December 2024 Board Update

In months the Ohio DC Board does not hold a meeting, staff compiles updates on initiatives that may not warrant a full discussion during meetings but are nonetheless critical to Ohio DC's success. The Board Update will contain important reminders and statistics, as well as strategic plan, priority projects, and shared services updates. If you have questions, please do not hesitate to ask.

This update covers the following topics: November meeting wrap-up, quarterly shared services budget analysis, strategic plan objectives and 2024/2025 priority project updates, and November monthly statistics.

November 19, 2024 Meeting Wrap-Up

- <u>2025 Meeting Dates</u> – January 14 (Audit Committee), March 18, May 20 (Audit Committee), August 19 (Strategic Planning), September 16, November 18.

- <u>US Bond Fund Structure and RFP</u> – Ohio DC provides participants with an active fixed income investment option through the US Bond Fund. TCW is the sole manager of the fund within a Collective Investment Trust. The Fund represents about 1.07% of Plan assets for about 14,700 (0.1%) participants (as of 9/30/24). RVK and staff will move forward with an RFP in Q1 2025 to identify a complementary manager. As with Ohio DC's other white label funds, diversity of managers may both improve performance and reduce detractors to Fund returns. RVK will present the results at a future meeting.

- <u>Internal Fiduciary Review</u> – Staff conducted an analysis of Ohio DC's fiduciary compliance topics using a best-practices checklist developed by NAGDCA. It was an educational and affirming process to recognize where efforts have served the fiduciary duties of the Plan. While no significant deficiencies were identified, staff will complete the necessary SECURE Act 2.0 Plan amendments in the future. Please review the November materials for details.

- <u>Budget Modeling</u> – Staff will be modeling various market performance and fee collection scenarios to analyze how they might impact future administrative fees and operating cost. This data will help us understand whether the administrative fee policy is appropriate in the short and long term. Staff will present information for discussion at a future meeting.

Quarterly Shared Services Budget Analysis

OPERS shared services expenses are reported on a rolling three-month period. The analysis below aggregates Ohio DC September, October and November shared services expenses.

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION BOARD
SHARED SERVICES BUDGET ANALYSIS

	SEPT-OCT-NOV 2024			YEAR-TO-DATE 2024		
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE
HUMAN RESOURCES	$ 1,342.00	$9,242	$ (7,899.50)	$ 4,453.00	$33,886	$ (29,432.50)
PRINTING AND MAILING	$ 4,520.16	$7,777	$ (3,257.17)	$ 18,245.17	$28,517	$ (10,271.70)
INTERNET CONNECTIVITY	$ -	$2,497	$ (2,496.85)	$ 1,485.12	$9,155	$ (7,670.00)
EXECUTIVE LEADERSHIP	$ 51,582.97 *	$50,521	$ 1,062.29	$127,600.90 *	$126,302	$ 1,299.20
MISCELLANEOUS SERVICES	$ 1,919.99	$0	$ 1,919.99	$ 17,072.71	$0	$ 17,072.71

Notes: The 2024 approved budget includes $120,000 for shared services and $202,350 for Executive Director Salary. As of November 30, 2024, purchase order committments totaling $235,972.82 have been made for OPERS shared services. This amount includes $127,600.90 unpaid invoices and interest accrued for Executive Leadership Services. These amounts do not include Postage, as it is budgeted in its own line item and is the same cost for Ohio DC and OPERS. As a result, staff concludes that Shared Services projects are within budget and scope as of November 30, 2024, with the exception of unexpected interest expense accrued ($1,239.97 year-to-date) as a result of non-payment.

Strategic Plan Objectives Update

All the existing strategic planning objectives have been completed as noted below. Staff are building our action plans to support the new strategic objectives.

Completed Objectives

- Update the internal fiduciary review, every five years (2-55). Completed a presentation in November.
- Research asset retention strategies, including but not limited to SDBA and managed account options (3-26). Completed with RVK presentations in August and October.
- Research retirement income strategies (3-27). Completed with the RVK presentation on various strategies. The collaboration with Ohio DC and OPERS will continue to review strategies and products available in the market.
- Develop administrative staffing model to assist with maintaining new technology, participant service enhancements, and succession plans (5-20). Completed with the shared services model being put in place. New opportunities will be evaluated.

