Ohio Public Employees Deferred Compensation Program

Comprehensive Annual Financial Report

For the years ended December 31, 2019 and 2018

OHIO DEFERRED COMPENSATION

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

Board Members
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, 2019 through December 31, 2019. 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.

Keith Faber
Auditor of State
Columbus, Ohio

June 10, 2020

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OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

Comprehensive Annual Financial Report
For the years ended December 31, 2019 and 2018

Christina Elliott, Executive Director
Paul D. Miller, Assistant Director-Finance

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

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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, 2018

Christopher P. Morrill

Executive Director/CEO

ORGANIZATIONAL CHART
AS OF DECEMBER 31, 2019

DEFERRED COMPENSATION BOARD

Julie Albers, County Employees
Richard D. Brown, Ohio House of Representatives
Matthew M. Damschroder, Director of Administrative Services
Randy Desposito, State College and University Employees
Harold C. Elliott, Investment Expert, Appointed by Ohio Governor
Jay Hottinger, Ohio Senate
Christopher Mabe, State Employees
Lance Osborne, Investment Expert, Appointed by Ohio Treasurer
Cinthia Sledz, Miscellaneous Employees
Timothy Steitz, Retired Group
Ken Thomas, Municipal Employees
James R. Tilling, Investment Expert, Appointed by Ohio General Assembly
Steve Toth, Retired Group

EXECUTIVE DIRECTOR
R. Keith Overly

ASSISTANT DIRECTOR-ADMINISTRATION
James Heagen

ASSISTANT DIRECTOR-FINANCE
Paul D. Miller

ADVISORS TO THE BOARD

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

Legal Counsel
Dave Yost, Attorney General

Investment Consultant
RVK

See pages 29-30 for a list of external investment managers.

OHIO DEFERRED COMPENSATION

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM

May 19, 2020

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, 2019 and 2018. 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 Deferred Compensation Board (the Board) was established pursuant to Ohio Revised Code Section 145 (currently 148) to administer the Program for all eligible employees. The Program provides services to 241,900 participant accounts from 1,978 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.

During 2018, the ORC and Program's Plan Document were amended to allow after-tax Roth contributions in addition to pre-tax deferrals. During 2019, education materials and recordkeeping systems were updated to allow Roth contributions to be processed. The program began accepting Roth contributions in early 2020 on a test basis.

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 most of their retirement planning success depends on the amount of their contributions and the overall direction of the financial markets.

After falling in 2018, the U.S. stock markets were up 29 percent in 2019, as tracked by the S&P 500 index. The market has achieved positive performance in 9 of the last 10 years. The long positive market trend gave many participants the confidence to maintain or increase their payroll contributions, and it encouraged other public employees to enroll.

The Program achieved these all-time high levels in 2019:

- 1,978 contributing employers
- 241,900 participant accounts
- 123,380 total actively contributing participants
- $518.1 million total annual contributions
- $405.8 million total annual benefit distributions

However, the Program also faces several challenges. The number of public employees eligible to participate in the Program has generally declined over the past ten years. The Program's growth potential has been restrained by this 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 annual amounts distributed to participants and transferred to other retirement plans has risen dramatically over the past ten years. Additionally, due to the Coronavirus public health crisis and resulting economic downturn, it is likely that the Program will face additional challenges during 2020.

Major Initiatives 2019

Years of planning and execution culminated in the implementation of a new daily recordkeeping system by the Program at the end of the first quarter of 2019. After the initial launch, functionality was added to the system to support after-tax (Roth) accounts. Additionally, the program built and put into service a new participant web portal as of December 31, 2019. The recordkeeping development cost of $10.4 million was capitalized as of year end. An additional $2 million was capitalized related to the cost of the participant web portal as of year end.

Planning and programming for enhanced functionality for both the participant web portal and recordkeeping system is ongoing and will include:

- Online Beneficiary Updates
- Account Rebalancing
- End-Result Exchanges
- SMarT Plan Enrollment and Updates
- Other changes to streamline internal processes

This work is expected to continue throughout 2020 and 2021.

Changes were made to the Program investment line up during 2019 as the LifePath 2020 fund was set to expire at the end of 2019. The program transitioned participant accounts from LifePath 2020 to LifePath Retirement on October 4, 2019. When a LifePath fund is terminated, the Program adds the next available option in the series. Therefore, when the LifePath 2020 option was closed, the LifePath 2060 option was added to the investment line up.

During 2019, Program management worked with outside counsel to perform a complete review of the Plan Document to assure it is consistent with Federal laws and regulations, and current plan features and practices. No substantial changes were made to plan provisions. The amended Plan Document was approved by the Board with an effective date of March 1, 2020.

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 2019, excess Administration Fund cash was held in money market accounts, certificates of deposit, StarOhio, and federal agency securities. 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 14 months of operating expenses in cash reserve as of December 31, 2019.

Program Additions

Program additions come from participant contributions, transfers from other plans, investment income earned on participant accounts, and recordkeeping rebates/income. Net investment income, employee contributions, and transfers from other plans are the largest sources of Program additions in 2019.

Total employee contributions were $518 million in 2019 compared to $496 million in 2018 and $476 million in 2017. More employees are participating each year, and their average annual deferral keeps increasing. Net investment performance was income of $2.4 billion for 2019 compared to $342 million in losses for 2018, and $1.8 billion in income for 2017, which represents the cyclical nature of investing. Transfers of other retirement assets into the Program were $129 million in 2019, an increase compared to $117 million in both 2018 and 2017.

Program Deductions

Long-term positive investment performance and higher participant contributions have increased participant account balances, resulting in more funds available for retirement income. Distributions to participants increased by 4.8 percent between 2019 and 2018. With the ongoing retirement of the baby boomer generation, the number of people taking distributions increased 80.5 percent between 2010 and 2019.

The amounts transferred to other eligible retirement plans, including transfers to defined benefit plans to purchase service credit, increased by 11.9 percent between 2019 and 2018. The reasons for the increased transfer volume 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 30.3 percent of all invested assets. The one-year return on SVO investments was 2.6 percent in 2019. In addition to the SVO, participants can select from 15 investment options, including a series of target date funds, to create a diversified portfolio. The target date funds are the default investment option of the Program's EZ Enrollment plan, and accordingly have seen a steady increase in asset growth over recent years. 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, 2018. 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 the CAFR 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, 2019 and 2018 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.

Additionally, the Program wishes to extend deep appreciation to former Executive Director Keith Overly, who retired on March 31, 2020. Mr. Overly has provided outstanding leadership and guidance to the Ohio Public Employees Deferred Compensation Program since October 2003. His service has significantly contributed to the success of the Ohio Public Employees Deferred Compensation Program, and its mission of guiding participants along the path to retirement income security. The Program further wishes him continued success, good health, and happiness in all his future endeavors.

Respectfully submitted,

Christina Elliott	Paul D. Miller, CPA
Executive Director	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. During 2019, the Plan was reviewed by staff and outside counsel to make sure that it is consistent with current Federal laws and regulations. No material changes to plan provisions were made, but several clarifications and improvements were proposed. These changes were approved by the Board and were effective March 1, 2020.

This Plan summary includes all Plan revisions approved by the Board as of December 31, 2019. 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 unless automatically enrolled and defaulted into a LifePath portfolio.

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) $19,000 for the year 2019, 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 2019, 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 ($38,000 in 2019) 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 or its investment managers. Participants with four exchanges in any 45-day period will lose their electronic trading privilege, and will 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 or account.

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 reciprocating 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 (or such other age as required under IRC section 401(a)(9)). 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 such other age as required under IRC section 401(a)(9)), 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 (or such other age as required under IRC section 401(a)(9)). 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 (or such other age as required under IRC section 401(a)(9)). 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 die 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

Rea & associates a brighter way

May 19, 2020

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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of a Matter
As described in Note 17, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Program. Our opinion is not modified with respect to this matter.

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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, the Schedule of Program's Pension Contributions, the Schedule of the Program's Proportionate Share of the Net OPEB liability and the Schedule of the Program's Contributions – OPEB as listed in the table of contents, 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 19, 2020 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 the effectiveness of the Program's 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 AND GASB 75

The net pension liability (NPL) is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, and Other Postemployment Benefits (OPEB) are reported in accordance with GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These two standards significantly revised accounting for costs and liabilities related to pension and OPEB plans. 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OBEP liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Program's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Program’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

PROGRAM ADDITIONS

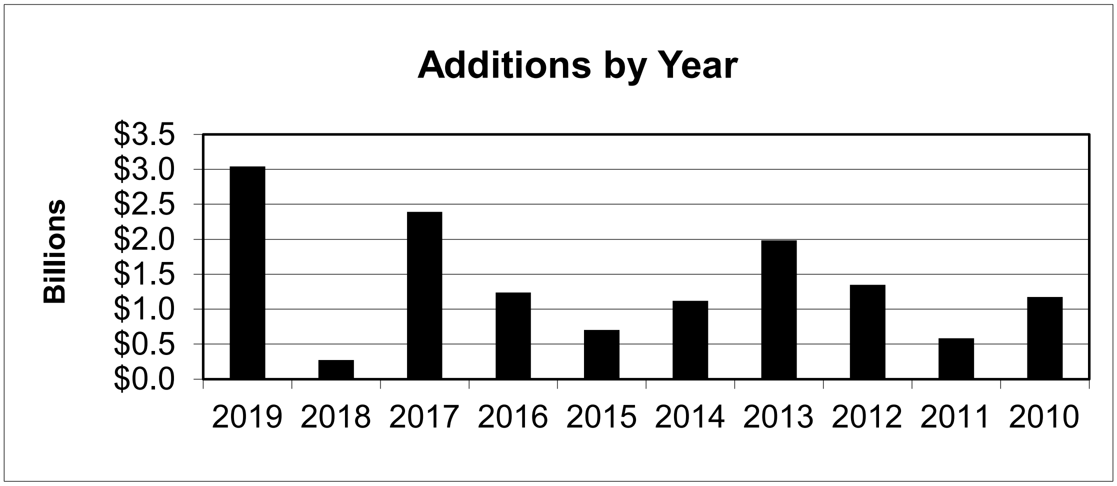
Over most recent periods, the largest item in Program additions has been investment income, which is mainly determined by the overall performance of the U.S. equity and fixed income markets. In 2019, U.S. equity markets generally produced positive annual returns, after producing negative returns in 2018 for the first time since 2008. Net investment results in 2019 were investment gains of $2.4 billion, compared to net losses of $342 million in 2018, and earnings of $1.8 billion in 2017.

