR BENEFITS	72
SCHEDULE OF ADMINISTRATION FUND DEDUCTIONS.....	73
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS.....	74
SCHEDULE OF INVESTMENT EXPENSES	75
INVESTMENT SECTION	76
INVESTMENT SUMMARY	77
INVESTMENT FEE RATES.....	78
SCHEDULE OF PERFORMANCE VERSUS BENCHMARKS	79
INVESTMENT MIX.....	80
STABLE VALUE OPTION DIVERSIFICATION	81
STATISTICAL SECTION	82
STATISTICAL INFORMATION.....	83
CHANGES IN PLAN NET POSITION AVAILABLE FOR BENEFITS	84
EMPLOYEE PARTICIPATION	85
CONTRIBUTION/ACCOUNT TRENDS.....	85
NUMBER OF EMPLOYERS CONTRIBUTING.....	86
PRINCIPAL CONTRIBUTING EMPLOYERS	86
BENEFIT PAYMENTS.....	87



INTRODUCTORY SECTION

CERTIFICATE OF ACHIEVEMENT



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Ohio Public Employees Deferred Compensation Program

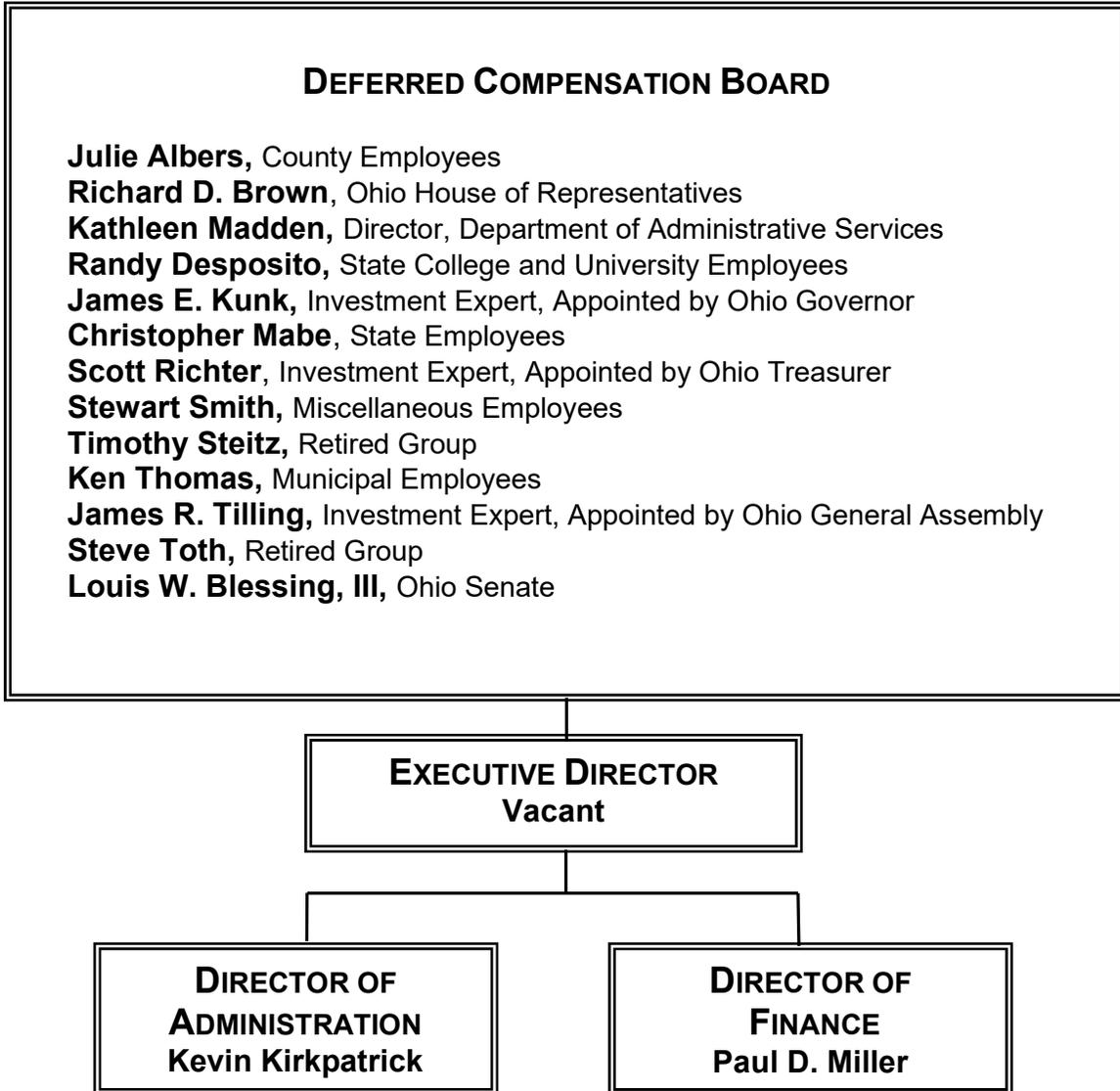
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO

**ORGANIZATIONAL CHART
AS OF DECEMBER 31, 2023**



ADVISORS TO THE BOARD

Independent Public Accountants

Rea & Associates (under contract with the Auditor of State)

Legal Counsel

Dave Yost, Attorney General

Investment Consultant

RVK

See page 32 for a list of external investment managers.



May 14, 2024

To the Participants of Ohio Deferred Compensation and
The Chair and Members of the Board:

We are pleased to present the Annual Comprehensive Financial Report (Annual Report) for the Ohio Public Employees Deferred Compensation Program (the Program) for the years ended December 31, 2023 and 2022. The Annual Report was prepared to assist the user in understanding the Program's functions and how participants use the Program to supplement their retirement income. Program management is responsible for the contents of this report. Management's Discussion and Analysis (MD&A) complements this letter of transmittal and should be read in conjunction with it.

The Deferred Compensation Board (the Board) was established pursuant to Ohio Revised Code Section 145 (currently 148) to administer the Program for all eligible employees. The Program provides services to 269,851 participant accounts from 2,061 State and local government employers. The State created the Program as a separate legal entity and does not appoint a voting majority of the Program's governing Board. The Program is self-funded and governed by its own Board. The State does not approve the Program's budget or set Program rates or charges. Therefore, the Program is not part of the State of Ohio reporting entity.

Program History and Overview

The Program first received deferrals in 1976 pursuant to Internal Revenue Code (IRC) Section 457 and ORC (ORC) Section 148. All public employees who are eligible to participate in one of Ohio's statutory retirement systems (including the Cincinnati Retirement System) can contribute a portion of their annual includable compensation. Withdrawals may be made at retirement, death, termination of employment, or due to certain qualifying unforeseeable emergencies. Participation is strictly voluntary, and the Program is intended to supplement retirement benefits from the other statutory retirement systems.

During 2018, the ORC and Program's Plan Document were amended to allow after-tax Roth contributions in addition to pre-tax deferrals. The Program began accepting Roth contributions in early 2020.

Economic Conditions and Outlook

All Program participants are members of one of the State's statutory retirement systems and contribute to this Program 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 most of their retirement planning success depends on the amount of their contributions and the overall direction of the financial markets.

During 2023, the federal funds rate rose four times, bringing the rate from 5 at the end of 2022 up to 5.50 at the end of 2023. Annual inflation as reported by the U.S. Bureau of Labor Statistics was halved in 2023, down to an average of 3.8 for the year, compared to the staggering 8.0 average of 2022.

Meanwhile, the U.S. stock markets experienced a comeback at the end of the year, experiencing a 26.2 percent gain, as tracked by the S&P 500 index. This gain more than recouped the 18.1 percent loss in 2022. Gains in 2023 were comparable with the previous increases of 31.5 percent, 18.4 percent, and 28.7 percent in 2019, 2020, and 2021, respectively. The market has achieved positive performance in 8 of the last 10 years. 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.

The Program achieved these all-time high levels in 2023:

- 2,061 contributing employers
- 269,851 participant accounts, including 10,582 Roth accounts
- 129,792 actively contributing participants
- 20,169 newly enrolled participants
- \$615.4 million total annual contributions

The uptick in market performance in 2023 affected the level of participant withdrawal transactions, as participants withdrew their funds to lock in their gains or move to alternative retirement options. Transfers to other plans increased by 41 percent compared to 2022 transfers, and withdrawal distributions paid directly to participants were up by around 4 percent. As more baby boomers reach retirement age, this large group of participants now has access to their deferred compensation savings. Accordingly, the expectations are that the annual amounts distributed to participants and transferred to other retirement plans will continue to grow in the future.

Major Initiatives 2023

In 2023, Ohio DC underwent a brand refresh to adopt a modern and simplified approach. Our new logo nods to the State of Ohio flag and celebrates the uniqueness of our state. We believe our new brand reflects the evolving ways our participants consume information.

In December, 2023, Ohio DC transitioned from Fidelity Contrafund Commingled Pool and Fidelity Growth Company Commingled Pool Class O Shares to Class S Shares. Ohio DC participants invested in Fidelity options will save a cumulative \$1,585,000 annually in investment fees, while maintaining the same investment strategy.

Old Investment Option	Old Expense Ratio	New Investment Option	New Expense Ratio
Fidelity Contrafund Class O	0.35%	Fidelity Contrafund Class S	0.30%
Fidelity Growth Class O	0.35%	Fidelity Growth Class S	0.32%

President Biden signed SECURE Act 2.0 into federal law on December 29, 2022, which contained many provisions applicable to governmental defined contribution plans and retirement plan administrators. These provisions have staggered effective dates, and while some are mandatory, others are optional. Some of the key provisions affecting the Program include:

- The required minimum distribution age moved from age 72 to age 73 effective for persons who attain age 72 after December 31, 2022.
- The IRC 457 rule requiring that deferred compensation agreements be entered into before the first day of the month in which the compensation is available has been replaced with a rule that deferred compensation amounts may be changed at any time before the compensation is available.
- A new catch-up limit will become available in 2025 for participants aged 60, 61, 62, and 63.
- Beginning in 2026, catch-up contributions (for those age 50 or older) that are above the regular contribution limit must be made on a Roth (after-tax) basis unless the participant's prior year wages with the same employer do not exceed \$145,000 (indexed for inflation).

Implementing these plan changes will take staff time and resources to update systems and participant communications over the next several years.

Financial Information and the Internal Control Structure

Program management is responsible for the information in this report and for establishing and maintaining a system of internal controls sufficient to provide integrity to all financial information and to permit reporting in conformity with accounting principles generally accepted in the United States of America. We believe the information presented in this Annual Report is accurately and fairly presented in all material respects. Internal controls can provide reasonable, but not absolute assurance that Program objectives will be met. The concept of reasonable assurance implies a high degree of assurance, constrained by the costs and benefits of establishing incremental control procedures.

The “Plan Net Position Available for Benefits” and “Changes in Plan Net Position Available for Benefits” are included as a “Pension Fund” in the Financial Section of this presentation. The Program reports all financial activity on the accrual basis of accounting. Additions are recorded in the period in which they are earned, and deductions are recorded in the period in which the liability is incurred.

During 2023, excess Administration Fund cash was held in money market accounts, certificates of deposit, StarOhio, and federal agency securities. Cash is held for capital acquisitions and is used to supplement monthly operations if administrative expenses exceed revenues during a given month. Program management seeks to maintain sufficient cash reserves to cover six to 18 months of operating expenses. The Program held about 17 months of operating expenses in cash reserve as of December 31, 2023.

Program Additions

Program additions come from participant contributions, transfers from other plans, investment income earned on participant accounts, and recordkeeping income. Net investment income, participant contributions, and transfers from other plans are the largest sources of Program additions in 2023.

Total employee contributions were \$615 million in 2023 compared to \$601 million in 2022 and \$582 million in 2021. More employees are participating each year, and they are maintaining or increasing their average annual deferral. Net investment performance was a gain of \$3.1 billion for 2023, rebounding from a loss of \$3.1 billion in 2022, and a slight increase compared to \$2.5 billion gain in 2021, which is consistent with overall market performance during those time periods.

Program Deductions

Long-term trends of positive investment performance and higher participant contributions have increased participant account balances, resulting in more funds available for retirement income. Distributions to participants increased by 4.3 percent between 2023 and 2022. The total amount distributed increased 66.9 percent between 2014 and 2023, and the number of accounts taking distributions increased 40 percent during this period.

The market performance of 2023 greatly outperformed that of 2022, resulting in more participants wishing to pursue other investment options and transfer out of the plan. The amounts transferred to other eligible retirement plans, including transfers to defined benefit plans to purchase service credit, increased by 41 percent between 2023 and 2022, after decreasing by 11 percent between 2022 and 2021. The substantial changes occurred because of volatile market performances, which discourage this activity in down markets, but promote greater activity in up markets.

Investments

The Program 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.

The Stable Value Option (SVO) continues to be the most popular investment choice and accounts for 26 percent of all invested assets. The one-year return on SVO investments was 2.71 percent in 2023. In addition to the SVO, participants can select from 14 investment options, including a series of target date funds, to create a diversified portfolio. The target date funds are the default investment option of the Program's EZ Enrollment plan, and accordingly have seen a steady increase in asset growth over recent years. Investment performance results and related investment expense ratios are reported to participants in their Annual and Quarterly Statements and in the Program's newsletter and website. A listing of investment options and their performance returns is included in the Investment Section of this report.

Certificate of Achievement

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Ohio Public Employees Deferred Compensation Program for its annual comprehensive financial report for the fiscal year ended December 31, 2022. This was the 31st consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

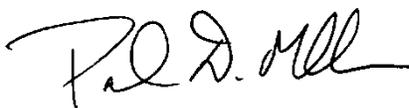
Independent Auditors

The Program financial statements for the year ended December 31, 2023, and 2022 were audited by Rea & Associates under contract with the Auditor of State of Ohio.

Acknowledgments

The preparation of this report reflects the combined efforts of the Program's staff under the direction of the Board and its Audit Committee. The purpose of this report is to provide complete and reliable information as a basis for making decisions and as a means for determining responsible stewardship over the assets contributed by participants.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul D. Miller". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Paul D. Miller, CPA
Director of Finance

PLAN SUMMARY

Ohio Revised Code Section 148 established the Ohio Public Employees Deferred Compensation Plan (the Plan), which will at all times comply with the current Internal Revenue Code and Internal Revenue Service Regulations. The Plan is effective as to each eligible employee (i.e., public employees as defined in Section 148.01(A)(1) of the Ohio Revised Code) upon the date they become an active participant by executing a participation agreement with the employer. During 2022, the Plan was reviewed by staff and outside counsel to make sure the Plan remains consistent with current Federal and State laws and regulations. The key edit to the Plan Document was:

- An update to reflect IRS proposed regulations related to situations when multiple beneficiary accounts are created and then the oldest beneficiary subsequently dies, resulting in the remaining beneficiaries possibly being subject to the non-spousal 10-year distribution rule.

This change was approved by the Board and was effective January 1, 2023.

This Plan summary includes all Plan revisions approved by the Board and effective as of December 31, 2023. Participants should refer to the Plan Document for complete Plan information.

Delegation by Employer - The participating employers have delegated their administrative powers, duties, and responsibilities under the Plan to the Ohio Public Employees Deferred Compensation Board.

Commencement of Participation - Each eligible employee shall be permitted to participate under this Plan. An eligible employee shall elect to participate and become an active participant by executing a participation agreement with their employer, or by being enrolled automatically by their employer. A participation agreement shall specify:

- a. The amount of the active participant's compensation, which the employer and the participant agree to defer, subject to limitations;
- b. The date as of which reduction and deferral of compensation pursuant to the participation agreement shall begin, which date shall be as early as administratively practicable, but no earlier than the first day of the first calendar month following the execution of the participation agreement; and
- c. The investment option(s) selected by the participant unless automatically enrolled and defaulted into a LifePath portfolio.

Deferrals - The term deferrals will include both traditional pre-tax deferrals and Roth after-tax contributions.

