OPERS & ODC
February Strategic Planning Meeting

OPERS

OHIO DC

February 18, 2025

February Joint Meeting Agenda

- Welcome/Expectations
- OPERS/ODC Background
- OPERS/ODC Belief Statements
- OPERS/ODC Governance Expectations
- ODC meeting will adjourn when complete and OPERS will continue

OPERS/ODC Background Agenda

- Historical affiliation of OPERS and ODC
- Recent analysis of ODC needs and current shared services
- Merger benefits for ODC and OPERS
- Timing
- Financial Statements
- Belief Statements
- Next Steps

HISTORICAL AFFILIATION

Historical Affiliation

1976

ODC established in 1976 – originally part of OPERS chapter and later separated to chapter 148

Office Lease

ODC has leased office space from OPERS for 16 years

Education Seminars

20 plus year collaboration with OPERS member education seminars

Health Care

OPERS has provided health care for the ODC staff for approximately 20 years

Historical Affiliation

- 99% ODC participation by OPERS employees
- OPERS members represent the largest segment of participation within ODC by a pension system

OPERS

OHIO DC

RECENT ASSESSMENT OF ODC NEEDS AND SHARED SERVICES

Board Requested Assessment

- Multiple times over the years, the ODC Board has requested that the OPERS staff provide an analysis on how OPERS could provide services and leadership to ODC
- This has occurred each time there has been turnover at the ODC ED position and at other times throughout history
- The most recent request was in December 2022 following the departure of the ODC ED. Additional concerns were identified at that time given the potential significant turnover in other senior staff

Board Requested Assessment

- ODC was in a unique position with senior staff approaching retirement and turnover at the leadership level
- OPERS and ODC Boards asked staff to review the ODC operations for strategic similarities and provide options
- Goal to identify and manage risks at ODC should there prove to be service opportunities through OPERS

Board Requested Assessment

- ODC uniqueness as a stand-alone entity; of states surveyed, majority had their 457 plans administered by the state pension system

- Recognition of support functions ODC doesn't currently have

- Recognition of retirement eligibility of senior ODC staff with limited existing back-ups

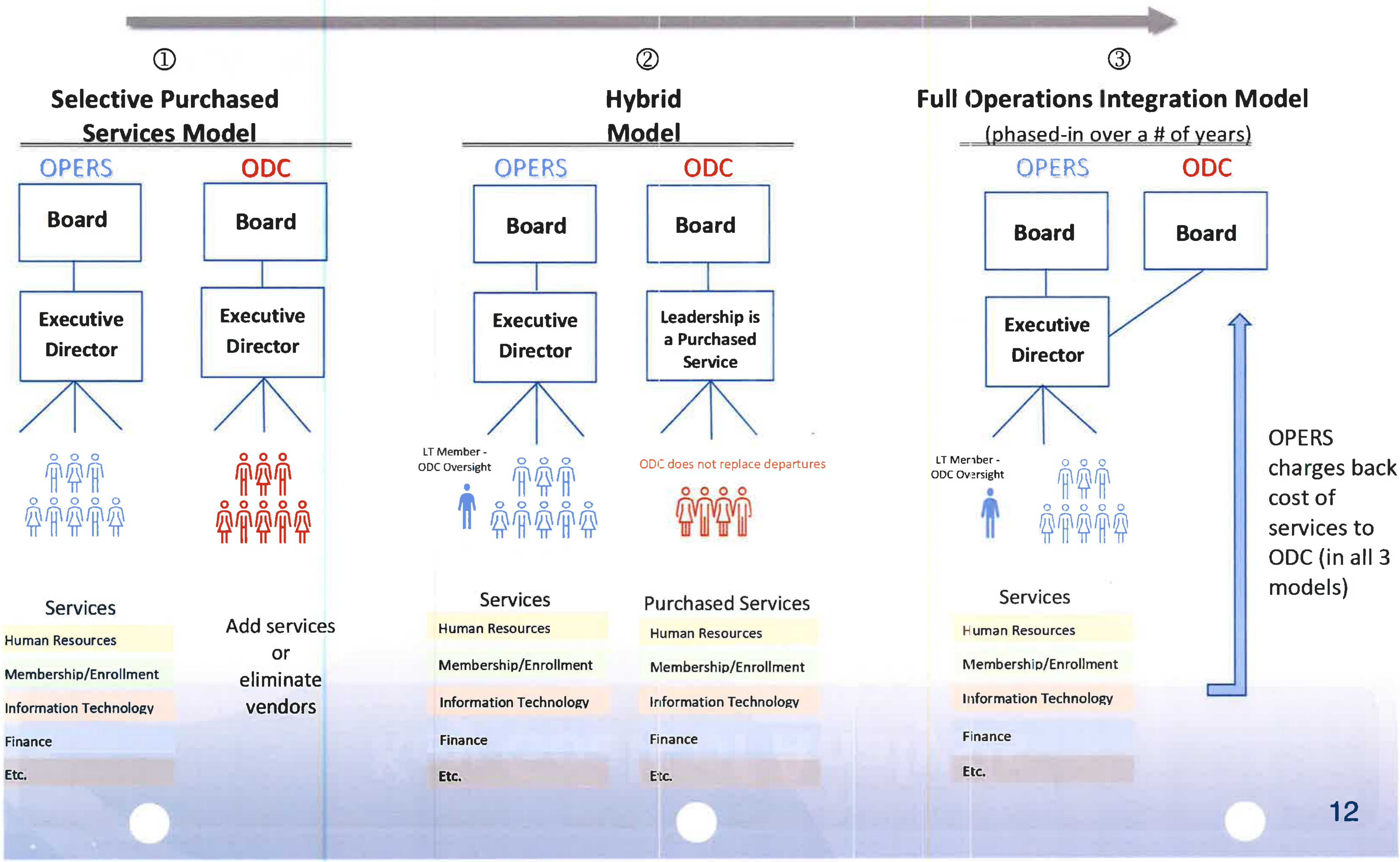
- OPERS evaluated operational similarities and differences of organizations; noted redundancies in ODC and OPERS operations

