



OKLAHOMA TEACHERS RETIREMENT SYSTEM

BOARD OF TRUSTEES

POLICY MANUAL

(Amended January 2013)

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Chapter 1 - Legal Authority

Constitutional Authority

Section 62 of Article 5 of the Oklahoma Constitution was added as a result of the passage of State Question 306 on July 14, 1942. This section reads:

“The Legislature may enact laws to provide for the retirement for meritorious service of teachers and other employees in the public schools, colleges and universities in this State supported wholly or in part by public funds, and may provide for payments to be made and accumulated from public funds, either of the State or of the several school districts. Payments from public funds shall be made in conformity to equality and uniformity within the same classifications according to duration of service and remuneration received during such service.”

Statutory Authority

As a result of the passage of State Question 306, the Legislature enacted House Bill 297 in the 1943 legislative session that created the Oklahoma Teachers Retirement System (“System”). The legislation has been changed substantially in the years since its creation and is currently codified in Oklahoma Statutes Title 70, Sections 17-101 et. seq. (NOTE: In the remainder of this document, statutory references will follow the notation O.S. 70 § 17-101 to reference Oklahoma Statutes Title 70, Section 17-101.)

Purpose of System

In O.S. 70 § 17-102, paragraph 1 creates the Oklahoma Teachers Retirement System and outlines the purpose of the System as follows:

“A retirement system is hereby established and placed under the management of the Board of Trustees for the purpose of providing retirement allowances and other benefits under the provisions of this act for teachers of the State of Oklahoma.”

Board of Trustees Powers

The second paragraph of O.S. 70 § 17-102 provides the broad terms of the powers entrusted to the Board of Trustees (“Board”):

“The Board of Trustees shall have the power and privileges of a corporation and shall be known as the "Board of Trustees of the Teachers' Retirement System of Oklahoma", and by such name all of its business shall be transacted, all of its funds invested, and all of its cash and securities and other property held in trust for the purpose for which received.”

Further powers vested upon the Board of Trustees are set forth in O.S. 70 § 17-106, in part:

“(1) The general administration and responsibility for the proper operation of the retirement system and for making effective the provisions of the act are hereby vested in a Board of Trustees which shall be known as the Board of Trustees and shall be organized immediately after a majority of the trustees provided for in this section shall have qualified and taken the oath of office.”

and:

“(10) Subject to the limitations of this act, the Board of Trustees shall, from time to time, establish rules and regulations for the administration of the funds created by this act and for the transaction of its business.”

Executive Director Authority

O.S. 70 § 17-106 states, in part:

“(11) The Board of Trustees shall elect from its membership a chairman, and by a majority vote of all of its members shall appoint a secretary-treasurer, who may be, but need not be, one of its members. The Board shall employ an executive director and shall engage such actuarial and other service as shall be required to transact the business of the retirement system. The compensation of all persons engaged by the Board and all other expenses of the Board necessary for the operation of the retirement system shall be paid at such rates and in such amounts as the Board shall approve.”

Further clarification of the authority of the Executive Director is outlined in rules adopted by the Board of Trustees of the System. These rules are set forth in the Oklahoma Administrative Code (OAC). OAC 715:1-1-5 reads:

“The Executive Director shall be the administrative officer for the Board of Trustees and shall be responsible for the general administration of the Retirement System.

- (1) All employees shall be under the direct supervision of the Executive Director, and shall be recommended by the Executive Director with approval by the Board of Trustees.
- (2) The Secretary-Treasurer shall be an employee of TRS.
- (3) All vouchers drawn against TRS shall be signed by two members of the administrative staff: the Executive Director, the Assistant Executive Director, the Secretary-Treasurer, or the Comptroller.
- (4) The Executive Director shall make reports to the Board of Trustees at its regular monthly meetings in regard to administrative matters, funds and budgetary matters, and present statements showing the general condition of the System's finances.”

Board of Trustees Composition

The members of the Oklahoma Teachers Retirement System Board of Trustees are specified in O.S. 70 § 17-106 as follows:

- “(2) The Board shall consist of the following members:
- (a) The State Superintendent of Public Instruction, ex officio.
 - (b) The Director of State Finance, ex officio.
 - (c) The Director of the Oklahoma Department of Career and Technology Education, ex officio, or his or her designee.
 - (d) One member appointed by the Governor whose initial term of office shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.
 - (e) Two members shall be appointed by the Governor of the State of Oklahoma and approved by the Senate. The two members shall be: 1. a representative of a school of higher education in Oklahoma whose term of office shall initially be one (1) year, and 2. a member of the System of the nonclassified optional personnel status whose initial term of office shall be two (2) years. After the said initial terms of office the terms of said members shall be four (4) years.
 - (f) Upon the expiration of the term of office of the stockbroker member of the Board, the Governor shall appoint a member to the Board whose initial term of office shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.
 - (g) Upon the expiration of the term of office of the representative of the insurance industry member of the Board, the Governor shall appoint a member to the Board whose initial term of office shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.
 - (h) Upon the expiration of the term of office of the investment counselor member of the Board, the Governor shall appoint a member to the Board whose initial term of office shall expire on January 14, 1991. The members thereafter appointed by the Governor shall serve a term of office of four (4) years which is coterminous with the term of office of the office of the appointing authority.
 - (i) Upon the expiration of the term of office of the active classroom teacher member of the Board, the President Pro Tempore of the Senate shall appoint a member to the Board, who shall be an active classroom teacher and whose initial term of office shall expire on January 8, 1991. The members thereafter appointed by the President Pro Tempore of the Senate shall serve a term of office of four (4) years.

- (j) Upon the expiration of the term of office of the retired classroom teacher member of the Board, the Speaker of the House of Representatives shall appoint a member to the Board, who shall be a retired member of the System and whose initial term of office shall expire on January 8, 1991. The members thereafter appointed by the Speaker of the House of Representatives shall serve a term of office of four (4) years.
 - (k) The Speaker of the House of Representatives shall appoint a member to the Board, who shall be an active classroom teacher and whose initial term of office shall expire on January 3, 1989. The members thereafter appointed by the Speaker of the House of Representatives shall serve a term of office of four (4) years.
 - (l) The President Pro Tempore of the Senate shall appoint a member to the Board, who shall be a retired member of the System and whose initial term of office shall expire on January 3, 1989. The members thereafter appointed by the President Pro Tempore of the Senate shall serve a term of office of four (4) years.
- (3) Persons who are appointed to the Board of Trustees by the Governor pursuant to paragraphs (d), (f), (g) and (h) of subsection (2) of this section shall:
- (a) have demonstrated professional experience in investment or funds management, public funds management, public or private pension fund management or retirement system management; or
 - (b) have demonstrated experience in the banking profession and have demonstrated professional experience in investment or funds management; or
 - (c) be licensed to practice law in this state and have demonstrated professional experience in commercial matters; or
 - (d) be licensed by the Oklahoma State Board of Public Accountancy to practice in this state as a public accountant or a certified public accountant.

The appointing authorities, in making appointments that conform to the requirements of this subsection, shall give due consideration to balancing the appointments among the criteria specified in paragraphs (a) through (d) of this subsection.

(4) No member of the Board of Trustees shall be a lobbyist registered in this state as provided by law.”

The following table summarizes the information contained in the statute outlining the appointments to the Board of Trustees.

Oklahoma Teachers Retirement System Board of Trustees

Appointing Authority

Requirement

Governor

Higher Education Representative

Governor

Nonclassified Optional Personnel

Governor, Cotermious
 Governor, Cotermious
 Governor, Cotermious
 Governor, Cotermious

Public or Private Funds Management Experience,
 or Banking Experience ,
 or Law Experience,
 or Accounting Experience

Senate Pro Tempore

Active Classroom Teacher

Senate Pro Tempore

Retired Member

House Speaker

Active Classroom Teacher

House Speaker

Retired Member

Ex Officio

State Superintendent

Ex Officio

OSF Director

Ex Officio

Career-Tech Director or designee

Chapter 2 - Mission Statement

The Board of Trustees adopted the following as the Mission Statement of the Oklahoma Teachers Retirement System at the regular Board meeting on September 26, 2012.

We collect, protect and grow assets to provide a secure retirement income for public education employees.

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Further, the Board approved the following Vision Statement, which provides insight on major themes and objectives for the organization in the next three years.

- **We have educated and informed clients who are confident in OTRS's ability to provide their benefits.**
- **Our clients have access to on-demand, accurate personal financial information.**
- **We are a World Class Revitalization Role Model.**

Chapter 3 – Policy Review Calendar

Purpose

It is the intent of the Board of Trustees to periodically review the policies codified herein. The information below specifies the minimum frequency with which each specific policy will be reviewed. Reviews may occur more frequently as determined by the Board Chair and the Executive Director. Also specified below are the specific calendar quarters during which such reviews will occur if the minimum frequency of review guidelines are followed.

Review Frequency

Mission Statement	Reviewed Annually at Strategic Planning Retreat
Board Governance	Reviewed every 3 years
Code of Conduct	Reviewed every 5 years
Ethical and Fiduciary Conduct	Reviewed every 2 years
Board Organization and Administration	Reviewed every 3 years
Committee Charters	Reviewed every 2 years
Strategic Planning Policy	Reviewed every 2 years
Trustee Education Policy	Reviewed every 5 years
Travel Expense Policy	Reviewed every 3 years
Securities Litigation Policy	Reviewed every 3 years

The table on the following page outlines the schedule for review of the policies listed above.

Review Calendar

	2010				2011				2012				2013				2014				2015			
Policy for Review	Q1	Q2	Q3	Q4																				
Mission Statement			X				X				X				X				X				X	
Board Governance									X												X			
Code of Conduct																X								
Ethical and Fiduciary Conduct					X								X								X			
Board Administration						X												X						
Committee Charters	X								X								X							
Strategic Planning Policy				X								X											X	
Trustee Education Policy		X																					X	
Travel Expense Policy										X													X	
Securities Litigation Policy								X															X	
	2016				2017				2018				2019				2020				2021			
Policy for Review	Q1	Q2	Q3	Q4																				
Mission Statement			X				X				X				X				X				X	
Board Governance									X												X			
Code of Conduct												X												
Ethical and Fiduciary Conduct						X							X								X			
Board Administration							X											X						
Committee Charters	X								X								X							
Strategic Planning Policy				X								X											X	
Trustee Education Policy																		X						
Travel Expense Policy										X													X	
Securities Litigation Policy								X															X	

Chapter 4 – Board Governance

Statement of Governance Principles

To ensure the accountability and authority for governance and management of the Oklahoma Teachers Retirement System, the Board adopts these governing principles to identify and distinguish between the roles of the Board and its members, and the Executive Director, Executive Staff and any fiduciaries or vendors of the System.