Participant contributions in 2019 increased 4.4 percent compared to 2018 and 4.3 percent for 2018 compared to 2017. The number of actively contributing employees in 2019 increased to nearly 123,400, and the average annual contribution was nearly $4,200. The IRS determines the annual maximum limit that employees may contribute based on inflation indices, and the annual limits in 2019 were incrementally higher than 2017 and 2018. The annual IRS limit for 2019 was $19,000 for most participants, $25,000 for participants aged 50 and over, and $38,000 for participants in catch-up status. The annual limits are increasing again in 2020, which usually generates higher contributions into the Program.

Annual enrollments into the Program remain relatively high, which has led to greater participant contributions, and more transfers from other retirement savings accounts into the Program. Transfers from other retirement plans during 2019 increased 9.7 percent compared to 2018, and increased 0.4 percent for 2018 compared to 2017. The Program has removed most investments options that pay recordkeeping reimbursements, and in 2019, only one investment option pays a recordkeeping reimbursement. The Program rebates that reimbursement entirely to the investors in that option.

	2019	2018	2017
Net investment income (loss)	$2,393,354,401	($341,828,165)	$1,798,830,803
Participant contributions	518,057,583	496,296,253	475,928,694
Transfer from other plans	128,798,848	117,389,189	116,925,187
Recordkeeping income/rebates	1,090,565	1,149,560	1,394,036
Total Additions	$3,041,301,397	$273,006,837	$2,393,078,720

The following graph shows a 10-year history of total Program additions. While participant contributions have trended up over this period, investment income has the greatest impact on total additions and the year-to-year fluctuations.



PROGRAM DEDUCTIONS

Total deductions continue to trend upwards. A long run of almost entirely positive investment performances from 2009 to 2019 drove account values higher, resulting in more funds available to retirees. As waves of baby boomers are retiring, more participants have access to these higher account balances.

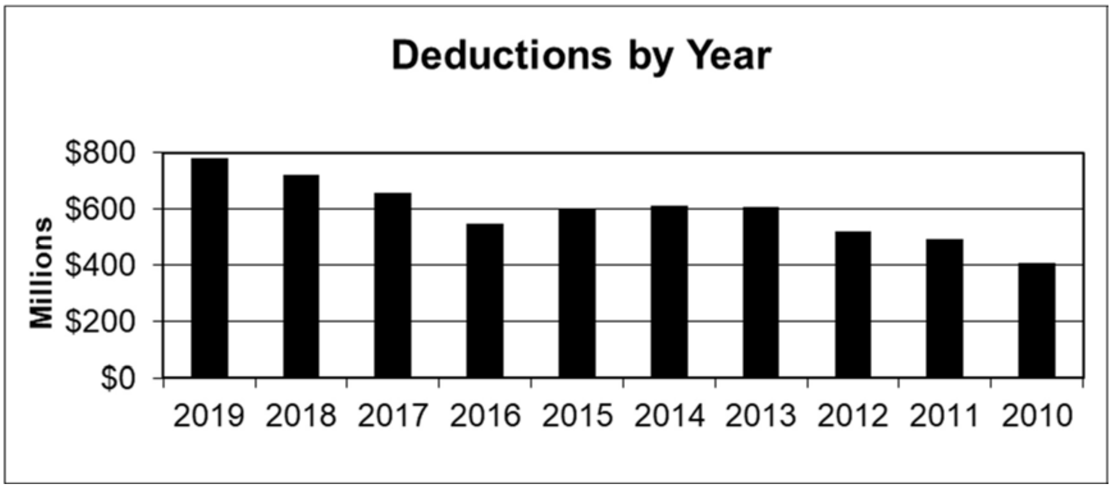
Distributions to participants increased by 4.8 percent in 2019 compared to 2018 and 10.2 percent for 2018 compared to 2017. The number of participants taking a distribution in 2019 increased by 21 percent compared to 2018 and by 3 percent for 2018 compared to 2017, and the average annual distribution per participant decreased by 13 percent in 2019 compared to 2018, driven at least partially by accelerated payments made to participants with small account balances during 2019.

Transfers to other plans increased 11.9 percent between 2019 and 2018, and by 8.7 percent for 2018 compared to 2017. The Program continues to offer communication materials promoting the benefits of keeping account balances in the Program after retirement, but as account balances rise, there are greater efforts by other plans to attract these accounts.

Other deductions are primarily administrative expenses and increased 22.1 percent between 2019 and 2018, after falling 1.7 percent for 2018 compared to 2017. The increase in other deductions between 2019 and 2018 is primarily attributable to depreciation on the new recordkeeping system, IT expenses to support the new recordkeeping system, and salaries and benefits related to new staff hired in the IT and finance departments.

	2019	2018	2017
Distributions to participants	$405,849,183	$387,336,401	$351,506,917
Transfers to other plans	359,326,759	321,205,624	295,491,754
Other deductions	12,687,276	10,389,667	10,565,698
Total Deductions	$777,863,218	$718,931,692	$657,564,369

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. These increases were generated by more people taking distributions (larger numbers of baby boomers retired) and greater amounts available (larger account balances resulting from generally positive market performance and increased contributions). There was a slight dip in total deductions in 2016 as transfers out of the plan decreased, but the longer-term trends resumed in 2017 and total deductions increased.



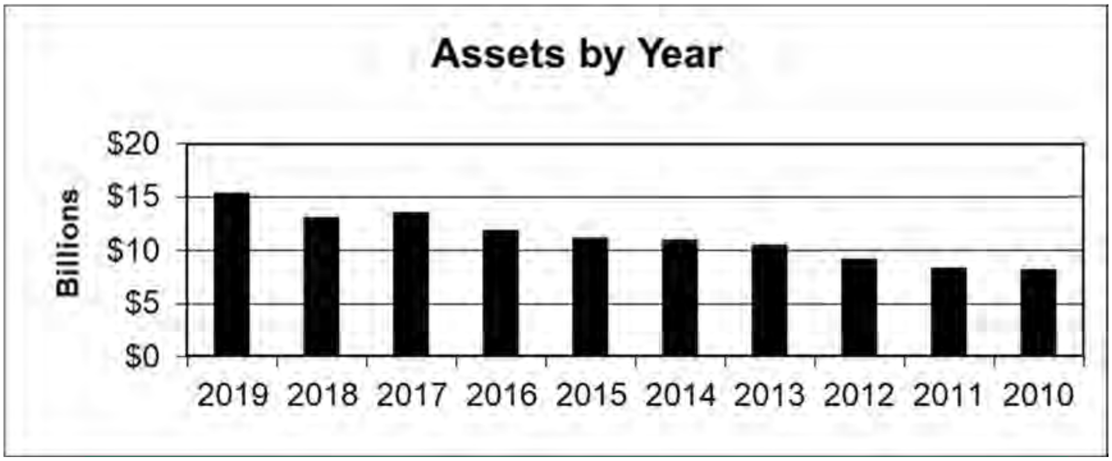
PLAN NET POSITION AVAILABLE FOR BENEFITS

Total assets and deferred outflows at December 31, 2019 increased $2.3 billion compared to the prior year-end. The primary reason for this increase was net investment gains of $2.4 billion.

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

	2019	2018	2017
Total Assets and Deferred Outflows	$15,412,142,535	$13,144,092,691	$13,590,083,206
Total Liabilities and Deferred Inflows	11,562,519	6,950,854	5,949,675
Net Position Available for Benefits	$15,400,580,016	$13,137,141,837	$13,584,133,531
Change in Net Position	$2,263,438,179	($445,924,855)	$1,735,514,351

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 negative investment performance of 2018 produced a slight dip in this upward trend but the asset growth trend resumed in 2019.



PROPERTY AND EQUIPMENT

At the end of 2019, the Program had $12,083,839 (net of accumulated depreciation) in recordkeeping system, participant web portal, furniture and fixtures, office equipment, and leasehold improvements. See note 12 for further description of capital assets. The following table shows 2019 balances compared to 2018 and 2017:

	2019	2018	2017
Non-Depreciable:			
Recordkeeping System	0	$10,075,778	$6,999,664
Depreciable:			
Recordkeeping system	10,078,607	0	0
Participant web portal	1,963,489	0	0
Furniture and fixtures	18,571	18,227	23,172
Office equipment	23,172	18,672	20,738
Leasehold Improvements	0	791	5,446
Total Capital Assets	$12,083,839	$10,113,468	$7,049,020

PROGRAM ACTIONS

The Program continues to manage the investment line up. Changes were made to transition participant accounts from the expiring LifePath 2020 investment option to LifePath Retirement. When the LifePath 2020 investment option was closed, the LifePath 2060 investment option was added to the investment line up.

The Program launched a replacement system to the legacy recordkeeping system on March 25, 2019. New hardware and software modernized the system making it more reliable, secure, and flexible to better meet the needs of our participants and employers. New features and enhancements are planned to be implemented as a part of the final phase of the recordkeeping process.

A participant web portal was put into service on December 31, 2019 to replace the aging former website. The new web portal will provide the necessary functionality for a Roth 457 option and other planned enhancements.

CURRENT ISSUES

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Program. The Program investment portfolio and the investments of the pension and other employee benefit plan in which the Program participate have incurred a significant decline in fair value, consistent with the general decline in financial markets.