- Presented options for partial to full integration

Key Goals of Analysis

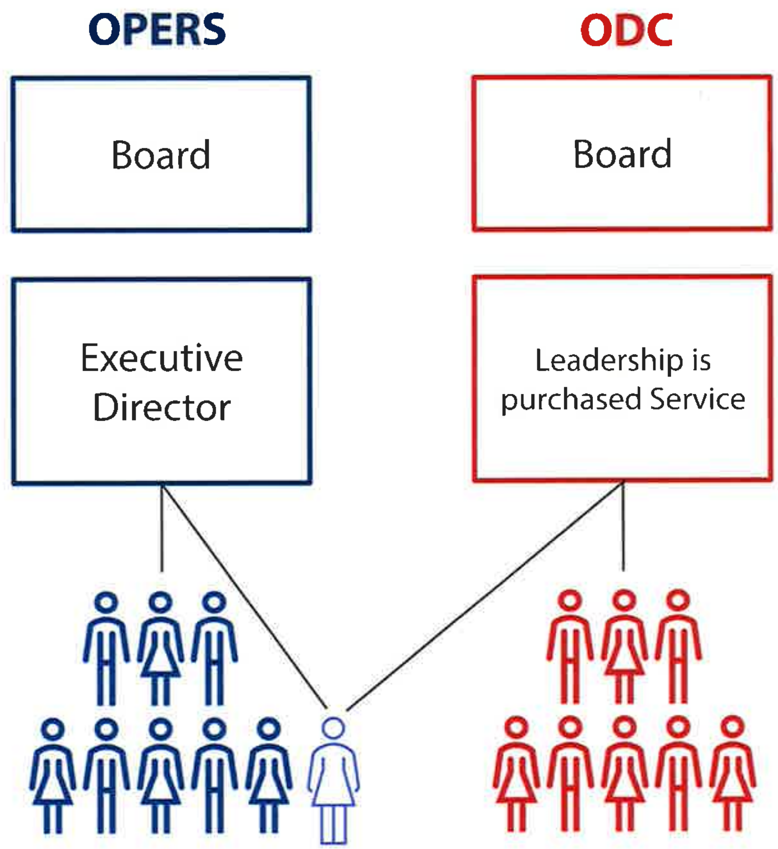
Risk	Identify and mitigate risk
Similarities	Review redundancies and strategic similarities
Succession	Senior staff retirements pending; executive director vacancy
Growth	Identify new opportunities for participant enhancement OPERS could share

Board Requested Assessment



Current Shared Services

- Shared services model implemented to meet immediate needs
- Success of initial shared services encouraging to both OPERS and ODC staff



Current Shared Services

To date, OPERS providing services in the areas of:

- Human resources
- Printing / mailing
- Executive leadership
- Internet connection
- Misc. as needed services

- No significant variances to ODC or OPERS budgets
- Building relationships among staff, sharing knowledge, benefitting OPERS members and employers
- Both organizations recognize benefits from the collaboration

Current Shared Services

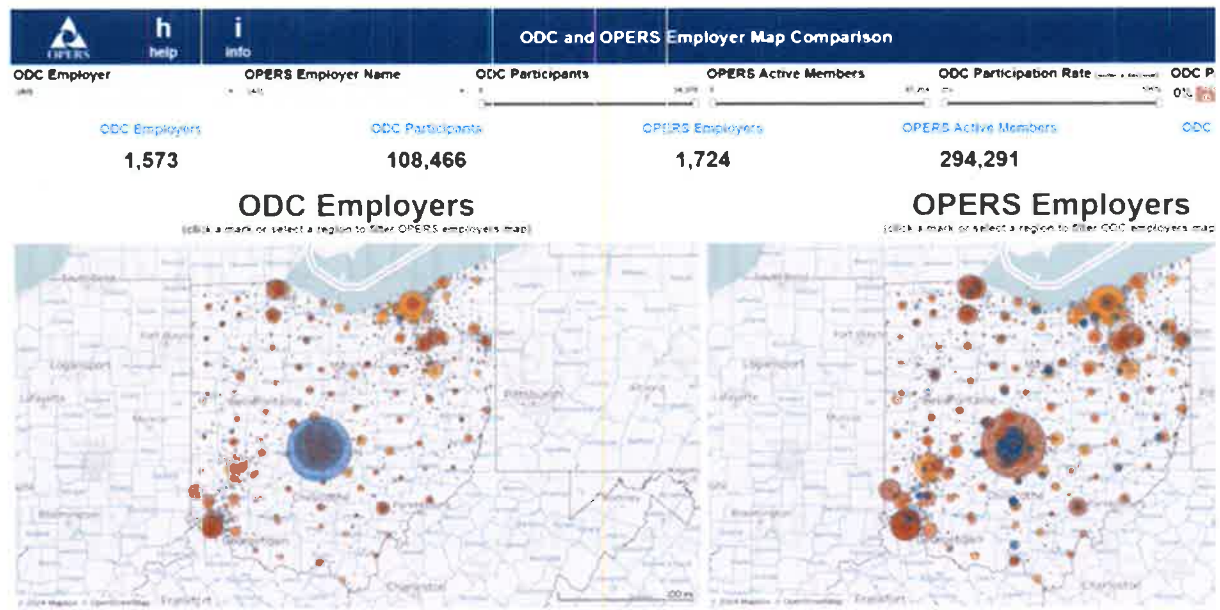
- Services evaluated for efficiency, cost to both organizations, capacity, and potential savings to ODC
- Services provided through OPERS allow ODC to focus on core business rather than infrastructure and administrative items
- Process to date has been thoughtful and measured
- Careful oversight by Finance at both organizations