Board Responsibilities

Consistent with its fiduciary role as Trustee of the Fund, the Board's principal role is to ensure that the System is appropriately governed and managed, for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administration, solely in the best interest of the participants and beneficiaries. With the overriding goal of protecting Fund assets, the Board's role is to:

1. Adopt and Monitor Policies
 - A. Set the long-term strategic direction for the System, focusing on the goals of the System against which its performance is measured and monitored.
 - i. Set policies for the System focusing on:
 - a. Asset allocation
 - b. Unfunded liabilities
 - c. Risk-adjusted rates of return
 - d. Potential future risks
 - ii. Select, annually evaluate, make salary and other compensation decisions, establish responsibilities and duties within the standards established by state law, and, if necessary, take disciplinary action against the Executive Director.
 - iii. Delegate execution of established Board policy and strategic objectives to the Executive Staff.
 - iv. Establish rules and regulations for the administration of the System and for the transaction of its business.
2. Review and Evaluate Performance
 - A. Monitor performance and regularly review results as compared to:
 - i. Strategic plan and other long-range goals

- ii. Performance measures that include external as well as internal measures.
- B. Review, approve, and monitor actuarial data and assumptions.
- 3. Review and Evaluate Financial and Administrative Operations
 - A. Review and approve the annual budget, financial standards and policies, material capital allocations and material transactions.
 - B. Ensure the integrity of the financial control and reporting system.
 - C. Oversee all audits, approve the external audit, and provide that financial controls are in place.
- 4. Other Board Responsibilities
 - A. Be responsible and accountable to the Clients and beneficiaries of the System.
 - B. Be responsive to representative organizations, participating public employers and others with interests in the System, and the citizens of the State of Oklahoma.
 - C. Monitor relations and communications with Clients, beneficiaries, their organizations, and others with oversight interests.
 - D. Conduct Client hearings and decide appeals.
 - E. Take all necessary action upon applications for retirement, disability benefits, refund of accumulated contributions, and all other matters deemed necessary by the Board.
 - F. Recommend Board and Committee meeting calendars, with the advice of the Executive Staff and Committee Chairs.
- 5. Governing Style
 - A. The Board is responsible for creating and maintaining an atmosphere that encourages frank and collegial discussions both at the Board and committee level and between the Board and the Executive Director, Assistant Director and Staff. The Board strives to achieve a governing style that emphasizes:
 - i. Strategic leadership
 - ii. Outward vision
 - iii. Focus on the future
 - iv. Pro-activity
 - v. Encouragement of collegiality, including the creation of an environment which supports the mission of the System

- vi. Respect for diversity in viewpoints
 - vii. Governance by consensus
 - viii. A team environment with System management.
 - ix. Ethical conduct of Board business to avoid even the appearance of impropriety.
- B. The Board establishes and communicates Board policies and priorities and then monitors performance in light of its established policies and priorities. The Board recognizes that the achievement of its goals requires self-discipline by the Board as a whole and by individual Board members to live by the policies articulated herein and to govern with excellence.
- C. The Board will cultivate a sense of group responsibility. The Board, not the staff, will be responsible for excellence in governing. The Board will be the initiator of policy, not merely a reactor to staff initiatives. The Board may use the expertise of individual Board members to enhance the ability of the Board as a body, rather than to substitute the individual's judgments for the Board's values.
- D. The Board will direct, control and inspire the organization through the careful establishment of broad policies reflecting the Board's values and perspectives. The Board's major policy focus will be on the intended long term impacts on the System, and its Clients and beneficiaries.
- E. The Board will enforce upon itself whatever discipline is needed to govern with excellence. Discipline will apply to matters such as attendance, preparation for meetings, policymaking principles, respect of roles, and ensuring the continuance of governance capability.
- F. Continual Board development will include orientation of new Board members in the Board's governance process and periodic Board discussion of process improvement.
- G. The Board will allow no officer, individual or committee of the Board to hinder or be an excuse for not fulfilling its commitments.

Trustee Responsibilities

1. Attendance: All Trustees are expected to attend all Board and applicable committee meetings. While attendance is not always possible, Trustees should, once the calendar for a year is set, immediately flag any scheduling conflicts and thereafter manage their schedules to avoid creating additional conflicts. Absences for medical or other substantial reasons shall be deemed excused absences in the discretion of the Board Chair.
2. Preparation: Trustees should come to Board meetings having read the materials prepared and circulated by staff.

3. Education: Trustees should identify areas where they might benefit from additional education and work with staff to find educational opportunities. Trustees should fulfill the training expectations outlined in the Trustee Education Policy set forth below and are encouraged to attend additional educational opportunities as outlined in therein.
4. Representation: At times, Trustees may be called on to represent the Oklahoma Teachers Retirement System to various constituencies, including officers of state government, state agencies, or other groups.
5. Collegiality: Members shall make every effort to engage in collegial deliberations, and to maintain an atmosphere where Board or committee members can speak freely, explore ideas before becoming committed to positions, and seek information from staff and other members. To the extent possible, members are encouraged to come to meetings without having fixed or committed their positions in advance.
6. Independence: Oklahoma Teachers Retirement System Trustees and their delegates shall, upon taking office, affirm an oath confirming their independence and their understanding of their fiduciary duties. The oath shall read as follows:

"I, _____, do solemnly swear (or affirm) that I will support, obey, and defend the Constitution of the United States and the Constitution of the State of Oklahoma, and that I will not knowingly receive, directly or indirectly, any money or other valuable thing, for the performance or nonperformance of any act or duty pertaining to my office, other than the compensation allowed by law as a member of the Board of Trustees. I further swear (or affirm) that I will diligently and honestly administer the affairs of the Board of Trustees and that I will not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the Teachers' Retirement System of Oklahoma to the best of my ability."

7. Disclosure of Financial Interests: Oklahoma Teachers Retirement System Trustees and their delegates shall be required to annually file the appropriate financial interest disclosures with the Oklahoma Ethics Commission.
8. Board members have no obligation to meet with or communicate with advisors, managers, consultants, contractors or vendors. Any contacts and communications between individual Board members and advisors, managers, consultants, contractors and vendors to the System shall be at the option, discretion, and judgment of each Board member. Individual Board members shall avoid favoritism, conflicts and disclosure of privileged information and at all times individual Board members shall act in the best interest of the System consistent with his/her fiduciary duty.
9. Board members shall not attempt to exercise individual authority over the System, investment managers, consultant or any other vendors of the System, except as explicitly set forth in Board policies.

10. Board members' interaction with the Executive Staff, investment managers, consultants or vendors must recognize the lack of authority vested in individual Board members except when explicitly Board authorized.
11. Board members' interaction with public, press or other entities must recognize the same limitation and the inability of any Board member to speak for the Board except to repeat explicitly stated Board decisions or policies.
12. Board members will make individual assessments or evaluations of the Executive Director when such Board member deems it necessary or in the normal course of evaluations of such individuals.
13. Board members shall not represent to any investment manager, consultant, or any other vendor of the System that the individual Board member retains any authority to speak on behalf of, obligate or influence the decision making process of the System, or the Board, unless specifically authorized by the Board. This is not meant to restrict proper communications between Board members and vendors seeking information or clarifications concerning Board business.
14. Individual Board members shall refer proposals or other communications regarding potential or existing investments or other contracts directly to the Chair of the Board and the Executive Director.
15. Individual Board members shall not seek the advice or counsel of the System's Legal Counsel, any outside counsel, or actuarial consultants on projects and issues that require a substantial amount of time or work, without first verifying with the Chair of the Board and the Executive Director that the expenditure of professional fees is appropriately related to service on the Board. The Legal Counsel shall ensure that all Board members receive the benefit of any legal advice or counsel provided to any individual Board member.
16. Individual Board members are not to become involved in operational management of the System, except as requested by the Executive Director or as directed by the Board.
17. Whenever the System is in the process of selecting or employing advisors, managers, consultants, contractors or vendors, individual Board members shall limit their communications with any person or entity (or agent for such person or entity) that may be under consideration in such selection or hiring process, in a manner that is consistent with the Board's competitive bid standard. Any Board member who becomes aware of a contact by a person or entity (or agent for such person or entity) that the Board member reasonably believes violates the competitive bid standards shall report the contact to the Chair of the Board. The Board Chair shall inform the Executive Staff of the contact, who is responsible for responding in accordance with the Board's policies.
18. Avoidance of Appearance of Nepotism: Even if otherwise permissible under State conflict of interest laws and/or Board policy, Trustees should avoid participating in Oklahoma Teachers Retirement System matters in which a close relation of the Trustee has a personal, managerial or substantial financial interest. A "close relation" is defined

as a spouse, mutual financial dependent, significant other or person in an intimate relationship; a child, parent, sibling (including in-laws and step-relations), grandparent or grandchild, niece or nephew, aunt, uncle or cousin. A “substantial financial interest” exists if the personal financial effect of the Oklahoma Teachers Retirement System matter on the close relation would be \$250 or more in a 12-month period and that effect is particular to the close relation as opposed to affecting a much larger group. For example, under this policy, a Trustee would not be precluded from participating in a decision to recommend legislation that would increase the percentage amount of a cost-of-living adjustment paid to all retirees even if the Trustees’ mother would receive this increase along with all other retirees. However, if the Trustees’ mother files an appeal that contends that her specific cost-of-living adjustment had been calculated incorrectly by Oklahoma Teachers Retirement System, under this policy the Trustee would be precluded from participating in the decision regarding this appeal.

Board of Trustees Chair Responsibilities

The Board Chair shall lead the Board in the conduct of Board business by managing the affairs of the Board and ensuring the integrity of the Board’s process. The Chair’s specific duties as set forth in the statutes, or as delegated by the Board, are to:

1. Provide leadership to the Board in terms of collegiality and ethical conduct.
2. Ensure that Board operations are consistent with its own policies and those legally imposed upon it, and ensuring that Board member activities fall within the Board’s policies regarding governance, prudence and ethics.
3. Set the Board agenda with input from Board members and the Executive Staff, articulating, prioritizing and scheduling agenda items as appropriate.
4. Conduct Board meetings, controlling the process of Board deliberations pursuant to rules adopted by the Board.
 - A. Limit meeting discussion content to those issues that are within the Board’s responsibility.
 - B. Ensure timely, fair, orderly, thorough and efficient deliberations.
5. Make decisions in those areas for which the Board and state law has expressly delegated the Chair decision-making authority.
 - A. Convene and chair meetings of the Board.
 - B. Appoint Committee membership, with consideration given the expressed desires of individual Board members and the value of periodic rotation of Committee members so as to provide direct exposure to differing Board responsibilities.

