



OKLAHOMA
Teachers' Retirement System

BOARD OF TRUSTEES

POLICY MANUAL

(Amended April 2021)

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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:

“(9) 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:

“(10) The Board of Trustees shall elect from its membership a chair, vice-chair and secretary by a majority vote of all 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.”

OAC 715:1-1-7 reads:

“The Executive Director shall have authority to make such purchases of equipment and supplies as may be needed for the operation of TRS, subject to approval by the Board of Trustees.”

The Board’s general approval is given to the Executive Director to purchase equipment and supplies that are within the annual budget of TRS that is approved by the Board each year. Any individual pieces of equipment shall be specifically approved by the Board if the price is \$100,000 or more.

The Board’s general approval is also given to the Executive Director to authorize expenditures for repair, maintenance, and previously approved capital needs, for the office building in Oklahoma City that is owned by TRS as a part of its investment portfolio. For these expenditures the authority granted for each such item shall be up to \$50,000. In addition, the Executive Director is authorized to execute new and amended leases with tenants with less than fifty percent (50%) occupancy of the building.

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 and all appointees shall serve their terms at the pleasure of the appointing authority and may be removed or replaced without cause:

- (a) The State Superintendent of Public Instruction, ex officio or a designee.
- (b) The Director of the Office of Management and Enterprise Services, ex officio or a designee.
- (c) The Director of the Oklahoma Department of Career and Technology Education, ex officio, or his or her designee.
- (d) The State Treasurer, ex officio, or his or her designee.
- (e) 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.
- (f) 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: 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.

- (g) 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.
- (h) 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.
- (i) 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.
- (j) 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.
- (k) 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.
- (l) 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.
- (m) 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.

(n) A statewide organization representing retired educators shall appoint a member to the Board who shall be a nonvoting member.

(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.

Teachers' Retirement System of Oklahoma Board of Trustees	
Appointing Authority	Requirement
Governor	Higher Education Representative
Governor	Nonclassified Optional Personnel
Governor, Coterminous Governor, Coterminous Governor, Coterminous Governor, Coterminous	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 or designee
Ex Officio	OMES Director or designee
Ex Officio	Career-Tech Director or designee
Ex Officio	State Treasurer or designee
Retired Educator's Organization	Non-voting member

Chapter 2 - Mission and Vision Statements

The Mission of the Teachers' Retirement System of Oklahoma is:

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

The Vision of the Teachers' Retirement System of Oklahoma is to:

- **Provide quality service to our members in an efficient, economical manner,**
- **Provide our members on-demand and accurate access to their personal financial information,**
- **Educate our members about their retirement benefits,**
- **Manage the assets of the plan competently and prudently while achieving long-term risk-adjusted net returns in excess of market benchmarks as identified in the Board's Investment Policy, as well as exceeding the actuarial assumed return, and**
- **Inform our members about the financial status of TRS so they will be confident in our ability to provide their benefits.**

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 Retreat	Reviewed Annually at Strategic Planning
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

Policy for Review	2010				2011				2012				2013				2014				2015			
	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				
Policy for Review	2016				2017				2018				2019				2020				2021			
	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 Teachers' Retirement System of Oklahoma, the Board adopts these governing principles to identify and distinguish between the roles of the Board of Trustees, 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 Members 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 Members, beneficiaries, their organizations, and others with oversight interests.
 - D. Decide appeals from administrative hearings.
 - 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, and Executive 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 Trustees to abide 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 Trustees to enhance the ability of the Board as a body, rather than to substitute the individual Trustee's judgments for the Board's values.
- D. The Board will direct, control and maintain 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 Members and beneficiaries.
- E. The Board will enforce upon itself discipline as 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 Trustees 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: As all Trustees have a fiduciary responsibility to the Members and beneficiaries of the System, all Trustees are expected to attend all Board meetings and applicable committee meetings. While attendance is not always possible, Trustees should attend at least 75% of the regularly scheduled Board meetings.

Anticipated absences from a Board meeting should be communicated to the Board Chair and Executive Director as soon as possible.

If a Trustee fails to attend three (3) consecutive regularly scheduled Board meetings, a letter reminding the Trustee of the Board Attendance Policy will be sent to the Trustee. If a Trustee fails to attend more than 50% of all Board meetings (including applicable committee meetings) in a 12-month period, or attends less than 75% of the regularly scheduled Board meetings, a letter will be sent to the Trustee and carbon copied to the authority who appointed the Trustee to the Board.

It is the duty of the Executive Director or his Executive Assistant to monitor Trustee attendance and notify the Chairman of the Board, as well as the Chair of the Governance Committee, if any Trustee has met the absence limited as delineated above. The Executive Director or his Executive Assistant shall prepare the letters as listed above, to be signed by the Governance Committee of the System.

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 Teachers' Retirement System of Oklahoma to various constituencies, including officers of state government, state agencies, or other groups.
5. Collegiality: Trustees 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 Trustees. To the extent possible, Trustees are encouraged to come to meetings without having fixed or committed their positions in advance.
6. Independence: Teachers' Retirement System of Oklahoma 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. Trustees have no obligation to meet with or communicate with advisors, managers, consultants, contractors or vendors. Any contacts and communications between individual Trustees and advisors, managers, consultants, contractors and vendors to the System shall be at the option, discretion, and judgment of each Trustee. Individual Trustees shall avoid favoritism, conflicts and disclosure of privileged information, and at all times individual Trustees shall act in the best interest of the System consistent with his/her fiduciary duty.
8. Trustees 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.
9. Trustees' interaction with the Executive Staff, investment managers, consultants or vendors must recognize the lack of authority vested in individual Trustees except when explicitly Board authorized.
10. Trustees' interaction with public, press or other entities must recognize the same limitation and the inability of any Trustee to speak for the Board except to repeat explicitly stated Board decisions or policies.
11. Trustees will make individual assessments or evaluations of the Executive Director when such Trustee deems it necessary or in the normal course of evaluations of such individuals.
12. Trustees shall not represent to any investment manager, consultant, or any other vendor of the System that the individual Trustee 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 Trustees and vendors seeking information or clarifications concerning Board business.
13. Trustees 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.
14. Trustees shall not seek the advice or counsel of the System's General 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 General Counsel shall ensure

that all Trustees receive the benefit of any legal advice or counsel provided to any individual Trustee.

15. Trustees are not to become involved in operational management of the System, except as requested by the Executive Director or as directed by the Board.
16. Whenever the System is in the process of selecting or employing advisors, managers, consultants, contractors or vendors, individual Trustees 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 Trustee who becomes aware of a contact by a person or entity (or agent for such person or entity) that the Trustee 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.
17. Avoidance of Appearance of Nepotism: Even if otherwise permissible under State conflict of interest laws and/or Board policy, Trustees should avoid participating in 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 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 has been calculated incorrectly by the 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 Trustee activities fall within the Board's policies regarding governance, prudence and ethics.

