Oklahoma Firefighters Pension and Retirement System

Statement of Investment Policy, Objectives and Guidelines for the System

I. Purpose and Objectives

The primary objective of the Oklahoma Firefighters Pension and Retirement System (the "System") is to provide eligible members and beneficiaries with retirement benefits, to be paid from the Oklahoma Firefighters Pension and Retirement Fund (the "Fund"). Assets of the Fund will be invested in a diversified portfolio to achieve attractive real rates of return. Following prudent standards for preservation of capital, the goal is to achieve the highest possible rate of return consistent with the tolerance for risk as determined by the Board of Trustees of the System (the "Board") in its role as fiduciary. Included in the scope of this document is the policy for the management of the marketable securities of the System. The purpose of this Statement of Investment Policy, Objectives and Guidelines for the System ("Investment Policy") is to state the goals, objectives, limitations, and directives of the Board with respect to the investment and management of the assets of the Fund.

II. Investment Philosophy

The primary fiduciary responsibility of the Board is to ensure that the assets of the Fund are responsibly and prudently managed in accordance with the actuarial needs of the System while adhering to sound, accepted financial investment procedures.

The Board has consciously diversified the Fund to ensure that adverse or unexpected results from a security class will not have an excessively detrimental impact on the entire portfolio. Diversification is interpreted to include diversification by type, by characteristic, by number of investments as well as by the investment styles of the management organizations.

Investment management will be delegated to external professional organizations or investment managers ("Investment Managers"), as authorized by state law. The Board shall manage those monies not specifically allocated to Investment Managers. The Investment Manager will operate within a set of guidelines, objectives and constraints that are contained in this Investment Policy.

The Board shall invest the assets of the Fund solely in the interest of the membership and their beneficiaries for the exclusive purpose of providing benefits to the membership.

Specifically, the Board adheres to the following investment positions:

1. Over the long-term, the risk of owning equities has historically been rewarded with a somewhat greater return than that available from fixed income investments.

2. The Board recognizes the role of fixed income investment as vehicles with the potential for reducing the volatility of the total investment portfolio return, while producing a predictable stream of income.

3. The Board recognizes the benefit of diversification. In order to reduce the overall market volatility and risk to the Fund, diversification in asset classes with low correlations to each other is actively pursued.

III. Parties Associated with the System

A. Board

1. The Board is ultimately responsible for the operation, administration, and management of the System and the Fund, and the appropriateness and execution of the Board's Investment Policy.

2. In order to carry out the responsibilities imposed upon it by law, the Board shall:

    a. Retain consultants, advisors, Investment Managers, custodians, agents, employees, and other advisors or professionals, as the Board deems necessary, in order to implement and execute the Investment Policy and the management of the assets of the Fund. Such consultants, advisors, Investment Managers, custodians, and other advisors or professionals shall be chosen by the Board pursuant to standards adopted by the Board, as set forth in Section IX, Competitive Bid Standards.

    b. Review the adequacy or need for change of this Investment Policy and the management of the assets of the Fund.

    c. Meet with Investment Managers to review semi-annual reports concerning asset management and portfolio performance.

    d. Define investment policy, objectives and guidelines for the System, including risk tolerance and asset allocation.

B. Investment Committee

At the direction of the Board Chairman, an Investment Committee will be formed. This committee will meet as often as necessary and on call by the Investment Committee Chairman or Vice Chairman. Any members of the Board not on the Investment Committee are invited to attend all Investment Committee meetings. In addition, the Executive Director and Assistant Executive Director and consultants will generally attend Investment Committee meetings. The responsibilities of the Investment Committee, as directed by the Board, will include:

1. Review of investment policy and asset allocation targets.

2. Review of Investment Manager performance.

3. Review portfolio performance.

4. Review of custodian performance.

5. Review of consultant performance.

6. Review asset allocations and make recommendations to the Board concerning asset re-balancing.

7. Review and assessment of reports from Outside Securities Counsel regarding meritorious pending and potential securities litigation and make recommendations to the Board as to whether the System should undertake an active role in such securities litigation.

8. Other duties as directed by the Board.

The Investment Committee may only advise the Board. The Board will vote on any Investment Committee recommendations.

C. Investment Managers

1. Will have full discretion in the management of assets allocated to the Investment Managers, subject to the overall investment guidelines set by the Board.

2. Serve as fiduciaries, responsible for specific security decisions.

3. Will provide Board Counsel and Outside Securities Counsel with information, in electronic and/or other format, regarding the System's current holdings, transactions and investments in securities, as well as its holdings, transactions and investments in securities in the past three years. The Investment Managers shall provide ongoing periodic information to Board Counsel and Outside Securities Counsel on a regular basis to ensure that they have current information.

4. Will abide by duties, responsibilities and guidelines detailed in any specific investment manager agreement with the Board.

