Ohio Public Employees Retirement System

2026 Investment Division
Annual Incentive Compensation Plan

Approved September 2025

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I. PLAN OBJECTIVES

This Plan is intended to help OPERS:

1. Drive consistent, strong investment outperformance relative to benchmarks, within established risk guidelines.
2. Align the economic and financial interests of the Fund's stakeholders (e.g., members and retirees) and its investment professionals.
3. Maintain a competitive compensation structure relative to peers.
4. Attract, motivate, and retain top-caliber investment professionals.
5. Promote consistency between incentive compensation and overall employee performance.

II. PLAN ADMINISTRATION

This Plan will be reviewed and approved annually by OPERS' Board prior to the beginning of each calendar year. The calendar year mirrors the performance, or "Plan year".

Working under the Board's expressed direction, the Executive Director will provide oversight to this Plan, and will retain the right to interpret the Plan, which will be administered by the Human Resources Director (Plan Administrator). The Plan Administrator will oversee the payout of the incentive compensation. The calculation of the amounts will be performed by the Investment Accounting Department and verified by Auditors. Specific details regarding award calculations are outlined in <u>Appendix D</u>.

Any and/or all material modifications to this Plan will require the Board's prior expressed and specific approval. At any time, without advance notice, the Board retains the right to interpret, amend, rescind, revise, cancel and/or terminate this Plan. The Board may cancel any payments to be made under the Plan for any reason, with or without notice, at any time prior to the payout of the award.

Each and every change or point of clarification (for items not explicitly included in the Plan) affecting incentive compensation should be approved by the internal Incentive Compensation Committee (ICC) prior to the implementation of the change or point of clarification. The ICC is made up of the Executive Director, Chief Investment Officer (or their Designee), Assistant Director of Investment Accounting, Director of Human Resources, and Director of Internal Audit. The Chief Investment Officer and the Director of Internal Audit have a voice on the committee, but not a vote. All decisions will be documented in the committee minutes.

Participants may present any questions related to this Plan to the Plan Administrator. Working under the Executive Director's direction, the Plan Administrator will work with the appropriate persons to resolve such questions. Questions, whose resolution requires a material modification to the Plan or a change to performance standards and/or maximum payout levels under this Plan, must be submitted to the Board for review and approval.

III. PLAN ELIGIBILITY

To be eligible to participate in this Plan in any year, participants must be so designated by the Plan Administrator by the first business day of September of the Plan year. Eligible employees that begin participation after January 1, but before the first business day of September of the Plan year, will be eligible to earn a time-weighted partial award based on the number of whole days worked during the Plan year.

Participation in this Plan in any one year does *not* confer the right to participate in this Plan in any other year *nor* to receive Plan payouts in this or any other year. Participation in this Plan does not confer the right to continued employment.

To be eligible to receive any payment under this Plan, the participant must be actively employed in an eligible position in the Investments Division at the end of the plan year, which is December 31, and employed with OPERS on the scheduled payout date, which is no later than March 31 following the end of the plan year. The Plan Administrator, in special situations including, but not limited to, retirement, permanent disability or death may make exceptions to this policy. For all participants, eligibility for any award is contingent on achieving overall satisfactory performance on the most recent OPERS annual performance evaluation. Satisfactory performance is classified as "Meets Expectations" or above, meaning the individual regularly demonstrates an appropriate level of knowledge, skills, and behaviors required for effectiveness.

IV. PLAN COMPONENTS AND MECHANICS

The Plan's terms and conditions are described in this document and the accompanying Appendices. A summary of the Plan's overall mechanics is as follows.

A. Maximum Annual Incentive Awards

Prior to the beginning of each Plan year, each participant will be assigned a maximum annual incentive award. Maximum annual incentive levels are determined by position and may vary from year-to-year as recommended by the Plan Administrator and approved by the Board. For the Plan year, the maximum incentive awards as a percentage of salary are outlined in Appendix B.

