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Revision History
Global Tactical Asset Allocation Policy Established March 20, 2013
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I. SCOPE

This Policy applies to investments in the Global Tactical Asset Allocation ("GTAA") Asset Class within the Ohio Public Employees Retirement System ("OPERS") Health Care 115 Trust Fund ("HC Fund").

II. PURPOSE

This Policy provides the broad strategic framework for managing investments in the GTAA Asset Class.

III. INVESTMENT PHILOSOPHY

OPERS seeks to exploit short-term opportunities among global capital market assets through the GTAA allocation. The strategy focuses on general movements in the market rather than on performance of individual securities. This requires investing in multiple asset types and may employ leverage to obtain the desired mix. GTAA investments are expected to provide Fund level diversification and an additional source of excess return.

IV. ALLOCATION

The allocation to GTAA is specified in the Investment Objectives and Asset Allocation Policy for the HC Fund. Investments within the GTAA Asset Class may be made across multiple asset classes. For asset allocation measurement purposes, those exposures are only reflected within the GTAA allocation.

Exposure can be obtained through externally managed approaches and may include hedge funds and hedge fund-like structures. External manager portfolios may have unique asset allocations, strategies and definitions of approaches for achieving desired exposures.

V. PERMISSIBLE INSTRUMENTS

GTAA assets may be invested in all types of instruments intended to obtain exposure to a wide variety of asset types including equities, fixed income (both sovereign and credit based exposures), inflation-linked bonds, commodities and other asset types. Instruments used may be exchange-traded or over-the-counter and may be physical securities or derivatives, and a degree of leverage may be employed. Additional security type constraints may be applied in investment manager portfolio guidelines or comparable governing documents.
VI. THIRD-PARTY MARKETING

OPERS expects its general partners to behave legally and ethically. OPERS requires that third-party marketers used by general partners be regulated by appropriate legal authorities and subject to disciplinary actions by them. OPERS will confirm in its side letter, investment management agreement or other contractual arrangement, that a manager being engaged by OPERS has a requirement to provide the details of marketing arrangements, political contributions, or similar payments involving individuals, placement agents, third-party marketers and the like with respect to OPERS investments with the manager.

VII. PERFORMANCE OBJECTIVES

The overall benchmark for GTAA is the market value weight of the underlying managers’ benchmarks. The Annual Investment Plan, which is approved by the OPERS Retirement Board, shall include the performance expectation for GTAA.

VIII. RISK MANAGEMENT

Risk is managed through a combination of quantitative and qualitative constraints. The following sections identify the most significant risks with GTAA investments:

A. Active Risk

Active Risk or tracking error is a statistical measure of the potential variability of a portfolio’s return relative to that of the assigned benchmark. GTAA does not lend itself to traditional quantitative measures of risk such as tracking error. Individual managers within the GTAA Asset Class typically do not target a specific level of tracking error relative to the assigned benchmark. The aggregate GTAA Asset Class tracking error shall be evaluated over rolling three year periods and can range between 0 and 800 basis points.

B. Liquidity Risk

Investment structure impacts liquidity. Investment Staff (Staff”) will consider liquidity provisions including withdrawal restrictions at both the asset class and individual manager level. Derivatives may introduce additional liquidity risk; however, cash holdings mitigate this risk.

C. Currency Risk

GTAA strategies employ some non-U.S. Dollar denominated instruments which expose the Funds to currency risk.
D. Manager Risk

By allocating to multiple GTAA managers, concentration to any one manager is limited. Staff shall work with the Investment Advisor to identify managers, using a process approved by the Chief Investment Officer (“CIO”). In addition to the investment due diligence process, each manager undergoes an operational due diligence review prior to funding to evaluate non-investment related risk factors.

E. Derivatives Risk

Derivatives usage and limitations as well as risk management are specified in manager guidelines and shall comply with OPERS’ Derivatives Policy.

F. Leverage Risk

GTAA strategies generally incorporate leverage in order to achieve the desired exposures. In addition, strategy specific leverage limitations and asset class exposure maximums may be specified within manager guidelines or governing documents to further constrain the use of leverage. Risks may include a loss of a significant portion of the original investment. Where leverage is used, the investment structure must be designed such that OPERS losses cannot exceed the value of the allocation to that investment or strategy.

Leverage can be defined in several ways and the measure will vary widely depending on the strategy and its associated liquidity, and by manager. Using a consistent leverage measurement basis that is considered to be market best practice, Staff expects the Asset Class leverage to be within a range of 2 to 5 times, with a maximum level of 6 times.

Staff monitors Asset Class and manager leverage monthly and uses other measures of leverage to provide a more complete understanding of the portfolio's sensitivities.

G. Legal Risk

GTAA strategies have unique characteristics which require legal expertise including the use of outside counsel. Limitations include:

- Assets may only be invested in structures which limit losses to the amount invested.
- All managers exercising investment discretion must be (i) registered with the United States Securities and Exchange Commission or with a similar regulator if they are domiciled outside of the United States or (ii) a bank regulated by a United States regulatory body.
IX. ROLES AND RESPONSIBILITIES

A. OPERS Retirement Board

The OPERS Retirement Board (“Board”) is responsible for reviewing and approving this Policy and any changes to it.

In addition, the Board is responsible for reviewing reports related to this Policy.

B. Investment Staff

The Board delegates authority to the Chief Investment Officer (“CIO”) to implement this Policy. Staff is responsible for monitoring the Policy and recommending changes to the Board. Staff is also responsible for managing GTAA investments within the framework of the Board-approved Policy and within the goals and objectives set by the Board in the Annual Investment Plan.

Staff will work with an Investment Advisor to identify managers for the program using a process approved by the CIO. Prior to engaging in a new GTAA activity, Staff will prepare a memorandum to the Board explaining the investment.

All members of Staff are accountable to the CIO. The CIO is responsible for all Staff actions relative to the management of OPERS’ investments. In this regard, it is the responsibility of the CIO to satisfy himself/herself that all Policies and directives of the Board are implemented.

C. Investment Compliance

The Investment Compliance area of Investment Accounting, Compliance & Risk (“IC”) is responsible for monitoring compliance with this Policy, including guidelines established pursuant to it. If IC determines that an exception to this Policy has occurred, IC shall notify Staff, the CIO, the Executive Director and the Board.

D. Due Diligence Consultant

Staff hires a Due Diligence Consultant, who, at Staff’s discretion, may assist with the public alternatives manager due diligence process, including identifying potential managers, conducting research on strategies, operational due diligence, and the ongoing monitoring of managers once they are hired. The Due Diligence Consultant serves an advisory role with Staff retaining investment discretion.

E. Investment Advisor

The role of the Investment Advisor is specified in the Investment Objective and Asset Allocation Policies.
X. MONITORING AND REPORTING

To ensure monitoring and compliance with this Policy, the following reports will be reviewed with the Board:

A. Quarterly

   Performance Reports – Investment Advisor and/or Staff

   Report on compliance – Investment Compliance Staff

B. Annually

   OPERS Annual Investment Plan – Staff