Current Shared Services

Enhanced access to data and skills improves outreach to existing and new employers and participants

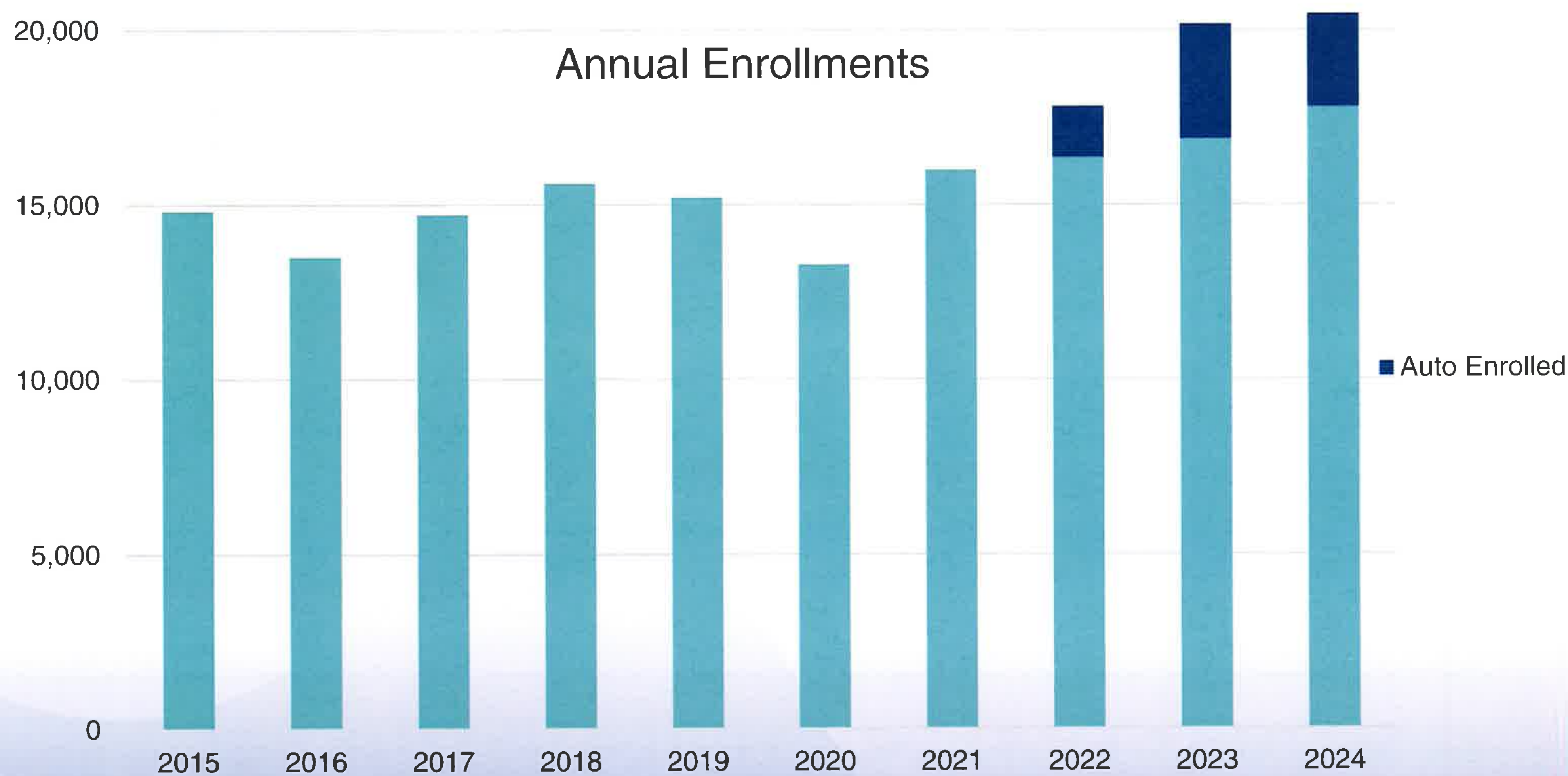
CURRENT PARTNERSHIP

Ohio DC/OPERS Data Dashboard Demo



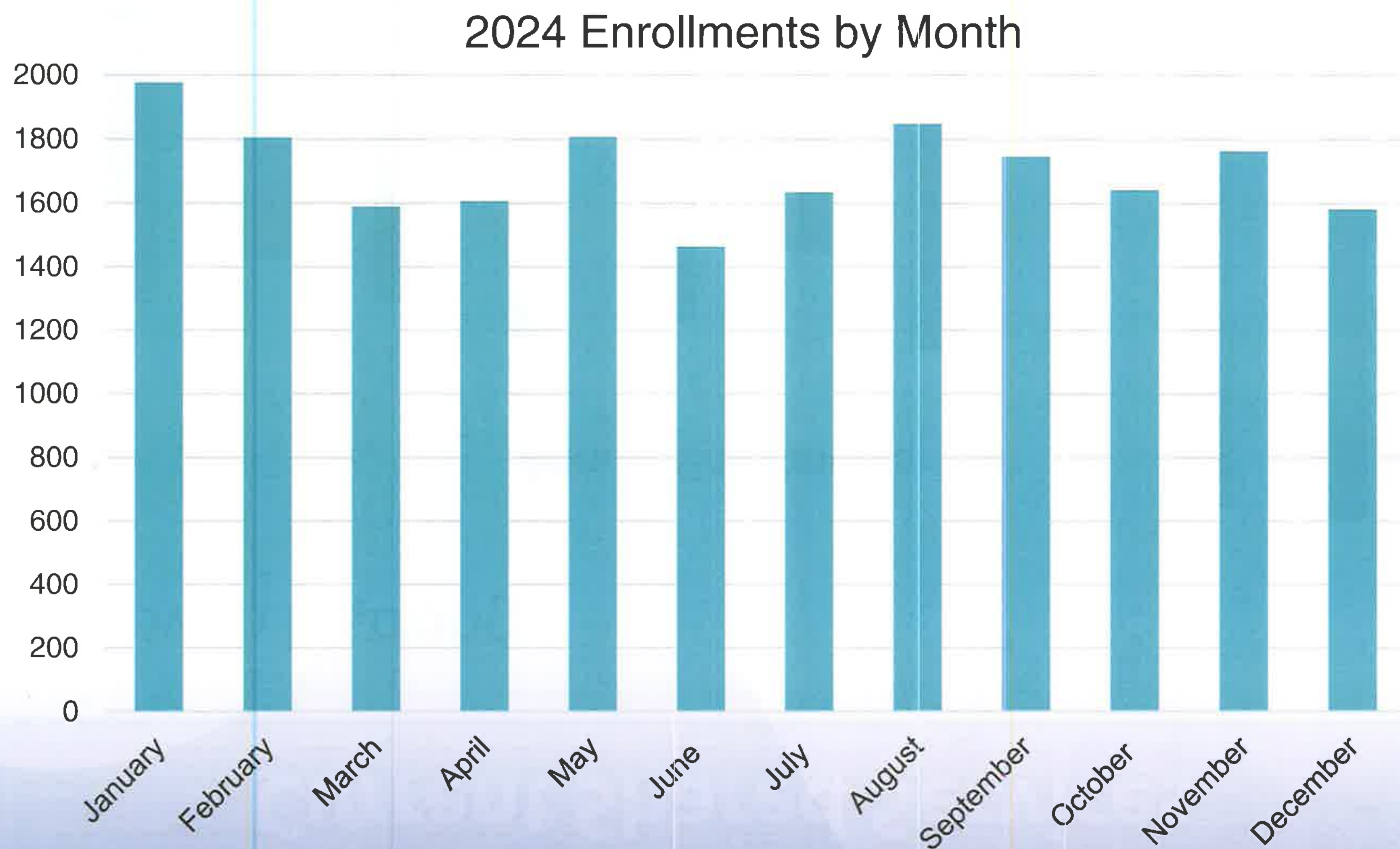
Current Shared Services

ODC growth is strong



Current Shared Services

ODC growth is strong



Current Shared Services

ODC growth is strong. And…

- Collaboration amplifies growth opportunities
  Expanded outreach through OPERS call center, OPERS education offerings

- Nationwide focus on increasing employer outreach with better data

MERGER BENEFITS
OPERS & ODC

Key Benefits to ODC

- ODC is an outstanding mature, low-cost plan – OPERS can help galvanize and enhance, not reinvent
- ODC is at a point where it needs to expand technical infrastructure – through direct investment or taking advantage of existing OPERS resources and infrastructure
- ODC staff expertise directed at skilled 457(b) operations rather than administrative/infrastructure
- Opportunity to enhance experience to ODC employers and participants through IT investment

Key Benefits to ODC

- Reduction in operational risks – cyber, fiduciary, staffing
- Expansion of member/participant services, capabilities and data
- Increased opportunities for growth in staff skillsets
- Availability for leadership and backup of key positions (succession)
- Access to in-house expertise, legal, audit, HR, government relations, governance

