

Retirement Board of Allegheny County
Brokerage Policy Recommendations of the
Governance & Business Process Committee
Adoption Date: March 15, 2012

BACKGROUND

RBAC recognizes that brokerage commissions are a significant expenditure of the fund. Therefore policies have been established in order to control these costs and to monitor the level and effectiveness of this activity.

RBAC is also committed to using all segments of the financial community for broker/dealer transactions of the pension fund and wishes to expand opportunities to minority-owned and woman-owned brokerage firms in a manner consistent with its fiduciary responsibilities. RBAC also wishes to direct certain of its trades to local brokerage firms.

The Governance & Business Process Committee (working with the Emerging Manager Consultant) has overseen a process of selection utilizing the attached brokerage questionnaire. The minority-owned and woman-owned brokerage firms have submitted signed, notarized certification that the owner qualifies for this status. A list of RBAC approved brokers is also attached. Managers should select among these brokers in a manner that is consistent with achieving the best execution standards.

The following policies set forth guidelines and goals for increasing the utilization of these brokerage firms.

POLICY(S)

It is the policy of The RBAC that its investment managers shall use their best efforts to allocate trades on an annual basis as detailed below, or in such other manner as the RBAC may communicate in writing to the investment manager, provided that all trades are consistent with the principles of best execution.

- Investment managers objectively evaluate all qualified brokerage firms regardless of location, race, gender or handicap.
- The investment managers' selection practices shall ensure that equal opportunity is provided to minority-owned and woman-owned brokerage firms as defined below. Investment Managers shall also make good faith efforts to remove barriers and expand opportunities to such firms.

- Managers define in writing for the RBAC the criteria and process for selecting qualified brokerage firms.
- The RBAC shall not subsidize the managers' other accounts under management at the expense of higher trading costs to the RBAC.
- A target of at least twenty-five percent (25%) of securities trading brokerage commissions shall be paid to local brokerage firms.
- Compliance with the trading policy will be considered as part of the manager's overall performance. As such, non-compliance may cause a manager to be placed on watch list status. Continued non-compliance may result in the termination of the manager.
- This policy will be reviewed annually by the RBAC.

FIDUCIARY STANDARD (Best Execution):

Investment managers retained by the RBAC, in compliance with its fiduciary obligations, have been given the responsibility to evaluate and select brokers for the fund.

RBAC investment managers have full discretion and are acting in the capacity of a fiduciary of the RBAC.

In the selection of brokerage firms with whom to place orders for the purchase or sale of securities for the fund, the primary objective of the investment manager shall be to obtain the most favorable results for the fund.

The investment manager or any entity controlled by or controlling it, or affiliated with it, shall not act as securities broker-dealer with respect to purchases and sales of assets allocated to the investment manager unless the RBAC specifically approves such action.

REPORTING

The emerging manager consultant will evaluate the manner in which investment managers implement this policy. Each investment manager shall provide a semi-annual report to the emerging manager consultant, within thirty (30) business days of the appropriate quarter-end, and shall disclose the following:

For local brokerage firms: Total assets traded (past 6 months and year to date); total commissions paid (past 6 months and year to date); and percentage of total commissions paid to local brokerage firms out of all brokerage commissions paid (past 6 months and year to date).

For minority-owned and woman-owned brokerage firms: Total assets traded (past 6 months and year to date); total commissions paid (past 6 months and year to date); and percentage of total commissions paid to minority/women owned brokerage firms out of all brokerage commissions paid (past 6 months and year to date).

When an investment manager cannot meet these goals, the investment manager must identify the reasons the goal could not be met within the semi-annual report to the emerging manager consultant of the RBAC.

EVALUATION:

The RBAC will perform or cause to be performed at least every three years, an analysis of the costs and effectiveness of all trades. The RBAC recognizes it will incur separate fees from an outside firm capable of evaluating such trades in order to perform its analysis. The results of such evaluation will be considered by the RBAC in its decisions regarding the ongoing structure and objectives of its brokerage policy.

DEFINITION(S)

Brokerage Firms: Firms which customarily perform trades for an institutional clientele. Such brokers may trade on the floor of the various national and regional stock exchanges, or may trade in the third and fourth markets performing transactions outside of the securities exchanges. Brokers should be members in good standing with the Financial Industry Regulatory Authority (FINRA).

Best Execution: Investment managers shall define (in writing for the RBAC) their method of utilizing professional judgment in the selection of brokers and the commissions paid.

Minority-Owned: A proprietorship, partnership, corporation or joint-venture that is 51% owned, operated and controlled by United States citizens who are members of the following racial groups: African Americans, Asian American (Pacific and Subcontinent), Hispanic American and Native American.

Woman-Owned: A proprietorship, partnership, corporation or joint-venture that is 51% owned, operated and controlled by United States citizens that are female.

Local Brokerage Firm: Brokerage firms headquartered in the Commonwealth of Pennsylvania.

FOOTNOTES:

- The questionnaire is posted on the RBAC website and brokerage firms can apply at any time.
- Firms below 20 million trades annually and above 6 billion trades annually are excluded.
- Questionnaire, certification and selection process documents must be in the possession of RBAC
- Emerging Manager Consultant will notify applicable brokerage firms of the changes to RBAC's approved broker listing
- If investment managers in certain classes have more difficulty complying with policy, the governance committee may lower those targets.
- Emerging Manager Consultant will notify investment managers with the policy requiring signed acceptance.
- Veteran-owned brokerage firms are desired, but not targeted directly.