Maximum annual incentive levels will be expressed as a percentage of each participant's base salary as of January 30 of the Plan year. If a participant's base salary is adjusted during the Plan year, the participant's maximum incentive award may be prorated accordingly as described in Appendix D.

Maximum awards:

- May be prorated for participants who change their work status during the Plan year as described in Appendix D. Such changes in work status include, but are not limited to, promotion or demotion; transfer to a part-time work status; transfer to another position within the Investment Division that is otherwise ineligible to participate in this Plan; transfer to another position within the Investment Division that has a lower or higher assigned maximum incentive; retirement or permanent disability and certain other approved leaves of absence.

- May be prorated for Investment personnel who are asked to serve in interim positions during a period of Investment staff transition. The number of whole days served in the interim position as well as the maximum level, total fund and portfolio weightings assigned to the interim position will be considered when determining whether proration is appropriate.

B. Maximum Incentive Weightings

The participants' maximum incentive awards will be weighted to one individual component, and at least one quantitative performance component that will vary by position and possibly by year.

All participants will have an individual component and some quantitative component of total fund. In addition, depending on their position and portfolio responsibilities, participants may also have one or more portfolio components.

Maximum incentive weightings will be established at the beginning of each Plan year. A chart showing the incentive weightings for the plan year is included as Appendix C.

Individual Component

This component is not tied to the financial performance of the total fund or portfolios. The metrics associated with the individual component should be goals or objectives that drive the behaviors that are critical in Investments staff, and that support and reinforce OPERS' mission, policies, and values. This component will be limited to no more than three goals and will have a maximum incentive weight of 20%. Goals and weightings will be established and communicated annually. The number of goals, actual metrics, and their associated incentive weight may be consistent across all participants or may vary between jobs. The incentive weight of the individual component is included in Appendix C.

Quantitative Performance Component Multipliers

The Plan's quantitative performance components focus on OPERS' actual relative investment performance (at the total fund and portfolio levels) compared to assigned benchmarks. Maximum performance objectives are contained in the Annual Investment Plan (AIP) or in the Portfolio Guidelines.

For the Plan's quantitative performance components, performance award scales define the linkage between OPERS' actual relative investment performance (net of fees) and a corresponding performance multiplier (that is used to translate maximum awards into actual awards). Total fund and portfolio performance award scales will be established and communicated at the beginning of each year by the Plan Administrator. Performance-award scales reflect the performance standards contained in OPERS' AIP or Portfolio Guidelines.

After year-end, actual performance multipliers for each of the weighted quantitative performance components will be determined based on OPERS' actual results and the relevant performance-award scale(s).

- At maximum performance, or 100% of the maximum performance goal, performance multipliers equal 1.00 (i.e.: participants will receive 100% of the portion of their maximum incentive opportunity that is weighted to that component).
- At less than maximum performance, multipliers can equal between 0 and 1.00 (i.e.: participants earn between 0% and 100% of that portion of their maximum incentive opportunity).
- Multiplier equals "0" when performance is at or below the benchmark.

C. Time weightings

The quantitative component time weightings will be:

- **Total Fund**: 25% most recent performance year
  75% three-year trailing return for Total Fund (current year and two prior years)

- **Portfolios**: 25% most recent performance year
  75% three-year trailing return (current year and two prior years)

If an employee has not been an eligible participant in the Plan for three years, their quantitative component time weightings will be modified as described in Appendix D. The individual component will always be focused on the most recent performance year only.

Actual awards will equal the sum of all multiplier-adjusted and time-weighted performance components. Appendix A illustrates the Plan's mechanics for a Senior Analyst.

V. GLOSSARY OF TERMS

- ***Determination of Awards***: The Plan Administrator is responsible for overseeing award payouts, if any, and for issuing awards according to the Plan. Investment Accounting is responsible for calculating awards, and the Internal Audit staff will review the award payouts. Specific details regarding award calculations are outlined in Appendix D.