Key Benefits to ODC

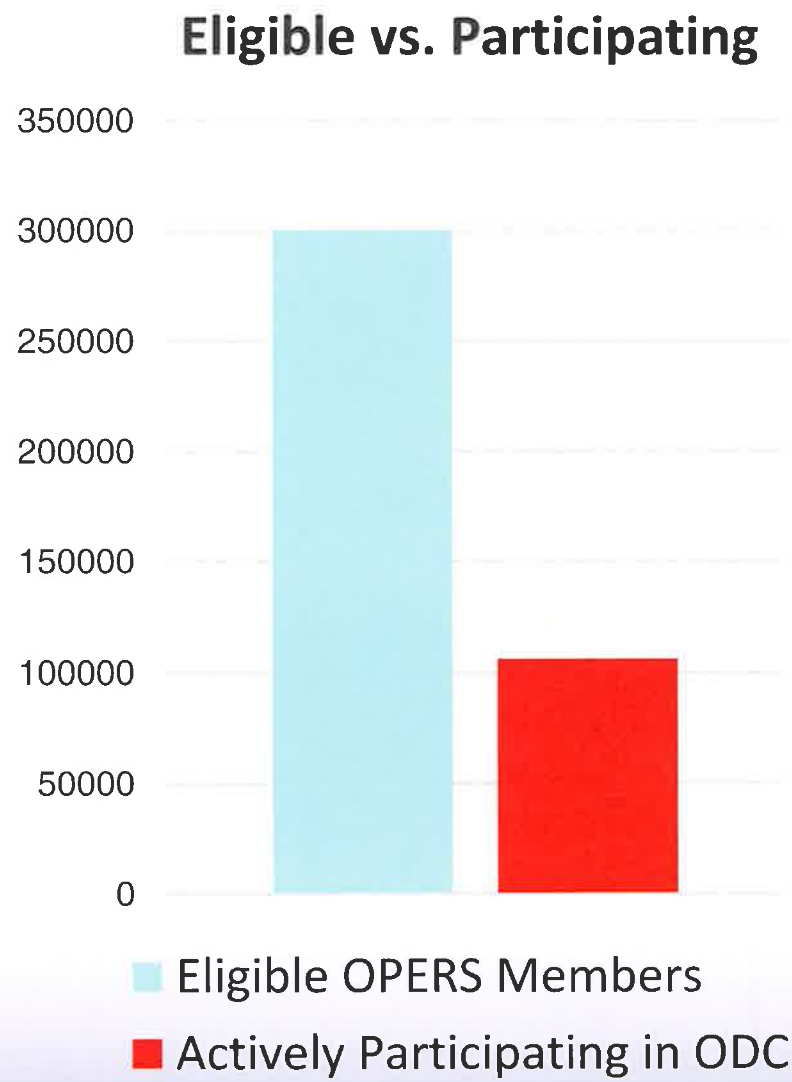
- Enhanced participant experience
- Potentially better matching of work resources without duplication
- Potentially lower participant investment and admin fees
- Potentially lower vendor costs as component of OPERS versus stand alone procurements of redundant goods/services

Key Benefits to OPERS

- Enhanced member education on retirement savings opportunities at many points in their careers
- Increased opportunities for growth in staff skillsets
- Potentially lower investment fees due to combined size of ODC and MD Plans
- OPERS members largest % of ODC participants

Membership/Enrollment

- **77%** of ODC participants are OPERS members
- Participants come from **1,613** OPERS employers, less than half of OPERS' ~3,700 public employers
- The State of Ohio has the largest share of these participants with **34,370** contributing to ODC



TIMING

Why Now?

- Continual evaluation of key IT services by both OPERS and ODC. Current evaluation is based on each individual organization rather than a broader evaluation of one provider.

- ODC is at a point where technical infrastructure expansion is necessary. Should ODC invest in infrastructure (some of which could be a duplication of OPERS) or leverage an existing infrastructure and develop a multi-year IT assessment plan?

Why Now?

- Each potential IT investment in service, hardware or application ideally should be based on the long-term future best state. The sooner the decision is made, the sooner long-term plans can be developed and investment dollars expended in the best manner.

- Back-up and succession planning better designed with long-term view determined.

- Full development of long-term plans and schedules better developed with long-term view determined.

FINANCIAL STATEMENTS

Financial Statements

- Board question on how financial statements will look pre and post merger.
- OPERS statements will not change – OPERS will reflect ODC as a component unit beginning with the 2024 financial statements. Financial statements post merger will be identical.
- ODC issues separate financial statements at this time. Anticipate this will continue much as we issue separate financial statements for the Member Directed Plan and Health Care. Beginning with 2024, the Combined Plan is merged into the Traditional Plan on the financial statements, but statistics will be maintained individually.
- Auditors are separate now but would be the same auditor post merger.

OPERS 2023 Financials

Combining Statement of Fiduciary Net Position (as of December 31, 2023)

	Pension				
	Traditional Pension Plan	Combined Plan	Member-Directed Plan	115 Health Care Trust	Total Pension and Health Care
Assets					
Cash and Cash Equivalents	**$5,759,155,417**	**$87,609,219**	**$3,012,632**	**$621,974,408**	**$6,471,751,676**
Receivables					
Members and Employers	471,301,103	11,777,878	18,722,442	4,089,365	505,890,788
Vendor and Other	3,702,386	—	—	895,527	4,597,913
Investment Sales Proceeds	95,790,198	1,567,039	1,291,002	14,477,670	113,125,909
Accrued Interest and Dividends	303,659,218	2,958,404	133,390	55,094,640	361,845,652
Total Receivables	**874,452,905**	**16,303,321**	**20,146,834**	**74,557,202**	**985,460,262**

OPERS 2024 Draft Financials

Financial Section

Combining Statement of Fiduciary Net Position (as of December 31, 2024)

	Pension				
	Traditional Pension Plan[1]	Member-Directed Plan	115 Health Care Trust	Ohio Deferred Compensation Program	Total
Assets					
Cash and Cash Equivalents	**$5,846,764,636**	**$3,012,632**	**$621,974,408**	**$XXXXX**	**$6,471,751,676**
Receivables					
Members and Employers	483,078,981	18,722,442	4,089,365	XXXXX	505,890,788
Vendor and Other	3,702,386	—	895,527	XXXXX	4,597,913
Investment Sales Proceeds	97,357,237	1,291,002	14,477,670		113,125,909
Accrued Interest and Dividends	306,617,622	133,390	55,094,640		361,845,652
Total Receivables	**890,756,226**	**20,146,834**	**74,557,202**	**XXXXXX**	**985,460,262**

[1]Effective January 1, 2024, the Combined Plan was consolidated with the Traditional Pension Plan. See note X for additional details.

