BOARD OF TRUSTEES

POLICY MANUAL

(Amended August 26, 2026)

TABLE OF CONTENTS

Chapter 1 - Legal Authority 5
Constitutional Authority 5
Statutory Authority 5
Purpose of System 5
Board of Trustees Powers 6
Executive Director Authority 6
Board of Trustees Composition 7
Chart of TRS Key Staff Members 11

Chapter 2 - Mission and Vision Statements / Core Values 12
We collect, protect, and grow assets to provide a secure retirement income for public education employees. 12

Chapter 3 – Policy Review Calendar 13
Purpose 13
Review Frequency 13
Review Calendar 14

Chapter 4 – Board Governance 15
Statement of Governance Principles 15
Board Responsibilities 15
Board Reporting/Monitoring Policy Chart 18
Trustee Responsibilities 20
Board of Trustees Chair Responsibilities 21
Committee and Committee Chairs Responsibilities 22
Board Communication Policy 23
Executive Director Responsibilities 27
Budget Preparation and Approval Policy 29
General Counsel Responsibilities 29
Evaluation of the Executive Director 31
Evaluation of the General Counsel 32
Succession Policy 32
Business Continuity Plan Policy 34
Procurement Policy 34
Procurement No Contact Policy 37
Vendor Responsibilities 40
Board of Trustees Periodic Self-Assessment 40
Legislative Policy 41
Avoidance of Undue Influence 41

Chapter 5 – Ethical and Fiduciary Conduct 43
Background 43
Fiduciaries 43
Fiduciary Duties 43
Prohibited Transactions 44
Prohibitions Against Self-Dealing 44
Statement of Ethical Conduct 44
Policy Prohibiting Insider Trading 46
ATTACHMENT I 49
Teachers' Retirement System Insider Trading Policy Certification 49
Oklahoma Ethics Commission Rules Duty of Impartiality 49
Disclosure of Campaign Contributions, Charitable Contributions, Gifts, Recusal Requirement, and Ban on Specified Gifts 50

Disclosure of Third-Party Relationships and Payments **54**
Teachers' Retirement System Fraud and Ethics Reporting Policy **54**
Reporting and Investigation of Trustee Policy Violations **58**

Chapter 6 – Board Organization and Administration **64**
Administration of Meetings **64**
Notice of Meetings **65**
Agendas **65**
Minutes **66**
Executive Session Policy **66**
Administrative Hearings Policy **66**
Election of Officers **67**
Committees **68**
Committee Formation Policy: **68**
Charters **69**
Internal Audit Charter **71**
Investment Committee Charter **75**
Governance Committee Charter **77**

Chapter 7 – Strategic Planning Policy **79**

Chapter 8 – Trustee Education Policy **81**
Purpose **81**
Orientation of New Trustees **81**
Mentoring **82**
Ongoing Trustee Education **82**
Fiduciary Education Session **83**
State Ethics Training **83**
Retirement Industry Periodicals **83**

Chapter 9 – Travel Expense Policy **84**
Purpose **84**
Required Travel **84**
Travel Related to Board Education **84**
Reimbursement for Travel Expenses **84**
Executive Director Travel **85**
Additional Disclosure Requirements **85**

Chapter 10 – Class Action Securities Litigation Policy **86**
Purpose **86**
Guidelines **86**

Chapter 11 – Actuarial Funding Policy **89**
Funding Objectives **89**
Contribution and Allocation Policy for Retiree Medical Benefit Fund **92**
Oklahoma Public Fund Trustee Education Conference (OPFTEC) Planning Committee Charter **96**
CHAPTER 4 – BOARD GOVERNANCE 97
CHAPTER 5 – Ethical and Fiduciary Conduct 99
CHAPTER 6 – BOARD ORGANIZATION & ADMINISTRATION 99
CHAPTER 7 – STRATEGIC PLANNING 100
CHAPTER 8 – TRUSTEE EDUCATION 100
CHAPTER 9 – TRAVEL EXPENSE POLICY 100
CHAPTER 10 – CLASS ACTION SECURITIES LITIGATION 100
CHAPTER 11 – ACTUARIAL FUNDING POLICY 101

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."

Section 12 of Article 23 of the Oklahoma Constitution provides limitations on the use of the proceeds, assets, and income of TRS and reads as follows:

> "All the proceeds, assets and income of any public retirement system administered by an agency of the State of Oklahoma shall be held, invested, or disbursed as provided for by law as in trust for the exclusive purpose of providing for benefits, refunds, investment management, and administrative expenses of the individual public retirement system, and shall not be encumbered for or diverted to any other purposes."

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 Teachers' Retirement System of Oklahoma ("TRS"). 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

O.S. 70 § 17-102, paragraph 1 creates the Teachers' Retirement System of Oklahoma and outlines the purpose of TRS 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 Teachers' Retirement System.

(1) All employees shall be under the direct supervision of the Executive Director.
(2) All vouchers drawn against TRS shall be signed by two members of the administrative staff: the Executive Director, the Chief Operating Officer, Chief Financial Officer, or the Deputy Chief Financial Officer.
(3) The Executive Director shall make reports to the Board of Trustees at its regularly scheduled meetings regarding 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.

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 Teachers' Retirement System of Oklahoma 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 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 (e), (g), (h) and (i) 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 Accountancy Board 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		
Trustee	**Appointing Authority**	**Requirement**
Brandon Meyer	Governor	Higher Education
Marla Tharp	Governor	Non-classified Optional Personnel
Stephen Streeter	Governor – coterminous	Funds Management, Banking, Law, Accounting
*Kelsey Ardies	Governor – coterminous	Funds Management, Banking, Law, Accounting
Charles Walworth	Governor – coterminous	Funds Management, Banking, Law, Accounting
Chuck Thompson	Governor – coterminous	Funds Management, Banking, Law, Accounting
Vernon Florence	Senate Pro Tempore	Retired Member
Caitlin Bell	Senate Pro Tempore	Active Classroom Teacher
Michael Kellogg	House Speaker	Retired Member
Shanci Garison	House Speaker	Active Classroom Teacher
Jordan Harvey	Designee of State Treasurer, Todd Russ	Ex Officio
Dr. Theodore Murray	Designee of State Superintendent of Public Instruction, Lindel Fields	Ex Officio
Brandy Manek	Designee of Director of OMES, Mark Woods	Ex Officio
Dr. Greg Winters	Designee of Director of Career and Tech Ed., Brent Haken	Ex Officio
Bill Bentley	Retired Educator's Organization	Non-voting Member

* Denotes Board Chair

Chart of TRS Key Staff Members

Name	Title
Sarah Green	Executive Director
Dessa Herl	Chief Operating Officer
Kirk Stebbins	Chief Investment Officer
Lisa Van Liew	Chief Financial Officer
Terri Phillips	General Counsel

Chapter 2 - Mission and Vision Statements / Core Values

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.**

The Core Values of the Teachers' Retirement System of Oklahoma include:

- **Collaborate:** We work cooperatively to empower each employee to achieve our vision and mission while embodying our core values.
- **Expertise:** We equip our staff, through training and development, to guide our members and employers through all aspects of pension participation.
- **Care:** We are open, responsive, and ethical as we engage with all our stakeholders.
- **Sustainable Funding:** We recognize the vital role a properly funded pension plan plays in the lives of our members and their families and the profound impact of paying benefits on Oklahoma's economy.
- **Reputation:** We take pride that TRS is known for the superior quality of its services, and we strive to continuously improve.

Chapter 3 – Policy Review Calendar

Purpose

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

Review Frequency

Mission Statement	Reviewed Annually at Strategic Planning Retreat
Board Governance	Reviewed every 3 years
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
Legislative Policy	Reviewed every 5 years

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

Review Calendar

	2022				2023				2024				2025				2026				2027			
Policy for Review	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Mission Statement			X					X				X				X				X				X
Board Governance									X												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					
Legislative Policy																		X						
	2028				**2029**				**2030**				**2031**				**2032**				**2033**			
Policy for Review	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Mission Statement				X				X				X				X				X				X
Board Governance									X												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					
Legislative Policy														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 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 ensure financial controls are in place.

D. Monitor reporting of delegated actions by staff; ensure compliance.

4. Other Board Responsibilities

A. Be responsible and accountable to the Members and beneficiaries of the System.

B. Decide appeals from administrative hearings.

C. Take all necessary action upon applications for retirement, disability benefits, refund of accumulated contributions, and all other matters deemed necessary by the Board.

D. 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.

Board Reporting/Monitoring Policy Chart

(see *Appendix* for full list of delegations)

Report	Frequency	Vendor/Staff
Securities Litigation Monitoring & Fee Recovery Report	Annually – January Or Semi-annually if active case pending	General Counsel
Annual Review of and Budget Request for Harvey Parkway Building	Annually – May	Investment Staff
Private Markets Investment Summary & Fee Validation Review	Annually – October	Back-office administration provider
Private Markets Performance and Structure Review	Annually – October	Private Markets Investment Consultant
Report on Delegated Actions to Investment Committee	At the next Investment Committee meeting following the action taken	Investment Staff
Investment Monitoring Report	Quarterly	Public and Private Markets Investment Consultant
Asset Liability Study	Every 3 to 5 years	Public Markets Investment Consultant
Audit – Processes	At least Quarterly – and as needed	Auditor (outsourced)
Audit – Financial	Annually – October	External Auditor
Actuarial Valuation Report	Annually – October	System Actuary
Proxy Votes Review	Annually - January or February	Investment Staff or Public Markets Investment Consultant
Strategic Plan Progress Report	Annually – November	Executive Director

Actuarial Audit	Every 5 -10 years (June 30, 2022)	Outsourced Actuary
Actuarial Experience Study	At least every 4 years (2023-2024)	System Actuary
Legislative Reporting	Monthly January to June; Ad hoc July to December	Executive Director / General Counsel
Delegated Procurement Actions (contract amendments/renewals)	Annually - May or July; Off cycle – at next regular Board meeting following amendment or renewal	General Counsel
Fiduciary Liability Insurance Renewal	At next regular Board meeting following renewal	General Counsel

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 in a rolling 12-month period. 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 rolling 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/her Executive Assistant to monitor Trustee attendance. Reports regarding Trustee attendance shall be distributed by the Executive Assistant to the full Board following every Board Regular or Special Meeting. Trustees are encouraged to review the attendance report and submit any potential discrepancies to the Executive Assistant immediately for resolution.

