



Ohio Public Employees Retirement System

**Material Non-public Information Policy
March 2021**

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Revision History

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I. SCOPE

This Policy applies to employees of the Ohio Public Employees Retirement System (“OPERS”) who have access to information concerning OPERS investment assets and activities involving them. It sets expectations for such employees conduct to comport with applicable laws, ethical requirements and conditions of their employment.

II. PURPOSE

This Policy is intended to explain requirements of laws, ethics and conditions of employment relative to investment of OPERS assets. It is designed to set forth and formalize OPERS expectation that its employees shall not misuse Material Non-public Information (“MNPI”) in a manner that might violate Federal or Ohio securities laws or otherwise engage in inappropriate trading activities on behalf of OPERS. It also delineates roles and responsibilities of persons involved in assuring compliance with its provisions.

III. LEGAL AUTHORITY

Section 145.11 of the Ohio Revised Code (“ORC”) authorizes OPERS Retirement Board (“Board”) to invest OPERS assets. It provides, in part, that the Board and other fiduciaries, such as OPERS employees,

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.

Section 145.094 of the ORC establishes duties of OPERS Chief Investment Officer (“CIO”), including the duty to “reasonably supervise” employees “with a view toward preventing violations of Chapter 1707 of the Revised Code, the “Commodity Exchange Act,” 42 Stat. 998, 7 U.S.C. and following, the “Securities Act of 1933,” 48 Stat. 74, 15 U.S.C. and following, and the “Securities Exchange Act of 1934,” 48 Stat. 881, 15 U.S.C. 78a, and following, and the rules and regulations promulgated under those statutes” (collectively, the “Securities Laws”).

Section 145.094 further states that the CIO's "duty of reasonable supervision shall include the adoption, implementation, and enforcement of written policies and procedures reasonably designed to prevent persons employed by the public employees retirement system from misusing material, nonpublic information in violation of those laws, rules, and regulations."

ORC Sections 145.11 through 145.115 set standards of conduct for OPERS employees with respect to investment transactions. The Code of Ethics and Standards of Professional Conduct of the CFA Institute contain provisions similar to requirements of Ohio and Federal laws.

OPERS Employee Manual provides that all employees are employees at will and may be sanctioned for violating terms of their employment, including compliance with policies such as this Policy.

IV. OBJECTIVE

OPERS Ethics Policy states that OPERS seeks to carry out its mission in accordance with all applicable laws and in accordance with the strictest ethical standards to ensure its employees conduct themselves in a manner that fosters public confidence in the integrity of OPERS, its processes and its accomplishments.

In support of OPERS Ethics Policy, the Board has adopted the OPERS Personal Trading Policy to guide employees in their own investment activities. This Policy is intended to provide similar guidance to employees concerning investment of OPERS assets.

V. SECURITIES LAWS

A. Application of Statutes

The Securities Laws apply to all persons transacting business on United States securities or commodities exchanges. They also apply to entities, such as OPERS, when they transact such business even if they are public pension plans that are not subject to regulation by the United States Securities and Exchange Commission or Commodities Future Trading Commission.

B. Material Nonpublic Information

The Securities Laws prohibit the misuse of MNPI when trading securities or commodities.

Material information has been defined as information that a reasonable investor would consider important in determining whether to purchase or sell a security or a commodity. It is also information that, if made public, would likely affect the market price of such a security or commodity. Whether information is material depends on the facts and circumstances. Examples of material non-public information include, but are not limited to: (1) financial projections and results; (2) mergers, acquisitions, tender offers or divestments; (3) information about a company's earnings or dividends (e.g. whether earnings will increase or decrease); (4) information about a company's physical assets (e.g. an oil discovery, a fire that destroyed a factory, or an environmental problem); (5) significant changes in management or operations, including the entering into or cancellation of significant contracts; (6) significant litigation, claims, or government investigations; (7) significant personnel changes; (8) changes to a company's capital structure.

Information may be considered material even if it relates to future, speculative or contingent events and even if it is significant only when considered in combination with publicly available information. Information is considered to be non-public unless it has been publicly disclosed and adequate time has passed for securities or commodities markets to digest such information.

C. Trading Prohibited

A person with actual knowledge of MNPI, including an OPERS employee, must not trade securities or commodities on the basis of such knowledge. Insider trading laws also prohibit the tipping of material non-public information. An employee may not directly or indirectly convey MNPI to anyone who could trade on that information.

Employees should also refer to the OPERS Personal Trading Policy for guidance.

D. Post-Employment Restrictions

OPERS employees are subject to the provisions of this Policy following termination of employment or service for 15 days after the date on which if ever, that MNPI, as defined in Section V.B of this Policy, in the possession of such employee becomes publicly available.

VI. FIDUCIARY LAWS

A. The Duty of Undivided Loyalty

Fiduciaries have always been held to the highest standard of conduct, including the requirement that they discharge their responsibilities solely in the interest of the beneficiaries of the assets they manage. ORC Section 145.11 requires the Board and OPERS employees to discharge their duties, including investment responsibilities, solely in the interest of OPERS Funds.

This obligation is referred to as a fiduciary's duty of undivided loyalty.

B. One Qualification to the Duty of Undivided Loyalty

The duty of undivided loyalty being central to the conduct of a fiduciary's office, the common law recognized only limited exceptions or qualifications to it. One of those few qualifications relieved a fiduciary of the need to act illegally, even if doing so would benefit the beneficiary of their trust.