MERGER
BELIEF STATEMENTS

Belief Statements

- Decisions are made based on the needs of **members and participants and the program**
- Act in the best interests of members and participants
  - Cost to each organization must be closely monitored
- Honor our differences and strengths
  - Maintain ODC's brand and market presence
  - Fully serve ODC's broader employer and retirement system populations

Belief Statements

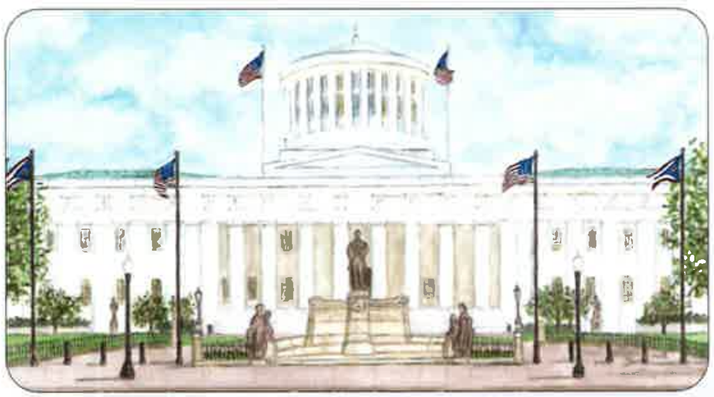
- Multi-year transition
  - Some changes fast and easier, others will take years
- Retain ODC staff and offer growth opportunities
  - Build staff community around a universally held commitment to members and participants
- Invest time and talent in a long-term shared future

Summary

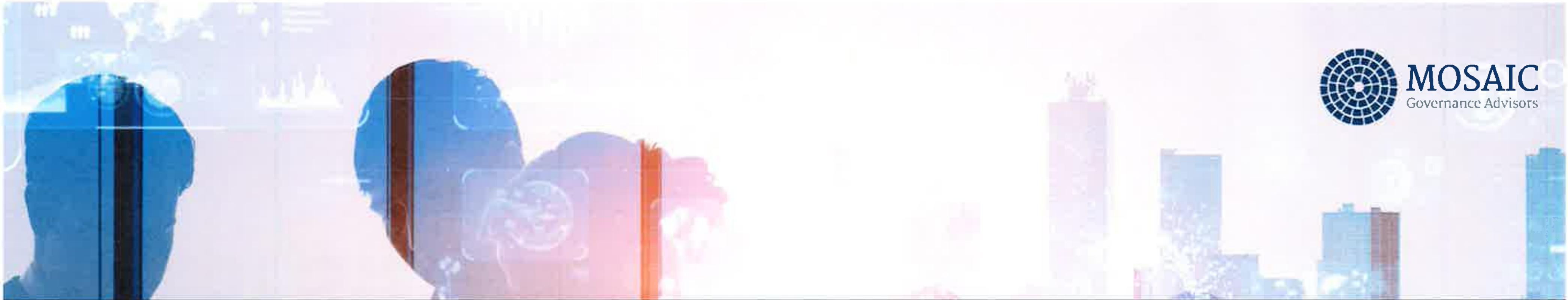
- ODC is a well-run organization
- Shared services has been successful and encourages greater integration
- Most 457 plans are housed within the structure of a state pension system
- OPERS can provide the necessary administrative support and enhanced skill sets while ODC remains a 457(b) expert
- A well-executed merger benefits ODC participants and OPERS members

Next Steps

Feedback from OPERS and ODC Boards on belief statements / governance



Ultimately seeking legislative authority to merge the two organizations and Boards



OPERS February 2025 Retreat Joint Meeting with ODC

February 18, 2025

OPERS | ODC
Belief Statements

OPERS | February 18, 2025 | Mosaic Governance Advisors, LLC

Draft "Beliefs" – Key Benefits of the OPERS/ODC Merger

1. Integrating the ODC Plan with OPERS will ensure its **long-term operational stability and competitiveness**. The merger enables proactive adaptation to changing legislation, financial markets, and participant needs.

2. Leveraging **economies of scale** is crucial for the efficient administration of a deferred compensation plan. By becoming a component of OPERS' larger pool of assets, the Plan's participants will benefit from greater cost savings through enhanced negotiation power.

3. The merger will harness the **professional expertise** essential for managing a deferred compensation plan, streamlining operations and improving service delivery to employers and participants. The synergies between ODC and OPERS will allow them to combine forces effectively, given their similar core competencies.

4. **OPERS brings access to deep resources** through its extensive professional networks and expertise, built over years of experience in administering similarly structured plans.

Draft "Beliefs" – Key Benefits of the OPERS/ODC Merger *(cont'd)*

5. With the majority of ODC participants being OPERS members, **centralized access to education and counseling for** their **comprehensive retirement planning**—including both pension and voluntary workplace savings—will simplify their path to achieving retirement security.

6. The ODC Plan is a well-recognized brand among participants and employers. **Preserving the Plan's distinct identity** is important because the participant base extends beyond OPERS membership, and participants are familiar with and trust the brand.

7. **The business partnerships** that ODC has developed to operate the Plan **will remain essential** to its administration, ensuring continuity and stability.

Thank you for your time!

