

**Minutes of  
OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION BOARD**

A publicly noticed meeting of the Ohio Public Employees Deferred Compensation Board was held at the Ohio Public Employees Retirement System offices located at 277 East Town Street, Columbus, Ohio on September 19, 2023, at 9:01 a.m.

Members present: Chair Ken Thomas; Ms. Julie Albers; Senator Louis W. Blessing, III; Representative Richard Brown; Mr. Randy V. Desposito; Mr. James E. Kunk; Mr. Christopher Mabe; Ms. Kathleen Madden; Mr. Scott Richter; Mr. Stewart Smith; Mr. Timothy Steitz; Mr. James R. Tilling; and Mr. Steve Toth.

Also present: Mr. Paul D. Miller, Interim Executive Director, Mr. Kevin Kirkpatrick, Ms. Natasha Natale, and Ms. Cindy Ward of the Ohio Public Employees Deferred Compensation Program; Mr. Matt Gill, and Mr. Cedric Gaaskjolen of Nationwide, Ms. Caroline Mills of the Attorney General's office; Mr. Matthias Bauer (virtual) and Mr. Stephen Budinsky of RVK, Inc. (RVK); Mr. John Axtell of Goldman Sachs Asset Management (GSAM); and Mr. Christopher E. Hogan of Newhouse, Prophater, Kolman & Hogan, LLC.

Chair Thomas called the meeting to order.

**Minutes**

The minutes of the August 15, 2023, Board meeting were presented.

Mr. Toth moved; Mr. Kunk seconded to accept and file the minutes listed above with one name correction on page five.

All aye. The motion passed without dissent.

**Action Items**

Mr. Miller reviewed the salary and benefit recommendations that were developed with the annual salary survey information provided by CBIZ and will be presented at the November meeting as part of the administrative budget presentation. He highlighted the three recommendations and noted the results of a compensation study that was conducted in 2022.

Mr. Miller explained that the pay range increase would not directly increase any employee’s salary. He noted the data sources CBIZ and staff reviewed to determine the recommended 4 percent increase to the pay range schedule. Mr. Miller discussed the pay for performance review process and the annual pay matrix, and he explained that employees do not receive any other pay adjustments. Based on information provided by CBIZ, a 6.5 percent increase to the salary budget is recommended.

Mr. Miller stated that Ohio DC employees are offered identical health insurance coverage as OPERS employees. Ohio DC is self-insured, and annual costs can vary each year. The target is for employees to contribute 20 percent of total health-care costs. He reviewed the employee premium coverage for the past five years. An eight percent increase in employee premiums is recommended.

Mr. Miller updated the Board on Ohio DC’s current financial position and reserve balances, and he summarized the recommendations.

Discussion was held regarding the source for the inflation rate, the differences between the pay range schedules and the budget increase amounts, and the rationale for the eight percent health-care increase. Mr. Miller explained that the pay matrix utilizes an employee’s current placement in their pay range and their performance score to determine a pay increase. The matrix would be designed to work within the approved salary budget.

Representative Brown moved; Mr. Mabe seconded to approve the following salary and benefit related items:

1. Approve a 4 percent increase to the pay range schedule.
2. Approve a 6.5 percent increase to the 2024 salary budget to fund pay increases for currently authorized positions.
3. Approve an 8 percent increase to employee health care premiums in 2024.

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

Roll call vote was taken:

Senator Blessing	yes	Mr. Richter	yes
Representative Brown	yes	Mr. Smith	yes
Mr. Desposito	yes	Mr. Steitz	yes
Mr. Kunk	yes	Mr. Tilling	yes
Mr. Mabe	yes	Mr. Toth	yes
Ms. Madden	yes	Chair Thomas	yes

The motion passed unanimously.

(Ms. Albers entered the meeting.)

Mr. Budinsky reviewed the executive summary of the annual stable value option (SVO) review. He noted the SVO continues to meet its short- and long-term investment objectives, and there are no recommended changes to the portfolio or SVO Investment Policy Statement.