   If any Trustee has met the absence parameters delineated above, the Executive Director or his/her Executive Assistant shall notify the Board Chair and the Governance Committee Chair. The Executive Director or his/her Executive Assistant shall prepare the letters described above for signature by the Governance Committee Chair 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* and are encouraged to attend additional educational opportunities as outlined in therein.
4. Representation: Please see *Board Communications Policy*.

5. To the extent possible, Trustees are encouraged to come to meetings without having fixed or committed their positions in advance.

6. Independence: 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 shall not attempt to exercise individual authority over the System, investment managers, consultants, or any other vendors of the System, except as explicitly set forth in Board policies.

8. Trustees will make individual assessments or evaluations of the Executive Director when such Trustee deems it necessary or in the normal course of evaluations.

9. 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.

10. Avoidance of Appearance of Nepotism: Even if otherwise permissible under State conflict of interest laws and/or Board policy, Trustees should avoid participating in TRS 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 TRS 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 Trustee's mother would receive this increase along with all other retirees. However, if the Trustee's mother files an appeal contending her specific cost-of-living adjustment has been calculated incorrectly by TRS, the Trustee would be precluded from participating in or voting on the 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 ensure 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 to provide direct exposure to differing Board responsibilities.

   C. In consultation with affected Committee Chairs and Board membership, consider 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. 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 of 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 all Committee meetings and are encouraged to attend any Committee meeting, notwithstanding Committee membership. Trustees

may only participate in Committee discussions and 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 Board Chair, Executive Staff, Consultant(s), and with input from Trustees, set the Committee agenda.

   B. Convene and chair meetings of the Committee.

   C. Ensure the Committee operates to assist the Board consistent with its delegated authority and Board rules including:

      i Limiting meeting discussion 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 members of the Committee and Executive Staff, 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 Executive Staff, review matters that were presented to the Committee and evaluate whether these matters effectively and efficiently achieve the Board's policies and strategic direction. Report conclusions and recommendations to the Board of Trustees for action.

   G. At a minimum, each Committee Chair will report to the Board on Committee activity and resulting recommendations which occurred between the previous Board Regular or Special Meeting and the current Board Regular or Special Meeting. If no committee activity occurred, a report is not required unless specifically requested by the Board or Board Chair.

Board Communication Policy

Background

1. The Board recognizes effective communication is integral to good governance. To achieve the mission and objectives of TRS, the Board establishes these protocols and mechanisms for communication among Trustees and TRS staff, Members, and external parties.

Purpose and Guidelines

2. To facilitate and encourage open, collegial, effective, accurate, timely

communications among and between Trustees and TRS Staff, Members, and all relevant parties.

3. To mitigate risks to TRS, the Board, and Trustees that may arise in connection with communications.

4. To communicate externally as a unified body to promote clarity and consistency.

5. Nothing in this policy shall limit the right of Trustees to freely express themselves in their individual capacities.

Communication Among Trustees

6. The Board shall carry out its activities in accordance with the spirit of open governance, including the provisions of the Open Meetings Act, which include but are not limited to:

   A. Ensuring communications by and between Trustees comply with the Open Meetings Act;

   B. Ensuring Board Meetings comply with the Open Meetings Act;

   C. Refraining from conducting or participating in serial communications (one after another or as a group) either directly or through intermediaries or electronic devices that in total constitutes a quorum of the Board of Trustees for the purpose of discussing TRS business.

7. During meetings of the Board, including committee meetings, Trustees are encouraged to promote diversity of view in deliberations. Trustees shall communicate in a straightforward, frank, collegial, and constructive manner with due respect and professionalism maintaining an atmosphere where Board and committee members can speak freely, explore ideas before becoming committed to positions, and seek information from TRS staff and other Trustees.

8. A Trustee shall disclose information in his/her possession pertinent to the affairs of TRS to the entire Board of Trustees in a timely manner.

9. Trustees shall not disclose confidential communications received orally or in writing in executive sessions of the Board or from a committee of the Board or received orally or in writing from an internal or external legal counsel unless the communication is specifically identified by legal counsel as not confidential.

Communication to Plan Members and Employers

10. In general, the Executive Director shall act as the liaison for communication and information flow between the Board and Members and beneficiaries of the System.

11. Trustees shall monitor relations and communications with Members, beneficiaries, their representative organizations, and others with oversight interests.

12. Trustees shall be responsive to participating public employers, Members, representative organizations, and others with interests in the System. Notwithstanding, and to mitigate the risk of miscommunication with employers and TRS active and retired members and the risk of potential liability through adverse reliance by third parties, Trustees shall avoid giving explicit advice, counsel, or education with respect to the technicalities of the plan provisions, policies, or processes.

13. Where explicit advice, counsel, or education with respect to the technicalities of the plan provisions, policies, or processes is needed, Trustees will refer inquiries to the Executive Director, or his/her appropriate designee, who will inform the Trustee when and how the matter was resolved if the Trustee desires to be informed.

Communication with TRS Staff

14. On behalf of the Board of Trustees, the Board Chair shall act as the liaison for communications between the Board and TRS staff. On behalf of TRS Staff, the Executive Director shall act as the liaison for communication and information flow between the Board and TRS staff. This shall not be construed to limit the ability of any Trustee to interact with the Executive Staff.
15. Trustees' interaction with Executive Staff must recognize the lack of authority vested in individual Trustees except when explicitly Board authorized.

16. 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.

17. The Executive Director shall inform the Board Chair of inquiries and requests concerning System business that may be sensitive in nature.

18. 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 Board Chair 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.

19. 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 are 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.)

Communication with External Parties

20. The Board of Trustees shall be responsive to the citizens of the State of Oklahoma.

21. On behalf of TRS staff, the Executive Director, or his/her designee, shall solely represent the System to outside parties and organizations.

22. On behalf of the Board of Trustees, the Board Chair shall solely represent the Board and the System to outside parties and organizations. Notwithstanding, if necessary, the Board Chair can designate other Trustees to represent the Board of Trustees and the System. When Trustees other than the Board Chair are called upon to represent TRS for this purpose:

    a. Such designation must explicitly state in writing:

        1. The applicable conditions surrounding the designation, including but not limited to the following:

            A. the Trustee(s) to whom the duty has been designated;

            B. Whether the duty has been designated for a specific engagement or for a certain duration of time and the specifics of either;

            C. The authorized content of communication(s) to be presented by the Trustee(s); and

            D. The method of approved communication (for example, verbal, written, press release, etc.).

    b. Absent extenuating circumstances, such designation by the Board Chair to any other Trustee must be given in advance of the communications being made by the designated Trustee(s).

    c. At the conclusion of the communication, the Trustee must report in writing to the Board Chair confirming communications remained within the above-stated parameters with specifics as to what was communicated, how it was communicated, when it was communicated, and to whom.

23. Absent a designation by the Board Chair as discussed in paragraph 22 above, Trustees' interaction with public, press, and other entities must recognize the lack of authority vested in individual Trustees and the inability of any Trustee to speak for the Board except to repeat explicitly stated Board decisions or policies.

24. When any Trustee speaks in an individual capacity, the Trustee shall explicitly state that such communication is given in his or her individual capacity and does not represent a communication endorsed by the Board of Trustees of TRS.

25. 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.

26. Trustees' interaction with investment managers, consultants, or vendors must recognize the lack of authority vested in individual Trustees.

27. 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.

28. Trustees shall refer proposals or other communications regarding potential or existing investments or other contracts directly to the Board Chair and the Executive Director.

29. Whenever the System is in the process of selecting or employing advisors, managers, consultants, contractors, or vendors, individual Trustees shall limit their communications consistent with the Board's competitive bid standard, Investment Manager Selection Policy[1], and Procurement No Contact Policy, as applicable.

Disclosure of Communications

30. As required in Paragraph 22(c) above, Trustees designated to represent TRS by the Board Chair must disclose as directed within thirty (30) days of the event's conclusion.

31. As required in the *Procurement No Contact Policy*, Trustees and staff who participate in non-permitted communications or contact shall disclose per the policy.

32. Any Trustee or TRS staff member who believes he or she has been the subject of an exercise of undue influence should report the occurrence immediately to the General Counsel, and for TRS staff, also simultaneously to the Executive Director. See *Avoidance of Undue Influence Policy* herein.

Policy Review Schedule

To ensure best practices and the ongoing relevance of the Board Communications Policy, it shall be reviewed periodically and no less than every 5 (five) years.

