



# OHIO DEFERRED COMPENSATION

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# 2016 PAFR

2016 Popular Annual Financial Report  
Ohio Public Employees Deferred Compensation Program

Keith Overly  
Executive Director

Dear Ohio Deferred Compensation Participants,

It is with great pleasure that the Ohio Deferred Compensation (Ohio DC) Board of Trustees, and staff, present this 2017 Popular Annual Financial Report (PAFR). The PAFR is an easy-to-read summary of the Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2016. Ohio DC is one of the largest 457 plans in the U.S., with more than 220,000 participant accounts from 1,882 State and local government employers. This PAFR has been prepared to assist you in understanding Ohio DC's Program (Program) and how we assist participants in supplementing their retirement income.

This PAFR will provide you with a variety of examples as to how we are fulfilling our mission of guiding our participants along the path to retirement income security. Members of one of Ohio's retirement systems can contribute to Ohio DC on a voluntary basis to supplement their retirement income. As a self-directed plan, participants are responsible for their own savings and investment decisions, but much of their investment success depends on the amount of contributions and the overall direction of the financial markets.

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

The Program achieved these all-time highs in 2016:

- \$11.9 billion in year-end assets
- 1,882 contributing employers
- 222,000+ participant accounts
- \$53,360 average account balance

Despite a 5.5 percent decline over the past ten years in the number of eligible employees who can participate in the Program, total participant accounts have increased over that period by 16.8 percent to 222,042.

#### 2016 Initiatives and Beyond

The Program continued its efforts to provide quality investment options and services at a low cost in 2016. The average annual investment and administrative costs were less than four tenths of a percent of total participant assets.

During 2016, investments in two Fidelity mutual funds were transferred to Fidelity collective investment trusts. This change in investment vehicle retained the same manager and strategy, but at a reduced cost. Participants invested in these Fidelity options will save over \$1.9 million annually. Investors in the LifePath Portfolio target date funds moved from the Q share class to the L share class. Both share classes have the same investment strategy, but the L shares have a lower cost. Participants invested in the LifePath Portfolios will save over \$300,000 annually.

Beginning in 2016, the Program implemented a new, more transparent fee structure to fairly allocate its operating costs. The Program provides on-site services with its field account executives, additional personal assistance through our call center, retirement planning specialists for participants near or in retirement, and a website with easy access to account information, retirement planning tools, and other educational content as well as information regarding the Program's investment options. The Program's SMarT automatic increase program is an easy way to increase savings every year, and the LifePath Portfolio target date funds offer an easy hands-off approach to creating a diversified investment portfolio.

The Program is also in the final stretch of a multi-year recordkeeping modernization project that will be the backbone for participant account statements and online access to account information. The second phase of the modernization project will result in an enhanced website to manage participant accounts and will enable the Program to offer a Roth (post-tax) contribution plan to complement the existing (pre-tax) contribution plan. Please take a few minutes to read the rest of the PAFR to gain a better understanding of our retirement savings program.

As we move forward, the Ohio DC Board and staff will continue our commitment to low participant fees and fee transparency while enhancing our services and products to help participants save for a better retirement. Thank you for your engagement and continued partnership with us in helping participants to save for a secure retirement.

Kindest regards,



Keith Overly  
Executive Director



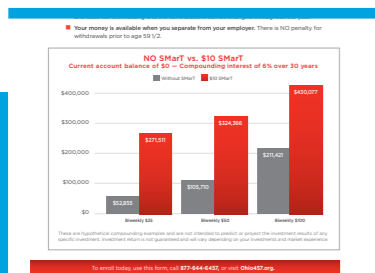
# HELPING YOU SAVE FOR RETIREMENT

## IT'S WHAT WE ARE HERE FOR

Ohio Deferred Compensation is dedicated to making sure our participants are well informed about what it means to save for retirement. As a self-directed plan, our participants are responsible for making their own savings and investment decisions, but for them to succeed, they need to be educated about the need to invest early and regularly and to be informed about the basics of investment.



WE MAKE THINGS SIMPLE



EZ Enrollment Form



NEVER COMPROMISE ON QUALITY



Dedicated Staff



PREPARE FOR RETIREMENT



Retirement Planning Specialists

## OUR MISSION

Guiding our participants along the path to retirement income security.

We are driven to provide our participants with the tools and resources they need, to be able to take control of their own retirement outcomes.



