

OPERS Report – April 2024

The OPERS Board met on March 19 -20, 2024 to discuss and approve the following:

- Investment Policy Changes as recommended by OPERS Staff and investment advisor, NEPC.
- Recommendations regarding implementation of the Investments Division Incentive Compensation Plan that were developed by McLagan (Compensation and Data Analytics) and OPERS staff.
- Transfer of \$766,507,782 to the Health Care Rate Stabilization Fund from the Health Care Core Fund. The Core Fund earned a return of 14.2% in 2023 which exceeded the target of 4%. The excess amount, less the deficient employer contributions of 2%, is the amount transferred to the Health Care Rate Stabilization Fund.
- Selection of Meketa Investment Group to provide investment Consulting Services to the OPERS Board, subject to successful contract negotiations. Meketa will replace NEPC as the Investment Consultant. NEPC's contract ends on April 30, 2024.
- Authorization to implement a periodic increase to the Health Reimbursement Arrangement allowance as presented by OPERS Staff.

Discussion items included:

- Review of 2023 Investment Returns and a Market Update. The Defined Benefit (DB) Fund returned 11.26% (net of fees) for the year ending December 31, 2023. Market value at year-end 2023 for the DB fund was \$98.96 billion. The Health Care 115 Fund returned 13.97% (net of fees) at year-end 2023. Market value for the HC Fund at year-end 2023 was \$12.76 billion.
- OPERS staff presented an investment asset class update and overview of cash and securities lending. The department actively manages almost \$20 billion in cash, with the objective of zero-loss, while seeking a competitive return. Approximately 80% of the portfolio matures within two months.
- Karen Carraher, OPERS Executive Director, provided an update on the current status of OPERS' assessment of services that could be provided to the Ohio Deferred Compensation (ODC) Board. OPERS and ODC signed a Memorandum of Understanding in February 2024 for OPERS to provide human resources services to ODC, to be billed for actual hours worked.
- Gordon Gatien, OPERS Director, External Relations, provided an update regarding OPERS' staff's progress in pursuing an increase to the employer contribution rate statutory maximum. If future rate increases are ultimately approved by the Ohio Legislature, the additional revenue received by employer contribution rate increases would be used to pay down unfunded pension liabilities. OPERS has not had an increase in the maximum statutory rate for almost 50 years. OPERS is also seeking the authority to raise its Law Enforcement Division employer contribution rate to equal that of the Ohio Police and Fire Fund's (OP&F) police employer rate.

Submitted by Darian Torrance