

Ohio Public Employees Deferred Compensation Program Franklin County, Ohio

*Report Issued Pursuant to
Government Auditing Standards*

For the Year Ended
December 31, 2016



Dave Yost • Auditor of State

Members of the Board
Ohio Public Employees Deferred Compensation Program
257 East Town Street, Suite 400
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the Ohio Public Employees Deferred Compensation Program, Franklin County, prepared by Rea & Associates, Inc., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio Public Employees Deferred Compensation Program is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

June 5, 2017

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Ohio Public Employees Deferred Compensation Program
Franklin County, Ohio
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May 18, 2017

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 on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ohio Public Employees Deferred Compensation Program, Franklin County, Ohio (the Program), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated May 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hea & Associates, Inc.

Dublin, Ohio



Ohio Public Employees Deferred Compensation Program



Comprehensive Annual Financial Report

For the years ended
December 31, 2016 and 2015

**OHIO PUBLIC EMPLOYEES
DEFERRED COMPENSATION PROGRAM
Comprehensive Annual Financial Report
For the years ended December 31, 2016 and 2015**

R. Keith Overly, Executive Director
Paul D. Miller, Assistant Director-Finance

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

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OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

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**

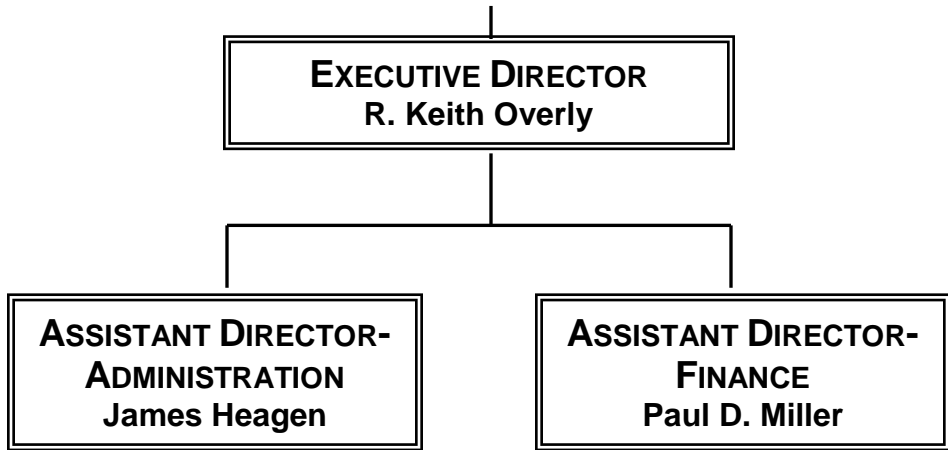
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan".

Executive Director/CEO

**ORGANIZATIONAL CHART
AS OF DECEMBER 31, 2016**



ADVISORS TO THE BOARD

Independent Public Accountants

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

Legal Counsel

Mike DeWine, Attorney General

Investment Consultant

Aon Hewitt

See pages 28-29 for a list of external investment managers.



OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

May 18, 2017

Dear Chair and Members of the Board:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the Ohio Public Employees Deferred Compensation Program (the Program) for the years ended December 31, 2016 and 2015. The CAFR 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 Ohio Revised Code (ORC) created the Deferred Compensation Board (the Board) to administer the Program for all eligible employees. The Program provides services to more than 222,000 participant accounts from 1,882 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 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, on a pre-tax basis, 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.

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 much of their investment success depends on the amount of their contributions and the overall direction of the financial markets.

The U.S. stock markets have achieved eight consecutive years of positive performance as tracked by the S&P 500 index. Most recently, this index gained 11.9 percent in 2016. The continued positive market performance has helped restore the large investment losses of 2008, giving many participants the confidence to maintain or increase their payroll contributions, and encouraging other public employees to enroll.

The Program achieved these all-time high levels in 2016:

- \$11.9 billion in year-end assets
- 1,882 contributing employers
- 222,042 participant accounts
- \$53,362 average account balance

However, the Program also faces several challenges. The financial crisis of 2008 affected private and public employment in Ohio, which, in turn, negatively affected tax collections by State and local governments. The number of public employees eligible to participate in the Program has steadily declined, and over the past ten years is down 5.5 percent. The Program's growth potential has been restrained by the downward trend in public employment.

As more baby boomers reach retirement age, this large group of participants now has access to their deferred compensation savings. Accordingly, the amount of distributions to participants has risen 53 percent and transfers to other plans has risen 29 percent over the past ten years.

Major Initiatives 2016

The Program Board and management are committed to low participant fees and fee transparency. Beginning in 2016, all recordkeeping reimbursements received from investment managers are rebated back into the participant accounts invested in these options. To replace these revenues that were previously used to fund Program operations, a new annualized fee of 0.14 percent of participant assets is being collected, but it is waived for participants with assets below \$5,000 and capped at \$55 per quarter per participant.

The Program's daily recordkeeping system continues to function adequately, but a project to improve and modernize the system's software and hardware has been planned for several years. During 2015, Hewlett-Packard Enterprise Services began the modernization project, which is expected to take several years to complete and cost approximately \$9.5 million. At December 31, 2016, the project is about 50 percent complete, and is on-time and under budget.

The Ohio Revised Code created the Program, and contained specific references to operating a deferring compensation plan, which is generally considered a "pre-tax" plan. Since federal legislation now allows Roth or "after-tax" contributions to an IRC 457 plan, Ohio DC worked to have the Ohio Revised Code amended in

2016 to permit “after-tax” contributions. The Program is reviewing the costs and benefits of offering an “after-tax” plan and will need to incorporate these provisions into the new daily recordkeeping system before it can be offered to participants.

Changes were made to the Program investment line-up during 2016 to lower participant costs and improve portfolio management.

- The Program closed the Fidelity Contrafund and Growth Company mutual funds and transferred participant accounts into alternative options at Fidelity – collective investment trusts that have the same investment manager, strategy, and names. The collective investment trusts have lower fees than the mutual funds, and it is anticipated that participants invested in the Fidelity options will save over \$1.9 million annually in investment management fees.
- Investors in the BlackRock LifePath target date funds were moved from the Q share class to the L share class. Both alternatives have the same investment strategy, but the L share class has lower fees by 0.02 percent. The lower-costing alternative should cumulatively save participants about \$300,000 annually in investment management fees.

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 CAFR 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 2016, excess Administration Fund cash was held in money market accounts, certificates of deposit, StarOhio, and short-term investments. 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 16 months of operating expenses in cash reserve as of December 31, 2016.

Program Additions

Additions come from participant contributions, transfers from other plans, investment income earned on participant accounts, and recordkeeping rebates/income. Net investment income and employee contributions are the largest source of Program additions over the past three years.

The positive financial markets and investment performance continue to influence participant behaviors, and the number of participants actively deferring at year-end was 2.3 percent and 5.5 percent higher compared to 2015 and 2014, respectively. Total employee contributions were \$447 million in 2016 compared to \$444 million in 2015 and \$427 million in 2014. During 2016, recordkeeping reimbursements were rebated (invested) into participant accounts, while in prior years, these additions were used to fund administrative expenses.

Program Deductions

Distributions to participants decreased by 0.2 percent between 2016 and 2015, but 2016 distributions were 3.0 percent higher than 2014. Ongoing positive investment performance and higher participant contributions have increased participant account balances, resulting in more funds available for retirement income at termination. With the ongoing retirement of the baby boomer generation, the number of people taking distributions has increased nearly 44 percent in 2016 compared to ten years ago.

The amounts transferred to other eligible retirement plans, including transfers to defined benefit plans to purchase service credit, increased by 29 percent between 2007 and 2016. The reasons for the increase in transfers are the same as noted above – more participants have retired and have access to their funds, and investment earnings and continued contributions have increased participants' balances.

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 39.1 percent of all invested assets. The one-year return on SVO investments was 2.3 percent in 2016. In addition to the SVO, participants can select from 15 investment options, including a series of target date funds, to create a diversified portfolio. 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

The Government Finance Officers Association of the United States and Canada (GFOA) most recently awarded a Certificate of Achievement for Excellence in Financial Reporting to the Ohio Public Employees Deferred Compensation Program for the fiscal year ended December 31, 2015. The Certificate of Achievement is the highest form of recognition for excellence in State and local government financial reporting. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a one-year period. We believe our current CAFR continues to conform to Certificate of Achievement program requirements, and will be submitted to the GFOA to determine its eligibility for another Certificate of Achievement.

Independent Auditors

The Program financial statements for the year ended December 31, 2016 and 2015 were audited by Rea & Associates under contract with the Auditor of State of Ohio.

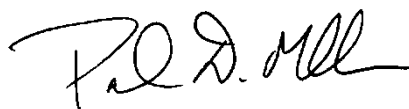
Acknowledgments

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,



R. Keith Overly
Executive Director



Paul D. Miller, CPA
Assistant Director-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 he or she becomes an active participant by executing a participation agreement with the employer.

This Plan summary includes all Plan revisions approved by the Board as of December 31, 2016. 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.

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) \$18,000 for the year 2016, 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 2016, participants who have attained age 50 may defer an additional \$6,000, 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 (\$36,000 in 2016) 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. Participants with four exchanges in any 45-day period will lose their electronic trading privileges, and 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 market 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.

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 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 70½. 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 70½, 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.

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 70½. 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 70½. 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 or joint annuitant 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 dies 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 or joint annuitant at any time by filing with the Plan administrator a dated change of beneficiary form or joint annuitant 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. Any change of joint annuitant must be made prior to commencement of annuity payments.



OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

FINANCIAL SECTION



May 18, 2017

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 Financial Statements

We have audited the accompanying financial statements of the Ohio Public Employees Deferred Compensation Program, Franklin County, Ohio (the Program) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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, 2016 and 2015, and the 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.

Other Matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the program's proportionate share of the net pension liability, and the schedule of program's pension contributions on pages 19-24, 57, and 58, respectively, be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Program's basic financial statements. The introductory section, supplemental schedules, investment section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, investment section, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2017 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 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.