- C. In consultation with affected Committee Chairs, and Board membership, give consideration to the expressed desires of individual Board members concerning the value of providing direct exposure to differing Board responsibilities.
 - D. In consultation with affected Committee Chairs, resolve the scope of authority of different committees, with the goal of ensuring the most effective and efficient use of Board time.
6. Represent the Board and the System, or designate other board representatives, to outside parties and organizations.
 7. Act as the liaison for communications between the Board and Executive Staff. This shall not be construed to limit the ability of any Board member to interact with the Executive Staff.
 8. Lead the Board's ongoing assessment of Board performance, process and organization, recognizing that continuing improvement will require periodic change to meet future needs and conditions.

Committee and Committee Chairs Responsibilities

1. Standing Board Committees have an important role in assisting the Board to carry out its responsibilities. In fulfilling this role they:
 - A. Assist the Board by considering policy alternatives and implications for Board deliberations and actions.
 - B. Review, address and make recommendations to the Board on all matters related to the choice of custodians and investment managers of the assets of the System, on the establishment of investment and fund management guidelines, and in the planning and development on investment policy.
 - C. Make recommendations to the Board on all non-investment related matters including rules and regulations for the operation and management of the System.
2. All Board members shall be advised of the meetings of each Committee, and may choose to attend any Committee meeting, regardless of whether or not they are a member of the Committee. Board members may participate in Committee discussions, but may only vote in Committees in which they are members.
3. Committee Chairs are responsible for organizing the work of the Committees. In fulfilling this function they:
 - A. In consultation with the Chair of the Board, the Executive Staff, the Consultant, and with input from Board members, set the Committee agenda.
 - B. Convene and chair meetings of the Committee.

- C. Ensure that the Committee operates to assist the Board consistent with its delegated authority and Board rules including:
 - i Limiting meeting discussion content to those issues that, according to Board policy and delegation, are within the Committee's responsibility.
 - ii Ensuring timely, fair, orderly, thorough but efficient deliberations, and enforcing the Board's rules of order.
- D. Work directly with the Executive Staff, with the staff person(s) assigned by the Executive Staff and Consultants, on matters within the Committee authority.
- E. In consultation with the members of the Committee and the Executive Staff to determine the most appropriate method of and time for obtaining and considering independent consultant input on issues within the Committee's authority.
- F. In consultation with the Executive Staff review the matters that were presented to the Committee and evaluate whether these matters represent an effective and efficient method of achieving the Board's policies and strategic direction. Report conclusions and recommendations to the Board of Trustees for action.

Executive Director Responsibilities

1. The Board shall appoint an Executive Director, who shall be the managing and administrative officer of the System and, as such, shall have charge of the office, record, supervision and direction of the employees of the System.
2. The Board has delegated to the Executive Director responsibility for the administration, management and leadership of the System consistent with Board delegation of authority. Policy and direction set by the Board is implemented through the Executive Director so that a strong relationship exists between the Board and the Executive Director, and a clear delineation of authority which is critical to the accomplishment of the Board's objectives. This broad responsibility includes: (1) investment oversight; (2) hiring, supervising, monitoring, evaluating, and, when necessary, taking disciplinary action or terminating senior managers and staff as delegated; (3) services to beneficiaries; (4) budgeting; (5) governmental affairs/media relations; (6) employee training and development; (7) succession planning; (8) actuarial valuations; and (9) legal representation; and (10) establishing goals and objectives to meet the aforementioned responsibilities. In the absence of the Executive Director, the Assistant Executive Director shall assume these responsibilities.
3. Executive Director's duties are defined by the Board and include the following:
 - A. With advice and counsel from the Board, achieve the long-term policies and strategic objectives established for the System by the Board, including as necessary:
 - i Determining the appropriate methods for attaining the Board-established policies and strategic objectives.

- ii Directing the System employees in furtherance of those objectives.
 - iii Ensuring that management activities and decisions are within Board-approved policies
 - B. Monitor the working relationship between the System staff person(s), investment managers, consultants and any other vendors of the System, and the Committee Chairs, to ensure the efficient operation of the Board's committees.
 - C. Represent the System, or designate other staff representatives, to outside parties and organizations.
 - D. Provide leadership to the System employees in terms of collegiality and ethical conduct.
 - E. Act as the liaison for communication and information flow between the Board, the System employees and the Clients and beneficiaries.
 - F. Inform the Chair of the Board of inquiries and requests concerning System business that may be sensitive in nature.
 - G. Report to the Board on the status of pending legislation impacting the System.
4. Board-Executive Staff Linkage
- A. Decisions or instructions of individual Board members, officers, or committees are not binding on the Executive Staff except in instances when the Board has specifically authorized such exercise of authority.
 - B. In the case of Board members or committees requesting information or assistance without Board authorization, the Executive Staff can refuse such requests that require, in the Executive Staff's opinion, a material amount of staff time or funds or is disruptive. (The exception would be when such request is in connection with the Board member's capacity as a Client of the system and such request would be responded to for any Client of the system.)
 - C. The Board will generally never give instructions to the Executive Staff, but will instead communicate any requests or questions to the Executive Director for delegation to Executive Staff at the discretion of the Executive Director.
 - D. The Board will refrain from evaluating, either formally or informally, any staff person other than the Executive Director.

Vendor Responsibilities

1. A vendor of the System, and any employees, principals, or agents of a vendor of the System (“Vendor”), which is a fiduciary with respect to the System pursuant to 70 O.S. § 17-106.2 shall at all times fully comply with the duties and responsibilities set out by Oklahoma law and, in particular, 70 O.S. § 17-106.2.
2. The Vendor shall not offer or provide to a Board member and the Executive Staff any gifts or gratuities from an individual organization with a value in excess of Fifty Dollars (\$50) per year in violation of 70 O.S. § 17-106.
3. The Vendor shall take positive steps to prohibit breaches of duty, communications seeking to influence improperly the Board, Board members, or the Executive Staff, or improper communications with individuals who may receive personal gains as a result of Board or Executive Staff actions.
4. The Vendor’s failure to abide by this section, or any other applicable section, of this Code of Conduct and Governance Policy may result in the Board’s termination of the Vendor’s contract with the System.

Chapter 5 – Code of Conduct

The Board of the Oklahoma Teachers Retirement System the Executive Director and other Executive Staff shall discharge their duties with respect to the System solely in the interest of the participants and beneficiaries for the exclusive purpose of providing retirement benefits. Board members and the Executive Staff must at all times meet high ethical standards, avoiding favoritism, conflicts of interest, and disclosure of privileged information, acting in the best interest of the System consistent with fiduciary responsibilities. In furtherance of this stated objective, the Board adopts the following Code of Conduct:

1. Board members and the Executive Staff shall maintain high ethical conduct at all times.
2. Board members and the Executive Staff shall conduct themselves with integrity and dignity; strive to understand System objectives, and exercise care, prudence and diligence in handling confidential information.
3. Board members shall cultivate a sense of group responsibility, and the encouragement of collegiality, including the creation of an environment which supports the mission of the System in a team environment culture with the Executive Staff.
4. Board members and the Executive Staff shall not seek nor accept any compensation or contributions that would violate Oklahoma law.
5. Board members and the Executive Staff shall not seek nor accept any gifts, gratuities, or reimbursement for travel or any other activity from an individual or an organization with a value in excess of the amount permitted by the Ethics Commission for all state officials and employees pursuant to Ethics Commission Rules. This shall not be construed to prevent Board members and the Executive Staff from attending educational seminars, conferences, meetings, or similar functions which are paid for, directly or indirectly, by more than one organization.
6. Board members and the Executive Staff shall take positive steps to prohibit breaches of duty (through negligence or intentional action), communication with individuals seeking to improperly influence the Board or the Executive Staff, and communication with individuals who may receive improper personal gains as a result of Board or Executive Staff actions.
7. Board members and the Executive Staff shall never act where there may be a conflict of interest or appearance of conflict of interest. A conflict of interest is understood to be a situation where a relationship exists that could reasonably be expected to diminish independence of judgment in performance of official responsibilities. Specifically, Board members and the Executive Staff shall not participate in decisions which might result in significant personal economic advantage. The Board recognizes that certain Board members are also Clients of the System and may receive additional pension benefits due to decisions of the Board. This situation has been recognized by the Oklahoma Legislature and, therefore, is not a conflict in and of itself. However, this does not

abrogate the responsibility of all Board members to act in the best interest of the System consistent with his/her fiduciary duty.

8. Board members and the Executive Staff recognize that all business transactions of the System are to be based on integrity, competence, financial merit and benefit to System participants and their beneficiaries, and not on personal relationships.
9. Board members and the Executive Staff shall act in accordance with the prudent person rule as set forth in 70 O.S. § 17-106.1.
10. Board members and the Executive Staff shall not use the prestige or influence of the state or the System for private gain or advantage, or the private gain or advantage of another.
11. Board members and the Executive Staff shall not use state time, facilities, or equipment, including but not limited to copy machines, telephones, vehicles, postage meters, data processing or word processing equipment, personal computers or supplies, for private gain or advantage, or for the private gain or advantage of another.
12. Board members and the Executive Staff shall not use confidential information available by virtue of holding a position on the Board (including, but not limited to, confidential data filed by a Client or beneficiary with the Board, and confidential contract, financial, investment or legal information) for private gain or advantage, or for the private gain or advantage of another.
13. Board members and the Executive Staff shall not provide confidential information (including, but not limited to, confidential data filed by a Client or beneficiary with the Board, and confidential contract, financial, investment or legal information) to persons to whom issuance of this information has not been authorized or is in violation of state law.
14. Board members and the Executive Staff shall not receive or accept, directly or indirectly, any gift, including money, or any service, gratuity, favor, entertainment, hospitality, loan, or any other thing of value from anyone who is doing or is seeking to do business of any kind with the System or whose activities are regulated or controlled by the System, under circumstances from which it reasonably could be substantiated that the gift was intended to improperly influence the Board member or the Executive Staff in his or her official duties or was intended as reward for any official actions performed by the Board member or the Executive Staff.
15. Any person or local school board aggrieved by a decision of the Executive Director or the Board on a claim for retirement or any other matter concerning rights or benefits available under the System statutes may request an administrative hearing. In order to ensure the integrity of the administrative process, Board members shall not have ex parte communications on the merits of an administrative hearing with any party or their attorney until after the Board's decision in the case is final.

Chapter 6 – Ethical and Fiduciary Conduct

Fiduciary Duties

The board and its officers and employees of the system shall discharge their duties with respect to the system and the plan solely in the interest of the Clients and beneficiaries as follows:

1. For the exclusive purpose of the following:
 - A. Providing benefits to Clients and beneficiaries.
 - B. Defraying reasonable expenses of administering the plan.
2. With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an enterprise of a like character and with like aims.
3. 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.
4. In accordance with the documents and instruments governing the system insofar as those documents and instruments are consistent with this part.