New Objectives

- Reach more new and existing participants by utilizing collaborative data and education opportunities (1-50).
- Develop employer-specific tactics to reach more new and existing employers and educate on the advantages of Ohio DC (1-51).
- Invest in new technologies that improve service to participants, efficient operations, and cyber security (2-56).

2024 Priority Projects Update

The following information will inform the Board about the status of work on critical topics and their cadence for review in the past or coming year.

- **Administration**

  Annual Financial Audit and Report – Staff participates in external audits and reports the results to the Board each year. Staff has asked the auditor to initiate the 2025 external audit on a slightly accelerated timeline. Therefore, the representative from Rea & Associates is attending the January 2025 Board meeting to kick off the annual audit in the Board's Audit Committee. **Reminder: The Audit Committee currently consists of: Mr. Smith (Chair), Mr. Steitz (Vice Chair), Mr. Kunk, Mr. Tilling, and Mr. Toth.**

  Nationwide Services – Nationwide will present its annual service review and upcoming year's plan at the January 2025 Board meeting. Staff monitors and measures services and satisfaction, including the use of participant surveys and monthly operational meetings. Nationwide's activities and milestones will also appear in the Board's regular updates.

  Participant and Employer Satisfaction Surveys – Participant and Employer surveys are conducted routinely each year. The most recent round of completed participant surveys was conducted in the spring, with results in-line with exemplary historical norms, ranking the Ohio DC in the 100th percentile among financial services vendors in Net Promoter Score (comprised of a formula subtracting those dissatisfied with Ohio DC from satisfied participants). Ohio DC staff also conducted a census survey of all participating employers to improve points of contact and identify service opportunities for employer reporting.

  CEM Results – Each year, Ohio DC participates in the CEM Defined Contribution Survey. The program is free because Ohio DC shares information but does not purchase customized reports. Using over 100 U.S. corporate and public defined contribution plans as peers, CEM summarized Ohio DC's individual participant costs as below the median and number of investment offerings slightly above the median. Plan participants' average net total return on investments in 2023 was 2% above the U.S. median of 16.3%, because many of Ohio DC's investment options are outperforming their benchmark indices. Ohio DC does not currently purchase enhanced benchmarking outside of RVK consulting services but continues to explore it periodically. RVK regularly provides benchmarking reports for investment funds, managers, and participant fees.

- **Information Technology**

  IT Staffing – Ohio DC hired a project manager in early November and is in the initial stages of integrating her with the team. Staff will proceed with filling out the IT staffing needs in 2025, as described in the operating budget.

  Priority IT Projects and Security – Priority IT projects for 2024 included implementing new IRS age-based contribution limits from SECURE Act 2.0, adding a site search to the Participant Web Portal, migrating our bulk printing to leverage OPERS' shared services, outsourcing benefit payment check printing, and reducing technical debt. Priority projects for 2025 include adding a managed security operations center vendor and developing a document management system. Peraton continues to be a key component to IT staffing and will continue to work alongside the Ohio DC IT team to provide major enhancements to the recordkeeping system and participant web portal, as well as upgrades to the

Azure cloud infrastructure. The Board also heard the results of the external security audit and penetration testing in November. In 2024, staff addressed several recommendations identified in the 2023 audit.

Business Continuity and Disaster Recovery Plan (BC/DRP) – Ohio DC decommissioned its colocation space in 2024, as the provider ceased these services and there were no other suitable providers in the area. With Ohio DC's minimal on-site footprint, alternative strategies were developed to outsource any remaining printing and scanning to the Nationwide disaster recovery site in the event the Columbus office is unavailable and to have staff work remotely.

