



Ohio Public Employees Retirement System
Investment Objectives and Asset Allocation Policy
Defined Contribution Fund
March 2021

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Revision History

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I. SCOPE

This Investment Objectives and Asset Allocation Policy (“Policy”) applies to assets within the Ohio Public Employees Retirement System (“OPERS”) Defined Contribution Plan and the defined contribution portion of OPERS Combined Defined Benefit/Defined Contribution Plan (together referred to as the “DC Plans”).

These assets are held in trust and are referred to herein as the Defined Contribution Fund and the Combined Defined Benefit/Defined Contribution Fund (together, the “DC Funds”).

II. PURPOSE

This Policy provides the broad strategic investment framework for managing the DC Funds and is intended to be read in conjunction with documents that govern the DC Plans. If any term or provision of this Policy conflicts with any term or provision of the DC Plans’ governing documents, such governing documents shall control.

This Policy does not cover duties or responsibilities with respect to adoption or revision of the DC Plans, their administration, operation or compliance with tax laws.

III. LEGAL AUTHORITY

Section 145.80 of the Ohio Revised Code (“ORC”) directs OPERS Retirement Board (“Board”) to adopt rules to implement the DC Plans.

Among its other provisions, ORC Section 145.11(A) states in part:

The members of the public employees retirement board shall be the trustees of the funds created by section 145.23 of the Revised Code. The board shall have full power to invest the funds. The board and other fiduciaries shall discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries; for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the public employees retirement system; with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and by diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

OPERS Investment Staff (“Staff”) and others, who are involved in the management of the DC Fund’s assets, are subject to the same fiduciary standards as the Board.

ORC Section 145.811 mandates that the DC Plans must meet requirements of Section 401(a) of the Internal Revenue Code (“IRC”) applicable to governmental plans and qualify as governmental plans pursuant to IRC Section 414(d). IRC Section 401(a) requires that assets of the DC Plans be held in trust for the exclusive benefit of Plan participants and their beneficiaries (together referred to as “Members”).

IV. POLICY OBJECTIVES

Members each have their own unique individual investment objectives, risk tolerances and time horizons. The objectives of this Policy are to provide Members with an array of investment choices across a range of asset classes, risk levels and investment strategies, at reasonable cost, which taken together enable a Member to achieve, by selecting from among the available choices, a portfolio with aggregate risk and return characteristics at any point within the range normally appropriate for the Member.

The DC Plans are individual account plans and Members who participate in them are responsible for directing investment of the assets in their accounts utilizing the Investment Options (“Options”) available under the Plans and this Policy.

V. INVESTMENT OPTIONS

This Policy establishes three different Options that Members can use to address their investment needs: OPERS Funds, OPERS Target Date Funds (“TDFs”) and OPERS Self-Directed Brokerage Account (“SDBA”).

Members may invest their assets using any one, two or all three of these Options. Members are solely responsible for deciding which Option or Options they elect and are also solely responsible for the consequences of the Option or Options they select.

A. OPERS Funds and OPERS Target Date Funds

All OPERS Funds and Target Date Funds, other than the Stable Value Fund, are index managed strategies. All OPERS Funds utilize external, professional Asset Managers (“Managers”), selected by Staff, based on their proven record of managing such funds and the competitiveness of the fees they charge.. The OPERS Funds and TDFs invest in Managers’ collective investments trusts and other commingled accounts that also include assets of other, similar plans.

All managers exercising investment discretion must be (i) registered with the United State Securities and Exchange Commission or with a similar regulator if they are domiciled outside the United States or (ii) a bank regulated by a United States regulatory body.

Managers must agree to comply with all provisions of OPERS' External Investment Managers Insurance Policy and with the Best Execution provisions of its Soft Dollar Policy.

Managers must also agree to comply with any other provisions Staff, including OPERS Legal Services Division, believe to be appropriate in order to carry out the terms and intent of this Policy.

B. OPERS Funds

Members may structure their own unique portfolios by allocating their investments to one, some or all of the OPERS Funds.

OPERS Funds provide Members with asset class specific investments. These funds, other than the Stable Value Fund (“SVF”), are index managed meaning they seek to mirror investment results of broadly-based and publicly-quoted market indices. They are not intended, and do not attempt, to outperform such indices. The asset class specific OPERS Funds and their benchmarks are listed below:

OPERS Fund	Benchmark Index
OPERS Stock Index Fund	Russell 3000 Index
OPERS Large Cap Index Fund	Russell 1000 Index
OPERS Small Cap Index Fund	Russell 2000 Index
OPERS Non-U.S. Stock Index Fund	MSCI ACWI Net Dividend Return ex U.S.
OPERS Bond Index Fund	Bloomberg Barclays U.S. Aggregate
OPERS Stable Value Fund	Custom Index * (See below)

* The SVF is managed actively and its primary objective is to preserve the value of principal. Its secondary objective is to exceed the long-term return of a Custom Index comprised of the Bloomberg Barclays 1-5 Year Government/Corporate Bond Index (45%), the Bloomberg Barclays Intermediate Government/Corporate Bond Index (35%), the Bloomberg Barclays Aggregate Bond Index (15%) and the Merrill Lynch 3-Month U.S. Treasury Bills Index (5%). A typical stable value fund return fluctuates less than one percent a year; therefore neither the short-term returns nor volatility of the SVF is consistent with market value instruments such as those in the Custom Index.