Dublin, Ohio

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 CAFR. 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 IMPLEMENTATION

During 2015, the Program adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. 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 the net pension liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension.

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

Under the standards required by GASB 68, the net pension asset/liability equals the Program's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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 pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB 68, the Program is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

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 2016, U.S. equity and fixed income markets produced positive returns, which were up significantly from 2015. The combined investment results for 2016 were investment income of \$684 million.

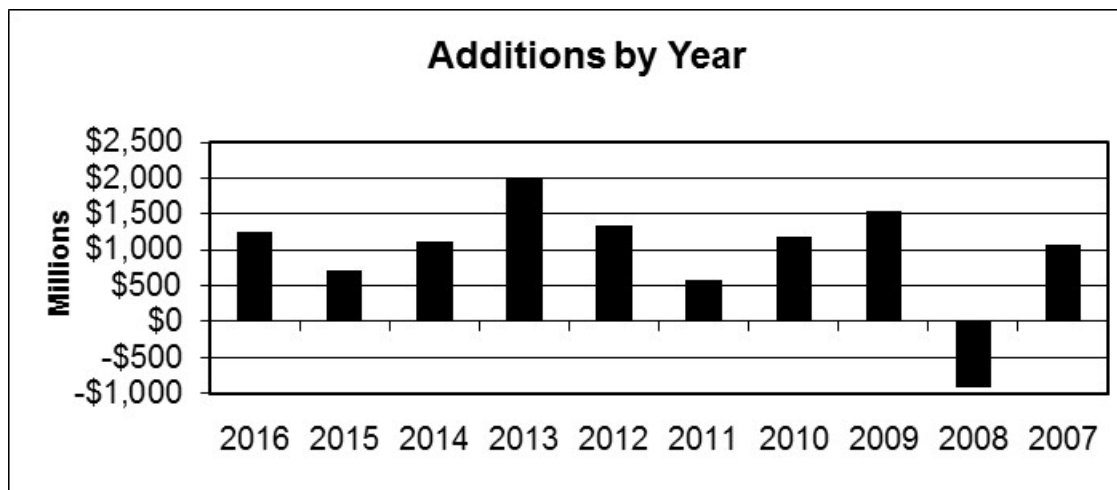
Participant contributions in 2016 increased about 1 percent from 2015 and increased about 5 percent compared to 2014. The number of contributing employees in 2016 increased for the fifth consecutive year after several years of declines. The IRS determines the annual maximum limit that employees may contribute based on inflation indices. The annual IRS limit for 2016 was the same

as 2015, which had increased by \$500 for most participants (increased \$1,000 for participants aged 50 and over) over 2014 limits.

Transfers from other retirement plans in 2016 decreased slightly from 2015, but were considerably higher than 2014 results. Changes to the statewide defined benefit retirement systems encouraged employees to retire in prior years, which accelerated rollover activity in those years. Once that spike in transfers passed, transfers dropped in 2014, and then moved back to more normal levels in 2015 and 2016. Recordkeeping reimbursements vary with overall asset levels and the specific investments chosen by participants. In 2016, recordkeeping reimbursements were rebated to participant accounts, while in prior years, these reimbursements were retained as income to fund administrative operations.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net investment income	\$684,494,068	\$147,550,708	\$601,031,283
Participant contributions	447,140,841	444,027,787	426,998,670
Transfer from other plans	101,975,571	107,021,633	83,514,282
Recordkeeping income/rebates	5,137,820	6,496,733	6,860,670
Total Additions	<u>\$1,238,748,300</u>	<u>\$705,096,861</u>	<u>\$1,118,404,905</u>

The following graph shows the 10-year history of total Program additions. While employee contributions had been generally steady over this period, investment income has the greatest impact on the year-to-year fluctuations.



PROGRAM DEDUCTIONS

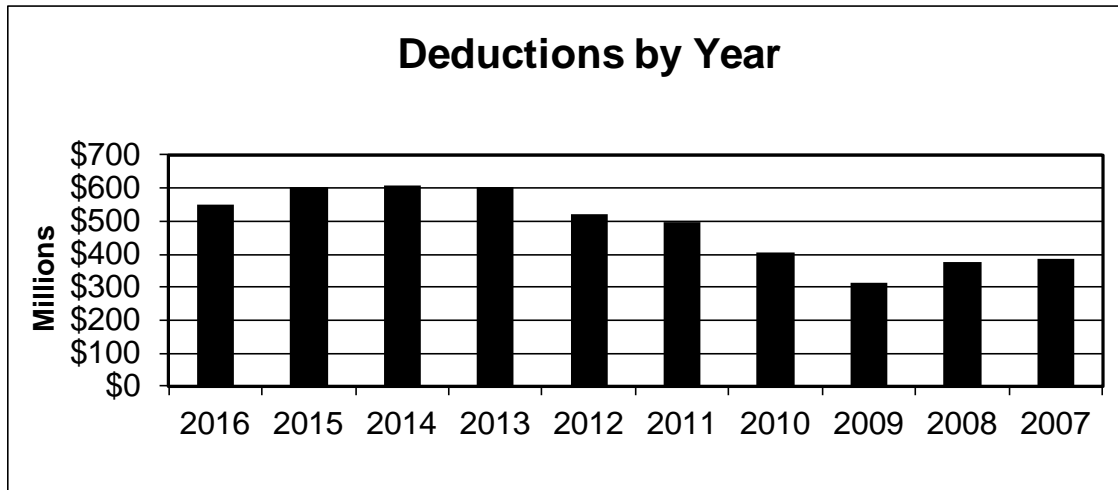
Total deductions have been approximately \$600 million over each of the past three years with a decrease of 8.8 percent between 2016 and 2015. The overall decrease in deductions was mainly due to the decrease in transfers to other plans. The Program has issued communication materials to promote the benefits of keeping account balances in the Program after retirement, and increased

market volatility has also deterred investors from taking transfers from their accounts.

Distributions to participants decreased by 0.2 percent in 2016. The number of participants taking a distribution in 2016 was essentially flat with 2015, and the average annual distribution per participant fell slightly. Other deductions are primarily administrative expenses that were up 4.7 percent in 2016 compared 2015.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Distributions to participants	\$317,951,713	\$318,430,645	\$308,669,971
Transfers to other plans	219,798,499	272,931,804	291,846,481
Other deductions	<u>10,484,578</u>	<u>10,017,023</u>	<u>9,912,263</u>
Total Deductions	<u>\$548,234,790</u>	<u>\$601,379,472</u>	<u>\$610,428,715</u>

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 through 2013 due to higher participant distributions and greater transfers to other retirement plans. These increases were generated by more people taking distributions (larger numbers of baby boomers retired) and greater amounts withdrawn (larger account balances available due to generally positive market performance). Since 2013, total deductions have leveled off and even declined in 2016.



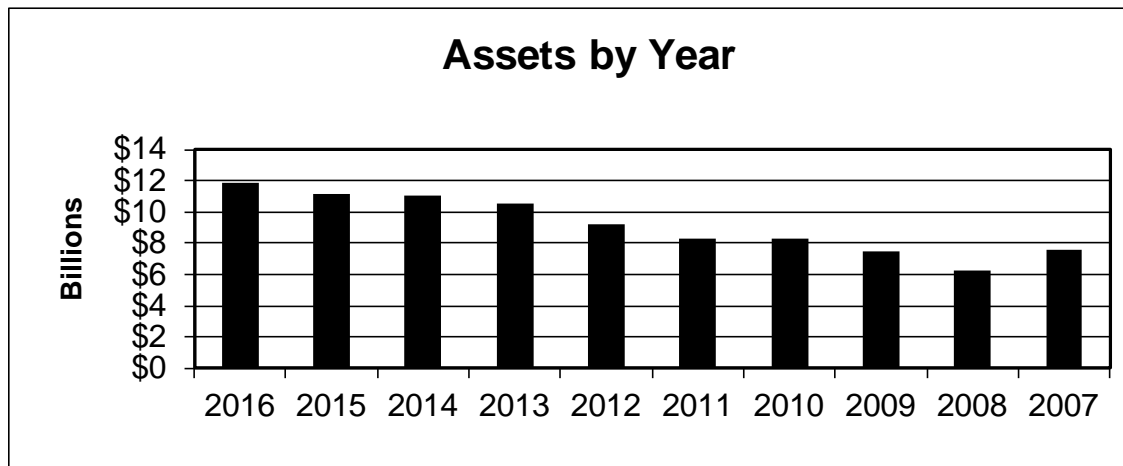
PLAN NET POSITION AVAILABLE FOR BENEFITS

Total assets and deferred outflows at December 31, 2016 increased 6.2 percent compared to the prior year-end. The increase resulted from net investment income supplementing a slightly positive participant cash flow. Participant cash flows (contributions and transfers from other plans compared to distributions and transfers to other plans) had been negative for the past three years.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Assets and Deferred Outflows	\$11,853,250,969	\$11,162,718,286	\$11,059,254,499
Total Liabilities and Deferred Inflows	<u>4,631,789</u>	<u>4,612,616</u>	<u>3,757,049</u>
Net Position Available for Benefits	<u>\$11,848,619,180</u>	<u>\$11,158,105,670</u>	<u>\$11,055,497,450</u>
Change in Net Position	<u>\$690,513,510</u>	<u>\$102,608,220</u>	<u>\$507,976,190</u>

As shown in the graph below, total assets available for benefits have trended up over the past 10 years, representing an improvement to the overall financial position of the Program. The severe market decline of 2008 was extraordinary, leading to a considerable loss of Program assets. Sustained positive financial market performance since 2008 has offset the assets lost, resulting in a resumption of our growing trend.



PROGRAM ACTIONS

The Program continues to manage the investment line-up to lower participant costs and improve portfolio management. During 2016, investments in the two Fidelity mutual funds were moved to Fidelity collective trust funds, and the investments in BlackRock target date funds were moved from Q share class to L share class. The combined fee savings to investors for these actions should be over \$2 million annually.

To make participant fees more uniform and transparent, a new fee structure was effective January 1, 2016. Beginning at that time, recordkeeping reimbursements received from investment managers are rebated to participants. The new fee is deducted from participant accounts and appears on their statements.

