Ohio Public Employees Retirement System

Stable Value Option Investment Policy Statement
Ohio Public Employees Deferred Compensation Program
January 2026

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Revision History

Adopted by Ohio DC Board	**December 16, 1997**
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Adopted by OPERS Board	**January 21, 2026**

I. SCOPE

This Policy applies to the Stable Value Option assets within the Ohio Public Employees Deferred Compensation Program (“Ohio DC”) as administered by the Public Employees Retirement Board (the “Board”) under Chapters 145. and 148. of the Ohio Revised Code.

II. PURPOSE

The purpose of this statement is to establish the investment policy for the management of the Stable Value Option assets of the Ohio DC. The Board assumes the responsibility for establishing this investment policy, the purpose of which is to guide the investment of assets within the Stable Value Option and the degree of investment risk the Board deems appropriate. This policy will be reviewed periodically (typically annually) by the investment consultant (“Consultant”), Ohio Public Employees Retirement System (“OPERS”) staff (“Staff”) and stable value roll-up manager (“Roll-Up Manager”). Any changes the Consultant or Roll-Up Manager recommends will be discussed with Staff and presented to the Board for final approval. In addition, the Consultant will be evaluated by the Staff and Board annually concerning their work on the Stable Value Option.

III. LEGAL AUTHORITY

It is the intention of the Board that the assets of Ohio DC shall be maintained in compliance with all applicable laws governing the operation of Ohio DC. Practices in this regard include, but are not limited to, the following:

- The Board is a fiduciary and trustee of the funds of Ohio DC under Chapters 145. and 148. of the Ohio Revised Code.
- Although Ohio DC is not subject to Employee Retirement Income Security Act of 1974 (“ERISA”), Ohio DC intends to generally follow the fiduciary best practices of ERISA when feasible.
- Stable Value Option investment managers (“Managers”) shall be selected and monitored with the care, skill, and diligence that would be applied by a prudent investor, acting in a like capacity and knowledgeable in the investment of retirement funds.
- All transactions undertaken on behalf of Ohio DC shall be for the sole interest of participants. For purposes of this policy, the term "Participants" means any participant, beneficiary, or alternate payee who has an account or accounts within Ohio DC.
- The Board, in consultation with the Consultant and Staff, will select and retain Managers in the Stable Value Option after satisfactory review of factors such as perceived skill, trading practices, product importance, product fit, organization and ownership structure, fees, and the investment record.

IV. INVESTMENT PHILOSOPHY

A. Investment Objective

The Stable Value Option seeks to provide a stable principal value and a competitive level of interest income by investing in a diversified portfolio of high-quality investment contracts and other high-quality fixed income instruments. Over longer periods of time, performance of the Stable Value Option is expected to exceed the 3 Year Constant Maturity Treasury Index, net of fees, as well as meeting or exceeding the performance of the Morningstar US CIT Stable Value Index on a gross of fees basis.

B. Investment Strategy

The Stable Value Option may invest in benefit-responsive general and separate account GIC contracts, BIC contracts, and "synthetic" GIC contracts (i.e., wrap contracts) (collectively, “Stable Value Contracts”), as well as short-term investments and other fixed income instruments that are provided by product issuers which meet the Stable Value Option's credit quality standards.

Within the Stable Value Option, investments will be segmented between a liquidity buffer, fixed maturity structure, and an open maturity structure as defined below:

- Liquidity buffer – will accept ongoing contributions and transfers remitted to the Stable Value Option and provide the first source of liquidity for all Stable Value Option withdrawals. Within the liquidity buffer, the Stable Value Option will primarily invest in short-term investment funds or money market instruments, but it may also invest in high-quality buffer Stable Value Contracts that provide same-day liquidity for withdrawals.

- Fixed maturity structure – will emphasize a laddered maturity structure of investments to generate periodic cash flow that may be used to replenish the Liquidity Buffer. Stable Value Contracts in the fixed maturity structure will pay qualified withdrawals on a net pro-rata basis after the depletion of the liquidity buffer.