3. Approve the final agenda for meetings upon preparation by and recommendation from Executive Director and Executive Staff.
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 to the expressed desires of individual Trustees 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 Trustees 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 Trustee 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 Trustees shall be advised of the meetings of each Committee, and are encouraged to attend any Committee meeting, regardless of whether or not they are a member of the Committee. Trustees 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 Trustees, 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's 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 Deputy Executive Director shall assume these responsibilities. If the Executive Director resigns or is terminated, the Deputy Executive Director shall assume the responsibilities until the Board appoints an Acting Executive Director or a new Executive Director.
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 Members 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.
- H. Set the Board agenda with input from Trustees and the Executive Staff, prioritizing and scheduling agenda items as appropriate with final approval from the Board of Trustees Chair.

4. Board-Executive Staff Linkage

- A. Decisions or instructions of individual Trustees, 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 Trustees 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 Trustee's capacity as a Member of the system and such request would be responded to for any Member 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 and the General Counsel.

Succession Policy

An important function of the Board is the hiring and oversight of the Executive Director. In order to ensure that this function is carried out effectively, the Board believes that a formal succession policy is required. The specific objective of this policy is to provide the Board with clear guidance as to the process of choosing a new Executive Director.

1. The Board Chair and Vice Chair will coordinate the succession planning process.
2. In order to protect the Board and the System from sudden loss of Executive Director services, the Executive Director shall mentor at least one other member of the TRS senior management to become familiar with Board and Executive Director issues and processes. The Executive Director shall indicate to the Board Chair each year who that person is and note if any change occurs.

3. In the event of a vacancy in the position of the Executive Director, the Board may employ a search firm to perform a national search for candidates to succeed the Executive Director. The Board may interview a minimum of three candidates recommended by the search firm as well as any other candidates the Board as a whole agrees to consider. All candidates considered by the Board must meet the qualifications as described in the position description for the position of Executive Director on file with TRS.
4. In the event of a vacancy in the position of Executive Director, the Board may select a staff member to serve as the Acting Executive Director responsible for carrying out the Executive Director's duties under the governance policies until such time as the Board selects a new Executive Director and that person assumes the position on a full-time basis. The senior staff member identified by the Executive Director annually to the Board Chair under Paragraph 2 above may be considered for this interim appointment. However, the Board is not bound to select that individual.
5. Also, to ensure minimal disruption whenever a member of senior management leaves, the Executive Director will promote a culture throughout the organization of hiring, mentoring and developing personnel so that another individual is capable of assuming that manager's functions until a replacement is found.
6. The Board will review this policy at least every three (3) years to ensure that it remains relevant and appropriate. As part of the policy review, the Board may schedule an Executive Session with the Executive Director for the purpose of discussing the Succession Planning Policy and any questions that trustees may have concerning succession planning in general.

Procurement Policy

A. Custodian Banks, Investment Managers, Investment Consultants, and Actuaries

1. Legal Authority

Title 74 O.S. Section 85.7(A)(3)(a) provides:

Contracts for master custodian banks or trust companies, investment managers, investment consultants, and actuaries for the state retirement systems...and other professional services as defined in [Section 803 of Title 18](#) of the Oklahoma Statutes shall be exempt from competitive bidding procedures of this section and requisition requirements of [Section 85.4](#) of this title [The Oklahoma Central Purchasing Act].

Procurement Information Memorandum (Number 09-01) provides:

In order to provide agencies greater flexibility in the management of their purchasing processes the following guidance is provided.

e. Agencies with approved internal procedures and a Certified Procurement Officer may process the acquisitions for Contracts for master custodian banks or trust companies, investment managers, investment consultants, and actuaries for the state retirement systems, which are exempt from competitive bidding, for unlimited dollar amounts, without submission of a requisition to the State Purchasing Director.

f. In accordance with Title 74 O.S. §85.7(A)(3)(c), state agencies shall notify the State Purchasing Director, by submission of form DCS-FORM-CP-091, Report of Exemptions from Competitive Bidding, within 15 days of completion of an acquisition of professional services under this policy.

Title 70 O.S. Section 17-106 provides:

(17) The Board of Trustees shall retain an actuarial firm that shall be technical advisors of the Board of Trustees on matters regarding the operation of funds created by the provisions of this act and shall perform such other duties as are required in connection therewith.

Title 70 O.S. Section 17-106.1 provides:

E. The Board of Trustees may retain qualified investment managers to provide for the investment of the monies of the System. *The investment managers shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the Board of Trustees.*

F. Funds and revenues for investment by the investment managers or the Board of Trustees shall be placed with a custodian selected by the Board of Trustees. The custodian shall be a bank or trust company offering pension fund master trustee and master custodial services. *The custodian shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to standards set by the Board of Trustees.*

2. TRS Policy

TRS has the requisite approved internal purchasing procedures and a Certified Procurement Officer. As such, the Board may retain the following vendors through a competitive bid process approved by the Board of Trustees – with the contract awards being exempt from the competitive bid standards set forth in the Oklahoma Central Purchasing Act at Title 74 O.S. §§ 85.1 et. seq.:

- Custodian Banks
- Investment Managers¹
- Investment Consultants
- Actuaries

It is the policy of the Board to select each of the vendors on a competitive bid basis subject to the following standards:

1. The Board shall approve all Requests For Proposals (RFPs) issued by the System for these vendors. The RFP should be written in such a way that it is appropriately

¹ See the TRS Investment Policy Statement for the *Request for Proposal Policy* pertaining to the selection of investment managers.

tailored to the needs of TRS considering both the size and complexity of the System as well as the goals the System is seeking to accomplish through the responding vendor.

2. Respondents to a proposal shall comply with the procedures and conform to the standards set forth in the RFP. Failure to do so will result in disqualification from selection.
3. The issuance of an RFP does not commit the Board to award a contract. The Board reserves the right to accept or reject any or all proposals received, to negotiate with any and all qualified vendors, and to cancel in part or in its entirety a solicitation if it is in the best interests of the System to do so.
4. The Board shall award contracts to the most suitable vendor at a specified time and place which shall be open to the public pursuant to the Oklahoma Open Meetings Act.
5. Unless otherwise requested by the Board, proposals shall initially be evaluated by the appropriate TRS staff, as designated by the Executive Director, who shall prepare an evaluation report to identify one or more potential finalists which shall be presented to the Board at an Open Meeting. This evaluation shall include independent scoring of each vendor along with reference checks, if applicable, though the scoring results need not be presented in the final evaluation report.
6. Following presentation by the Executive Staff, the Board may vote to take any of the following action:
 - a. Select a vendor subject to successful contract negotiation,
 - b. Reject the finalist recommendations from the Executive Staff and review all vendor submissions to select finalists,
 - c. Award a contract to one or more vendors based on the Board's review of all vendor submissions,
 - d. Move to conduct due diligence on finalists recommended by either the Executive Staff or the Board to include:
 - i. Interviews of finalists,
 - ii. Due diligence trips, if necessary,
 - iii. Any other due diligence deemed necessary prior to the selection of a vendor.
7. Ultimately, the Board may vote to award the contract(s) to one or more vendor(s) or reject all proposals received.
8. TRS's Business Manager or one member of the Executive Staff shall be designated as the sole contact for responding vendors during the RFP process. No other member of the staff, Board, or Investment Consultant shall knowingly communicate concerning any matter that is material to the selection process with any party having a direct financial interest in the award of the contract, an officer

or employee of that party, or a placement agent retained or employed by that party, unless the communication is part of the process expressly described in the RFP or part of any Board meeting prior to the award of the contract. Any vendor who knowingly participates in a communication that is prohibited by this subsection shall be disqualified from the contract award.