- **Participant and Employer Services and Communication**

Auto-Enrollment – Many agencies of the State of Ohio automatically enroll new employees in Ohio DC, and the statistics demonstrate that far more employees remain active participants than those who choose to disenroll. Through November 2024, there were 3,035 potential auto-enrolled participants. 670 of them (22%) enrolled prior to the 90-day deadline. 275 (9%) opted out of Ohio DC. However, 43 of those who initially opted out later chose to reenroll in Ohio DC. Therefore, 2,803 (92%) of the potential auto-enrolled participants now have Ohio DC accounts. This rate of retention is strong evidence of participants' favorable behavior around this growth strategy.

2024 National Retirement Security Month – In October of 2024, Ohio DC field representatives partnered with OPERS education representatives to reach more public employers and educate them about the best practices for reporting contributions and why the Plan is valuable for employers and employees. There were several sessions throughout the state with strong attendance. Nationwide staff are also hosting an employer webinar that is receiving larger registration than expected.

Employer Outreach – Using data provided by OPERS, Nationwide identified 129 large employers with below average participation. Hundreds of contacts and events have taken place with these employers since last summer. We will be meeting with OPERS to review progress on participation.

Annual and Quarterly Statements and Newsletters – Beginning with the second quarter 2024, the quarterly *Focus* newsletter was made accessible only online at Ohio457.org. An email is sent to participants when the new *Focus* newsletter is available, and a QR code linked to the online newsletter is printed in the quarterly statement. The transition to paperless newsletters was successful and well received by our participants. The newsletter change represents approximate savings of $47,000 per year.

- **Investments**

BNY Renewal – Ohio DC's master custody agreement with BNY Mellon is for a five-year term ending on December 31, 2025. RVK and staff agree that an extension of the agreement is appropriate without a competitive bid, because the vendor's performance is satisfactory, the relationship is productive, and the current fees are reasonable. Staff will solicit a renewal proposal from BNY and review it with RVK to determine whether Ohio DC would still need to conduct a full RFP for the services in early 2025.

Stable Value Option – To optimize returns, RVK recently advised, and the Board adopted, a strategy to reduce a manager in the option. RVK and staff will implement this change in the first quarter of 2025. Assets in the Nationwide portfolio will be reallocated among our existing SVO managers.

Lifepath Changes – Ohio DC opened a new lifepath portfolio for 2065 and closed the year 2025 portfolio. Blackrock is also implementing a modified glidepath strategy within these funds, as RVK presented to the Board in October.

November 2024 | Ohio DC Statistics

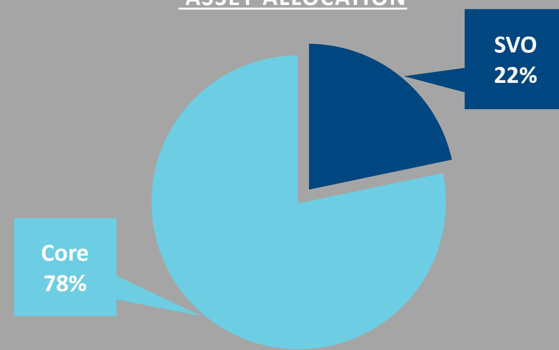
MONTHLY MARKET PERFORMANCE

	November	YTD
Large Company Stocks	▲ 5.87%	▲ 28.05%
Small/Mid Company Stocks	▲ 11.72%	▲ 26.24%
Non-US Stocks	▼ -0.42%	▲ 7.47%
Total Bond Market	▲ 1.15%	▲ 3.15%

