

**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 March 19, 2024, at 9:01 a.m.

Members present: Chair Ken Thomas; Ms. Julie Albers; Mr. James E. Kunk; 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. Renee Zysk, Mr. Jason Chang, and Ms. Cindy Ward of the Ohio Public Employees Deferred Compensation Program; Mr. Matt Gill and Ms. Brenda Anderson of Nationwide, Ms. Caroline Mills of the Attorney General's office; Ms. Karen Carraher of OPERS; Mr. Matthias Bauer and Mr. Stephen Budinsky of RVK, Inc. (RVK); and Mr. Zac Morris of Rea & Associates (Rea).

Member(s) absent: Senator Louis W. Blessing, III; Representative Richard Brown; Mr. Randy V. Desposito; and Mr. Christopher Mabe.

Chair Thomas called the meeting to order.

**Minutes**

The minutes of the January 16, 2024, Board meeting were presented.

Mr. Tilling moved; Mr. Kunk seconded to accept and file the minutes listed above.

Chair Thomas asked for any questions regarding the motion.

All aye. The motion passed without dissent.

**Committee Reports**

Mr. Smith, Chair of the Audit Committee, reported that the Committee met with staff and a representative of Rea to discuss the 2023 audit plans, procedures, and scope. Rea is auditing Ohio DC for the ninth year and will have one more year under the Auditor of State requirements. Rea will consult

on the implementation of GASB 96 regarding the calculation of technology subscription(s). The Audit Committee is recommending approval of the 2023 audit scope as presented.

Mr. Smith moved; Mr. Steitz seconded to approve the 2023 audit scope as presented.

Chair Thomas asked for any questions regarding the motion.

Roll call vote was taken:

Mr. Kunk	yes	Mr. Steitz	yes
Ms. Madden	yes	Mr. Tilling	yes
Mr. Richter	yes	Mr. Toth	yes
Mr. Smith	yes	Chair Thomas	yes

The motion passed unanimously.

**Action Items**

Mr. Budinsky reviewed the investment menu design philosophy. He summarized the investment menu structure recommendations and potential investment menu items for further review.

(Ms. Albers entered the meeting.)

Mr. Budinsky presented the proposed updates to the Investment Policy Statement that include the addition of an Appendix A that more clearly defines the composition and rebalancing policy of the Multi-Manager Investment Options. Discussion was held regarding the multi-manager options included in Appendix A.

Discussion was held regarding the viability of offering a money market option. The current money market rates are higher than the Stable Value Option (SVO), but the SVO crediting rate “lags” overall changes in interest rates, and over the past 30 years, the SVO has generally outperformed money market rates. It will take a longer time for SVO rates to rise, but they will maintain their stability once the Fed rate hike cycle begins to reverse. The SVO wrap providers would also require a 90-day equity wash to move between an SVO and a money market option. Over time, the SVO will outperform the money market rates due to intermediate duration and credit exposure of fixed income investments. Communications have been provided to participants to explain the SVO crediting rate and promote long-term investment strategies and diversification.

Mr. Budinsky reviewed Ohio DC's three-tier menu design and explained the upcoming transition of the LifePath 2025 into the LifePath Retirement Portfolio at the end of 2024, and the recommendation to add the LifePath 2065 when the transition occurs. Discussion was held regarding the changing demographic of the labor force that typically has a shorter tenure with state government, the importance of portability, and how the LifePath Portfolios provide diversification and risk based on the year when the glidepath reaches the most conservative allocation, which is not necessarily tied to the participant's age. Single target date fund usage has increased with the State's auto-enrollment program.

Mr. Budinsky presented the strategy and fees of the US Bond investment option currently managed by TCW, and the rationale and benefits of spreading the mandate across multiple managers. Discussion was held regarding the effect on performance with multiple investment managers, and the benefit of having an anchor manager and a core plus sector manager(s) to help diversify risk and maintain capital preservation. RVK will report back on options for the US Bond Fund structure and the re-evaluation of the existing multi-manager structures.

Mr. Budinsky noted the Ohio DC investment option participant utilization, and he reviewed the Summary and Conclusions. Mr. Bauer reported that RVK recommends the SVO strategies managed by Jennison and Nationwide be removed from the closely monitored status, the fourth quarter had positive results, Ohio DC's fees continue to be attractive, and Contrafund was changed to closely monitored status due to underperformance.

Mr. Richter moved; Mr. Smith seconded to:

1. Accept the RVK reports as presented.
2. Approve removing Nationwide and Jennison from the closely monitored status.
3. Approve the proposed edits to the Investment Policy Statement.
4. Approve closing the LifePath 2025 option and adding the LifePath 2065 option by year-end.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Steitz	yes
Mr. Kunk	yes	Mr. Tilling	yes
Ms. Madden	yes	Mr. Toth	yes
Mr. Richter	yes	Chair Thomas	yes
Mr. Smith	yes		

The motion passed unanimously.

Mr. Kirkpatrick indicated that changes to the Nationwide Contract extension, which occurred after the agenda materials were mailed, were provided to the Board members today at the meeting. He reported that the Board approved a two-year contract extension at the September 2023 meeting. Staff and Nationwide developed a new contract document to incorporate the framework of the existing contract and its amendments. Mr. Kirkpatrick highlighted the additions and clarifications added to the contract, including the new language distributed at the meeting. The new contract was reviewed by the Attorney General’s office and Nationwide.

Mr. Gill indicated that it was good to work with staff and get a clean, updated contract put in place. Chair Thomas thanked Nationwide for their partnership and good service to participants in the past and moving forward.