Maximum and Minimum Deferrals - Normally, the maximum amount that may be deferred by an active participant into the Plan in any Plan year shall not exceed the lesser of (A) \$22,500 for the year 2023, and then indexed as allowed by law in future years or (B) 100 percent of an active participant's includable compensation (as defined by the Internal Revenue Code). In addition, for the year 2023, participants who have attained age 50 may defer an additional \$7,500, which amount may increase in future years as indexed as allowed by law.

Under certain circumstances, participants may defer up to two times the normal annual deferral limit (\$45,000 in 2023) during each of the last three years prior to normal retirement age, if the participant contributed less than the maximum amount during earlier years.

The limitations on the maximum amount of deferral above shall be reduced by any amount excluded from the participant's gross income for the Plan year under another Section 457 plan maintained by any employer.

The Plan administrator may establish a minimum deferral amount or minimum allocation to any investment.

Amendments of Participation Agreements - The election of an eligible employee to participate under the Plan is irrevocable as to all amounts actually deferred under the participation agreement. The participant may, by amendment of the participation agreement or other forms authorized by the administrator, do any of the following: (a) change the specification of any investment option as to the amounts to be deferred in the future; (b) terminate the election to be an active participant; or (c) change the amount of compensation to be deferred. An amendment or termination shall be effective as early as administratively practicable, but not earlier than the first day of the following calendar month.

Exchanges - A participant (or beneficiary, if the participant has died) may make exchanges between investment options. Any such exchange shall be effective at the price next computed following receipt of the exchange request and shall be subject to such restrictions as are established by the Plan administrator or its investment managers. Participants with four exchanges in any 45-day period will lose their electronic trading privilege and will be restricted to one mail-in exchange every five days for the following twelve-month period.

Maintenance of Accounts - The Plan administrator shall establish an account for each participant to which shall be credited or charged, as the case may be, amounts deferred under the Plan and any increase or decrease of the account value of the investment options specified in the participation agreement or any amendment thereto. All investment options offered under this Plan must be

offered by persons, companies, or entities authorized and duly licensed by the State of Ohio and appropriate Federal agencies regulating such investments to do business in the State of Ohio. The Plan and the employer shall not be responsible for any decrease in value of a participant's account resulting from capital or market changes or any other changes occurring in the investment option or the participant's account. The Plan administrator may from time to time assess reasonable service charges against all or any portion of the deferred amounts or accounts to defray costs associated with the implementation and administration of the Plan.

Crediting of Accounts - Each participant's account shall be credited with amounts authorized for deferral and received by the Plan administrator.

Report - A report of the total amount credited to a participant's account, in such form as the Plan administrator determines, shall be furnished to the participant not more than 60 days after the end of each calendar quarter. All reports to a participant shall be based on the net fair value of the investment options as of the end of the reporting period, to the extent such values are available to the Plan administrator.

Assets Held in Trust - Plan assets are not the property of participating employees. All Plan assets and income shall be held by the Board in trust on behalf of the employer for the exclusive benefit of participants and their beneficiaries. All assets, whenever contributed to the Plan, are assigned to the trust established by the Board.

Rollovers - Any participant (or spousal beneficiary) who has separated from service with an employer with which the participant maintained an account under an eligible retirement plan may, upon proper written request, rollover the account value from that account to the participant's Ohio Public Employees Deferred Compensation Plan account.

Any participant (or beneficiary) who has separated from service with an employer with which the participant maintained an account with the Ohio Public Employees Deferred Compensation Plan may, upon proper written request, rollover the account value from that account directly to another eligible retirement plan or account.

Service Credit Purchase - Participants may use all or a portion of their account balances as a direct trustee-to-trustee transfer to a governmental defined benefit system, which permits the purchase of permissive service credit or the repayment of service credits.

In-Service Transfers - If an employer offers multiple IRC 457 deferred compensation plans, which meet certain conditions, the Plan will allow participants to move their account balances between reciprocating plans as an in-service transfer prior to severance from employment.

Election of Benefit Payment Date - (a) Participant - Upon severance from employment, a participant may elect a date to begin receiving benefit payments from the Plan. Benefit payments may begin after verification of severance, receipt of final deferral, and completion of the Withdrawal Election Form. Payments must begin no later than December 31 of the year in which the participant reaches age 73 (or such other age as required under IRC section 401(a)(9)). If the participant has not had a severance from employment as of this date, then payments must begin no later than December 31 of the year in which the participant has a severance from employment.

(b) Beneficiary - If a participant or spousal beneficiary dies before his or her account has been exhausted, then the remaining account balance shall be paid to the designated beneficiary.

The beneficiary shall have the right to elect a benefit option, subject to the following limitations. (1) If a participant dies on or after the required minimum distribution date, payments shall continue to be paid to the beneficiary at least as rapidly as they were being paid to the participant. (2) If a participant dies before the required minimum distribution date, the beneficiary may choose a payment option subject to the following requirements: (a) if the beneficiary is the participant's surviving spouse, distribution may be delayed until December 31 of the year in which the participant would have reached age 73 (or such other age as required under IRC section 401(a)(9)), or (b) if the beneficiary is someone other than the surviving spouse, distribution of the account must begin by December 31 of the year following the participant's death, or (c) if the beneficiary is not a person, such as a trust or estate, the entire account must be distributed by the end of the calendar year which contains the fifth anniversary of the participant's death. (3) If a spousal beneficiary dies after the participant, but before the full account value is distributed, any remaining account value will be paid to the spousal beneficiary's designated beneficiaries in a lump-sum payment.

Beginning after 2021, certain beneficiaries are classified as eligible designated beneficiaries and are entitled to receive distributions over a life expectancy period. Beneficiaries who are not eligible designated beneficiaries must take distributions over a ten-year period.

Election of Benefit Payment Options - All distributions are subject to the requirements of IRC Sections 457(d) and 401(a)(9) and the regulations there under. The Plan administrator will annually determine if the participant's or beneficiary's annual distributions meet their minimum distribution requirements and adjust the amount, if necessary, to comply with these provisions.

Initial benefit payment elections and subsequent changes will be effective only if made on forms provided or in the manner prescribed by the Plan administrator and received by the date determined by the Plan administrator. Purchased annuity benefit payments options may not be changed once payments have begun. No benefit payment option shall be available which is not provided for on the benefit payment election form provided by the Plan administrator or is not permitted by the Plan Document. Benefit payments are taxable income to participants and beneficiaries in the year of distribution and are subject to the applicable tax withholding rules.

Require Elections for Benefit Payment Date and Option - (a) Participant - If a participant does not choose a benefit payment date, benefit payments shall begin by December 31 of the year the participant reaches age 73 (or such other age as required under IRC section 401(a)(9)). Benefits shall be paid for a fixed time period over the maximum number of years allowed by the required minimum distribution tables.

(b) Beneficiary - If a spousal beneficiary of a participant who dies before the required minimum distribution date does not elect a benefit payment date, benefit payments shall begin by December 31 of the year the participant would have reached age 73 (or such other age as required under IRC section 401(a)(9)). If a non-spousal beneficiary of a participant does not choose a benefit payment date, benefit payments shall begin by December 31 of the year following the participant's death. Benefits shall be paid for a fixed time period for the maximum number of years allowed by the required minimum distribution tables.

Emergency Withdrawals - A participant may request an unforeseeable emergency withdrawal by submitting that request in writing on the approved form to the Plan administrator's staff. An unforeseeable emergency is a severe financial hardship of the participant or beneficiary resulting from a sudden and unexpected illness or accident. If the participant request is denied, a request for review of the staff determination may be made in writing. If this review fails to confirm a claim of unforeseeable emergency, an appeal may be made to the Ohio Public Employees Deferred Compensation Board. The decision of the Board shall be final and not subject to further appeal. If at any time a request for withdrawal is approved, the Plan administrator may thereupon distribute so much of the participant's account as is necessary to provide the amount approved to meet the unforeseeable emergency.

Acceleration - If upon a participant's separation from service and the Board's receipt of the last deferral, the participant's account value is less than \$1,000, the Plan administrator may accelerate the payment of benefits otherwise due in the future and pay to such participant the full account value in a lump sum less the required tax withholding.

Qualified Domestic Relations Order - The Plan administrator shall comply with the provisions of a domestic relations order which the Plan administrator determines to constitute a Qualified Domestic Relations Order, as defined by the Internal Revenue Code. The Plan permits distributions at any time to an alternative payee under a Qualified Domestic Relations Order.

Small Balance Distribution - A participant may elect a small balance distribution if the account value is \$5,000 or less, the full value of the account is to be distributed, the participant has not deferred into the Plan for two years, the participant agrees not to recommence deferrals to the Plan for one year, and there has been no prior distribution under this Plan provision.

Benefit Payment Options - The following benefit payment options are available under the Plan. Definitions of each are provided on the benefit payment election form.

1. Payments of an annual percent
2. Payments of a dollar amount
3. Systematic withdrawals for a fixed-time period
4. Partial lump sum payout
5. Lump sum payout

Designation of Beneficiaries - At any time after commencing participation in the Plan, a participant, or spousal beneficiary may designate a beneficiary for any benefits that the participant or spousal beneficiary is entitled to receive under the Plan and which are unpaid at the time of the participant's death, on a form filed with and accepted by the Plan administrator. If a participant or spousal beneficiary die without having a proper beneficiary form completed and on file, the benefits payable on or after the date of death shall be paid to the fiduciary of the probate estate, provided that if the Plan administrator does not receive notice that a fiduciary has been appointed, payment may be made to those persons making claims to receive the property under intestacy laws of the jurisdiction of their residence at the time of the participant's death.

If a non-spousal beneficiary dies while receiving Plan benefits, any remaining benefits which the non-spousal beneficiary is entitled to receive under the Plan and which are unpaid at the time of the beneficiary's death shall be paid in a lump sum amount determined under each applicable investment option to the fiduciary of the beneficiary's probate estate, provided that if the Plan administrator does not receive notice that a fiduciary has been appointed, payment shall be made to those persons making claims to receive the beneficiary's property under the intestacy laws of the jurisdiction of the beneficiary's residence at the time of death.

If a trust is named as beneficiary, satisfactory evidence must be furnished to the Plan that the trust is the only beneficiary qualified to receive payment. The Plan will be fully discharged of liability for any action taken by the trustee and for all amounts paid to the trustee. In all dealings with the trust, the Plan will be fully protected against the claims of every other person. The Plan will not recognize a change in the trust as beneficiary unless the change is documented on forms provided by the Plan administrator.

Designation Forms - A participant may change any beneficiary at any time by filing with the Plan administrator a dated change of beneficiary form. These designations shall be on forms provided by the Plan administrator and shall be effective on the date filed with and accepted by the Plan administrator.



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



To the Ohio Public Employees Deferred Compensation Program Board
Franklin County, OH
257 East Town St., Suite 400
Columbus, OH 43215

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Ohio Public Employees Deferred Compensation Program, Franklin County, Ohio (the Program) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the plan net position available for benefits of the Ohio Public Employees Deferred Compensation Program, Franklin County, Ohio as of December 31, 2023 and 2022, and the respective changes in its plan net position available for benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Program, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

CPAs and business consultants
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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other post-employment benefit schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Program's basic financial statements. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, investment section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2024 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
May 14, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Ohio Public Employees Deferred Compensation Program (the Program) offers this narrative overview of the financial statements contained in this Annual Report. The financial statements consist of the Statements of Plan Net Position Available for Benefits and the Statements of Changes in Plan Net Position Available for Benefits. All assets, deferred outflows, liabilities, and deferred inflows associated with the Program's operations are included on the Statement of Plan Net Position Available for Benefits. The Program's financial activities for the periods are reported on the Statement of Changes in Plan Net Position Available for Benefits. Additional information is presented in the Notes to the Financial Statements and the Supplemental Information Schedules.

GASB 68 AND GASB 75

The net pension liability (NPL) is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, and Other Postemployment Benefits (OPEB) are reported in accordance with GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These two standards significantly revised accounting for costs and liabilities related to pension and OPEB plans. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Program's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability (asset) to equal the Program's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Program is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability (where applicable) are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Program’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s *change* in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

PROGRAM ADDITIONS

Over most recent periods, the largest item in Program additions has been investment income, which is mainly determined by the overall performance of the U.S. equity and fixed income markets. In 2023, U.S. equity and fixed income markets produced positive annual returns, rebounding from the negative returns of 2022. Net investment results in 2023 were investment gains of \$3.1 billion, compared to net losses of \$3.1 billion in 2022 and net gains of \$2.5 billion in 2021.

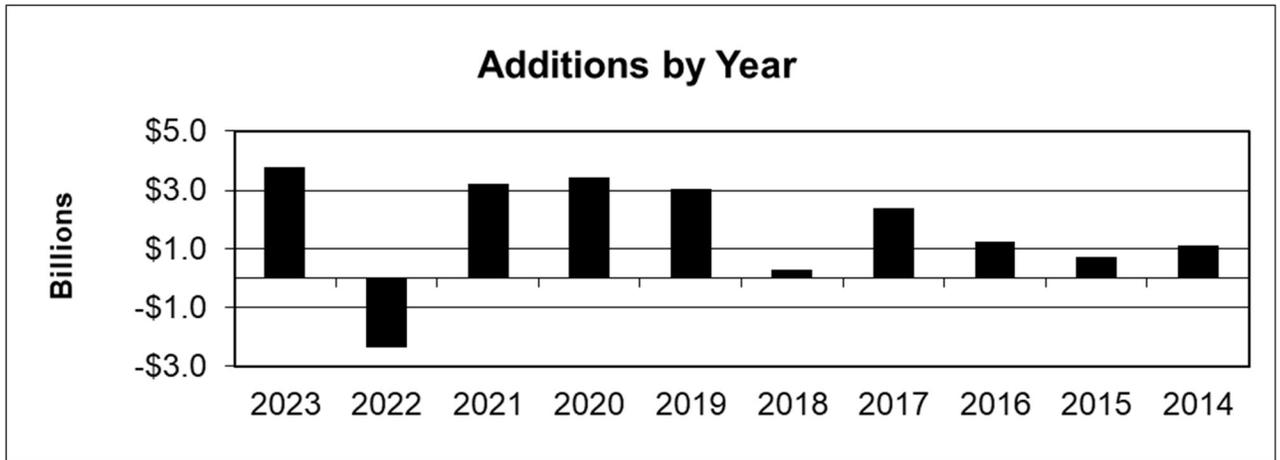
Participant contributions in 2023 increased 2.4 percent compared to 2022 and 3.3 percent between 2022 and 2021. The number of actively contributing employees in 2023 increased to 129,792, while the average annual contribution remained at just under \$4,800. The IRS determines the annual maximum limit that participants may contribute based on inflation indices, and the annual limits in 2023 were increased to \$22,500 for most participants, \$30,000 for participants 50 and over, and \$45,000 for participants in catch-up status. These limits were an increase over the 2022 limits of \$20,500 for most participants, \$27,000 for participants aged 50 and over, and \$41,000 for participants in catch-up status. The annual limits will increase again in 2024, which usually generates higher total contributions into the Program.

New enrollments into the Program experienced an all-time high in 2023, resulting in a 13.3 percent increase, compared to 2022. Higher enrollments as well as auto-escalation of contribution amounts continue to lead to greater participant contributions. Transfers from other retirement plans during 2023 decreased 19.2 percent compared to 2022, which is consistent with the 23.7 percent decrease in 2022 compared to 2021.

On December 9, 2022, the Program replaced the last investment option that paid a recordkeeping reimbursement. The Program had been rebating that reimbursement entirely to the investors in that option.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Net investment income (loss)	\$3,067,484,994	(\$3,084,174,888)	\$2,496,193,268
Participant contributions	615,366,054	601,094,646	582,061,454
Transfer from other plans	84,767,379	104,965,825	137,519,233
Recordkeeping income/rebates	21,775	1,258,631	1,325,396
Total Additions	<u>\$3,767,640,202</u>	<u>(\$2,376,855,786)</u>	<u>\$3,217,099,351</u>

The following graph shows a 10-year history of total Program additions. While participant contributions have trended up over this period, investment income has the greatest impact on total additions and the year-to-year fluctuations.



