OPERS

Ohio Public Employees Retirement System

Private Credit Policy
March 2025

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Revision History

Private Credit Policy Established	**September 20, 2023**
Policy Revised	**March 20, 2024**
Policy Revised	**March 19, 2025**

I. SCOPE

This Policy applies to the Private Credit assets within the Ohio Public Employees Retirement System ("OPERS") Defined Benefit Fund (“DB Fund”).

II. PURPOSE

This Policy provides the broad strategic framework for managing Private Credit assets.

III. INVESTMENT PHILOSOPHY

The Private Credit sub-asset class seeks exposure to higher risk adjusted returns than public fixed income markets. In order to obtain such returns, OPERS will invest in non-publicly traded debt.

IV. ALLOCATION

The DB Fund Investment Objectives and Asset Allocation Policies establish the target allocations for Private Credit. The Private Credit portfolio may be comprised of various private credit strategies that may include (but are not limited to) direct lending, subordinated capital, structured credit, stressed/distressed debt, and specialty finance.

In order to achieve reasonable levels of diversification in the portfolio, OPERS will invest across strategy types and vintage years.

V. INVESTABLE INSTRUMENTS AND RESTRICTED INVESTMENTS

A. Investment Types

This Policy authorizes commitments to private credit drawdown funds, evergreen funds, Business Development Companies and Funds of One (collectively “Private Credit Investments”) investing in private credit strategies. This Policy also allows for structures which may not conform precisely to the aforementioned but are designed to provide private credit exposure and returns while insulating the DB Fund from liability in excess of the amounts invested.

B. Co-Investments

Staff may pursue opportunities for additional capital participation through co-investment. The underlying asset in a co-investment is a loan or debt-like instrument of an existing private credit fund and managed by the fund’s manager.

C. Derivatives

The use of derivatives shall comply with the OPERS’ Derivatives Policy.

VI. THIRD-PARTY MARKETING

OPERS expects its managers to behave legally and ethically. OPERS requires that third-party marketers used by managers 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

OPERS' Private Credit performance is benchmarked against the total return of the S&P UBS Leveraged Loan Index.

VIII. RISK MANAGEMENT

Private Credit Investments do not lend themselves to traditional quantitative measures of risk such as standard deviation and benchmark tracking error. Rather, risk is managed through a combination of quantitative and qualitative constraints. The following sections identify the most significant risks with Private Credit Investments and the method of control.

A. Liquidity Risk

Private Credit Investments are illiquid and funds typically have expected holding periods of 5-8 years or more. Private Credit investments are typically held until all underlying investments have been sold, since selling prior to that point often results in a discount to fair market value. Liquidity risk is managed by minimizing the possibility of forced sales that may arise from exceeding maximum exposure limits or lowering asset allocation exposure limits. Asset allocation exposure is monitored by an investment pacing model maintained by Staff.

B. Vintage Year Risk

Vintage year refers to the year of the first investment or capital draw for fees. Vintage year risk refers to the variability of returns associated with the annual commitment amounts to Private Credit Investments over time. Staff manages the short and long-term investment pacing model that helps to minimize vintage year risk while achieving targeted exposure.

C. Single Investment Risk

OPERS does not want the failure of a single fund investment to have a severe impact on the performance of the Private Credit sub-asset class. The following limitations will be applied to moderate the impact of a single commitment/investment:

a) For commingled vehicles, OPERS will limit its commitment amount to any single commingled fund to $500 million.
b) For Fund of One investments, OPERS will limit its commitment to $800 million.
c) For co-investment vehicles, OPERS will limit its commitment to $250 million.

D. Credit Risk

Staff cannot opt into or out of exposures to individual investments through fund investments, but exposure may be managed when participating via a co-investment.

E. Industry Risk

Private Credit Managers may invest across industries at their discretion provided they are providing sufficient diversification to their overall portfolio. Industry risk is controlled through both the underlying investment manager's diversification within their portfolio as well as diversification by investment manager.

F. Manager Risk

The impact of a single manager and its affiliates on the Private Credit portfolio is mitigated by Staff diversifying manager exposure.

G. Currency Risk

Given the global nature of the Private Credit portfolio, OPERS accepts the currency risk consistent with an individual investment's geographic constraints. Private Credit Managers may hedge currency risk at their discretion. OPERS will not implement currency hedges.

H. Geographic Risk

Geographic risk, as defined by the location of the company's headquarters for corporate investments and by region of exposure for non-corporate facing investments, is controlled through limitations as shown in the tables below:

Region	Allocation Range
U.S.	**70% to 100%**
Non-US	**0% to 30%**

*The entire non-US allocation may be allocated to Western Europe and/or Canada. No more than 10% of the entire portfolio can be invested outside of the aforementioned regions.

Region	Allocation Range
Western Europe and/or Canada	**Up to 30%**
Other	**No more than 10%**

I. Leverage Risk

Managers of Private Credit Investments may employ leverage to their investments in hopes of generating additional returns. Staff uses portfolio construction as the primary tool to manage leverage exposure and usage of leverage shall comply with the OPERS' Leverage Policy. 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.

J. Valuation Risk

Private Credit Investments lack the trading frequency to establish values and rely on an assessment process to periodically value investments. OPERS will utilize valuation procedures consistent with industry standards for the Private Credit sub-asset class.

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 Private Credit assets within the framework of the Board approved Policies and within the goals and objectives adopted by the Board in the Annual Investment Plan. Staff will select managers in accordance with the Manager Selection and Monitoring Processes or through Requests for Proposals.

C. 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.

D. Investment Advisors

The Board and Staff may engage specialty Investment Advisors to assist in managing the program. Specific responsibilities will be established with the Investment Advisors through contractual agreements.

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 Advisors

Compliance – Investment Compliance Staff

B. Semi-Annually

Asset class performance Report - Staff

C. Annually

OPERS Annual Investment Plan