B. Other Professional Services

1. Legal Authority

Title 74 O.S. Section 85.7(A)(3)(a) provides:

Contracts for master custodian banks or trust companies, investment managers, investment consultants, and actuaries for the state retirement systems...*and other professional services* as defined in [Section 803 of Title 18](#) of the Oklahoma Statutes shall be exempt from competitive bidding procedures of this section and requisition requirements of [Section 85.4](#) of this title [The Oklahoma Central Purchasing Act].

“Professional service” includes the professional service rendered by physicians, attorneys (including Administrative Law Judges), and certified public accountants. See 18 O.S. §803.

Procurement Information Memorandum (Number 09-01) provides:

In order to provide agencies greater flexibility in the management of their purchasing processes the following guidance is provided.

a. Effective January 13, 2009, agencies with approved internal procedures and a Certified Procurement Officer may process the acquisitions for professional services as defined in Section 803 of Title 18 of the Oklahoma Statutes, which are exempt from competitive bidding, for unlimited dollar amounts, without submission of a requisition to the State Purchasing Director. The contractor must be providing solely the services for which they are licensed...The status of the license of the professional should be confirmed prior to contracting or any renewal of an existing contract. The license should be both current and in good standing.

b. Agencies are encouraged to conduct negotiations on contract costs or to conduct solicitations, as may be appropriate.

Title 70 O.S. Section 17-106 provides:

(14) ...When requested by the Board of Trustees, the Attorney General of the state also shall render legal services to the Board of Trustees. In addition to the above, the Board of Trustees may employ hearing examiners to conduct administrative grievance hearings under the provisions of the Administrative Procedures Act.

(16) The Board of Trustees shall designate a Medical Board to be composed of three physicians not eligible to participate in the retirement system. The physicians so appointed by the Board of Trustees shall be legally qualified to practice medicine in Oklahoma or the state in which they reside and shall be physicians of good standing in the medical profession. The Board of Trustees may have more than one Medical Board

and each Board shall have the same duties and authority under the statutes. If required, other physicians may be employed to report on special cases.

Title 70 O.S. Section 17-112 provides:

It shall be the duty of the State Auditor and Inspector to audit annually the funds, accounts and assets of the Teachers' Retirement System.

2. TRS Policy

TRS has the requisite approved internal purchasing procedures and a Certified Procurement Officer. As such, the Board may retain the following vendors with the contract awards being exempt from the competitive bid standards set forth in the Oklahoma Central Purchasing Act at Title 74 O.S. §§ 85.1 et. seq.:

- Medical Board Members/Physicians
- Attorneys (Attorney General, Administrative Law Judges)
- Certified Public Accountants²

It is the policy of the Board to make appointments or award contracts to these positions in a prudent manner and solely for the services for which the professional is licensed. A competitive bid process is not required but may be undertaken to fill a position if, in the Board's opinion, it is in the best interest of the System to do so.

Evaluation of the Executive Director

1. The Board of Trustees recognizes that it is good board governance practice to have regular dialogue with the Executive Director about his or her performance as well as the performance of the agency. An evaluation of the Executive Director, based loosely on the State's Performance Management Process, will reasonably assure that this regular dialogue takes place at least once a year.
2. By July 1 of each year, the Executive Director will notify the Board Chair that it is time for the annual evaluation. The Executive Director will also deliver to the Board Chair the most current Performance Management Process (PMP) for the Executive Director previously adopted by the Board, which contains the written accountabilities and behaviors by which the Executive Director will be evaluated.
3. The Board Chair will transmit a copy of the PMP to each Trustee for their completion and input. The Board Chair will also transmit a survey to the Executive Director's direct reports. All responses from Trustees and staff will be returned to the Board Chair by August 1. The Board Chair will then compile the PMP.

² The Board will cooperate with the State Auditor and Inspector's office to select, through a competitive bid process, an auditor to audit annually the funds, accounts, and assets of the Teachers' Retirement System.

5. The Board Chair will meet or otherwise communicate the draft PMP with the Executive Director. A draft of the PMP evaluation shall be presented in Executive Session at the next regularly scheduled Board meeting to the Executive Director and shall thereafter be adopted by the Board.

Evaluation of the General Counsel

1. While the Board of Trustees has all final decision-making authority regarding the employment of the General Counsel, the Board has placed the General Counsel under the administrative supervision of the Executive Director. The performance evaluation of the General Counsel recognizes these relationships in the process.
2. By August 1 of each year, the Executive Director will complete and provide to the Board a draft performance evaluation of the General Counsel using the Performance Management Process (PMP) evaluation form adopted by the Board of Trustees.
3. The draft of the PMP evaluation shall be presented to the Board in Executive Session by the Executive Director at the next regularly scheduled Board meeting. The Board shall make any changes it deems necessary to the draft (if any) and adopt the final document. The Executive Director shall meet with the General Counsel and review the adopted PMP.

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 any Trustee or staff of the System any gifts or gratuities from an individual organization with a value in excess of Twenty Dollars (\$20) per occurrence and 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, Trustees, any staff of the System, or improper communications with individuals who may receive personal gains as a result of Board or 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.

Board of Trustees Periodic Self-Assessment

Every other year, the Board Chair and the Executive Director shall distribute a survey to all trustees, that is designed to evaluate the performance and operation of the Board of Trustees. Such self-assessments are conducted to reveal potential problem areas or concerns that may need the Board's attention, provide an opportunity to clarify Board expectations, and demonstrate to staff and others that accountability is a serious organizational value. The survey to be used shall be adopted by the Board in advance of the Board Retreat that is held every other year. Each trustee shall complete the survey and return it to the Board Chair, or to another trustee or the Executive Director, as selected in the discretion of the Chair. The Chair or the person selected by the Chair, shall read the survey responses for the purpose of tallying and summarizing the responses in a manner that doesn't identify or attribute the comments or submissions to any individual trustee.

