



## Kentucky Retirement Systems Investment Brokerage Policy

### **Statement of Intent**

This policy documents the intent of the Investment Committee of the Kentucky Retirement Systems (KRS) related to brokerage direction.

Brokerage direction should result from a competitive process, with the objective of minimizing commission and market impact costs, when possible. The competitive bids/offers received should be documented on buy/sell orders.

Brokerage should never be awarded on the basis of repayment for personal advice, favors or political patronage. Any attempts to solicit or direct business based upon these considerations shall be reported to the Investment Committee immediately.

### **Criteria for Selecting Brokers**

Investment managers shall be responsible for selecting brokers to execute their transactions. Investment managers are responsible for assuring the financial soundness of same in order to protect the Systems from failed trades or other liability.

Prior to executing the first trade, all of the appropriate documents must be executed and on file with the broker and the investment manager.

It is the desire of the Investment Committee that, whenever it is in the best interest of the Fund, brokerage will be directed within the Commonwealth of Kentucky, or full or partial credit will be assigned to a Kentucky-based broker.

### **Soft Dollar and Directed Brokerage Programs**

Investment managers shall be encouraged to discontinue utilization of soft dollars as a means of paying for external research services. Investment managers that continue to utilize soft dollars shall be required, at least annually, to file with KRS an updated policy statement related to the use of commissions in connection with KRS transactions, a list of the top twenty third-party vendors and services paid for with soft dollars, a report identifying the percentage of the KRS account commissions used for soft dollars, and any other reports that the Investment Committee may reasonably request from time to time.

Effective July 1, 2005, KRS discontinued the use of its directed brokerage soft dollar programs.

### **Monitoring**

Staff shall monitor the brokerage and report findings periodically to the Investment Committee. Investment managers shall report brokerage information to staff in a format acceptable to KRS.

The Investment Committee may periodically monitor market impact and commission cost for stock trades versus the trading Universe maintained by a third party vendor.