- ***Eligibility for Payment***: To be eligible to receive any payment under this Plan, the participant must be actively employed in an eligible position in the Investment Division at the end of the plan year, which is December 31, and employed with OPERS on the scheduled payout date, which is no later than March 31 following the end of the plan year. For all participants, eligibility for any award is contingent on achieving overall satisfactory performance on the most recent OPERS annual performance evaluation. Satisfactory performance is classified as "Meets Expectations" or above, meaning the individual regularly demonstrates an appropriate level of knowledge, skills, and behaviors required for effectiveness.

- ***Eligibility for Payment in Special Circumstances:***
  If a Participant terminates employment with OPERS due to special circumstances including, but not limited to, death, permanent disability or retirement, the participant may be eligible to receive:
  - All or a portion of their incentive award from a just-completed performance year (in the event that the termination occurs after the end of a performance year, but before the normally scheduled date of payment.)
  - A time-weighted portion of their incentive award for the current performance year (in the event that the termination occurs during the performance year) based on the performance year's YTD annual returns.

  The terms, timing, method of calculating, and form of payout, if any, would be determined at the Plan Administrator's sole discretion. In order to be eligible in the case of retirement, prior to the associate's last day employed, Human Resources must receive the official notification from OPERS that the retirement application has been filed. Specific details regarding award calculations in these instances are outlined in Appendix D.

- ***Incentive Compensation Committee***: The internal committee who oversees the review and approval of all changes or points of clarification that arise during the plan year that are not explicitly included in the Plan and regarded as material to the Plan.

- ***Individual Component***: This component is not tied to the financial performance of the Total Fund or Portfolios. The metrics associated with the individual component should be goals or objectives that drive the behaviors that are critical in Investments staff and that support and reinforce OPERS' mission, policies, and values. This component will be limited to no more than three goals and will have a maximum incentive weight of 20%. Goals and weightings will be established and communicated annually. The number of goals, actual metrics, and their associated incentive weight may be consistent across all participants or may vary between jobs. The incentive weight of the individual component is included in Appendix C.

- ***Material Modifications:*** Changes to the Incentive Compensation Plan that are required to be approved by the Board of Trustees. This list includes any change to the plan mechanics such as maximum incentive weightings, maximum incentive awards, performance multipliers, time weightings, alpha targets for maximum incentives, eligibility, any position added to or deleted from the plan, any provisions added to or deleted from the Plan, and any matter that may arise that has not been previously addressed.

- ***Maximum Incentive Award***: This is a percentage of the participant's base salary (on January 30 of the plan year) that they would earn at maximum performance levels. Maximum Incentive Awards are determined by position and may vary from year to year as approved by the Board. Maximum Incentive Awards are outlined in Appendix B.

- ***Maximum Incentive Weightings:*** All participants will have an individual component, and some quantitative component of total fund. In addition, depending on their position and portfolio responsibilities, participants may also have one or more portfolio components. Weighting allocations are outlined in Appendix C.

- ***Measurement Date***: Investment Accounting will prepare an official record of performance for each quantitative component and supply such record to the Plan Administrator by a Measurement Date which will be no later than March 1 following the performance year.

- ***Payout Date***: Subject to the Board's review, annual incentive awards will be paid no later than March 31 of the year following the performance year. Individual payouts may be made earlier under special circumstances.

- ***Performance Multiplier:*** At the end of the performance year, multipliers are determined for each portfolio and the total fund, based on their performance relative to their pre-determined benchmarks and performance objectives. Multiplier equals "0" at the benchmark, and 1.0 at the maximum performance objective.

- ***Reporting***: At or before the March Board meeting, the Plan Administrator will present a summary report of awards by individual to the Board. This report will display by individual and in aggregate, the potential maximum award(s), the base salary used to calculate the award, the actual dollar award(s) earned for each component, and the total award(s).