The summary shall be discussed at the Board Retreat. The summary and the discussion of the summary of the surveys, shall be used as the basis for adopting an Evaluation Document that identifies what the Board has done since the last evaluation that shows the Board has improved the manner of its operation, as well as matters that need improvement. The purpose of the document and the process is for the Board to focus on its mission, and its performance in carrying out its mission.

Chapter 5 – Code of Conduct

The Board of Trustees of the Teachers' Retirement System of Oklahoma, 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 arises 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 members 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, and financial merit to the benefit of System participants and their beneficiaries.
9. When making any decision affecting TRS, Board members and the Executive Staff shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.
10. Board members and the Executive Staff shall not use the prestige or influence of the state or the System for their own 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 their own 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 Member or beneficiary with the Board, and confidential contract, financial, investment or legal information) for their own 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 Member 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. Any interested 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 of Trustees and staff of the System shall discharge their duties with respect to the System and the plan solely in the interest of the Members and beneficiaries as follows:

1. For the exclusive purpose of the following:
 - A. Providing benefits to Members 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 Members 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 in accordance with the applicable statutes and administrative rules of the System when 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 Member or beneficiary for less than adequate consideration, or from a Member or beneficiary to the System for more than adequate consideration.

2. Lending of money or other extension of credit from the system to a Member or beneficiary without the receipt of adequate security and a reasonable rate of interest, or from a Member 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 Member or beneficiary for less than adequate consideration, or from a Member, retiree, or beneficiary to the System for more than adequate consideration.
4. Transfer to, or use by or for the benefit of, a Member or beneficiary of any assets of the plan for less than adequate consideration.

Prohibitions Against Self-Dealing

The Board of Trustees and staff 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 Members 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 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 the Board of Trustees staff of the System.

No employment, activity, or enterprise shall be engaged in by any 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 TRS 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 TRS 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 TRS 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 or her duties.
5. Performance of an act in other than his or 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 TRS .
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 or her in his or her official duties or was intended as a reward for any official action on his or 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 General Counsel personally, or a person acting for the General Counsel in this capacity only, 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 TRS's 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

1. 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 TRS 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 TRS staff, which includes investment consultants and contractors affiliated with TRS (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.

The U.S. Securities and Exchange Commission defines “insider trading” generally as buying or selling a security, in breach of a fiduciary duty or other relationship of trust and confidence, on the basis of material, nonpublic information about the security. 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 TRS 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.

2. 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 TRS.

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 TRS. Each Trustee and all TRS 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 TRS 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 TRS within 30 days of commencement of the manager's relationship with TRS.

Statements of Economic Interests filed by Trustees or staff may be reviewed by TRS to insure compliance with this policy. Trustees and staff should report any suspected violation of this policy to the TRS General Counsel. The General Counsel is responsible for causing an investigation of any reported violation. Following such investigation, if the General 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

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 the Teachers' Retirement System of Oklahoma.

Date: _____

Signature

Oklahoma Ethics Commission Rules

Duty of Impartiality

State officers and employees are expected to show impartiality when discharging their duties.

1. 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.
2. Under the regulations of the Oklahoma Ethics Commission, a Trustee or staff member who has a financial interest in a decision of TRS 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 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 Business Manager or other individual as designated in the RFP.

Incidental contact between a prospective bidder or its representative and 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 General 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 General 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 General 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 TRS ; (2) a simple expression of the party's interest generally in doing business with TRS or having TRS 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 TRS.

- 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 General 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 TRS or one of its consultants or advisors of the review of a proposed investment transaction, the firm seeking a TRS investment shall be given a copy of this TRS 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 General 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 TRS 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 a TRS employee or consultant in which the Trustee is advocating for a specified outcome shall be documented by the TRS employee or consultant and reported to the General Counsel. Such communications will be disclosed to the Board if and when, in the judgment of the General Counsel, they may be material to the Board’s deliberation with respect to any TRS 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 TRS Members, 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 General Counsel. The General 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 General 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 General 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 TRS regarding a TRS 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 TRS 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 TRS Trustee, candidates for Superintendent of Public Instruction, and TRS officer or employee.

2. Charitable Contributions

No party who engages in business with TRS 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 TRS officer or employee.

3. Gifts, Gratuities, Meals

A. Prohibited Conduct During the Purchasing Decision. While the purchasing decision is being made, a Trustee or staff “engaged in the purchasing decision” may not accept any gifts for himself or herself or for his or her family member from any vendor or a vendor’s agent(s). A “gift” is property transferred or service provided for another without compensation of equal value. A “family member” is a state officer or employee’s spouse, children (including stepchildren), mother, father, sister or brother.

B. No party who engages in business with TRS for gain shall provide meals to Trustees or staff except as outlined below:

- i. Trustees and staff may receive meals with an aggregate market value of \$20.00 or less per occasion and a maximum of \$50.00 in the aggregate during any calendar year. If the value of a meal exceeds \$20.00, the Trustee or staff may not pay the excess value over the \$20.00 in order to qualify. The value of a meal is calculated to include its price, plus any applicable tax, but does not include a gratuity.
- 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 TRS staff) or by the TRS Board (for Trustees).

- c. Modest items of food and refreshment: Trustees and staff may occasionally accept modest items of food and refreshment from persons regulated or licensed by the state officer or employee's agency when the item is offered other than as part of a meal. This provision includes such things as coffee, soft drinks, doughnuts or similar items. It does not include beverages containing alcohol.
- C. Trustees and staff are generally prohibited from receiving and gifts from vendors, with some exceptions. Any party who engages in business with TRS for gain is prohibited from providing gifts aggregating more than \$50 in value to Trustees or staff except as outlined below:
 - i. Gifts Resulting from a Personal Relationship. Gifts given under circumstances that make it clear that the gift is motivated by a family relationship or a personal relationship rather than the state officer or employee's status as a state officer or employee. Relevant factors in making this determination include, but are not limited to, the history and nature of the relationship and whether the family member or friend personally pays for the gift;
 - ii. Customary Gifts Given to All Employees. State officers and employees may accept gifts given to all state employees or to all employees of his or her agency provided the gifts are customary within the industry and costs of the gifts do not significantly exceed amounts that are customary within the industry;
 - iii. Performance Related Materials. State officers and employees may accept books, written materials, audio tapes, videotapes and other informational or promotional material related to the performance of the state officer or employee's official duties; or
 - iv. Gifts Provided to the General Public. State officers and employees may accept opportunities and benefits offered on the same terms as available to the general public.

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 or 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. (TRS 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 General 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 TRS entering into any investment management contract, any person or entity who would be a party to that investment management contract shall disclose to the TRS Board of Trustees, in writing, all third party relationships with persons or entities that assisted the party with either the solicitation of TRS as a potential Member or the retention of TRS as an existing Member 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 TRS.

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.