  Within the fixed maturity structure, the Stable Value Option will invest primarily in investments which have average maturities at the time of issuance of less than five years.

  The fixed maturity structure will normally pursue a laddered maturity structure, whereby the dollar-weighted average duration of the structure will be no more than 3.5 years. To avoid the adverse impact of future reinvestment risk, the fixed maturity structure will target a fairly equal ladder of maturities.

- Open maturity structure – may maintain both active and passive investment management benchmarked against the Bloomberg Intermediate Aggregate Bond Index or the Bloomberg Intermediate Government/Credit Index. A passive core allocation may be maintained replicating the characteristics of the underlying index (subject to constraints by the wrap contract(s)). An actively managed component will be benchmarked against the Bloomberg Intermediate Aggregate Bond Index with the selected Managers exercising investment discretion with respect to yield curve positioning, sector allocation, and security selection. The active Managers will have investment discretion to utilize non-dollar investments as well as high yield investments within agreed upon constraints.

  Stable value wrap contracts used in the open maturity structure will pay qualified withdrawals on a net pro-rata basis after the depletion of the liquidity buffer.

C. Portfolio Structure and Rebalancing Policy

The Board, in consultation with the Consultant, Staff, and Roll-Up Manager, will periodically review and evaluate the portfolio structure. The Staff shall, on an ongoing basis in accordance with market fluctuations and participant cash flow experience, rebalance the Stable Value Option portfolio to remain within the range of permitted allocations. The current permissible ranges are documented in Appendix A and may be reasonably adjusted by Staff in consultation with the Consultant and Roll-Up Manager with subsequent notification to the Board.

It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be a material determinant of the crediting rate. As a result, a systematic decision rule-based procedure for determining target allocations and rebalancing shall be implemented as discussed below.

- The Board delegates to the Staff and the Consultant, in consultation with the Roll-Up Manager, the responsibility for monitoring to ensure that the Stable Value Option's asset allocation remains within the permissible ranges, determining appropriate target allocations, implementing rebalancing as needed, and reporting the current targets and any rebalancing activities to the Board at the periodic Stable Value Option review.

- The Staff, in consultation with the Roll-Up Manager, will make quarterly observations of the market values of each mandate, participant cash flows, market dynamics, among other factors. Based on these observations, Staff, in consultation with the Roll-Up Manager and Consultant, will be responsible for adjusting the current target allocations as needed and/or rebalancing each mandate back to its respective target allocation whenever that mandate falls outside the established range.

- The Roll-Up Manager will monitor the overall duration of the Stable Value Option and seek to keep the overall duration no more than 4 years with a cap of 3.5 years for the fixed maturity component. The Roll-Up Manager will notify Staff and the Consultant if the duration of the Stable Value Option goes outside of this target range.

- Rebalancing will first use normal cash flows where practical and secondarily be accomplished through reallocation of assets between mandates.

- The Staff and Consultant, in consultation with the Roll-Up Manager (with respect to obtaining wrap contract coverage for the Managers), will recommend individual Manager funding levels within the open maturity segment for Board approval. The current funding allocations within the open maturity segment are documented in Appendix A and may be reasonably adjusted by Staff in consultation with the Consultant and Roll-Up Manager with subsequent notification to the Board.

D. Insurance and other Institution Diversification and Credit Quality Restrictions

The following diversification limits will apply to Stable Value Contracts held within the Stable Value Option at time of purchase.

- The allocation to any one wrap contract issuer or separate account GIC issuer shall not exceed one-third (33%) of the Stable Value Option's assets. In addition, the

Stable Value Option's allocation to any single issuer of general account GIC contracts shall not exceed 5% of the Stable Value Option's assets.

- The Stable Value Option will seek to limit its aggregate exposure to insurance company general account contracts to no more than 25% of Stable Value Option assets.