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 are implemented through the Executive Director so that a strong relationship and a clear delineation

[1] See TRS Investment Policy Statement for this policy.

of authority exists between the Board and the Executive Director, 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 staff[2]; (3) services to members and beneficiaries; (4) budgeting; (5) governmental affairs/media relations; (6) employee training and development; (7) succession planning; (8) actuarial valuations; (9) legal representation; and (10) establishing goals and objectives to meet the aforementioned responsibilities. In the absence of the Executive Director, the Chief Operating Officer shall assume these responsibilities. If the Executive Director resigns or is terminated, the Chief Operating Officer 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 Committee Chairs and System staff person(s), investment managers, consultants, and any other vendors of the System to ensure the efficient operation of the Board's committees.

   C. Provide leadership to the System employees in terms of collegiality and ethical conduct.

   D. 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 Chair.

   E. Execute valid procurement renewals and amendments delegated to staff by the Board of Trustees.

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. The Board will refrain from evaluating, either formally or informally, any staff person other than the Executive Director and the General Counsel.

[2] See General Counsel Responsibilities as it relates to General Counsel.

Budget Preparation and Approval Policy

Annually on October 1, the Office of Management and Enterprise Services (OMES) requires TRS to submit an itemized request of the estimated funds needed for the ensuing fiscal year (July 1-June 30). TRS must submit this information on forms approved by OMES and the Legislative Oversight Committee on State Budget Performance. *See Title 62 O.S. §34.36 for specific information to be provided.* Prior to submission to OMES, the proposed budget will be presented to the Board of Trustees for review and approval.

Additionally, pursuant to 62 O.S. §34.42, TRS is required to file an agency budget with the Director of OMES on or before June 1 each year. Specific content and format are developed/governed by the Budget Division of OMES. This includes but is not limited to a description of all agency funds available for expenditure, allotments requested by the agency by quarter and by entire fiscal year, an organizational chart, statement of agency mission, and program objectives. *See 62 O.S. §34.42 - §34.43 for further requirements.*

Accordingly, the Executive Director, in tandem with appropriate Executive Staff, will prepare a final budget for the ensuing fiscal year for approval each year by the Board of Trustees prior to its final submission to OMES.

Once approved, the budget may be amended consistently with Title 62 O.S. §34.52 and with approval of the Board of Trustees.

General Counsel Responsibilities

1. The Board shall retain counsel as follows pursuant to O.S. 70 §17-106(14) in relevant part:

   > "The Board of Trustees shall retain an attorney who is licensed to practice law in this state. The attorney shall serve at the pleasure of the Board of Trustees for such compensation as may be provided by the Board of Trustees. The attorney shall advise the Board of Trustees and perform legal services for the Board of Trustees with respect to any matters properly before the Board of Trustees."

2. The Board delegates administrative supervision of the General Counsel to the Executive Director.

3. The General Counsel shall advise and provide legal services for the Board in respect of all matters properly before the Board. This may entail obtaining external counsel to represent the Board consistent with statute and administrative regulations. Examples of matters which the General Counsel may provide legal advice or representation to the Board include, but are not limited to, the following:

   a. Compliance with the Board's adopted policy reflected in the Board Policy Manual
   b. Compliance with Open Records and Open Meeting Acts
   c. Compliance with TRS plan provisions and other applicable state and federal law

d. Fiduciary and ethical matters and obligations
e. Investment of System assets
f. Litigation
g. Member benefit matters
h. Member or employer grievances and/or administrative hearings
i. Oversight of internal and external legal counsel
j. Pending legislation, in conjunction with the Executive Director.

4. The Board of Trustees delegates to General Counsel the authority to arrange for the amendment or renewal of certain contracts as set out more specifically below:

   a. *Annual Renewal of Board/Professional Services.* In the regular course of business, TRS renews contracts between April and June for the next fiscal year. Occasionally, TRS renews an agreement off cycle to the fiscal year. The General Counsel may arrange for the renewal of agreements under the following conditions:

      i. Current TRS vendor;
      ii. Fees must remain at or below either the current amount or the contracted fee schedule; and
      iii. Total fee remains within the Board-approved budget.
      iv. The Executive Director, having signature authority, will approve such agreements.
      v. General Counsel will report such renewed agreements to the Board at meetings in May or July, as applicable. For off cycle renewals, General Counsel will report at the regular board meeting following renewal.

   b. *Amendment to Contracts regarding Board/Professional Services*. The Board recognizes that at times, it becomes necessary to amend the terms of contractual agreements. The General Counsel may arrange for the amendment of agreements under the following conditions:

      i. Current TRS vendor;
      ii. Fees must remain at or below either the current amount or the contracted fee schedule; and
      iii. Total fee remains within the Board-approved budget.
      iv. The Executive Director, having signature authority, will approve such amendments.
      v. General Counsel will report such amendments at the regular board meeting following amendment.

   c. *Renewal of Fiduciary Liability Insurance*. Annually in September, the fiduciary liability policy of the Board of Trustees of the Teachers' Retirement System of Oklahoma is subject to renewal through and with the assistance of OMES Risk Management. To

secure this policy annually, the System pays a premium, and individual fiduciaries pay a $25.00 waiver of recourse fee out of personal funds. OMES invoices TRS for the entire amount, and

TRS pays the entire invoice amount. Fiduciaries reimburse the System for the waiver of recourse fee. The General Counsel may arrange for the renewal of the policy under the following conditions:

i. TRS has followed the process to secure market bids with OMES Risk Management;
ii. Renewal occurs with an incumbent vendor;
iii. Within 5% of the current premium price or less; and
iv. Under substantially similar coverage terms – this includes but is not limited to the retention amount under the policy.
v. The Executive Director, having signature authority, will approve such renewal.
vi. General Counsel will report such amendments at the regular board meeting following renewal.

5. The General Counsel shall make reports to the Board at its regularly scheduled meetings generally regarding matters which the General Counsel is undertaking for the Board and otherwise as specifically requested by the Board.

Evaluation of the Executive Director

1. The Board of Trustees recognizes 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 this regular dialogue takes place at least once a year.

2. By April 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 and a self-evaluation completed by the Executive Director 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 May 15. The Board Chair will then compile the PMP. An ad hoc committee may be formed by the Board Chair for this evaluation, provided the ad hoc committee may not equal or exceed 8 members.

4. The Board Chair, or the ad hoc committee, will meet or otherwise communicate the draft PMP to the Executive Director in advance of presentation to the Board. A draft of the PMP evaluation shall be presented in Executive Session at the next regularly scheduled Board meeting to the Board and the Executive Director and

shall thereafter be adopted by the Board in Open Session.

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 May 15 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 and adopt the final document. The Executive Director shall meet with the General Counsel and review the adopted PMP.

Succession Policy

Executive Director

An important function of the Board is the hiring and oversight of the Executive Director. To ensure this function is carried out effectively, the Board believes 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. 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 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 can assume that manager's functions until a replacement is found.

6. The Board will review this policy at least every three (3) years to ensure 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 trustees may have concerning succession planning in general.

General Counsel

An important function of the Board is hiring and oversight of the General Counsel. To ensure this function is carried out effectively, the Board believes 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 General Counsel.

1. The Board Chair and Vice Chair will oversee the succession planning process.

2. To protect the System against a sudden loss in the General Counsel role and to ensure continuity and a successor with a thorough knowledge of the legal ramifications of both agency operations and responsibilities to the Board of Trustees, the General Counsel shall, to the extent possible (i.e., assumes a duly licensed candidate or candidate seeking licensure is employed), mentor at least one other employee of TRS to become familiar with the roles, requirements, and responsibilities of General Counsel as set out in the General Counsel's job description.

3. The current General Counsel shall communicate the person chosen for mentorship to the Board Chair annually.

4. In the event of a vacancy in the position of General Counsel, the Board may select a qualified member of TRS staff to serve as General Counsel or assume the duties as acting General Counsel until the position is filled. The employee identified by the General Counsel for mentorship may be chosen, but the Board is not bound to select this individual.

5. The Board will review this policy at least every three (3) years to ensure relevance and propriety. As part of the policy review, the Board may schedule an Executive Session with the General Counsel to discuss the Succession Planning Policy.

Business Continuity Plan Policy

TRS shall maintain a business continuity and disaster recovery plan. This plan shall be reviewed and updated by TRS staff at least annually or as otherwise necessary to reflect key changes in personnel responsible for acting under the plans. This plan shall also be reviewed by the internal auditors of TRS at least every 3 years.

Procurement Policy

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

1. Legal Authority

Title 74 O.S. Section 85.7(A)(6)(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.

Acquisitions for master custodian banks or trust companies, investment managers, investment consultants, and actuaries for the state retirement systems are exempt from competitive bidding, for unlimited dollar amounts, without submission of a requisition to the State Purchasing Director. See 74 O.S. §85.7(A)(6)(a), the Oklahoma Purchasing Manual, and TRS Purchasing Procedures.

Notification required pursuant to 74 O.S. §85.7(A)(6)(b) of such exemption is automatic to the State Purchasing Director by virtue of the ePro system through which TRS enters and sources purchase orders for these contracts.

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 internal purchasing procedures, approved by Central Purchasing, 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 Managers[3]
- 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 solicitations issued by the System for these vendors. The solicitation should be appropriately 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 solicitation. Failure to do so will result in disqualification from selection.

3. The issuance of a solicitation 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. Contract awards are subject to final legal negotiations.

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 appropriate committee for a recommendation to the Board of Trustees 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.

[3] See the TRS Investment Policy Statement for the *Investment Manager Selection Policy* pertaining to the selection of investment managers.

6. Following presentation by the Executive Staff and relevant committee, 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 committee 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 committee 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 solicitation process. Relevant legal counsel for the TRS is also permitted to communicate with bidders regarding legal matters and negotiations. 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 solicitation 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)(6)(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.(Emphasis added.)