Mr. Axtell presented the executive summary of the SVO portfolio, performance, and wrap market update. He explained that GSAM is pursuing a new master wrap strategy that will allow for faster execution of contract changes and provide for best-in-class market terms. Mr. Axtell reviewed the three parts of a master wrap contract. The GSAM investment management contract provides GSAM with the full authority to select, negotiate and sign wrap contracts on behalf of Ohio DC. The master wrap contract will not change the contract coverage, but the structure will provide flexibility, and he noted that all contract changes will be reported to the Board in a timely manner.

Discussion was held regarding the fiduciary responsibility of GSAM under their investment management contract to act in the best interest of Ohio DC, the continuation of the default agreements, the cost of wrap contracts compared to the risk being taking by the wrap providers, and the practicality of the wrap providers to hedge.

Mr. Axtell presented the SVO to the eVestment stable value separate account universe comparison, yield comparison, and SVO crediting rate and market-to-book ratio projections. He noted that the multiple managers in the SVO provide diversification, but they can add to the lagging crediting rate and a minimal increase in fees. In addition, negative cash flows are currently having a negative effect on the crediting rate.

Discussion was held regarding the current SVO crediting rate compared to the money market yields. It was noted that the SVO average duration is a factor of the slower tracking of the crediting rate, and historically the SVO has outperformed the money market rates.

Mr. Budinsky highlighted the six categories of the investment policy review, and he indicated the SVO is in compliance with the policy. Mr. Budinsky reviewed the SVO industry comparisons, recent changes to the portfolio structure, wrap and investment manager guidelines, manager monitoring updates, and fees.

Mr. Bauer presented the second quarter 2023 capital markets review and noted the economic environment, market performance, inflation, and treasury yield curve. Mr. Bauer highlighted Ohio DC's

asset allocation, performance, and fund monitoring summary. Stable Value Option strategies managed by Jennison and Nationwide continue to be in “yellow” status due to organizational changes. He noted a manager transition at TCW that RVK is monitoring. Ohio DC investment fees remain competitive and low cost. RVK does not recommend any changes to the investment options.

Senator Blessing moved; Mr. Smith seconded to accept the RVK and GSAM reports as presented.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Richter	yes
Senator Blessing	yes	Mr. Smith	yes
Representative Brown	yes	Mr. Steitz	yes
Mr. Desposito	yes	Mr. Tilling	yes
Mr. Kunk	yes	Mr. Toth	yes
Mr. Mabe	yes	Chair Thomas	yes
Ms. Madden	yes		

The motion passed unanimously.

Mr. Budinsky reviewed the results of the Board survey taken to provide feedback and possible next steps regarding asset retention. The survey results indicate the cost of asset retention was important, as well as the need to continue educating participants on the value of Ohio DC. The Board was interested in receiving further education on a self-directed brokerage account and managed accounts. Mr. Budinsky indicated that RVK would work with staff to gather additional information to be presented at a future meeting.

Discussion continued regarding the crediting rate lag of the SVO and the impact of the number of managers on fees. Mr. Axtell indicated that multiple managers do add some complexity and incremental cost. Mr. Budinsky indicated that all SVO managers are meeting or exceeding their benchmarks, adding value, and competitive on fees. The recent restructuring to remove the passive index strategy will help with the crediting rate.

Chair Thomas indicated Board members were provided with a client-attorney confidential memo from Ms. Natale regarding her opinion on the Board’s legal authority to waive the RFP process and to enter negotiations for a contract extension with Nationwide.

Mr. Miller indicated that at the March meeting the Board voted to waive the RFP requirement and enter into negotiations with Nationwide for a contract extension. At the August meeting, staff presented contract proposals for a one-, two- or three-year extension. The Board delayed the vote to allow staff to have discussions with Nationwide regarding service level provisions and penalties in the contract extension, and communication frequency and efficiency. Based on ongoing staffing model discussions and the paused Executive Director search, staff recommends a multi-year extension for two or three years.