Exclusive Purpose of Systems Assets

1. Except as provided in paragraph 2 below, the assets of the plan shall never accrue to the benefit of an employer and shall be held for the exclusive purposes of providing benefits to Clients and beneficiaries and defraying reasonable expenses of administering the system.
2. In the case of a contribution that is made by an employer by a mistake of fact, paragraph 1 shall not prohibit the return of that contribution within one year after the system knows, or should know in the ordinary course of business, that the contribution was made by a mistake of fact.

Prohibited Transactions

Except as otherwise provided by law, the board and the officers and employees of the system shall not cause the system to engage in a transaction if they know or should know that the transaction constitutes a direct or indirect:

1. Sale or exchange, or leasing, of any property from the system to a Client or beneficiary for less than adequate consideration, or from a Client or beneficiary to the system for more than adequate consideration.
2. Lending of money or other extension of credit from the system to a Client or beneficiary without the receipt of adequate security and a reasonable rate of interest, or from a Client

or beneficiary with the provision of excessive security or an unreasonably high rate of interest.

3. Furnishing of goods, services, or facilities from the system to a Client or beneficiary for less than adequate consideration, or from a Client, retiree, or beneficiary to the system for more than adequate consideration.
4. Transfer to, or use by or for the benefit of, a Client or beneficiary of any assets of the plan for less than adequate consideration.

Prohibitions Against Self-Dealing

The board and its officers and employees of the system shall not do any of the following:

1. Deal with the assets of the system in their own interest or for their own account.
2. In their individual or in any other capacity, act in any transaction involving the system on behalf of a party, or represent a party, whose interests are adverse to the interests of the plan or the interests of the Clients and beneficiaries.
3. Receive any consideration for their personal account from any party conducting business with the system in connection with a transaction involving the assets of the plan.

Statement of Ethical Conduct

The Oklahoma Teachers Retirement System Board has established the following Statement of Ethical Conduct and has determined that engaging in any of the following activities or conduct is inconsistent, incompatible, in conflict with or contrary to the duties of an Oklahoma Teachers Retirement System Trustee and/or staff.

No employment, activity, or enterprise shall be engaged in by any Oklahoma Teachers Retirement System Trustee or staff, which might result in, or create the appearance of resulting in, any of the following:

1. Using the prestige or influence of the Board or staff position for private gain or the advantage of another.
2. Using Oklahoma Teachers Retirement System time, facilities, employees, equipment or supplies for private gain or advantage, or the private gain or advantage of another.
3. Using confidential information acquired by virtue of Oklahoma Teachers Retirement System activities for the private gain or advantage of another, including, but not limited to, so-called “insider trading” as described in the Policy Prohibiting Insider Trading below.
4. Receiving or accepting money or any other consideration from anyone other than the state or Oklahoma Teachers Retirement System for the performance of an act which the

Trustee or staff would be required or expected to render in the regular course or hours of his/her duties.

5. Performance of an act in other than his/her capacity as a Trustee, Executive Staff, their delegates or staff, knowing that such act may later be subject, directly or indirectly, to the control, inspection, review, audit, or enforcement by such person or by Oklahoma Teachers Retirement System.
6. Receiving or accepting, directly or indirectly, any gift, including money, any service, gratuity, favor, entertainment, hospitality, loan, or any other thing of value, from anyone who is doing or is seeking to do business of any kind with the state or whose activities are regulated or controlled in any way by the state, under circumstances from which it reasonably could be substantiated that the gift was intended to influence him/her in his/her official duties or was intended as a reward for any official action on his/her part.
7. As a Trustee, having an ex parte communication on the merits of an administrative appeal with any party or their attorney until after the Board's decision is final. For purposes of this prohibition, Trustees are reminded that, with the exception of the Legal Counsel personally, or a person acting for the Legal Counsel in this capacity only, Oklahoma Teachers Retirement System staff and officers, fall within the definition of "party."
8. Publishing any writing or making any statement to the media, to state administrators, legislative personnel, or members of the public which purports to represent Oklahoma Teachers Retirement System' position or policy on any matter or subject, before the Board has formally adopted a policy or position on the matter or subject. This section shall not be interpreted to preclude Trustees or staff, as private citizens, from expressing their personal views.

Nothing in this Statement shall exempt any Trustee or staff from applicable provisions of any other laws of this State. The standards of conduct set forth in this Statement are in addition to those prescribed in the System's Code of Conduct Policy.

Policy Prohibiting Insider Trading

Background

The Board is committed to the highest ethical standards and strictest adherence to federal, state and foreign securities laws and regulations regarding "insider trading." To ensure that the Oklahoma Teachers Retirement System operates in a manner commensurate with its goal of promoting integrity in the investment, administration and management of securities, the Board has adopted this Policy Prohibiting Insider Trading.

The policy applies to Trustees and Oklahoma Teachers Retirement System staff, which includes investment consultants and contractors affiliated with Oklahoma Teachers Retirement System (hereinafter referred to as "staff"). The prohibition on insider trading continues to apply even after resignation from the Board or termination of employment until such time, if ever, the

information becomes generally available to the public other than through disclosure by or through the Trustee or staff.

“Insider trading” has been defined as buying or selling securities on the basis of material, nonpublic information relating to those securities. Any person who possesses material nonpublic information is considered an “insider” as to that information. The prohibition against insider trading may reach anyone, not just a corporate insider, who has access to the material nonpublic information. The scope of insider trading liability has been extended to “controlling persons,” which includes any entity or person with power of influence or control over the management, policies or activities of another person. It has also been extended to “tippees” who receive material, nonpublic information from an insider when the “tipper” (the “insider”) breaches a fiduciary duty for his or her personal benefit and the “tippee” knows or has reason to know of the breach. The law provides civil and criminal penalties for insider trading violations.

Information is deemed material if it would be considered important by a reasonable investor in deciding whether to buy, sell or refrain from any activity regarding that company’s securities. Material information may be either positive or negative and can relate to any aspect of a company’s business. Common examples of material information include, but are not limited to: unpublished financial results and projections, news of a merger or acquisition, stock splits, public or private securities/debt offerings, changes in dividend policies or amounts, gain or loss of a major customer or supplier, major product announcements, significant changes in senior management, a change in accounting policies, major problems or successes of the business, and information relating to a company against whom Oklahoma Teachers Retirement System is considering securities litigation. Material nonpublic information may not be used by Trustees or staff for personal gain or to benefit relatives or friends.

Information is considered “nonpublic” if it is not available to the general public. Once it is released to the general public, it loses its status as “inside” information. However, for nonpublic information to become public, it must have been made generally available to the securities marketplace, and sufficient time must pass for the information to become available in the market. To show that material information is public, it is generally necessary to show some fact verifying that the information has become generally available, such as disclosure in company filings with the SEC or company press releases to a national business and financial wire service, a national news service, or a national newspaper.

Policy on Insider Trading

Trustees and staff may be provided or have access to confidential information, including material, nonpublic information. Any information not publicly available must be treated as confidential even if it is not designated as confidential. It is the duty of Trustees and staff to maintain the confidentiality of information and to not misuse confidential information, including material nonpublic information, belonging to or relating to Oklahoma Teachers Retirement System. Trustees and staff who come into possession of material nonpublic information must not intentionally or inadvertently communicate it to any person, including relatives and friends, unless the person has a need to know for legitimate reasons in keeping with their responsibilities to the System. Special care should be taken so that confidential information is not disclosed inadvertently.

Trustees and staff in possession of material, nonpublic information may not purchase or sell securities of the concerned company or other publicly traded securities to which the information pertains. Trustees and staff also may not disclose material, nonpublic information to another person who subsequently uses that information for profit. Recommending purchases or sales of securities to which the material nonpublic information relates, even without disclosing the basis for the recommendation, is prohibited.

Trustees and staff in possession of material, nonpublic information relating to a tender offer, acquired directly or indirectly from the bidder or target company, may not trade in target company securities. Trustees and staff also may not disclose such material, nonpublic information to another person where it is reasonably foreseeable that the recipient of the information will purchase or sell such company securities.

Trustees and staff in possession of material, nonpublic information may not purchase, directly or indirectly, any security in the initial public offering of such security. Such new issue securities may only be purchased in the secondary trading market once such a market is established. Trustees and staff also may not encourage, facilitate, or arrange such a purchase by or on behalf of any other person.

The Board is committed to the highest ethical standards and strictest adherence to the laws and regulations regarding insider trading. This policy is to be delivered to all new Trustees and staff, including consultants, upon commencement of a relationship or employment with Oklahoma Teachers Retirement System. Each Trustee and all Oklahoma Teachers Retirement System staff must read and complete the certification in Attachment I within 30 days of receipt of the policy. The certification shall be delivered to the Oklahoma Teachers Retirement System Executive Director.

The Executive Director shall obtain written confirmation from each external manager that handles securities for the System that it has a policy against insider trading and that it enforces the policy. The written confirmation must be received by Oklahoma Teachers Retirement System within 30 days of commencement of the manager's relationship with Oklahoma Teachers Retirement System.

Statements of Economic Interests filed by Trustees or staff may be reviewed by Oklahoma Teachers Retirement System to insure compliance with this policy. Trustees and staff should report any suspected violation of this policy to the Oklahoma Teachers Retirement System Legal Counsel. The Legal Counsel is responsible for causing an investigation of any reported violation. Following such investigation, if the Legal Counsel concludes that the policy may have been violated, he or she shall take appropriate action.

Violation of this policy may result in disciplinary action, including dismissal of employees, and may result in termination of contracts for consultants and other contractors. Any disciplinary action for violation of the policy may be in addition to any civil or criminal liability under federal and state securities laws and regulations and is not subject to appeal on the grounds that the violation did not ultimately result in any actual civil or criminal investigation or other legal proceeding.

ATTACHMENT I

Oklahoma Teachers Retirement System Insider Trading Policy Certification

I, _____, hereby certify that I have read and understand the Policy Prohibiting Insider Trading and agree to adhere strictly to the Policy. I further certify that I understand that the failure to act in conformance with the Policy Prohibiting Insider Trading will result in serious consequences, including termination from my employment or contract with Oklahoma Teachers Retirement System.