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

TRS Internal Purchasing Procedures provides:
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… If applicable, 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.

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.[4] 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, External Counsel)
- Certified Public Accountants[5]

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.

Procurement No Contact Policy

[4] When the Attorney General is unable to represent the agency due to a conflict, lack of personnel, or lack of expertise, the agency may obtain external legal counsel. *74 O.S. §20i*

[5] 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.

Upon the release of any solicitation for any System service or product[6], except as allowed by policy, there shall be no communication or contact between the applicant or bidder and Trustees or staff concerning the subject of the procurement process until a contract has been awarded unless the contact or communication is permitted. This includes any officer or employee of the applicant or bidder and any party related to the applicant or bidder who is financially interested in the transaction.

Permitted communications include those that:

a. are part of a noticed board meeting,

b. 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,

c. are expressly described in the solicitation documentation,

    (a) This includes a request for technical clarification regarding the procurement process itself provided the request is directed to the System's Business Manager or other individual as designated in the solicitation documentation.

d. involve legal discussions or negotiations related to the solicitation.

e. are incidental, exclusively social, and do not involve the System or its business, or the Trustee's or staff's role as a System official, or

f. do not involve the System or its business and are within the scope of the Trustee's private business or public office wholly unrelated to the System.

During the solicitation process the Executive Director, Internal Auditor, or the General Counsel may inquire of Trustees, staff, or applicant bidders about any contact.

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

Disclosure of Communications

1. Disclosure of Communications Regarding Procurement Transactions not subject to Board of Trustees Approval

    Any non-permitted communications or contact must be disclosed in writing by TRS staff and applicants/bidders and associated financially interested parties and submitted to the Executive Director and General Counsel as soon as reasonably practicable upon occurrence. The disclosure shall include parties to the communication/contact, date, location, matters discussed, and any other relevant details.

[6] See the TRS Investment Policy Statement for the *Investment Manager Selection Policy* which documents the communications policy during selection of Investment Managers.

2. Disclosure of Communications Regarding Procurement Transactions that Require Board of Trustees Approval

   Any non-permitted communication or contact must be disclosed in writing by Trustees and applicants/bidders and associated financially interested parties and submitted to the General Counsel and Board. The writing shall include parties to the communication/contact, date, location, matters discussed, and any other relevant details. It shall be submitted no later than three working days prior to the noticed Board meeting at which the transaction is being considered unless the communication occurs less than three working days before the noticed Board meeting, in which case the writing shall be submitted immediately after the communication occurs. The disclosures 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 transaction.

   An alleged failure of a Trustee to disclose communications as required shall be handled according to the *Reporting and Investigation of Trustee Policy Violations* herein.

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

3. Disclosure of Communications between Trustees and Staff Regarding Procurement 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 a procurement 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 herein, but nevertheless should be subject to disclosure.

   Any communication regarding a potential procurement 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.

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 affirmative 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 System or the Board terminating 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 shall be adopted by the Board in advance of the Board Retreat 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 identifying actions undertaken by the Board since the last evaluation illustrating the Board has improved its manner of operation and 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.

Legislative Policy

As part of its fiduciary responsibilities to the System, the Board monitors pending legislation and executive actions before the state and federal government that may have an impact on the System's interests. To satisfy this responsibility, the Board adopts the following policy:

1. Generally, the System's Executive Director, General Counsel, or a selected representative is responsible for keeping the Board informed of pending legislation by providing timely updates to the Board regarding the status of legislation that has an impact on System interests. Reporting shall occur at every regular Board meeting from January to June. From July to December, reports shall be provided on an ad hoc basis as needed.

2. The Executive Director, General Counsel, or TRS staff attorney shall review pending legislation and identify legislation that impacts the System's interests.

3. Regarding pending legislation having a significant impact on the System's interest, the Executive Director General Counsel, or selected representative shall report to the Board and make recommendations as to any position the Board should take.

4. If it becomes necessary for the System to take a position on new or revised legislative matters before the legislative matter can be discussed at a regularly scheduled Board meeting, the Executive Director, with assistance from the General Counsel and/or selected representative, shall determine and appropriately communicate the System's position. TRS staff will report the position taken at the Board's next meeting. The Board may approve, disapprove, or revise the position taken.

5. The Board authorizes the Executive Director, General Counsel, or selected representative to represent the System's interests and position on legislative affairs to legislators, lobbyists, and policy makers.[7]

Policy Review Schedule

6. To ensure best practices and the ongoing relevance of this policy, it shall be reviewed periodically and no less than every 5 (five) years.

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,

[7] Please note the Executive Director's responsibility to represent the Board to outside parties, including legislators, remains in the policy (see *Board Communication Policy*).

sound decision-making could be compromised to the ultimate detriment of the Board as a whole and/or TRS Members, retirees and beneficiaries.

Definitions:

“Undue Influence” is defined as the employment of any improper or wrongful pressure, scheme or threat by which to overcome the will of another such that 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 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 on his, 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.

Any staff member or Trustee who believes 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), to the Board Chair (in the case of Trustees), and to the General Counsel (in all instances). If a Trustee is alleged to have used undue influence, such allegations shall be reported and handled pursuant to the *Reporting and Investigation of Trustee Policy Violations* herein. Otherwise, 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. This 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 and take whatever action he or she deems appropriate pursuant to the policies herein.

Chapter 5 – Ethical and Fiduciary Conduct

Background

The Board of Trustees, the Executive Director, and other Executive Staff must always conduct themselves with integrity and dignity, maintaining high ethical standards, actively avoiding conflicts of interest, favoritism, breaches of duty, and disclosure of confidential or privileged information, acting in the best interest of the System consistent with fiduciary duties. In furtherance of these objectives, the Board adopts the following policies:

Fiduciaries

The Board of Trustees of the Teachers' Retirement System of Oklahoma and certain Executive Staff of TRS are fiduciaries to the plan.

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.

        1. Except as provided in subparagraph 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, subparagraph 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.

    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 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.

Prohibited Transactions

Except as otherwise provided by law, the Board and staff 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. 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 of Trustees 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 or 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, any of the following:

1. Participating in any decision or action where a conflict of interest, or the appearance of same, exists. 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, Trustees and staff shall not participate in decisions which might result in significant personal economic advantage. The Board recognizes that certain Trustees are also members of the System and may receive additional pension benefits due to decisions of the Board. This is recognized by the Legislature and therefore, is not in and of itself a conflict. However, this does not abrogate the responsibility of all Trustees to act in the best interests of the System consistent with his or her fiduciary duties.

2. Using the prestige or influence of the Board or staff position for private gain or the advantage of another. Trustees and staff shall take affirmative steps to avoid communication with individuals or entities (a) seeking to improperly influence the Board or staff or (b) that may receive improper personal gains as a result of Board or staff actions.

3. Using TRS time, facilities, employees, equipment or supplies for private gain or advantage, or the private gain or advantage of another.

4. Using or providing confidential information acquired by virtue of TRS activities for the private gain or advantage of another, including but not limited to confidential member or beneficiary data, so-called "insider trading" as described in the *Policy Prohibiting Insider Trading*, or other confidential legal, investment, contractual, or financial information.

5. 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 or that would otherwise violate Oklahoma law.

6. Performing an act in other than his or her capacity as a Trustee, staff, or delegates or staff thereof, 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.

7. Receiving or accepting, directly or indirectly, any gift, including money, any service, gratuity, favor, entertainment, hospitality, loan, travel reimbursement 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. Otherwise, the acceptance of gifts, gratuities, and travel reimbursement shall be governed by Ethics Commission Rules and the policies herein. This shall not be construed to prevent Trustees or staff from attending educational seminars, conferences, meetings, or similar functions which are paid for, directly or indirectly, by more than one organization.

8. 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."

9. Publishing any writing or making any statement to the media, 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. Communications shall follow the *Board Communication Policy* found in Chapter 4. This shall not be interpreted to preclude Trustees or staff, as private citizens, from expressing their personal views.

10. Approving or adopting any business transaction in violation of the policies herein.

Nothing in this Statement shall exempt any Trustee or staff from any other applicable provisions of state or federal law.

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, termination of employment, or termination of the contractual relationship 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 handling securities for the System that it has and enforces a policy against insider trading. 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 ensure compliance with this policy.

TRS staff and/or external consultants or contractors should report violation of this policy to the TRS General Counsel. The General Counsel is responsible for causing an investigation of any reported violation of TRS staff or external consultants or contractors. If the General Counsel is implicated, reporting shall be made to the Executive Director who shall ensure an investigation occurs and, if necessary, external counsel is retained in that endeavor.

The General Counsel's investigation shall initially (1) seek to determine if the allegations are plausible and not frivolous, and (2) determine whether the alleged conduct, if substantiated, would constitute a violation of this policy. If so, a formal investigation will ensue. A formal investigation shall consist of gathering relevant documentary and testimonial information, including the opportunity for the accused to respond unless waived. The General Counsel will document his or her findings and conclusions in a report with recommendations. For violations by TRS staff or external consultants or contractors retained by the agency, the General Counsel will provide the report to the Executive Director who shall take appropriate action. For violations by external consultants or contractors retained by the Board, the General Counsel will provide the report to the Board which shall take appropriate action.

Trustees should report any suspected violation of this policy pursuant to *Reporting and Investigation of Trustee Policy Violations*. Investigations and resultant actions for violations of this policy involving Trustees shall proceed according to *Reporting and Investigation of Trustee Policy Violations*.