## OUR VALUES

INTEGRITY AND ETHICS

FIDUCIARY ACCOUNTABILITY

PROFESSIONALISM

INNOVATION

EFFICIENCY

## OUR GOALS

1. Provide quality participant services and promote financial literacy through effective education and clear communication.
2. Establish plan features and tools that encourage supplemental savings to provide income through retirement.
3. Provide suitable, diverse, cost effective investment options.
4. Accurately and fairly apply laws; when appropriate, advocate regulatory and legislative changes.
5. Develop and implement prudent practices to effectively govern and administer the Plan.

## ASSETS AND LIABILITIES

We can help you save more!

This statement shows the assets and liabilities for the years ended December 31, 2016 and 2015. The plan net position represents the funds accumulated thus far to pay retirement income benefits to plan participants. Ohio

Deferred Compensation is a non-profit organization and all assets are held in trust on behalf of the employers for the exclusive benefit of participants and their beneficiaries with the goal of providing them with retirement income security.

ASSETS:	2016	2015	\$ CHANGE	% CHANGE
INVESTMENTS	\$11,827,862,696	\$11,138,644,936	\$689,217,760	6.2%
CASH AND CASH EQUIVALENTS	13,773,657	12,715,418	1,058,239	8.3%
CONTRIBUTIONS RECEIVABLE AND CASH HELD FOR INVESTMENT	6,025,254	7,190,104	-1,164,850	-16.2%
OTHER ASSETS	5,589,362	4,167,828	1,421,534	34.1%
<b>TOTAL ASSETS</b>	<b>11,853,250,969</b>	<b>11,162,718,286</b>	<b>690,532,683</b>	<b>6.2%</b>
LIABILITIES:				
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	2,685,929	3,284,433	-598,504	-18.2%
NET PENSION LIABILITY	1,945,860	1,328,183	617,677	46.5%
<b>TOTAL LIABILITIES</b>	<b>4,631,789</b>	<b>4,612,616</b>	<b>19,173</b>	<b>0.4%</b>
<b>PLAN NET POSITION AVAILABLE FOR BENEFITS</b>	<b>\$11,848,619,180</b>	<b>\$11,158,105,670</b>	<b>\$690,513,510</b>	<b>6.2%</b>

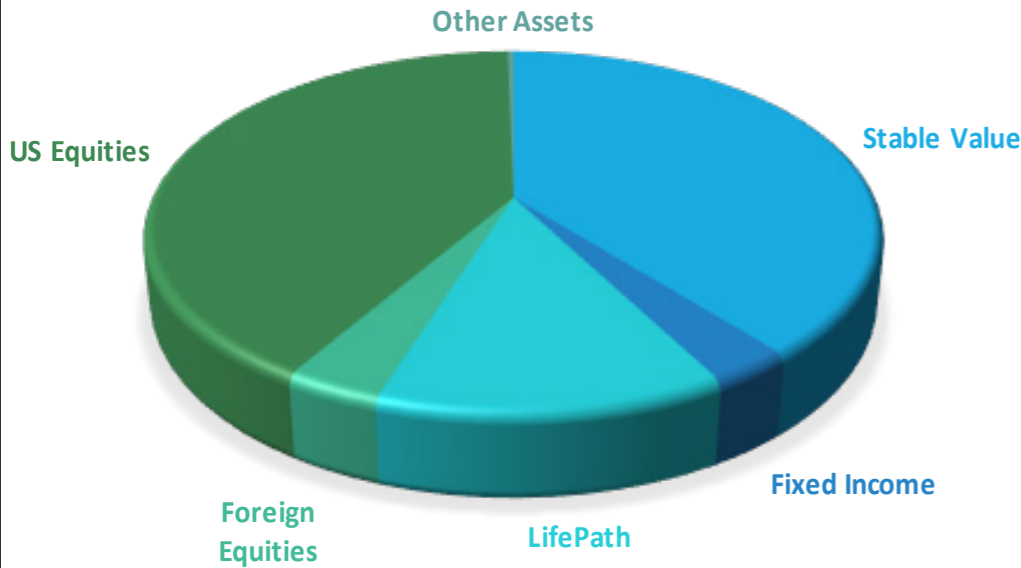
ADDITIONS:	2016	2015	\$ CHANGE	% CHANGE
NET INVESTMENT INCOME	\$684,494,068	\$147,550,708	\$536,943,360	363.9%
PARTICIPANT CONTRIBUTIONS	447,140,841	444,027,787	3,113,054	0.7%
TRANSFERS FROM OTHER PLANS	101,975,571	107,021,633	-5,046,062	-4.7%
OTHER ADDITIONS	5,137,820	6,496,733	-1,358,913	-20.9%
<b>TOTAL ADDITIONS</b>	<b>1,238,748,300</b>	<b>705,096,861</b>	<b>533,651,439</b>	<b>75.7%</b>
DEDUCTIONS:				
BENEFIT DISTRIBUTIONS	317,951,713	318,430,645	-478,932	-0.2%
TRANSFERS TO OTHER PLANS	219,798,499	272,931,804	-53,133,305	-19.5%
ADMINISTRATIVE EXPENSES	10,484,578	10,017,023	467,555	4.7%
<b>TOTAL DEDUCTIONS</b>	<b>548,234,790</b>	<b>601,379,472</b>	<b>-53,144,682</b>	<b>-8.8%</b>
<b>NET INCREASE (DECREASE)</b>	<b>690,513,510</b>	<b>103,717,389</b>	<b>586,796,121</b>	<b>565.8%</b>
<b>PLAN NET POSITION, BEGINNING OF YEAR</b>	<b>11,158,105,670</b>	<b>11,054,388,281</b>	<b>103,717,389</b>	<b>0.9%</b>
<b>PLAN NET POSITION, END OF YEAR</b>	<b>\$11,848,619,180</b>	<b>\$11,158,105,670</b>	<b>\$690,513,510</b>	<b>6.2%</b>