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, 2019 and 2018

	2019	2018
Assets:		
Investments:		
Stable value option	$4,652,345,753	$4,575,037,252
Collective trust funds	5,797,299,197	4,525,906,162
Mutual funds	4,017,511,003	3,286,709,101
Separate account	894,745,163	710,188,803
Purchased annuities	12,966,008	14,390,450
Total investments	15,374,867,124	13,112,231,768
Cash and cash equivalents	15,083,492	14,771,228
Contributions receivable and cash held for investment	8,614,902	5,877,871
Accounts receivable and prepaids	493,971	586,937
Property and equipment, net	12,083,839	10,113,468
Total assets	15,411,143,328	13,143,581,272
Deferred Outflows of Resources:		
Pension: OPERS	890,714	426,019
OPEB: OPERS	108,493	85,400
Total deferred outflows of resources	999,207	511,419
Liabilities:		
Accounts payable	6,478,500	2,797,529
Accrued expenses	613,185	750,118
Net Pension Liability	3,030,479	1,745,641
Net OPEB Liability	1,383,424	1,160,495
Total liabilities	11,505,588	6,453,783
Deferred Inflows of Resources:		
Pension: OPERS	46,905	409,165
OPEB: OPERS	10,026	87,906
Total deferred inflows of resources	56,931	497,071
Plan Net Position Available for Benefits	$15,400,580,016	$13,137,141,837

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, 2019 and 2018

	2019	2018
Additions:		
Net Investment Income:		
Net gain (loss) on funds	$2,273,352,753	($446,867,608)
Stable value income	132,795,091	117,369,603
Investment expenses	(12,793,443)	(12,330,160)
Net investment income (loss)	2,393,354,401	(341,828,165)
Participant contributions	518,057,583	496,296,253
Transfers from other plans	128,798,848	117,389,189
Recordkeeping income	16,838	45,685
Recordkeeping rebates	1,073,727	1,103,875
Total additions	3,041,301,397	273,006,837
Deductions:		
Distributions to participants	405,849,183	387,336,401
Transfers to other plans	359,326,759	321,205,624
Administrative expenses	12,687,276	10,389,667
Total deductions	777,863,218	718,931,692
Change in Net Position	2,263,438,179	(445,924,855)
Plan Net Position Available for Benefits:		
Beginning of Year	13,137,141,837	13,584,133,531
Cumulative Effect of GASB 75 Implementation	0	(1,066,839)
Beginning of Year as Restated	13,137,141,837	13,583,066,692
End of Year	$15,400,580,016	$13,137,141,837

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, 2019, and 2018, there were 1,978 and 1,949 respectively, State and local governments in the Program, and 123,380 and 120,990 respectively, actively deferring 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, 2019, 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).

- Mutual funds managed by Dodge & Cox (Dodge & Cox); Franklin Templeton Funds (Templeton); and The Vanguard Group, Inc. (Vanguard).

- Separate accounts managed by Fiera Capital (Fiera), T. Rowe Price (Price), Westfield Capital Management (Westfield), and Westwood Management (Westwood). In addition, a small allocation of each separate account is managed by State Street Global Advisors for daily liquidity.

- Collective trust funds managed by BlackRock Institutional Trust Company (BlackRock); Fidelity Investment Company (Fidelity); and TCW Investment Management Company (TCW).

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.

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 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/Inflows of Resources:

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Program, deferred outflows of resources are reported on the Statement of Net Position Available for Plan Benefits for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 14 and 15.

In addition to liabilities, the statements of financial position 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 Program, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB plans are reported on the Statement of Net Position Available for Plan Benefits. (See Notes 14 and 15).

Stable Value Option:

The Program administers the Stable Value Option (SVO), the stable value investment option offered to participants. As of December 31, 2019, 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, 2019, the investment portfolios of the SVO are managed by GSAM; Dodge & Cox; Earnest; JP Morgan; Jennison; Nationwide; Payden; and State Street. 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, 2019, 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 fair 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.

Separate account investments are valued at the fair 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 6 for additional information.

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 2.17 percent to 3.03 percent during 2019, and from 1.89 percent to 2.86 percent during 2018.

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 2019 and 2018.

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.

Pensions/Other Postemployment Benefits (OPEB):

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

3. 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.

4. Participant Contributions:

Participant Contributions Receivable and Cash 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 $6,469,398 and $2,123,040 at December 31, 2019 and 2018, respectively.

5. 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 StarOhio operates 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, 2019. The weighted average maturity of the portfolio held by StarOhio as of December 31, 2019, is 56 days and carries a rating of AAAm from Standard and Poor’s.

During 2019, 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 2019, 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 $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

At December 31, 2019 and 2018, the bank carrying value balances were $15,083,492 and $14,771,228 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.

6. Program Investments:

A summary of Program investments is as follows:

	December 31, 2019	
	Carrying Value	Fair Value
Stable Value Option	$4,652,345,753	$4,752,470,321
Collective Trust Funds	5,797,299,197	5,797,299,197
Mutual Funds	4,017,511,003	4,017,511,003
Separate Account	894,745,163	894,745,163
Purchased Annuities	12,966,008	12,966,008
Total Investments	$15,374,867,124	$15,474,991,692

	December 31, 2018	
	Carrying Value	Fair Value
Stable Value Option	$4,575,037,252	$4,545,960,552
Collective Trust Funds	4,525,906,162	4,525,906,162
Mutual Funds	3,286,709,101	3,286,709,101
Separate Account	710,188,803	710,188,803
Purchased Annuities	14,390,450	14,390,450
Total Investments	$13,112,231,768	$13,083,155,068

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 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, 2019, investments in separate account portfolios managed by Dodge & Cox, Earnest, JP Morgan, Jennison, Payden, 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. 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, 2019, the fair value of the SVO assets was greater than the book value by $100.1 million or 2.2 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.

A summary of the fair value of investments in the Stable Value Option by investment manager at December 31, 2019 and 2018 is as follows:

	2019	2018
Goldman Sachs	$1,520,196,755	$1,491,192,992
Dodge & Cox	700,953,037	658,987,175
JP Morgan Investment Advisors	557,366,250	522,836,793
Nationwide Asset Management	552,888,086	520,440,215
Jennison Associates	467,326,792	441,581,264
State Street Bank and Trust	404,659,569	379,205,841
Payden & Rygel	276,695,614	259,453,857
Earnest Partners	272,384,218	255,900,422
New York Life Ins. Co.	0	16,361,993
Total Fair Value	4,752,470,321	4,545,960,552
Total Carrying Value	4,652,345,753	4,575,037,252
Difference	$100,124,568	-$29,076,700

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, 2019, 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 S&P Global Ratings ("S&P"), Moody's Investor Services, Inc. ("Moody's"), and/or Fitch Ratings ("Fitch") are shown in the table below as of December 31, 2019, and 2018. Investments in U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

Credit Rating	2019 Fair Value	2019 Portfolio %	2018 Fair Value	2018 Portfolio %
AAA	$1,781,062,694	37.5%	1,709,941,889	37.6%
AA	150,204,651	3.2%	159,265,610	3.5%
A	599,817,250	12.6%	509,273,458	11.2%
BBB	732,722,515	15.4%	637,347,385	14.0%
BB	5,387,790	0.1%	7,232,798	0.2%
B and below	125,572	0.0%	0	0.0%
Subtotal	3,269,320,472	68.8%	3,023,061,140	66.5%
U.S. Treasury Securities	1,483,149,849	31.2%	1,522,899,412	33.5%
Fair Value Stable Value Investments	$4,752,470,321	100.0%	$4,545,960,552	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 Bloomberg Intermediate Aggregate Bond Index, Bloomberg Intermediate Government/Credit Index, or a blend of the Bloomberg Aggregate Bond Index and Bloomberg 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, 2019:

Investment	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Total
U.S. Treasury Securities	$276,937,607	$1,120,153,284	$73,310,347	$12,748,611	$1,483,149,849
Corporate Bonds	243,937,785	1,035,042,662	167,871,699	5,353,176	1,452,205,322
Mortgage Obligations	16,976,815	937,236,511	189,979,324	0	1,144,192,650
U.S. Government Agency Securities	47,713,611	132,095,752	55,025,697	1,067,927	235,902,987
Cash Equivalents	147,702,284	0	0	0	147,702,284
Asset Backed Securities	149,721,919	72,223,747	700,990	0	222,646,656
Other Government Related Securities	510,021	41,598,005	21,130,493	3,432,054.00	66,670,573
Fair Value Stable Value Investments	$883,500,042	$3,338,349,961	$508,018,550	$22,601,768	$4,752,470,321

As of December 31, 2018:

Investment	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Total
U.S. Treasury Securities	$234,816,143	$1,151,482,813	$70,058,605	$66,541,851	$1,522,899,412
Corporate Bonds	207,928,748	1,031,780,495	155,992,659	8,758,758	1,404,460,660
Mortgage Obligations	41,657,273	609,108,640	57,424,653	0	708,190,566
Asset Backed Securities	31,669,942	249,662,249	32,548,440	651,473	314,532,104
U.S. Government Agency Securities	261,800,393	0	0	0	261,800,393
Traditional GICs	127,272,940	132,223,321	0	0	259,496,261
Cash Equivalents	2,301,715	44,978,676	8,712,790	0	55,993,181
Other Government Related Securities	2,225,982	16,361,993	0	0	18,587,975
Fair Value Stable Value Investments	$909,673,136	$3,235,598,187	$324,737,147	$75,952,082	$4,545,960,552

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, 2019, the Program had investments in CMO and ABS totaling $178 million and $223 million, respectively.

Collective Trust Funds:

The non-SVO investment options are governed by an investment policy adopted 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 collective trust fund is a professionally managed investment fund that pools money from many investors to purchase securities. A collective trust fund is similar 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 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.