C. Expectations of OPERS Employees

Accordingly, OPERS employees are not required to violate any laws, and are specifically prohibited from violating Securities Laws, even if doing so might result in a benefit or benefits to the Funds.

VII. MANAGING MATERIAL NONPUBLIC INFORMATION

A. Preventing Dissemination of Information

The CIO shall adopt, implement and enforce written procedures reasonably designed to prevent Investment Division employees who come into possession of MNPI from disseminating such information, overtly or inadvertently, to other members of the Investment Staff.

In developing such procedures, the CIO shall consult with OPERS General Counsel ("GC") and may also consult with others, as appropriate.

B. Reporting Requirements

If any OPERS employee becomes aware of MNPI concerning a security or commodity, by virtue of their employment at OPERS or otherwise, they must immediately so notify GC. If GC determines that the information is, in fact, MNPI given the facts and circumstances, GC will then notify Investment Compliance area of Investment Accounting, Operations and Compliance ("IC").

C. Trading Restrictions

IC shall immediately place a restriction on any security or commodity that might be affected by the MNPI so reported such that OPERS traders of equity and fixed income securities are prohibited from purchasing or selling that security or commodity.

IC shall also add such securities to the Restricted List created by OPERS Personal Trading Policy to block personal trading activities of Covered Persons.

D. Removal of Trading Restrictions

IC shall not authorize OPERS traders to purchase or sell any security or commodity that might be affected by the MNPI, or remove any security or commodity from the Restricted List, until GC informs IC that the information is public and known to the market. In case of doubt as to whether information has become public, IC shall consult with the GC.

IC may approve restricted trades for purposes of rebalancing or funding of an account that must replicate an index and hold the representative weights of the underlying securities in the index. Generally, trading a basket¹ to rebalance is permissible when the restricted stock is less than 5% of the basket.

VIII. SANCTIONS

Willful disregard of this Policy will subject OPERS employees to sanctions that may include formal reprimands, adverse performance reviews and termination of employment.

IX. ROLES AND RESPONSIBILITIES

The following section outlines roles and responsibilities of the parties involved in maintaining and executing this Policy.

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.

¹ An order to buy or sell a group of securities simultaneously. Basket trading is essential for institutional investors and investment funds who wish to hold a large number of securities in certain proportions. In order for a trade to be considered a "basket trade," it must typically involve the sale or purchase of 15 or more securities.

B. Chief Investment Officer

The CIO, in consultation with IC, shall develop and enforce written procedures to prevent violations of this Policy. The CIO is responsible for reviewing adherence to this Policy by OPERS employees, and shall ensure that any violations, or willful disregard, of its provisions are reported to the GC, Director of Internal Audit (“DIA”), the Director of Human Resources, IC, and if applicable to the employee’s division head.

In case of a violation of this Policy, the CIO shall work with the Director of Human Resources to impose appropriate sanctions. The CIO, in consultation with the GC and IC, shall periodically review this Policy and recommend changes, if any, to the Board.

C. General Counsel

The GC shall review any reported violations, or cases of willful disregard, of this Policy to determine if any further action is required.

In collaboration with IC, the GC will review with OPERS employees, at least once each calendar year, requirements of the Securities Laws, including those relative to MNPI.

D. Director of Internal Audit

The DIA shall review any suspected violations or suspected willful disregard of this Policy reported by the CIO or discovered independently. The DIA will report any findings concerning such reviews to the GC and the Board’s Audit Committee in accordance with OPERS Reporting of Suspected Misconduct Policy.

The DIA shall also ensure that a review of OPERS securities trading activities is included in the annual audit plan and shall review results of such audits with the Board’s Audit Committee.

E. Director of Human Resources

The Director of Human Resources shall review any sanctions proposed for imposition in connection with this Policy. In collaboration with the CIO and the Assistant Director of Investment Accounting, the Director of Human Resources shall document any sanctions imposed under this Policy.

F. Investment Compliance

Whenever notified by GC that OPERS employees have become privy to MNPI, IC is responsible for placing trading restrictions on the applicable securities and commodities. The trading restrictions shall prohibit OPERS traders of equity and fixed income securities from purchasing or selling the restricted security or commodity.

IC shall also add such securities to the Restricted List created by OPERS Personal Trading Policy to block personal trading activities of Covered Persons.

IC shall report any violation to the CIO, with copies of the report delivered to the GC, DIA and Director of Human Resources. IC shall report to the Board annually, concerning compliance with this Policy.

IC will determine on a case by case basis if restricted trades may be approved for purposes of a rebalance or funding of an account that must replicate an index.

In collaboration with the GC, IC will review with OPERS employees who are covered by the OPERS Personal Trading Policy, at least once each calendar year, requirements of laws and regulations applicable to MNPI.

G. OPERS Employees

OPERS employees are expected to comply with both the letter and spirit of this Policy.

X. MONITORING AND REPORTING

A. Continuously

- If OPERS employees become aware of MNPI, they will notify GC who will inform IC to place restrictions on trading in accordance with this Policy.
- IC will report to the CIO, with copies to the GC, DIA and Director of Human Resources, concerning compliance with this Policy.

B. Annually

- The GC and IC will review requirements of the Securities Laws with OPERS employees who are covered by the OPERS Personal Trading Policy.
- IC will report to the Board concerning compliance with this Policy.
- The DIA shall include a review of OPERS trading activities in the annual audit plan, and will review the results of such audit with the Board's Audit Committee.