Violation of this policy may result in disciplinary action, including dismissal of TRS staff, 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.

_____ _____

Signature Date

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.

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/or 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. When staff or Trustees are attending conferences, seminars, or similar group events related to the performance of official duties and to which substantial numbers of employees of an institution are invited, food, beverages, and registration made available to all participants may be accepted.

b. When staff or Trustees are representing TRS at a professional event and participation has been approved in writing by the Executive Director (for TRS staff) or by the TRS Board (for Trustees), meals provided by the sponsoring organization may be accepted. Political events are not professional events. A token or souvenir gift/memento commemorating the occasion, excluding cash or the equivalent, may also be accepted.

c. When staff or Trustees are participating as a speaker or panelist or otherwise presenting information tied directly to official or professional TRS duties at a conference or other event and such has been approved in writing by the Executive Director (for TRS staff) or by the TRS Board (for Trustees), free attendance *on the day speaking/presenting* may be accepted from the event sponsor.

(1) Free attendance includes registration, meals, refreshments, entertainment, instruction, and materials made available to all other participants.

(2) Free attendance may include transportation and lodging if such are made available to other speakers, panelists, or presenters.

(3) Free attendance does not include the payment or reimbursement to the sponsor by a vendor for any of the above expenditures on behalf of the TRS speaker/presenter.

d. 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 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 per calendar year 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 or 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 Executive Director or the Board, as appropriate, 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 by Board-retained contractors/consultants to the Board for action. The General Counsel shall report documented violations by agency-retained contractors/consultants to the Executive Director for action. Alleged violations involving Trustees will be investigated and acted upon consistently with *Reporting and Investigation of Trustee Policy Violations*.

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

Generally, TRS requires disclosure of all third-party relationships which exist between investment managers (proposed and committed) and persons or entities that assisted the investment manager with soliciting or retaining TRS and regarding any fees paid or payable to the third party resulting from such relationship. This includes placement agents, finders, lobbyists, and similar relationships. Additionally, TRS has a policy against assumption of any of the fees paid or payable by the investment manager to the third-party resulting from any contract awarded to an investment manager by TRS.

Please refer to TRS' Investment Policy Statement for the comprehensive policy terms.

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 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 TRS, its members, beneficiaries, Trustees, staff, vendors, and other related parties. It is the intent of 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 or beneficiaries of the System, Trustees, employees, vendors, consultants, contractors and other parties in a business relationship with 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:

1. Accounting and Auditing Matters
    - The unethical systematic recording and analysis of the business and financial transactions associated with generally accepted accounting practices.
2. Badging/Access Control
    - Issues regarding unauthorized access to property or systems of TRS.
3. 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.

4. Conflict of Interest
   - A conflict of interest is defined as a situation in which a person, such as a Trustee, 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.
5. 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.)
6. Data Privacy
   - Refers to the technical, contractual, administrative, and physical steps taken by TRS to protect against unauthorized access to and disclosure of personally identifiable data of employees and members and other third parties that we possess.
7. 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).
8. 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)
9. 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.
10. 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.
11. 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.
12. Hiring Irregularities
    - Evidence of personnel decisions being based on criteria other than an applicant's merit or qualifications.

13. 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.
14. 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.
15. 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.)
16. Offensive or Inappropriate Communication
    - The use of inflammatory, derogatory, unduly critical, or insulting communication to an employee, Member, or other related person.
17. Retaliation
    - Verbal, physical or written discriminatory or harassing behavior toward an individual who has made a good faith report regarding a compliance issue.
18. 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.
19. Substance Abuse
    - Substance abuse is defined as the misuse of both legal and illegal drugs including alcohol. (Examples include cocaine, narcotics, marijuana, stimulants)
20. Theft
    - The act of stealing; specifically: the felonious taking and removing of personal property with intent to deprive the rightful owner of it.
21. Threat or Inappropriate Supervisor Directive
    - Improper use of supervisory authority in response to employee taking action or refusing to take action.
22. Time Abuse
    - Concerns about an employee or manager who is falsifying his/her work hours.
23. 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)

24. 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

Any employee, Trustee, consultant, vendor, contractor, or other business affiliate of TRS is encouraged to report suspected fraudulent, dishonest, or unethical behavior of any other employee, Trustee, consultant, vendor, contractor, or other business affiliate of 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 TRS' contracted external reporting firm, EthicsPoint. Reports made via EthicsPoint can be made either by telephone or through the EthicsPoint website, accessible via the TRS website. Reports made through EthicsPoint give the reporting party the option of remaining anonymous.

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 TRS neither takes the place nor extends the timeline to file a complaint with one of these entities.

Individuals who report wrongful TRS activities to parties outside TRS will be protected by and subject to the confidential whistleblower program (62 O.S. §34.301(B)(6)). Individuals or entities who violate whistleblower protections shall be subject to the investigation and actions taken by the Oklahoma Attorney General's Office pursuant to 62 O.S. §34.301(B)(6), along with any other legal process and/or discipline allowed by law.

Inquiries and Investigations

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 TRS can conduct an effective investigation and determine an appropriate course of action. Reports involving Trustees will be investigated and acted upon consistently with *Reporting and Investigation of Trustee Policy Violations*.

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 investigate 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.

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.

No Retaliation

TRS will not tolerate retaliation against any person who makes 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 Board Chair, Audit Committee Chair, 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 TRS from acting, including disciplinary or other employment action, against any individual, when TRS concludes that action is appropriate.

Confidentiality

To the extent allowed by law, TRS intends to protect the identity of a person making a report in good faith under this policy. The identity of the reporting person(s) shall not be disclosed, other than to the Executive Director, General Counsel, Human Resources Director, and Audit Committee Chair (unless implicated by the report), without such individual's consent *unless* the General Counsel, or others as appropriate, determines that disclosure of the reporting person is necessary.

Reporting and Investigation of Trustee Policy Violations

1. Trustees shall report in a timely manner any suspected violations of or breaches of fiduciary duty or the duty of impartiality, unethical conduct, any instances of self-dealing, insider trading, engagement in prohibited transactions, violations of the Oklahoma Ethics Commission regulations regarding campaign contributions, charitable contributions, and gifts, and fraud.

1.1 PLEASE NOTE, TRUSTEES WHO ARE AWARE OF BUT FAIL TO REPORT SUSPECTED VIOLATIONS OF OTHER TRUSTEES CAN THEMSELVES BE HELD RESPONSIBLE AS CO-FIDUCIARIES FOR THESE VIOLATIONS. If you have any questions about this, please consult with the General Counsel immediately.

2. Trustees shall report suspected violations described above to the Board Chair, who shall ensure such allegations are relayed to the General Counsel. Should the Board Chair be the subject of the allegations, Trustees shall instead report

the matter to the Vice Chair, Audit Committee Chair, or Governance Committee Chair, who shall then report the matter to the General Counsel.

3. Upon consideration and analysis of such allegations, the matter may be referred to the Audit or Governance Committee, General Counsel, the Internal Auditor, or a third party for further investigation of the allegation(s). The Board Chair or Vice Chair or Audit or Governance Committee Chair, as appropriate with advice of General Counsel, and the Audit or Governance Committee Chair if sought, shall determine the appropriate entity or individual to investigate the matter from those listed above.

4. If the General Counsel is implicated, reporting to the General Counsel is waived, and the General Counsel shall not participate in any stage of the investigation. Allegations implicating the General Counsel shall be relayed to the Executive Director. The Board Chair, Vice Chair, and/or Governance or Audit Committee, as applicable, shall determine the necessity and timing of involving external counsel via the Attorney General's office or externally as appropriate. The Executive Director shall be available to assist with involving the Attorney General's office or external counsel.

   A. Preliminary Investigation

      i. The Board Chair, or Vice Chair where the Board Chair is the subject of the allegation, shall appoint a Review Panel consisting of two Trustees and the General Counsel. If the Board Chair and Vice Chair are both implicated, the Audit or Governance Committee, excluding the Board and Vice Chairs, shall appoint the Review Panel members. Review Panel members shall not be the subject of the allegations. If the General Counsel is implicated, the General Counsel will not be appointed to the Review Panel. Refer to (4) immediately above.

      ii. The Review Panel will work with the entity or individual(s) appointed to investigate ("investigator" hereafter) to conduct a preliminary confidential investigation of the matter. The investigator will notify the accused Trustee that a complaint/allegation has been received.

      iii. The investigator shall, with the concurrence of the Review Panel, initiate a formal investigation if, based on the preliminary investigation, it finds:

         a. the allegations are plausible and not frivolous; and

         b. the alleged conduct, if substantiated, would constitute a violation of the policies herein.

iv. If the preliminary investigation determines the above criteria are not satisfied, or it is otherwise determined to be impossible, based on reasonable investigative methods available to the investigator, to reach a conclusion, no further action shall be taken.

v. The underlying records and results of the preliminary investigation shall be treated as privileged and confidential to the extent permitted by law.

vi. Where appropriate, the investigator shall provide a copy of the appropriate policy to the accused Trustee.

vii. The investigator is permitted to request of the Review Panel additional investigatory assistance as needed.