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, 2016 and 2015

	2016	2015
Assets:		
Investments:		
Stable value option	\$4,618,500,273	\$4,435,536,227
Collective trust funds	3,639,830,905	1,545,880,391
Mutual funds	3,270,781,783	4,840,710,287
Separate account	280,864,136	296,819,752
Purchased annuities	17,885,599	19,698,279
Total investments	11,827,862,696	11,138,644,936
Cash and cash equivalents	13,773,657	12,715,418
Contributions receivable and cash held for investment	6,025,254	7,190,104
Accounts and other receivables	302,993	1,717,315
Net Pension Asset	0	4,422
Property and equipment, net	4,536,030	2,206,768
Total assets	11,852,500,630	11,162,478,963
Deferred Outflows of Resources:		
Pension OPERS	750,339	239,323
Liabilities:		
Accounts payable	1,954,337	2,747,535
Accrued expenses	731,592	536,898
Net Pension Liability	1,908,976	1,303,927
Total liabilities	4,594,905	4,588,360
Deferred Inflows of Resources:		
Pension OPERS	36,884	24,256
Plan Net Position Available for Benefits	\$11,848,619,180	\$11,158,105,670

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, 2016 and 2015

	2016	2015
Additions:		
Net Investment Income:		
Net gain on funds	\$583,162,501	\$44,410,204
Stable value income	114,479,211	116,630,669
Investment expenses	(13,147,644)	(13,490,165)
Net investment income	684,494,068	147,550,708
Participant contributions	447,140,841	444,027,787
Transfers from other plans	101,975,571	107,021,633
Recordkeeping income	9,380	6,496,733
Recordkeeping rebates	5,128,440	0
Total additions	1,238,748,300	705,096,861
Deductions:		
Distributions to participants	317,951,713	318,430,645
Transfers to other plans	219,798,499	272,931,804
Administrative expenses	10,484,578	10,017,023
Total deductions	548,234,790	601,379,472
Change in Net Position	690,513,510	103,717,389
Plan Net Position Available for Benefits:		
Beginning of Year (see Note 19)	11,158,105,670	11,054,388,281
End of Year	\$11,848,619,180	\$11,158,105,670

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 pension 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, 2016, and 2015, there were 1,882 and 1,876 respectively, State and local governments in the Program and 113,810 and 111,223 respectively, active 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, 2016, 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); Payden & Rygel (Payden); and State Street Bank and Trust (State Street). The Stable Value Option also invests in guaranteed investment contracts issued by Jackson National Life Insurance Co., New York Life Insurance Co., and the Principal Life Insurance Co.
- Mutual funds managed by Dodge & Cox (Dodge & Cox); First Pacific Advisors (FPA); Hartford Investor Services Company (Hartford); Franklin Templeton Funds (Templeton); and The Vanguard Group, Inc. (Vanguard).
- A separate account managed by T. Rowe Price (Price).

NOTES TO THE FINANCIAL STATEMENTS, Continued

- Collective trust funds managed by BlackRock Institutional Trust Company (BlackRock); Fidelity Investment Company (Fidelity); and TCW Investment Management Company (TCW).
- Universal life and whole life insurance contracts are underwritten by Ohio National Life Insurance Company (Ohio National). Effective January 1, 1989, these life insurance contracts were no longer offered as new investment options available to participants. Approximately 30 life insurance contracts remain in effect as of December 31, 2016. During the first quarter of 2017, ownership of the remaining insurance contracts are to be transferred to the covered participants.

Participants may withdraw the value of their deferred 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.

At termination of employment or retirement, participants investing in universal and whole life insurance contracts may continue to make premium payments directly to the insurance carrier, or they may receive the cash surrender value of the contract less any applicable surrender charges. In the case of the death of a participant, the face value of the insurance contract is payable to their beneficiary as taxable ordinary income.

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

NOTES TO THE FINANCIAL STATEMENTS, Continued

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 employee 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 of Resources and Deferred Inflows of Resources:

In addition to assets, the statement of plan net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Program, deferred outflows of resources have been reported for the following items related the Program's net pension liability: (1) the difference between expected and actual experience of the pension systems, (2) changes in proportionate share, and (3) the Program's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the statement of net plan net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the

NOTES TO THE FINANCIAL STATEMENTS, Continued

Program, deferred inflows of resources include the net difference between projected and actual earnings on pension plan investments related to the Program's net pension liability.

Stable Value Option:

The Program administers the Stable Value Option (SVO), the stable value investment option offered to participants. As of December 31, 2016, the Program has stable value funds invested with eight professional investment managers and in three guaranteed investment contracts. 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, 2016, the investment portfolios of the SVO are managed by GSAM; Dodge & Cox; Earnest; JP Morgan; Jennison; Nationwide; Payden; and State Street. The guaranteed investment contracts are managed by Jackson National Life Insurance Co., New York Life Insurance Co., and the Principal Life Insurance Co. 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, 2016, 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. Traditional guaranteed investment contracts are valued at market value.

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.

NOTES TO THE FINANCIAL STATEMENTS, Continued

Separate account investments are valued at the market 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 7 for additional information.

Life Insurance Contracts:

As previously disclosed, universal and whole life insurance options are no longer available as new investment options. The cash value before surrender charges or other assessments of existing policies was \$175,100 and \$470,500 at December 31, 2016 and 2015, respectively. Premiums paid for these policies are expensed when made. The amount of life insurance in force was \$5,189,600 and \$5,393,500 at December 31, 2016 and 2015, respectively.

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 portfolio were adjusted quarterly and ranged from 1.64 percent to 2.66 percent during 2016, and from 1.52 percent to 3.24 percent during 2015.

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 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS, Continued

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.

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.

Reclassifications:

Certain prior year amounts may have been reclassified to conform to the current year's presentation.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTES TO THE FINANCIAL STATEMENTS, Continued

3. Implementation of New Accounting Principles

For the year ended December 31, 2016, the Program has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. These changes were incorporated in the Program's 2016 note disclosures; however, there was no effect on beginning net position available for benefits.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Program.

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Program.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of this statement did not result in any change in the Program's financial statements as they do not levy taxes.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple-employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was

NOTES TO THE FINANCIAL STATEMENTS, Continued

not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Program.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The Program participates in StarOhio, which implemented GASB Statement No. 79 for fiscal year 2016. The Program incorporated the corresponding GASB 79 guidance into their fiscal year 2016 financial statements; however, there was no effect on beginning net position.

4. 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.

5. Participant Contributions:

Participant Contributions Receivable and 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 deposit 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 \$2,201,600 and \$3,687,100 at December 31, 2016 and 2015, respectively.

6. 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, or issues of the U.S. Government and its agencies, all with maturities of five years or less. The Program also may invest in StarOhio, investment pools managed by the State Treasurer's Office that allows 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 does operate in a manner similar to Rule 2a-7 of the Investment Company Act of 1940. Investments in StarOhio are valued at StarOhio's share price, which is the price the investment could be sold for on December 31, 2016. The weighted average maturity of the portfolio held by StarOhio as of December 31, 2016, is 52 days and carries a Standard and Poor's rating of AAAm.

NOTES TO THE FINANCIAL STATEMENTS, Continued

During 2016, the Program invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Program measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, 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 \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

At December 31, 2016 and 2015, the bank carrying value balances were \$13,773,657 and \$12,715,418 respectively. The bank balances were insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining bank deposits are covered by collateral held in the name of the Program's pledging financial institution, as required by State statute.

NOTES TO THE FINANCIAL STATEMENTS, Continued

7. Program Investments:

A summary of Program investments is as follows:

	December 31, 2016	
	Carrying Value	Fair Value
Stable Value Option	\$4,618,500,273	\$4,675,620,741
Collective Trust Funds	3,639,830,905	3,639,830,905
Mutual Funds	3,270,781,783	3,270,781,783
Separate Account	280,864,136	280,864,136
Purchased Annuities	17,885,599	17,885,599
Total Investments	\$11,827,862,696	\$11,884,983,164

	December 31, 2015	
	Carrying Value	Fair Value
Mutual Funds	\$4,840,710,287	\$4,840,710,287
Stable Value Option	4,435,536,227	4,512,290,396
Collective Trust Funds	1,545,880,391	1,545,880,391
Separate Account	296,819,752	296,819,752
Purchased Annuities	19,698,279	19,698,279
Total Investments	\$11,138,644,936	\$11,215,399,105

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

NOTES TO THE FINANCIAL STATEMENTS, Continued

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 employee contributions, withdrawals and transfers, and the total return performance of the associated fixed income account portfolios.

At December 31, 2016, investments in separate account portfolios managed by Jennison, Dodge & Cox, and State Street were held in custody for the Program by State Street Bank and Trust. A separate account managed by Nationwide was held in custody 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. Investment portfolios with JPMorgan, Earnest, and Payden were held in a Metropolitan Life Insurance Company commingled fund that is part of a separate account group annuity contract, and are disclosed at fair value. Funds were invested in guaranteed investment contracts (GIC) issued by Jackson National Life Insurance Co., New York Life Insurance Co., and the Principal Life Insurance Co. The fair value of a GIC is calculated by discounting the expected future cash flows of the investment based on current market yields of similar investments with comparable durations. 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, 2016, the fair value of the SVO assets exceeded the book value by \$57 million or 1.2 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.

