



Ohio Public Employees Retirement System

**Risk Parity Policy
March 2025**

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Revision History

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I. SCOPE

This Policy applies to investments in the Risk Parity Asset Class within the Ohio Public Employees Retirement System (“OPERS”) Defined Benefit Fund (“DB Fund”) and Health Care 115 Trust Funds (“HC Fund”).

II. PURPOSE

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

III. INVESTMENT PHILOSOPHY

OPERS seeks to diversify assets through the Risk Parity allocation by obtaining exposure to global capital market assets in a risk-aware manner. This requires investing in multiple asset types and leveraging exposures to global markets in order to obtain the desired risk-aware mix. The Risk Parity allocation is structured to achieve roughly balanced risk exposure across equities, nominal fixed income, and inflation sensitive assets, targeting a total volatility level comparable to that of the DB Fund and HC Fund.

IV. ALLOCATION

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

Exposure can be obtained through internally managed approaches. Managers’ portfolios may have unique asset allocations, strategies and definitions of approaches for targeting balanced risk exposures.

V. PERMISSIBLE INSTRUMENTS

Risk Parity 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. PERFORMANCE OBJECTIVES

The overall benchmark for the Risk Parity Asset Class is S&P Risk Parity Total Return Index 10% Vol Target (USD). The performance benchmarks for the Risk Parity strategies are shown in the table in Section VIII. The Annual Investment Plan, which is approved by the OPERS Retirement Board, shall include the performance expectation for Risk Parity.

VII. RISK MANAGEMENT

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

Strategy	Benchmark	Tracking Error Range
Internal Global Risk Parity	S&P Risk Parity Total Return Index 10% Vol Target (USD)	0 to 60 basis points

B. Liquidity Risk

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

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

D. Derivatives Risk

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

E. Leverage Risk

Risk Parity strategies generally incorporate leverage in order to achieve the desired risk allocations and volatility characteristics. The use of a volatility target limits the amount of leverage that may be undertaken. 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.

VIII. 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 Risk Parity investments within the framework of the Board-approved Policy and within the goals and objectives adopted by the Board in the Annual Investment Plan.

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, Operations and Compliance (“IC”) is responsible for monitoring compliance with this Policy (except tracking error measurements), 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 Advisor

The role of the Investment Advisor is specified in the Investment Objective and Asset Allocation Policies.

IX. 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