- ***Time Weightings:*** To reinforce a focus on sustained, superior long-term results, the quantitative performance multipliers that are used to calculate incentive payouts will reflect weighted combinations of the current year's and trailing three years' Total Fund and Portfolio performance.

- ***Total Fund:*** For purposes of the incentive compensation calculation, total fund refers to the combined weighted assets of both the defined benefit and health care funds as of December 31 of the plan year.

EXAMPLE OF INCENTIVE COMPENSATION CALCULATION
For 2026 Plan Year for a Senior Analyst, Fixed Income

For purposes of this example, we use the following assumptions:

- *Position is Senior Analyst*
- *Hire date is January 1, 2000*
- *January 30, 2026 base salary is $125,000*
- *Quantitative Award Weighting is 90% of total payout*
  - *50% Total Fund, 50% a single portfolio*
- *Qualitative Component Weighting is 10% of total payout*

Prior to the beginning of the Plan Year:

1. Determine Maximum Performance Award $68,750
   (based on schedule in Appendix B – 55%)

2. Determine Maximum Incentive Award Weightings:
   - Quantitative - 90% of Total (50% total fund, 50% portfolio)
   - Qualitative – 10%

3. Review Maximum Incentive Award Scales:

Bps versus Benchmark (net of fees)	Maximum Award Incentive Multiplier
100% of Maximum Goal	1.00
:	:
Benchmark	0.00

After the End of the Plan Year:

1. Determine Multipliers for Each Performance Component for plan year based on the Maximum Incentive Award Scales and actual performance returns.
   *****Performance multipliers for this example are illustrative only. Please see Page 6 of this Plan Document for explanation of how performance multipliers are derived.***

2. Determine payouts by component and apply time weightings:

Component/Weight		Maximum Performance Award	Multi-year Performance			Current Year Performance			Total Award Earned
			Time Weight	Multi-plier	Award Earned	Time Weight	Multi-plier	Award Earned	
Quantitative - 90%									
Total Fund	50%	$30,937.50	75%	1.00	$23,203.12	25%	0.30	$2,320.31	$25,523.43
Portfolio	50%	$30,937.50	75%	.68	$ 15,778.13	25%	0.40	$ 3,093.75	$18,871.88
Qualitative - 10%		$6,875.00				100%	1.00	$6,875.00	$6,875.00
Total	**100%**	**$68,750.00**			**$ 38,981.25**			**$ 12,289.06**	**$51,270.31**

2026 MAXIMUM INCENTIVE AWARDS

(expressed as a percentage of base salary as of 1/30)

Maximum Incentive Award	Generic Title	Position Title
100%		Chief Investment Officer Deputy Chief Investment Officer
90%		Senior Portfolio Manager Senior Risk Manager
75%	Manager	Head Trader Lead Fund Manager Lead Portfolio Manager Portfolio Manager Quantitative Manager Risk Manager Trading Manager
65%	Assistant Manager	Assistant Portfolio Manager Senior Analyst/Economist
55%	Senior Investment Analyst	Senior Investment Analyst Senior Risk Analyst Senior Trader Senior Operations Risk Analyst
45%	Investment Analyst	Investment Analyst Risk Analyst Trader 2
25%	Associate Investment Analyst	Associate Investment Analyst Associate Risk Analyst Trader 1

OPERS 2026 INCENTIVE COMPENSATION PORTFOLIO WEIGHTINGS

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2026 Incentive Compensation weightings will be assigned in January 2026 and will be reviewed by the Board at that time.

INCENTIVE COMPENSATION AWARD CALCULATION IMPACTS

This appendix outlines impacts to Incentive Compensation award calculations resulting from the following actions. When an eligible participant's award calculation is impacted as described below, the participant will be notified in writing by the Plan Administrator or a designee.

A. New Participants Joining Existing Portfolios

A participant becomes eligible (new hire, transfer to an eligible position, or otherwise).