NOTES TO THE FINANCIAL STATEMENTS, Continued

A summary of the fair value of investments in the Stable Value Option by investment manager at December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Goldman Sachs	\$1,499,065,150	\$1,346,512,888
State Street Bank and Trust	763,630,760	752,100,075
Jennison	536,533,414	525,150,046
Dodge & Cox	521,364,990	509,966,448
JP Morgan Investment Advisors	512,153,900	500,390,208
Nationwide Life Insurance Co.	452,965,852	441,162,228
Payden & Rygel	108,818,015	106,703,973
Earnest Partners	105,265,000	103,657,378
New York Life Ins. Co.	79,879,237	78,304,589
Jackson National Life Ins Co.	48,016,880	47,040,448
Principal Life Ins. Co.	<u>47,927,543</u>	<u>101,302,115</u>
Total Fair Value	4,675,620,741	4,512,290,396
Total Carrying Value	<u>4,618,500,273</u>	<u>4,435,536,227</u>
Difference	<u>\$57,120,468</u>	<u>\$76,754,169</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, 2016, the overall average credit quality of the SVO portfolio was AA. The market value weighted average credit quality of the SVO investments are determined by Standard & Poor's Rating Services ("S&P"), Moody's Investor Services, Inc. ("Moody's"), and/or Fitch Ratings ("Fitch") are shown in the table below as of December 31, 2016, and 2015. Investments in U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

NOTES TO THE FINANCIAL STATEMENTS, Continued

<u>Credit Rating</u>	<u>2016</u>		<u>2015</u>	
	<u>Fair Value</u>	<u>Portfolio %</u>	<u>Fair Value</u>	<u>Portfolio %</u>
AAA	\$1,716,050,873	36.6%	\$1,668,793,939	36.9%
AA	318,915,426	6.8%	237,923,783	5.3%
A	530,692,117	11.4%	568,382,400	12.6%
BBB	537,265,019	11.5%	528,791,914	11.7%
BB	2,507,930	0.1%	2,591,778	0.1%
B and below	<u>1,066,184</u>	0.0%	<u>44,509</u>	0.0%
Subtotal	3,106,497,549	66.4%	3,006,528,323	66.6%
U.S. Treasury Securities	<u>1,569,123,192</u>	33.6%	<u>1,505,762,073</u>	33.4%
Fair Value Stable Value Investments	<u>\$4,675,620,741</u>	100.0%	<u>\$4,512,290,396</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 Barclays Intermediate Aggregate Bond Index or a blend of the Barclays Intermediate Aggregate Bond Index and Barclays 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.

NOTES TO THE FINANCIAL STATEMENTS, Continued

The following tables show the maturity of the SVO investments segmented by time period and sector.

As of December 31, 2016:

<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	\$236,052,598	\$1,134,703,269	\$125,234,410	\$73,132,915	\$1,569,123,192
Corporate Bonds	155,646,269	871,899,910	182,674,033	13,490,641	1,223,710,853
Mortgage Obligations	74,363,189	692,462,205	149,464,972	0	916,290,366
U.S. Government Agency Securities	36,559,491	134,745,833	30,645,901	650,200	202,601,425
Traditional GICs	6,970,316	175,823,660	0	0	182,793,976
Asset Backed Securities	112,066,289	103,125,878	0	0	215,192,167
Cash Equivalents	322,170,281	0	0	0	322,170,281
Other Government Related Securities	3,310,022	35,781,387	4,647,072	0	43,738,481
Fair Value Stable Value Investments	<u>\$947,138,455</u>	<u>\$3,148,542,142</u>	<u>\$492,666,388</u>	<u>\$87,273,756</u>	<u>\$4,675,620,741</u>

As of December 31, 2015:

<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	\$211,386,700	\$1,168,712,545	\$65,638,178	\$60,024,650	\$1,505,762,073
Corporate Bonds	106,559,247	769,315,439	227,183,194	20,692,851	1,123,750,731
Mortgage Obligations	127,704,554	748,700,501	137,694,620	0	1,014,099,675
U.S. Government Agency Securities	32,401,910	181,490,686	29,394,328	623,284	243,910,208
Traditional GICs	0	226,647,152	0	0	226,647,152
Asset Backed Securities	71,654,910	127,300,737	526,470	0	199,482,117
Cash Equivalents	162,276,741	0	0	0	162,276,741
Other Government Related Securities	537,297	29,275,041	6,549,361	0	36,361,699
Fair Value Stable Value Investments	<u>\$712,521,359</u>	<u>\$3,251,442,101</u>	<u>\$466,986,151</u>	<u>\$81,340,785</u>	<u>\$4,512,290,396</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, 2016, the Program had investments in CMO and ABS totaling \$162 million and \$215 million, respectively.

Mutual Funds:

The non-SVO investments are governed by an investment policy enacted 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 significant portion of the Program's investment balances are invested in 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 the U.S. Securities and Exchange Commission (SEC). The

NOTES TO THE FINANCIAL STATEMENTS, Continued

Program does not have in-house investment expertise, so it often utilizes mutual funds to provide professional investment management.

In November 2016, the Program closed out investments in two Fidelity mutual funds and moved to two Fidelity collective trust funds. Program investors in Fidelity Contrafund and Growth Company continue to receive the same investment managers and strategy, but at a reduced cost. The savings on investment manager fees will be approximately \$1.9 million annually.

Shares of mutual funds are priced at the net asset value as calculated by the fund provider. Mutual funds are valued using level 1 inputs which consist of quoted prices in active markets for identical assets.

A summary of year-end investments as of December 31, 2016 and 2015 is as follows:

	Mutual Funds - 2016			Mutual Funds - 2015		
	Fair Value	Share Price	Shares Owned (1,000's)	Fair Value	Share Price	Shares Owned (1,000's)
Vanguard:						
Capital Opportunity	\$675,667,566	\$124.25	5,438	\$639,701,064	\$118.65	5,391
Institutional Index	435,218,486	203.84	2,135	362,925,086	186.63	1,945
Small-Cap Index	260,968,111	178.28	1,464	205,809,227	153.12	1,344
International Growth	189,068,104	67.33	2,808	183,805,319	67.06	2,741
Total Bond Market Index	168,662,154	10.65	15,837	126,953,183	10.64	11,932
Total International Stock Index	106,100,298	98.52	1,077	98,519,071	96.95	1,016
Total Vanguard Funds	1,835,684,719			1,617,712,950		
Dodge & Cox Stock Fund	984,322,015	184.30	5,341	859,704,624	162.77	5,282
FPA Capital Fund	199,021,143	37.80	5,265	168,905,657	32.36	5,220
Templeton Foreign Fund	134,852,907	6.88	19,601	126,079,154	6.28	20,076
Hartford Small Company	116,900,999	16.16	7,234	131,907,828	17.52	7,529
Fidelity:						
Contrafund	0	0.00	0	1,113,848,587	98.95	11,257
Growth Company	0	0.00	0	822,551,487	136.94	6,007
Total Fidelity Funds	0			1,936,400,074		
Total Mutual Funds	\$3,270,781,783			\$4,840,710,287		

Collective Trust Funds:

A collective trust fund is similar in purpose to a mutual fund, but is monitored by state banking regulators, instead of the SEC. Collective trust funds generally have lower fees than mutual funds, so they may offer the opportunity for greater account growth.

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

NOTES TO THE FINANCIAL STATEMENTS, Continued

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.

As noted above, the Program moved closed out investments in two Fidelity mutual funds and moved to two Fidelity collective trust funds in November, 2016. Program investors in Fidelity Contrafund and Growth Company continue to receive the same investment managers and strategy, but at a reduced cost.

Shares of collective trust funds are priced at the net asset value as calculated by the fund provider. Collective Trust Funds are valued using level 2 inputs which consist of other observable means, including quoted prices for similar items in an active market. There are no unfunded commitments or restrictions on redemptions.

A summary of year-end investments as of December 31, 2016 and 2015 is as follows:

	<u>Collective Trust Funds - 2016</u>			<u>Collective Trust Funds - 2015</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	\$1,081,995,622	12.02	90,016	\$0	\$0.00	0
Growth Company	820,290,199	13.81	59,398	0	0.00	0
Total Fidelity	<u>1,902,285,821</u>			<u>0</u>		
BlackRock Investments:						
LifePath Retirement	\$316,119,738	13.07	24,187	\$301,687,894	13.80	21,861
LifePath 2020	365,634,753	13.88	26,343	335,286,814	13.33	25,153
LifePath 2025	201,375,403	14.38	14,004	168,061,593	13.33	12,608
LifePath 2030	284,021,693	14.84	19,139	243,363,857	13.31	18,284
LifePath 2035	105,509,230	15.27	6,910	86,177,556	13.27	6,494
LifePath 2040	149,137,049	15.62	9,548	123,985,081	13.20	9,393
LifePath 2045	46,138,139	15.97	2,889	34,084,921	13.16	2,590
LifePath 2050	51,242,864	16.27	3,150	37,223,404	13.28	2,803
LifePath 2055	21,377,421	16.55	1,292	14,617,688	14.01	1,043
Total BlackRock	<u>1,540,556,290</u>			<u>1,344,488,808</u>		
TCW MetWest Investments:						
Ohio DC Intermediate Bond	196,988,794	10.07	19,562	201,391,583	9.82	20,508
Total Collective Trust Funds	<u>\$3,639,830,905</u>			<u>\$1,545,880,391</u>		

NOTES TO THE FINANCIAL STATEMENTS, Continued

Separate Account:

A separate account can be a diversified portfolio 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.

The Program closed the Janus Twenty mutual fund in August 2014, and moved those investors to the Ohio DC Large-Cap Growth fund. This new fund is a separate account managed by T. Rowe Price, and has an investment strategy to seek long-term capital appreciation by normally investing in the common stocks of large-cap growth companies. The separate account is valued using level 1 inputs which consist of quoted prices in active markets for identical assets.

	<u>Separate Account - 2016</u>			<u>Separate Account - 2015</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>
T.Rowe Price:						
Ohio DC Large-Cap Growth	\$280,864,136	78.35	3,585	\$296,819,752	75.98	3,907

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, which are actuarially determined. Investments in purchased annuities were \$17,885,599 and \$19,698,279 at December 31, 2016 and 2015, respectively.

8. Investment Expenses:

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

Select mutual fund investments require participants to hold these investments for specified periods or the participant is assessed a redemption fee by the fund.

NOTES TO THE FINANCIAL STATEMENTS, Continued

The Program has collected and remitted redemption fees to the mutual funds to benefit the remaining investors of the fund.