C. OPERS Target Date Funds

OPERS Funds and other investment funds are also available through TDFs for those Members who do not wish to make their own asset allocation decisions. TDFs are offered in five-year increments, as shown in Appendix A of this Policy. Each target date is the year in which a TDF will reach Payout status (“Payout”).

A TDF with a Payout date in the distant future will allocate more of its investments to equities and other higher risk/higher reward asset classes to enhance the opportunity to accumulate capital. As TDFs move toward their target Payout dates, they reduce their allocation to such assets to better preserve accumulated capital. These transitions, called glide paths, are accomplished by assigning each TDF an asset class investment Target allocation (“Target”) and an asset class Range (“Range”) surrounding such Targets. Ranges are set as a function of the expected volatility of each asset class and the proportion of a TDF allocated to such Class.

At the end of each calendar quarter TDFs’ asset allocations are compared to the Targets and Ranges set by this Policy. If their allocations are outside of their Ranges, they are rebalanced to their Targets within ten business days.

The Board’s General Investment Advisor (“Advisor”) annually reviews the TDFs’ asset allocations. If appropriate, the Advisor recommends that the Board revise Targets and Ranges by amending this Policy.

OPERS TDFs utilize seven investment portfolios including some of OPERS Funds. These funds are index managed meaning they seek to mirror investment results of broadly-based and publicly-quoted market indices. They are not intended, and do not attempt, to outperform such indices. The investment portfolios utilized by OPERS TDFs and their benchmarks are listed below:

Investment Funds	Benchmark Index
Large Cap Index Fund	Russell 1000 Index
Small Cap Index Fund	Russell 2000 Index
Non-U.S. Stock Index Fund	MSCI ACWI Net Dividend Return ex U.S. Index
Bond Index Fund	Bloomberg Barclays U.S. Aggregate Index
Short Term Bond Fund	Bloomberg Barclays U.S. Government 1-3 Year Index
Long Duration Fund	Bloomberg Barclays U.S. Government/Credit Index
TIPS Fund	Bloomberg Barclays U.S. TIPS Index

D. OPERS Self-Directed Brokerage Account

Members who desire additional investment alternatives and are willing to accept all risks and costs related to such alternatives can make their own investment decisions through a SDBA. Members must have a minimum Plan balance of \$5,000 in order to be eligible to elect this Option and, when they do, may invest no more than 50% of the amount of such balance at the time of their election.

To provide Members with this Option, OPERS contracts with a service provider based on its assessment of such vendor's ability to provide quality brokerage and related services at a reasonable cost to participating Members. The services provider will make available to Members thousands of mutual funds that encompass a broad range of types of assets and portfolio management styles. The services provider, alone, is responsible for determining which mutual funds to offer in OPERS SDBA.

Members are solely responsible for determining which mutual fund or funds to purchase, hold, or sell in their SDBA. By investing in the shares of such fund or funds, Members agree to be subject to fees and other expenses charged to their shares by their mutual funds and to any restrictions on trading or withdrawals that their mutual funds may impose.

E. Default Option

If a Member fails to select one of the above-described Options, their contributions will be invested in the TDF that will reach Payout status closest to the date on which the Member would attain the age of 65.

F. Change of Investment Options

Members may change their Investment Options at any time.

The Board may at any time and from time to time change, add to or reduce the number of such Options and the number of Asset Classes in which Options are offered. If the Board decides to eliminate an Option or an Asset Class, OPERS shall notify Members affected by its decision.

The SDBA service provider may at any time and from time to time change, add to or reduce the number of mutual funds it offers in OPERS SDBA.

VI. PERFORMANCE OBJECTIVES

A. OPERS Funds and Target Date Funds

The performance objectives for OPERS Funds are to match as closely as possible the return of their respective benchmarks, gross of external investment managers' fees. The performance objectives for OPERS Stable Value Fund ("SVF") are to maintain the value of principal while exceeding the long-term return of its benchmark.

The objective of each OPERS TDF is to match as closely as possible its customized benchmark, which is comprised of the market indices for its component Funds weighted in accordance with the TDF's Target allocations. Deviations from TDFs' benchmarks are expected to arise principally due to payment of fees and costs associated with asset class rebalancing.