In February 2018, the Program moved investors in the BlackRock LifePath target date fund series from class L shares to class N shares of the respective investments. Program investors in the BlackRock LifePath target date fund series continue to receive the same investment managers and strategies, but at a reduced cost of over $550,000 annually.

In December 2018, the Program moved investors in the Fidelity collective trust funds from class 2 shares to class 3 shares of the respective investments. Program investors in Fidelity Contrafund and Growth Company continue to receive the same investment managers and strategies, but at a reduced cost of over $750,000 annually.

In October 2019, the Program moved investors in the BlackRock LifePath 2020 fund to the BlackRock LifePath Retirement fund as the investment option was set to expire at the end of 2019. A new BlackRock LifePath 2060 investment option was added to the Program fund line up at the same time.

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.

NOTES TO THE FINANCIAL STATEMENTS, Continued

A summary of collective trust investments as of December 31, 2019 and 2018 is as follows:

	Collective Trust Funds - 2019			Collective Trust Funds - 2018		
	Fair Value	Share Price	Shares Owned (1,000's)	Fair Value	Share Price	Shares Owned (1,000's)
Fidelity:						
Contrafund	1,569,909,839	20.58	76,283	$1,283,193,421	15.69	81,784
Growth Company	1,403,493,574	25.40	55,256	1,080,963,327	18.26	59,198
Total Fidelity	2,973,403,413			2,364,156,748		
BlackRock Investments:						
LifePath Retirement	$859,909,547	11.63	73,940	$333,025,375	10.05	33,122
LifePath 2020	0	0	0	399,676,673	10.07	39,696
LifePath 2025	415,935,553	11.92	34,896	293,903,358	10.05	29,248
LifePath 2030	507,022,345	12.12	41,832	374,364,001	10.03	37,312
LifePath 2035	227,019,846	12.31	18,445	161,254,543	10.02	16,098
LifePath 2040	269,832,881	12.47	21,632	199,178,677	10.00	19,919
LifePath 2045	114,712,026	12.58	9,122	78,603,260	9.98	7,880
LifePath 2050	123,145,065	12.61	9,763	82,932,683	9.96	8,326
LifePath 2055	83,083,664	12.61	6,586	52,090,317	9.96	5,232
LifePath 2060	804,817	12.61	64	0	0	0
Total BlackRock	2,601,465,744			1,975,028,887		
TCW Investments:						
Ohio DC Intermediate Bond	222,430,040	11.40	19,511	186,720,527	10.46	17,851
Total Collective Trust Funds	$5,797,299,197			$4,525,906,162		

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

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, 2019 and 2018 is as follows:

	Mutual Funds - 2019			Mutual Funds - 2018		
	Fair Value	Share Price	Shares Owned (1,000's)	Fair Value	Share Price	Shares Owned (1,000's)
Vanguard:						
Capital Opportunity	$976,650,417	$157.76	6,191	$822,308,931	$132.01	6,229
Institutional Index	669,211,484	290.25	2,306	500,995,787	227.57	2,202
International Growth	336,648,645	102.79	3,275	266,143,667	79.22	3,360
Small-Cap Index	351,392,613	229.09	1,534	282,499,988	182.49	1,548
Total Bond Market Index	245,106,337	11.05	22,182	182,990,269	10.45	17,511
Total International Stock Index	157,626,489	119.49	1,319	127,126,144	101.48	1,253
Total Vanguard Funds	2,736,635,985			2,182,064,786		
Dodge & Cox Stock Fund	1,148,845,644	193.76	5,929	980,516,826	172.81	5,674
Templeton Foreign Fund	132,029,374	7.13	18,517	124,127,489	6.55	18,951
Total Mutual Funds	$4,017,511,003			$3,286,709,101		

Separate Accounts:

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 than mutual funds.

The Ohio DC Large-Cap Growth fund has a target allocation of 95 percent actively managed by T Rowe Price and 5 percent passively managed by State Street Global Advisors. The Ohio DC Small-Cap Value fund has a target allocation of 92.5 percent actively managed by Westwood Management Corp. and 7.5 percent passively managed by State Street Global Advisors. The Ohio DC Small-Cap Growth fund has a target allocation of 65.0 percent actively managed by Westfield Capital Management Co., 27.5 percent actively managed by Fiera Capital, and 7.5 percent passively managed by State Street Global Advisors.

A summary of separate account investments as of December 31, 2019 and 2018 is as follows:

	Separate Account - 2019			Separate Account - 2018		
	Fair Value	Share Price	Shares Owned (1,000's)	Fair Value	Share Price	Shares Owned (1,000's)
Ohio DC Large-Cap Growth ***(Manager: T Rowe Price, State Street)***	530,623,656	145.24	3,654	$433,735,298	112.25	3,864
Ohio DC Small-Cap Value ***(Manager: Westwood, State Street)***	193,991,144	12.00	16,168	157,826,254	9.41	16,767
Ohio DC Small-Cap Growth ***(Managers: Westfield, Fiera, State Street)***	170,130,363	13.89	12,247	118,627,251	9.95	11,919
	$894,745,163			$710,188,803		

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 $12,966,008 and $14,390,450 at December 31, 2019 and 2018, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS, Continued

Fees associated with the Program investment options are shown below:

	2019	2018
Stable Value - Book Value Guarantee Fees:	$7,996,714	$7,846,700
Stable Value - Management/Custodial Fees:		
Goldman Sachs Asset Management	1,125,557	1,103,462
JP Morgan Asset Management	650,953	619,256
Jennison Associates	579,948	603,269
Nationwide Asset Management	627,422	570,470
Dodge & Cox	690,524	588,992
State Street Bank and Trust	408,013	462,491
Payden & Rygel	345,687	271,443
Earnest Partners	368,625	264,077
Total Stable Value Investment Expenses	$12,793,443	$12,330,160

8. Recordkeeping Reimbursements/Rebates:

In past years, certain mutual fund providers reimbursed the Program for performing recordkeeping services. Through 2015, the Program retained these reimbursements as the primary funding source of administrative operations.

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.

When this fee was implemented, recordkeeping reimbursements received from mutual funds were rebated into participant accounts that invested in the respective mutual funds. As of December 31, 2019, the Dodge & Cox Stock fund is the only remaining investment option that provides a recordkeeping reimbursement. During 2019 and 2018, rebates to participant accounts were $1,073,727 and $1,103,875 respectively.

9. 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 Ohio. Nationwide has approximately 30 employees at their Service Center, who provide participants with call center, walk-in, and administrative support services. In addition, Nationwide provided an interactive website and automated phone system for both service and educational purposes into 2019.

In 2018, the Program negotiated a contract extension with Nationwide to continue services through June 30, 2022. Costs associated with customer service expenses were $7,110,433 and $6,834,177 for the years ended December 31, 2019 and 2018, respectively, and are included in Administrative Expenses.

10. Vacation and Sick Leave:

As of December 31, 2019, and 2018, the Program had accrued $409,825 and $394,735 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.

11. Leases:

Effective March 1, 2019, the Board signed a 10-year lease extension for office space with the Ohio Public Employees Retirement System. This office space houses the Board’s administrative offices and Service Center offices. Base rental payments for this operating lease were $304,946 in 2019 and $281,175 in 2018, which were allocated to administrative rent and customer service expenses in these financial statements.

Future scheduled minimum lease payments (base rental expense) under the office operating lease at December 31, 2019, are as follows:

Year-ending December 31	Amount
2020	309,700
2021	309,700
2022	309,700
2023	309,700
2024	330,075
2025-2029	1,392,292

12. Property and Equipment:

The Program completed and put into service the initial phase of a modernization project to update the daily recordkeeping system on March 25, 2019. The project improves functionality of the system, as well as updates the software language and hardware to current standards. Additional enhancements to the recordkeeping system as well as a participant web portal were put into service on December 31, 2019. The final phase of the modernization project is expected to be implemented throughout 2020 and 2021.

Outside consultant costs associated with the modernization project totaled $3,097,857 and $2,786,031 in 2019 and 2018 respectively. Of these costs, $904,543 and $0 in 2018 and 2019 respectively were expensed as production support. In addition, internal technology staff costs (salaries and benefits) of $139,782 and $290,084 were allocated and capitalized to this project for 2019 and 2018 respectively.

Property and equipment include 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:

	Estimated Useful Life	2019	2018
Non-Depreciable:			
Record Keeping System		0	$ 10,075,778
Depreciable:			
Recordkeeping system	20 years	10,445,385	0
Participant web portal	10 years	1,963,489	0
Furniture and fixtures	7 years	274,691	269,409
Computer equipment	3 years	143,643	143,643
Office equipment	5 years	116,701	98,858
Leasehold Improvements	7 years	46,551	46,551
		12,990,460	10,634,239
Less accumulated depreciation and amortization		(906,621)	(520,771)
Property and Equipment, Net		$12,083,839	$10,113,468

13. 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 2019 and 2018. The accrual for future health claims was $192,854 and $340,325 as of December 31, 2019 and 2018 respectively. The accrual for future health claims is recorded within accrued expenses.

14. Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

Pensions and OPEB are components of exchange transactions - between an employer and its employees - of salaries and benefits for employee services. Pensions and OPEB 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 pension/OPEB is a present obligation, because it was created as a result of employment exchanges that already have occurred.

The net pension liability and the net OPEB liability represent 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/OPEB 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/OPEB are financed; however, the Program does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 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). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* and *net OPEB liability*. Any liability for the contractually-required pension/OPEB contributions outstanding at the end of the year is included in accounts payable.

The remainder of this note includes the pension disclosures. See Note 15 for the OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

The Program participates 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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. 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, including requirements for reduced and unreduced benefits):

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

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 who retired prior to January 7, 2013, the COLA will continue to be a three 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 (CPI), capped at three percent.