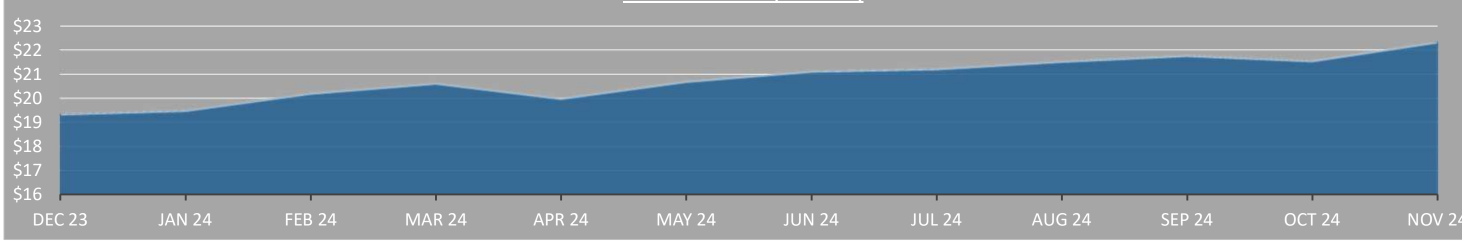
Monthly Perf.
$805
million

YTD Perf.
$3,464
million

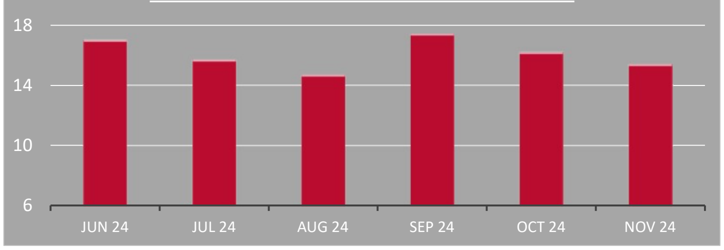
MONTH END ASSET ALLOCATION



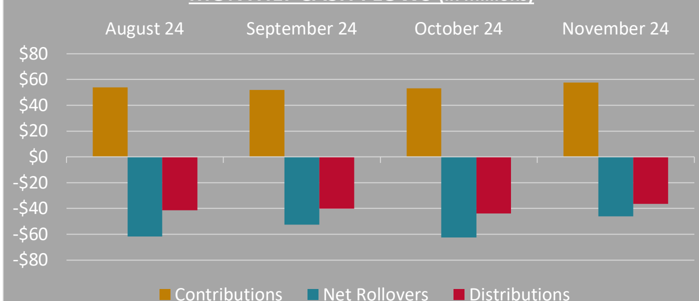
TOTAL ASSETS (in billions)



MONTHS OF EXPENSE IN CASH RESERVES



MONTHLY CASH FLOWS (in millions)



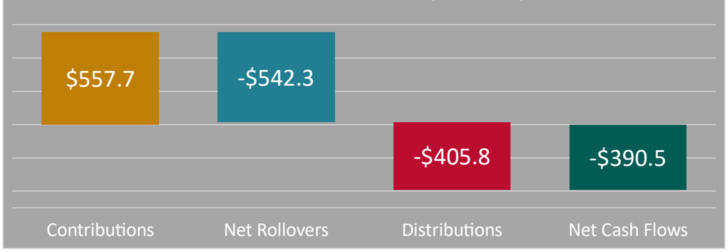
KEY INDICATORS

	November	YTD
Enrollments		
2024	1,763	18,882
2023	1,585	18,524
% Change	▲ 11.2%	▲ 1.9%
Unforseeable Emergencies (in millions)		
2024	$ 2.0	$ 20.8
2023	$ 1.6	$ 12.2
% Change	▲ 24.0%	▲ 71.2%

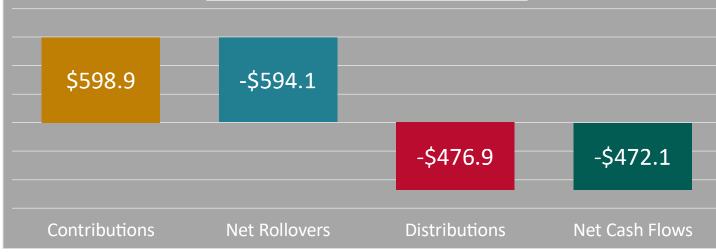
Applications Processed:	466
Applications Approved:	461
Percentage Self-Certified:	79%

Approval %
98.9%

2023 YTD NET CASH FLOWS (in millions)



2024 YTD NET CASH FLOWS (in millions)



Financial data is unaudited and reflects the cash basis of accounting.