D. Master Custodian

1. Except for funds held by other custodians, accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured or called items; provide periodic accounting statements; and processes and maintains securities lending program.

2. Provides audited investment performance information to the Board.

3. Meets as required with the Board and provide reports relative to the status of the System.

4. Provides Board Counsel and Outside Securities Counsel with information, in electronic and/or other format, regarding the System's current holdings, transactions and investments in securities, as well as its holdings, transactions and investments in securities in the past three years. The Master Custodian shall provide ongoing periodic information to Board Counsel and Outside

Securities Counsel on a regular basis to ensure that they have current information.

E. Other Custodians

1. Funds held in commingled accounts other than the master custodian, and funds held by prime brokers or in limited partnerships may be placed in custody with other organizations as directed by the Board.

2. Other Custodians will report net investment fund activity to the master custodian or the respective investment manager as instructed by the Executive Director.

3. Provide Board Counsel and Outside Securities Counsel with information, in electronic and/or other format, regarding the System's current holdings, transactions and investments in securities, as well as its holdings, transactions and investments in securities in the past three years. Other Custodians shall provide ongoing periodic information to Board Counsel and Outside Securities Counsel on a regular basis to ensure that they have current information.

F. Investment Consultant

1. Assists the Board in developing investment policy guidelines, including asset class choices, asset allocation targets and risk diversification.

2. Provides the Board with objective information on a broad spectrum of investment management specialists and helps construct a portfolio management team of qualified Investment Managers.

3. Monitors the performance of the Investment Managers and provides regular quarterly reports to the Board, which will aid them in carrying out the intent of this Investment Policy.

4. Reports recommendations and conclusions to the Board as required.

5. Evaluates and makes recommendations as needed, on other areas of investment.

G. Board Counsel

1. Serves as general counsel to the Board and the System. Provides legal advice to the Board and the System on a broad range of issues.

2. Monitors and manages the timely filing of proofs of claim in securities class action litigation matters that have already reached settlement, with respect to investments held by the System. The Board Counsel is authorized to execute, in the name and on behalf of the Board and System, any proofs or claim or related documents.

3. Will abide by duties, responsibilities and guidelines detailed in any agreement between the Board Counsel and the Board.

H. Outside Securities Counsel

1. Reviews potential and filed class action lawsuits and brings to the attention of the Investment Committee meritorious cases that the Outside Securities Counsel concludes are worthy of further monitoring or involvement by the System.

2. Makes recommendations to the Executive Director, Board Counsel and Investment Committee which shall include a statement as to whether the System should actively monitor the case, seek lead plaintiff status or take some other course of action with respect to the particular securities class action lawsuit.

3. Will abide by duties, responsibilities and guidelines detailed in any agreement between the Outside Securities Counsel and the Board.

IV. Investment Guidelines

A. The Board will follow and ensure the Investment Managers follow the established guidelines set forth in this Investment Policy. Any deviation from this Investment Policy must be by direction of the Board in writing.

B. Except for the established guidelines, no unusual restrictions will be placed upon the System's individual Investment Managers. Full discretion, consistent with this Investment Policy, is granted to the Investment Managers with respect to selection of securities and timing of investment in accordance with generally accepted professional investment practices for pension plans of this type.

Detailed Investment Manager guidelines for each style of investment are set forth in Section VIII, Investment Manager Guidelines.

V. Asset Allocation Guidelines

(Updated July 15, 2011)

The Board has adopted the asset allocation policy shown below for Fund assets. Target percentages have been determined for each asset class along with allocation ranges. Percentage allocations are intended to serve as guidelines; the Board will not be required to remain strictly within the designated ranges. Market conditions or an investment transition by asset class or manager may require an interim investment strategy and, therefore, a temporary imbalance from the target allocation ranges in the asset mix.

At each calendar quarterly meeting of the Investment Committee, the Staff, Investment Consultant, and Investment Committee will review the asset allocation structure of the System relative to the target allocation ranges adopted by the Board. Staff and Investment Consultant are responsible for providing the Investment Committee with a recommendation to rebalance the portfolio based upon the pre-determined target allocation ranges, the System's current allocation relative to those targets, and the cost of reallocation. Based upon the recommendation of the Investment Committee, the Board shall take any appropriate action, if necessary, to effect the asset re-balancing within thirty days. Intra-quarter re-balancing should only take place if market conditions warrant such action.

The Board's primary mechanism for moving toward its target allocation and eventually maintaining its target allocation to Private Equity shall be an Annual Private Equity Program Plan. The Annual Private Equity Plan shall include a "budget" for new commitments to Private Equity funds for the year. The budgeted amounts shall be based on current investments, current commitments, and anticipated appreciation and distributions, vis-à-vis the current and anticipated size of the total Plan. Should the allocation to Private Equity fall outside the target allocation range, it will be rebalanced – albeit gradually – by adjusting the annual budget for new commitments.