Date: _____

Signature

Oklahoma Ethics Commission Rules

1. All Oklahoma Teachers Retirement System Trustees and specified staff are subject to the disclosure and reporting requirements of the Oklahoma Ethics Commission regulations. Any Trustee or staff that receives a gift, honoraria, or travel expenses (paid or reimbursed) or the actual transportation and related lodging and subsistence from any third party other than either the System or the State of Oklahoma has the responsibility to determine whether the receipt of the same must be disclosed and reported under the Oklahoma Ethics Commission regulations. This section applies to Oklahoma Teachers Retirement System travel, as well as other travel expenses covered by the Oklahoma Ethics Commission regulations. Trustees and staff are referred to the Travel Expense Policy herein, which governs reimbursement for travel expenses and provides that where third parties offer to pay Oklahoma Teachers Retirement System travel expenses for Trustees or staff, specified prior approval is required.
2. Receipt of any gift, honoraria, or payment of actual transportation and related lodging and subsistence or any payment or reimbursement of the same to Trustees or staff regarding travel of any kind by third parties may subject the recipient Trustee or staff to disqualification from participation in making Board Policy related to the third party. It is the recipient's responsibility to make sure that he or she does not engage in any action that places him or herself in a conflict of interest.
3. Under the regulations of the Oklahoma Ethics Commission, a Trustee or staff member who has a financial interest in a decision of Oklahoma Teachers Retirement System must, following the announcement of the agenda item to be discussed or voted upon but before either the discussion or vote commences, do the following:
 - A. Publicly identify the financial interest that gives rise to the conflict;
 - B. Recuse themselves from discussing, voting, or attempting to use their influence to affect the outcome of a decision of the public body; and
 - C. Leave the room until after the discussion and vote on the item in question.
 - D. A Trustee or staff member that has a financial interest in a matter placed on a consent agenda must observe the above requirements with the exception that he or she is not required to leave the room during the consent agenda.
 - E. In the event that the discussion is to occur in closed session, the public identification may be made orally during the open session before the body goes into closed session and may be limited to a declaration that his or her recusal is because of a conflict of interest under Oklahoma Ethics Commission regulations.

No Contact Policy

Upon the release of any Request for Proposal (RFP), Invitation for Bid (IFB), or comparable procurement vehicle for any System service or product, there shall be no communication or contact between the applicant or bidder and Oklahoma Teachers Retirement System Trustees or staff concerning the subject of the procurement process until the process is completed.

Requests for technical clarification regarding the procurement process itself are permissible and must be directed to the System's Contracts Office.

Incidental contact between a prospective bidder or its representative and Oklahoma Teachers Retirement System Trustees and staff which is exclusively social, or which clearly pertains to a matter not related to the subject procurement process, is permissible.

During the RFP process the Executive Director, Internal Auditor, or the Legal Counsel may inquire of Trustees or applicant bidders about any contact between Trustees and applicant bidders.

Any applicant or bidder who willfully violates this policy will be disqualified from any further consideration to provide the applicable service or product.

Trustees and staff should report any suspected violation of this policy to the Executive Director who shall determine the appropriate course of action.

Disclosure of Communications

1. Disclosure of Communications Regarding Investment Transactions that Require Board of Trustees Approval
 - A. During the evaluation of any prospective investment transaction, no party who is financially interested in the transaction nor any officer or employee of that party, may knowingly communicate with any Trustee concerning any matter relating to the transaction or its evaluation, unless the financially interested party discloses the content of the communication in a writing addressed and submitted to the Legal Counsel and the Board prior to the Board's action on the prospective transaction. This shall not apply to communications that: (1) are part of a noticed board meeting; (2) are part of a scheduled due-diligence meeting between the financially interested party and representatives of the System including Trustees, Executive Staff, and Investment Consultant, (3) are incidental, exclusively social, and do not involve the system or its business, or the Board or staff member's role as a system official; or (4) do not involve the system or its business and that are within the scope of the Board or staff member's private business or public office wholly unrelated to the system.
 - i. The writing shall disclose the date and location of the communication, and the substance of the matters discussed. It shall be submitted no later than five working days prior to the noticed Board meeting at which the investment transaction is being considered unless the communication occurs less than five

working days before the noticed Board meeting, in which case the writing shall be submitted immediately after the communication occurs.

- ii. Consistent with its fiduciary duties, the Board shall determine the appropriate remedy for any knowing failure of a financially interested party to comply with this policy, including, but not limited to, outright rejection of the prospective investment transaction, reduction in fee income, or any other sanction.
- B. Any Trustee who participates in a communication subject to this policy shall also have the obligation to disclose the communication to the Legal Counsel and the Board prior to the Board's action on the prospective transaction. The disclosure shall be in writing and shall disclose the date and location of the communication and the substance of the matters discussed. It shall be submitted no later than five working days prior to the noticed Board meeting at which the investment transaction is being considered unless the communication occurs less than five working days before the noticed Board meeting, in which case the writing shall be submitted immediately after the communication occurs. The communications disclosed under this section shall be made public, either at the open meeting of the board in which the transaction is considered, or if in closed session, upon public disclosure of any closed session votes concerning the investment transaction.
- i. This disclosure obligation shall not apply to communications that are general in nature and content, such as: (1) those with regard either to the nature of the party's business or interests or with regard to public information regarding Oklahoma Teachers Retirement System; (2) a simple expression of the party's interest generally in doing business with Oklahoma Teachers Retirement System or having Oklahoma Teachers Retirement System invest in or with the party communicating with the Trustee; or (3) a simple expression by the Trustee in relation to the performance of an investment or service provided to Oklahoma Teachers Retirement System.
 - ii. An alleged failure of a Trustee to disclose communications as required herein shall be referred to the Chair for appropriate action unless the Chair is a party to the communication in question, in which case the matter shall be referred to the Vice-Chair.
 - iii. The Legal Counsel shall provide the Board with an annual summary of the communications disclosed pursuant to this section.
2. Disclosure of Communications Regarding Investment Transactions that Do Not Require Board of Trustees Approval

The disclosure obligation regarding communications for a party or its officer or employee who is financially interested in an investment transaction shall also apply to communications involving transactions the Executive Director has been delegated the authority to approve without the need for Board of Trustees action. Upon the initiation of any consideration by the Executive Staff of the Oklahoma Teachers Retirement System

or one of its consultants or advisors of the review of a proposed investment transaction, the firm seeking a Oklahoma Teachers Retirement System investment shall be given a copy of this Oklahoma Teachers Retirement System policy together with a form to use to report any communications with Trustees for which disclosure is required. The required disclosure shall be made within 10 calendar days of the communication. There shall be no parallel obligation on the part of the Trustee to disclose a communication involving a transaction that has been delegated to the Executive Director, although Trustees are urged to keep an informal record of communications that would be subject to disclosure if the transaction ultimately comes before the Board of Trustees and must be disclosed as provided above.

The Legal Counsel shall provide the Board with an annual summary of the communications disclosed pursuant to this paragraph.

3. Disclosure of Communications between Trustees and Staff Regarding Investment Transactions

As a general matter, the Board recognizes that the free flow of communication between individual Trustees and staff or consultants is beneficial to the conduct of Oklahoma Teachers Retirement System business and that requiring disclosure of all or a large part of such regular communication would create a burdensome reporting requirement that would likely serve no useful purpose. However, in those instances where conduct by an individual Trustee can be reasonably interpreted as an attempt to influence the outcome of a Board or staff decision or consultant recommendation in an investment transaction, the Board recognizes that such communications could create the potential for misunderstanding, misinformation or conflicting instructions and could be reasonably interpreted as inappropriately affecting the board, staff or consultant. Such communications do not always rise to the level of “undue influence,” as defined and discussed below, but nevertheless should be subject to disclosure.

Any communication regarding a potential investment transaction initiated by a Trustee with either an Oklahoma Teachers Retirement System employee or consultant in which the Trustee is advocating for a specified outcome shall be documented by the Oklahoma Teachers Retirement System employee or consultant and reported to the Legal Counsel. Such communications will be disclosed to the Board if and when, in the judgment of the Legal Counsel, they may be material to the Board’s deliberation with respect to any Oklahoma Teachers Retirement System matter.

4. Avoidance of Undue Influence

The Board recognizes that if a Trustee or a third party attempts to direct staff or a Trustee to a specified action, decision or course of conduct through the use of undue influence, sound decision-making could be compromised to the ultimate detriment of the Board as a whole and/or Oklahoma Teachers Retirement System Clients, retirees and beneficiaries.

Any staff member or Trustee who believes that he or she has been subject to the attempted exercise of undue influence, as described above, should report the occurrence

immediately and simultaneously to the Executive Director (in the case of staff members) and to the Legal Counsel. The Legal Counsel shall investigate the situation immediately and is authorized to use the services of an outside law firm to conduct the investigation if he or she deems it appropriate. Following such investigation, if the Legal Counsel concludes that an exercise of undue influence was attempted, he or she shall take whatever action deemed to be appropriate, which shall include notification to the Board and thereafter a public disclosure during an open session meeting of the Board. If the Legal Counsel believes that he or she personally has been subjected to an attempted exercise of undue influence, he or she shall immediately advise the Board Chair unless the circumstances dictate that another Trustee should instead be notified. The Board Chair or other Trustee shall investigate the situation and take whatever action he or she deems to be appropriate.

Definitions:

“Undue Influence” is defined as the employment of any improper or wrongful pressure, scheme or threat by which one’s will is overcome and he or she is induced to do or not to do an act which he or she would not do, or would do, if left to act freely.

“Third Party” means and includes a person or entity that is seeking action, opportunity, or a specific outcome from Oklahoma Teachers Retirement System regarding an Oklahoma Teachers Retirement System matter. The Third Party may be seeking the action, opportunity, or outcome for his or her or its own behalf or the Third Party may be seeking it on behalf of another person or entity in the capacity of a representative, agent or intermediary, or as an advocate for a cause or group of individuals or entities. This definition includes public officials.

Disclosure of Campaign Contributions, Charitable Contributions, Gifts, Recusal Requirement, and Ban on Specified Gifts

1. Campaign Contributions

Any party who engages in business with Oklahoma Teachers Retirement System for gain shall disclose campaign contributions, as defined under the Oklahoma Ethics Commission regulations, valued in excess of \$250, made to or on behalf of any existing Oklahoma Teachers Retirement System Trustee, candidates for Superintendent of Public Instruction, and Oklahoma Teachers Retirement System officer or employee.

2. Charitable Contributions

No party who engages in business with Oklahoma Teachers Retirement System for gain shall provide any charitable contribution to a charitable entity, valued in excess of \$250 individually or in the aggregate in any calendar year, made at the request of any Trustee, or Oklahoma Teachers Retirement System officer or employee.

3. Gifts

- A. No party who engages in business with Oklahoma Teachers Retirement System for gain shall provide gifts to Trustees or to Oklahoma Teachers Retirement System officers or employees exceeding the following limits:
 - i. Gifts or gratuities with a cumulative value exceeding \$50 individually or in the aggregate in any calendar year, given to any Trustee or Oklahoma Teachers Retirement System officer or employee.
 - ii. This prohibition shall not extend to meals or related expenses provided under the following circumstances:
 - a. Food, beverages and registration at group events to which substantial numbers of employees of an institution are invited;
 - b. Actual and reasonable expenses for food, beverages, travel, lodging and/or registration provided to permit participation in a meeting directly tied to official or professional duties if participation has been approved in writing by the Executive Director (for Oklahoma Teachers Retirement System staff) or by the Oklahoma Teachers Retirement System Board (for Trustees).
- B. Any party who engages in business with Oklahoma Teachers Retirement System for gain is prohibited from providing gifts aggregating more than \$50 in value to Trustees, or to Oklahoma Teachers Retirement System officers or employees.