Impacts:

1. The participant's maximum award for Year 1 is prorated based on the number of whole days served in the eligible position.
2. In Year 1, the participant is measured on full 1-year performance of the fund and, if applicable, assigned portfolio(s), with no proration of performance or alpha targets.
3. In Year 2, the participant is measured on the most recent year's performance (1-year) of the fund and, if applicable, assigned portfolio(s).
4. In Year 3, the participant is measured on 1-year and 3-year performance of the fund and, if applicable, assigned portfolio(s).

B. Pay Adjustments

An eligible participant receives a pay adjustment after January 30 of the Plan year with no change to position or portfolio allocation (Appendix C).

Impacts:

1. The effective date of the award calculation change aligns with the effective date of the pay adjustment.
2. The salary used to determine the participant's maximum award is prorated based on the number of whole days served at each salary rate.

C. Position Changes/No Changes to Portfolio Allocation

An eligible participant moves from one position to a new position in the same or a different department and the position change results in no change to portfolio allocation (Appendix C).

Impacts:

1. The effective date of the award calculation change aligns with the effective date of the position change.
2. The participant's maximum award (if changing) is prorated based on the number of whole days served in each position.
3. If the participant's salary changes, the salary used to determine the participant's maximum award is prorated based on the number of whole days served at each salary rate.

D. <u>Position Changes/Portfolio Allocation Changes</u>

An eligible participant transfers from one position to a new position in the same or a different department <u>and</u> the position change results in a change to portfolio allocation (Appendix C) <u>or</u> an eligible participant changes portfolio allocation with no position change.

Impacts:

1. If position changes:
   a) The effective date of the award calculation change aligns with the effective date of the position change.
   b) The participant's maximum award (if changing) is prorated based on the number of whole days served in each position.
   c) If the participant's salary changes, the salary used to determine the participant's maximum award is prorated based on the number of whole days served at each salary rate.

2. If the position change/portfolio allocation change occurs in the first or second quarter of the Plan year (January 1 to June 30):
   a) All 3-year portfolio performance metrics are based on the legacy portfolio allocation with no proration of performance or alpha targets.
   b) All 1-year portfolio performance metrics are based on the new portfolio allocation with no proration of performance or alpha targets.

3. If the position change/portfolio allocation change occurs in the third or fourth quarter of the Plan year (July 1 to December 31):
   a) All 3-year portfolio performance metrics are based on the legacy portfolio allocation with no proration of performance or alpha targets.
   b) All 1-year portfolio performance metrics are based on the legacy portfolio allocation with no proration of performance or alpha targets.

4. Impacts to award calculations for the Plan year following the year in which the participant's portfolio allocation changes (Year 2) will be determined on a case-by-case basis, documented on the Change Form, and approved by the Incentive Compensation Committee before the change occurs. Scenarios to consider may include, but are not limited to:
   a) Instances when the participant's entire portfolio allocation changes (i.e. from portfolios A and B to portfolios C and D)
   b) Instances when only a portion of the participant's portfolio allocation changes (i.e. from portfolios A and B to portfolios B and C)
   c) Instances when only the weighting of the participant's portfolio allocation changes (i.e. from 50% portfolio A and 50% portfolio B to 25% portfolio A and 75% portfolio B)

5. In Year 3, the participant is measured on 1-year and 3-year performance of the new portfolio allocation.

E. <u>Retirements</u>

A participant retires from OPERS and is deemed eligible for a prorated award according to the Plan document. Retirement, for the purpose of this Plan, is defined as either official retirement from the OPERS traditional plan <u>or</u> a member of the OPERS member directed plan who is at least 55 years of age and either applies to receive a monthly annuity benefit or applies for a full refund of the member directed account.

Impacts:

1. The participant's maximum award is prorated based on the number of whole days served in the eligible position, excluding any period of annual leave use following the participant's last day worked.
2. The participant is measured on the full year performance of the fund and, if applicable, assigned portfolio(s), with no proration of performance or alpha targets.
3. Prorated awards will be calculated and paid out according to the standard schedule, no later than March 31 of the year following the Plan year.

