



Ohio Public Employees Retirement System

Private Equity Policy
January 2026

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I. SCOPE

This Policy applies to the Private Equity 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 the Private Equity assets.

III. INVESTMENT PHILOSOPHY

The Private Equity sub-asset class seeks superior equity returns plus a premium for illiquidity. OPERS attempts to select managers with top quartile returns. Private equity investments also allow OPERS to invest in a very significant portion of the global economy which is not publicly-traded as well as to access strategies which benefit from longer holding or workout periods. Accessing these strategies leads not only to superior returns but also to additional diversification of assets and strategies within the DB Fund.

IV. ALLOCATION

Allocation is a critical driver for the long-term success of the Private Equity sub-asset class. Since it is not possible to rebalance quickly in Private Equity, commitment pacing and manager selection have heightened importance as tools to influence allocation.

Long-term strategy allocation ranges are presented below.

Strategy	Allocation Range
Corporate Finance	50 – 90%
Venture Capital	0 – 30%
Special Situations	0 – 30%

The Private Equity portfolio will achieve diversification by investing in funds and co-investments that are complementary in nature regarding fund size, sector, strategic focus, and vintage year.

A. Corporate Finance

This category is commonly referred to as leveraged buy-outs but is more properly identified as corporate finance. Capital is typically invested in more established companies, meaning those further along the business life cycle, having relatively predictable cash flows and the ability to raise capital throughout the entire capital structure.

B. Venture Capital

Venture capital equity is targeted at companies in the earliest phases of a business lifecycle. Companies may be classified as seed, early, middle or late stage and are characterized by their decreased ability to access public equity or debt. These companies have uncertain revenues, need cash to build their businesses, and are subject to higher failure rates than Corporate Finance companies. Venture capital investments also include fund of funds that commit to newly formed venture capital funds and secondary fund of funds that purchase venture capital funds and venture-backed companies from existing investors.

C. Special Situations

Many private equity opportunities have unique characteristics that require a separate classification beyond that of corporate finance or venture capital. These investments include distressed debt funds, mezzanine debt funds, opportunistic funds, and secondary fund of funds that are not focused on venture capital investments.

V. INVESTABLE INSTRUMENTS AND RESTRICTED INVESTMENTS

A. Investment Types

This Policy authorizes commitments to private equity funds, co-investments, fund of funds and separate accounts (collectively “Private Equity Investments”) investing in private equity strategies. Private Equity Investments may result in exposure to any type of security throughout the capital structure. This Policy also allows for structures which may not conform precisely to the previous list but whose intent is to capture private equity exposure and returns while insulating the DB Fund from liability in excess of the amounts invested.

B. Co-Investment and Direct Investment

Investment rights may include opportunities for additional capital participation through co-investment or direct investment opportunities. The underlying asset in a co-investment is a portfolio company of an existing private equity fund and managed by the fund’s manager.

Co-investments may occur by the Investment Staff (“Staff”) deciding to invest directly in a company committing to a commingled co-invest fund or by structuring a separate account with a manager who has discretion to make co-investments on behalf of OPERS. The allocation range for co-investments and direct placements is 0 to 35% of the Private Equity portfolio’s market value.

C. Derivatives

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

D. Stock Distributions

Stock distributions will either be transferred to the actively or index managed internal equity portfolios or liquidated within ninety days of receipt and with the removal of all trading restrictions. Unlisted stock distributions will be liquidated in an orderly manner.

E. Child Labor

Private Equity Investments whose strategy includes, or that demonstrate a history of, exploiting child labor is prohibited. The definition of child labor varies among countries and this provision is intended as a guideline to be applied in all private equity investing activities. Staff shall endeavor to secure provisions in the investment agreements that conform to these limitations.

F. Privatization

OPERS does not aim to promote privatization of public sector jobs through its Private Equity Investments. It is highly unlikely that OPERS Private Equity Investments would be dependent on privatization strategies. In evaluating Private Equity Investments, the Staff shall use its best efforts to limit circumstances where privatization may have an adverse actuarial impact on OPERS. If such limitation is not possible, the Staff shall seek guidance from the Board before proceeding.

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 Equity performance is benchmarked against the State Street Private Equity Index ("SSPEI") calculated using the time-weighted total return method. In addition, Staff computes internal rate of return ("IRR") results which are compared to peer rankings using the SSPEI data whose performance is also based on the IRR methodology.

VIII. RISK MANAGEMENT

Private Equity 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 Equity Investments and the method of control.

A. Liquidity Risk

Private Equity Investments are illiquid and funds in particular typically have expected holding periods of 10-12 years. Private Equity Investments are typically held until all underlying investments have been sold, since selling prior to this point generally 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 the annual commitment amounts to Private Equity Investments over time. Staff manages the short and long-term investment pacing that helps to minimize vintage year risk while achieving targeted exposure.

C. Single Investment Risk

OPERS does not want the failure of a single investment to have a severe impact on the performance of the total Private Equity sub-asset class. The following limitations will be applied to control single investment risk at the time of commitment:

- a) For primary funds, OPERS will limit its commitment amount to any single closed-end commingled fund to \$600 million.
This limit does not apply to primary fund of funds, secondary fund of funds, or vehicles used solely for co-investments.
- b) For fund of funds, including secondary fund of funds, OPERS will limit its commitment amount to any single closed-end commingled fund to \$800 million.

D. Co-Investment/Direct Investment Risk

The maximum allowable co-investment or direct investment in any individual company is the greater of \$100 million or 1% of the Private Equity portfolio's market value based on total cost of the co-investment or direct investment at the time of the investment.

E. Company Risk

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

F. Manager Risk

The allocation to a single manager and its affiliates is limited to 20% of the total exposure (defined as unfunded commitments plus market value) of the Private Equity portfolio.

G. Currency Risk

The Private Equity portfolio accepts the currency risks consistent with the geographic constraints. Private Equity Investments generally do not hedge currency risk and the Private Equity portfolio will not implement currency hedges.

H. Industry Risk

Typically, Private Equity Investments are permitted to invest in a wide variety of industries with limited controls. Industry risk is controlled primarily through appropriate diversification across classes and subclasses.

I. Geographic Risk

Geographic risk is controlled through limitations as shown in the table below:

Region	Allocation Range
U.S.	50% to 70%
* Non-U.S.	30% to 50%

*The entire Non-U.S. allocation may be allocated to Western Europe, U.K. and Canada. However, the "Other" Non-U.S. is limited to 20% of the total portfolio, as shown below.

Non-U.S. Region	Allocation Range
Western Europe, U.K. and Canada	No more than 50%
Other	No more than 20%

J. Leverage Risk

Managers of Private Equity Investments invest capital throughout the capital structure of companies. The capital markets determine the maximum leverage available to managers. Staff uses portfolio construction as a tool to manage leverage exposure.

K. Valuation Risk

Private Equity Investments lack the trading frequency to establish values and relies on an assessment process to periodically value investments. OPERS will utilize valuation procedures consistent with industry standards for the Private Equity 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 Equity 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 Advisor 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

Report on compliance – Investment Compliance Staff

B. Semi-Annually

Asset class performance report – Staff

C. Annually

OPERS Annual Investment Plan – Staff