Fees associated with the Program investment options are shown below:

	2016	2015
Stable Value - Book Value Guarantee Fees:	\$8,499,518	\$8,503,952
Stable Value - Management/Custodial Fees:		
Goldman Sachs Asset Management	1,105,922	1,080,104
JP Morgan Asset Management	879,926	1,194,021
Jennison Associates	667,954	656,701
Nationwide Asset Management	590,219	591,076
Dodge & Cox	518,274	459,025
State Street Bank and Trust	458,404	456,748
Payden & Rygel	217,376	216,039
Earnest Partners	205,860	205,963
Pacific Investment Management Company	0	119,310
Total Stable Value Investment Expenses	13,143,453	13,482,939
Total Mutual Fund Redemption Fees	4,191	7,226
Total Investment Expenses	\$13,147,644	\$13,490,165

9. Recordkeeping Reimbursements:

Certain mutual fund investment providers reimburse the Program for performing recordkeeping services. These reimbursement rates vary by mutual fund provider and range from 0.05 percent to 0.25 percent of assets annually. In addition to the mutual fund investments, the Program collected an annualized recordkeeping fee of 0.09 percent on the non-mutual fund investments (Stable Value Option, Ohio DC Large-Cap Growth fund, Ohio DC Intermediate Bond fund, and the LifePath target date fund series) until 2016.

Through 2015, the Program retained the recordkeeping payments described above as recordkeeping income and used the proceeds to fund administrative operations. Beginning in 2016, all recordkeeping reimbursements from the mutual fund providers are rebated back to the participant accounts invested in these options. Also beginning in 2016, the Program ceased collecting the 0.09 recordkeeping fee on the Stable Value Option, Ohio DC Large-Cap Growth fund, Ohio DC Intermediate Bond fund, and the LifePath target date fund series.

NOTES TO THE FINANCIAL STATEMENTS, Continued

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.

The table below shows the new policy of rebating mutual fund reimbursements to participants, the change in Program income sources between 2015 and 2016, and that total Program income increased by less than 3 percent between these years.

	2016	2015
Mutual fund reimbursements:		
Recordkeeping reimbursements rebated to <u>participant accounts</u>	\$5,128,440	\$0
Mutual fund reimbursements:		
Recordkeeping reimbursements retained as Program income	\$9,380	\$6,496,733
Ohio DC recordkeeping income:		
Recordkeeping fees on Ohio DC investment options (SVO, LifePath, etc.) retained as Program income	0	5,318,149
Ohio DC recordkeeping income:		
Uniform asset fee charged to all participant accounts	12,144,404	0
Program income retained to fund administrative operations	\$12,153,784	\$11,814,882

10. Customer Service Expense:

The Program has contracted with Nationwide to provide enrollment, education, and customer service to all eligible employees and participants. Nationwide has 15 employees who provide group and individual meeting opportunities while visiting employer worksites throughout the State. Nationwide has 30 employees at their Service Center, who provide participants with call center, walk-in, and administrative support services. In addition, Nationwide provides an interactive website and automated phone system for both service and educational purposes.

In April 2014, the Program signed a new five-year contract with Nationwide to continue providing customer services until June 30, 2019. Costs associated with customer service expenses were \$6,559,708 and \$6,446,254 for the years ended

NOTES TO THE FINANCIAL STATEMENTS, Continued

December 31, 2016 and 2015, respectively, and are included in Administrative Expenses.

11. Vacation and Sick Leave:

As of December 31, 2015 and 2014, the Program had accrued \$304,700 and \$275,100 respectively, for unused vacation and sick leave for full-time 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.

12. Leases:

In 2009, the Board signed a 10-year lease agreement for office space with the Ohio Public Employees Retirement System. This office space allowed the Board's administrative offices and Service Center offices to move into one facility, realize savings in net occupancy costs, and achieve operational efficiencies. Base rental payments for this new operating lease were \$281,175 for both 2016 and 2015, which were allocated to administrative rent and customer service expenses in these financial statements.

Future scheduled minimum lease payments (base rental expense) under the new office operating lease at December 31, 2016, are as follows:

<u>Year-ending December 31</u>	<u>Amount</u>
2017	281,175
2018	281,175
2019	46,863

13. Property and Equipment:

The Program is in the middle of a modernization project to update the daily recordkeeping system. The project will improve functionality of the system, as well as update the software language and hardware to current standards. Completion of the project is scheduled for 2018, and the multi-year project budget is approximately \$9.5 million.

Outside consultant costs associated with the modernization project totaled \$2,187,090 and \$1,920,701 in 2016 and 2015 respectively. In addition, internal Information Technology staff costs (salaries and benefits) of \$149,847 and \$211,600 were allocated and capitalized to this project for 2016 and 2015 respectively.

NOTES TO THE FINANCIAL STATEMENTS, Continued

Property and equipment includes 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>2016</u>	<u>2015</u>
Non-Depreciable:			
Computer Software Development	TBD	\$4,469,238	\$2,132,301
Depreciable:			
Furniture and fixtures	7 years	269,409	279,405
Computer equipment	3 years	143,643	143,643
Office equipment	5 years	117,202	100,356
Leasehold Improvements	7 years	46,551	46,551
		5,046,043	2,702,256
Less accumulated depreciation and amortization		(510,013)	(495,488)
Property and Equipment, Net		\$4,536,030	\$2,206,768

14. 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 2016 and 2015. The Program also maintains lifetime maximum stop loss coverage per employee for medical benefits in the amount of \$2,500,000 for both 2016 and 2015. The accrual for future health claims was \$380,600 and \$225,100 as of December 31, 2016 and 2015 respectively. The accrual for future health claims is recorded within accrued expenses.

NOTES TO THE FINANCIAL STATEMENTS, Continued

15. Defined Benefit Pension Plan:

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Program's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability 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.

Ohio Revised Code limits the Program's obligation for this liability to annually required payments. The Program cannot control benefit terms or the manner in which pensions are financed; however, the Program does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability*. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *accrued expenses*.

NOTES TO THE FINANCIAL STATEMENTS, Continued

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - Program employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS 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 cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Program employees) may elect the member-directed plan and the combined 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 plan. 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 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 plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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
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	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	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

NOTES TO THE FINANCIAL STATEMENTS, Continued

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.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be 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 2015 and 2016 as follows:

	State and Local
Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
Actual Contribution Rates	
Employer:	
Pension	12.00 %
Post-employment Health Care Benefits	2.00
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Program's contractually required contribution was \$172,507 and \$169,479 for 2016 and 2015, respectively. Of the 2016 amount, \$2,007 is reported as *accrued expenses*.

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

The net pension liability for OPERS was measured as of December 31, 2015 and 2014, 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

NOTES TO THE FINANCIAL STATEMENTS, Continued

pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	2016 OPERS	2015 OPERS
Proportionate Share of the Net Pension Asset	\$ 0	\$ 4,422
Proportionate Share of the Net Pension Liability	\$ 1,908,976	\$ 1,303,927
Proportion of the Net Pension Liability	0.01102100%	0.01081100%
Pension Expense	\$ 283,590	\$ 144,748

At December 31, 2016 and 2015, the Program reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016 OPERS	2015 OPERS
Deferred Outflows of Resources		
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	\$ 561,120	\$ 69,844
Changes in Proportionate Share	16,712	0
Program Contributions Subsequent to the Measurement Date	172,507	169,479
Total Deferred Outflows of Resources	\$ 750,339	\$ 239,323
Deferred Inflows of Resources		
Differences between Expected and Actual Experience		
	\$ 36,884	\$ 24,256

\$172,507 reported as deferred outflows of resources related to pension resulting from Program contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. 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:	OPERS
2017	\$ 130,432
2018	139,405
2019	144,128
2020	126,983
	\$ 540,948

NOTES TO THE FINANCIAL STATEMENTS, Continued

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 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 in the December 31, 2015 and 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Information	Traditional Pension Plan
Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 percent to 10.05 percent, including wage inflation at 3.75 percent
COLA or Ad Hoc COLA	3.00 percent, simple
Investment Rate of Return	8.00 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five-year period ended December 31, 2010.

The long-term 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.

NOTES TO THE FINANCIAL STATEMENTS, Continued

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015 and 6.95 for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS 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 table below displays the OPERS Board-approved asset allocation policy for 2015 and 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>2015 Target Allocation</u>	<u>2014 Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	23.00 %	2.31 %
Domestic Equities	20.70	19.90	5.84
Real Estate	10.00	10.00	4.25
Private Equity	10.00	10.00	9.25
International Equities	18.30	19.10	7.40
Other Investments	<u>18.00</u>	<u>18.00</u>	<u>4.59</u>
Total	<u>100.00 %</u>	<u>100.00 %</u>	<u>5.27 %</u>

Discount Rate The discount rate used to measure the total pension liability was eight 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 statutorily required rates. 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 eight percent, as well as what the Program's proportionate share of the net pension liability would be if it were

NOTES TO THE FINANCIAL STATEMENTS, Continued

calculated using a discount rate that is one-percentage-point lower (seven percent) or one-percentage-point higher (nine percent) than the current rate:

Program's Proportionate Share of the Net Pension Liability:	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Calendar Year 2016	\$ 3,041,465	\$ 1,908,976	\$ 953,757
Calendar Year 2015	\$ 2,398,853	\$ 1,303,927	\$ 381,736

16. Post-Employment Benefits:

Ohio Public Employees Retirement System

Plan Description – 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.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS CAFR details.

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

OPERS issues a stand-alone 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.

NOTES TO THE FINANCIAL STATEMENTS, Continued

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016 and 2015, 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.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016 and 2015 as recommended by OPERS' actuary. The 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. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2016 was 4.0 percent and for 2015 was 4.5 percent.

The Program's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$28,751, \$28,247 and \$27,371, respectively. For 2016, 99 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2015 and 2014.

17. Eliminations:

The Administration Fund recovers some customer service and administrative costs through charges made to the Program Fund. Charges of \$12,144,404 and \$5,318,149 were made during 2016 and 2015, respectively, for this purpose, including \$619,446 and \$457,788 payable to the Administrative Fund as of December 31, 2016 and 2015, 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.