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OPERS | ODC
Governance Overview

Exploring a "One Board" Concept

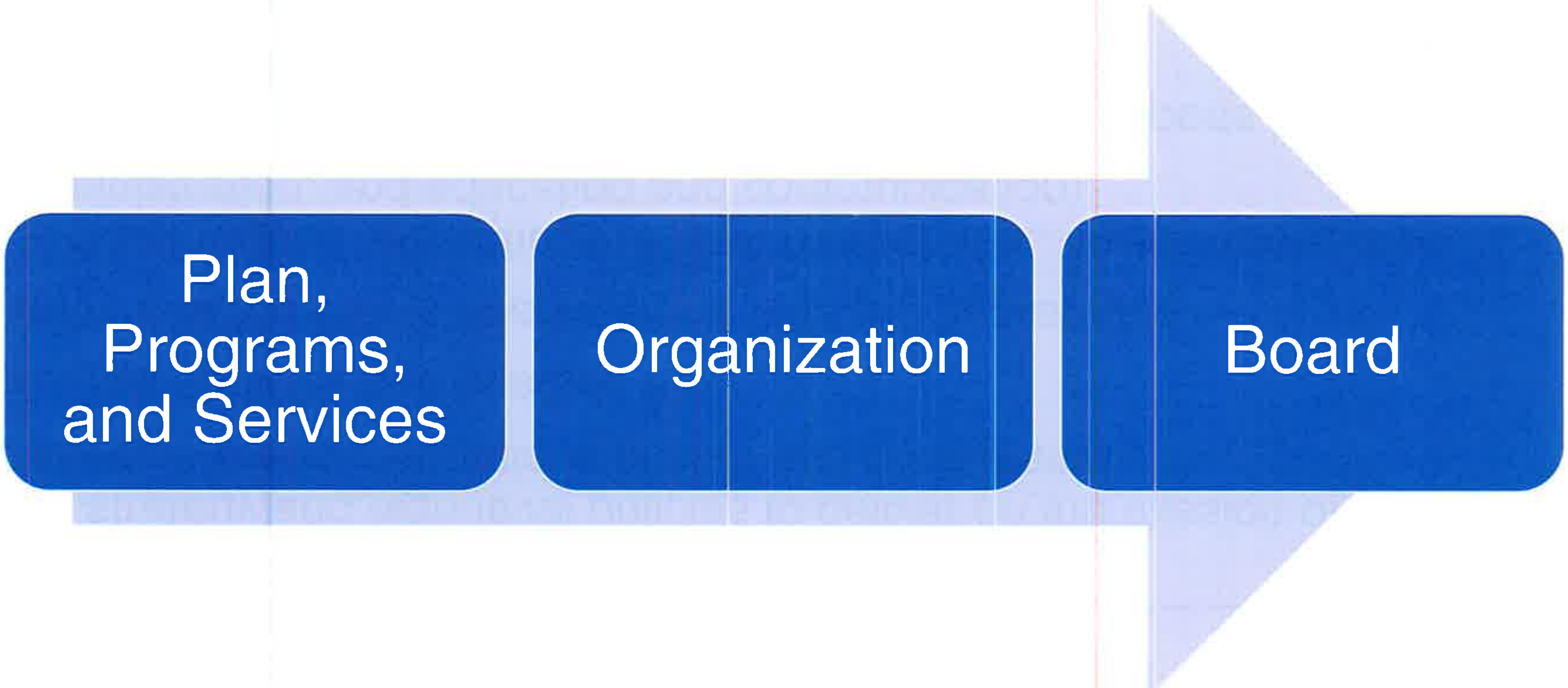
Objectives

- Should OPERS and ODC merge, the responsibilities of the ODC board would be incorporated into OPERS, resulting in a single board.
- In this section, we examine a "single board" scenario by identifying:
  - The current responsibilities of the ODC board and their implementation.
  - How these responsibilities would be practiced after the merger with OPERS, in alignment with best practices for 457 Plan governance.

The Role of the Board in 457 Plan Oversight

- Set strategy and high-level policies to deliver on the mission of the plan, based on recommendations of staff and consultants.
- Set risk appetite and oversee risk.
- Verify that the Plan's offerings and fees are appropriate.
- Conduct regular evaluations of performance (i.e., investments, plan administration, and education and communication).
- Oversee the administrative and advisory talent that reports to the Board (i.e., Executive Director and Board Consultants).
- Ensure an environment of good governance, ethics, accountability and transparency, and model the expected conduct and behaviors.

Areas Where the Board Has Decision-making Responsibilities



Discussion Framework and Cadence

- **For each responsibility, we identified:**
  - **Current ODC Board Role**: Decide, oversee, or delegate.
  - **Future State (Post-Merger with OPERS) OPERS Board Role**: Decide, oversee, or delegate.
- **We also identified a scenario for *how* the OPERS Board could address 457 Plan responsibilities post-merger**:
  - Some will be **separate agenda items** and **some will be integrated** within the wider context of OPERS decisions.