4. Recusal

- A. Any Trustee who receives campaign contributions, charitable contributions, or gifts that individually or in the aggregate exceed the limits specified above in a calendar year shall recuse himself/herself from any involvement in a matter involving the maker of the contributions or gifts for a period of 12 months following the date of the most recent contribution or gift.
- B. Any designee of an Ex Officio member of the Board of Trustees shall recuse himself/herself from any involvement in a matter before the Board of Trustees if either the designee or the Ex Officio member of the Board of Trustees whom the designee represents received campaign contributions, charitable contributions, or gifts that individually or in the aggregate exceed the limits specified above in a calendar year and the maker of the contributions or gifts is a party to the matter before the Board of Trustees. Such recusal shall be required for a period of 12 months following the date of the most recent contribution or gift to either the designee of the Ex Officio member of the Board of Trustees whom the designee represents.
- C. Any Trustee who returns, donates, or reimburses the donor for gifts subject to these restrictions within 30 calendar days of receipt of the gift shall not be subject to the recusal requirement.

5. Time and Coverage of Disclosures

Disclosure of campaign contributions, charitable contributions, and gifts shall be required as follows:

- A. Upon submission of an initial application or proposal to do business with the System (for the preceding 12-month period).
- B. At the time the final decision is to be made regarding the business proposal (to cover the interim period following the initial application).
- C. Annually, for the previous calendar year. (Oklahoma Teachers Retirement System will use Oklahoma Ethics Commission guidelines to determine which officials in a specific firm must file disclosure statements.)

6. Sanctions for Violation of Policy

Any violation of this policy may lead to disqualification from future business with the System for a period of two years following a determination by the Board that a violation has occurred. The Legal Counsel is responsible for causing an investigation of any reported violation to be made and shall report any documented violation to the Board for action.

7. Application of Policy

Nothing in this policy supersedes any provision of State law. Those entities engaged in business with the System may also have reporting requirements under the Oklahoma Ethics Commission rules. Also, Trustees who are appointed to the Board but also serve as an elected official of a local body are subject to Oklahoma Ethics Commission rules governing the receipt, solicitation or direction of a campaign contribution. This policy also requires recusal of the Trustee from any involvement in the matter if a contribution over \$250 has been received within the preceding 12 months, unless the contribution was returned no later than 30 days from the time the Trustee knew or should have known about the contribution and the matter involving the maker of the contribution.

Disclosure of Third Party Relationships and Payments

Prior to Oklahoma Teachers Retirement System entering into any investment management contract, any person or entity who would be a party to that investment management contract shall disclose to the Oklahoma Teachers Retirement System Board of Trustees, in writing, all third party relationships with persons or entities that assisted the party with either the solicitation of Oklahoma Teachers Retirement System as a potential client or the retention of Oklahoma Teachers Retirement System as an existing client and any fees paid or payable to the third party as a result of such relationship. The disclosure shall be made on a form provided by Oklahoma Teachers Retirement System.

For purposes of this section, the term “fees paid or payable to the third party” includes placement agent fees, solicitation fees, referral fees, promotion fees, introduction or “matchmaker” fees, or any similar fees.

Chapter 7 – Board Organization and Administration

Administration of Meetings

1. In the absence of specific Board policy, the procedural conduct of Board and committee meetings is committed to the sound discretion of the Chair using Robert’s Rules of Order as a procedural reference.
2. The concurrence of the majority of the members of the Board shall be necessary for the Board or one of its committees to take an action.
3. A quorum of the Board shall consist of the majority of its 13 members. It shall in all circumstances require the presence of 7 members of the Board constitute a quorum. In determining whether a quorum is present, vacant positions on the Board shall not affect the required number of members to attain quorum. A Trustee is “present” for purposes of calculating the necessary number of votes for an action when that member is physically present in the meeting room.
4. A quorum of a Committee of the Board shall consist of the majority of its members. In determining whether a quorum of the Committee is present, vacant positions on the committee shall not be considered. A Board or committee member is “present” for purposes of calculating the necessary number of votes for an action when that member is physically present in the meeting room.
5. In the absence of the Chair, the Vice-chair shall assume all responsibilities and authority of the Chair. In the absence of the Chair and Vice-chair, the members present shall elect an acting Chair for the meeting.
6. If, during the course of a meeting, it comes to the attention of the Chair that a member is apparently temporarily absent from the meeting, the Chair may in his or her own discretion and without benefit of a motion cause the meeting to be recessed until the member returns or such other time that the Chair is satisfied that the meeting may continue.

Notice of Meetings

The Board shall comply with the provisions of the Oklahoma Open Meeting Act. Any gathering of a quorum of this Board or a committee thereof where business is to be transacted or discussed shall be noticed pursuant to the provisions of the Oklahoma Open Meetings Act. This requirement does not apply to informal gatherings such as conferences and social activities provided that no official business is discussed. The regular Board and Committee meeting schedule is prepared by staff and approved by the Board in November each year for the next calendar year. After approval of the regular Board meeting schedule, it shall be submitted to the Secretary of State’s Office in accordance with the Oklahoma Open Meetings Act. Agendas for regular meetings of the Board or its Committees shall be posted at least 48 hours prior to the meeting in accordance with the Oklahoma Open Meetings Act. Other, shorter notice requirements may be applicable in special situations under the Act.

Agendas

1. All agenda items shall be identified initially as either action items or informational items. The Board Chair or Committee Chair is responsible for time management of the applicable body.
2. All items on Board and Committee agendas shall be supported by concise, easily accessible information.
3. All Trustees shall receive in advance of any meeting copies of all Committee agendas and supporting information.
4. Following each Committee meeting, the Committee Chair, in consultation with staff, will prepare a brief summary of Committee actions to be presented to Trustees in a report to be given at the open or closed session of the Board meeting as appropriate.

Minutes

The Board chair shall have an opportunity to review the minutes prior to distribution to other Trustees and preferably within three weeks following the meeting. The minutes will reflect the deliberative discussions of the board and its committees, the decisions reached, and the action taken.

Executive Session Policy

The Board shall limit the business it conducts in executive session to those matters specifically authorized by the Oklahoma Open Meetings Act. Pursuant to the Act, matters properly considered in executive session include the following:

1. The appointment, employment, evaluation of performance, or dismissal of a public employee.
2. Matters pertaining to the recruitment, appointment, employment, or removal of the Executive Director.
3. To deliberate on proposed decisions relating to benefit appeals.
4. To confer with, or receive advice from, legal counsel regarding pending litigation, when discussion in open session concerning those matters would prejudice the position of the Board in the litigation.

Executive sessions of the Board and its committees shall be limited to Trustees and only those other persons who are required by the Board.

Administrative Hearings Policy

Applicability

This policy applies to hearings before the Board where it has rejected or seeks to modify the Proposed Decision rendered by an Administrative Law Judge (ALJ) and has decided to hear the matter itself on the written record and has further decided to take additional evidence.

Scope of Review

In many instances the Board limits its review to the administrative record of the hearing before the ALJ. However, in those instances where the Board has decided to consider the taking of additional evidence, the Board will confine this evidence to newly discovered documentary evidence which could not, with reasonable diligence, have been discovered and produced at the hearing.

Evidence

If the Committee has made the decision to take additional evidence, the parties shall exchange such evidence and lodge a copy with the Secretary of the Board no later than 10 business days prior to the date of the meeting of the Board at which the matter will be considered. Such evidence shall be accompanied by a complete, clear, and legible copy of any such documentary evidence and a statement which shows:

1. Good cause exists as to why the evidence could not, with reasonable diligence, have been discovered and produced at the original administrative hearing;
2. The evidence to be introduced is relevant to the resolution of some material issue in the administrative appeal; and
3. The evidence is admissible and relevant to the matters at issue.

The Board will determine at the time of its meeting, whether or not the new evidence will be considered.

Procedure for Hearing before the Board

1. In accordance with the Oklahoma Open Meeting Act, all administrative appeal hearings on the record will be held in Open Session.
2. Respondent, having the burden of proof, will present his or her argument first. Each named Respondent, if more than one is involved in an appeal, will be allowed 15 minutes to present his/her argument. The Legal Counsel representing Oklahoma Teachers Retirement System will then have 15 minutes to present the organization's position.
3. Each side shall, thereafter, have 10 minutes for rebuttal, which shall be strictly confined to rebutting the opposition's previously asserted arguments.

4. Thereafter, the Board may move into Executive Session for deliberation. Upon returning from Executive Session, the Board may elect to take a final action.
5. A final administrative decision/order will be prepared and served by certified mail on Respondent(s).

Election of Officers

1. The election of the Board Chair, Vice-Chair, and Secretary shall be held at the regularly scheduled Board meeting in June of each calendar year. Intervening elections may be called by a 2/3rd majority of the Board. In determining the 2/3rd majority, vacant positions on the Board shall not be considered.
2. The election of the Board Chair, Vice-Chair, and Secretary shall be by majority vote of the Board with a run-off to be held in the event that no candidate receives a majority of the first ballot.

Committees

1. Committee assignments and chairs shall be appointed by the Board Chair annually at the July Board meeting and at such other times as vacancies occur. The Chair's appointments shall be set forth on the agenda as a separate item. Alternate members may be appointed on an as-needed basis by the Chair.
2. All Trustees are encouraged to attend Committee meetings, but only Committee members may vote.

Charters

The following charters are attached:

1. Audit Committee
2. Investment Committee

Audit Committee Charter

Purpose

The Audits and Risk Management Committee has been established to assist the Oklahoma Teachers' Retirement Board in fulfilling its fiduciary oversight responsibilities for the:

1. Internal Audit Process,
2. System of Internal Control,
3. Financial Reporting Process,
4. System of Risk Management,
5. External Audit of the Financial Statements, and
6. Engagements with Other External Firms.

Authority

The Audit Committee shall have the authority to recommend to the Board for action:

1. The appointment of and provision for the compensation of, and oversee the work of the independent certified public accounting firm employed by Oklahoma Teachers Retirement System to audit the financial statements.
2. The retention of consultants, experts, independent counsel, and accountants to advise the Committee on any of its responsibilities or to assist in the conduct of an investigation.
3. Requests to provide oversight of audit and investigation activities of financial, ethical, and/or fraud matters.
4. All Committee actions must be ratified or adopted by the Board to be effective.

Composition

The Committee shall be composed of a minimum of three (3) members, appointed by the Chair of the Board.

Meetings

The Committee will meet at least once a year, with authority to convene additional meetings as determined by the Committee Chair in consultation with the Board Chair.