Funding Policy - Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows for 2019 and 2018:

	State and Local
Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
Actual Contribution Rates	
Employer:	
Pension	14.00 %
Post-Employment Health Care Benefits	0.00 %
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 $214,754 and $209,233 for 2019 and 2018, respectively. Of the 2019 amount, $5,014 is reported as an accounts payable.

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

The net pension liability for OPERS was measured as of December 31, 2018 and 2017, 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 pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	2019 OPERS	2018 OPERS
Proportion of the Net Pension Liability:		
Current Measurement Period	0.011065%	0.0111272%
Prior Measurement Period	0.011127%	0.0111205%
Change in Proportion	-0.000062%	0.0000067%
Proportionate Share of the Net Pension Liability	$ 3,030,479	$ 1,745,641
Pension Expense	$ 672,637	$ 386,362

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five-year period. At December 31, 2019 and 2018, the Program reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019 OPERS	2018 OPERS
Deferred Outflows of Resources		
Net Difference between Projected and Actual Earnings on Pension Plan Investments	$ 411,323	$ 0
Differences between Expected and Actual Experience	140	1,783
Changes of Assumptions	263,808	208,614
Changes in Proportionate Share	689	6,389
Program Contributions Subsequent to the Measurement Date	214,754	209,233
Total Deferred Outflows of Resources	$ 890,714	$ 426,019
Deferred Inflows of Resources		
Differences between Expected and Actual Experience	$ 39,792	$ 34,399
Net Difference between Projected and Actual Earnings on Pension Plan Investments	0	374,766
Changes in Proportionate Share	7,113	0
Total Deferred Inflows of Resources	$ 46,905	$ 409,165

The $214,754 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, 2020. 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
2020	$ 270,287
2021	129,317
2022	38,158
2023	191,293
	$ 629,055

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 was determined by an actuarial valuation as of December 31, 2018 and 2017, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018 and 2017 are presented below.

Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2018
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Investment Rate of Return	
Current Measurement Date	7.20 percent
Prior Measurement Date	7.50 percent
Actuarial Cost Method	Individual Entry Age
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described table.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected 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.

During 2018 and 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017 and a loss of 2.94 percent for 2018.

The allocation of investment assets within the Defined Benefit portfolio is approved by the 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 Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00 %	5.95 %

The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.20 percent for 2018 and 7.50 percent for 2017. 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit 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 7.20 percent for 2019 and 7.50 percent for 2017, as well as what the Program's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.20 percent for 2018 and 6.50 percent for 2017) or one-percentage-point higher (8.20 percent for 2018 and 8.50 percent for 2017) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Program's Proportionate Share of the Net Pension Liability			
Calendar Year 2019	$ 4,476,899	$ 3,030,479	$ 1,828,491
Calendar Year 2018	$ 3,099,814	$ 1,745,641	$ 616,669

15. Defined Benefit OPEB Plans

See Note 14 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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 a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS 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.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019 and 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for members in the Traditional Pension Plan and Combined Plan. The OPERS 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 into the RMA for participants in the Member-Directed Plan for 2019 and 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Program's contractually required contribution was $0 for 2019 and 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017 and 2016, rolled forward to the measurement date of December 31, 2018 and 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Program's proportion of the net OPEB liability was based on the Program's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2019 OPERS	2018 OPERS
Proportion of the Net OPEB Liability:		
Current Measurement Period	0.010611%	0.0106867%
Prior Measurement Period	0.010687%	0.0107080%
Change in Proportion	-0.000076%	-0.0000213%
Proportionate Share of the Net OPEB Liability	$ 1,383,424	$ 1,160,495
OPEB Expense	$ 121,956	$ 96,162

At December 31, 2019 and 2018, the Program reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019 OPERS	2018 OPERS
Deferred Outflows of Resources		
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	$ 63,421	$ 0
Differences between Expected and Actual Experience	469	904
Changes of Assumptions	44,603	84,496
Total Deferred Outflows of Resources	$ 108,493	$ 85,400
Deferred Inflows of Resources		
Differences between Expected and Actual Experience	$ 3,753	$ 0
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	0	86,449
Changes in Proportionate Share	6,273	1,457
Total Deferred Inflows of Resources	$ 10,026	$ 87,906

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS
2020	$ 46,175
2021	9,979
2022	10,364
2023	31,949
	$ 98,467

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017 and 2016, rolled forward to the measurement date of December 31, 2018 and 2017.

The December 31, 2017 actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, Including Inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Single Discount Rate:	
Current Measurement Date	3.96 percent
Prior Measurement Date	3.85 percent
Investment Rate of Return	
Current Measurement Date	6.00 percent
Prior Measurement Date	6.50 percent
Municipal Bond Rate	
Current Measurement Date	3.71 percent
Prior Measurement Date	3.31 percent
Health Care Cost Trend Rate	
Measurement Date	10.00 percent, initial, 3.25 percent ultimate in 2029
Prior Measurement Date	7.50 percent, initial, 3.25 percent ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

The December 31, 2016 actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2018 and 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 15.2 percent for 2017 and a loss of 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trusts	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00 %	5.16 %

The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate-Current Measurement Period A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Discount Rate-Prior Measurement Period A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Program's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Program's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent for 2018 and 3.85 percent for 2017, as well as what the Program's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent for 2018 and 2.85 percent for 2017) or one-percentage-point higher (4.96 percent for 2018 and 4.85 percent for 2017) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Program's Proportionate Share of the Net OPEB Liability			
Calendar Year 2019	$ 1,769,915	$ 1,383,424	$ 1,076,062
Calendar Year 2018	$ 1,541,768	$ 1,160,495	$ 852,049

Sensitivity of the Program's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent and in 2018 was 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Trend Rate	1% Increase
Program's Proportionate Share of the Net OPEB Liability			
Calendar Year 2019	$ 1,329,771	$ 1,383,424	$ 1,445,218
Calendar Year 2018	$ 1,110,346	$ 1,160,495	$ 1,212,297

16. Eliminations:

The Administration Fund recovers some customer service and administrative costs through charges made to the Program Fund. Charges of $13,711,998 and $13,499,968 were made during 2019 and 2018, respectively, for this purpose, including $718,314 and $629,725 payable to the Administrative Fund as of December 31, 2019 and 2018, 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.

17. Subsequent Events:

The plan document was amended as of March 1, 2020 to ensure consistency with Federal laws and regulations, and current plan features and practices.

At their March 17, 2020 meeting, the Board voted to approve moving investors from the Vanguard Small Cap index fund to the Vanguard Extended Market Index CIT, and approve closing the Templeton Foreign and Vanguard International Growth funds and opening a single white label Ohio DC International Equity investment alternative that would include the following managers: Schroders, Arrowstreet, and Vanguard. These fund transitions are scheduled for later in 2020.

The CARES Act was enacted in March 2020, which waived Required Minimum Distributions (RMD) for all participants due to large declines in the investment markets during the first quarter of 2020. Program communications and its recordkeeping system were updated for this change.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Program. The Program investment portfolio and the investments of the pension and other employee benefit plan in which the Program participate have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Program’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

18. Implementation of New Accounting Principles

For the year ended December 31, 2019, the Program has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, Certain Asset Retirement Obligations, GASB Statement No. 84, Fiduciary Activities, GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period and GASB Statement No. 90, Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Program.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Program will no longer be reporting agency funds. The implementation of GASB Statement No. 84 did not have an effect on the financial statements of the Program.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Program.

GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. The implementation of GASB Statement No. 89 did not have an effect on the financial statements of the Program.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Program.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROGRAM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Six Years (1)

	2019	2018	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)						
Program's Proportion of the Net Pension Liability	0.011065%	0.0111272%	0.0111205%	0.0110210%	0.0108110%	0.0108110%
Program's Proportionate Share of the Net Pension Liability	$ 3,030,479	$ 1,745,641	$ 2,525,283	$ 1,908,976	$ 1,303,927	$ 1,274,476
Program's Covered Payroll	$ 1,494,521	$ 1,470,471	$ 1,437,558	$ 1,371,650	$ 1,325,533	$ 1,305,569
Program's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.77%	118.71%	175.66%	139.17%	98.37%	97.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Notes to the Required Supplementary Information

Changes in Assumptions – OPERS

For fiscal year 2019, the single discount rate changed from 7.50 percent to 7.20 percent.

Amounts reported in calendar year 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00 percent to 7.50 percent
- Wage inflation rate from 3.75 percent to 3.25 percent
- Price inflation from 3.00 percent to 2.50 percent

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROGRAM'S PENSION CONTRIBUTIONS

Last Seven Years (1)

	2019	2018	2017	2016	2015	2014	2013
Ohio Public Employees' Retirement System (OPERS)							
Contractually Required Contribution	$ 214,754	$ 209,233	$ 191,161	$ 172,507	$ 164,598	$ 159,064	$ 169,724
Contributions in Relation to the Contractually Required Contribution	(214,754)	(209,233)	(191,161)	(172,507)	(164,598)	(159,064)	(169,724)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Program's Covered Payroll	$ 1,533,957	$ 1,494,521	$ 1,470,471	$ 1,437,558	$ 1,371,650	$ 1,325,533	$ 1,305,569
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROGRAM'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Last Three Years (1)

	2019	2018	2017
Ohio Public Employees' Retirement System (OPERS)			
Program's Proportion of the Net OPEB Liability	0.010611%	0.0106867%	0.0107080%
Program's Proportionate Share of the Net OPEB Liability	$ 1,383,424	$ 1,160,495	$ 1,081,544
Program's Covered Payroll	$ 1,494,521	$ 1,470,471	$ 1,437,558
Program's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	92.57%	78.92%	75.23%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Notes to the Required Supplementary Information

Changes in Assumptions - OPERS

For calendar year 2019, the following changes were made to the actuarial assumptions:

- Discount rate from 3.85 percent to 3.96 percent
- Investment rate of return from 6.50 percent to 6.00 percent
- Municipal bond rate from 3.31 percent to 3.71 percent
- Health Care Cost Trend Rate from 7.50 percent to 10.00 percent