NOTES TO THE FINANCIAL STATEMENTS, Continued

18. Subsequent Events:

At their January 17, 2017 meeting, the Board voted to replace the small-cap value investment option in the FPA Capital mutual fund with a separate account to be managed by Westwood Management Corp. In addition, the Board voted to replace the small-cap growth investment option in the Hartford Small Company mutual fund with a separate account with portfolios managed by Westfield Capital Management Company and Apex Capital Management. Both fund transitions are scheduled for June 2, 2017.

Also at the January 17, 2017 meeting, the Board voted to hire RVK, Inc. as the Program's investment consultant for the five-year period beginning April 1, 2017.

19. Fiscal year 2015 Restatement:

A net position restatement was required in order to implement GASB Statement No 68 and 71 during fiscal year 2015. The activities at January 1, 2015 were restated as follows:

Plan net position available for benefits as previously reported	\$11,055,497,450
Adjustments:	
Net Pension Asset	1,205
Net Pension Liability	(1,274,476)
Deferred Outflow – Payments subsequent to Measurement date	<u>164,102</u>
Restated plan net position available for benefits at January 1, 2015	<u>\$11,054,388,281</u>

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROGRAM'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

Last Three Years⁽¹⁾

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Ohio Public Employees' Retirement System (OPERS)			
Program's Proportion of the Net Pension Liability (Asset)	0.0110210%	0.0108110%	0.0108110%
Program's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,908,976	\$ 1,303,927	\$ 1,274,476
Program's Covered-Employee Payroll	\$ 1,371,650	\$ 1,325,533	\$ 1,305,567
Program's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	139.17%	98.37%	97.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

⁽¹⁾ Information prior to 2014 is not available.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROGRAM'S PENSION CONTRIBUTIONS

Last Four Years⁽¹⁾

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Ohio Public Employees' Retirement System (OPERS)				
Contractually Required Contribution	\$ 172,507	\$ 164,598	159,064	\$ 169,724
Contributions in Relation to the Contractually Required Contribution	<u>(172,507)</u>	<u>(164,598)</u>	<u>(159,064)</u>	<u>(169,724)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Program's covered-employee payroll	\$ 1,437,558	\$ 1,371,650	\$ 1,325,533	\$ 1,305,567
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	13.00%

⁽¹⁾ Information prior to 2013 is not available.

COMBINING SCHEDULE OF PLAN NET POSITION AVAILABLE FOR BENEFITS

As of December 31, 2016
With Totals for 2015

	2016			2015
	PROGRAM FUND	ADMINIS- TRATION FUND	COMBINING ENTRIES	
Assets:				
Investments:				
Stable value option	\$4,618,500,273			\$4,435,536,227
Collective trust funds	3,639,830,905			1,545,880,391
Mutual funds	3,270,781,783			4,840,710,287
Separate account	280,864,136			296,819,752
Purchased annuities	17,885,599			19,698,279
Total investments	<u>11,827,862,696</u>			<u>11,138,644,936</u>
Cash and cash equivalents		\$13,773,657		12,715,418
Contributions receivable and cash held for investment	6,025,254			7,190,104
Accounts receivable and prepaids		922,439	(\$619,446)	1,717,315
Net Pension Asset		0		4,422
Property and equipment, net		<u>4,536,030</u>		<u>2,206,768</u>
Total assets	<u>\$11,833,887,950</u>	<u>\$19,232,126</u>	<u>(\$619,446)</u>	<u>\$11,852,500,630</u>
Deferred Outflows of Resources:				
Pension OPERS		<u>750,339</u>		<u>239,323</u>
Liabilities:				
Accounts payable	1,974,353	599,430	(619,446)	2,747,535
Accrued expenses		731,592		536,898
Net Pension Liability		<u>1,908,976</u>		<u>1,303,927</u>
Total liabilities	<u>1,974,353</u>	<u>3,239,998</u>	<u>(619,446)</u>	<u>4,588,360</u>
Deferred Inflows of Resources:				
Pension OPERS		<u>36,884</u>		<u>24,256</u>
Plan Net Position Available for Benefits	<u>\$11,831,913,597</u>	<u>\$16,705,583</u>	<u>\$0</u>	<u>\$11,848,619,180</u>
				<u>\$11,158,105,670</u>

COMBINING SCHEDULE OF CHANGES IN PLAN NET POSITION AVAILABLE FOR BENEFITS

For the year ended December 31, 2016
With Totals for 2015

	2016			2015
	PROGRAM FUND	ADMINIS- TRATION FUND	COMBINING ENTRIES	
Additions:				
Net Investment Income:				
Net gain on funds	\$583,162,501			\$44,410,204
Stable value income	114,328,834	150,377		116,630,669
Investment expenses	<u>(13,147,644)</u>			<u>(13,490,165)</u>
Net investment income	684,343,691	150,377		147,550,708
Employee contributions	447,140,841			444,027,787
Transfers from other plans	101,975,571			107,021,633
Recordkeeping income		12,153,784	(12,144,404)	6,496,733
Recordkeeping rebates	<u>5,128,440</u>			<u>0</u>
Total additions	<u>1,238,588,543</u>	<u>12,304,161</u>	<u>(12,144,404)</u>	<u>1,238,748,300</u>
Deductions:				
Distributions to participants	317,951,713			318,430,645
Transfers to other plans	219,798,499			272,931,804
Administrative expenses	<u>12,144,404</u>	<u>10,484,578</u>	<u>(12,144,404)</u>	<u>10,017,023</u>
Total deductions	<u>549,894,616</u>	<u>10,484,578</u>	<u>(12,144,404)</u>	<u>601,379,472</u>
Change in Net Position	688,693,927	1,819,583		103,717,389
Plan Net Position Available for Benefits:				
Beginning of Year (see Note 19)	<u>11,143,219,670</u>	<u>14,886,000</u>		<u>11,158,105,670</u>
End of Year	<u>\$11,831,913,597</u>	<u>\$16,705,583</u>	<u>\$0</u>	<u>\$11,848,619,180</u>

SCHEDULE OF ADMINISTRATION FUND DEDUCTIONS

For the years ended December 31, 2016 and 2015

	2016	2015
Customer Service	\$6,559,708	\$6,446,254
Salaries and benefits:		
Salaries and wages	1,388,284	1,325,058
Insurance	432,425	399,296
Retirement contributions	319,069	173,989
Other benefits	22,268	18,863
	2,162,046	1,917,206
Administration:		
Postage and delivery	482,824	452,771
Participant statements	160,487	153,271
	643,311	606,042
Professional Services:		
Consulting	314,354	314,785
Information Technology	91,587	38,427
Auditing	39,564	43,740
	445,505	396,952
Information Technology expense	241,824	233,801
Rent Expense	149,799	149,763
Insurance	129,100	86,517
Miscellaneous	60,309	75,657
Depreciation and amortization	36,526	59,759
Office supplies:		
Printing	25,204	19,563
Office supplies	12,247	12,687
Telephone and fax	4,245	3,871
	41,696	36,121
Professional Expense	14,754	8,951
Total Administrative Fund Deductions	\$10,484,578	\$10,017,023

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

For the years ended December 31, 2016 and 2015

	2016	2015
Cash and cash equivalents, beginning of year	\$12,715,418	\$12,658,695
Receipts:		
Investment redemptions	537,750,212	591,362,450
Employee contributions	448,305,691	443,587,277
Transfers from other plans	101,975,571	107,021,633
Recordkeeping income	1,412,422	6,699,950
Total cash receipts	1,089,443,896	1,148,671,310
Disbursements:		
Investment purchases	524,348,196	531,174,780
Distributions to participants	317,951,713	318,430,646
Transfers to other plans	219,798,499	272,931,804
Investment expenses	13,788,662	14,115,981
Administrative expenses	10,132,799	9,812,661
Purchase of property and equipment	2,365,788	2,148,715
Total cash disbursements	1,088,385,657	1,148,614,587
Cash and cash equivalents, end of year	\$13,773,657	\$12,715,418

SCHEDULE OF INVESTMENT EXPENSES

For the years ended December 31, 2016 and 2015

	2016	2015
Stable Value - Book Value Guarantee Fees:	\$8,499,518	\$8,503,952
Stable Value - Management/Custodial Fees:		
Goldman Sachs Asset Management	1,105,922	1,080,104
JP Morgan Asset Management	879,926	1,194,021
Jennison Associates	667,954	656,701
Nationwide Asset Management	590,219	591,076
Dodge & Cox	518,274	459,025
State Street Bank and Trust	458,404	456,748
Payden & Rygel	217,376	216,039
Earnest Partners	205,860	205,963
Pacific Investment Management Company	0	119,310
Total Stable Value Investment Expenses	13,143,453	13,482,939
Total Mutual Fund Redemption Fees	4,191	7,226
Total Investment Expenses	\$13,147,644	\$13,490,165

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

Select mutual fund investments require participants to hold certain investments for specified periods, or the participant is assessed a redemption fee by the fund. Since 2006, the Program has collected and remitted redemption fees to the mutual funds to benefit the remaining long-term investors of the funds.



OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

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, 2016</u>		<u>December 31, 2015</u>	
	<u>Carrying Value</u>	<u>Allocation</u>	<u>Carrying Value</u>	<u>Allocation</u>
Stable Value Option	\$4,618,500,273	39.0%	\$4,435,536,227	39.8%
Collective Trust Funds	3,639,830,905	30.8%	1,545,880,391	13.9%
Mutual Funds	3,270,781,783	27.6%	4,840,710,287	43.4%
Separate Account	280,864,136	2.4%	296,819,752	2.7%
Purchased Annuities	<u>17,885,599</u>	0.2%	<u>19,698,279</u>	0.2%
Total Investments	<u>\$11,827,862,696</u>	100.0%	<u>\$11,138,644,936</u>	100.0%

INVESTMENT FEE RATES

The following table shows the investment fee rates charged by each investment option as of December 31, 2016, 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
Templeton Foreign	0.93%	0.99%
Vanguard International Growth	0.34%	0.95%
Vanguard Total International Stock Index	0.07%	0.26%
Hartford Small Company	0.72%	1.21%
Vanguard Small-Cap Index	0.05%	0.27%
FPA Capital	0.77%	1.09%
Vanguard Capital Opportunity	0.38%	0.99%
Fidelity Growth Company Commingled Pool	0.43%	0.80%
Ohio DC Large-Cap Growth	0.37%	0.80%
Fidelity Contrafund Commingled Pool	0.43%	0.80%
Vanguard Institutional Index	0.02%	0.27%
Dodge & Cox Stock	0.52%	0.73%
BlackRock LifePath Retirement	0.09%	0.56%
BlackRock LifePath 2020	0.09%	0.60%
BlackRock LifePath 2025	0.09%	0.60%
BlackRock LifePath 2030	0.09%	0.65%
BlackRock LifePath 2035	0.09%	0.64%
BlackRock LifePath 2040	0.09%	0.69%
BlackRock LifePath 2045	0.10%	0.65%
BlackRock LifePath 2050	0.09%	0.70%
BlackRock LifePath 2055	0.10%	0.65%
Ohio DC Intermediate Bond	0.25%	0.54%
Vanguard Total Bond Market Index	0.04%	0.15%
Stable Value Option	0.29%	0.62%

SCHEDULE OF PERFORMANCE VERSUS BENCHMARKS

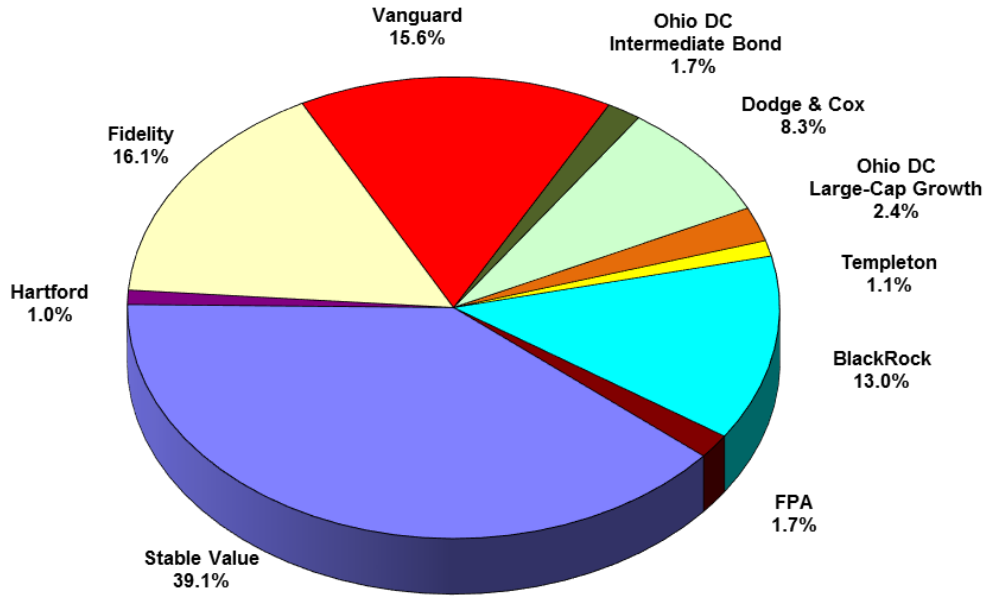
As of December 31, 2016

	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
Templeton Foreign Fund	12.0%	-2.3%	7.1%	2.5%
Vanguard International Growth	1.8%	-1.5%	7.2%	2.6%
<i>Benchmark: MSCI All Country World ex-U.S. Index</i>	4.5%	-1.8%	5.0%	1.0%
Vanguard Total International Stock Index	4.7%	-1.3%	5.6%	0.9%
<i>Benchmark: Vanguard Spliced Custom</i>	4.7%	-1.1%	5.6%	1.0%
Hartford Small Company	2.0%	0.1%	10.9%	5.8%
<i>Benchmark: Russell 2000 Growth Index</i>	11.3%	5.1%	13.7%	7.8%
Vanguard Small-Cap Index	18.3%	7.0%	14.9%	8.1%
<i>Benchmark: Vanguard US Small Cap Composite</i>	18.3%	7.0%	14.8%	8.1%
FPA Capital	22.9%	0.1%	6.2%	5.4%
<i>Benchmark: Russell 2000 Value Index</i>	31.7%	8.3%	15.1%	6.3%
Vanguard Capital Opportunity	10.6%	10.6%	18.0%	9.1%
<i>Benchmark: Russell Mid Cap Growth Index</i>	7.3%	6.2%	13.5%	7.8%
Fidelity Growth Company Commingled Pool (inception 12/13/13)	6.4%	9.6%	n/a	n/a
Ohio DC Large-Cap Growth (inception 8/1/14)	3.0%	n/a	n/a	n/a
<i>Benchmark: Russell 1000 Growth Index</i>	7.1%	8.6%	14.5%	8.3%
Fidelity Contrafund Commingled Pool (inception 1/17/14)	3.5%	6.4%	n/a	n/a
Vanguard Institutional Index	12.0%	8.9%	14.7%	7.0%
<i>Benchmark: S&P 500 Index</i>	12.0%	8.9%	14.7%	6.9%
Dodge & Cox: Stock	21.3%	8.5%	17.0%	5.9%
<i>Benchmark: Russell 1000 Value Index</i>	17.3%	8.6%	14.8%	5.7%
BlackRock LifePath Retirement	6.1%	3.3%	5.0%	4.6%
<i>Benchmark: BlackRock Custom</i>	6.0%	3.4%	5.1%	4.6%
BlackRock LifePath 2020	6.6%	3.5%	6.3%	4.1%
<i>Benchmark: BlackRock Custom</i>	6.5%	3.6%	6.3%	4.2%
BlackRock LifePath 2025	7.3%	3.7%	7.0%	4.2%
<i>Benchmark: BlackRock Custom</i>	7.1%	3.8%	7.1%	4.3%
BlackRock LifePath 2030	7.8%	3.9%	7.7%	4.2%
<i>Benchmark: BlackRock Custom</i>	7.6%	3.9%	7.7%	4.2%
BlackRock LifePath 2035	8.4%	4.0%	8.3%	4.2%
<i>Benchmark: BlackRock Custom</i>	8.1%	4.0%	8.3%	4.2%
BlackRock LifePath 2040	8.9%	4.1%	8.8%	4.2%
<i>Benchmark: BlackRock Custom</i>	8.5%	4.1%	8.8%	4.2%
BlackRock LifePath 2045	9.2%	4.2%	9.2%	4.1%
<i>Benchmark: BlackRock Custom</i>	8.8%	4.2%	9.2%	4.2%
BlackRock LifePath 2050 (inception 8/26/11)	9.2%	4.2%	9.6%	n/a
<i>Benchmark: BlackRock Custom</i>	8.8%	4.2%	9.6%	n/a
BlackRock LifePath 2055 (inception 8/26/11)	9.2%	4.2%	10.0%	n/a
<i>Benchmark: BlackRock Custom</i>	8.8%	4.2%	10.0%	n/a
Ohio DC Intermediate Bond (inception 1/30/2015)	2.6%	n/a	n/a	n/a
<i>Benchmark: Barclays Aggregate Bond Index</i>	2.6%	n/a	n/a	n/a
Vanguard Total Bond Market Index	2.6%	3.0%	2.2%	4.3%
<i>Benchmark: Barclays Float Adjusted U.S. Agg. Index</i>	2.8%	3.0%	2.2%	4.4%
Stable Value Option	2.3%	2.2%	2.3%	3.2%
<i>Benchmark: iMoney Net + 150 bps</i>	1.6%	1.6%	1.5%	2.2%

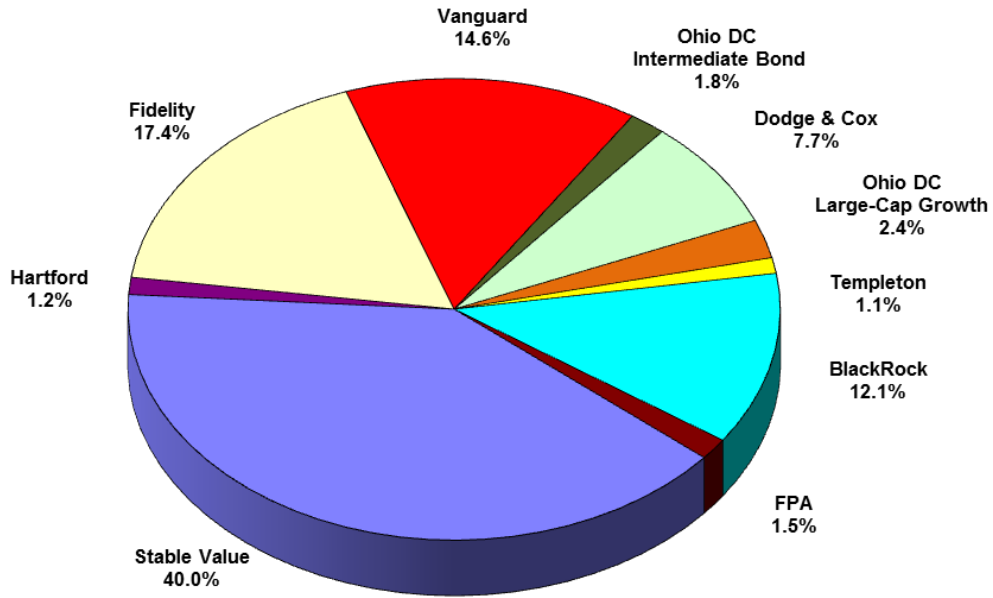
Investment returns are a time-weighted return based on the market rate of return. Returns are shown net of investment management fees. The 3-year, 5-year, and 10-year investment returns are annualized.