Discussion Focus:
- **What questions do you have about the responsibilities?**

Decisions related to Plans, Programs and Services

Responsibility	Current ODC Board Practice	Future State (Post Merger) OPERS Board Practice	OPERS Board Agenda Treatment (Integrated/Separate)
1. Adopt rules	Decide	Decide	Integrated
2. Ensure tax-deferred status of the plan	Delegate to staff	Delegate to staff	Integrated
3. Establish and periodically review the plan document	Decide based on staff recommendation	Decide based on staff recommendation	Integrated
4. Approve policies for the plan, such as those related to participant loans, withdrawals, and distribution options	Decide based on staff recommendation	Decide based on staff recommendation	Integrated

Decisions related to Plans, Programs and Services *(cont'd)*

Responsibility	Current ODC Board Practice	Future State (Post Merger) OPERS Board Practice	OPERS Board Agenda Treatment (Integrated/Separate)
5. Select and periodically evaluate the investment option strategies to be offered, ensuring diversification and alignment with participant needs.	Decide based on consultant recommendation	Decide based on staff/consultant recommendation	Integrated
6. Determine appropriate in-sourcing/outsourcing of administrative and investment functions	Decide based on staff recommendation	Decide based on staff recommendation	Separate
7. Select and monitor administrative service providers (e.g., recordkeeper, education and communication provider)	Delegate to staff	Delegate to staff	Integrated
8. Select and monitor investment consultant	Decide	Decide (with staff support)	Separate

Decisions related to Plans, Programs and Services *(cont'd)*

Responsibility	Current ODC Board Practice	Future State (Post Merger) OPERS Board Practice	OPERS Board Agenda Treatment (Integrated/ Separate)
9. Select, routinely evaluate, and replace, as necessary, investment managers for each of the investment options within the menu	Decide	Delegate to staff	Integrated
10. Monitor investment performance and sufficiency of investment option strategies/menu/fees	Regularly oversee	Regularly oversee	Integrated
11. Ensure administrative service agreements are competitive, performance standards are met, and fees are transparent and reasonable	Regularly oversee	Delegate to staff	Integrated
12. Deliver education and communication programs to participants	Delegate to staff or outside service provider	Delegate to staff or outside service provider	Integrated

Decisions related to Plans, Programs and Services *(cont'd)*

Responsibility	Current ODC Board Practice	Future State (Post Merger) OPERS Board Practice	OPERS Board Agenda Treatment (Integrated/Separate)
13. Ensure materials are clear, accessible and tailored to participant demographics	Delegate to staff or outside service provider	Delegate to staff or outside service provider	Integrated
14. Monitor participant satisfaction and retirement readiness	Periodically oversee	Periodically oversee	Integrated
15. Review plan participation metrics (e.g., enrollment rates, contribution levels) to assess effectiveness	Periodically oversee	Periodically oversee	Integrated

Organizational Decisions

Responsibility	Current ODC Board Practice	Future State (Post Merger) OPERS Board Practice	OPERS Board Agenda Treatment (Integrated/Separate)
1. Establish and periodically update a strategic plan including vision, mission, core values and strategic priorities	Decide; operationally focused strategic plan	Decide	Integrated
2. Annual operating budget, inclusive of personnel and compensation	Decide	Decide	Integrated
3. Monitor compliance with applicable law for business operations	Delegate to the Executive Director (ad hoc)	Delegate to the Executive Director	Integrated

Organizational Decisions *(cont'd)*

Responsibility	Current ODC Board Practice	Future State (Post Merger) OPERS Board Practice	OPERS Board Agenda Treatment (Integrated/Separate)
4 ~~8.~~ Ensure an appropriate risk framework is in place, including as it relates to cybersecurity, fraud and data privacy	Delegate to the Executive Director (ad hoc)	Delegate to the Executive Director	Integrated
5 ~~9.~~ Ensure appropriate internal audit coverage	Not applicable	Decide	Integrated
6 ~~10.~~ Ensure an annual financial statement audit is conducted	Approve/Oversee	Approve	Integrated
7 ~~11.~~ Publish an annual comprehensive financial report and popular annual financial report	Oversee	Decide	Integrated

Decisions related to the Board

Responsibility	Current ODC Board Practice	Future State (Post Merger) OPERS Board Practice	OPERS Board Agenda Treatment (Integrated/Separate)
1. Elect a chair	Decide	Decide	Integrated
2. Hold board member elections	Per law, addressed by OPERS board	Oversee/certify	Integrated
3. Establish and update board policies/governance manual	Decide/adopt	Decide/adopt	Integrated
4. Establish a schedule of regular board meetings	Decide	Decide	Integrated
5. Determine committees and composition, as needed	Decide	Decide	Integrated
6. Approve meeting minutes	Approve	Approve	Integrated

Decisions related to the Board *(cont'd)*

Responsibility	Current ODC Practice	Future State: Embed or standalone?	OPERS Board Agenda Treatment (Integrated/Separate)
7. Ensure sufficient board insurance coverage	Delegate to staff	Delegate to staff	Integrated
8. Conduct annual self-evaluation of board and trustee continuing education needs	Conduct	Conduct	Integrated
9. Develop/maintain a program of board continuing education and new trustee onboarding	Delegate to Staff	Delegate to Staff	Integrated
10. File individual trustee ethics disclosures	Own	Own	Integrated

Conclusions – The "One Board" Concept

- **No current responsibilities** of the ODC **would be eliminated**; the OPERS Board will continue to oversee all duties after the merger.
- **All fiduciary obligations** towards the ODC **will** still **be met**.
- The OPERS Board's power related to these responsibilities, including decision-making, delegation, and oversight, will remain mostly the same, with only a few exceptions.
- The categorization of the 457 topics within the broader OPERS agenda can be addressed and finalized at a later date.
- Matters concerning board composition, particularly the two non-OPERS board members, will be determined by the Legislature.

Wrap Up and Next Steps

1. What signals of success should we be watching for as you move forward?
2. What additional discussion would help you feel confident taking action?

Thank you for your time!

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