## INCOME AND EXPENSES

This statement shows the annual additions (income) and deductions (expenses) for the Program. Additions come from participant contributions, transfers from other plans, investment income earned on participant

accounts, and recordkeeping rebates/income. The primary deductions are benefit payments, transfers out to other plans and administrative expenses, which are required to manage the program.

INVESTMENT ALLOCATION

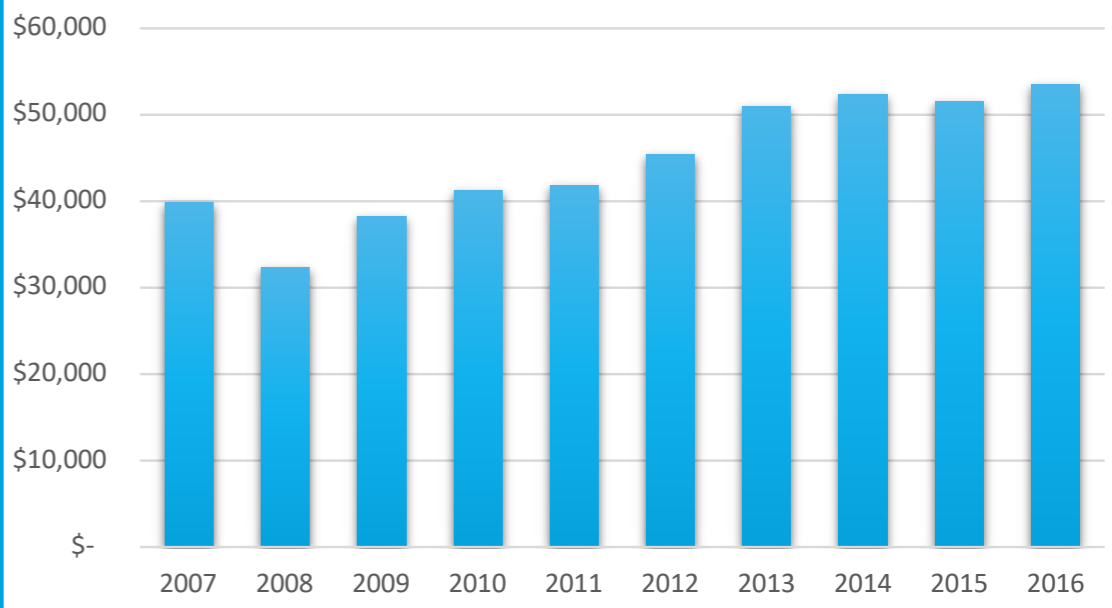


ASSET CLASS	ALLOCATIONS
STABLE VALUE	\$4,618,500,000
FIXED INCOME	\$365,650,948
TARGET DATE FUNDS	\$1,540,556,290
FOREIGN EQUITIES	\$430,021,309
US EQUITIES	\$4,855,248,277
OTHER ASSETS	\$37,300,272
<b>TOTAL ASSETS</b>	<b>\$11,827,863,000</b>

AVERAGE PARTICIPANT ACCOUNT

2007	\$39,718
2008	\$32,280
2009	\$38,185
2010	\$41,282
2011	\$41,695
2012	\$45,197
2013	\$50,962
2014	\$52,382
2015	\$51,445
2016	\$53,362

Average Account Balance



ALLOCATION SUMMARY

Investment markets are extremely complex and market volatility is impossible to predict. For these reasons, Ohio Deferred Compensation, as well as all responsible retirement plans, stress the need for investors to take advantage of their ability to diversify their investments. Diversification reduces portfolio risk. In the above chart, you can see the various asset classes that Program participants invest in.