For calendar year 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE PROGRAM'S CONTRIBUTIONS - OPEB

Last Four Years (1)

	2019	2018	2017	2016
Ohio Public Employees' Retirement System (OPERS)				
Contractually Required Contribution	$ 0	$ 0	$ 14,705	$ 28,751
Contributions in Relation to the Contractually Required Contribution	0	0	(14,705)	(28,751)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
Program's Covered Payroll (2)	$ 1,533,957	$ 1,494,521	$ 1,470,471	$ 1,437,558
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	1.00%	2.00%

(1) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
(2) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

COMBINING SCHEDULE OF PLAN NET POSITION AVAILABLE FOR BENEFITS

As of December 31, 2019
With Totals for 2018

	2019				
	PROGRAM FUND	ADMINIS-TRATION FUND	COMBINING ENTRIES	TOTAL	2018
Assets:					
Investments:					
Stable value option	$4,652,345,753			$4,652,345,753	$4,575,037,252
Collective trust funds	5,797,299,197			5,797,299,197	4,525,906,162
Mutual funds	4,017,511,003			4,017,511,003	3,286,709,101
Separate account	894,745,163			894,745,163	710,188,803
Purchased annuities	12,966,008			12,966,008	14,390,450
Total investments	15,374,867,124			15,374,867,124	13,112,231,768
Cash and cash equivalents		$15,083,492		15,083,492	14,771,228
Contributions receivable and cash held for investment	8,614,902			8,614,902	5,877,871
Accounts receivable and prepaids		1,212,285	($718,314)	493,971	586,937
Property and equipment, net		12,083,839		12,083,839	10,113,468
Total assets	$15,383,482,026	$28,379,616	($718,314)	$15,411,143,328	$13,143,581,272
Deferred Outflows of Resources:					
Pension: OPERS		890,714		890,714	426,019
OPEB: OPERS		108,493		108,493	85,400
Total deferred outflows of resources	0	999,207	0	999,207	511,419
Liabilities:					
Accounts payable	6,226,902	969,912	(718,314)	6,478,500	2,797,529
Accrued expenses		613,185		613,185	750,118
Net Pension Liability		3,030,479		3,030,479	1,745,641
Net OPEB Liability		1,383,424		1,383,424	1,160,495
Total liabilities	6,226,902	5,997,000	(718,314)	11,505,588	6,453,783
Deferred Inflows of Resources:					
Pension: OPERS		46,905		46,905	409,165
OPEB: OPERS		10,026		10,026	87,906
Total deferred inflows of resources	0	56,931	0	56,931	497,071
Plan Net Position Available for Benefits	$15,377,255,124	$23,324,892	$0	$15,400,580,016	$13,137,141,837

COMBINING SCHEDULE OF CHANGES IN PLAN NET POSITION AVAILABLE FOR BENEFITS

For the year ended December 31, 2019
With Totals for 2018

	2019				
	PROGRAM FUND	ADMINIS-TRATION FUND	COMBINING ENTRIES	TOTAL	2018
Additions:					
Net Investment Income:					
Net gain (loss) on funds	$2,273,352,753			$2,273,352,753	($446,867,608)
Stable value income	132,288,458	506,633		132,795,091	117,369,603
Investment expenses	(12,793,443)			(12,793,443)	(12,330,160)
Net investment income (loss)	2,392,847,768	506,633		2,393,354,401	(341,828,165)
Employee contributions	518,057,583			518,057,583	496,296,253
Transfers from other plans	128,798,848			128,798,848	117,389,189
Recordkeeping income		13,728,836	(13,711,998)	16,838	45,685
Recordkeeping rebates	1,073,727			1,073,727	1,103,875
Total additions	3,040,777,926	14,235,469	(13,711,998)	3,041,301,397	273,006,837
Deductions:					
Distributions to participants	405,849,183			405,849,183	387,336,401
Transfers to other plans	359,326,759			359,326,759	321,205,624
Administrative expenses	13,711,998	12,687,276	(13,711,998)	12,687,276	10,389,667
Total deductions	778,887,940	12,687,276	(13,711,998)	777,863,218	718,931,692
Change in Net Position	2,261,889,986	1,548,193		2,263,438,179	(445,924,855)
Plan Net Position Available for Benefits:					
Beginning of Year	13,115,365,138	21,776,699	0	13,137,141,837	13,584,133,531
Cumulative Effect of GASB 75 Implementation	0	0	0	0	(1,066,839)
Beginning of Year as Restated	13,115,365,138	21,776,699	0	13,137,141,837	13,583,066,692
End of Year	$15,377,255,124	$23,324,892	$0	$15,400,580,016	$13,137,141,837

SCHEDULE OF ADMINISTRATION FUND DEDUCTIONS

For the years ended December 31, 2019 and 2018

	2019	2018
Customer Service	$7,110,433	$6,834,177
Salaries and benefits:		
Salaries and wages	1,601,543	1,310,699
Retirement contributions	818,619	489,511
Insurance	71,506	11,507
Other benefits	24,816	22,596
	2,516,484	1,834,313
Administration:		
Postage and delivery	426,765	486,168
Participant statements	164,297	157,519
	591,062	643,687
Professional Services:		
Consulting	467,450	348,511
Information Technology	95,387	58,826
Auditing	42,093	41,115
	604,930	448,452
Information Technology expense	1,059,426	185,021
Insurance	134,789	141,739
Rent Expense	168,531	149,763
Miscellaneous	62,235	72,012
Office supplies:		
Printing	21,976	29,815
Office supplies	10,585	10,633
Telephone and fax	5,020	4,826
	37,581	45,274
Depreciation and amortization	385,850	22,675
Professional Expense	15,955	12,554
Total Administrative Fund Deductions	$12,687,276	$10,389,667

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

For the years ended December 31, 2019 and 2018

	2019	2018
Cash and cash equivalents, beginning of year	$14,771,228	$14,273,965
Receipts:		
Investment redemptions	765,175,942	708,542,025
Employee contributions	516,394,278	498,838,298
Transfers from other plans	128,798,848	117,389,189
Recordkeeping income	527,847	306,110
Total cash receipts	1,410,896,915	1,325,075,622
Disbursements:		
Investment purchases	622,170,086	590,588,031
Distributions to participants	405,849,183	387,336,401
Transfers to other plans	359,326,759	321,205,624
Investment expenses	9,311,042	12,139,488
Administrative expenses	11,571,361	10,221,691
Purchase of property and equipment	2,356,220	3,087,124
Total cash disbursements	1,410,584,651	1,324,578,359
Cash and cash equivalents, end of year	$15,083,492	$14,771,228

SCHEDULE OF INVESTMENT EXPENSES

For the years ended December 31, 2019 and 2018

	2019	2018
Stable Value - Book Value Guarantee Fees:	$7,996,714	$7,846,700
Stable Value - Management/Custodial Fees:		
Goldman Sachs Asset Management	1,125,557	1,103,462
JP Morgan Asset Management	650,953	619,256
Jennison Associates	579,948	603,269
Nationwide Asset Management	627,422	570,470
Dodge & Cox	690,524	588,992
State Street Bank and Trust	408,013	462,491
Payden & Rygel	345,687	271,443
Earnest Partners	368,625	264,077
Total Stable Value Investment Expenses	$12,793,443	$12,330,160

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

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.

	December 31, 2019		December 31, 2018	
	Carrying Value	Allocation	Carrying Value	Allocation
Stable Value Option	$4,652,345,753	30.3%	$4,575,037,252	34.9%
Collective Trust Funds	5,797,299,197	37.7%	4,525,906,162	34.5%
Mutual Funds	4,017,511,003	26.1%	3,286,709,101	25.1%
Separate Account	894,745,163	5.8%	710,188,803	5.4%
Purchased Annuities	12,966,008	0.1%	14,390,450	0.1%
Total Investments	$15,374,867,124	100.0%	$13,112,231,768	100.0%

INVESTMENT FEE RATES

The following table shows the investment fee rates charged by each investment option as of December 31, 2019, 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	0.70%	0.99%
Vanguard International Growth	0.32%	0.99%
Vanguard Total International Stock Index	0.07%	0.76%
Ohio DC Small-Cap Growth	0.68%	1.00%
Vanguard Small-Cap Index	0.03%	0.95%
Ohio DC Small-Cap Value	0.56%	0.99%
Vanguard Capital Opportunity	0.36%	0.87%
Fidelity Growth Company Commingled Pool	0.35%	0.75%
Ohio DC Large-Cap Growth	0.35%	0.75%
Fidelity Contrafund Commingled Pool	0.35%	0.75%
Vanguard Institutional Index	0.02%	0.71%
Dodge & Cox Stock	0.52%	0.68%
BlackRock LifePath Retirement	0.06%	0.54%
BlackRock LifePath 2025	0.06%	0.50%
BlackRock LifePath 2030	0.06%	0.53%
BlackRock LifePath 2035	0.06%	0.53%
BlackRock LifePath 2040	0.06%	0.55%
BlackRock LifePath 2045	0.06%	0.55%
BlackRock LifePath 2050	0.06%	0.55%
BlackRock LifePath 2055	0.06%	0.55%
BlackRock LifePath 2060	0.06%	0.55%
Ohio DC Intermediate Bond	0.25%	0.49%
Vanguard Total Bond Market Index	0.03%	0.45%
Stable Value Option *	0.10%	0.15%

*Stable Value Option fees include investment management fees, but not guarantee or wrap fees.