Teachers’ Retirement System Fraud and Ethics Reporting Policy

TRS is committed to conducting its activities in accordance with the highest standards of integrity and ethics. The purpose of this policy is to encourage the reporting of suspected or fraudulent or unethical behavior involving TRS. The TRS Fraud and Ethics Reporting Policy is established to facilitate the development of controls that will aid in the detection and prevention of fraud and unethical behavior against the TRS, its Members, beneficiaries, board members, employees, vendors, and other related parties. It is the intent of the TRS to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of inquiries.

Scope

This policy applies to any irregularity, or suspected irregularity, involving Members, beneficiaries of the system, board members, employees, vendors, consultants, contractors and other parties in a business relationship with the TRS. This policy further applies to any suspected fraudulent, dishonest use, misuse of TRS resources or property, or otherwise unethical behavior. Examples of such conduct include, but are not limited to:

- Accounting and Auditing Matters – the unethical systematic recording and analysis of the business and financial transactions associated with generally accepted accounting practices.
- Badging/Access Control – issues regarding unauthorized access to property or systems of the TRS.
- Confidentiality and Misappropriation – Confidentiality refers to the protection of confidential information (including that of Members and beneficiaries) and use of such information only for legitimate TRS business purposes. Misappropriation refers to the unauthorized or improper use of a third party’s intellectual property rights, including patents, trademarks, copyrights, and trade secrets.
- Conflict of Interest – A conflict of interest is defined as a situation in which a person, such as a board member, an employee, or a consultant, has a private or personal

interest sufficient to appear to influence the objective exercise of his or her official duties.

- Contractor/Vendor Relations - Concerns regarding personal ties to or bias towards contractors/vendors (Examples include: awarding a vendor contract to a relative without going through a competitive bid process, allowing a vendor an unfair advantage by giving them proprietary information during the bidding process, bribery, inappropriate customer/vendor relations, etc.)
- Data Privacy - Refers to the technical, contractual, administrative and physical steps taken by the TRS to protect against unauthorized access to and disclosure of personally identifiable data of employees and Members and other third parties that we possess.
- Discrimination or Harassment - Uninvited and unwelcome verbal or physical conduct directed at an employee because of his or her sex, religion, ethnicity, or beliefs. (Examples include: bias in hiring, bias in assignments, wrongful termination, bias in promotions, bias in educational decisions, unfair compensation, inappropriate language).
- Embezzlement - To appropriate (as property entrusted to one's care) fraudulently to one's own use. (Examples include: bookkeeping errors, misapplication of funds, and mishandling of cash)
- Employee Benefits Abuses - Improper, misleading or deceptive actions/statements, falsification of records, or misrepresentation of actual conditions related to employee benefit plans; including health and supplemental insurance plans and sick or other paid time-off programs.
- Environmental Protection, Health, or Safety Law - Violation of any environmental law, regulation, corporate policy or procedure with respect to the handling and disposal of hazardous materials or the health and safety of other individuals.
- Falsification of Contracts, Reports, or Records - Falsification of records consists of altering, fabricating, falsifying, or forging all or any part of a document, contract or record for the purpose of gaining an advantage, or misrepresenting the value of the document, contract or record.
- Hiring Irregularities - Evidence of personnel decisions being based on criteria other than an applicant's merit or qualifications.
- Improper Giving or Receiving of Gifts - The giving, receiving or solicitation of items which could be reasonably interpreted as an effort to influence a business relationship or decision; items given, received or solicited for the benefit of an individual or an individual's family or friends; items given, received or solicited during or in connection with contract negotiations; the acceptance of cash, checks, money orders, vouchers, gift certificates, loans, products, or services. Gift giving, or receiving, in excess of the annual \$50 amount allowed by statute.
- Improper Supplier, Contractor, or Consultant Activity - Supplier or contractor activity in violation of policies and procedures; improper supplier or contractor selection based on personal gain, improper negotiation or diversion of contract awards.
- Nepotism/Favoritism Inappropriate Workplace Relationships - Refers to real or perceived favorable treatment or relationships between employees (such as: a family member being in a position to hire, fire, promote, demote, or influence

compensation or the work environment of another family member; inappropriate work relationships during work hours; favoritism of one employee over another; etc.)

- Offensive or Inappropriate Communication - The use of inflammatory, derogatory, unduly critical or insulting communication to an employee, Member, or other related person.
- Retaliation - Verbal, physical or written discriminatory or harassing behavior toward an individual who has made a good faith report regarding a compliance issue.
- Sexual Harassment - The making of unwanted and offensive sexual advances or of sexually offensive remarks or acts, especially by one in a superior or supervisory position or when acquiescence to such behavior is a condition of continued employment, promotion, or satisfactory evaluation.
- Substance Abuse - Substance abuse is defined as the misuse of both legal and illegal drugs including alcohol. (Examples include: cocaine, narcotics, marijuana, stimulants)
- Theft - The act of stealing; specifically: the felonious taking and removing of personal property with intent to deprive the rightful owner of it.
- Threat or Inappropriate Supervisor Directive - Improper use of supervisory authority in response to employee taking action or refusing to take action.
- Time Abuse - Concerns about an employee or manager who is falsifying his/her work hours.
- Violation of Policy - Willful or innocent actions that are in direct violation of TRS policy, procedures, ethics policy, and/or implied contractual responsibilities. (Examples include: non-disclosure agreements, hiring standards, safety, Internet usage, employee handbook)
- Workplace Violence - A verbal or physical threat of bodily harm to any person currently working or anyone who will be returning to work, allowing the individual who made the threat to carry out the threat.

Reporting

Anyone who works for, is a board member of, does business with, or is otherwise affiliated with TRS is encouraged to report suspected fraudulent, dishonest, or unethical behavior of any other employee, board member, consultant, vendor or other party related to TRS. Reporting can be made in a variety of ways – informally through the TRS’ open door policy (for employees with internal concerns), through the filing of a formal grievance (by employees), or by anyone by making a report with the TRS’ contracted outside reporting form, EthicsPoint. Reports made via EthicsPoint can be made either via telephone, or through the internet, accessible through the TRS website. Reports made through EthicsPoint give them reporting party the option of remaining anonymous.

All parties should be advised that any of the reporting mechanisms above do not take the place of filing a complaint with the state or federal government regarding certain state and federal law violations, such as an EEOC complaint. Strict timelines typically apply to these types of complaints, and filing a report via EthicsPoint or any other reporting

mechanism provided by the TRS do not take the place of filing a complaint with one of these entities, nor extend the timeline for the filing of such a complaint.

Inquiries and Investigations

All reports made through the TRS open door policy, as well as the formal grievance policy, will be handled pursuant to the specific procedures applicable to those policies. Reports made via EthicsPoint will immediately be forwarded to the following TRS personnel: Executive Director, General Counsel, Human Resources Director, and Chairman of the Audit Committee. If any of the personnel listed above are implicated in the report, they will not receive a copy of the report, and initially will not be notified of the report. Reports, whether anonymous or not, will be shared only with those who have a need to know of the report so that the TRS can conduct an effective investigation and determine an appropriate course of action.