B. Formal Investigation

i. Upon determining a formal investigation is warranted, the investigator may, consulting as appropriate with the Review Panel, do the following:

a) Gather relevant information, which can include, but it is not limited to, the following:

1) Emails;

2) Written correspondence or documentation;

3) Travel documentation;

4) Witness statements and/or statements of the accused Trustee;

5) Photographs, videos, voice/sound recordings;

6) Social media postings;

7) Disclosures to the Oklahoma Ethics Commission;

8) Text messages; and/or

9) Any other evidence tending to prove or disprove the allegations.

b) Afford the accused Trustee an opportunity to respond; and

c) Make a written report of its review, findings, and recommendations ("Investigator's Report") within 90 days

from the date of appointment, unless the Review Panel determines a longer period is warranted.

ii. The investigator is permitted to request of the Review Panel additional investigatory assistance as needed.

iii. The underlying records and Investigator's Report shall be treated as privileged and confidential to the extent permitted by law.

Trustee's Opportunity to Respond to Investigator's Findings

i. Prior to the investigator presenting his or her findings to the Review Panel, the investigator shall notify the Trustee of his/her intention to do so and the reasons therefor and shall invite the Trustee to respond. Said notification will be delivered to the residence of the accused Trustee by certified mail or by any other mutually agreed upon delivery manner.

ii. The Trustee may respond, either in writing or by personal conference, or both. Such response shall occur within 14 days of receipt of the notice.

a) If a personal conference occurs, the Trustee and investigator shall each be entitled to bring a representative of choice, including an attorney, to the conference.

b) Any written response from the accused Trustee shall become part of the formal record and shall be appended to the Investigator's Report.

D. Determination of Action Following Accused Trustee's Opportunity to Respond

i. Upon completion of the formal investigation, the investigator shall submit the report to the Review Panel.

ii. If the investigator determines the evidence leads to a firm belief or conviction that it is highly probable the allegation is true, the General Counsel shall forward the investigator's report to each Trustee of the Board. If the General Counsel is implicated, another member of the Review Panel shall forward the investigator's report or ensure it occurs.

iii. If the standard in (D)(ii) is not met, no further action will be taken.

E. Board Action

i. Upon receiving the investigator's report, and unless the matter is informally resolved, the Board shall, at either a regularly scheduled or specially set meeting, have the opportunity to discuss the alleged violation and investigator's report regarding same. The accused Trustee shall have the opportunity to respond. The Board shall also vote to adopt or not the investigator's report and conclusions, and if adopting same, shall determine an appropriate sanction. The accused Trustee shall not participate in the vote. Depending on the nature of the allegations and as otherwise allowed by law, resolving into Executive Session for discussion may be appropriate or even mandatory.

ii. Possible actions include, but are not limited to, the following:

a) Make a finding that no violation has occurred (fail to adopt the investigatory report and conclusions);

b) Determine additional investigation is warranted and direct the Review Panel accordingly; or

c) Adopt the Investigator's Report and determine appropriate sanctions.

iii. Sanctions

a) Initially, where the alleged violation pertains to a breach of law and the Board has determined a preponderance of evidence supports the allegation, it shall refer the matter to the appropriate authorities;

b) Remove the Trustee from position of Board Chair, Vice Chair, or committee chair (where applicable), or from any Board committee on which the Trustee serves;

c) Bar the Trustee from serving as Board Chair, Vice Chair, committee chair, or as a regular member of any Board committee for a specified period of time;

d) When the violation relates to an abuse of travel privileges, limit or withdraw travel privileges;

e) Public censure of the Trustee;

f) Communicate the findings of the Board to any party, including the accused Trustee's appointing authority, and by any means the Board deems appropriate;

g) Required additional training for the Trustee;

h) Written warning to Trustee and provision of the policy at issue; and/or

i) Any other action the Board deems suitable under the circumstances.

4. Should a Trustee be unsure of any provision of this policy or related laws and the implementation thereof, he or she is expected to seek advice or counsel from the General Counsel.

Chapter 6 – 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. Convening the Meeting - The TRS Board of Trustees is comprised of 15 members – including 14 voting members and 1 non-voting member. A majority of the Board's 15 members (8 trustees) shall be necessary to convene a meeting of the Board of Trustees. 25 O.S. § 304(2).

3. Board Action - Each voting member shall be entitled to one vote on the Board of Trustees. Eight concurring votes shall be necessary for a decision by the trustees at any meeting of the Board. 70 O.S. § 17-106 (8). Trustees must be present to constitute a part of the quorum for purposes of calculating the necessary number of votes for an action. 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 or virtually present in the meeting room, provided presence satisfies the requirements of the Oklahoma Open Meetings Act. 25 O.S. § 307.1

4. Board Committees - A quorum of any 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 must be present to constitute a part of the quorum for purposes of calculating the number of votes to make a recommendation to the Board. A committee member is "present" when that member is physically or virtually present in the meeting room.

5. Board Officer Meeting Responsibilities – The Board Chair is responsible for conducting the Board Meetings. In the absence of the Chair, the Vice-chair shall assume all responsibilities and authority of the Chair to conduct the meeting. In the absence of the Chair and Vice-chair, the members present shall elect an acting Chair for the meeting.

   If, during 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 majority of the Board's 15 members, 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. 25 O.S. Section 301 *et. seq.* 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 typically prepared by staff and approved by the Board in by December 1 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 at least 48 hours in advance of the meeting. Other, shorter notice requirements may be applicable in special situations under the Act. Posting shall occur both on the TRS website and at TRS's principal place of business.

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.

    a. Trustees may offer suggestions on items to add to the meeting agenda for action or discussion.

    b. Trustees who wish to contribute to the meeting agenda must provide all suggested information and associated materials to the Board Chair and Executive Director no later than 10 business days prior to the associated meeting to enable compliance with the Oklahoma Open Meetings Act.

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 potential or pending litigation, when discussion in open session concerning those matters would seriously impair the ability of the Board to process or conduct the matter in the public interest.

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 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 or 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. Documentation reflecting the Board's final administrative decision/order will be prepared by TRS staff and served by certified mail on the interested party/ies.

Election of Officers

1. In April of each year, the current Board Chair shall appoint an ad-hoc Nomination Committee. This Committee is not subject to the Committee Formation Policy. 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 effective July 1 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 voting members 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 voting members (8) of the Board with a run-off to be held in the event that no candidate receives a majority of the first ballot. Any runoff requires the same majority vote.

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 participate in discussions and vote on agenda items.

Committee Formation Policy*:*

Recognizing it may be necessary to form additional standing committees or ad hoc committees, the Board implements the following:

1. In consultation with the Executive Director, the Board may approve the establishment of a new standing or an ad hoc committee.

2. In determining the necessity of a new standing or ad hoc committee, the Board shall consider whether the proposed committee duties and responsibilities overlap with a previously established standing committee and avoid same.

3. If a new standing or ad hoc committee is approved by the Board, the Board Chair shall appoint the Committee Chair and Committee members as soon as practicable but no later than the next scheduled Board meeting absent extenuating circumstances. Appointments shall be listed as a separate line item on the Board's agenda and announced at that next Board meeting.

4. The Executive Director shall prepare, or delegate preparation to Executive Staff, a Charter for newly established standing or ad hoc committees providing a description of the purpose, authority, composition, meetings, and responsibilities of the committee for approval by the Board. Regarding ad hoc committees, the Charter shall also include a provision for disbanding the committee once it fulfills its function.

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, oversight, and recommended compensation of the independent certified public accounting firm retained by the Teachers' Retirement System to audit the financial statements.

2. The appointment, oversight, and recommended compensation of the outsourced auditing firm providing the internal audit function for the Teachers' Retirement System.

3. 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.

4. Requests to provide oversight of audit and investigation activities of financial, ethical, and/or fraud matters.

5. All Committee recommendations must be 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 possessing the aforementioned qualities will be selected to a non-voting position. 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; approving all auditing and other attestations services; and pre-approving non-audit services performed by an external audit firm.

9. Reporting to the Board on all activities, findings and recommendations of the Committee.

10. Providing 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 a department of the Agency with oversight by the Board of Trustees ("Board"). Internal Audit is an independent and objective function with a purpose to strengthen the organization's ability to create, protect, and sustain value by providing the Board and management with independent, risk-based, and objective assurance, advice, insight, and foresight. 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.

Professionalism

Internal Audit will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance, which includes the Global Internal Audit Standards (the "Standards") and Topical Requirements. This mandatory 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' recommended guidance will also be adhered to as applicable to guide internal audit operations. In addition, Internal Audit will adhere to the Agency's relevant policies and procedures.

Authority

Internal Audit is established by the Board and is overseen by the Audit Committee of the Board of Trustees ("Audit Committee"). The Audit Committee grants Internal Audit the mandate to provide the Board of Trustees, the Audit Committee, and senior management with objective assurance, advice, insight, and foresight. Internal Audit's responsibilities are defined by the Audit Committee as part of their oversight role.

In performing their responsibilities, Internal Audit is authorized to have full, free and unrestricted access to all property, personnel and records relevant to the subject under review, as allowed by law. Internal auditors are accountable for confidentiality and safeguarding records and information.

The scope of internal audit services covers the entire breadth of the organization, including all activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board and management on the adequacy and effectiveness of governance, risk management, and control processes.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal Audit shall have direct access to the Executive Director and the Audit Committee of the Board of Trustees.

Organization

Internal Audit will report functionally to the Audit Committee and administratively (i.e., day to day operations) to the Executive Director. This positioning provides the organizational authority and status to bring matters directly to the senior management and escalate matters to the Audit Committee, when necessary, without interference, and supports the internal auditors' ability to maintain objectivity.

Internal Audit will disclose to the Board any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

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. If independence or objectivity is determined to be impaired in fact or appearance, Internal Audit will disclose the details of the impairment to the appropriate parties.

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. In matters where Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function, including:

- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Scope of Responsibilities

Subject to the terms of its contractual agreements, it is the responsibility of Internal Audit to provide independent, objective assurance and consulting services designed to:

1. Evaluate risk exposure relating to achievement of the Agency's strategic objectives.

2. 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.