PROGRAM DEDUCTIONS

Over the past ten years, Program deductions have generally trended upwards year over year. That trend changed in 2022 as total deductions experienced a 5.8 percent decrease compared to 2021. This decrease was caused by negative market returns, resulting in participants maintaining funds in their accounts. Total deductions increased 22.4 percent in 2023 compared to 2022, consistent with the upward trend of previous years.

Distributions to participants increased by 4.3 percent in 2023 compared to 2022 after decreasing 0.3 percent for 2022 compared to 2021. The number of participants taking a distribution in 2023 increased by 1.7 percent compared to 2022 after increasing 0.9 percent for 2022 compared to 2021. The average annual distribution per participant increased by 2.6 percent in 2023 compared to 2022 after decreasing 1.2 percent for 2022 compared to 2021. The prior year decrease was driven by market performance lowering account balances, while the current year returned to more anticipated amounts.

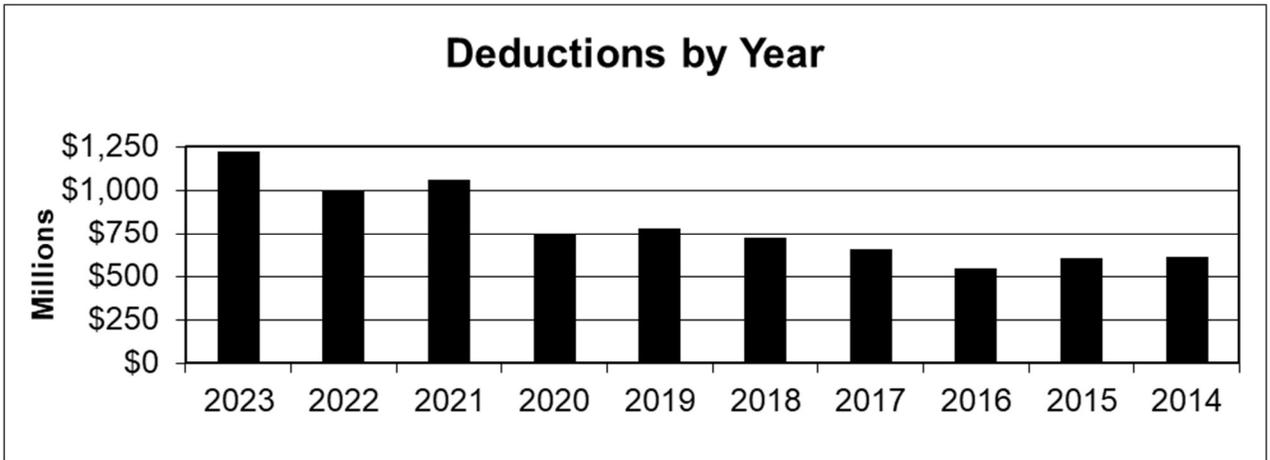
Transfers to other plans increased 40.8 percent between 2023 and 2022, after decreasing 11.0 percent for 2022 compared to 2021. Poor market performance in 2022 resulted in less transfers out of the Program; rebounding markets in 2023 resulted in higher transfers out. The Program continues to offer communication materials promoting the benefits of keeping account balances in the Program after retirement, but as account balances rise, there are greater efforts by other plans to attract these accounts.

Other deductions, which are primarily administrative expenses, increased 17.3 percent between 2023 and 2022 compared to an increase of 11.8 percent for 2022 compared to 2021. The 2023 pension related adjustment due to changes in pension and OPEB assumptions was the largest increase related to other deductions, followed by an increase in Customer Service Expenses.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Distributions to participants	\$515,261,678	\$494,069,158	\$495,667,695
Transfers to other plans	693,176,648	492,305,859	553,151,565
Other deductions	14,151,698	12,066,168	10,793,697 *
Total Deductions	<u>\$1,222,590,024</u>	<u>\$998,441,185</u>	<u>\$1,059,612,957</u>

*NOTE - 2021 Other deductions have been restated due to the implementation of GASB 87.

The graph below shows the 10-year history of total Program deductions. The general trend over this period has been a steady increase in Program deductions. There were slight dips in total deductions in 2016, 2020, and 2022 due to decreases in distributions to participants in those years. The trend of increases was generated by more people taking distributions (larger numbers of baby boomers retired) and greater amounts available (larger account balances resulting from increased contribution trends and generally positive market performance over longer periods).



PLAN NET POSITION AVAILABLE FOR BENEFITS

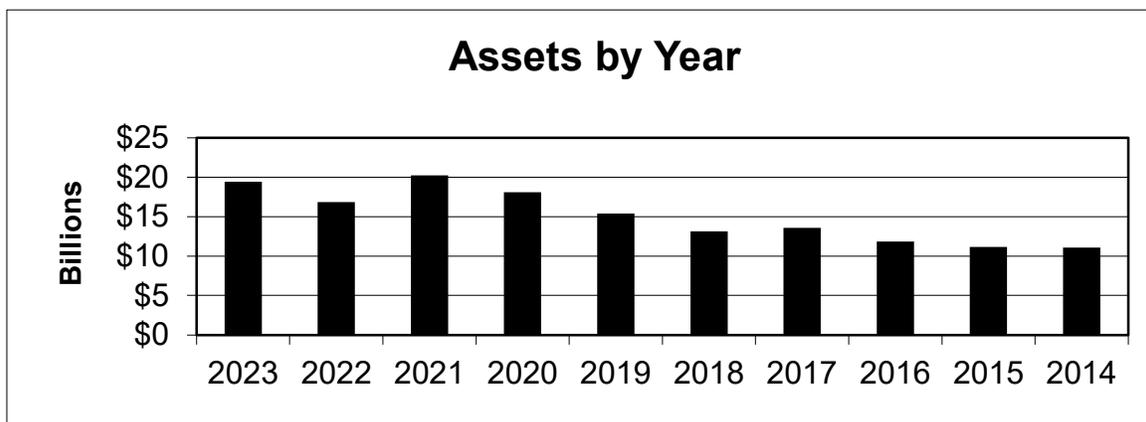
Total assets and deferred outflows as of December 31, 2023 increased \$2.5 billion compared to the prior year-end. The primary reason for this increase was a net investment gain of \$3.1 billion.

Program liabilities and deferred inflows are generally unpaid operating expenses at year-end, trade settlement payments due for investments purchased on the final business day of the year, and net pension/OPEB liability. Total liabilities can vary depending on the volume of participant account activity (contributions and exchanges) on the final business day of the year.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Capital Assets	\$17,397,785	\$16,818,293	\$15,946,233 *
Other Assets and Deferred Outflows	19,405,323,382	16,856,957,790	20,226,406,272
Total Assets and Deferred Outflows	19,422,721,167	16,873,776,083	20,242,352,505
Total Liabilities and Deferred Inflows	18,305,499	14,410,593	7,690,044 *
Net Position Available for Benefits	<u>\$19,404,415,668</u>	<u>\$16,859,365,490</u>	<u>\$20,234,662,461</u>
Change in Net Position	<u>\$2,545,050,178</u>	<u>(\$3,375,296,971)</u>	<u>\$2,157,486,394</u>

*NOTE - 2021 Capital Assets and Long-Term Liabilities have been restated due to the implementation of GASB 87.

As shown in the graph below, the net position available for benefits had trended up over the past 10 years, prior to the challenging market conditions of 2022, which produced a slight dip in this upward trend.



PROPERTY AND EQUIPMENT

At the end of 2022, the Program had \$17,397,785 (net of accumulated depreciation and amortization) in recordkeeping system, participant web portal, lease asset, furniture and fixtures, office equipment, and leasehold improvements. See Note 12 for further description of capital assets. The following table shows 2023 balances compared to 2022 and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
<i>Non-Depreciable:</i>			
Recordkeeping System	\$132,056	\$986,561	\$466,388
<i>Depreciable:</i>			
Recordkeeping system	11,934,795	10,650,950	10,618,300
Participant web portal	3,899,548	3,478,255	2,878,787
Lease Asset	1,398,041	1,668,630	1,939,218 *
Furniture and fixtures	5,061	7,362	11,968
Office equipment	<u>28,284</u>	<u>26,535</u>	<u>31,572</u>
Net Capital Assets	<u>\$17,397,785</u>	<u>\$16,818,293</u>	<u>\$15,946,233</u>

* Note - 2021 Capital Assets were restated due to the implementation of GASB 87.

LONG-TERM DEBT OBLIGATIONS

At the end of 2023, the only outstanding debt obligations of the Program were lease liabilities totaling \$1,557,073 with \$261,666 of that total due within one-year. See Note 11 to the basic financial statements for additional information on the Program's long-term obligations.

PROGRAM ACTIONS

In December, 2023, Ohio DC transitioned from Fidelity Contrafund Commingled Pool and Fidelity Growth Company Commingled Pool Class O Shares to Class S Shares. Ohio DC participants invested in Fidelity options will save a cumulative \$1,585,000 annually in investment fees, while maintaining the same investment strategy.

CONTACTING THE PROGRAM'S FINANCIAL MANAGEMENT

This financial report is designed to provide participants, beneficiaries, employers, trustees, investment managers, and the public with a general overview of the Program's finances and to show the Program's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Program's administrative offices at 614-466-7245.

STATEMENTS OF PLAN NET POSITION AVAILABLE FOR BENEFITS

As of December 31, 2023 and 2022

	2023	2022
Assets:		
Investments:		
Stable value option	\$5,024,821,712	\$5,285,307,837
Collective trust funds	8,155,695,532	6,376,660,324
Mutual funds	1,210,878,605	976,214,550
Separate account	4,967,661,380	4,176,435,996
Purchased annuities	8,210,944	9,487,082
Total investments	19,367,268,173	16,824,105,789
Cash and cash equivalents	19,011,636	16,746,321
Contributions receivable and cash held for investment	17,250,780	14,755,392
Accounts receivable and prepaids	396,979	562,231
Property and equipment, net	17,397,785	16,818,293
Net OPEB Asset	0	370,534
Total assets	19,421,325,353	16,873,358,560
Deferred Outflows of Resources:		
Pension: OPERS	1,184,497	391,664
OPEB: OPERS	211,317	25,859
Total deferred outflows of resources	1,395,814	417,523
Liabilities:		
Accounts payable	12,756,367	9,441,998
Accrued expenses	887,040	664,332
Lease Liability	1,557,073	1,783,909
Net Pension Liability	2,872,769	950,519
Net OPEB Liability	71,324	0
Total liabilities	18,144,573	12,840,758
Deferred Inflows of Resources:		
Pension: OPERS	136,080	1,184,122
OPEB: OPERS	24,846	385,713
Total deferred inflows of resources	160,926	1,569,835
Plan Net Position Available for Benefits	\$19,404,415,668	\$16,859,365,490

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN PLAN NET POSITION AVAILABLE FOR BENEFITS

For the years ended December 31, 2023 and 2022

	2023	2022
Additions:		
Net Investment Income:		
Net gain (loss) on funds	\$2,929,409,471	(\$3,176,439,300)
Stable value income	151,072,138	104,892,699
Investment expenses	(12,996,615)	(12,628,287)
Net investment income (loss)	3,067,484,994	(3,084,174,888)
Participant contributions	615,366,054	601,094,646
Transfers from other plans	84,767,379	104,965,825
Recordkeeping rebates	-	1,255,206
Recordkeeping income	21,775	3,425
Total additions	3,767,640,202	(2,376,855,786)
Deductions:		
Distributions to participants	515,261,678	494,069,158
Transfers to other plans	693,176,648	492,305,859
Administrative expenses	14,151,698	12,066,168
Total deductions	1,222,590,024	998,441,185
Change in Net Position	2,545,050,178	(3,375,296,971)
Plan Net Position Available for Benefits:		
Beginning of Year	16,859,365,490	20,234,662,461
End of Year	\$19,404,415,668	\$16,859,365,490

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Description of the Program:

The following description of the Ohio Public Employees Deferred Compensation Program (the Program) is provided for general information only. Participants should refer to the Plan Document for complete information.

The Program is a voluntary defined contribution other employee benefit plan established pursuant to Ohio Revised Code (ORC) Section 148, which permits the Board to maintain and alter the Program, as necessary. Under the Program provisions, any public employee within Ohio (as defined in ORC Section 148.01(A)(1)) is eligible to contribute into the Program, through payroll deductions, any amount up to the maximum permitted under Section 457 of the Internal Revenue Code. Amounts contributed by employees are deferred for Federal and State income tax purposes until such amounts are distributed by the Program. As of December 31, 2023, and 2022, there were 2,061 and 2,042 respectively, State and local governments in the Program, and 129,792 and 125,401 respectively, actively deferring participant accounts in the Program.

Plan assets are not the property of the participating employees. All Plan assets and income are held by the Board in trust on behalf of the employers for the exclusive benefit of participants and their beneficiaries. All assets, whenever contributed to the Plan, are assigned to the trust established by the Board.

As of December 31, 2023, Program participants have the following investment options:

- A Stable Value Option administered by the Program. Investment portfolios are managed by Goldman Sachs Asset Management (GSAM); Dodge & Cox (Dodge & Cox); Earnest Partners (Earnest); JP Morgan Asset Management (JP Morgan); Jennison Associates LLC (Jennison); Nationwide Asset Management LLC (Nationwide); and Payden & Rygel (Payden).
- A mutual fund managed by The Vanguard Group, Inc. (Vanguard).
- Separate accounts managed by Dodge & Cox, Fiera Capital (Fiera), T. Rowe Price (Price), Westfield Capital Management (Westfield), Westwood Management (Westwood), Arrowstreet Capital, L.P. (Arrowstreet), Schroder Investment Management (Schroeder), State Street Global Advisors (State Street), and Vanguard.
- Collective trust funds managed by BlackRock Institutional Trust Company (BlackRock); Fidelity Investment Company (Fidelity); and TCW Investment Management Company (TCW).

Participants may withdraw the value of their account upon termination of employment, retirement, disability, or unforeseeable financial emergency. Participants may select various payout options including lump sum payments or payments over various periods. If a purchased annuity option was selected, the payments may be actuarially determined.

2. Summary of Significant Accounting Policies:

Organization:

The Ohio Revised Code Section 148.02 created the Deferred Compensation Board (the Board) to administer the Program for all eligible employees. However, under the criteria set forth in governmental accounting standards, the Program is not considered a component unit of the State of Ohio, because of the following:

- The Program is a separate legal entity.
- The State does not appoint a voting majority of the Program's Board.
- The State does not approve the Program budget or set Program rates or charges.
- The Program provides services to Ohio local governments as well as to the State of Ohio.

The Ohio Deferred Compensation Board is constructed of the members of the Ohio Public Employees Retirement System (OPERS) Board, a member of the Ohio Senate, and a member of the Ohio House of Representatives. The two members from the Ohio General Assembly must be of different political parties and are appointed by their respective leadership. Seven members of the OPERS Board are elected by the groups they represent: retired employees (2), State employees, municipal employees, county employees, non-teaching employees of State colleges and universities, and miscellaneous employees. The four statutory Board members are the Director of the Ohio Department of Administrative Services and investment experts appointed by the Governor of Ohio, Treasurer of State, and Ohio General Assembly.

Basis of Accounting and Measurement Focus:

The activities of the Program are accounted for as a Pension Fund and follow the accrual basis of accounting and reporting for defined contribution plans recommended by the Governmental Accounting Standards Board. The Program is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflow, liabilities, and deferred inflows associated with the Program's operations are included on the Statement of Plan Net Position Available for Benefits. Activities of the Program are accounted for in two funds, which are combined for financial reporting:

Program Fund:

The Program Fund reflects all participant contributions, earnings, or losses on investments and distributions to participants.

Administration Fund:

The Administration Fund is used to account for customer service and administrative costs incurred by Program operations. The Administration Fund recovers the costs of its operations through fees charged to the participant accounts in the Program Fund.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Program, deferred outflows of resources are reported on the Statement of Net Position Available for Plan Benefits for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 14 and 15.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. For the Program, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB plans are reported on the Statement of Net Position Available for Plan Benefits. (See Notes 14 and 15).