ACCOUNT BALANCES

Higher account balances will result in higher retirement incomes for our participants. While this seems like common sense, people often do not realize that they need to set a goal for what they would like to accumulate for retirement. For some, this might be a total amount of savings. For others, it's easier to look at how much income they will earn per month in retirement, based on the ir savings.

PARTICIPANT INVESTMENTS

Ohio Deferred Compensation 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.

ALL-TIME HIGHS IN 2016

<b>\$11.9 BILLION</b>	<b>1,882</b>	<b>220,000</b>	<b>\$53,360</b>
YEAR-END ASSETS	CONTRIBUTING EMPLOYERS	PARTICIPANT ACCOUNTS	AVERAGE ACCOUNT BALANCE

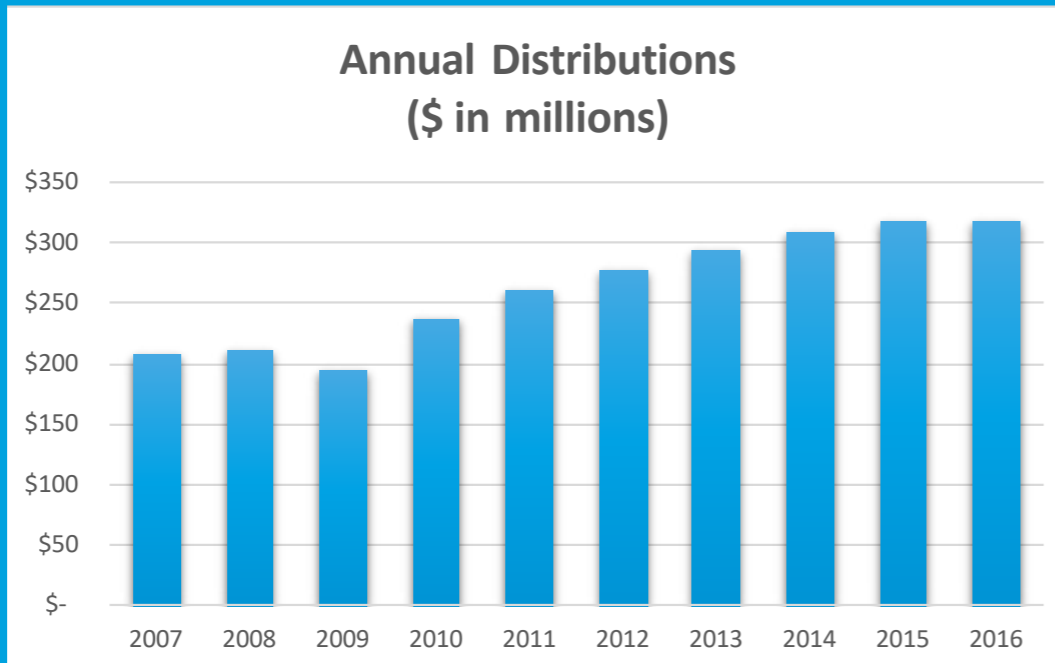
# OHIO DEFERRED COMPENSATION

In facts and numbers

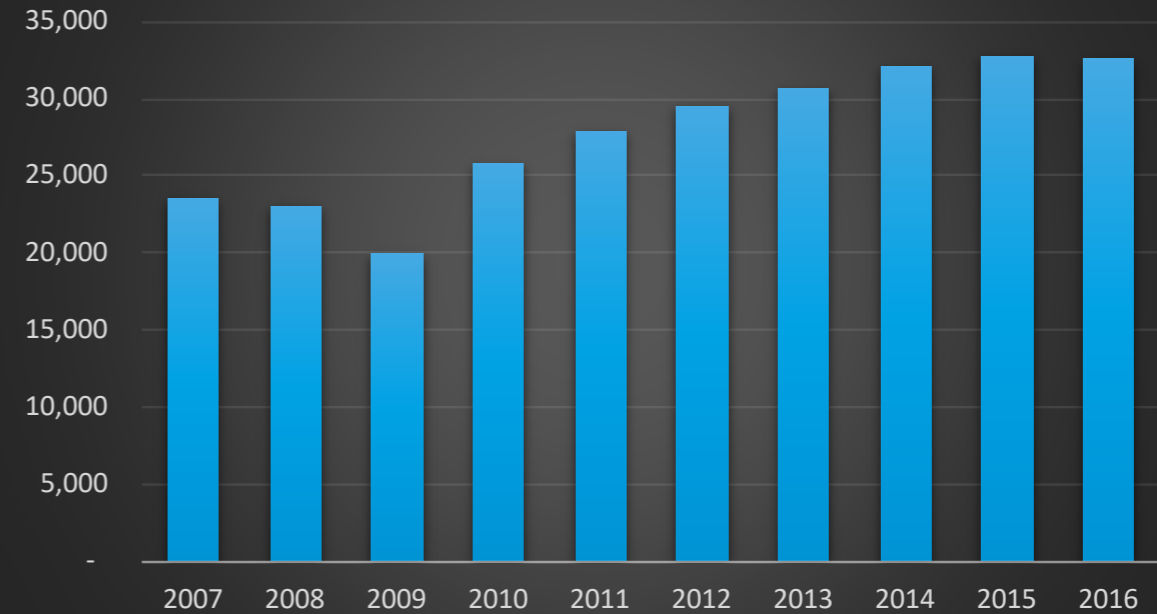
# INVESTMENTS - HISTORICAL

## TOTAL DISTRIBUTIONS

2007	\$207 MILLION
2008	\$211 MILLION
2009	\$195 MILLION
2010	\$237 MILLION
2011	\$262 MILLION
2012	\$278 MILLION
2013	\$293 MILLION
2014	\$309 MILLION
2015	\$318 MILLION
2016	\$318 MILLION



## Number Receiving Distributions



## NUMBER OF PARTICIPANT DISTRIBUTIONS

2007	23,464
2008	23,031
2009	19,927
2010	25,716
2011	27,939
2012	29,581
2013	30,649
2014	32,158
2015	32,809
2016	32,564

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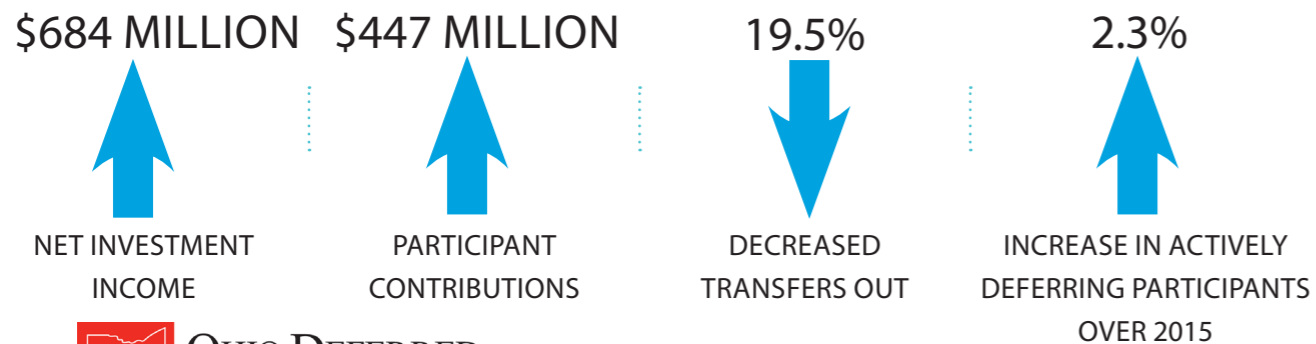
number of diverse investment options are offered and regularly monitored. Ohio DC is now delivering over \$300 million in distributions annually to provide additional retirement income to our participants.

## PARTICIPANT DISTRIBUTIONS

The graph above shows the 10-year history of the total number of participants taking a distribution. The general trend over this period has been a steady increase in Program distributions through 2015.

This overall trend was generated by more people taking distributions (larger numbers of baby boomers retired). Since 2013, the total number of deductions have leveled off and even declined slightly in 2016.

## ANALYSIS OF INCOME AND CONTRIBUTIONS



## RECOGNITION



CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING FOR FISCAL YEAR 2015 FROM THE GOVERNMENT FINANCE OFFICERS ASSOCIATION GFOA

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# ABOUT THIS PAFR

This Popular Annual Financial Report is derived from information contained in the Ohio Deferred Compensation (Ohio DC) Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2015, but does not contain detailed financial information by plan, nor is it presented in a manner to conform to Generally Accepted Accounting Principles (GAAP). For a complete set of financial definitions included in this summary report please refer to the Ohio DC CAFR, which is prepared in conformity with GAAP and may be obtained by visiting our website at [Ohio457.org](http://Ohio457.org) or by contacting Ohio DC to request a copy.



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