3. Evaluate the means of safeguarding the Agency's assets and, as appropriate, verify the existence of such assets.

4. Develop recommendations which assist in accomplishing Agency objectives by

evaluating and improving the effectiveness of risk management, control and governance processes.

5. Monitor and follow up on implementation of audit findings and management's plans for remediation.

6. Report to the Board any management's responses to risk that Internal Audit determines may be unacceptable or acceptance of a risk that may be beyond the Company's risk tolerance;

7. Issue reports on a timely basis to appropriate management on the results of work performed by Internal Audit; and

8. Periodically report to senior management and the Board on Internal Audit's performance relative to the plan, including the impact of any resource limitations on the completion of the audit 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 project level review and ongoing internal assessments conducted by qualified personnel independent of the project teams. Internal Audit will periodically report to the Audit Committee the results of the program and Internal Audit's conformance with the Standards.

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. Circumstances may justify a follow-up discussion between Internal Audit, Board, and senior management on the internal audit mandate or other aspects of the Internal Audit Charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or reorganization within the organization.
- Significant changes in Internal Audit, Board, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.

- New laws or regulations that may affect the nature and/or scope of internal audit services.

Ratification of Charter

The Charter will be reviewed and ratified by the Board every two-years in conjunction with the Audit Committee Charter review.

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 appointment, oversight, and recommended compensation of investment advisors, consultants, managers, custodial bank(s), and counsel engaged to assist the Board in carrying out its responsibilities.

3. The appointment, oversight, and recommended compensation of property manager(s) and/or leasing agent(s) retained to manage and lease space in the Harvey Parkway Building owned by the Board of Trustees.

4. The Committee will not consider any proposed new investment that has not gone through the System's due diligence process and been reviewed by the System's professional staff and consultant.

5. All Committee recommendations must be 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 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. 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. Trustee Education Policy
3. Travel Expense Policy
4. The Board of Trustees Policy Manual
5. Succession Planning involving the position of Executive Director
6. Succession Planning involving the position of General Counsel

Authority

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

1. Amendments to or updates of the Board of Trustees Policy Manual generally. Non-substantive edits made by TRS staff to correct names or position titles, for example, are not required to be reviewed by the Governance Committee or adopted by the Board of Trustees.

2. Requests to provide oversight of investigation activities involving a Board Member or other person with a contractual relationship to the TRS Board.

3. Proposed text for administrative rule promulgation under the Administrative Procedures Act.

4. All Committee recommendations must be 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 Ethical and Fiduciary Conduct Policy and Board of Trustees Policy Manual.

2. Providing a yearly review of internal succession planning related to the positions of Executive Director and General Counsel.

3. Providing 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.

5. Reviewing administrative rules text proposed under the Administrative Procedures Act for promulgation in advance of consideration by the Board of Trustees.

Chapter 7 – 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 November 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, if necessary, organizing an annual strategic planning session for the purpose of updating the Plan.

E. Seeking input from the Board and Staff about key strategic issues prior to review of the Plan 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 Plan, including the Vision, Mission, Core Values, Goals and Objectives.

   B. Identifying the critical success factors for the 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 sessions to update the Plan.

   F. Annually evaluating progress in meeting Goals and Objectives.

Chapter 8 – 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 Staff 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 Staff,

   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-site.

3. First Year: In the Trustees' first year of service on the Board, in addition to attending the orientation session, 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, typically at the Board's strategic planning retreat, 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, typically at the Board's strategic planning retreat, the Executive Director will arrange for an education session on the requirements of the Oklahoma Ethics Commission for the Trustees. 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.

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 9 – 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 and any in-person committee meeting. Public notice of a Board meeting or the scheduling of in-person committee 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 travel expense budget; updating the Trustees as to the status; and recommending any changes thereafter; provided any changes are subject to the *Budget Preparation and Approval Policy*. 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 laws and policies.

Reimbursement for Travel Expenses

TRS shall pay for reasonable travel expenses, including for approved Board education, in accordance with the State Travel Reimbursement Act (74 O.S. §§500.1 et seq.) and Board policy. This includes actual transportation and related lodging and subsistence. While traveling, Trustees and staff may accept meals provided by third parties, subject to

the limitations and disclosure requirements set forth in Chapter 5 herein - *Ethical and Fiduciary Conduct*. In these situations, per diem reimbursement for such meals cannot be claimed.

Travel expense reimbursement claims shall be submitted 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 to the Executive Director on the form then in use by the System.

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 Executive Orders, 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 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 for 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 by third parties to Trustees or staff regarding travel of any kind 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 10 – 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 of 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 initially determine the System's level of interest to participate in litigation based on the following policies.

Passive Participation in Class Action Filings

Generally, where the potential financial loss is less than 5 million dollars, the System will file appropriate paperwork to establish a claim as a member of the class. 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.

Active Monitoring or Participation in Class Action Filings

When the litigation is thought to have merit by the securities litigation consultant(s) providing an opinion to TRS on the matter and the potential amount the System could recover in a case is in excess of 5 million dollars, staff shall then utilize the threshold tests below to initially assess whether the System should actively monitor or participate in the

litigation. 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:

- Actively monitor litigation as a member of the class.
- Actively 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 <u>both</u> 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?

For each meritorious case meeting all three (3) threshold tests above, 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 actively participate in the litigation, the System may choose active monitoring of the litigation or passive participation. Active monitoring may include regular reports from counsel to staff regarding the status of a case, settlement discussions and/or the proceedings. System staff shall ensure the System executes necessary claim documents for class membership and/or settlement as applicable.

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

For litigation in which the System passively participates, 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.

For litigation in which the System is actively participating or that the System is actively monitoring, Staff shall report to the Board as necessary, but at least semi-annually, to keep the Board fully informed on the status of those cases. 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 11 – 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.

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.

Funding Period
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 expected number of years remaining to fully discharge such amount.

Maximum Amortization Period
The Board conducted an experience study and lowered the assumed rate of return to 7.0% in conjunction with the June 30, 2020 actuarial valuation. At that time, the Actuarially Determined Employer Contribution (ADEC) was calculated based on a 20-year amortization period, meaning if the ADEC was contributed, the unfunded accrued liability was expected to be fully discharged over the 20 years ending June 30, 2040. If during the annual valuation process the Funding Period is found to be longer than the number of years remaining until June 30, 2040, the actuary shall disclose to the Board the amount of contribution increase necessary to meet that objective.

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 four (4) 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 Determined Employer 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.

Actuarial Audit Policy

Pursuant to Government Finance Officers Association (GFOA) best practices and in fulfilment of its fiduciary duty of prudence in selecting and monitoring retained service providers, the Board of Trustees adopts the following actuarial audit policy:

i. **Frequency of Actuarial Audits**

- The Board of Trustees shall retain a reviewing actuary to perform a Level 1 audit every 5-10 years, provided if the System retains a new consulting actuary who provides a full-scope replication of the actuarial valuation performed by System's outgoing consulting actuary within that time period, that replication shall serve as the most recent actuarial audit required by this section.

- The Board of Trustees shall otherwise retain a reviewing actuary to perform an actuarial audit and choose the level of audit as necessary when aberrations or events including but not limited to the following occur:

    - Significant and unanticipated changes in asset or liability trends or funded ratio;

    - Computed contribution rates change without adequate explanation;

    - Actuarial methods and assumptions used by the System's consulting actuary are not consistent with those approved by the Board.

    - Actuarial methods and assumptions used by the System's consulting actuary are not consistent with plan objectives.

ii. **Types of Actuarial Audits**

- Level 1: full-scope audit where the reviewing actuary fully replicates the original actuarial valuation, based on the same census data, assumptions, and actuarial methods used by TRS's consulting actuary. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency.

- Level 2: the reviewing actuary uses a sampling of the plan's participant data to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency.

- Level 3: the reviewing actuary examines the consulting actuary's methods and assumptions for reasonableness and internal consistency but does not perform actuarial calculations.

Contribution and Allocation Policy for Retiree Medical Benefit Fund

The Teachers' Retirement System of Oklahoma (TRS) Board adopted an Actuarial Funding Policy in December 2015 that establishes the Board's overall funding goals for the System, 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.

The TRS pension benefits for its retirees include a small monthly subsidy to help offset their health insurance costs if the retiree keeps his or her employer-sponsored health insurance in retirement. The amount of this Supplemental Medical Insurance benefit ranges from $100 to $105 per month based on the retiree's number of years of service credit at retirement. Due to new and evolving accounting standards established by the Governmental Accounting Standards Board (GASB), the Supplemental Medical Insurance benefit administered by TRS has been designated as an "other post-employment benefit" (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* (GASB 74), (as amended,) applies to the external financial reports of plans where OPEB is provided. GASB 75 applies to the financial statements of the participating employer of such plans. As a result, it is necessary for TRS to develop a set of policies and procedures to establish and maintain the Retiree Medical Benefit Fund which is a subaccount within the TRS Trust Fund provided in statute that is used to pay the Supplemental Medical Insurance benefit.

Going forward the Retiree Medical Benefit Fund will be referred to as the "OPEB Subaccount". The OPEB Subaccount will be maintained in accordance with the provisions of Internal Revenue Code Section 401(h), (Section 401(h)) and amended as needed by changes in the Code. A separate account will be created to segregate contributions and benefit payments for the OPEB Subaccount from pension contributions and benefit payments.