Stable Value Option:

The Program administers the Stable Value Option (SVO), the stable value investment option offered to participants. As of December 31, 2023, the Program has stable value funds invested with seven professional investment managers. The Program determines the quarterly interest rate credited to participants by calculating the net weighted average return of these investments. The Program is also responsible for calculating daily account balances, disbursing funds for benefit withdrawals, and processing investment exchanges.

As of December 31, 2023, the investment portfolios of the SVO are managed by GSAM; Dodge & Cox; Earnest; JP Morgan; Jennison; Nationwide; and Payden. The Program's Stable Value Investment Policy specifies investment guidelines, including asset class, credit rating, portfolio diversification, and duration. The

GSAM portfolio includes a cash reserve account to buffer the other investment portfolios from daily cash flows into and out of the SVO.

Funds invested in the SVO portfolios are covered by guarantee agreements with banks and insurance companies. These agreements provide the formulas for determining the quarterly interest rate earned by the stable value investment portfolio and provide for benefit withdrawals at the guaranteed value. As of December 31, 2023, the Program's guarantee agreements are with Metropolitan Life Insurance Co.; Transamerica Premier Life Insurance Co.; Prudential Insurance Co. of America; Reinsurance Group of America; and the Royal Bank of Canada.

Investments Valuation:

The SVO contains benefit responsive synthetic guaranteed investment contracts that are valued at contract value, which represents contributions received, plus the interest credited, less applicable charges and amounts withdrawn.

Mutual fund investments are valued at the share prices of mutual funds as reported by the fund providers, which represent contributions received, plus appreciation (depreciation) of the underlying portfolio, less applicable charges and amounts withdrawn.

Separate account investments are valued at the fair value of the underlying assets as reported by the fund custodian, which represent contributions received, plus appreciation (depreciation) of the underlying portfolio, less applicable charges and amounts withdrawn.

Collective trust fund investments are valued at the unit prices of the collective trust funds as reported by the fund providers, which represent contributions received, plus appreciation (depreciation) of the underlying portfolio, less applicable charges and amounts withdrawn.

Assets held for purchased annuities are valued at amounts reported by Nationwide, which are actuarially determined. These amounts represent reserves established by Nationwide and are based on actuarial assumptions as to anticipated mortality, withdrawals, and investment yield. Nationwide periodically adjusts and updates these assumptions.

The Program categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. See Note 6 for additional information.

Stable Value Income:

Stable value income is recorded as earned for each of the investment components of the SVO. The gross crediting rates for each guarantee agreement were adjusted quarterly and ranged from 2.20 percent to 3.18 percent during 2023, and from 1.24 percent to 2.34 percent during 2022.

The assets held for purchased annuities were credited interest based on reserve assumptions used by Nationwide at the participant's annuitization date. The annuitization rates ranged from -2.3 percent to +2.5 percent during 2023 and 2022.

Net Gain or Loss on Invested Funds:

Investment income or loss consists of dividends and capital gains paid, and appreciation or depreciation on mutual funds, collective trust funds, and separate accounts.

Historical Trend Information:

Unaudited historical trend information designed to provide information about the Program's progress is presented in the accompanying Statistical Section of this report.

Property and Equipment:

Property and equipment of the Board are stated at cost less accumulated depreciation. Depreciation on property and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Leased Assets are amortized in a systematic and rational manner over the shorter of the lease term or useful life of the underlying asset.

Board Employees' Deferred Compensation Benefits:

All employees of the Board are eligible to participate in the Program, which it administers. The Deferred Compensation Board employees' assets in the Program were valued at fair value and are included as Plan Net Position Available for Benefits.

Pensions/Other Postemployment Benefits (OPEB):

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the

pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Implementation of New Accounting Principles

For the year ended December 31, 2023, the Program has implemented Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships (P3s) and Availability Payment Arrangements (APAs)*, and GASB 96, *Subscription-Based Information Technology Arrangements (SBITAs)*.

GASB Statement No. 94 relates to arrangements in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset for a period of time in an exchange or exchange-like transaction. The implementation of GASB Statement No. 94 did not have an effect on the financial statements of the Program.

GASB Statement No. 96 was created to provide guidance on the accounting and financial reporting for SBITAs for governments. This standard defines a SBITA and establishes that a SBITA results in a right-to-use subscription asset (intangible asset) and a corresponding subscription liability. GASB 96 also provides the capitalization criteria for outlays other than subscription payments, including the implementation costs of a SBITA and requires additional note disclosures regarding a SBITA. The implementation of GASB Statement No. 96 did not have an effect on the financial statements of the Program.

3. Tax Status:

The Program is an eligible deferred compensation program as defined by Section 457 of the Internal Revenue Code. Accordingly, any amount of compensation deferred under the Program and any income attributable to the amounts so deferred shall be included in the taxable income of the participant only for the taxable year in which such compensation or other income is paid or otherwise made available to the participant or his beneficiary. Compensation contributed to Roth accounts maintained by the Program are not tax deductible but allow for tax-free distributions of the after-tax contribution amounts and any income attributable to the amounts, after certain conditions are met.

4. Participant Contributions:

Participant Contributions Receivable and Cash Held for Investment represent amounts withheld from participants, but not remitted to the investment providers at year-end. The Program maintains a bank account for the purpose of consolidating the deposits of all participant contributions. Contributions are subsequently remitted to the investment providers as designated by the participants. Funds deposited but not remitted to the investment providers were \$11,056,500 and \$8,515,066 at December 31, 2023 and 2022, respectively.

5. Cash and cash equivalents:

The Board's policy is to invest excess Administrative Fund cash in bank checking and money market accounts, certificates of deposit, commercial paper, or issues of the U.S. Government and its agencies, all with maturities of five years or less. The Program may also invest in StarOhio (the State Treasury Asset Reserve of Ohio), investment pools managed by the State Treasurer's Office that allow governments within the State to pool their funds for investment purposes. StarOhio is not registered with the Securities Exchange Commission as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. StarOhio operates in a manner similar to Rule 2a-7 of the Investment Company Act of 1940.

Investments in StarOhio are valued at StarOhio's net asset value (NAV) per share provided by STAR Ohio, which is the price the investment could be sold for on December 31, 2023. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value. The weighted average maturity of the portfolio held by StarOhio as of December 31, 2023, is 46.4 days and carries a rating of AAAM from Standard and Poor's.

For 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million per day. All accounts of the participant will be combined for these purposes.

At December 31, 2023 and 2022, the book carrying value balances were \$19,011,636 and \$16,746,321 respectively. The bank balances were insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The remaining bank deposits are covered by collateral held in the name of the Program's pledging financial institution, as required by State statute.

Protection of the Program's deposits is provided by the FDIC, by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

The Program has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the Program and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

6. Program Investments:

A summary of Program investments is as follows:

	December 31, 2023	
	Carrying Value	Fair Value
Collective Trust Funds	\$8,155,695,532	\$8,155,695,532
Stable Value Option	5,024,821,712	4,749,011,424
Mutual Funds	1,210,878,605	1,210,878,605
Separate Account	4,967,661,380	4,967,661,380
Purchased Annuities	8,210,944	8,210,944
Total Investments	<u>\$19,367,268,173</u>	<u>\$19,091,457,885</u>

	December 31, 2022	
	Carrying Value	Fair Value
Collective Trust Funds	\$6,376,660,324	\$6,376,660,324
Stable Value Option	5,285,307,837	4,902,011,278
Mutual Funds	976,214,550	976,214,550
Separate Account	4,176,435,996	4,176,435,996
Purchased Annuities	9,487,082	9,487,082
Total Investments	<u>\$16,824,105,789</u>	<u>\$16,440,809,230</u>

Stable Value Option:

The investments of the Stable Value Option (SVO) are governed by the Stable Value Investment Policy enacted by the Board. The SVO invests in a diversified portfolio of bonds and fixed income investments including U.S. government and agency securities, residential and commercial mortgage-backed securities, asset-backed securities, and corporate securities. The SVO also invests in stable value contracts that may include wrapper contracts, and separate and general account group annuity and other types of investment contracts (SV Contracts). SV Contracts, which are contractual agreements issued by banks, insurance companies, and other financial institutions, are purchased by the SVO with the objective of providing principal stability. The SVO may also invest in commingled bank trust funds or insurance company funds that own bonds or fixed income securities described above.

Fully benefit responsive guaranteed investment contracts (SV Contracts) are normally valued using a book value record determined by the contract's terms, which is intended to help reduce principal fluctuations and provide for certain transactions at book value. SV Contracts credit a stated interest rate that is determined periodically and may vary from period to period. SV Contract issuers are typically paid ongoing fees from the assets of the SVO. These fees are calculated based on a percentage of the SV Contract's book value. The SVO's returns are affected by cash flows including participant contributions, withdrawals and transfers, and the total return performance of the associated fixed income account portfolios.

At December 31, 2023, investments in separate account portfolios managed by Dodge & Cox, Earnest, JP Morgan, Jennison, Nationwide, and Payden were held in custody for the Program by Bank of New York Mellon. The quoted market prices of these investments have been used for disclosure purposes.

Funds managed by GSAM were in GSAM commingled bond funds and are disclosed at fair value. These investments are valued using level 2 inputs, which consist of other observable means, including quoted prices for similar items in an active market.

The Program has entered into SV Contracts to fund qualified withdrawals at contract value for participant driven transactions as allowed by the normal operation of the Program. These investments are reported at contract value. The contract value represents participant contributions plus earnings based on the credited rate of interest stipulated under the terms of the various SV Contracts. As of December 31, 2023, the fair value of the SVO assets was less than the book value by \$275.8 million or 5.5 percent. The crediting rate formula under many of the SV Contracts is intended to converge the fair value and book value of SVO assets over time, although changing market conditions, combined with

participant activity, may affect the feasibility and timing of converging the carrying and fair values of the SVO.

A summary of the fair value of investments in the Stable Value Option by investment manager at December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Goldman Sachs	\$1,232,754,135	\$1,689,482,853
Dodge & Cox	760,582,689	711,016,288
JP Morgan Investment Advisors	795,773,076	546,341,288
Nationwide Asset Management	590,550,663	542,422,516
Jennison Associates	538,812,387	480,218,526
Earnest Partners	414,732,099	258,198,708
Payden & Rygel	415,806,375	284,407,493
State Street Global Advisors	<u>0</u>	<u>389,923,606</u>
Total Fair Value	4,749,011,424	4,902,011,278
Total Carrying Value	<u>5,024,821,712</u>	<u>5,285,307,837</u>
Difference	<u>(\$275,810,288)</u>	<u>(\$383,296,559)</u>

The SVO is typically expected to maintain a relatively stable principal value. However, in some circumstances the SVO's principal value may fluctuate up or down without advance notice. Therefore, it is possible to lose money investing in the SVO. An investment in the SVO is not insured or guaranteed by the Program, SVO managers, the FDIC, or any other government agency. Some of the primary risks that may impact the SVO are described below.

Credit Risk – The Program's investment policy requires the average quality of the SVO structure to be A-/A3 or better and restricts the amount of investments in securities rated below BBB-/Baa3 to 10 percent or less of assets. In addition, no more than one percent of the assets will be invested in any single high yield (below BBB) issuer.

As of December 31, 2023, the overall average credit quality of the SVO portfolio was AA. The fair value weighted average credit quality of the SVO investments is determined by S&P Global Ratings ("S&P"), Moody's Investor Services, Inc. ("Moody's"), and/or Fitch Ratings ("Fitch") are shown in the table below as of December 31, 2023, and 2022. Investments in U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

<u>Credit Rating</u>	<u>2023</u>		<u>2022</u>	
	<u>Fair Value</u>	<u>Portfolio %</u>	<u>Fair Value</u>	<u>Portfolio %</u>
AAA	\$1,989,092,037	41.9%	\$1,620,018,180	33.0%
AA	182,121,796	3.8%	181,469,281	3.7%
A	775,621,354	16.4%	820,590,570	16.8%
BBB	685,958,067	14.4%	803,919,074	16.4%
BB	3,637,220	0.1%	3,404,064	0.1%
B and below	0	0.0%	246,017	0.0%
Subtotal	3,636,430,474	76.6%	3,429,647,186	70.0%
U.S. Treasury Securities	1,112,580,950	23.4%	1,472,364,092	30.0%
Fair Value Stable Value Investments	<u>\$4,749,011,424</u>	100.0%	<u>\$4,902,011,278</u>	100.0%

Concentration of Credit Risk – The Program’s investment policy precludes investments in any one corporate issuer from exceeding 5 percent of the SVO assets.

Interest Rate Risk – Interest rate risk is the chance that changes in market interest rates will adversely affect the fair value of the investments. The Program’s investment policy segments the SVO into three different categories: a liquidity buffer, a fixed maturity schedule, and an open maturity structure. The Program does not have an investment policy that addresses interest rate risk.

Within the liquidity buffer, the SVO will primarily invest in short-term investment funds or money market instruments but may also invest in high-quality buffer stable value contracts that provide same day liquidity for withdrawals.

The investments within the fixed maturity schedule will normally pursue a passive laddered maturity structure, whereby the dollar-weighted duration of the structure will be no more than 3.5 years.

The underlying portfolios within the open market structure will be kept within +/- 20.0 percent of the duration of the Bloomberg Intermediate Aggregate Bond Index, Bloomberg Intermediate Government/Credit Index, or a blend of the Bloomberg Aggregate Bond Index and Bloomberg Stable Income Market Index.

The segmented time distribution reflects fixed-income maturities over different time intervals. The longer the maturity, the more susceptible the value of the investment is to fluctuate in market interest rates.

The following tables show the maturity of the SVO investments segmented by time periods and sectors.

As of December 31, 2023:

<u>Investment</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 Years</u>	<u>Total</u>
U.S. Treasury Securities	\$207,548,511	\$779,063,858	\$109,091,625	\$16,876,955	\$1,112,580,950
Corporate Bonds	266,608,057	1,045,619,532	198,105,841	0	1,510,333,430
Mortgage Obligations	40,558,725	631,404,045	318,897,159	0	990,859,929
U.S. Government Agency Securities	5,771,193	337,040,305	161,095,823	878,154	504,785,474
Cash Equivalents	176,591,821	0	0	0	176,591,821
Asset Backed Securities	154,364,255	197,409,892	309,036	0	352,083,183
Other Government Related Securities	21,189,136	62,816,892	17,770,609	0	101,776,637
Fair Value Stable Value Investments	<u>\$872,631,698</u>	<u>\$3,053,354,524</u>	<u>\$805,270,093</u>	<u>\$17,755,109</u>	<u>\$4,749,011,424</u>

As of December 31, 2022:

<u>Investment</u>	<u>Less than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More than 10 Years</u>	<u>Total</u>
U.S. Treasury Securities	\$314,480,655	\$1,007,585,571	\$128,749,593	\$21,548,273	\$1,472,364,092
Corporate Bonds	321,766,107	1,151,551,610	225,913,971	2,035,764	1,701,267,452
Mortgage Obligations	35,524,180	653,309,008	223,583,042	0	912,416,231
U.S. Government Agency Securities	7,247,853	199,632,866	83,805,938	874,146	291,560,803
Cash Equivalents	133,093,560	0	0	0	133,093,560
Asset Backed Securities	134,809,056	119,703,310	327,805	0	254,840,171
Other Government Related Securities	23,610,377	94,170,091	18,688,501	0	136,468,970
Fair Value Stable Value Investments	<u>\$970,531,789</u>	<u>\$3,225,952,457</u>	<u>\$681,068,850</u>	<u>\$24,458,183</u>	<u>\$4,902,011,278</u>

The Stable Value Option investments include collateralized mortgage obligations (CMO) and asset-backed securities (ABS). These types of securities are purchased for their predictable cash flow characteristics and for favorable yields compared to similar investments. However, these investment vehicles are based on cash flows from interest and principal payments from the underlying investments that are sensitive to prepayments, which may result from a decline in interest rates. At December 31, 2023, the Program had investments in CMO and ABS totaling \$475.4 million and \$352 million, respectively.

