Ohio Public Employees Retirement System

Risk Mitigation Strategies Policy
January 2026

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Revision History

Risk Mitigation Strategies Policy Established	**March 19, 2025**
Policy Revised	**January 21, 2026**

I. SCOPE

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

II. PURPOSE

This Policy provides the broad strategic investment framework for managing investments in the Risk Mitigation Strategies Asset Class.

III. INVESTMENT PHILOSOPHY

OPERS seeks to diversify assets by obtaining broad exposure to Risk Mitigation Strategies. Risk Mitigation Strategies are designed to provide diversifying properties that are often challenging to attain through traditional asset classes. Ideally, Risk Mitigation Strategies will provide liquidity in distressed market environments and allow for asset class rebalancing.

IV. ALLOCATION

The target allocations and ranges for the Risk Mitigation Strategies sub-asset classes are specified in the Investment Objectives and Asset Allocation Policy for the DB and HC 115 Trust Funds (“DB and HC Policies”).

V. PERMISSIBLE INSTRUMENTS

RMS assets may be exchange-traded or non-exchange-traded and may be physical securities or derivatives. The Risk Mitigation Strategies Asset Class will include the following strategies: Long Duration U.S. Treasury, Trend Following, Alternative Risk Premia, and other strategies. Additional security-type constraints may be applied in investment manager governing documents or portfolio guidelines.

VI. THIRD-PARTY MARKETING

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

The performance benchmarks for the Risk Mitigation Strategies are shown in the table in Section VIII. Custom benchmark based on the target weights of the underlying sub-asset class allocations.

VIII. RISK MANAGEMENT

The primary approach to managing risk is to monitor principal quantitative and qualitative risk factors relative to benchmarks with the possibility to pursue active returns.

The following sub-sections identify the key elements of risk management at the Risk Mitigation Strategies sub-asset class levels.

A. Active Risk

Active risk or tracking error is a statistical measure of the potential variability of a portfolio's return relative to the return of the assigned benchmark. Long Duration U.S. Treasury strategies may be implemented through index-based strategies with low expected tracking error relative to the strategy or manager benchmarks. Other strategies, including Trend Following and Alternative Risk Premia are generally not suitable for index-based implementation and instead typically utilize active strategies and are expected to have a higher tracking error relative to their strategy or manager benchmarks.

Sub-Asset Classes	Benchmark	Tracking Error Range (bps)
Long Duration U.S. Treasury	Bloomberg U.S. Treasury 20+ Year Total Return Index	0 - 50
Trend Following	Market-value weighted composite of the portfolio returns	0 - 50
Alternative Risk Premia	Market-value weighted composite of the portfolio returns	0 - 50

B. Counterparty Risk

Counterparty risk is the risk that a counterparty to an investment transaction fails to perform its obligations under the agreement. Counterparties must be approved in accordance with the Broker-Dealer Policy and managed in compliance with the requirements contained in the Derivatives Policy.

C. Currency Risk

Strategies may employ non-U.S. Dollar denominated instruments which expose the Funds to currency risk.

D. Liquidity Risk

Investment structure impacts liquidity. Therefore, consideration is given to separate accounts over commingled accounts as well as with internally managed accounts given their greater control and transparency.

Investment structure for externally managed portfolios impacts liquidity. Investment Staff ("Staff") will consider liquidity provisions including withdrawal restrictions at both the asset class and individual manager level. Internally managed accounts provide greater control and transparency.

E. Manager Risk

The allocation to a single active external manager in the Risk Mitigation Strategies Asset Class is limited to 50% of the respective Asset Class during the Risk Mitigation Strategies build up and transition timeframe of 2025-2026.

F. Derivatives Risk

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

G. Leverage Risk

Trend Following and Alternative Risk Premia 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. Risks may include a loss of a significant portion of the original investment. Leverage usage and limitations as well as risk management are specified in manager guidelines and shall comply with OPERS' Leverage Policy.

H. Legal Risk

Externally managed Risk Mitigation Strategies may have unique characteristics which require legal expertise including the use of outside counsel. Limitations for external managers exercising investment discretion must include:

(i) registered with the United States Securities and Exchange Commission or with a similar regulator if they are domiciled outside of the United States or

(ii) a bank regulated by a United States regulatory body

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 the Risk Mitigation Strategies Asset Class within the framework of the Board approved Policies and within the goals and objectives adopted by the Board in the Annual Investment Plan.

Staff shall ensure that all investment manager guidelines for external and internal portfolios are set in accordance with OPERS' Policies.

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 for 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.

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 Advisor and/or Staff

Report on compliance – Investment Compliance Staff

B. Annually

OPERS Annual Investment Plan – Staff