SCHEDULE OF PERFORMANCE VERSUS BENCHMARKS

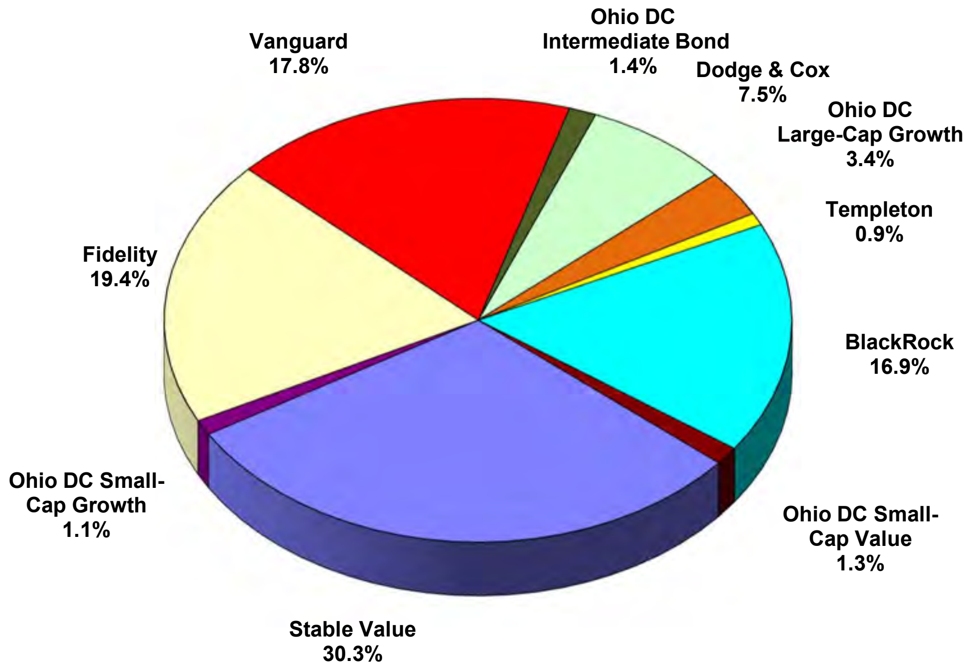
As of December 31, 2019

	1-Year	3-Year	5-Year	10-Year
Templeton Foreign Fund	**13.0%**	**4.3%**	**3.5%**	**4.3%**
Vanguard International Growth	**31.5%**	**18.1%**	**10.8%**	**8.8%**
Benchmark: MSCI All Country World ex-U.S. Index	*27.3%*	*12.9%*	*7.3%*	*6.2%*
Vanguard Total International Stock Index	**21.6%**	**9.9%**	**5.9%**	**5.2%**
Benchmark: Vanguard Spliced Custom	*21.8%*	*9.8%*	*5.8%*	*5.1%*
Ohio DC Small-Cap Growth *(inception 6/2/17)*	**39.6%**	**n/a**	**n/a**	**n/a**
Benchmark: Russell 2000 Growth Index	*28.5%*	*12.5%*	*9.3%*	*13.0%*
Vanguard Small-Cap Index	**27.4%**	**10.3%**	**8.9%**	**12.8%**
Benchmark: Vanguard US Small Cap Composite	*27.4%*	*10.3%*	*8.9%*	*12.8%*
Ohio DC Small-Cap Value *(inception 6/2/17)*	**27.5%**	**n/a**	**n/a**	**n/a**
Benchmark: Russell 2000 Value Index	*22.4%*	*4.8%*	*7.0%*	*10.6%*
Vanguard Capital Opportunity	**27.3%**	**16.6%**	**12.5%**	**14.2%**
Benchmark: Russell Mid Cap Growth Index	*35.5%*	*17.4%*	*11.6%*	*14.2%*
Fidelity Growth Company Commingled Pool (inception 12/13/13)	**39.1%**	**22.6%**	**16.3%**	**17.0%**
Ohio DC Large-Cap Growth *(inception 8/1/14)*	**29.4%**	**23.0%**	**16.1%**	**16.3%**
Benchmark: Russell 1000 Growth Index	*36.4%*	*20.5%*	*14.6%*	*15.2%*
Fidelity Contrafund Commingled Pool (inception 1/17/14)	**31.2%**	**19.7%**	**13.5%**	**14.2%**
Vanguard Institutional Index	**31.5%**	**15.3%**	**11.7%**	**13.6%**
Benchmark: S&P 500 Index	*31.5%*	*15.3%*	*11.7%*	*13.6%*
Dodge & Cox: Stock	**24.8%**	**11.1%**	**9.7%**	**12.6%**
Benchmark: Russell 1000 Value Index	*26.5%*	*9.7%*	*8.3%*	*11.8%*
BlackRock LifePath Retirement	**15.7%**	**7.2%**	**5.3%**	**6.2%**
Benchmark: BlackRock Custom	*15.6%*	*7.1%*	*5.2%*	*6.1%*
BlackRock LifePath 2025	**18.6%**	**8.7%**	**6.4%**	**7.5%**
Benchmark: BlackRock Custom	*18.5%*	*8.6%*	*6.2%*	*7.5%*
BlackRock LifePath 2030	**20.8%**	**9.7%**	**7.0%**	**8.1%**
Benchmark: BlackRock Custom	*20.7%*	*9.6%*	*6.8%*	*8.0%*
BlackRock LifePath 2035	**22.9%**	**10.6%**	**7.6%**	**8.6%**
Benchmark: BlackRock Custom	*22.7%*	*10.4%*	*7.4%*	*8.5%*
BlackRock LifePath 2040	**24.8%**	**11.4%**	**8.1%**	**9.1%**
Benchmark: BlackRock Custom	*24.6%*	*11.2%*	*7.9%*	*8.9%*
BlackRock LifePath 2045	**26.1%**	**11.9%**	**8.4%**	**9.4%**
Benchmark: BlackRock Custom	*25.9%*	*11.7%*	*8.2%*	*9.2%*
BlackRock LifePath 2050	**26.6%**	**12.0%**	**8.5%**	**9.6%**
Benchmark: BlackRock Custom	*26.5%*	*11.8%*	*8.3%*	*9.5%*
BlackRock LifePath 2055	**26.7%**	**12.1%**	**8.5%**	**n/a**
Benchmark: BlackRock Custom	*26.6%*	*11.8%*	*8.3%*	*n/a*
BlackRock LifePath 2060	**26.7%**	**12.0%**	**8.5%**	**n/a**
Benchmark: BlackRock Custom	*26.6%*	*11.8%*	*8.6%*	*n/a*
Ohio DC Intermediate Bond *(inception 1/30/2015)*	**9.0%**	**4.2%**	**3.0%**	**4.9%**
Benchmark: Bloomberg US Aggregate Bond Index	*8.7%*	*4.0%*	*3.1%*	*3.8%*
Vanguard Total Bond Market Index	**8.7%**	**4.0%**	**3.0%**	**3.7%**
Benchmark: Barclays Float Adjusted U.S. Agg. Index	*8.9%*	*4.1%*	*3.1%*	*3.8%*
Stable Value Option	**2.6%**	**2.4%**	**2.3%**	**2.6%**
Benchmark:ICE BofA ML 3 mo US T-Bill + 1.5%	*3.8%*	*3.2%*	*2.6%*	*2.1%*

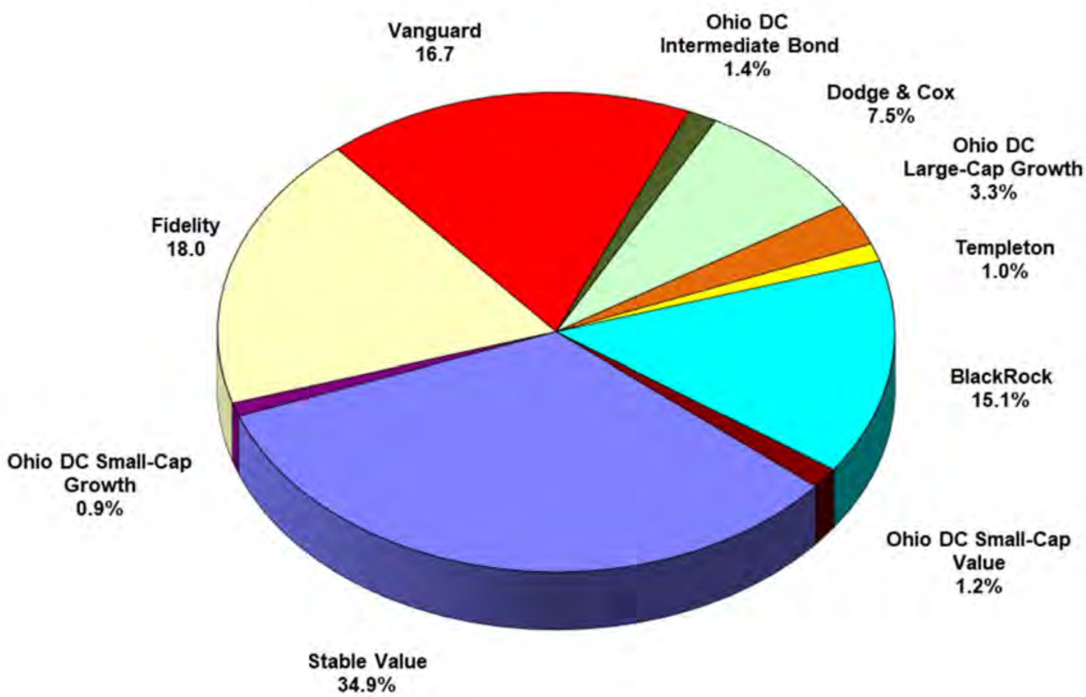
Investment returns are a time-weighted return based on the market rate of return. Returns are shown net of investment management fees. The 3-year, 5-year, and 10-year investment returns are annualized.