In keeping with TRS' commitment to the highest standards of integrity and ethics, TRS will investigate suspected fraudulent or unethical activity. Inquiries and investigations will typically be handled by the General Counsel, and others as is appropriate. TRS may decline to conduct an investigation in circumstances that clearly indicate no investigation is warranted. The General Counsel will make report of all findings and recommendations to both the Executive Director and Chairman of the Audit Committee within 60 days of the filing of the report.

No Retaliation

TRS will not tolerate retaliation against any person who make a report in good faith under this policy or against any individuals (e.g., witnesses) who participate in an investigation of a report under this policy. Complaints of retaliation can be made to the Chairman of the Board, Chairman of the Audit Committee, Executive Director, or General Counsel. Any complaint of retaliation will be promptly investigated and appropriate corrective measures taken if the allegations of retaliation are substantiated. This policy will not prevent, limit, or delay the TRS from taking action, including disciplinary or other employment action, against any individual, when the TRS concludes that action is appropriate.

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 a 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 a majority of its 14 voting members. Eight votes shall be necessary to take action at any meeting of the Board. 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 or otherwise present in accordance with the requirements of the Oklahoma Open Meetings Act.
4. A quorum of a Committee of the Board shall consist of a majority of its members. In determining whether a quorum of the Committee is present, vacant positions on the committee shall not be considered. A 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 or otherwise present in accordance with the requirements of the Oklahoma Open Meetings Act.
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 resulting in the loss of a quorum, 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 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 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 shall be posted at least 24

hours prior to the meeting. Agendas for special meetings shall be posted no less than 48 hours in advance of the meeting. Other, shorter notice requirements may be applicable in special situations under the Act.

Agendas

1. Board agendas shall be prepared by staff under the general direction of the Executive Director. However, the Board Chair shall be the final authority in determining whether or not an item is placed on the agenda.
2. The Board agendas should include an item for comments/questions from trustees but should not include a specific agenda item for public comment. During the meeting the Board Chair, in his or her discretion, may recognize a member of the public to comment regarding an item on the Board agenda.
3. 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.
4. All items on Board agenda shall be supported by concise, easily accessible information when appropriate.
5. All Trustees shall receive in advance of any meeting copies of all agendas and supporting information.
6. 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, but are not limited to, 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 or the General Counsel.

3. To deliberate on proposed decisions relating to administrative hearings/member grievances.
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.
5. Any other matter permitted to be discussed in executive session by the Oklahoma Open Meetings Act.

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

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 Board 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. Appellant, having the burden of proof, will present his or her argument first. Appellant will be allowed 10 minutes to present his or her argument and may divide his or her time to reserve time for rebuttal. Respondent will then have 10 minutes to present his or her argument. If the Appellant has reserved a portion of his or her time for rebuttal, Appellant may close the argument using the reserved time.
3. Thereafter, the Board may move into Executive Session for deliberation. Upon returning from Executive Session, the Board may elect to take a final action.
4. A final administrative decision/order will be prepared and served by certified mail on Respondent(s).

Election of Officers

1. In April of each year, the current Board Chair shall appoint an ad-hoc Nomination Committee. This Committee shall be comprised of at least three (3) Trustees not currently serving as Board Officers. The Nomination Committee shall make recommendations to the Board at the May Board meeting of candidates for each Board Officer position. Nominations shall also be taken from any Trustee at the May meeting.
2. The election of the Board Chair, Vice-Chair, and Secretary shall be held at the regularly scheduled Board meeting in May of each calendar year. Officers will assume their positions at the July meeting and serve through June of the following year. While a typical officer term is one year to allow rotation of leadership among Board members, officers are not precluded from being elected to additional yearly terms.
3. When necessary, because of an unexpected vacancy, loss of confidence in the individual, or because an officer can no longer perform the required duties, 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.
4. 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.
5. Because of the complexity of the Board Chair position, it normally is expected that the Board Vice-Chair will stand for election to Chair after serving one year in the Vice Chair role. The individual who seeks to run for the Vice-Chair position should take this prospect into consideration when agreeing to stand for election to Vice-Chair.

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
3. Governance Committee

Audit Committee Charter

Purpose

The Audit and Risk Management Committee has been established to assist the Teachers' Retirement System 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 the 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 Audit 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. Per the SEC, The designated person should have characteristics that are particularly relevant to the functions of the audit committee, such as: a thorough understanding of the audit committee's oversight role, expertise in accounting matters as well as understanding of financial statements, and the ability to ask the right questions to determine whether the agency's financial statements are complete and accurate. If a financial expert is not available on the Committee, an experienced professional will be selected to a non-voting position possessing the aforementioned qualities. Candidates for this non-voting position will be recommended by TRS Executive Staff 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.

Internal Audit Charter

Introduction

The internal audit function at Teachers' Retirement System of Oklahoma ("Agency") is performed through the retention of at least one outside firm ("Internal Audit"). Even though it is an out-sourced function, it is considered as a department of the Agency with oversight by the Board of Trustees ("Board"). Internal Audit is an independent and objective assurance and consulting function. It assists the Agency in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Agency's risk management, control, and governance processes. Internal Audit also helps detect errors and vulnerabilities in transactions performed on a regular basis.

Professionalism

Internal Audit will be governed by adherence to The Institute of Internal Auditors' guidance. This guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance.

The Institute of Internal Auditors' guidance will also be adhered to as applicable to guide Internal Audit operations.

Authority

Internal Audit is established by the Board and is overseen by the Audit Committee of the Board (“Audit Committee”). Internal Audit’s responsibilities are defined by the Board as part of the Board’s and Audit Committee’s oversight roles.

In performing their responsibilities, Internal Audit is authorized to have reasonable full, free and unrestricted access to all property, personnel and records relevant to the subject under review.

Internal Audit shall have direct access to the Executive Director and the Audit Committee of the Board of Trustees. Internal Audit shall perform its duties in a manner that is the least disruptive to agency operations as possible, without compromising its access and effectiveness.

Organization

Internal Audit will report functionally to the Audit Committee and administratively (i.e. day to day operations) to the Executive Director.

Independence and Objectivity

Internal Audit will remain independent from the organization and shall be responsible in determining matters of audit selection, scope, procedures, frequency, timing, and report content, subject to the direction of the Board and Audit Committee. This authority is granted by the Board.

Internal Audit has neither direct responsibilities for, nor authority over, any of the activities reviewed. Therefore, the internal audit review and appraisal does not in any way relieve other persons in the organization of the responsibilities assigned to them.