Collective Trust Funds:

The non-SVO investment options are governed by an investment policy adopted by the Board. This policy covers the responsibility to offer a sufficient range of investment options to allow participants to diversify their balances and construct portfolios that reasonably span the risk/return spectrum. Selection and monitoring of the investment options is also covered by this policy.

A collective trust fund is a professionally managed investment fund that pools money from many investors to purchase securities. A collective trust fund is similar to a mutual fund, but is monitored by state banking regulators, instead of the U.S. Securities and Exchange Commission (SEC). Collective trust funds

generally have lower fees than mutual funds, so they may offer the opportunity for greater account growth. The Program does not have in-house investment staff, so it often utilizes collective trust funds and mutual funds to provide professional investment management.

The Program utilizes a series of collective trust funds as target date funds. A target date fund is a single investment option that provides a diversified mix of investments (equities, fixed income, cash, commodities, etc.). The fund initially invests aggressively and then becomes more conservative over time as the portfolio ages and nears the retirement date within the fund name. When the target date fund reaches the retirement year within the fund name, the fund is closed, and all assets are moved to the Retirement target date fund.

Shares of collective trust funds are priced at the net asset value as calculated by the fund provider. There are no unfunded commitments or restrictions on redemptions.

A summary of collective trust investments as of December 31, 2023 and 2022 is as follows:

	<u>Collective Trust Funds - 2023</u>			<u>Collective Trust Funds - 2022</u>		
	<u>Fair Value</u>	<u>Share Price</u>	<u>Shares Owned (1,000's)</u>	<u>Fair Value</u>	<u>Share Price</u>	<u>Shares Owned (1,000's)</u>
Fidelity:						
Contrafund	\$1,906,929,300	33.83	56,368	\$1,455,151,860	24.59	59,177
Growth Company	2,330,983,902	51.81	44,991	1,601,062,038	35.41	45,215
Total Fidelity	<u>4,237,913,202</u>			<u>3,056,213,898</u>		
BlackRock Investments:						
LifePath Retirement	781,974,018	13.22	59,135	768,520,343	11.90	64,601
LifePath 2025	506,801,440	13.85	36,601	481,959,262	12.36	38,992
LifePath 2030	755,389,745	14.65	51,575	630,496,338	12.82	49,188
LifePath 2035	417,134,826	15.43	27,040	324,900,725	13.26	24,496
LifePath 2040	454,712,878	16.16	28,146	354,383,961	13.65	25,956
LifePath 2045	247,900,522	16.78	14,775	182,005,135	13.96	13,035
LifePath 2050	265,292,585	17.11	15,502	192,299,723	14.11	13,627
LifePath 2055	211,543,504	17.19	12,309	151,174,521	14.14	10,695
LifePath 2060	60,925,639	17.18	3,547	30,806,389	14.12	2,181
Total BlackRock	<u>3,701,675,157</u>			<u>3,116,546,397</u>		
TCW Investments:						
US Bond	216,107,173	11.20	19,295	203,900,029	10.58	19,272
Total Collective Trust Funds	<u>\$8,155,695,532</u>			<u>\$6,376,660,324</u>		

Mutual Funds:

A mutual fund is a professionally managed investment fund that pools money from many investors to purchase securities. Mutual funds are registered and monitored by SEC. Shares of mutual funds are priced at the net asset value as calculated by the fund provider. A summary of year-end investments as of December 31, 2023 and 2022 is as follows:

	Mutual Funds - 2023			Mutual Funds - 2022		
	<u>Fair Value</u>	<u>Share Price</u>	<u>Shares Owned (1,000's)</u>	<u>Fair Value</u>	<u>Share Price</u>	<u>Shares Owned (1,000's)</u>
Vanguard:						
Capital Opportunity	\$1,210,878,605	\$179.21	6,757	\$976,214,550	\$146.11	6,681
Total Mutual Funds	<u>\$1,210,878,605</u>			<u>\$976,214,550</u>		

Separate Accounts:

A separate account can be a diversified portfolio(s) of investments similar to a mutual fund. While a mutual fund's strategy is determined by the mutual fund's provider, the owner of the separate account has the ability to choose the investment manager(s) and strategy. Because separate accounts are not marketed to the public and do not have the same reporting requirements as a registered mutual fund, they generally have lower operating costs than mutual funds.

The US Large Value Company Stock fund has a target allocation of 100 percent invested in the Dodge & Cox Stock mutual fund (X share class). The US Large Company Stock Index has a target allocation of 100 percent invested in a collective investment trust fund passively managed by State Street. The US Large Growth Company Stock fund has a target allocation of 95 percent actively managed by Price and 5 percent passively managed by State Street. The Non-US Company Stock fund has a target allocation of 35 percent actively managed by Vanguard, 35 percent actively managed by Schroder, and 30 percent actively managed by Arrowstreet. The US Small/Mid Company Stock Index has a target allocation of 100 percent invested in a collective investment trust fund passively managed by State Street. The US Bond Index has a target allocation of 100 percent invested in a collective investment trust fund passively managed by State Street. The US Small Value Company Stock fund has a target allocation of 92.5 percent actively managed by Westwood and 7.5 percent passively managed by State Street. The US Small Growth Company Stock fund has a target allocation of 65 percent actively managed by Westfield, 27.5 percent actively managed by Fiera, and 7.5 percent passively managed by State Street. The Non-US

Company Stock Index has a target allocation of 100 percent invested in a collective investment trust fund passively managed by State Street.

A summary of separate account investments as of December 31, 2023 and 2022 is as follows:

	<u>Separate Account - 2023</u>			<u>Separate Account - 2022</u>		
	<u>Fair Value</u>	<u>Share Price</u>	<u>Shares Owned (1,000's)</u>	<u>Fair Value</u>	<u>Share Price</u>	<u>Shares Owned (1,000's)</u>
US Large Value Company Stock <i>(Manager: Dodge & Cox)</i>	\$1,406,589,700	\$11.66	120,634	\$1,296,132,245	\$9.91	130,790
US Large Company Stock Index <i>(Manager: State Street)</i>	991,266,450	12.33	80,395	792,389,334	9.77	81,104
US Large Growth Company Stock <i>(Manager: Price, State Street)</i>	719,965,667	240.72	2,991	\$475,884,761	\$163.59	2,909
Non-US Company Stock <i>(Managers: Vanguard, Schroder, Arrowstreet)</i>	519,115,458	12.44	41,730	466,407,839	10.71	43,549
US Small/Mid Company Stock Index <i>(Manager: State Street)</i>	383,960,820	12.24	31,369	310,642,212	9.79	31,731
US Bond Index <i>(Manager: State Street)</i>	260,746,984	10.40	25,072	243,178,203	9.85	24,688
US Small Value Company Stock <i>(Managers: Westwood, State Street)</i>	243,173,109	16.26	14,955	221,463,131	13.81	16,036
US Small Growth Company Stock <i>(Managers: Westfield, Fiera, State Street)</i>	229,891,584	19.97	11,512	187,596,607	16.31	11,502
Non-US Company Stock Index <i>(Manager: State Street)</i>	212,951,608	11.45	18,598	182,741,664	9.87	18,515
	<u>\$4,967,661,380</u>			<u>\$4,176,435,996</u>		

Purchased Annuities:

Until 2004, Program participants could annuitize a portion of their account balance after termination. Annuity contracts were purchased from Nationwide Insurance that paid benefits over a participant's remaining life or set term. The annuity investment yield, mortality assumptions, and reserves are all determined by Nationwide Insurance. Purchased annuities are valued using level 2 inputs which consist of other observable means, including quoted prices for similar items in an active market.

The remaining assets held in purchased annuities are valued at amounts reported by Nationwide Insurance, which are actuarially determined. Investments in purchased annuities were \$8,210,944 and \$9,487,082 as of December 31, 2023 and 2022, respectively.

7. Investment Expenses:

Investment manager, custodian, and book value guarantee fees are charged against the assets within the Stable Value Option portfolios.

Fees associated with the Program investment options are shown below:

	<u>2023</u>	<u>2022</u>
Stable Value - Book Value Guarantee Fees:	\$7,691,484	\$7,617,926
Stable Value - Management/Custodial Fees:		
Goldman Sachs Asset Management	1,240,707	1,245,872
Dodge & Cox	750,463	710,280
JP Morgan Asset Management	784,114	677,603
Nationwide Asset Management	615,788	650,878
Jennison Associates	656,503	615,994
Earnest Partners	474,268	364,866
Payden & Rygel	434,949	366,125
State Street	166,258	193,404
Bank of New York Mellon	182,081	185,339
Total Stable Value Investment Expenses	<u>\$12,996,615</u>	<u>\$12,628,287</u>

8. Recordkeeping Rebates/Income:

In past years, certain mutual fund providers reimbursed the Program for performing recordkeeping services. Through 2015, the Program retained these reimbursements as the primary funding source of administrative operations.

Effective January 1, 2016, the Program began charging a uniform participant fee to fund administrative operations. The annualized fee is 0.14 percent of participant assets, but it is waived for participants with assets below \$5,000 and capped at \$220 per year per participant. The new participant fee is deducted from accounts quarterly, and the quarterly maximum is \$55. When this fee was implemented, recordkeeping reimbursements received from mutual funds were rebated into participant accounts that invested in the respective mutual funds.

As of December 9, 2022, there are no remaining investment options that provide a recordkeeping reimbursement. During 2022, rebates to participant accounts were \$1,255,206.

Beginning in 2022, participants could elect to have their transfer out disbursements sent by overnight mail for an additional charge. The Program collected \$21,775 and \$3,425 in recordkeeping income during 2023 and 2022, respectively.

9. Customer Service Expense:

The Program has contracted with NRS to provide enrollment, education, and customer service to all eligible employees and participants. NRS has approximately 15 employees who provide group and individual meeting opportunities both virtually and while visiting employer worksites throughout Ohio. NRS has approximately 30 employees at their Service Center, who provide participants with call center, walk-in, and administrative support services.

In 2021, the Program negotiated a contract extension with NRS to continue services through June 30, 2024. Costs associated with customer service expenses were \$6,972,574 and \$6,646,928 for the years ended December 31, 2023 and 2022, respectively, and are included in Administrative Expenses.

10. Vacation and Sick Leave:

As of December 31, 2023, and 2022, the Program had accrued \$505,469 and \$423,611 respectively, for unused vacation and sick leave for employees of the Board. At termination or retirement, employees are entitled to full compensation for all unused vacation time. With two years or more of employment prior to termination, employees are entitled to 50 percent payment of unused sick leave at termination. Vacation and sick leave accrual is recorded in accrued expenses.

11. Long-Term Liabilities:

The Program signed an agreement to lease building space beginning March 1, 2019, and ending February 28, 2029. Due to the implementation of GASB Statement 87, this lease has met the criteria of leases thus requiring them to be recorded by the Program. The future lease payments were discounted based on the Program's incremental borrowing rate. This discount is being amortized over the life of the lease.

A summary of the Lease Payable activity for 2023 and 2022 is shown below:

	Balance December 31, 2022	Additions	Deductions	Balance December 31, 2023	Amount Due In One Year
Lease Payable	<u>\$ 1,783,909</u>	<u>0</u>	<u>(226,836)</u>	<u>\$ 1,557,073</u>	<u>\$ 261,666</u>

	Balance December 31, 2021	Additions	Deductions	Balance December 31, 2022	Amount Due In One Year
Lease Payable	<u>\$ 1,997,567</u>	<u>0</u>	<u>(213,658)</u>	<u>\$ 1,783,909</u>	<u>\$ 226,836</u>

A summary of the principal and interest amounts for the remaining lease payments is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2024	\$ 261,666	\$ 86,409	\$ 348,075
2025	282,100	70,050	352,150
2026	299,499	52,651	352,150
2027	317,971	34,179	352,150
2028	339,289	12,861	352,150
2029	56,548	2,143	58,691
	<u>\$ 1,557,073</u>	<u>\$ 258,293</u>	<u>\$ 1,815,366</u>

12. Property and Equipment:

The Program completed and put into service the initial phase of a modernization project to update the daily recordkeeping system in 2019. The project improved functionality of the system, as well as updated the software language and hardware to current industry standards. Additional enhancements to the recordkeeping system as well as a participant web portal were put into service annually throughout 2023. The final phase of the modernization project is expected to be implemented in 2024.

Outside consultant costs associated with the modernization project totaled \$2,810,556 and \$2,357,574 in 2023 and 2022 respectively. Of these costs, \$1,169,441 and \$519,979 in 2023 and 2022 respectively were expensed as production support. In addition, internal technology staff costs (salaries and benefits) of \$490,205 and \$344,303 were allocated and capitalized to this project for 2023 and 2022 respectively.

Property and equipment include purchases of \$1,000 or more with a useful life of at least three years. Property and equipment at December 31 are summarized as follows:

	<u>Estimated Useful Life</u>	<u>2023</u>	<u>2022</u>
Non-Depreciable:			
Recordkeeping system		\$132,056	\$986,561
Depreciable:			
Recordkeeping system	20 years	14,739,544	12,759,320
Participant web portal	10 years	5,435,570	4,429,969
Lease Asset	10 years	2,209,807	2,209,807
Furniture and fixtures	7 years	251,832	251,832
Office equipment	5 years	182,761	147,831
Leasehold Improvements	7 years	46,551	46,551
Computer equipment	3 years	2,869	2,869
		<u>23,000,990</u>	<u>20,834,740</u>
Less accumulated depreciation and amortization		<u>(5,603,205)</u>	<u>(4,016,447)</u>
Property and Equipment, Net		<u>\$17,397,785</u>	<u>\$16,818,293</u>

Due to the implementation of GASB 87, the Program has reported a Lease Asset and the related amortization relating to the office lease described in Note 11. Lease Asset activity for 2023 and 2022 is summarized below:

	<u>December 31, 2022</u>	<u>Additions</u>	<u>Subtractions</u>	<u>December 31, 2023</u>
Intangible Right to Use-Office Space	\$ 2,209,807	-	-	\$ 2,209,807
Less: Accumulated Amortization Intangible Right to Use-Office Space	(541,177)	(270,589)	-	(811,766)
Total Lease Assets, Net	<u>\$ 1,668,630</u>	<u>(270,589)</u>	<u>-</u>	<u>\$ 1,398,041</u>
	<u>December 31, 2021</u>	<u>Additions</u>	<u>Subtractions</u>	<u>December 31, 2022</u>
Intangible Right to Use-Office Space	\$ 2,209,807	-	-	\$ 2,209,807
Less: Accumulated Amortization Intangible Right to Use-Office Space	(270,589)	(270,589)	-	(541,177)
Total Lease Assets, Net	<u>\$ 1,939,218</u>	<u>(270,589)</u>	<u>-</u>	<u>\$ 1,668,630</u>

13. Insurance:

The Program is exposed to various risks of loss related to theft of, damage to, and destruction of assets; injuries to employees; and court challenges to fiduciary decisions. To cover these risks, the Program maintains commercial insurance and holds fidelity bonds on its employees. As required by State law, the Program is registered and insured through the State of Ohio Bureau of Workers' Compensation for injuries to employees. No insurance settlements exceeded coverages in the past three years, and there was no significant reduction in coverage amounts from the prior year.

The Program is self-insured under a professionally administered plan for general health and hospitalization employee benefits. The Program maintains specific stop loss coverage per employee for annual medical benefits in the amount of \$250,000 for both 2023 and 2022. The accrual for future health claims was \$137,693 and \$119,208 as of December 31, 2023 and 2022 respectively. The accrual for future health claims is recorded within accrued expenses. Claims expense was \$300,000 and \$150,000 for 2023 and 2022, respectively. Claims paid totaled \$362,198 and \$274,527 for 2023 and 2022, respectively.

14. Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions – between an employer and its employees — of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represents the Program's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the Program's obligation for the liability to annually required payments. The Program cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the Program does receive the

benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* and *net OPEB liability (asset)*. Any liability for the contractually required pension/OPEB contributions outstanding at the end of the year is included in accounts payable.