Responsibilities

The Audits Committee shall have responsibility for the following:

1. Designating at least one member as the “audit committee financial expert,” as defined by the Securities and Exchange Commission. The member’s knowledge should include an understanding of generally accepted accounting principles for public pension funds issued by the Governmental Accounting Standards Board. If a financial expert is not available on the Committee, an experienced professional will be selected possessing the qualities listed in the Securities and Exchange Commission (SEC)’s “Audit Committee Financial Expert” definition. Candidates for this non-voting position will be recommended by Oklahoma Teachers Retirement System Executive Management and approved by the Board Chair.
2. Overseeing the reporting and integrity of all financial information reporting.
3. Providing the policy and framework for an effective system of enterprise-wide risk management, and providing the mechanisms for periodic assessment of the system of risk management.
4. Overseeing the assessment of internal administrative and accounting controls by both the external independent financial statement auditor and internal auditors.
5. Ensuring management maintains an effective system of internal controls and provides the mechanisms for periodic assessment of the system of internal controls.
6. Overseeing the appointment and work of the Internal Auditor and the work of the Internal Audit Division.
7. Serving as the primary liaison and providing the appropriate forum for handling all matters related to audits, examinations, compliance, investigations or inquiries of the Oklahoma State Auditor and other appropriate State or Federal agencies.
8. Ensuring the independence of the external auditor and approve all auditing, other attestations services and pre-approve non-audit services performed by an external audit firm.
9. Reporting to the Board on all activities, findings and recommendations of the Committee.
10. Provide an open avenue of communication between internal audit, the external auditors and the Committee and Board.

Investment Committee Charter

Purpose

The Investment Committee has been established by the Oklahoma Teachers Retirement System Retirement Board to administer all matters relating to the investment of the Fund's assets and investment management. The Committee is charged to administer the Fund's assets for the exclusive purpose of providing benefits to the participants and their beneficiaries within the system; and to maximize the financial stability of the Funds in an efficient and cost effective manner. The Committee members will carry out their duties with the care, skill, prudence, and diligence of a prudent person acting in a similar institutional investment Trustee capacity, and strive to follow sound policies and procedures that enhance good, fair, and open decision making. The Committee's core objective is to diversify the investments so as to minimize the risk of loss and to maximize the rate of return, in accordance with the Board's overall objective of promoting the best interests for Oklahoma Teachers Retirement System, its Clients, retirees, and beneficiaries.

Authority

The Investment Committee shall have the authority to recommend to the Board for action:

1. All matters relating to the investment portfolio including, but not limited to, strategic asset allocation, any tactical changes to the strategic asset allocation; pursuing new asset categories, and changes to investment policy.
2. The engagement of investment advisors, consultants, managers and counsel as necessary; to assist the Board in carrying out its responsibilities.
3. The Committee will not consider any proposed investment that has not gone through the System's due diligence process and been reviewed by the System's professional staff.
4. All Committee actions must be ratified or adopted by the Board to be effective.

Composition

The Committee shall be composed of a minimum of three (3) members, appointed by the Chair of the Board.

Meetings

The Committee will meet at least four times a year, with authority to convene additional meetings as determined by the Committee Chair in consultation with the Board Chair.

Responsibilities

The Investment Committee shall have responsibility for the following:

1. Determining the Fund's overall investment objectives, risk tolerance and performance standards in accordance with the Oklahoma Constitution and the Teachers' Retirement Law.
2. Determining the asset allocation of the Fund, including consideration of asset classes and sub-classes not currently utilized in the Fund.
3. Determining the overall Fund Investment Policy as well as asset class and program investment policies.
4. Monitoring the performance of the investment portfolio as a whole as well as the performance of each asset class, including the performance of internal and external investment managers, and reviewing periodic reports from investment staff as well as external consultants, advisors, and investment managers
5. Determine appropriate levels of staff delegation with respect to investment transactions in the various asset classes of the Fund.
6. Determine and ensure compliance with the System's corporate governance policies in an effort to protect Oklahoma Teachers Retirement System assets through the pursuit of good governance and operational accountability.
7. Determining the relative amount of internal and external management.
8. Monitoring the direct and indirect costs of each asset category.
9. Determining and ensuring compliance with the appropriate reporting standards and time horizons.
10. Identifying and discussing potential legislation related to investments.
11. Ensuring that Oklahoma Teachers Retirement System investments are made in conformance with applicable investment policies and investment resolutions.

Chapter 8 – Strategic Planning Policy

1. The principles that the Board has adopted for strategic planning are:
 - A. Oklahoma Teachers Retirement System' strategic plan will be a continuous 3 year plan that will be updated annually through the cooperative efforts of the Board and Staff.
 - B. Input from Oklahoma Teachers Retirement System Staff and other interested parties will be solicited throughout the year.
 - C. Discussions of new initiatives or significant changes in direction for Oklahoma Teachers Retirement System that arise during regular Board meetings will be held in abeyance and incorporated into the agenda for the next strategic planning session unless the matters are urgent and discussion cannot be delayed.
 - D. When the strategic plan has been updated it will be communicated to Staff and to other stakeholders.
 - E. Each year, progress under the plan will be provided in the form of a written report to the Board for its review and evaluation.
 - F. The Board's consensus view of progress under the plan will be one factor in the performance assessment of the Executive Director, who will use the strategic planning progress as a factor when assessing performance of the other members of Executive Staff.
2. The roles and responsibilities for strategic planning outlined below reflect the Board's direction that the Executive Director takes the lead with planning and that the Board serves in an oversight role. The Executive Director is responsible for:
 - A. Coordinating with the Board Chair so that the Board and the senior staff work together to review and update the Goals and Objectives.
 - B. Creating strategies that align with the Board's priorities and managing Staff's implementation of the plan.
 - C. Calculating costs and estimating timetables so that reasonable operating budgets can be set.
 - D. Assigning responsibility to Staff and others through Actions Plans that include timelines and budgets.
 - E. Closely monitoring progress under the plan and promptly informing the Board of any obstacles impeding progress.
 - F. Preparing annual progress reports for the Board and organizing an annual strategic planning session for the purpose of updating the plan.

- G. Seeking input from Staff and stakeholders about key strategic issues prior to the annual planning session.
 - H. Identifying business risks, opportunities and needs for Oklahoma Teachers Retirement System.
 - I. Preparing white papers and other research to assist the Board in the discussion of strategic issues.
 - J. Informing the Board of any issues that should be dealt with in the strategic plan.
3. The Members of the Board are responsible for:
- A. Reaching consensus and adopting the initial strategic plan for Oklahoma Teachers Retirement System, including the Vision, Mission, Core Values, Goals and Objectives.
 - B. Identifying the critical success factors for the overall plan.
 - C. Approving the method for performance measurement, including metrics and benchmarks, in order to evaluate progress under the strategic plan.
 - D. Approving an operational budget that takes into account the upcoming year's activities under the strategic plan.
 - E. Reaching consensus and providing input to staff on the strategic planning process.
 - F. Monitoring the implementation of the strategic plan.
 - G. Assessing Oklahoma Teachers Retirement System' strengths and weaknesses as well as the opportunities and challenges in its environment during the session to update the strategic plan.
 - H. Annually evaluating progress in meeting Goals and Objectives.
 - I. Updating the plan annually by adding and deleting Objectives.

Chapter 9 – Trustee Education Policy

Purpose

In order to permit Trustees to discharge their fiduciary duties under the Oklahoma Constitution and the laws and rules governing the System to act with care, skill, prudence, and diligence and to ensure that all Trustees have a full understanding of the issues facing Oklahoma Teachers Retirement System, the Board has adopted orientation and mentoring programs, mandatory fiduciary education and ethics training sessions; encourages education; and makes available appropriate periodicals to foster Trustee awareness of relevant developments. Participation on certain committees, including but not limited to the Investment Committee, may require educational development. The Annual Work plan for each committee will set forth educational requirements for the year.

Orientation of New Trustees

1. Attendance: Each new Trustee and designated representative shall attend an orientation session.
2. Timing for Orientation: The new Trustee (or designated representative) is urged to attend the orientation session before sitting at the first Board meeting as a voting member.
3. Development and Content: The orientation sessions will be developed by the Executive Director and will, at a minimum, include the following topics:
 - A. A brief history and overview of Oklahoma Teachers Retirement System, including the mission and purpose of the System
 - B. A summary of the laws and rules governing Oklahoma Teachers Retirement System and the Board
 - C. A summary of the Oklahoma Teachers Retirement System benefit structure
 - D. An overview of the role of the system actuary
 - E. An explanation of fiduciary responsibility, code of conduct, and ethics
 - F. An explanation of the strategic plan and the process
 - G. A high level review of existing Board policies
 - H. A briefing on current and emerging issues before the Board
 - I. A review of Board committees and their purposes
 - J. Biographical information on the other Trustees
 - K. A review of best practices for Board governance

- L. An introduction to Oklahoma Teachers Retirement System Executive Management team
 - M. A tour of the Oklahoma Teachers Retirement System offices, if practicable.
4. Materials: At or before the orientation session, the following documents will be made available to new members:
- A. A listing of names, addresses, and contact information for the Trustees
 - B. A listing of names, addresses, and contact information for Executive Management
 - C. The Trustee Handbook, which contains policies and committee charters
 - D. The strategic plan
 - E. A sample Board packet
 - F. A copy of the Oklahoma Open Meeting Act
 - G. A “Statement of Financial Interests” Form for filing with the Oklahoma Ethics Commission
 - H. Copies of Board and committee meeting minutes for the past twelve months
 - I. A list of upcoming recommended educational conferences
 - J. Any other relevant information or documents deemed appropriate by the Executive Director.

Mentoring

Any new Trustee may request a mentor to assist him or her in becoming familiar with his or her responsibilities on the Board. If a request is made, the Board Chair will designate one experienced Trustee to be a mentor to the new Trustee for a period of one year. The mentor will contact the new Trustee at least once each calendar quarter, outside of regularly scheduled Board meetings, for consultation or discussion related to new Trustee orientation.

Ongoing Trustee Education

1. Educational Conferences: The Executive Director will maintain a list of educational conferences appropriate for Trustees and Trustees may attend any of these conferences subject to the Board’s travel expense policy. The Executive Director will regularly update this list when new educational opportunities arise.

The list will also be modified to reflect the evaluations from Trustees who have attended specific conferences to ensure that the conferences remain worthy of the Board’s time

and the System's expense. In considering out-of-state educational opportunities, Trustees should weigh the costs and benefits of travel versus locally based education.