Scope of Responsibilities

It is the responsibility of Internal Audit to provide independent, objective assurance and consulting services designed to:

- Evaluate risk exposure relating to achievement of the Agency’s strategic objectives;
- Formulate an audit plan based on a prioritization of the audit universe using a risk-based methodology, including input from senior management and the Board, and provide it to the Audit Committee for approval at least annually;
- Evaluate the means of safeguarding the Agency’s assets and, as appropriate, verifying the existence of such assets;
- Develop recommendations which assist in accomplishing Agency objectives by evaluating and improving the effectiveness of risk management, control and governance processes;
- Monitor and follow up on implementation of audit findings and management’s plans for remediation;

- Issue reports on a timely basis to appropriate management on the results of work performed by Internal Audit; and
- Periodically report to senior management, the Audit Committee, and the Board on Internal Audit's performance relative to the plan.

Internal Audit will conduct other projects with approval of the Audit Committee such as participating in fraud or hotline investigations, or other process improvement or consultative work.

Quality Assurance and Improvement Program

Internal Audit will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include a combination of ongoing internal assessments and periodic external assessments conducted at least every five years.

Amendment of Charter

Internal Audit is responsible for maintaining the Internal Audit Charter. Amendment of this Charter is subject to the approval of the Audit Committee and Board of Trustees after review by the Executive Director.

Ratification of Charter

The Charter will be reviewed and ratified by the Board every two-years in conjunction with the Audit Committee Charter review as stated in the minutes of the respective meeting.

Investment Committee Charter

Purpose

The Investment Committee has been established by the Teachers' Retirement System 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 the Teachers' Retirement System, its Members, retirees, and beneficiaries.

Authority

Legal authority for the Investment Committee is found in Title 70 O.S. §17-106.1 (D) which provides, in part, that the “committee shall make recommendations to the full Board of Trustees on all matters related to the choice of custodians and managers of the assets of the System, on the establishment of investment and fund management guidelines, and in planning future investment policy. The committee shall have no authority to act on behalf of the Board of Trustees in any circumstances whatsoever. No recommendation of the committee shall have effect as an action of the Board of Trustees nor take effect without the approval of the Board of Trustees as provided by law.”

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 maximum of five (5) 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 Teachers’ Retirement System statutes and rules.
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. Determining appropriate levels of staff delegation with respect to investment transactions in the various asset classes of the Fund.
6. Determining and ensuring compliance with the System's corporate governance policies in an effort to protect the System's assets through the pursuit of good governance and operational accountability.
7. Determining the relative amount of internal and external investment 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 the System's investments are made in conformance with applicable investment policies and investment resolutions.

Governance Committee Charter

Purpose

The Governance Committee has been established to assist the Teachers' Retirement System Board in fulfilling its fiduciary oversight responsibilities for the administration and adoption of internal governance principles and policies, and the monitoring thereof, including:

1. A comprehensive internal Ethics Policy
2. The Code of Conduct
3. Trustee Education Policy
4. Travel Expense Policy
5. The Board of Trustees Policy Manual
6. Succession Planning involving the position of Executive Director

Authority

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

1. Amendments to, or updates of: the Ethics Policy, the Code of Conduct, the Trustee Education Policy, the Trustee Travel Expense Policy, and the Board of Trustees Policy Manual.
2. Requests to provide oversight of investigation activities involving a Board Member or other person with a contractual relationship to the TRS Board.
3. 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 Governance Committee shall have responsibility for the following:

1. Ensuring and monitoring global compliance with the TRS Ethics Policy, the Code of Conduct, and Board of Trustees Policy Manual.
2. Provide a yearly review of internal succession planning related to the position of Executive Director.
3. Provide oversight of investigation activities involving a Board Member or other person with a contractual relationship to the TRS Board, as delegated by the Board or Board Chair.
4. Monitoring whether the Executive Director has sufficient internal organizational processes and accountabilities.

Chapter 8 – Strategic Planning Policy

1. 1. The principles that the Board has adopted for strategic planning are:
 - A. Review Schedule
 - a. The TRS Strategic Plan (the “Plan”) will be a continuous 5-year plan. The Board and Staff will jointly conduct an extensive review of the Plan biennially in odd numbered calendar years (ideally at the Board retreat).
 - b. Additional updates to the plan may also be made on an annual basis through the cooperative efforts of the Board and Staff with updates to the Plan being adopted by the Board no later than October 1 of each year.
 - c. All Plan updates will be communicated to Staff and other parties, as appropriate, to effectuate the provisions of the Plan.
 - B. Discussions of new initiatives or significant changes in direction for TRS that arise from time to time 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.
 - C. Each year, progress under the plan will be provided in the form of a written report to the Board for its review and evaluation.
 - D. 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 directive 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 of the Plan.
 - B. Creating strategies that align with the Board’s priorities and managing Staff’s implementation of the Plan.
 - C. Closely monitoring progress under the Plan and promptly informing the Board of any obstacles impeding progress.
 - D. Preparing annual progress reports for the Board and organizing an annual strategic planning session for the purpose of updating the Plan in accordance with the Review Schedule.

- E. Seeking input from the Board and Staff about key strategic issues prior to the annual planning session including:
 - a. Calculating costs and estimating timetables so that reasonable operating budgets can be set,
 - b. Identifying business risks, opportunities and needs for TRS, and
 - c. Preparing white papers and other research to assist the Board in the discussion of strategic issues.

- 3. Members of the Board are responsible for:
 - A. Reaching consensus and adopting the initial Plan for TRS, 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 Plan.
 - D. Approving an operational budget that takes into account the upcoming year's activities under the Plan.
 - E. Assessing TRS's strengths and weaknesses as well as the opportunities and challenges in its environment during the session to update the Plan.
 - F. Annually evaluating progress in meeting Goals and 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 the 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.

Orientation of New Trustees

1. Attendance: Each new Trustee and designee shall attend an orientation session.
2. Timing for Orientation: The new Trustee or designee 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 the Teachers' Retirement System, including the mission and purpose of the System,
 - B. A summary of the laws and rules governing the System and the Board,
 - C. A summary of the System's benefit structure,
 - D. An overview of the role of the System's 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 System's Executive Management team, and

- M. A tour of the System's 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 Board Policy Manual,
 - D. The strategic plan, and
 - E. 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. All Years: Trustees are encouraged to provide feedback to the entire Board on all conferences, seminars and educational events attended to enable other Trustees to gauge whether their attendance in the future may be beneficial.

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. If a Trustee is unable to attend this session, written materials will be provided to the Trustee to fulfill this requirement.

State Ethics Training

At least every two years the Executive Director will arrange for an education session on the requirements of the Oklahoma State Ethics Commission for the Trustees. If a Trustee is unable to attend this session, written materials will be provided to the Trustee to fulfill this requirement.

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 in-person meeting of the Teachers' Retirement System Board of Trustees. 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. Trustees are encouraged to take advantage of relevant educational opportunities.

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. In consultation with the Executive Director, the Board Chair will give final approval for all Trustee travel.

When a Trustee would like to travel to an educational program and be reimbursed by TRS, they should consult with the Executive Director to ensure that sufficient funds are available in the travel budget. They should also coordinate with TRS staff so that travel arrangements are made in a matter to permit full reimbursement under state travel policies.