INVESTMENT MIX

December 31, 2019

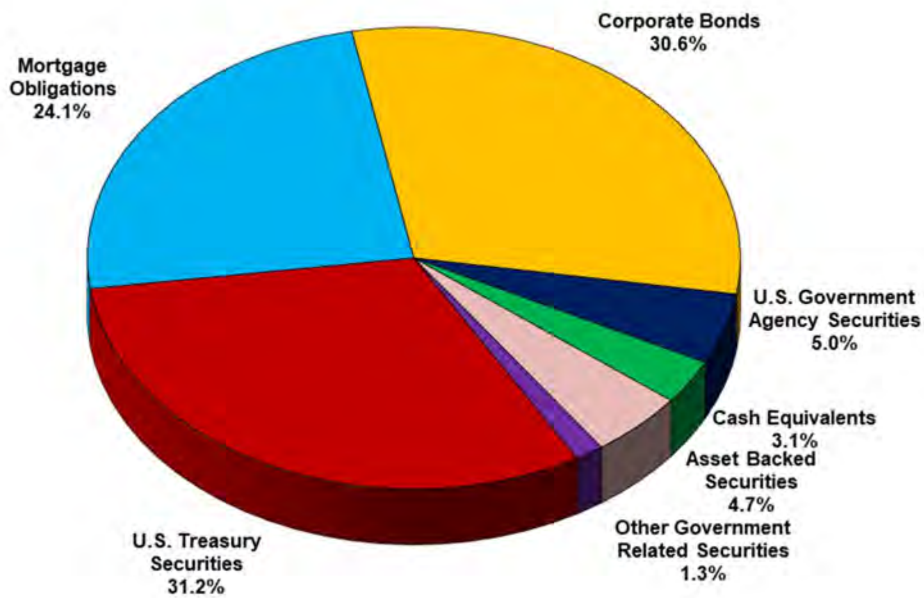


December 31, 2018

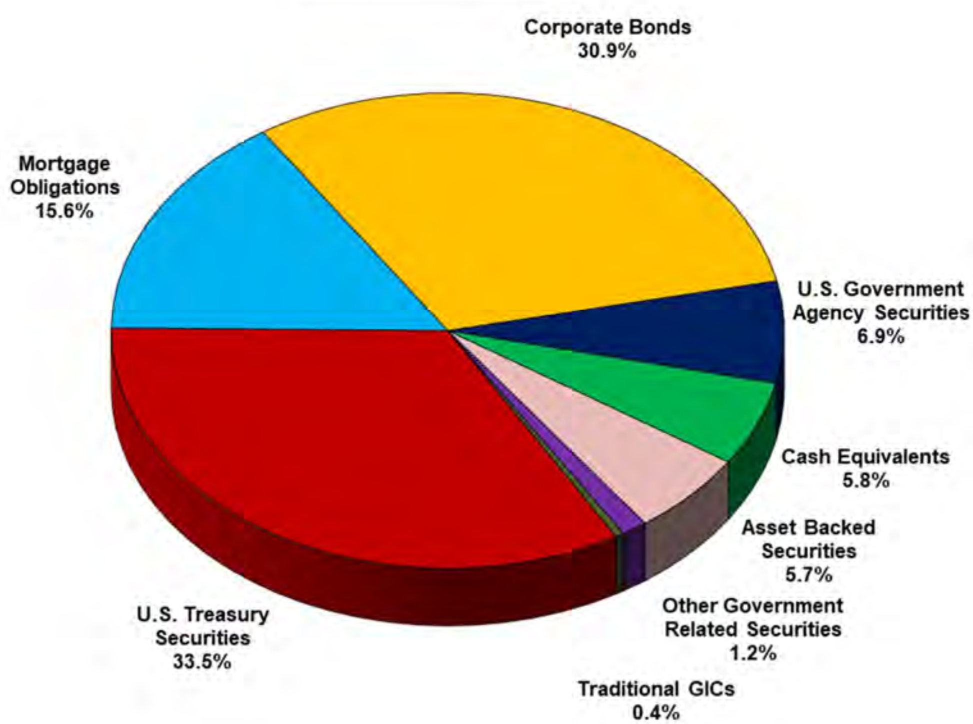


STABLE VALUE OPTION DIVERSIFICATION

December 31, 2019



December 31, 2018



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, 2010 – 2019
(In Millions)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Additions:										
Net Investment Income:										
Net gain (loss) on funds	$2,273.4	($446.9)	$1,700.4	$583.1	$44.4	$498.5	$1,310.0	$666.8	($96.6)	$512.7
Stable value income	132.8	117.4	111.5	114.5	116.7	117.0	122.2	135.1	144.3	151.5
Investment expenses	(12.8)	(12.3)	(13.0)	(13.1)	(13.5)	(14.5)	(14.2)	(12.6)	(11.4)	(9.2)
Net investment income (loss	2,393.4	(341.8)	1,798.9	684.5	147.6	601.0	1,418.0	789.3	36.3	655.0
Participant contributions	518.1	496.3	475.9	447.1	444.0	427.0	430.0	427.0	447.9	445.6
Transfers from other plans	128.8	117.4	116.9	102.0	107.0	83.5	127.3	126.5	92.5	69.0
Recordkeeping income	0.0	0.0	0.1	0.0	6.5	6.9	6.5	5.8	5.5	5.3
Recordkeeping rebates	1.1	1.1	1.3	5.1	0.0	0.0	0.0	0.0	0.0	0.0
Total additions	3,041.4	273.0	2,393.1	1,238.7	705.1	1,118.4	1,981.8	1,348.6	582.2	1,174.9
Deductions:										
Distributions to participants	405.9	387.3	351.5	317.9	318.4	308.7	293.4	277.6	261.6	237.4
Transfers to other plans	359.3	321.2	295.5	219.8	273.0	291.9	301.3	232.6	224.0	161.5
Administrative expenses	12.7	10.4	10.6	10.5	10.0	9.9	10.1	9.3	9.1	8.7
Total deductions	777.9	718.9	657.6	548.2	601.4	610.5	604.8	519.5	494.7	407.6
Change in Net Position	2,263.5	(445.9)	1,735.5	690.5	103.7	507.9	1,377.0	829.1	87.5	767.3
Plan Net Position Available for Benefits:										
Beginning of Year	$13,137.1	*13,583.0	11,848.6	11,158.1	*11,054.4	10,547.6	9,170.6	8,341.5	8,254.0	7,486.7
End of Year	$15,400.6	$13,137.1	$13,584.1	$11,848.6	$11,158.1	$11,055.5	$10,547.6	$9,170.6	$8,341.5	$8,254.0

*Note – 2018 and 2015 beginning of year Plan Net Position Available for Benefits were restated due to the implementation of GASB 75 and 68, respectively.

EMPLOYEE PARTICIPATION

	Eligible Employees	Total Participant Accounts	Participants Currently Contributing	Current Participation Rate
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%
2017	706,108	228,380	117,005	16.6%
2018	665,444	237,100	120,990	18.2%
2019	666,822	241,900	123,380	18.5%

Note – During 2018, the Ohio Public Employees Retirement System adjusted their calculation of active members downward. During 2017, the School Employees Retirement System of Ohio adjusted their calculation of active members upward. Details are available in the CAFRs of these entities.

DEFERRAL/ACCOUNT TRENDS

	Total Annual Deferrals	Average Annual Deferral	Net Position Available for Benefits	Average Participant Account
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
2017	475,928,694	4,068	13,584,133,531	59,480
2018	496,296,253	4,102	13,137,141,837	55,408
2019	518,057,583	4,199	15,400,580,016	63,665

NUMBER OF EMPLOYERS CONTRIBUTING

	State	County	City	Metro Housing	Village	Library	Medical Center	Education	Misc	Township	Total
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
2017	1	88	244	51	222	186	16	655	174	272	1,909
2018	1	88	245	51	226	188	16	672	187	275	1,949
2019	1	88	245	51	234	190	18	684	189	278	1,978

PRINCIPAL CONTRIBUTING EMPLOYERS

	2019			2010		
Employer Name	Participant Accounts	Rank	Percent of Total Program	Participant Accounts	Rank	Percent of Total Program
State of Ohio	61,101	1	25.2%	54,708	1	27.4%
City of Columbus	9,171	2	3.8%	8,614	2	4.3%
City of Cleveland	7,597	3	3.1%	7,382	3	3.7%
Cuyahoga County	6,055	4	2.5%	6,264	4	3.1%
Franklin County	4,756	5	2.0%	3,765	6	1.9%
Metrohealth Medical Center	4,469	6	1.8%	3,184	7	1.6%
City of Cincinnati	4,306	7	1.8%	5,323	5	2.7%
Montgomery County	2,874	8	1.2%	2,678	8	1.3%
Ohio State University	2,588	9	1.1%	1,331	11	0.7%
City of Toledo	2,236	10	1.0%	2,032	10	1.0%
All Others	136,747	N/A	56.5%	104,664	N/A	52.3%
Total Participation	241,900		100.0%	199,945		100.0%

BENEFIT PAYMENTS

	Participant Distributions	Beneficiary Distributions	Total Distributions
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
2017	318,679,103	32,827,814	351,506,917
2018	353,187,404	34,148,997	387,336,401
2019	366,885,439	38,963,744	405,849,183

	Number of Participant Distributions	Number of Beneficiary Distributions	Number of Total Distributions
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
2017	36,626	3,795	40,421
2018	37,565	4,150	41,715
2019	45,508	4,836	50,344

	Average Participant Distribution	Average Beneficiary Distribution	Average Annual Distribution
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
2017	8,701	8,650	8,696
2018	9,402	8,229	9,285
2019	8,062	8,057	8,062

Ohio Public Employees Deferred Compensation Program
Franklin County, Ohio

Report Issued Pursuant to
Government Auditing Standards

For the Year Ended
December 31, 2019

Ohio Public Employees Deferred Compensation Program
Franklin County, Ohio
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December 31, 2019

Rea & associates a brighter way

May 19, 2020

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, 2019, 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 19, 2020, in which we noted in our report that, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Program.

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.

Rea & Associates, Inc.

Dublin, Ohio

OHIO AUDITOR OF STATE
KEITH FABER

OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PRGRAM

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 23, 2020