Insurance companies issuing Stable Value Contracts must meet the following credit quality guidelines at time of purchase:

- Fitch, Moody's, and Standard & Poor's ratings such that:
  - there are ratings from at least two of the three rating services;
  - the weighted-average of such ratings must be A- (A3 Moody's) or better; and
  - no rating shall be below A- (A3 Moody's).

Banks and other financial institutions issuing Stable Value Contracts must meet the following guidelines at time of purchase:

- Fitch, Moody's, and Standard & Poor's ratings such that:
  - there is an A (A2 Moody's) or better senior unsecured debt rating from one of the three rating services;
  - the weighted-average of such ratings must be A- (A3 Moody's) or better; and
  - no rating shall be below A- (A3 Moody's).

E. Synthetic Contracts

Assets underlying each wrap contract or separate account GIC contract must meet the following guidelines:

- Stable Value Option assets may be invested in Government, Government Agency, mortgage backed, asset backed and corporate debt securities, and other securities included in the Bloomberg Intermediate Aggregate Bond Index. Mortgage-backed securities would include collateralized mortgage obligations (CMOs), Real Estate Mortgage Investment Conduits (REMICs), and Commercial and Residential Mortgage Backed Securities (CMBS and RMBS). Private placements and 144a debt securities are permissible. Derivatives, including but not limited to, futures and swaps are permissible.

- Securities rated below BBB-/Baa3 may not exceed 10% of Stable Value Option assets within a portfolio. In addition, no more than 1% of a portfolio's assets may be invested in any single high yield (below BBB-/Baa3) issuer.

- The average quality of the Stable Value Option's assets within a portfolio will be A- (A3 Moody's) or better.

- No more than 5% of the Stable Value Option's assets within a portfolio may be invested with any one corporate issuer.

- Investments in non-dollar fixed income securities may not exceed 20% of the assets allocated to the Stable Value Option structure.

- If any security is downgraded below these policy guidelines, or such downgrade causes a portfolio to fall out of compliance with these guidelines, the Manager will notify Staff, the Roll-Up Manager, and Consultant about the development with a recommended next step. The Manager will be encouraged to sell the security within an appropriate period of time, taking into consideration liquidity and market conditions and an appropriate level of prudence, to ensure the portfolio is not adversely affected.

Staff has the discretion, in consultation with the Consultant and Roll-Up Manager, to make changes to Manager investment guidelines that do not otherwise conflict with this policy.

F. Cash Investments

The Stable Value Option's cash investments fund must meet the following guidelines:

- Must be invested in money market instruments or commingled funds which invest in money market instruments which are issued by the U.S. Government or U.S. Government agencies, repurchase agreements which are collateralized by such securities, non-governmental securities rated P-1 by Moody's or A-1 by Standard & Poor's or their equivalents, or deposits with investment grade banks meeting the Bank Credit Quality Guidelines referenced above.

G. Manager Reporting Requirements

- Managers will provide the necessary reports and statements as requested by the Staff, Consultant, and Roll-Up Manager, to conduct their due diligence, reporting, and analyses by the 15th business day of the following month. In addition, a discussion of the portfolio's recent strategy and expected future strategy and demonstration of compliance with guidelines must be included in this package.

- Managers must reconcile quarterly accounting, transaction, and asset summary data with custodian reports and communicate and resolve any significant discrepancies with the custodian. If requested by Staff, Managers must also send a copy of the reconciliation to Staff by the 15th business day of the following month subsequent to quarter end.

- Managers will meet with the Staff and/or Consultant as often as determined necessary by the Board. Managers will also provide the Staff with proof of liability and fiduciary insurance coverage of the at least $5 million, in writing, as requested.

- Managers will keep the Staff, Consultant, and Board apprised of relevant information regarding its organization, personnel, and investment strategy. The firm will notify Staff within one business day of any change in the lead personnel assigned to manage the account.