B. OPERS Self-Directed Brokerage Account

There is no performance objective for the SDBA because each participating Member selects the mutual fund shares they wish to buy, hold or sell.

VII. ROLES AND RESPONSIBILITIES

A. OPERS Members

Members are responsible for determining in which OPERS retirement plan they will participate. Members who elect the DC Plans are responsible for selecting their own Investment Option or Options, monitoring their asset allocation strategy and making adjustments as appropriate for their personal situations. Members are also responsible for availing themselves of investment educational resources made available to them by OPERS.

OPERS DC Plans are self-directed plans and Members' investments in them are not insured. There can be no assurance that any certain value anticipated at a future date, such as retirement, will be realized. Members' accounts are subject to investment risks such as the variability of investment returns and the potential for losses due to investment selection, market or economic conditions. Since each Member's risk tolerance is different, each Member is ultimately responsible for the investment results of their account.

B. OPERS Retirement Board

The Board has the authority to determine the manner in which it discharges its responsibilities and how it delegates duties to others, all of whom must act in accordance with the fiduciary standards of ORC Section 145.11.

The Board oversees OPERS Funds and TDFs by offering broadly diversified portfolios that seek to minimize the impact of losses due to individual security positions. The Board, assisted by Staff and the Board's Advisor, monitors the performance of the Funds and TDFs relative to their benchmarks. Annually, the Board reviews asset allocation Targets and Ranges of the TDFs to determine if they remain appropriate or to revise them if changes appear warranted.

The Board oversees OPERS SDBA through its selection and monitoring of investment service providers.

The Board is responsible for all aspects of the DC Plans and DC Funds including:

- Setting all investment policies, including this Policy, and reviewing them annually;

- Establishing the number and types of Investment Options to be made available;
- Establishing and modifying benchmarks for OPERS Funds;
- Establishing and modifying Targets and Ranges for OPERS TDFs;
- Monitoring the performance of investment Managers, service providers, OPERS Chief Investment Officer (“CIO”) and Staff;
- Ensuring compliance with this Policy;
- Retaining Advisors to assist it, as appropriate; and
- Reviewing and approving the Annual DC Funds Report (“Report”).
- Reviewing and recommending any changes to this Policy
- Reviewing reports related to this Policy

C. Chief Investment Officer

The CIO is responsible for implementing this Policy and for all investment activities that affect DC Funds’ investments including compliance with this Policy.

To help assure effective control over DC Fund investment activities, the CIO appoints the DC Funds Staff Investment Committee (“DCFSIC”), which reports to the CIO. The DCFSIC meets no less frequently than quarterly and keeps minutes of its meetings.

D. Investment Compliance

The Investment Compliance area of Investment Accounting, Operations and Compliance (“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.

E. Custodian

The custodian is responsible for physical custody and safekeeping of investment assets. ORC Section 145.26 appoints Ohio’s Treasurer of State custodian of OPERS’ assets including assets of the DC Funds. The Treasurer may employ sub-custodians to perform certain functions including some that may affect the DC Funds.

F. Investment Advisor

The Board may appoint an Advisor who is not affiliated with OPERS to assist it with its responsibilities for the DC Plans and DC Funds. Such Advisor may assist Staff in discharging its responsibilities but shall be solely responsible to the Board and report directly to it, independent of Staff.

Such Advisor shall perform functions established through contractual agreements that includes:

- Educating both Board and Staff about DC trends and best practices;
- Advising the Board on DC Fund investment matters;
- Evaluating Staff's Annual Report;
- Reviewing and commenting on Managers' governing documents and any proposed changes thereto after they are reviewed and approved by the DCFSIC;
- Monitoring DC Fund investments and Managers;
- Conducting periodic and special studies on behalf of the Board; or
- Reviewing the glide path/target fund allocation and providing the Board with any recommendations as appropriate, at least once every three (3) years.

G. Investment Managers

Each external Manager of OPERS Funds and TDFs is responsible for investing such assets in accordance with their investment manager agreement with OPERS, and any other governing documents, to achieve their assigned investment objectives.

Managers exercise complete investment discretion in regard to buying, holding, managing and selling assets held in their respective portfolios subject only to any restrictions in their investment manager agreement or other governing documents.

Managers are also responsible for voting all proxies on securities held in their portfolios of OPERS Funds and TDF assets. They shall do so solely in the best interests of Members.

VIII. ANNUAL DC FUNDS REPORT

Each year, Staff and the Board's Advisor shall present to the Board a Report in which they:

- Review the DC Plans' Investment Options;

- Propose any changes in OPERS Funds and TDFs, including portfolio benchmarks, Targets and Ranges;
- Propose any changes to the TDFs' glide paths;
- Analyze investment management expenses of the DC Funds;
- Describe results of any key initiatives for the past year; and
- Explain any key initiatives proposed for the ensuing year.