The remainder of this note includes the pension disclosures. See Note 15 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – The Program employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Effective January 1, 2022, new members may no longer select the Combined Plan, and current members may no longer make a plan change to this plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan. Substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The amount of a member's pension benefit vests upon receipt of the initial benefit payment.

When a benefit recipient has received benefits for 12 months, the member is eligible for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the cost-of-living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar

year 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions for 2023 and 2022 as follows:

	<u>State and Local</u>
Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Program's contractually required contribution was \$239,899 for 2023 and \$211,042 for 2022. Of these amounts, \$9,315 and \$7,946 were reported as an accounts payable in 2023 and 2022, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Program's proportion of the net pension liability was based on the Program's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>2023 OPERS</u>	<u>2022 OPERS</u>
Proportion of the Net Pension Liability:		
Current Measurement Period	0.009725%	0.010925%
Prior Measurement Period	<u>0.010925%</u>	<u>0.011189%</u>
Change in Proportion	<u>-0.001200%</u>	<u>-0.000264%</u>
Proportionate Share of the Net		
Pension Liability	\$ 2,872,769	\$ 950,519
Pension Expense	\$ 321,274	\$ (164,095)

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight-line method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2023, the Program reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023 OPERS	2022 OPERS
Deferred Outflows of Resources		
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$ 818,827	\$ -
Differences between Expected and Actual Experience	95,422	48,456
Changes of Assumptions	30,349	118,861
Changes in Proportionate Share and Differences in Contributions	-	13,305
Program Contributions Subsequent to the Measurement Date	239,899	211,042
Total Deferred Outflows of Resources	<u>\$ 1,184,497</u>	<u>\$ 391,664</u>
Deferred Inflows of Resources		
Differences between Expected and Actual Experience	\$ -	\$ 20,848
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	1,130,607
Changes in Proportionate Share and Differences in Contributions	136,080	32,667
Total Deferred Inflows of Resources	<u>\$ 136,080</u>	<u>\$ 1,184,122</u>

The \$239,899 reported as deferred outflows of resources related to pension resulting from the Program contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>
2024	\$ 16,009
2025	150,370
2026	241,020
2027	401,119
Total	<u>\$ 808,518</u>

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2022, using the following key actuarial assumptions and methods applied to all periods included in the measurement in accordance with the requirements of GASB 67:

	<u>OPERS Traditional Plan</u>
Wage Inflation	2.75 percent
Future Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00 percent, simple
Post-January 7, 2013 Retirees	3.00 percent, simple through 2023, then 2.05 percent, simple
Investment Rate of Return	6.90 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 12.10 percent for 2022.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized below:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	22.00%	2.62%
Domestic Equities	22.00	4.60
Real Estate	13.00	3.27
Private Equity	15.00	7.53
International Equities	21.00	5.51
Risk Parity	2.00	4.37
Other investments	5.00	3.27
Total	100.00%	

Discount Rate The discount rate used to measure the total pension liability for the current year was 6.9 percent. The discount rate for the prior year was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined.

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Program’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Program’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9 percent, as well as what the’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9 percent) or one-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Program’s Proportionate Share of the Net Pension Liability (Asset)			
Calendar Year 2023	\$ 4,303,313	\$ 2,872,769	\$ 1,682,814
Calendar Year 2022	\$ 2,506,086	\$ 950,519	\$ (343,919)

15. Defined Benefit OPEB Plans

Net OPEB Liability

See Note 14 for a description of the net OPEB liability.

Ohio Public Employees Retirement System (OPERS)

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust. The 115 Health Care Trust (115 Trust or Health Care Trust) was established in 2014, under Section 115 of the Internal Revenue Code (IRC). The purpose of the 115 Trust is to fund health care. Medicare-enrolled retirees may have an allowance deposited into a health reimbursement arrangement (HRA) account to be used toward the health care program of their choice selected with the assistance of an OPERS vendor. Non-Medicare retirees

have converted to an arrangement similar to the Medicare-enrolled retirees, and are no longer participating in OPERS provided self-insured group plans.

With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents.

OPERS members retiring with an effective date of January 1, 2022, or after must meet the following health care eligibility requirements to receive an HRA allowance:

Medicare Retirees Medicare-eligible with a minimum of 20 years of qualifying service credit

Non-Medicare Retirees Non-Medicare retirees qualify based on the following age-and-service criteria:

Group A 30 years of qualifying service credit at any age;

Group B 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52;

Group C 32 years of qualifying service credit and minimum age 55; or, A retiree from groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if they have at least 20 years of qualifying health care service credit.

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service.

Members with a retirement date prior to January 1, 2022, who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022.

Eligible retirees may receive a monthly HRA allowance for reimbursement of health care coverage premiums and other qualified medical expenses. Monthly

allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are provided to eligible retirees, and are deposited into their HRA account.

Retirees will have access to the OPERS Connector, which is a relationship with a vendor selected by OPERS to assist retirees participating in the health care program. The OPERS Connector may assist retirees in selecting and enrolling in the appropriate health care plan.

When members become Medicare-eligible, recipients enrolled in OPERS health care programs must enroll in Medicare Part A (hospitalization) and Medicare Part B (medical).

OPERS reimburses retirees who are not eligible for premium-free Medicare Part A (hospitalization) for their Part A premiums as well as any applicable surcharges (late-enrollment fees). Retirees within this group must enroll in Medicare Part A and select medical coverage, and may select prescription coverage, through the OPERS Connector. OPERS also will reimburse 50 percent of the Medicare Part A premium and any applicable surcharges for eligible spouses. Proof of enrollment in Medicare Part A and confirmation that the retiree is not receiving reimbursement or payment from another source must be submitted. The premium reimbursement is added to the monthly pension benefit.

The Ohio Revised Code permits but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2023, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023, OPERS did not allocate any employer contribution to health care for members. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Program's contractually required contribution was \$0 for 2023 and 2022.

Net OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Program's proportion of the net OPEB liability was based on the Program's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2023 OPERS	2022 OPERS
	<hr/>	<hr/>
Proportion of the Net OPEB Liability:		
Current Measurement Period	0.011312%	0.011830%
Prior Measurement Period	0.011830%	0.012001%
Change in Proportion	<hr/> <u>-0.000518%</u>	<hr/> <u>-0.000171%</u>
Proportionate Share of the Net		
OPEB Liability (Asset)	\$ 71,324	\$ (370,534)
OPEB Expense	\$ (104,467)	\$ (259,984)

At December 31, 2023, the Program reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023 OPERS	2022 OPERS
Deferred Outflows of Resources		
Net Difference between Projected and Actual		
Earnings on OPEB Plan Investments	\$ 141,653	\$ -
Changes of Assumptions	69,664	-
Changes in Proportionate Share and		
Differences in Contributions	-	25,859
Total Deferred Outflows of Resources	<u>\$ 211,317</u>	<u>\$ 25,859</u>
Deferred Inflows of Resources		
Differences between Expected and		
Actual Experience	\$ 17,792	\$ 56,205
Net Difference between Projected and Actual		
Earnings on OPEB Plan Investments	-	176,643
Changes of Assumptions	5,732	149,988
Changes in Proportionate Share and		
Differences in Contributions	1,322	2,877
Total Deferred Inflows of Resources	<u>\$ 24,846</u>	<u>\$ 385,713</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS
2024	\$ 22,191
2025	51,678
2026	44,172
2027	68,430
Total	<u>\$ 186,471</u>

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The

total OPEB liability was determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022. The actuarial valuation used the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Wage Inflation	2.75 percent	2.75 percent
Projected Salary Increases,	2.75 to 10.75 percent	2.75 to 10.75 percent
	including wage inflation	including wage inflation
Single Discount Rate	5.22 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	4.05 percent	1.84 percent
Health Care Cost Trend Rate	5.50 percent, initial	5.50 percent, initial
	3.50 percent, ultimate in 2036	3.50 percent, ultimate in 2034
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on 130 percent of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115 percent of the PubG-2010 Retiree Mortality Tables (males and females). Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females). For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 15.6 percent for 2022.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary

goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	2.56%
Domestic Equities	26.00	4.60
Real Estate Investment Trust	7.00	4.70
International Equities	25.00	5.51
Risk Parity	2.00	4.37
Other investments	6.00	1.84
Total	100.00%	

Discount Rate A single discount rate of 5.22 percent was used to measure the OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 4.05 percent (Fidelity Index's "20-Year Municipal GO AA Index"). The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Program's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Program's proportionate share of the net OPEB liability calculated using the single discount rate of 5.22 percent, as well as what the Program's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (4.22 percent) or one-percentage-point higher (6.22 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Program's Proportionate Share of the Net OPEB Liability (Asset)			
Calendar Year 2023	\$ 242,756	\$ 71,324	\$ (70,134)
Calendar Year 2022	\$ (217,909)	\$ (370,534)	\$ (497,215)

Sensitivity of THE PROGRAM's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability or asset. The following table presents the net liability or asset calculated using the assumed trend rates, and the expected net OPEB liability or asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2023 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
Program's Proportionate Share of the Net OPEB Liability (Asset)			
Calendar Year 2023	\$ 66,854	\$ 71,324	\$ 76,356
Calendar Year 2022	(374,538)	(370,534)	(365,784)

16. Eliminations:

The Administration Fund recovers some customer service and administrative costs through charges made to the Program Fund. Charges of \$15,488,144 and \$15,138,097 were made during 2023 and 2022, respectively, for this purpose, including \$852,651 and \$706,762 payable to the Administrative Fund as of December 31, 2023 and 2022, respectively. These inter-fund charges and payables were eliminated in the Combining Schedule of Plan Net Position

Available for Benefits and the Combining Schedule of Changes in Plan Net Position Available for Benefits.

17. Subsequent Events:

In March 2024, the Program signed a two-year contract extension with NRS to continue their enrollment, education, and customer service until June 30, 2026.

Subsequent to year-end, the Ohio Deferred Compensation Board voted to have the Ohio Public Employees Retirement System (OPERS) provide executive leadership to the Program. OPERS management has identified a staff member to lead the Program, and this leadership commenced in April 2024.

SCHEDULE OF THE PROGRAM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<i>Ohio Public Employees' Retirement System (OPERS)</i>										
Program's Proportion of the Net Pension Liability	0.009725%	0.010925%	0.011189%	0.010902%	0.011065%	0.0111272%	0.0111205%	0.0110210%	0.0108110%	0.0108110%
Program's Proportionate Share of the Net Pension Liability	\$ 2,872,769	\$ 950,519	\$ 1,656,847	\$ 2,154,854	\$ 3,030,479	\$ 1,745,641	\$ 2,525,283	\$ 1,908,976	\$ 1,303,927	\$ 1,274,476
Program's Covered Payroll	\$ 1,507,443	\$ 1,585,571	\$ 1,575,929	\$ 1,533,957	\$ 1,494,521	\$ 1,470,471	\$ 1,437,558	\$ 1,371,650	\$ 1,325,533	\$ 1,305,569
Program's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.57%	59.95%	105.13%	140.48%	202.77%	118.71%	175.66%	139.17%	98.37%	97.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.74%	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Notes to the Required Supplementary Information

Changes in Assumptions – OPERS

Amounts reported beginning in 2022 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in prior years are presented below:

	2022	2019	2018 and 2017	2016 and prior
Wage Inflation	2.75%	3.25%	2.75%	2.75%
Future Salary Increases, including wage inflation COLA or Ad Hoc COLA	2.75% to 10.75%	3.25% to 10.75%	3.25% to 10.75%	4.25% to 10.05%
Pre-January 7, 2013 Retirees	3.00%, simple	3.00%, simple	3.00%, simple	3.00%, simple
Post-January 7, 2013 Retirees	see below	see below	see below	see below
Investment Rate of Return	6.90%	7.20%	7.50%	8.00%
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age	Individual Entry Age

The assumptions related to COLA or Ad Hoc COLA for Post-January 7, 2013, retirees are as follows:

2022	3.00%, simple through 2022, then 2.05%, simple
2021	0.50%, simple through 2021, then 2.15%, simple
2020	1.40%, simple through 2020, then 2.15%, simple
2017-2019	3.00%, simple through 2018, then 2.15%, simple
2016 and prior	3.00%, simple through 2018, then 2.80%, simple 5.50% to 5.00%

Changes in Benefit Terms – OPERS

There were no significant changes in benefit terms.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROGRAM'S CONTRIBUTIONS - PENSION

Last Ten Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Ohio Public Employees' Retirement System (OPERS)										
Contractually Required Contribution	\$ 239,899	\$ 211,042	\$ 221,980	\$ 220,630	\$ 214,754	\$ 209,233	\$ 191,161	\$ 172,507	\$ 164,598	\$ 159,064
Contributions in Relation to the Contractually Required Contribution	<u>(239,899)</u>	<u>(211,042)</u>	<u>(221,980)</u>	<u>(220,630)</u>	<u>(214,754)</u>	<u>(209,233)</u>	<u>(191,161)</u>	<u>(172,507)</u>	<u>(164,598)</u>	<u>(159,064)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>									
Program's Covered Payroll	\$ 1,713,564	\$ 1,507,443	\$ 1,585,571	\$ 1,575,929	\$ 1,533,957	\$ 1,494,521	\$ 1,470,471	\$ 1,437,558	\$ 1,371,650	\$ 1,325,533
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROGRAM'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY (ASSET)**

Last Seven Years ⁽¹⁾

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Ohio Public Employees' Retirement System (OPERS)							
Program's Proportion of the Net OPEB Liability (Asset)	0.011312%	0.011830%	0.012001%	0.011211%	0.010611%	0.0106867%	0.0107080%
Program's Proportionate Share of the Net OPEB Liability (Asset)	\$ 71,324	\$ (370,534)	\$ (213,807)	\$ 1,548,530	\$ 1,383,424	\$ 1,160,495	\$ 1,081,544
Program's Covered Payroll	\$ 1,507,443	\$ 1,585,571	\$ 1,575,929	\$ 1,533,957	\$ 1,494,521	\$ 1,470,471	\$ 1,437,558
Program's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	4.73%	-23.37%	-13.57%	100.95%	92.57%	78.92%	75.23%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	94.79%	128.23%	115.57%	47.80%	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Notes to the Required Supplementary Information

Changes in Assumptions

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

<u>Assumption</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Wage Inflation	2.75%	2.75%	3.25%	3.25%	3.25%	3.25%
Discount Rate	5.22%	6.00%	6.00%	3.16%	3.96%	3.85%
Municipal Bond Rate	4.05%	1.84%	2.00%	2.75%	3.71%	3.31%
Health Care Cost Trend Rate	5.50%	5.50%	8.50%	10.50%	10.00%	7.50%

For calendar year 2019, the investment rate of return decreased from 6.50 percent to 6.00 percent.