F. <u>Leaves of Absence</u>

An eligible participant is granted a paid or unpaid leave of absence greater than three months in duration that is not protected by the Family and Medical Leave Act (FMLA), Americans with Disabilities Act (ADA) or other applicable law.

Impacts:

1. The participant's maximum award for the Plan year is prorated to exclude the number of whole days of the leave of absence.
2. The participant is measured on the full year performance of the fund and, if applicable, assigned portfolio(s), with no proration of performance or alpha targets.

G. <u>New Internally Managed Public Market Portfolios</u>

Impacts:

1. A new internally managed public market portfolio is excluded from award calculations until one full year of performance is available to measure the portfolio against its applicable benchmark.
2. If an eligible participant has no other portfolio allocations, their award calculations are based on Total Fund performance until the portfolio is eligible to be allocated.
3. Once the portfolio is eligible, it is allocated to eligible participant(s) as applicable on January 1 of the following Plan year (Year 1).
4. See *Position Changes/Portfolio Allocation Changes* above for impacts to 1-year and 3-year portfolio performance metrics once the portfolio is added to the participant's allocation.

H. New Externally Managed Public Market Allocations/Strategies

Impacts:

1. A new externally managed allocation/strategy, which involves a unique, standalone benchmark and dedicated allocation(s) approved by the OPERS Board consultant, is excluded from award calculations until one full year of performance is available to measure. A new externally managed portfolio that is part of an existing strategy is included immediately.
2. If an eligible participant has no other portfolio allocations, their award calculations are based on Total Fund performance until the portfolio is eligible to be allocated.
3. Once the portfolio/strategy is eligible, it is allocated to eligible participant(s) as applicable on January 1 of the following Plan year (Year 1).
4. See *Position Changes/Portfolio Allocation Changes* above for impacts to 1-year and 3-year portfolio performance metrics once the portfolio is added to the participant's allocation.

I. New Externally Managed Private Market Allocations/Strategies

Impacts:

1. Due to the J-curve effect, a new externally managed private market allocation/strategy, which involves a unique, standalone benchmark and dedicated allocation(s) approved by the OPERS Board consultant, is excluded from award calculations until sufficient performance is available to measure. The OPERS Board consultant will recommend when sufficient performance is available to measure and the Incentive Compensation Committee will determine the date to begin allocating the portfolio.
2. If an eligible participant has no other portfolio allocations, their award calculations are based on Total Fund performance until the portfolio is eligible to be allocated.
3. See *Position Changes/Portfolio Allocation Changes* above for impacts to 1-year and 3-year portfolio performance metrics once the portfolio is added to the participant's allocation.

J. Closed Portfolios

Impacts

1. If a portfolio is liquidated/closed during the Plan year (on any date other than December 31), the portfolio is excluded from 1-year and 3-year portfolio performance metrics for the current and future Plan years. The determination of whether a portfolio is in liquidation or closed will be made by Investment Accounting after consulting with Investments.

K. <u>Opportunistic Strategies</u>

Impacts:

1. Opportunistic strategies are excluded from Incentive Compensation award calculations if the total allocation, as measured by net asset value, is less than 1% of the Total Fund.
2. If an eligible participant has no other portfolio allocations, their award calculations are based on Total Fund performance.

L. <u>Transition, Tactical Asset Allocation, Risk Mitigation, and Liquidity Accounts</u>

Impacts:

1. Dedicated Transition, Tactical Asset Allocation, Risk Mitigation and Liquidity accounts are included in Total Fund performance measurement and are considered in the determination of Total Fund alpha targets.
2. Transition, Tactical Asset Allocation, Risk Mitigation and Liquidity accounts are excluded from 1-year and 3-year portfolio performance metrics, regardless of the balance of and/or activity that occurs in such accounts.
3. If an eligible participant has no other portfolio allocations, their award calculations are based on Total Fund performance.