The OPERS Board met in January to approve the following:

- The transfer of $2,862,199,603 from the Health Care Rate Stabilization Fund to the Health Care Core Fund. The Health Care Rate Stabilization Fund is a “reserve fund used to provide a source of funds to offset years in which the employer contribution cannot be contributed or in years in which the 4% investment earnings are not achieved.” In 2022, the Health Care Fund earned an actuarial investment return of -15.7%, which fell short of the 4% threshold. In the past 10 years, there have been three years (2015, 2018 and 2022) when a transfer from the Stabilization Fund to the Health Care Core Fund was done due to actuarial investment returns.

- Changes to the benchmarks for two new sub-asset classes – Investment Grade Credit and Private Credit – and an adjustment to the Risk Parity asset class benchmark, as recommended by OPERS Staff and NEPC, LLC investment advisors.

- Changes to 26 OPERS Investment Policies, as recommended by Staff and NEPC, LLC investment advisors. These are “governing policies that instruct OPERS Staff in the implementation of the Board’s 2023 approved asset allocation.”

The Board also received reports and updates from OPERS staff and consultants on the following items:

- NEPC, LLC investment advisors presented an overview of the 4th quarter, 2022 performance of the markets and OPERS Defined Benefit, Health Care and Defined Contribution Funds. “The Defined Benefit (DB) Fund returned 5.9% in the fourth quarter of 2022, and -12% over the past year. The Health Care Fund returned 6.7% in the last quarter 2022, and -15.5% over the past year. Defined Contribution Fund assets rose to $2.14 billion in the fourth quarter of 2022, with all index funds performing as expected relative to their benchmarks.”

- Anthony Tanner, OPERS Lead Private Equity Portfolio Manager, provided an update on the Private Equity Investment Class. In January, 2023, the Board approved an increase in the asset allocation for Private Equity from 12% to 15%. At the end of February 2023, the allocation to Private Equity was 14.2% ($13.348 B), with 65.7% of the assets allocated to corporate finance, 18.6% to venture capital and 15.7% to special situations. “Current areas of interest are Growth Equity, Technology, Healthcare, and Financial Services.”

- Lincoln Carnam, OPERS Senior Investment Analyst, External Public Markets, provided a history of the Defined Contribution Plan and an update on changes that have been made to investment options in the past year. At the end of 2022, there were 25,840 members invested in the DC plan, with a total fund value of $2.14 Billion. Currently, members can choose from ten Target Date Funds, six stand-alone funds and a Schwab account. The change implemented in 2022 to Target Date funds investment options saves members approximately $150,000 per year.

- Paul Greff, OPERS CIO, gave an update on the investment program progress over the past 4½ years. Some staff, who were overseeing external investment managers, has been reallocated to alternative investments. Hedge Funds and Global Tactical asset allocation have been eliminated, and Emerging Market and Risk Parity investment allocations have been reduced. OPERS has increased the assets managed internally from 35% to 55% and reduced management fees from 54 basis points to 34 basis points. Average investment cost for peers is approximately 53 basis points, making OPERS a low-cost provider of investment services.
• Chuck Quinlan, OPERS Director of Information Technology, and Don Clark, IT Security, gave a presentation on cybersecurity risks and what is being done to protect the organization and members from internal and external cyber threats.

• Gordon Gatien, OPERS Director External Relations, gave an update on legislation pending in the Ohio House of Representatives and Ohio Senate. Senate Bill 6 has been described as a “preventative measure to make sure that the sole purpose of public investments in Ohio will be to maximize the return on investment and not primarily to influence social, governance or environmental policies.” House Bill 4 could restrict or control OPERS ability to invest in certain firms. To quote from the bill, “The 135th General Assembly hereby declares the intention to enact legislation regarding financial institutions and other businesses that conduct economic boycotts or discriminate against certain companies or customers based on certain factors.”

Mr. Gatien reported that “OPERS has always maintained a policy and practice of investing in accordance with our fiduciary responsibility which is to invest with the primary purpose of maximizing returns in a fiscally responsible manner.”

OPERS Update 2023 – OPERS recently announced plans to present updates to members in seven Ohio cities this spring. To register for one of these sessions, sign into your OPERS online account or call 1-800-222-7377. Click on the link below for a list of cities where presentations will be given: https://www.opers.org/retirees/education/index.shtml#seminar

Submitted by Darian Torrance
INVESTMENTS MARKET UPDATE

Net Asset Value & Performance

<table>
<thead>
<tr>
<th>NAV ($ B)</th>
<th>MTD Feb.</th>
<th>YTD Feb.</th>
<th>YTD Feb. Benchmark</th>
<th>Mar. 1 to 10 Estimated</th>
<th>Benchmark Mar. 1 to 10 Estimated</th>
<th>NAV ($ B)</th>
</tr>
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<tbody>
<tr>
<td>1/31/2023</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3/10/2023</td>
</tr>
<tr>
<td>DB Fund</td>
<td>$96.41</td>
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<td>2.32%</td>
<td>2.23%</td>
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<tr>
<td>HC115 Fund</td>
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<td>2.78%</td>
<td>2.68%</td>
<td>-0.55%</td>
<td>$11.76</td>
</tr>
</tbody>
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Market Events Summary

- The U.S. total unemployment edged up slightly to 3.6% in February. Total nonfarm payroll rose to 311,000 in February well above consensus estimates of 225,000. January’s nonfarm payroll was revised down by 13,000, from 517,000 to 504,000 and nonfarm payrolls for December were revised lower by 21,000, from 260,000 to 239,000.
- President Biden addressed the strength of the U.S. Financial system after the recent collapses of Silicon Valley Bank (“SVB”) and crypto friendly, New York based Signature Bank (“SBNY”). SVB held total assets of approximately $209 billion with roughly $175 billion in total deposits and SBNY held assets of roughly $110 billion with total deposits of about $88 billion as of Dec 31, 2022. The FDIC has been appointed receiver to both SVB and SBNY.
- Kazuo Ueda is set to become the next governor of Bank of Japan (“BOJ”), succeeding Governor Haruhiko Kuroda and thus concluding the 10-year tenure of Kuroda, the instrumental central banker who implemented Abenomics. During his term, Kuroda led the BOJ’s dovish monetary policies and aggressive yield curve control which anchored the Japanese Yen 10-Year Bond yield close to 0% over the last decade.
- Saudi Arabia and Iran brought an end to their seven-year quarrel after diplomatic relations were restored in a deal facilitated by China. The deal signifies China’s growing engagement and trying to establish influence across the Middle East region.

Portfolio Changes

- Asset Allocation transitions have begun during the first week of March. Approximately $1.4 billion in redemptions have been sourced from external Non-U.S. Equity and Emerging Market Debt managers. Initial redemptions have been assigned back to commodities and building an internal credit portfolio.

Best Performing Public Market Asset Classes – February 10 – March 10

Worst Performing Public Market Asset Classes – February 10 – March 10