



Ohio Public Employees Retirement System

**Benchmarks Policy
March 2024**

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Revision History

Benchmarks Policy Established
Policy Revised

September 20, 2023
March 20, 2024

I. SCOPE

This Policy applies to the usage of benchmarks within the Ohio Public Employees Retirement System (“OPERS”) Defined Benefit Fund (“DB Fund”) and Health Care 115 Trust Fund (“HC Fund”).

II. PURPOSE

This Policy provides the broad strategic framework for the selection, use, and modification of benchmarks utilized to manage the Funds. It is intended to clearly describe the use of benchmarks within the Funds, to delineate roles and responsibilities with respect to benchmarks and to help ensure all fiduciaries prudently manage those responsibilities, while preserving the flexibility necessary to meet the Funds return and risk objectives.

III. LEGAL AUTHORITY

The investment powers and fiduciary responsibilities of the OPERS Retirement Board (“Board”) are established by Section 145.11 of the Ohio Revised Code (“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 Funds’ assets, are subject to the same fiduciary standards as the Board.

IV. PHILOSOPHY

A benchmark is a standard or point of reference against which an investment may be compared. Often, market indices (e.g., the S&P 500 index) are used as benchmarks. A market index is a group of financial instruments, typically securities or derivatives, that represents and quantifies the performance of a particular market segment such as an asset class, sector, or strategy.

Many other measures, or combinations of measures, may be used as benchmarks as well. Including returns-based indices such as peer groups or manager universes, the Federal Funds Effective Rate, the Prime Rate, an arbitrary fixed rate, or a reference rate plus a spread.

When properly implemented and utilized in an investment management program, benchmarks may enhance the evaluation of investment strategies and value-added by managers. According to CFA® Institute’s Global Investment Performance Standards, appropriate benchmarks reflect the investment mandate, objective, or strategy. Additional characteristics may be considered, such as whether a benchmark is one that is specified in advance and is relevant, measurable, unambiguous, representative of current investment options, accountable, investable, and complete.

Achieving these characteristics when selecting a benchmark often involves trade-offs, as many benchmarks may not satisfy all these criteria. A transparent, representative benchmark is particularly challenging with private market assets since these assets are illiquid and generally not traded publicly or on an exchange.

V. ESTABLISHING AND MODIFYING BENCHMARKS

Benchmarks are used in three primary ways, described further below and summarized in the following table.

Benchmark Usage	Role		
	Board	Investment Advisor	Staff
Policy (Fund, Asset Class, Sub-Asset Class)	Approve	Advise	Advise
Portfolio	Inform	Approve	Approve
External Managers	Inform	Approve	Approve

Policy Benchmarks

Policy Benchmarks are used by the Board to direct Staff in establishing the strategic asset allocation and performance expectations of the Funds, which are expected over time to fulfill the investment objectives set forth in the Fund Policies.

Policy Benchmarks are established by the Board for each Fund, Asset Class, and Sub-Asset Class, as described in the Performance Objectives sections of the Fund Policies and in the Performance Objectives of each Asset Class policy.

Policy Benchmarks are approved at least annually as part of the Board’s policy review and approval process.

Modifications to Policy Benchmarks, which must be approved by the Board, may be recommended by the Investment Advisor for reasons that include, but are not limited to the following:

- A change in the investment mandate.
- A material change in benchmark characteristics, frequency or provider.

At the discretion of the Board, the Investment Advisor, with assistance from Staff, shall provide formal recommendations to the Board for the modification of an existing or the establishment of new Policy Benchmarks.

Portfolio Benchmarks

Portfolio Benchmarks are used by Staff to implement the Board's Policy allocation and manage performance and risk expectations for individual portfolios. The selection of a Portfolio Benchmark may differ from the Policy Benchmark, depending on the mandate and implementation.

The authority involving portfolio guidelines was delegated to the Investment Advisor and Staff at the Board's November 13, 2007, meeting, in which the Investment Committee adopted modifications to its Statements of Investment Objectives and Policies for the Defined Benefit and Health Care Funds. Among other changes, the Committee delegated the responsibility and authority to review and approve guidelines, and proposed changes to guidelines, for all portfolios managed by internal Staff as well as those managed by external investment managers.

As part of this delegation of authority, Staff and the Investment Advisor established the Reviewing and Approving Portfolio Guidelines and Proposed Changes to Guidelines Staff Procedure, which is used to specify parameters applicable to individual portfolios, including Portfolio Benchmarks. The Investment Advisor must approve all portfolio guidelines and changes to portfolio guidelines.

External Managers

Benchmarks for groups of External Managers are used by Staff to implement the Board's Policy allocation and manage performance and risk expectations for external manager mandates so that they may be evaluated as a group, rather than individually. For example, external managers in the U.S. Equity small cap mandate are assigned the Russell 2000 benchmark.

Staff and the Investment Advisor assign either an approved Policy Benchmark or an approved Portfolio Benchmark (described above) for External Manager mandates.

VI. ROLES AND RESPONSIBILITIES

A. OPERS Retirement Board

The 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 maintaining appropriate operating procedures to support the framework of the Board-approved Policy and 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 confirming that the Policy Benchmark updates are approved by the Board and that the Portfolio Benchmark updates are approved by the Investment Advisor. IC is also responsible for confirming the benchmark updates are implemented by the Investment Operations team. If IC identifies any exceptions, 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.

VII. MONITORING AND REPORTING

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

A. Quarterly

Report on compliance – Investment Compliance Staff

B. Annually

OPERS Annual Investment Plan – Investment Advisor and Investments Staff

Review of the OPERS Policy Benchmarks approved by the Board – Investment Advisor