



**Ohio Public Employees Retirement System**

**Broker-Dealer Policy  
March 2024**



## TABLE OF CONTENTS

<b>I.</b>	<b>SCOPE</b> .....	<b>1</b>
<b>II.</b>	<b>PURPOSE</b> .....	<b>1</b>
<b>III.</b>	<b>LEGAL AUTHORITY</b> .....	<b>1</b>
<b>IV.</b>	<b>PHILOSOPHY</b> .....	<b>1</b>
<b>V.</b>	<b>OBJECTIVES</b> .....	<b>1</b>
<b>VI.</b>	<b>SELECTION, EVALUATION, AND DOCUMENTATION</b> .....	<b>2</b>
	A. BROKER-DEALER APPROVAL.....	2
	B. BROKER-DEALER SELECTION .....	3
	C. BROKER-DEALER DOCUMENTATION.....	3
<b>VII.</b>	<b>ROLES AND RESPONSIBILITIES</b> .....	<b>3</b>
	A. OPERS RETIREMENT BOARD .....	3
	B. INVESTMENT STAFF.....	3
	C. INVESTMENT COMPLIANCE .....	4
	D. BROKER REVIEW COMMITTEE.....	4
<b>VIII.</b>	<b>MONITORING AND REPORTING</b> .....	<b>4</b>
	A. CONTINUOUSLY .....	4
	B. QUARTERLY.....	4
	C. SEMI-ANNUALLY .....	4
	D. ANNUALLY .....	4

### Revision History

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## **I. SCOPE**

This Policy applies to trading and related activities performed by employees of the Ohio Public Employees Retirement System (“OPERS”) in connection with its Defined Benefit Fund (“DB Fund”) and Health Care 115 Trust Fund (“HC Fund”) that involve securities traded in public markets.

## **II. PURPOSE**

This Policy provides general guidelines for approving brokers and dealers (“broker-dealers”) to facilitate purchase or sale transactions involving OPERS’ assets, for selecting which broker-dealers to use in specific purchase or sale transactions and for documenting the results so obtained.

## **III. LEGAL AUTHORITY**

In accordance with Ohio Revised Code (“ORC”) Section 145.11, “Investment powers and fiduciary duties of [OPERS Retirement] Board” (“Board”), Investment Staff (“Staff”) will use its best efforts in approving and selecting broker-dealers and for documenting results so obtained.

In approving and selecting broker-dealers, Staff will comply with ORC Section 145.11(B), which requires the Board to give equal consideration to firms that are owned or controlled by minorities or women.

Staff will also comply with ORC Section 145.114 to “establish a policy with the goal to increase utilization” of Ohio-qualified agents for the execution of transactions “when an Ohio-qualified agent offers quality, services, costs and safety comparable to other agents available to OPERS.”

## **IV. PHILOSOPHY**

OPERS’ goal in all securities transactions is to obtain Best Execution. Best Execution means the execution of a purchase or sale transaction at a price and commission or fee that provides the most favorable total cost or total proceeds reasonably obtainable under the circumstances then prevailing. To achieve Best Execution, Staff will review and evaluate broker-dealers to determine which firms may be used in buying or selling securities. Staff will select from such approved broker-dealers when placing specific purchase or sale transactions. In doing so, Staff shall consider this Policy in conjunction with OPERS’ Soft Dollar Policy.

## **V. OBJECTIVES**

In selecting a broker-dealer for a specific transaction, Staff will use its best judgment to choose the firm most capable of providing services necessary to obtain Best Execution. The full range and quality of broker-dealer services available will be considered in making these determinations and may consist of the following factors:

- Trading capabilities, including execution speed and ability to provide liquidity
- Commissions and/or fees both in aggregate and on a per share basis
- Capital strength and stability
- Execution, clearing and settlement processing
- Use of technology and other special services
- Responsiveness
- Reliability, integrity and reputation
- Ability to handle large block trades and large volumes of trades
- Ability to handle sensitive trades discretely
- Nature and value of research provided
- Whether a firm is owned or controlled by a minority or a woman
- Whether a firm is an Ohio-qualified broker-dealer

OPERS will consider total transaction costs when selecting broker-dealers for trade execution. Total transaction costs include:

- The cost associated with the effect a transaction has on the price of a security
- The cost associated with the failure to execute a transaction
- The cost associated with the delay in execution of a transaction
- Commissions on agency trades or the spreads on principal trades
- Bid-ask spread

## **VI. SELECTION, EVALUATION, AND DOCUMENTATION**

Staff has developed guidelines and procedures for broker-dealer approval, selection and documentation.

### **A. Broker-Dealer Approval**

Staff will maintain approval procedures for all broker-dealer relationships. These procedures will determine whether broker-dealers may be considered for use in purchasing or selling securities and will evaluate quantitative criteria that include, but are not limited to:

- Firm's creditworthiness
- History of research and execution
- Verification of the ability to trade
- Legal and regulatory history or issues
- Electronic communication protocol

Staff will maintain records of broker-dealers that have applied, whether they were approved, when such decision was made and whether the broker-dealer is Ohio-qualified and/or owned or controlled by a minority or a woman.

## **B. Broker-Dealer Selection**

Staff will maintain procedures for determining which broker-dealers will be selected for use in specific purchase or sale transactions in order to obtain Best Execution. These procedures will determine which broker-dealers are selected and will evaluate qualitative criteria including, but not limited to:

- Trading capabilities, including execution speed and ability to provide liquidity
- Commissions and/or fees both in aggregate and on a per share basis
- Use of technology and other special services
- Responsiveness, reliability and integrity
- Nature and value of research provided

Staff will maintain a list of broker-dealers that have been selected, which describes the services they rendered and the quality and cost of such services. At least annually, Staff will evaluate the quality of services rendered relative to commissions or fees paid.

## **C. Broker-Dealer Documentation**

In addition to the documentation described above, Staff will maintain records of OPERS utilization of broker-dealers and provide them to the Board upon request.

# **VII. 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 Chief Investment Officer (“CIO”) to implement this Policy. Staff is responsible for establishing and reviewing on a regular basis guidelines and procedures for approving and selecting broker-dealers. It will maintain documentation of such approvals and selections to assure that OPERS obtains Best Execution in the purchase and sale of public market securities.

Staff will report on broker-dealer approval and selection to the CIO and to the Board. Staff is also responsible for recommending changes to this Broker-Dealer Policy.

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, 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. Broker Review Committee**

The Broker Review Committee ("BRC") provides oversight of the selection, approval and usage of broker-dealers – including the utilization of commission sharing arrangements and related programs, securities trading activity and transactions costs. The BRC will document results of trading activities and report to the Board concerning them.

## **VIII. MONITORING AND REPORTING**

### **A. Continuously**

The approval and selection of broker-dealers will be monitored continuously by Staff and will be documented.

### **B. Quarterly**

Staff provides a report to the Board concerning internal trading of external managers.

### **C. Semi-Annually**

A list of approved broker-dealers will be reported to the Board semi-annually. Such reports will also detail the use of broker-dealers.

### **D. Annually**

Staff will conduct an annual assessment of broker-dealers' trading effectiveness. Annually, Staff provides a report to the Board for internal trading activity concerning commissions paid for each approved broker dealer.