H. Women and Minority-Owned, Ohio-Based and Emerging (WMOE) Business Enterprises

The Board recognizes that Ohio DC is a public agency with a diverse membership that aspires to fully consider WMOE organizations for all its service provider relationships. The Staff and Consultant are requested to provide an assessment of the most qualified WMOE organizations that meet its criteria as approved by the Board while conducting searches for service providers. Disabled veterans are included in the definition of minority.

The Staff and Consultant are allowed to relax specific criteria, to the extent that the Staff and Consultant are unable to find a representative list of WMOE enterprises that meet the selection criteria as approved by the Board. The candidate(s) that most closely meet the criteria and WMOE characteristics will be presented to the Board for consideration. The Board requests that the Staff and Consultant report on the specific criteria that was relaxed, with reasoning, upon delivery of the search materials.

V. PERFORMANCE AND MONITORING

A. Performance Guidelines and Manager Monitoring

On a periodic (typically annual) basis, the Stable Value Option's performance will be evaluated against the following two metrics:

- Exceed the 3 Year Constant Maturity Treasury Index, net of fees.

- Meet or exceed the Morningstar US CIT Stable Value Index, gross of fees.

On a quarterly basis, the Consultant will provide a performance assessment of each individual Manager employed, confirmation of compliance with individual Manager guidelines, and the asset positioning of the overall Stable Value Option. In addition, Staff, in conjunction with the Consultant, will report to the Board material changes in underlying Managers' talent, process, philosophy, and fee levels with recommendations for change as needed.

B. Fund Monitoring Policy

The Board acknowledges that, from time to time, there may be the need to replace an existing Manager with a new Manager within the open maturity portion of the Stable Value Option. The Board has developed the following Fund Monitoring methodology to help govern decisions to terminate an existing Manager.

The Board's considerations in the process will be based on the following key criteria:

- The Manager has underperformed its benchmark over the most recent trailing five-year period.

- The Manager has underperformed its benchmark in three of the four most recent calendar quarters.

- The Manager's investment strategy and/or portfolio characteristics have materially diverged from its designated style.

- Adverse change in the Manager's portfolio management team and/or organizational structure.

- Weak Manager research rating, as reported by the Consultant.

The table below summarizes the status that will be applied in this methodology:

Status		Number of Criteria Met	Generally Indicated Action
	GREEN	Less than 2	No action.
	YELLOW	2 to 3	The Board may place the Manager on a "closely monitored list."
	ORANGE	4	The Board will evaluate if all future contributions to the investment alternative or investment Manager should be halted. The Board will continue to closely monitor the investment manager and decide within 180 days whether to terminate the Manager or continue to closely monitor.
	RED	Greater than 4	The Board will evaluate terminating the investment Manager and moving all invested balances to another investment Manager or new investment Manager as soon as administratively possible.

It is expected that investment Managers will not be reactivated once a status change occurs and the process to terminate begins. However, the Board retains the discretion to re-evaluate investment Managers or delay the process as it may deem appropriate. If significant negative factors exist, accelerated status changes may be recommended. The Board reserves the right to terminate an investment Manager at any time for reasons that may go beyond the fund monitoring policy, such as material administrative and/or operational problems with the investment management company.

If an investment Manager is terminated and/or added, advance notification to participants is not required, but will be announced in the appropriate newsletter(s).

Appendix A: Current Permissible Ranges and Funding Allocations

Appendix A details the current permissible ranges and funding allocations within the Stable Value Option.

The table below summarizes the current permissible ranges for the Stable Value Option structure.

Mandate	Permissible Ranges
Fixed Maturity	20% to 40%
Open Maturity	50% to 80%
Liquidity Buffer	0% to 10%

The table below provides the current approved funding allocations within the open maturity segment:

Manager	Target Allocation	Permissible Ranges
Dodge & Cox	25%	+/-3%
JP Morgan	25%	+/-3%
EARNEST	15%	+/-3%
Payden & Rygel	15%	+/-3%
Jennison	20%	+/-3%