Changes in Benefit Terms

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROGRAM'S CONTRIBUTIONS - OPEB
Last Eight Years ⁽¹⁾

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Ohio Public Employees' Retirement System (OPERS)								
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,705	\$ 28,751
Contributions in Relation to the Contractually Required Contribution	-	-	-	-	-	-	(14,705)	(28,751)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program's Covered Payroll (2)	\$ 1,713,564	\$ 1,507,443	\$ 1,585,571	\$ 1,575,929	\$ 1,533,957	\$ 1,494,521	\$ 1,470,471	\$ 1,437,558
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%

(1) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(2) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

COMBINING SCHEDULE OF PLAN NET POSITION AVAILABLE FOR BENEFITS
As of December 31, 2023
With Totals for 2022

	2023				
	PROGRAM FUND	ADMINIS- TRATION FUND	COMBINING ENTRIES	TOTAL	2022
Assets:					
Investments:					
Stable value option	\$5,024,821,712			\$5,024,821,712	\$5,285,307,837
Collective trust funds	8,155,695,532			8,155,695,532	6,376,660,324
Mutual funds	1,210,878,605			1,210,878,605	976,214,550
Separate account	4,967,661,380			4,967,661,380	4,176,435,996
Purchased annuities	8,210,944			8,210,944	9,487,082
Total investments	<u>19,367,268,173</u>			<u>19,367,268,173</u>	<u>16,824,105,789</u>
Cash and cash equivalents		\$19,011,636		19,011,636	16,746,321
Contributions receivable and cash held for investment	17,250,780			17,250,780	14,755,392
Accounts receivable and prepaids		1,249,630	(\$852,651)	396,979	562,231
Property and equipment, net		17,397,785		17,397,785	16,818,293
Net OPEB Asset		<u>0</u>		<u>0</u>	<u>370,534</u>
Total assets	<u>\$19,384,518,953</u>	<u>\$37,659,051</u>	<u>(\$852,651)</u>	<u>\$19,421,325,353</u>	<u>\$16,873,358,560</u>
Deferred Outflows of Resources:					
Pension: OPERS		1,184,497		1,184,497	391,664
OPEB: OPERS		<u>211,317</u>		<u>211,317</u>	<u>25,859</u>
Total deferred outflows of resources	<u>0</u>	<u>1,395,814</u>	<u>0</u>	<u>1,395,814</u>	<u>417,523</u>
Liabilities:					
Accounts payable	12,428,863	1,180,155	(852,651)	12,756,367	9,441,998
Accrued expenses		887,040		887,040	664,332
Lease Liabilities		1,557,073		1,557,073	1,783,909
Net Pension Liability		2,872,769		2,872,769	950,519
Net OPEB Liability		<u>71,324</u>		<u>71,324</u>	<u>0</u>
Total liabilities	<u>12,428,863</u>	<u>6,568,361</u>	<u>(852,651)</u>	<u>18,144,573</u>	<u>12,840,758</u>
Deferred Inflows of Resources:					
Pension: OPERS		136,080		136,080	1,184,122
OPEB: OPERS		<u>24,846</u>		<u>24,846</u>	<u>385,713</u>
Total deferred inflows of resources	<u>0</u>	<u>160,926</u>	<u>0</u>	<u>160,926</u>	<u>1,569,835</u>
Plan Net Position Available for Benefits	<u>\$19,372,090,090</u>	<u>\$32,325,578</u>	<u>\$0</u>	<u>\$19,404,415,668</u>	<u>\$16,859,365,490</u>

COMBINING SCHEDULE OF CHANGES IN PLAN NET POSITION AVAILABLE FOR BENEFITS

For the year ended December 31, 2023
With Totals for 2022

	2023			2022
	PROGRAM FUND	ADMINIS- TRATION FUND	COMBINING ENTRIES	
Additions:				
Net Investment Income:				
Net gain (loss) on funds	\$2,929,409,471			(\$3,176,439,300)
Stable value income	149,814,440	\$1,257,698		104,892,699
Investment expenses	(12,996,615)			(12,628,287)
Net investment income (loss)	3,066,227,296	1,257,698		(3,084,174,888)
Employee contributions	615,366,054			601,094,646
Transfers from other plans	84,767,379			104,965,825
Recordkeeping rebates	0			1,255,206
Recordkeeping income		15,509,919	(\$15,488,144)	3,425
Total additions	3,766,360,729	16,767,617	(15,488,144)	(2,376,855,786)
Deductions:				
Distributions to participants	515,261,678			494,069,158
Transfers to other plans	693,176,648			492,305,859
Administrative expenses	15,488,144	14,151,698	(15,488,144)	12,066,168
Total deductions	1,223,926,470	14,151,698	(15,488,144)	998,441,185
Change in Net Position	2,542,434,259	2,615,919		(3,375,296,971)
Plan Net Position Available for Benefits:				
Beginning of Year	16,829,655,830	29,709,659	0	20,234,662,461
End of Year	\$19,372,090,089	\$32,325,578	\$0	\$16,859,365,490

SCHEDULE OF ADMINISTRATION FUND DEDUCTIONS

For the years ended December 31, 2023 and 2022

	2023	2022
Customer Service	\$6,972,574	\$6,646,928
Salaries and benefits:		
Salaries and wages	1,685,529	1,655,182
Retirement contributions	264,585	(371,353)
Insurance	315,150	163,543
Other benefits	30,940	29,858
	2,296,204	1,477,230
Depreciation and amortization	1,586,758	1,321,395
Information Technology expense	1,589,326	949,577
Professional Services:		
Consulting	468,972	442,014
Information Technology	120,660	89,565
Auditing	46,163	44,842
	635,795	576,421
Administration:		
Postage and delivery	391,421	406,049
Participant statements	145,728	147,051
	537,149	553,100
Insurance	202,356	203,051
Bank Fees	191,155	166,611
Interest Expense	100,864	114,042
Office supplies:		
Printing	15,491	22,917
Office supplies	5,865	4,573
Telephone and fax	4,231	4,319
	25,587	31,809
Professional Expense	13,930	21,456
Miscellaneous	0	4,548
Total Administrative Fund Deductions	\$14,151,698	\$12,066,168

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

For the years ended December 31, 2023 and 2022

	2023	2022
Cash and cash equivalents, beginning of year	\$16,746,321	\$15,306,139
Receipts:		
Investment redemptions	1,208,438,326	986,375,017
Employee contributions	612,870,666	595,993,879
Transfers from other plans	84,767,379	104,965,825
Recordkeeping income	1,298,837	179,266
Total cash receipts	1,907,375,208	1,687,513,987
Disbursements:		
Investment purchases	660,804,409	671,866,344
Distributions to participants	515,261,678	494,069,158
Transfers to other plans	693,176,648	492,305,859
Investment expenses	21,345,492	13,955,263
Administrative expenses	12,355,416	11,683,727
Purchase of property and equipment	2,166,250	2,193,454
Total cash disbursements	1,905,109,893	1,686,073,805
Cash and cash equivalents, end of year	\$19,011,636	\$16,746,321

SCHEDULE OF INVESTMENT EXPENSES

For the years ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Stable Value - Book Value Guarantee Fees:	\$7,691,484	\$7,617,926
Stable Value - Management/Custodial Fees:		
Goldman Sachs Asset Management	1,240,707	1,245,872
Dodge & Cox	750,463	710,280
JP Morgan Asset Management	784,114	677,603
Nationwide Asset Management	615,788	650,878
Jennison Associates	656,503	615,994
Earnest Partners	474,268	364,866
Payden & Rygel	434,949	366,125
State Street	166,258	193,404
Bank of New York Mellon	182,081	185,339
Total Stable Value Investment Expenses	<u>\$12,996,615</u>	<u>\$12,628,287</u>

Investment manager, custodian, and book value guarantee fees are charged against the assets within the Stable Value Option portfolios.



INVESTMENT SECTION

INVESTMENT SUMMARY

The Program is a self-directed plan, allowing participants to choose the investment options for their current contributions and account balances. The Board has adopted an investment policy that ensures that a sufficient number of suitable, diverse investment options are offered to participants. Independent professionals manage all investments, and the Program does not maintain any in-house investment staff, so the Program does not incur any direct investment expenses. The Executive Director is responsible for overseeing investments and preparation of the investment summary section.

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Carrying Value</u>	<u>Allocation</u>	<u>Carrying Value</u>	<u>Allocation</u>
Collective Trust Funds	\$8,155,695,532	42.1%	\$6,376,660,324	42.6%
Stable Value Option	5,024,821,712	25.9%	5,285,307,837	31.4%
Mutual Funds	1,210,878,605	6.3%	976,214,550	5.8%
Separate Account	4,967,661,380	25.6%	4,176,435,996	24.8%
Purchased Annuities	8,210,944	0.0%	9,487,082	0.1%
Total Investments	<u>\$19,367,268,173</u>	100.0%	<u>\$16,824,105,789</u>	100.0%

INVESTMENT FEE RATES

The following table shows the investment fee rates charged by each investment option as of December 31, 2023, as well as the median in a universe of institutional share class mutual funds for the same asset category (according to *Morningstar*). The performance returns reported to participants have been reduced by these investment expenses. The Program pays the Stable Value Option investment related expenses, so those fees are included in the financial statements and footnotes.

	Program Investment Fees	Median Mutual Fund Fees
Non-US Company Stock	0.54%	0.84%
Non-US Company Stock Index	0.05%	0.84%
US Small Growth Company Stock	0.65%	0.97%
US Small/Mid Company Stock Index	0.02%	0.90%
US Small Value Company Stock	0.49%	0.95%
Vanguard Capital Opportunity	0.36%	0.82%
Fidelity Growth Company Commingled Pool	0.32%	0.73%
US Large Growth Company Stock	0.31%	0.73%
Fidelity Contrafund Commingled Pool	0.30%	0.73%
US Large Value Company Stock	0.41%	0.66%
US Large Company Stock Index	0.01%	0.20%
BlackRock LifePath Retirement	0.06%	0.40%
BlackRock LifePath 2025	0.06%	0.41%
BlackRock LifePath 2030	0.06%	0.41%
BlackRock LifePath 2035	0.06%	0.42%
BlackRock LifePath 2040	0.06%	0.44%
BlackRock LifePath 2045	0.06%	0.44%
BlackRock LifePath 2050	0.06%	0.45%
BlackRock LifePath 2055	0.06%	0.46%
BlackRock LifePath 2060	0.06%	0.46%
US Bond	0.25%	0.49%
US Bond Index	0.02%	0.44%
Stable Value Option *	0.25%	0.10%

*Stable Value Option fees include investment management fees, but not guarantee or wrap fees.

SCHEDULE OF PERFORMANCE VERSUS BENCHMARKS

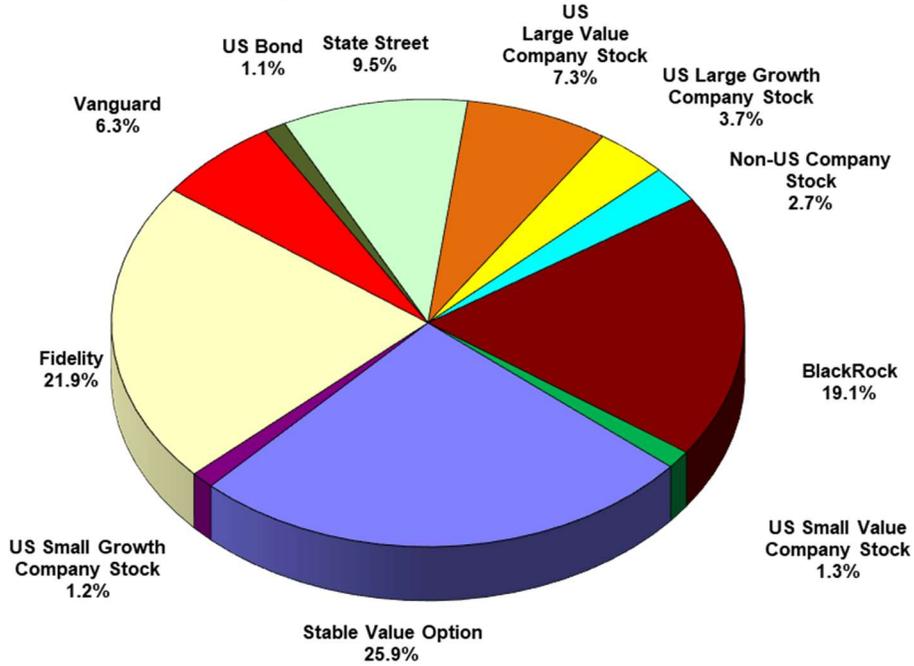
As of December 31, 2023

	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
Non-US Company Stock (inception 9/11/20)	16.2%	1.1%	n/a	n/a
<i>Benchmark: MSCI All Country World ex-U.S. Index</i>	15.6%	1.6%	7.1%	3.8%
Non-US Company Stock Index (inception 12/9/22)	15.9%	1.8%	7.5%	4.2%
<i>Benchmark: MSCI All Country World ex-U.S. Index</i>	15.6%	1.5%	7.2%	4.0%
US Small Growth Company Stock (inception 6/2/17)	22.5%	0.3%	14.8%	7.0%
<i>Benchmark: Russell 2000 Growth Index</i>	18.7%	-3.5%	9.2%	7.2%
US Small Value Company Stock (inception 6/2/17)	17.8%	9.7%	11.5%	6.7%
<i>Benchmark: Russell 2000 Value Index</i>	14.7%	7.9%	10.0%	6.8%
US Small/Mid Company Stock Index (inception 12/9/22)	25.0%	1.7%	12.3%	8.8%
<i>Benchmark: Russell Small Cap Compl Index</i>	24.8%	1.6%	12.3%	8.8%
Vanguard Capital Opportunity	25.6%	7.9%	14.5%	12.7%
<i>Benchmark: Russell Mid Cap Growth Index</i>	25.9%	1.3%	13.8%	10.6%
Fidelity Growth Company Commingled Pool (inception 12/13/13)	46.3%	6.5%	23.2%	17.4%
<i>Benchmark: Russell 1000 Growth Index</i>	42.7%	8.9%	19.5%	14.9%
US Large Growth Company Stock (inception 8/1/14)	47.1%	5.8%	16.4%	14.3%
<i>Benchmark: Russell 1000 Growth Index</i>	42.7%	8.9%	19.5%	14.9%
US Large Value Company Stock (inception 12/9/22)	17.6%	12.9%	14.0%	10.5%
<i>Benchmark: Russell 1000 Val Index</i>	11.5%	8.9%	10.9%	8.4%
US Large Stock Index (inception date 12/9/22)	26.2%	10.0%	15.7%	12.0%
<i>S&P 500 Index</i>	26.3%	10.0%	15.7%	12.0%
Fidelity Contrafund Commingled Pool (inception 1/17/14)	37.6%	7.7%	16.6%	13.0%
<i>Benchmark: Russell 1000 Growth Index</i>	42.7%	8.9%	19.5%	14.9%
BlackRock LifePath Retirement	11.2%	0.5%	5.6%	4.5%
<i>Benchmark: BlackRock Custom</i>	11.1%	0.5%	5.6%	4.4%
BlackRock LifePath 2025	12.0%	1.2%	6.6%	5.3%
<i>Benchmark: BlackRock Custom</i>	11.9%	1.2%	6.6%	5.2%
BlackRock LifePath 2030	14.3%	2.3%	7.9%	6.1%
<i>Benchmark: BlackRock Custom</i>	14.2%	2.3%	7.8%	5.9%
BlackRock LifePath 2035	16.3%	3.3%	9.0%	6.8%
<i>Benchmark: BlackRock Custom</i>	16.3%	3.3%	9.0%	6.6%
BlackRock LifePath 2040	18.3%	4.3%	10.1%	7.4%
<i>Benchmark: BlackRock Custom</i>	18.3%	4.3%	10.0%	7.2%
BlackRock LifePath 2045	20.2%	5.1%	11.0%	7.9%
<i>Benchmark: BlackRock Custom</i>	20.1%	5.1%	10.9%	7.7%
BlackRock LifePath 2050	21.3%	5.6%	11.4%	8.1%
<i>Benchmark: BlackRock Custom</i>	21.2%	5.5%	11.3%	7.9%
BlackRock LifePath 2055	21.6%	5.7%	11.5%	8.2%
<i>Benchmark: BlackRock Custom</i>	21.6%	5.6%	11.4%	8.0%
BlackRock LifePath 2060	21.6%	5.7%	11.5%	n/a
<i>Benchmark: BlackRock Custom</i>	21.6%	5.6%	11.4%	n/a
US Bond (inception 1/30/2015)	5.9%	-3.6%	1.4%	1.9%
<i>Benchmark: Bloomberg US Aggregate Bond Index</i>	5.5%	-3.3%	1.1%	1.8%
US Bond Index (inception 12/9/22)	5.6%	-3.4%	1.1%	1.8%
<i>Benchmark: Bloomberg US Aggregate Bond Index</i>	5.5%	-3.3%	1.1%	1.8%
Stable Value Option	2.7%	2.1%	2.2%	2.2%
<i>Benchmark: Morningstar US CIT Stable Val Index</i>	2.0%	1.5%	2.1%	2.1%

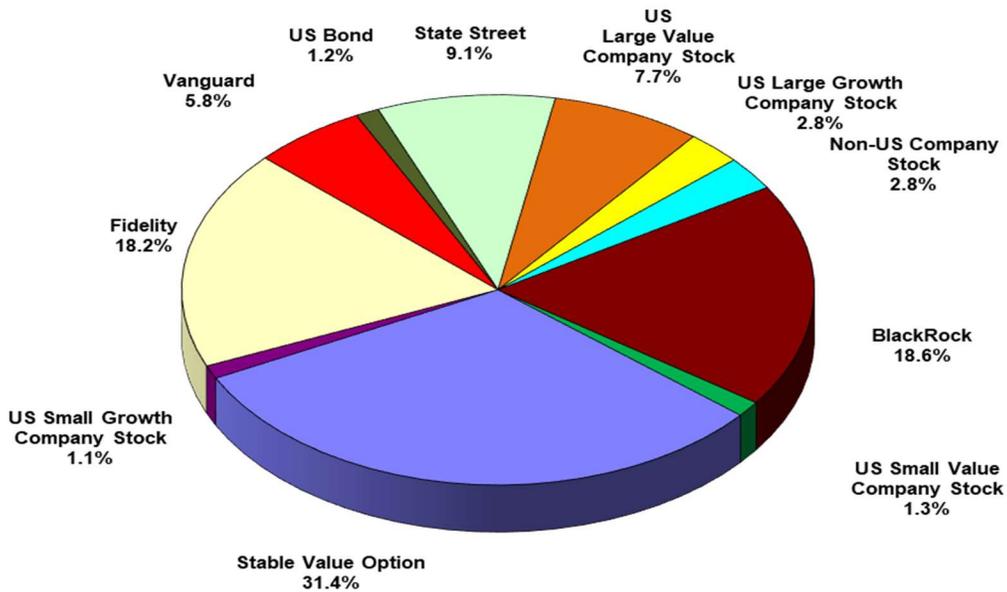
Investment returns are a time-weighted return based on the market rate of return. Returns are shown net of investment management fees. The 3-year, 5-year, and 10-year investment returns are annualized. Funds with inception date of 12/9/22 are reflective of returns established prior to becoming an option in Ohio DC's portfolio.