The Board continues to believe that the actuarial valuation, focusing on all of the benefits paid by TRS and all of the contributions received by TRS, accurately represents the financial condition of TRS. The maintenance of the assets and liabilities for OPEB purposes is primarily necessitated by accounting and financial reporting requirements and has no bearing on the Board's view of the overall funding goals for TRS.

Contribution Allocation Procedure

Section 401(h) requires (among other provisions,) subordinated benefits to retirement benefits of (TRS), a separate account established and reasonable and ascertainable contributions. As TRS receives contributions from participating employers, a portion of the contributions will be allocated to the OPEB subaccount. The goal of the contributions will be to accumulate sufficient assets to pay all of the future Supplemental Medical Insurance benefits. Additionally, contributions will also be sufficient to demonstrate that the long-term expected rate of return on plan investments can be used to prepare the required disclosures under GASB 74.

In order to meet these goals, the actuarially determined contribution for the OPEB plan will be calculated each year to be the amount needed to fund the normal cost, the

anticipated administrative expenses, and a payment towards eliminating the Unfunded Actuarial Accrued Liability (UAAL) of the OPEB plan. The resulting contribution will be stated as a percentage of payroll. The actuarially determined contribution will be apportioned between pensions and OPEB, provided that no more than 25% of contributions to the plan will be deemed for OPEB in accordance with Section 401(h)(6). The remainder will be for pensions.

The actuarially determined contribution will be developed using the following methods:

Actuarial Cost Method:	Individual Entry Age actuarial cost method
Asset Valuation Method:	Market (Fair) Value of Assets
Amortization Method:	Closed period of twenty (20) years calculated as a level percentage of future payroll with the initial period beginning on July 1, 2016

Allocation of Assets to OPEB Subaccount

The following procedures identify the assets that are allocated to the OPEB subaccount each year. Once the allocation is complete, the components of the OPEB subaccount and the remaining portion allocated to the pension account will always add up to the final audited assets in the Total Trust. Additionally, the OPEB subaccount, the pension account, and the Total Trust will all have the same actual investment return (net of investment expenses) for the year.

1. **Initial Balance**: The starting balance in the OPEB subaccount will be zero as of June 30, 2016, equating to the net of the calculated total OPEB liability in accordance with the provisions of GASB 74, less the OPEB fiduciary net position relating to OPEB.

2. **Contributions**: As TRS receives contributions from employers throughout the year, portions of the employer contributions will be allocated to the OPEB subaccount according to the contribution allocation procedure. None of the member contributions or State appropriations will be allocated to the OPEB subaccount.

3. **Actual Benefits Paid**: The actual Supplemental Medical Insurance benefits paid during the fiscal year will be identified and allocated to the OPEB subaccount each year.

4. **Administrative Expenses**: A portion of the administrative expenses paid from the Total Trust must be allocated to the OPEB subaccount. The administrative expenses will be allocated in proportion to the contributions received for the pension account and OPEB subaccount.

5. **Investment Earnings and Expenses**: A portion of the investment earnings and investment expenses credited to the Total Trust must be allocated to the OPEB subaccount. The investment earnings and investment expenses will be allocated to the OPEB subaccount based on the weighted average of investments throughout the year. The weighted average of investments, in this case, is calculated as the beginning trust balance, plus one-half of the contributions, and minus one half of the benefit payments and administrative expenses for the year.

Oklahoma Public Fund Trustee Education Conference (OPFTEC) Planning Committee Charter

Purpose

The Oklahoma Public Fund Trustee Education Conference (OPFTEC) Planning Committee has been established to assist the Teachers' Retirement System in planning and organizing the 27th Annual Oklahoma Public Fund Trustee Education Conference, including input on the following:

1. Agenda Planning
2. Venue Selection
3. Entertainment
4. Such other planning items relevant to the conference as may be requested by OPFTEC Association (OPFTECA) Chair

Authority

The OPFTEC Committee, established as an ad-hoc committee pursuant to the Board's Committee Formation Policy, is advisory only for the purpose of assisting the OPFTECA Chair in planning an exceptional educational conference for state and municipal retirement fund trustees and staff.

Composition

The Committee shall be composed of a minimum of three (3) members on a volunteer basis or appointed by the Chair of the Board. The Chair of the Board will serve as the Committee Chair.

Meetings

The Committee will meet as needed. The committee will disband upon completion of the conference on September 27, 2024.

Responsibilities

The OPFTEC Planning Committee shall have responsibility for the following:

1. Ensuring the conference agenda provides comprehensive education for public fund trustees and staff.
2. Providing recommendations to the OPFTECA Chair regarding organization of conference including location/venue, scheduling, agenda planning, entertainment, and such other activities related to organizing the conference.

Appendix

Comprehensive Delegated Duties Overview

CHAPTER 1 – LEGAL AUTHORITY

Executive Director

Delegated Duty	Reporting/Process Requirements
General administration of TRS; supervision of employees	Reports at regular Board meetings
Equipment/supplies purchasing within Board-approved budget	Board approval required ≥ $100,000
Building repair/maintenance/capital expenditures	Authority up to $50,000; may execute certain leases

CHAPTER 4 – BOARD GOVERNANCE

Executive Director

Delegated Duty	Reporting/Process Requirements
Legislative reporting (shared with GC)	Monthly Jan–Jun; ad hoc Jul–Dec
Implementation of Board policy and strategic objectives	Provides regular reports; oversees operations
Budget preparation (shared with Exec. Staff)	Submit budget for Board approval (April or May)
Drafting General Counsel annual evaluation	Draft due May 15
Executive Director succession planning (mentoring)	Identifies mentee annually (May)
Procurement – Renewal of Board/Professional Services(signature authority)	See General Counsel
Procurement – Amendment to terms of Board/Professional Services (signature authority)	See General Counsel

Procurement – Renewal of Fiduciary Liability Insurance (signature authority)	See General Counsel
Enforcement of Procurement No-Contact (shared with GC)	Make compliance inquiries;

Executive/TRS Staff

Delegated Duty	Reporting/Process Requirements
Business Continuity & Disaster Recovery Plan	Annual review; Internal Audit review every 3 years
Procurement administration and evaluations	Conduct evaluations; follow no-contact rules

General Counsel

Delegated Duty	Reporting/Process Requirements
Legislative reporting (shared with ED)	Monthly Jan–Jun; ad hoc Jul–Dec
Legal services and counsel to TRS	Provides legal guidance; reports at meetings
General Counsel succession planning (mentoring)	Identify mentee annually (May)
Procurement – Renewal of Board/Professional Services (shared with ED)	Reporting at May - July meetings; for off-cycle renewals, at next Regular Board meeting
Procurement – Amendment to terms of Board/Professional Services (shared with ED)	Reporting at Regular Board Meeting following amendment
Procurement – Renewal of Fiduciary Liability Insurance (shared with ED)	Reporting at Regular Board meeting following renewal
Enforcement of Procurement No-Contact (shared with ED)	Annual disclosure summary & compliance
Investigation of undue influence	Investigates; reports findings

Internal Auditor

Delegated Duty	Reporting/Process Requirements
Enforcement of Procurement No-Contact (shared)	Compliance inquiries

Investment Staff

Delegated Duty	Reporting/Process Requirements
Harvey Parkway Building review & Budget request	Annually to the Board in May
Delegated investment actions reporting	Report to Investment Committee at next meeting following action
Proxy vote review	Annually to the Board in October

CHAPTER 5 – Ethical and Fiduciary Conduct

General Counsel

Delegated Duty	Reporting/Process Requirements
Insider trading violations	General counsel investigates and provides findings to the ED or Board, as applicable
Oklahoma Ethics Commission Rules violations	General counsel investigates and provides findings to the ED or Board, as applicable
Fraud & ethics investigations via EthicsPoint	Findings to ED & Audit Chair within 60 days
Trustee Policy Violations	In conjunction with Review Panel, investigate (preliminary and/or formal) and prepare report

CHAPTER 6 – BOARD ORGANIZATION & ADMINISTRATION

Executive Director with TRS Staff

Delegated Duty	Reporting/Process Requirements
Prepare meeting agendas	Coordinate and prepare agendas

General Counsel

Delegated Duty	Reporting/Process Requirements
Prepare and submit regular Board meeting schedule (Shared with Executive Assistant)	Submit to Secretary of State; comply with OMA

Administrative appeal documentation	Prepare final written Board decision

Internal Audit (functional delegation)

Delegated Duty	Reporting/Process Requirements
Internal Audit functions	Conduct risk-based audits; reports to Audit Committee; Board adoption

CHAPTER 7 – STRATEGIC PLANNING

Executive Director

Delegated Duty	Reporting/Process Requirements
Strategic planning implementation	Annual progress report; biennial review

CHAPTER 8 – TRUSTEE EDUCATION

Executive Director

Delegated Duty	Reporting/Process Requirements
Trustee education administration	Organizes and maintains programs

CHAPTER 9 – TRAVEL EXPENSE POLICY

Executive Director

Delegated Duty	Reporting/Process Requirements
Travel Reimbursement Approval/Processing	Ensures compliance with budget; provides monthly report on Exec. Director travel

CHAPTER 10 – CLASS ACTION SECURITIES LITIGATION

General Counsel

Delegated Duty	Reporting/Process Requirements
Securities Litigation claims processing and monitoring (shared with Executive Assistant)	Provide case updates according to cadence; annual reporting of fee recovery

CHAPTER 11 – ACTUARIAL FUNDING POLICY

TRS Staff

Delegated Duty	Reporting/Process Requirements
OPEB Subaccount administration	Manage allocations; maintain records