



**Ohio Public Employees Retirement System**  
**Ohio-Qualified and Minority-Owned Manager Policy**  
**March 2024**



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### Revision History

|   |                           |
|---|---------------------------|
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| <b>Policy Revised</b>   | <b>January 14, 2002</b>   |
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| <b>Policy Reestablished from Emerging Manager Policy to Ohio-Qualified, Minority &amp; Emerging Manager Policy</b>                    | <b>October 2004</b>       |
| <b>Policy Reestablished from Ohio-Qualified, Minority &amp; Emerging Manager Policy to Ohio-Qualified and Minority Manager Policy</b> | <b>May 16, 2006</b>       |
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| <b>Policy Revised</b>   | <b>January 20, 2016</b>   |
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## **I. SCOPE**

This Policy applies to the Ohio Public Employees Retirement System (“OPERS”) Defined Benefit Fund (“DB Fund”) and Health Care 115 Trust Funds (“HC Fund”).

## **II. PURPOSE**

This Policy addresses OPERS’ utilization of Ohio-qualified and minority-owned managers in its efforts to fulfill investment objectives. This Policy does not preclude OPERS from hiring Ohio-qualified or minority-owned managers as conducted through any other OPERS search process.

## **III. LEGAL AUTHORITY**

Section 145.11 (A) of the Ohio Revised Code (“ORC”) states, in part:

The members of the public employees retirement board shall be the trustees of the funds created by section 145.23 of the Revised Code. The board shall have full power to invest the funds. The board and other fiduciaries shall discharge their duties with respect to the funds solely in the interest of the participants and beneficiaries; for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the public employees retirement system; with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and by diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

Through Section 145.11 (B) of the ORC, it is expected that,

In exercising its fiduciary responsibility with respect to the investment of the funds, it shall be the intent of the Board to give consideration to investments that enhance the general welfare of the state and its citizens where the investments offer quality, return and safety comparable to other investments currently available to the Board. In fulfilling this intent, equal consideration shall also be given to investments otherwise qualifying under this section that involve minority owned and controlled firms and firms owned and controlled by women either alone or in joint venture with other firms.

## **A. Ohio-Qualified**

For purposes of this Policy, an Ohio-qualified investment manager is defined in ORC 145.114 and ORC 145.116 as an investment manager (and/or any parents, affiliates, or subsidiaries of the investment manager), designated as such by a particular retirement system, who is subject to taxation under Chapter 5725, 5726, 5733, 5747, or 5751 of the ORC and who meets one of the following requirements:

- Has its corporate headquarters or principal place of business in Ohio; or
- Employs at least 500 individuals in Ohio; or
- Has a principal place of business in Ohio and employs at least 20 residents of the state.

“Principal place of business means an office in which the [investment manager] regularly provides investment advisory services and solicits, meets with, or otherwise communicates with clients” O.R.C. 145.114(A)(5).

## **B. Minority-Owned**

For purposes of this Policy, and consistent with provisions of the ORC, a minority shall be defined as an investment manager that is a U.S. domiciled registered investment adviser under the Investment Advisers Act of 1940, and is majority-owned by one, or any combination, of the following groups: African American, Native American, Hispanic American, and Asian American.

For purposes of this Policy, investment managers who are majority-owned by women or disabled veterans are included in the definition of minority-owned.

## **IV. INVESTMENT PHILOSOPHY**

OPERS is supportive of economic growth in Ohio and recognizes the diversity of its stakeholders. The Board desires that Investment Staff (“Staff”) identify, research and evaluate Ohio-qualified and minority-owned managers in its efforts to fulfill its investments objectives. Opportunities will be evaluated on their merit, including risk-adjusted return expectations and consistency with the Annual Investment Plan. Efforts will be conducted in a manner consistent with fiduciary duty, demonstrating prudence and consistent with best practices.

## **V. OBJECTIVES**

It is a goal of the Board to increase its utilization of Ohio-qualified and minority-owned investment managers when the investment managers offer quality, services and safety comparable to other investment managers. This Policy does not require OPERS to utilize Ohio-qualified or minority-owned investment managers. OPERS will hire investment managers in a manner that is consistent with its fiduciary duties, as outlined in ORC Sections 145.11 and other applicable laws.

## **VI. PROCESS**

OPERS is supportive of economic growth in Ohio and the advancement of Minority owned businesses whenever possible. The Board has established a goal that for any RFI/RFP issued for broad based traditional asset management services by the Investments division, Staff will advance, if available, at least one Woman/Minority Owned manager or one Ohio Qualified manager to the semi-final stage of all asset manager searches, consistent with our procedure. These increased opportunities for minority owned and/or Ohio qualified firms will help provide them with experience and exposure to institutional investors and will provide OPERS with the best opportunity to increase representation of those firms we employ, while maintaining the focus on hiring only the best performing investment firms. All efforts will be consistent with OPERS investment objectives and goals.

Staff will identify potential managers through a process approved by the Chief Investment Officer (“CIO”). Staff is responsible for establishing the procedures to identify, hire, terminate, and monitor managers under this Policy. Staff relies on self-certification by managers as to their status.

## **VII. RISK MANAGEMENT**

Allocations will be evaluated relative to the investment managers’ total firm assets and assets in the product under consideration, consistent with fiduciary duty, prudence, and best practices. Staff and the Investment Advisor will closely monitor the performance of the allocation(s) and report to the Board as described in this Policy.

The number of firms recommended in a given year and the size of the mandates will be consistent with the objectives outlined in the OPERS Annual Investment Plan, as well as the capacity of each investment manager and Staff’s ability to identify investment managers that are likely to meet or exceed OPERS investment objectives.

## **VIII. ROLES AND RESPONSIBILITIES**

### **A. OPERS Retirement Board**

The 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 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 Ohio-qualified and minority-owned manager program within the framework of this Board approved Policy and within the objectives adopted by the Board in the Annual Investment Plan. Staff will select and evaluate managers in accordance with procedures approved by the CIO.

## **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 Advisor**

The role of Investment Advisor (“Advisor”) is specified in the Investment Objective and Asset Allocation Policies.

# **IX. 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

## **B. Annually**

OPERS Annual Investment Plan – Staff

Report concerning this Policy – CIO

## **C. Upon Request**

Staff shall provide to the Ohio Retirement Study Council (“ORSC”) such information about OPERS utilization of managers as the ORSC may from time to time request. Board members shall receive a copy of the report prior to filing with the ORSC.