INVESTMENT MIX

December 31, 2023

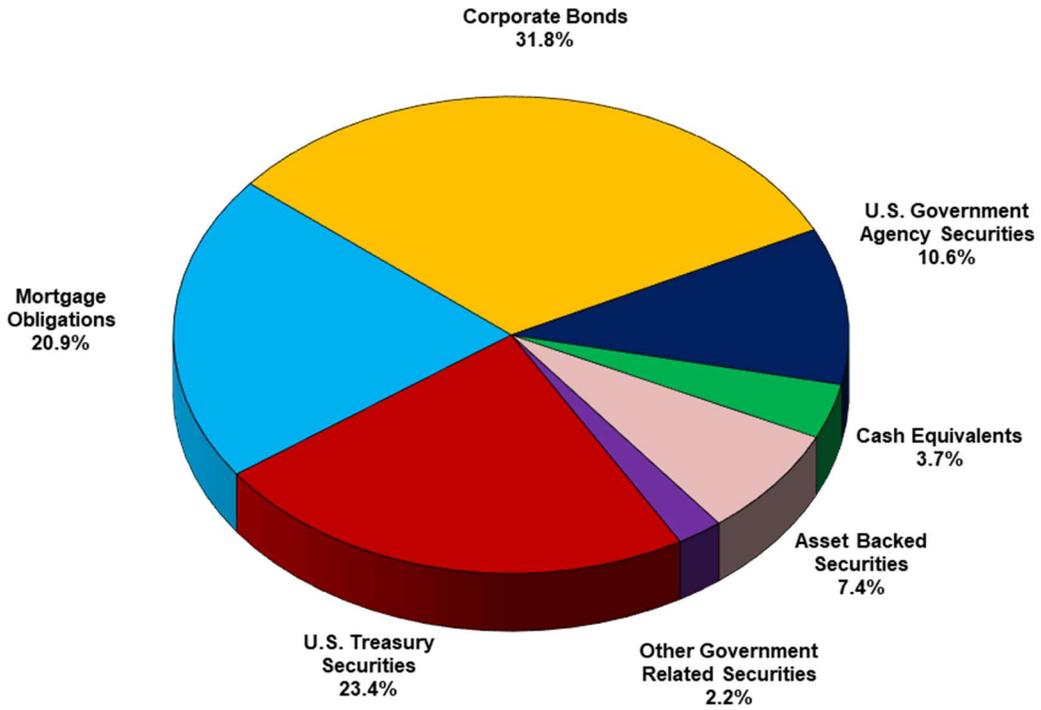


December 31, 2022

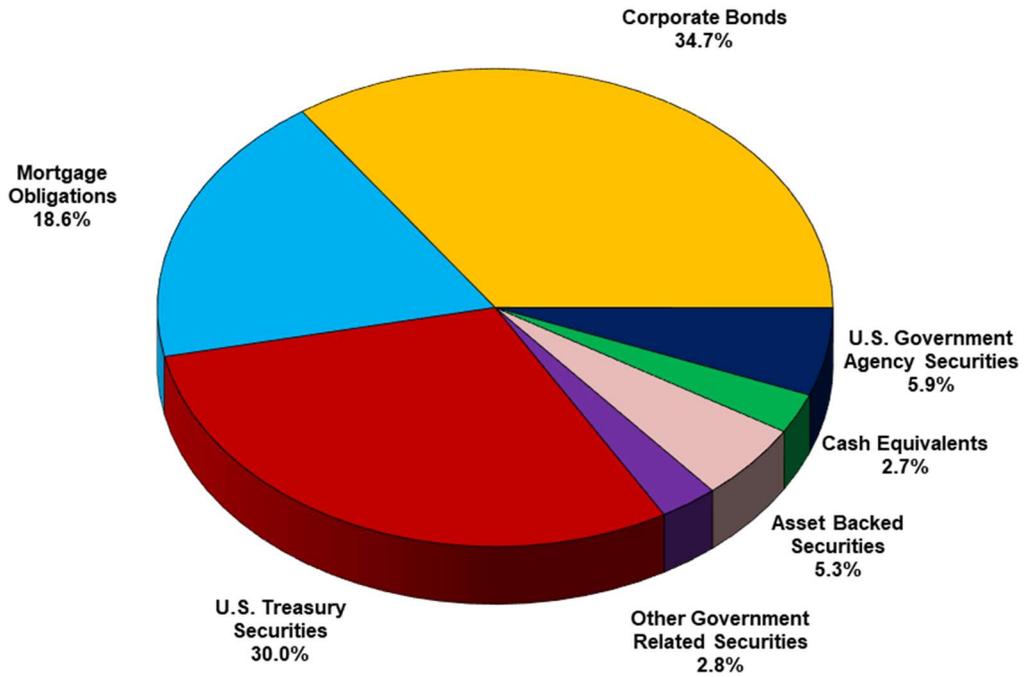


STABLE VALUE OPTION DIVERSIFICATION

December 31, 2023



December 31, 2022





STATISTICAL SECTION

STATISTICAL INFORMATION

The objective of the Statistical Section is to provide the financial statement users with historical perspective, context, and detail to assist in using the information in the financial statements and the notes to the financial statements to better understand and assess the Ohio Public Employees Deferred Compensation Program's economic condition. The schedules in the Statistical Section show financial trend information that assists users in understanding how the Ohio Public Employees Deferred Compensation Program's financial position has changed over time. The financial trend schedules presented are:

- Changes in Plan Net Position Available for Benefits
- Employee Participation and Deferral Trends
- Number of Employers Contributing
- Principle Contributing Employers
- Benefit Payments

CHANGES IN PLAN NET POSITION AVAILABLE FOR BENEFITS

Years ending December 31, 2014 – 2023 (In Millions)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Additions:										
Net Investment Income:										
Net gain (loss) on funds	\$2,929.4	(\$3,176.5)	\$2,405.3	\$2,655.3	\$2,273.4	(\$446.9)	\$1,700.4	\$583.1	\$44.4	\$498.5
Stable value income	151.1	104.9	104.1	126.6	132.8	117.4	111.5	114.5	116.7	117.0
Investment expenses	(13.0)	(12.6)	(13.2)	(12.4)	(12.8)	(12.3)	(13.0)	(13.1)	(13.5)	(14.5)
Net investment income (loss)	3,067.5	(3,084.2)	2,496.2	2,769.5	2,393.4	(341.8)	1,798.9	684.5	147.6	601.0
Participant contributions	615.4	601.1	582.1	549.9	518.1	496.3	475.9	447.1	444.0	427.0
Transfers from other plans	84.7	105.0	137.5	103.7	128.8	117.4	116.9	102.0	107.0	83.5
Recordkeeping rebates	0.0	1.2	1.3	1.0	1.1	1.1	1.3	5.1	0.0	0.0
Recordkeeping income	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	6.5	6.9
Total additions	3,767.6	(2,376.9)	3,217.1	3,424.1	3,041.4	273.0	2,393.1	1,238.7	705.1	1,118.4
Deductions:										
Distributions to participants	515.3	494.1	495.7	373.2	405.9	387.3	351.5	317.9	318.4	308.7
Transfers to other plans	693.2	492.3	553.2	361.6	359.3	321.2	295.5	219.8	273.0	291.9
Administrative expenses	14.1	12.0	10.7	12.7	12.7	10.4	10.6	10.5	10.0	9.9
Total deductions	1,222.6	998.4	1,059.6	747.5	777.9	718.9	657.6	548.2	601.4	610.5
Change in Net Position	2,545.0	(3,375.3)	2,157.5	2,676.6	2,263.5	(445.9)	1,735.5	690.5	103.7	507.9
Plan Net Position Available for Benefits:										
Beginning of Year	16,859.4	20,234.7	18,077.2	15,400.6	13,137.1	*13,583.0	11,848.6	11,158.10	*11,054.4	10,547.6
End of Year	\$19,404.4	\$16,859.4	*\$20,234.7	\$18,077.2	\$15,400.6	\$13,137.1	\$13,584.1	\$11,848.6	\$11,158.1	\$11,055.5

*Note – 2018 and 2015 beginning of year Plan Net Position Available for Benefits were restated due to the implementation of GASB 75 and 68, respectively. 2021 end of year Plan Net Position Available for Benefits was restated due to the implementation of GASB 87.

EMPLOYEE PARTICIPATION

	<u>Eligible Employees</u>	<u>Total Participant Accounts</u>	<u>Participants Currently Contributing</u>	<u>Current Participation Rate</u>
2014	669,382	211,055	107,845	16.1%
2015	666,671	216,892	111,223	16.7%
2016	673,033	222,042	113,810	16.9%
2017	706,108	228,380	117,005	16.6%
2018	665,444	237,100	120,990	18.2%
2019	666,822	241,900	123,380	18.5%
2020	647,510	249,060	124,380	19.2%
2021	637,118	254,740	125,610	19.7%
2022	660,323	261,753	125,401	19.0%
2023	679,491	269,851	129,792	19.1%

Note – During 2018, the Ohio Public Employees Retirement System adjusted their calculation of active members downward. During 2017, the School Employees Retirement System of Ohio adjusted their calculation of active members upward. Details are available in the Annual Reports of these entities.

CONTRIBUTION/ACCOUNT TRENDS

	<u>Total Annual Contributions</u>	<u>Average Annual Contribution</u>	<u>Net Position Available for Benefits</u>	<u>Average Participant Account</u>
2014	\$426,998,670	\$3,959	\$11,055,497,450	\$52,382
2015	444,027,787	3,992	11,158,105,670	51,445
2016	447,140,841	3,929	11,848,619,180	53,362
2017	475,928,694	4,068	13,584,133,531	59,480
2018	496,296,253	4,102	13,137,141,837	55,408
2019	518,057,583	4,199	15,400,580,016	63,665
2020	549,917,095	4,421	18,077,176,067	72,582
2021	582,061,454	4,634	20,234,662,461 *	79,433
2022	601,094,646	4,793	16,859,365,490	64,409
2023	615,366,054	4,741	19,404,415,668	71,908

*Note – 2021 Net Position Available for Benefits has been restated due to the implementation of GASB 87.

NUMBER OF EMPLOYERS CONTRIBUTING

	<u>State</u>	<u>County</u>	<u>City</u>	<u>Metro Housing</u>	<u>Village</u>	<u>Library</u>	<u>Medical Center</u>	<u>Education</u>	<u>Misc</u>	<u>Township</u>	<u>Total</u>
2014	1	88	242	51	214	178	20	618	157	248	1,817
2015	1	88	243	51	221	181	19	644	168	260	1,876
2016	1	88	243	51	221	180	18	649	166	265	1,882
2017	1	88	244	51	222	186	16	655	174	272	1,909
2018	1	88	245	51	226	188	16	672	187	275	1,949
2019	1	88	245	51	234	190	18	684	189	278	1,978
2020	1	88	245	52	240	190	16	691	188	287	1,998
2021	1	88	245	52	246	189	17	699	192	293	2,022
2022	1	88	245	52	253	188	16	707	196	296	2,042
2023	1	88	245	52	257	185	16	709	199	309	2,061

PRINCIPAL CONTRIBUTING EMPLOYERS

<u>Employer Name</u>	<u>2023</u>			<u>2014</u>		
	<u>Participant Accounts</u>	<u>Rank</u>	<u>Percent of Total Program</u>	<u>Participant Accounts</u>	<u>Rank</u>	<u>Percent of Total Program</u>
State of Ohio	66,112	1	24.4%	55,556	1	26.3%
City of Columbus	9,530	2	3.5%	8,243	2	3.9%
City of Cleveland	7,719	3	2.9%	6,972	3	3.3%
Cuyahoga County	6,089	4	2.4%	5,744	4	2.7%
Franklin County	5,019	5	1.9%	4,039	6	1.9%
Metrohealth Medical Center	5,018	6	1.9%	3,503	7	1.7%
City of Cincinnati	4,757	7	1.8%	4,313	5	2.0%
Ohio State University	3,075	8	1.1%	1,762	11	0.8%
Montgomery County	2,939	9	1.1%	2,672	8	1.3%
City of Toledo	2,490	10	0.9%	2,051	10	1.0%
All Others	157,103	N/A	58.2%	116,200	N/A	55.0%
Total Participation	<u>269,851</u>		<u>100.0%</u>	<u>211,055</u>		<u>100.0%</u>

BENEFIT PAYMENTS

	<u>Participant Distributions</u>	<u>Beneficiary Distributions</u>	<u>Total Distributions</u>
2014	\$285,019,349	\$23,650,622	\$308,669,971
2015	293,242,254	25,188,391	318,430,645
2016	291,369,661	26,582,052	317,951,713
2017	318,679,103	32,827,814	351,506,917
2018	353,187,404	34,148,997	387,336,401
2019	366,885,439	38,963,744	405,849,183
2020	342,631,574	30,650,675	373,282,249
2021	439,400,600	56,267,095	495,667,695
2022	437,617,513	56,451,645	494,069,158
2023	457,510,576	57,751,102	515,261,678

	<u>Number of Participant Distributions</u>	<u>Number of Beneficiary Distributions</u>	<u>Number of Total Distributions</u>
2014	32,158	2,974	35,132
2015	32,809	3,292	36,101
2016	32,564	3,547	36,111
2017	36,626	3,795	40,421
2018	37,565	4,150	41,715
2019	45,508	4,836	50,344
2020	27,225	1,724	28,949
2021	42,614	5,307	47,921
2022	42,640	5,713	48,353
2023	43,406	5,748	49,154

	<u>Average Participant Distribution</u>	<u>Average Beneficiary Distribution</u>	<u>Average Annual Distribution</u>
2014	\$8,863	\$7,952	\$8,786
2015	8,938	7,651	8,821
2016	8,948	7,494	8,805
2017	8,701	8,650	8,696
2018	9,402	8,229	9,285
2019	8,062	8,057	8,062
2020	12,585	17,779	12,894
2021	10,311	10,602	10,343
2022	10,263	9,881	10,218
2023	10,540	10,047	10,483