Expenses are reimbursable under the System's fiscal requirements and must be disclosed and reported pursuant to those requirements. Additionally, Trustees are encouraged to provide feedback to the entire Board on all conferences, seminars and educational events attended to enable other Trustees to gauge whether their attendance in the future may be beneficial.

Reimbursement for Travel Expenses

The Teachers' Retirement System shall pay for reasonable travel expenses in accordance with the State Travel Reimbursement Act (74 O.S. §§500.1 et seq.) and Board policy, including actual transportation and related lodging and subsistence. While traveling, Trustees and staff may accept meals provided by third parties, subject to the limitations set forth in Chapter 6 - Ethical and Fiduciary Conduct herein. 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 the System and presented to the Executive Director.

Situations may arise where third parties offer payments, advances, or reimbursements for travel, including actual transportation and related lodging and subsistence to TRS Trustees or staff. Prior to accepting these payments, the Trustee or staff should have the arrangement reviewed and approved by TRS General Counsel to ensure that the payment is in accordance with applicable Oklahoma Ethics Commission laws and rules as well as Board policy.

Executive Director Travel

For budgetary purposes, travel requests by the Executive Director also should be signed by the Director of Finance/CFO only to indicate that sufficient funds are in the budget to cover expected travel expenses. Each month, the Executive Director will provide the Board Chair a detailed listing of all travel claims/reimbursements of the Executive Director that were processed the preceding month. The Executive Director must follow all state and TRS travel policies and regulations.

Additional Disclosure Requirements

All Trustees and staff are subject to the disclosure and reporting requirements of the System's Code of Conduct and policy on Ethical and Fiduciary Conduct. 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, rules, and Board policy, 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 General Counsel if they have questions concerning possible conflicts of interest.

Chapter 11 – Class Action Securities Litigation Policy

Purpose

This policy establishes guidelines for monitoring and participating in class action securities litigation. The Board 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 System for the exclusive benefit of the Members 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 calculated by both the FIFO (First In First Out) and LIFO (Last In First Out) methods?
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 as calculated by both the FIFO and LIFO methods 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.

Chapter 12 – Actuarial Funding Policy

The purpose of this funding policy is to state the overall funding goals for the Teachers' Retirement System of Oklahoma (TRS), the benchmark that will be used to measure progress in achieving those goals, and the methods and assumptions that will be employed to develop the benchmarks.

Funding Objectives

The main funding objective of TRS is to fund the actuarial accrued liability 100% through disciplined and timely accumulation of sufficient assets to deliver earned benefits on a continuing basis in order to provide:

- Benefit Adequacy – Contributions and current plan assets must be sufficient to provide for all benefits expected to be paid to members and their beneficiaries when due.
- Contribution Stability and Predictability – Contribution volatility must be controlled to the extent reasonably possible, consistent with other policy goals.
- Inter-Generational Equity – Costs of benefits should be paid for by the generation that receives the benefit.

Board Established Policy Associated with Funding:

Actuarial Cost Method

Annual valuations of TRS will be based on the use of the individual entry age normal actuarial cost method. The purpose of this method is to determine the annual Normal Cost for each individual active member, payable from the date of employment to the date of retirement, that is:

- (i) Sufficient to accumulate to the value of the member's benefit at the time of retirement, and
- (ii) A constant percentage of the member's year by year projected covered pay.

Asset Valuation Method

The Actuarial Value of Assets is based on the market value with investment gains and losses smoothed over five (5) years.

Amortization Method

The amortization method is a level percentage of payroll. As part of the actuarial valuation prepared as of June 30th of each year, the Board shall have an actuary determine the amount of the unfunded accrued liability. On the basis of each such calculation of unfunded accrued liability, the Board shall have an actuary determine the level annual contribution required to discharge such amount over a period equal to the funding period calculated as of the same valuation (i.e. 11 years as of June 30, 2014) but in no event shall it be in excess of a closed period of twenty (20) years beginning with the FY 2015 valuation.

Funding Target

The funding objective is to achieve 100% funding. For this purpose, 100% funding means that the Actuarial Value of Assets equals the Actuarial Accrued Liability.

Risk Management

The main financial objective of this funding policy is to fund the long-term costs of benefits provided to plan members and beneficiaries. There are numerous risks that TRS faces in trying to achieve this objective including funding risk, demographic risk, investment risk, and benefit risk. The Board policies for managing these risks are outlined in this section.

Funding Risk

Frequency of Actuarial Valuations

Annual valuations manage funding risk by allowing employer contribution rates to reflect actual experience as it emerges.

Demographic and Investment Risk

Process for Reviewing and Updating Actuarial Assumptions

Demographic and investment risks may be managed in part by having regular reviews of the actuarial assumptions. The Board shall have the actuary make an actuarial investigation into the experience of TRS at least once every five (5) years. If circumstances warrant, the Board may change assumptions more frequently based on the recommendation of the actuary.

The experience study report will serve as the basis for determinations by the Board regarding whether or not demographic or economic assumptions should be modified for future valuations.

Asset Liability Studies

The Board adopts an asset allocation based on recommendations from the Investment Consultant and investment staff. The asset allocation approved by the Board will reflect the results of an Asset Liability Study performed at least once in every five-year period, or more often, as recommended by System staff, and the Investment Consultant.

Risk Measures

In order to quantify the risks outlined in this actuarial funding policy, the following metrics will be included in annual valuation reports. These metrics provide quantifiable measurements of risk and its movement over time:

- i. Funded ratio (Actuarial Value of Assets divided by Actuarial Accrued Liability).
 - Measures progress towards the funding objective of the 100% target funded ratio.
- ii. Total Unfunded Actuarial Accrued Liability (UAAL) divided by Total Payroll
 - Measures the risk associated with contribution decreases relative impact on the ability to fund the UAAL. A decrease in this measure indicates a decrease in contribution risk.
- iii. Funding Period (Number of years forecasted to pay unfunded liability based on current revenue levels).
 - Measures the number of years by which a 100% funded ratio will be achieved regardless of the remaining amortization period.

Miscellaneous Matters Associated with Funding:

Overall Conformance with Professional Standards of Practice

The work of the actuary in connection with this policy shall conform to Actuarial Standards of Practice for public employee retirement plans promulgated by the Actuarial Standards Board and shall satisfy the requirements of applicable federal and state laws.

Continuation of Dedicated State Tax and Other Revenue

At the time of adoption of the initial Funding Policy, TRS received dedicated state revenue in the form of statutorily prescribed percentages of State income tax, sales tax, tobacco taxes and Lottery revenue. This revenue has ensured that TRS received funding that was close to, or exceeded, the Actuarial Required Contributions in past years. TRS acknowledges that when it achieves 100% funding that these revenues might be decreased or eliminated if contribution revenue is sufficient.