INVESTMENT MIX

December 31, 2016

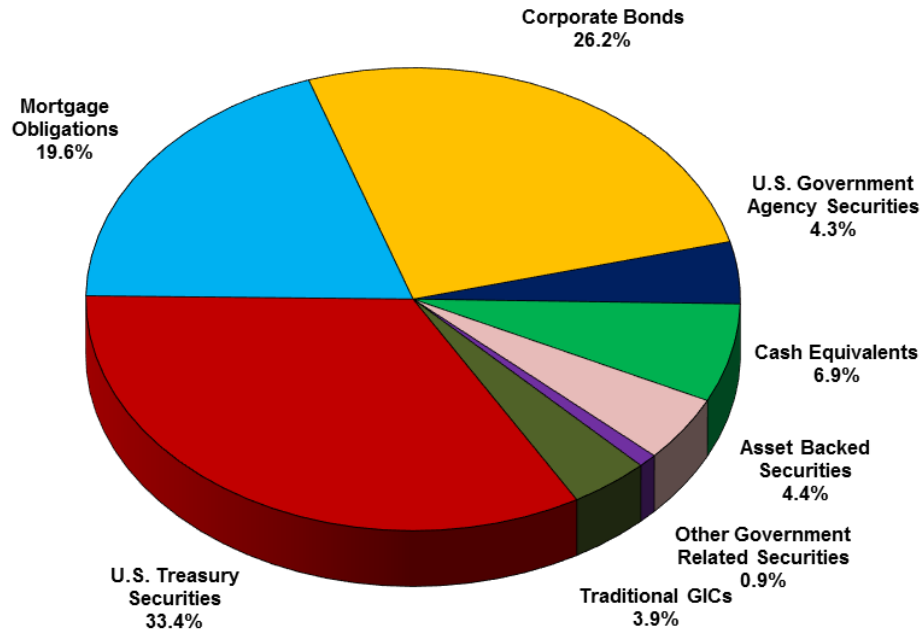


December 31, 2015

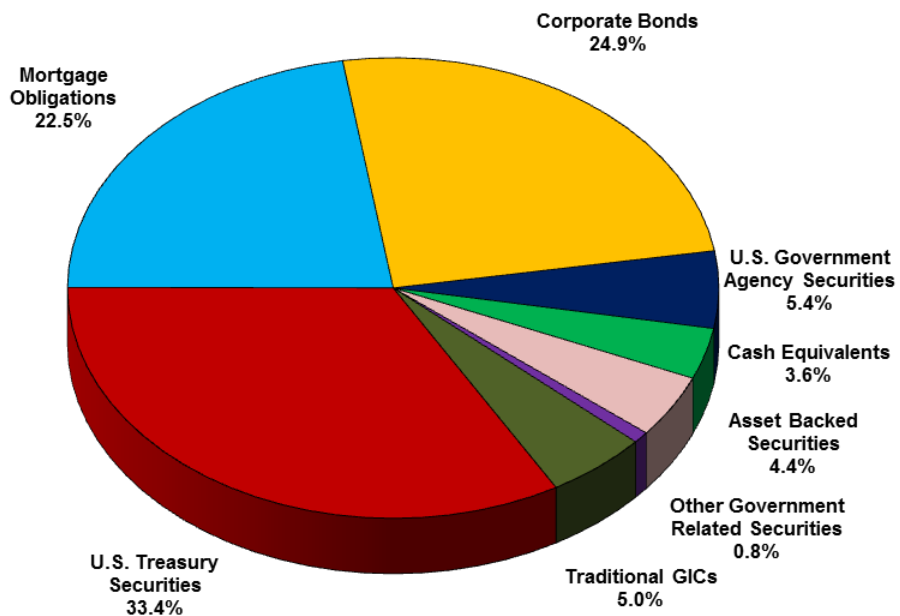


STABLE VALUE OPTION DIVERSIFICATION

December 31, 2016



December 31, 2015





OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

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, 2007 – 2016
(In Millions)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Additions:										
Net Investment Income:										
Net gain (loss) on funds	\$583.1	\$44.4	\$498.5	\$1,310.0	\$666.8	(\$96.6)	\$512.7	\$869.3	(\$1,594.5)	\$415.7
Stable value income	114.5	116.7	117.0	122.2	135.1	144.3	151.5	166.2	171.2	163.7
Investment expenses	(13.1)	(13.5)	(14.5)	(14.2)	(12.6)	(11.4)	(9.2)	(8.1)	(5.8)	(6.2)
Net investment income	684.5	147.6	601.0	1,418.0	789.3	36.3	655.0	1,027.4	(1,429.1)	573.2
Participant contributions	447.1	444.0	427.0	430.0	427.0	447.9	445.6	454.6	456.5	448.4
Transfers from other plans	102.0	107.0	83.5	127.3	126.5	92.5	69.0	52.3	54.4	50.9
Recordkeeping income	0.0	6.5	6.9	6.5	5.8	5.5	5.3	4.3	5.5	6.0
Recordkeeping rebates	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total additions	1,238.7	705.1	1,118.4	1,981.8	1,348.6	582.2	1,174.9	1,538.6	(912.7)	1,078.5
Deductions:										
Distributions to participants	317.9	318.4	308.7	293.4	277.6	261.6	237.4	195.4	211.3	207.4
Transfers to other plans	219.8	273.0	291.9	301.3	232.6	224.0	161.5	108.1	154.9	170.9
Administrative expenses	10.5	10.0	9.9	10.1	9.3	9.1	8.7	8.4	8.6	8.1
Total deductions	548.2	601.4	610.5	604.8	519.5	494.7	407.6	311.9	374.8	386.4
Change in Net Position	690.5	103.7	507.9	1,377.0	829.1	87.5	767.3	1,226.7	(1,287.5)	692.1
Plan Net Position Available for Benefits:										
Beginning of Year	11,158.1	11,054.4	10,547.6	9,170.6	8,341.5	8,254.0	7,486.7	6,260.0	7,547.5	6,855.4
End of Year	<u>\$11,848.6</u>	<u>\$11,158.1</u>	<u>\$11,055.5</u>	<u>\$10,547.6</u>	<u>\$9,170.6</u>	<u>\$8,341.5</u>	<u>\$8,254.0</u>	<u>\$7,486.7</u>	<u>\$6,260.0</u>	<u>\$7,547.5</u>

EMPLOYEE PARTICIPATION

	<u>Eligible Employees</u>	<u>Total Participant Accounts</u>	<u>Participants Currently Contributing</u>	<u>Current Participation Rate</u>
2007	712,496	190,028	117,376	16.5%
2008	705,248	193,932	115,360	16.4%
2009	699,121	196,063	109,221	15.6%
2010	691,820	199,945	108,098	15.6%
2011	685,612	200,059	104,835	15.3%
2012	675,114	202,901	105,254	15.6%
2013	669,874	206,968	105,856	15.8%
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%

DEFERRAL/ACCOUNT TRENDS

	<u>Total Annual Deferrals</u>	<u>Average Annual Deferral</u>	<u>Net Position Available for Benefits</u>	<u>Average Participant Account</u>
2007	\$448,422,325	\$3,820	\$7,547,492,540	\$39,718
2008	456,547,715	3,958	6,260,065,654	32,280
2009	454,645,326	4,163	7,486,734,879	38,185
2010	445,634,894	4,123	8,254,073,274	41,282
2011	447,896,090	4,272	8,341,478,374	41,695
2012	426,982,639	4,057	9,170,536,738	45,197
2013	430,050,916	4,063	10,547,521,260	50,962
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

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>
2007	1	88	246	49	193	185	26	519	136	246	1,689
2008	1	88	247	49	202	187	26	551	140	254	1,745
2009	1	88	247	49	203	187	25	569	147	248	1,764
2010	1	88	247	49	203	187	25	577	146	249	1,772
2011	1	88	241	50	207	180	24	586	146	243	1,766
2012	1	88	242	51	208	179	23	594	151	247	1,784
2013	1	88	241	51	210	176	23	608	157	247	1,802
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

PRINCIPAL CONTRIBUTING EMPLOYERS

<u>Employer Name</u>	<u>2016</u>			<u>2007</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	57,924	1	26.1%	52,734	1	27.8%
City of Columbus	8,549	2	3.9%	8,503	2	4.5%
City of Cleveland	7,162	3	3.2%	7,435	3	3.9%
Cuyahoga County	5,873	4	2.6%	6,310	4	3.3%
Franklin County	4,369	5	2.0%	3,393	6	1.8%
City of Cincinnati	4,303	6	1.9%	5,429	5	2.9%
Metrohealth Medical Center	4,086	7	1.8%	2,726	7	1.4%
Montgomery County	2,726	8	1.2%	2,637	8	1.4%
City of Dayton	2,163	9	1.0%	2,106	10	1.1%
City of Toledo	2,111	10	1.0%	2,112	9	1.1%
All Others	122,776	N/A	55.3%	96,643	N/A	50.9%
Total Participation	<u>222,042</u>		<u>100.0%</u>	<u>190,028</u>		<u>100.0%</u>

BENEFIT PAYMENTS

	<u>Participant Distributions</u>	<u>Beneficiary Distributions</u>	<u>Total Distributions</u>
2007	\$193,686,499	\$13,738,815	\$207,425,314
2008	196,754,025	14,585,231	211,339,256
2009	181,410,082	14,031,428	195,441,510
2010	219,563,337	17,840,136	237,403,473
2011	243,097,948	18,502,095	261,600,043
2012	257,556,646	20,073,638	277,630,284
2013	271,707,261	21,675,324	293,382,585
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

	<u>Number of Participant Distributions</u>	<u>Number of Beneficiary Distributions</u>	<u>Number of Total Distributions</u>
2007	23,464	1,662	25,126
2008	23,031	1,756	24,787
2009	19,927	1,285	21,212
2010	25,716	2,168	27,884
2011	27,939	2,310	30,249
2012	29,581	2,525	32,106
2013	30,649	2,710	33,359
2014	32,158	2,974	35,132
2015	32,809	3,292	36,101
2016	32,564	3,547	36,111

	<u>Average Participant Distribution</u>	<u>Average Beneficiary Distribution</u>	<u>Average Annual Distribution</u>
2007	\$8,255	\$8,266	\$8,255
2008	8,543	8,306	8,526
2009	9,104	10,919	9,214
2010	8,538	8,229	8,514
2011	8,701	8,010	8,648
2012	8,707	7,950	8,647
2013	8,865	7,998	8,795
2014	8,863	7,952	8,786
2015	8,938	7,651	8,821
2016	8,948	7,494	8,805



Dave Yost • Auditor of State

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 20, 2017**