Ms. Albers moved; Mr. Kunk seconded to give the Interim Executive Director authority to sign the contract, with the final terms that are agreed upon by both parties, which will extend the partnership between Ohio DC and Nationwide as the Enrollment, Education, and Customer Service provider from July 1, 2024, through June 30, 2026.

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

Roll call vote was taken:

Ms. Albers	yes	Mr. Steitz	yes
Mr. Kunk	yes	Mr. Tilling	yes
Ms. Madden	yes	Mr. Toth	yes
Mr. Richter	yes	Chair Thomas	yes
Mr. Smith	yes		

The motion passed unanimously.

**Discussion Items**

(Ms. Carraher entered the meeting.)

Mr. Miller indicated that after the January meeting, the Board requested updated and additional information regarding the administrative staffing model. Mr. Miller presented the Ohio DC organizational strengths, history from 1974 to present, and accomplishments since the start of the recordkeeping modernization project. He reviewed the success of the partnership with Peraton for the recordkeeping system projects and remaining under budget for the past 10 years. It was noted that managing an IT project under budget was to be commended.

Discussion was held about recordkeeping differences with industry peers, the limited number of third-party vendors that offer recordkeeping services, reduced flexibility, limitations on making changes, and the challenge of changing recordkeepers. Discussion continued regarding the flexibility of doing recordkeeping in-house that allows for custom changes to services provided to participants, the integration with the Service Center, and the ability to leverage the partnership with Nationwide to create successful collaboration.

Mr. Gill explained how the large plan recordkeepers have built most 457 plan features and that cost is spread out among all their clients and features can normally be offered quickly but with limited ability for customization, without a cost. Ohio DC's independence provides speed of implementation. Ms. Anderson noted self-administration differences compared to third-party providers. She noted that Ohio DC's self-administration has provided customization for participants, speed of response, flexibility, and good service to participants. Discussion was held regarding the varying level of services, such as recordkeeping and customer services, that Nationwide provides to other 457 plans, and the key personnel risk that Ohio DC has because of self-administration.

Mr. Miller reviewed organizational challenges expressed by the Board, the need for full-time leadership, and he told the Board of his pending retirement plans in 2025 and mentioned efforts for succession planning for his Director of Finance position.

Discussion was held regarding the Executive Director salary level, concerns the salary could be under scrutiny by the public, and the history of the initial staff in 1987. Mr. Miller presented information on the outsourced staffing and the retirement potential of the current administrative staff, and a solution to address succession planning. Discussion was held regarding the minor changes to administrative staffing levels over the years, and the changes made to the service staffing to shift from sales to be customer service focused. Mr. Miller reviewed the elements of the Fund Reserve Policy and how anticipated cash flows affect the cash reserves.

Discussion was held regarding the fee structure and estimated cash flows. Mr. Miller reviewed projections for positive cash flows until 2032 and the ability of the current fee structure and reserves to adequately fund operations that includes filling three open positions and five new IT positions without increasing fees. The fee structure and the reserves are reviewed annually during the budget process. Discussion was held regarding replacing the Peraton staff with internal IT staff, addressing the Peraton institutional knowledge transition, phasing the transition from Peraton, and using Peraton for secondary consulting, if needed.

Mr. Miller reviewed the status of Cyber Insurance premiums since 2019. Discussion was held regarding the operational vulnerability of the participant interface with the recordkeeping system. Mr. Miller presented the recent changes made to the system to address cybersecurity concerns. Mr. Chang indicated that our cybersecurity consultant completes penetration testing on our participant facing website and performs a code review. Mr. Chang noted that plans are in place to deal with a security attack, and tabletop exercises have been performed.

Mr. Miller reviewed the different approaches between a mandatory pension and voluntary savings, and the three potential staffing model paths developed by OPERS. Ms. Anderson commented that other large government plans have a full-time Executive Director that provides leadership for complex decisions. Mr. Miller noted that the information provided was developed from the experiences of the Ohio DC staff. He summarized Path A pros and cons, Ohio DC's established IT structure, the status of purchased service utilization, the potential of conducting an independent third-party study of alternative staffing models, and a proposed plan to move forward with Path A. Mr. Miller reviewed the pros and cons of Path B and C.

Discussion was held regarding the directions and timeline given to the staff in August, the status of the purchased services, and if there is a need for a consultant.

Chair Thomas indicated that additional discussions are needed on the OPERS side, and a special Ohio DC Board meeting should be held in April to continue the discussion with additional information, and to determine the path. Discussion continued regarding the varying Board member expectations and the anticipated status of the process. Chair Thomas indicated that in April the Board should set expectations for the staffing model and determine leadership for Ohio DC to help things move forward. Discussion was held regarding the necessity of conducting an independent study to provide more information on the options, and if there is sufficient time to conduct a study. Discussion continued regarding succession planning concerns, changes to the Ohio DC reporting structure, the concept of operating as a wholly owned subsidiary, and the need to develop a key list of items to be addressed to facilitate the discussion in April. The feasibility of Path A was discussed, and a request was made for Nationwide to provide a brief list of services that they provide their other clients.

The Board determined each member should provide Mr. Miller and Chair Thomas with the questions and information they need to help move forward with defining the staffing model by April 1, 2024.

**Information Items**

There was no additional discussion regarding the Information Items.

Mr. Tilling moved; Mr. Kunk seconded to adjourn the meeting at 12:15 p.m. until the next regular meeting of the Board, May 14, 2024, to be held at the Ohio Public Employees Retirement System offices, located at 277 East Town Street.