Mr. Desposito moved; Mr. Mabe seconded to provide staff with the authority to complete negotiations for a two-year contract extension with Nationwide.

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

Discussion was held regarding the pricing for a two-year extension and the Board's authority to extend the contract. Mr. Miller confirmed that the two-year pricing would be as presented in the memo. It was noted that the Board has the authority to make exceptions to the Ohio DC Purchasing Policy.

Ms. Natale asked if a supplemental page of her opinion was provided to the Board. Chair Thomas indicated the list of service level items was not provided, since staff had met to discuss the items with Nationwide and Mr. Kirkpatrick had requested that the list not be distributed. Ms. Natale indicated that the information on the supplemental page would further substantiate her opinion. The supplemental page was distributed to the Board.

Mr. Kirkpatrick indicated that he, Mr. Miller, and Mr. Gill met and talked over points on the list, and he felt that revised and new processes, and improved communication are in place moving forward. Chair Thomas indicated he did not intentionally withhold the list, but he was balancing Ms. Natale's opinion and Mr. Kirkpatrick's request.

Roll call vote was taken:

Ms. Albers	yes	Mr. Steitz	no
Senator Blessing	yes		
Representative Brown	yes		
Mr. Desposito	yes		
Mr. Kunk	yes		
Mr. Mabe	yes		
Ms. Madden	yes		
Mr. Richter	yes		
Mr. Smith	yes		
Mr. Tilling	yes		
Mr. Toth	yes		
Chair Thomas	yes		

The motion passed 12 to 1.

Mr. Kirkpatrick reviewed the strategic plan update that includes the addition of one new objective to conduct the internal fiduciary review, every five years.

Mr. Desposito moved; Mr. Richter seconded to approve the addition of the one new strategic objective and the strategic plan update as presented.

Roll call vote was taken:

Ms. Albers	yes	Mr. Richter	yes
Senator Blessing	yes	Mr. Smith	yes
Representative Brown	yes	Mr. Steitz	yes
Mr. Desposito	yes	Mr. Tilling	yes
Mr. Kunk	yes	Mr. Toth	yes
Mr. Mabe	yes	Chair Thomas	yes
Ms. Madden	yes		

The motion passed unanimously.

**Discussion Items**

Mr. Miller indicated that in August possible long-term solutions to Ohio DC’s staffing needs were presented, and the Board determined that staff could begin to focus on obtaining purchased services to assist with immediate staffing needs. Staff will follow the existing Ohio DC Purchasing Policy for the purchased services. If OPERS is chosen to provide some of the services, and to allow both Boards to maintain their independence, the arm’s length transactions will be negotiated by the respective Executive Directors. If the Boards move to the next level of a future staffing model, it might be prudent to have the Board minutes contain more details to remain transparent about the future decisions. The memo in the agenda highlighted the status of the purchased service analysis.

**Information Items**

Mr. Miller highlighted the information items. No discussion was held regarding the information items.

Mr. Toth moved; Mr. Smith seconded to go into Executive Session at 11:03 a.m., pursuant to Ohio Revised Code §121.22(G)(1) to discuss the investigation of complaints against a public employee.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Richter	yes
Senator Blessing	yes	Mr. Smith	yes
Representative Brown	yes	Mr. Steitz	yes
Mr. Desposito	yes	Mr. Tilling	yes
Mr. Kunk	yes	Mr. Toth	yes
Mr. Mabe	yes	Chair Thomas	yes
Ms. Madden	yes		

The motion passed unanimously.

(Ms. Mills and Mr. Hogan remained in the Executive Session.)

(Senator Blessing and Representative Brown left the meeting at 11:58 a.m.)

The meeting returned to regular session at 12:04 p.m.

Mr. Mabe moved; Mr. Smith seconded to adjourn the meeting at 12:06 p.m. until the next regular meeting of the Board, November 14, 2023, to be held at the Ohio Public Employees Retirement System offices, located at 277 East Town Street.