2. In-House Education Sessions: Based on the personal education needs of the Trustees, the Executive Director will arrange for staff or outside service providers to conduct educational sessions throughout the year at regularly scheduled Board meetings or off-sites.
3. First Year: In the Trustees' first year of service on the Board, in addition to attending the orientation session, the Trustees are encouraged to attend one educational session or conference designed to give them a general understanding of the responsibilities of a public retirement system fiduciary.
4. Second Year: During the Trustees' second year of service on the Board, Trustees are encouraged to attend one educational session or conference designed to help them become proficient in performing their duties on Board committees.
5. Evaluation Form. Trustees must complete an Education Evaluation form upon completion of any educational conference and such form must be turned in with any request for reimbursement of expenses associated with the conference. A reimbursement will not be made without a completed Education Evaluation form.

Fiduciary Education Session

At least every two years the Executive Director will arrange for a fiduciary education session that will update the Trustees on issues affecting their service on the Board. Trustees and their designated representatives are expected to attend.

State Ethics Training

At least every two years the Executive Director will arrange for a training course on the requirements of the Oklahoma State Ethics Commission for the Trustees.

Retirement Industry Periodicals

Trustees are encouraged to subscribe to periodicals selected from a list of pension and investment-related periodicals maintained by the Executive Director. The expense for the periodicals will be paid by the System. The Executive Director will annually review and update this list with input from the Trustees.

Chapter 10 – Travel Expense Policy

Purpose

As fiduciaries, the Trustees must ensure that only reasonable and necessary expenses are incurred in the governance and management of the System. This is accomplished through the annual operating budget, which the staff proposes, the Board approves, and both monitor on a regular basis. In addition to the budget, the Board has adopted this Travel Expense Policy to provide more detail about the parameters for Board travel.

Required Travel

Travel is required to attend any publicly noticed meeting or offsite of the Oklahoma Teachers Retirement System Board. Public notice of a Board meeting serves as automatic prior approval of any Trustee or staff travel necessary to attend the meeting.

At times travel is also required to conduct specific business or to attend a specific event and represent the System in an official capacity. No prior approval is necessary for this type of travel.

Travel Related to Board Education

Travel may be required to attend seminars, conferences or educational classes as set forth in the Board's Educational Policy.

A budget for travel expenses (transportation, per diem, and lodging) will be established within the annual operating budget to cover reimbursement of travel expenses incurred in meeting educational goals as set forth in the Board's Educational Policy. The Board chair will be responsible for annually reviewing the budget; updating the members as to the status of the budget; and making any changes to the budget thereafter.

Expenses are reimbursable under the System's fiscal requirements and must be disclosed and reported pursuant to those requirements. Additionally, before reimbursement can be made, Trustees must submit a Conference Evaluation form relating to the specific seminar, conference, or education class they attended. The Conference Evaluation Form can be found in Attachment II below.

Reimbursement for Travel Expenses

Oklahoma Teachers Retirement System shall pay for reasonable travel expenses in accordance with State regulations and guidelines, including actual transportation and related lodging and subsistence. While traveling, Trustees and staff may accept meals provided by third parties, subject to the threshold reporting requirements of the Oklahoma Ethics Commission. In these situations, per diem reimbursement for such meals cannot be claimed.

Submission of claims for reimbursement for all travel expenses shall be made on a timely basis but no later than the close of the fiscal year or as soon thereafter as reasonably possible and shall

be accompanied by receipts. Claims for reimbursement shall be submitted on the form then in use by Oklahoma Teachers Retirement System and presented to the Executive Director.

In situations where third parties offer payments, advances, or reimbursements for travel, including actual transportation and related lodging and subsistence to Oklahoma Teachers Retirement System Trustees or staff, the acceptance of such payments will be handled on a case-by-case basis and in accordance with applicable Oklahoma Ethics Commission laws and regulations. For Trustees, prior approval must be given by the full Board.

For the Executive Director, prior approval must be given by the Board Chair or designee. For other staff, approval must be given by the Executive Director.

Additional Disclosure Requirements

All Oklahoma Teachers Retirement System Trustees and staff are subject to the disclosure and reporting requirements of the System's Code of Conduct and Oklahoma Ethics Commission laws and regulations. Any Trustee or staff member who receives a gift of travel expenses (paid or reimbursed) or the actual transportation and related lodging and subsistence from any third party other than either the System or the State of Oklahoma has the responsibility to obtain prior approval pursuant to the "Reimbursement of Travel Expenses Policy" outlined above to ensure compliance with applicable laws and rules.

Absent compliance with State ethics laws and rules, receipt of actual transportation and related lodging and subsistence or any payment or reimbursement of the same to Trustees or Staff regarding travel of any kind by third parties may subject the recipient to disqualification from participation in making decisions related to the third party. It is the recipient's responsibility to ensure that he or she does not engage in any action that places him or her in a conflict of interest. Trustees and staff are encouraged to confer with the Legal Counsel of Oklahoma Teachers Retirement System if they have questions concerning possible conflicts of interest.

ATTACHMENT II

Oklahoma Teachers Retirement System Conference Evaluation Form

Sponsoring Entity:	
Conference Name:	
Dates:	
Location:	
What topics or presentations were most interesting?	
What topics or presentations were least interesting?	
Were there any speakers that should present to the Board? If so, please list name(s).	
How would you rate the topics covered and the lineup of speakers?	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Average <input type="checkbox"/> Fair <input type="checkbox"/> Poor
How would you rate the facilities?	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Average <input type="checkbox"/> Fair <input type="checkbox"/> Poor
How would you rate the organization of the conference?	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Average <input type="checkbox"/> Fair <input type="checkbox"/> Poor
How would you rate the conference overall?	<input type="checkbox"/> Excellent <input type="checkbox"/> Good <input type="checkbox"/> Average <input type="checkbox"/> Fair <input type="checkbox"/> Poor
Would you recommend this conference?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Chapter 11 – Securities Fraud Litigation Policy

Purpose

This policy establishes guidelines for monitoring and participating in class action securities litigation. The Board of Trustees (the “Board”) of the Oklahoma Teachers Retirement System (the “System”) recognizes the importance of appropriate monitoring of and/or participation in class action securities litigation in fulfilling its constitutional and statutory fiduciary duty to administer the retirement system for the exclusive benefit of the Clients and their beneficiaries.

As an institutional investor, the System may, from time to time, suffer losses caused by alleged violations of federal and state securities laws relating to fraud, disclosure obligations and/or breaches of fiduciary or other duties. In cases where a class action lawsuit is filed to recover damages for violations of securities and other laws, the System may have the opportunity to participate in the litigation. This policy provides guidelines for monitoring litigation and for determining the appropriate participation by the System.

This Class Action Securities Litigation Policy is intended to be applied and interpreted in compliance with applicable law and in harmony with the mission statement, policies and guidelines of the System as approved by the Board from time to time.

Guidelines

Monitoring Class Action Filings

The System shall monitor the filing and settlement of securities class actions to determine whether the System may be a class member in any such litigation. Monitoring may be done by staff, the custodian, by retaining one or more law firms and/or a securities litigation consultant. Staff shall make a determination of the System’s level of interest in the litigation, based on its own monitoring, or based on a recommendation from a firm or service that is monitoring securities litigation on the System’s behalf.

System staff, working with the custodian, outside counsel and/or securities litigation consultant, will monitor pending cases where the System is a member of the class, file appropriate paperwork as required, and evaluate proposed settlements. To the extent that staff finds a proposed settlement inadequate to the interests of the System, staff shall make a recommendation to the Board to file legal objections.

Staff shall report to the Board, at least annually, on new class action litigation, pending class action claims, and litigation resolved or closed since the previous report, including the dollar amount of settlements received during the year.

Active Class Monitoring

Where the potential amount the System could recover in a case is sufficiently large and the case has merit, staff shall determine whether the System should actively participate in the litigation. In doing so, the System shall weigh the materiality of the potential financial loss that gave rise to

the litigation against the expected costs and benefits of the litigation options available. The litigation options generally are:

- Monitor litigation as a member of the class.
- Monitor litigation as a member of the class, but object to an unreasonable settlement.
- Participate as lead plaintiff of the class or co-lead plaintiff with one or more other investors.
- Pursue separate legal action apart from the class.

Three tests may be considered when determining a course of action. An affirmative response to all questions could result in a recommendation to the Board to pursue either lead or co-lead plaintiff status, or a separate legal action apart from the class. From a general perspective, a negative response to any of the three individual questions will likely result in the System assuming a passive role in the class action suit:

Test:

1. Does the potential financial loss to the System that gave rise to the litigation exceed 5 million dollars?
2. Does the System have a superior legal basis for serving as lead plaintiff compared to other institutional holders?
3. Does the expected benefit from assuming lead plaintiff status, or pursuing a separate legal action, materially outweigh the benefit of participating as a passive member of the class and adequately compensate the System for the risks and costs incurred?

The System will, with the assistance of portfolio monitoring firm or service, review all class action litigation to establish whether the System is a member of the class. Where the potential financial loss is less than 5 million dollars, the System will become a member of the class, file appropriate paperwork to establish a claim, and monitor the litigation.

For each case where the potential financial loss is 5 million dollars or greater, System staff will prepare a summary report of the research performed by the firm or service that is monitoring securities litigation consistent with the established tests. A recommendation to the Board to pursue lead plaintiff status, co-lead plaintiff status, or a separate legal action will include a detailed analysis of expected costs and benefits, an analysis of the size of the System's holding relative to other investors, and other supporting rationale. The Board's decision to seek lead plaintiff status will be based upon the totality of the circumstances. The referenced dollar loss thresholds are guidelines and not intended to be the sole factor in any such determination. As an integral part of this review process, the System may retain one or more law firms to review the matter. The firm shall report its findings to the System with a written recommendation as to whether or not the System should actively monitor the case, seek lead plaintiff status, seek co-lead plaintiff status, or pursue separate legal action. When the Board determines that the System

should seek designation as lead plaintiff, co-lead plaintiff, or opt out of a class action, the System shall appoint special counsel to the matter.

If the System determines not to participate in the litigation, active monitoring of the litigation may include regular reports from counsel to staff regarding the status of a case, settlement discussions and/or the proceedings.

Where the potential recovery is not significant, the staff shall monitor the litigation to take the steps necessary to insure that the System will share in any recovery.

Participation in Settlement

Staff shall develop and implement procedures for ensuring the timely submission of claims on behalf of the System in all appropriate securities class action settlements.

Reports to Board

Staff shall report to the Board as necessary, but at least semi-annually, to keep the Board fully informed of those cases that are being monitored or in which the System is actively participating. Staff shall keep the Board apprised of any unusual or extraordinary events as they occur.

Retention of Outside Counsel

The Board may retain one or more consultants to serve as Securities Monitoring and Litigation Counsel (Counsel), monitoring consultant, or in another capacity, as necessary to advise and/or represent the System in class action securities litigation matters. When the Board determines that the System should seek designation as lead plaintiff, co-lead plaintiff, or opt out of a class action, the Board shall appoint special counsel to the matter. In instances where the Board has a Portfolio Monitoring Agreement with the appointed law firm, a separate contract shall be executed specific to the litigation.