IX. MONITORING AND REPORTING

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

- Quarterly review of TDF asset allocation relative to Targets – Staff
- Quarterly performance report – Advisor or Staff
- Quarterly report on compliance – Investment Compliance Staff
- Annual Report – Advisor and Staff

X. APPENDIX A

The following Target Date Funds are available to Members. The Asset Class Targets and Ranges shown below are expected to be in effect December 1, 2020. A snapshot of the current allocation is included below. The year by year allocation changes are based on a glide path approved by the Board. Weights may differ relative to these targets and ranges because of existing market conditions or other extenuating circumstances. Following allocation changes due to annual glide path rolls, if the TDFs' allocations are outside of the ranges, Staff will rebalance the TDFs back to their targets within ten business days.

In the charts below, ranges are +/- asset class target allocations. If the value of a range is greater than such a target, the lower limit of the range is zero percent and its upper limit is the target percent plus the range percent.

December 1, 2019 – November 30, 2020:

Asset Class	OPERS Target Date Funds							
	Payout		2020		2025		2030	
	Target	Range	Target	Range	Target	Range	Target	Range
Large Cap Index Fund	10%	2%	11%	2%	14%	2%	18%	3%
Small Cap Index Fund	5%	2%	6%	2%	11%	2%	15%	3%
Non-U.S. Stock Index Fund	15%	3%	17%	3%	25%	4%	33%	4%
Bond Index Fund	32%	4%	33%	4%	38%	5%	31%	4%
Short Term Bond	25%	4%	21%	3%	4%	1%	0%	0%
Long Duration Fund	0%	0%	0%	0%	0%	0%	1%	1%
TIPS Fund	13%	2%	12%	2%	8%	2%	2%	1%

OPERS Target Date Funds								
Asset Class	2035		2040		2045		2050	
	Target	Range	Target	Range	Target	Range	Target	Range
Large Cap Index Fund	21%	3%	22%	3%	23%	3%	24%	3%
Small Cap Index Fund	18%	3%	19%	3%	19%	3%	20%	3%
Non-U.S. Stock Index Fund	39%	5%	41%	5%	42%	5%	43%	5%
Bond Index Fund	16%	3%	10%	2%	8%	2%	7%	2%
Short Term Bond	0%	0%	0%	0%	0%	0%	0%	0%
Long Duration Fund	6%	2%	8%	2%	8%	2%	6%	2%
TIPS Fund	0%	0%	0%	0%	0%	0%	0%	0%

OPERS Target Date Funds				
Asset Class	2055		2060	
	Target	Range	Target	Range
Large Cap Index Fund	25%	4%	25%	4%
Small Cap Index Fund	20%	3%	20%	3%
Non-U.S. Stock Index Fund	45%	5%	45%	5%
Bond Index Fund	5%	2%	5%	2%
Short Term Bond	0%	0%	0%	0%
Long Duration Fund	5%	2%	5%	2%
TIPS Fund	0%	0%	0%	0%

December 1, 2020 – March 31, 2022

OPERS Target Date Funds								
Asset Class	Payout		2025		2030		2035	
	Target	Range	Target	Range	Target	Range	Target	Range
Large Cap Index Fund	10%	2%	13%	2%	17%	3%	21%	3%
Small Cap Index Fund	5%	2%	10%	2%	14%	2%	18%	3%
Non-U.S. Stock Index Fund	15%	3%	23%	3%	32%	4%	39%	5%
Bond Index Fund	32%	4%	39%	5%	35%	5%	17%	3%
Short Term Bond	25%	4%	5%	2%	0%	0%	0%	0%
Long Duration Fund	0%	0%	0%	0%	0%	0%	5%	2%
TIPS Fund	13%	2%	10%	2%	2%	1%	0%	0%

OPERS Target Date Funds										
Asset Class	2040		2045		2050		2055		2060	
	Target	Range	Target	Range	Target	Range	Target	Range	Target	Range
Large Cap Index Fund	22%	3%	23%	3%	24%	3%	25%	4%	25%	4%
Small Cap Index Fund	19%	3%	19%	3%	20%	3%	20%	3%	20%	3%
Non-U.S. Stock Index Fund	41%	5%	42%	5%	43%	5%	45%	5%	45%	5%
Bond Index Fund	10%	2%	8%	2%	7%	2%	5%	2%	5%	2%
Short Term Bond	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Long Duration Fund	8%	2%	8%	2%	6%	2%	5%	2%	5%	2%
TIPS Fund	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

	2065	
Asset Class	Target	Range
Large Cap Index Fund	25%	4%
Small Cap Index Fund	20%	3%
Non-U.S Stock Index Fund	45%	5%
Bond Index Fund	5%	2%
Short Term Bond	0%	0%
Long Duration Fund	5%	2%
TIPS Fund	0%	0%