As a percent of the Total Fund

Asset Class	Target	Minimum	Maximum
Equity	**62.5%**	**57%**	**68%**
Fixed Income (including cash)	**27.5%**	**22%**	**33%**
Real Assets	**10%**	**5%**	**15%**

Equity is further defined as:

Large-cap Equity	22.5%	17%	28%
Small-cap Equity	10%	5%	15%
International Equity	10%	5%	15%
Long Short Equity	10%	6%	14%
Private Equity *	10%	0%	15%

Large-cap equity is further defined as:

Large-cap Core Equity	4.5%	3%	10%
Large-cap Growth Equity	4.5%	3%	10%
Large-cap Value Equity	4.5%	3%	10%
S&P500 Cap Wtd Index	4.5%	3%	10%
S&P500 Eql Wtd Index	4.5%	3%	10%

Small-cap equity is further defined as:

Small-cap Growth Equity	5%	3%	10%
Small-cap Value Equity	5%	3%	10%

Fixed income is further defined as

Intermediate Investment Grade Index	7.5%	4%	12.5%
Barclays Capital Aggregate FI Index	7.5%	4%	15%
Global Opportunistic Fixed Income	5%	0%	10%
Low Volatility Hedge Funds	7.5%	2%	10%

Real Assets is further defined as

Core Real Estate	6%	3%	10%
Opportunistic Real Estate	4%	0%	8%

* Because of the unique nature of Private Equity investment vehicles the Board recognizes that it will take several years to reach its target allocation to Private Equity. Currently, the System's investments in Private Equity are in the infancy stage and as such the actual allocation is anticipated to be well below the target allocation for a number of years. During the development of the Private Equity program the unallocated or uncalled portion of the 10% Policy Target Allocation to Private Equity will be held within the Large Cap Equity portfolios, thus increasing the target Guidelines for Large Cap Equity by the amount of the difference between the dollar amount actually invested in Private Equity and the target allocation amount.

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VI. Evaluation and Review

A. Total Fund Performance Objectives

The System's total return will be expected to provide equal or superior results, using one-year, three-year, and five-year moving return averages, relative to the following benchmarks:

1. An absolute return objective of the current actuarial required rate of return of 7.5%.

2. A relative return objective of a policy index composed of 52.5% Wilshire 5000, 12.5% MSCI EAFE, 27.5% Barclays Capital Aggregate Bond Index and 7.5% NCREIF Index.

3. A relative return objective of above median in a 65% equity/35% bond balanced or total fund manager universe.

4. Volatility or standard deviation less or equal to that of the blended benchmark, as described in Item 2, above.

B. Communications

Communications by the Investment Managers, Investment Consultant, and Custodian with the Board, at a minimum, should include:

1. Semi-annual written statements, including actions taken in the portfolio, the current outlook and expected changes in the portfolio.

2. On a semi-annual basis, performance results should address the criteria established by the Investment Committee on both a **gross and net of fee basis**.

3. Regular meetings with the Investment Committee and Board, with the location and time to be determined by the Investment Committee.

4. All pertinent changes in the firm should be reported as they occur by phone and in writing. Included among the changes, but not limited to, are the following:

   a. Changes in personnel.
   b. Major changes in areas of responsibility.
   c. Changes in assets gained or lost, as well as clients gained or lost.
   d. Changes in investment philosophy, process or major strategies.
   e. Any pending litigation or SEC investigation.

C. Proxy Voting

The Board is mindful of its fiduciary obligations with respect to the voting of proxies of companies whose securities are owned by the System. Because of the complexity of issues, it is the Board's belief that the Investment Managers are best suited to vote the proxies of shares held in the portfolio they manage.

Therefore, as part of the Investment Policy and investment manager guidelines, the Board delegates the authority to the Investment Managers to vote and report back to the Board at least annually, the voting of all proxies.

Voting on all matters should be in accordance with the Investment Manager guidelines and policies set forth herein, unless otherwise directed by the Board, for the exclusive sole benefit of the System, its members, and beneficiaries.

D. Annual Review

In view of the rapid changes within the capital markets and investment management techniques, and as a requirement of state law, the Board shall review and adopt at least annually the guidelines set forth in this Investment Policy.

E. Watch List Procedure

1. The Investment Consultant shall provide a written report to the Board on a quarterly basis listing any Investment Managers who have been added to or removed from the Watch List during the preceding quarter as well as those Investment Managers who remain on the Watch List. This report shall also state the reasons why the Investment Manager was added to or removed from the Watch List, the status of the watch and any other relevant information relating to the matter. The Board can add or remove Investment Managers from the Watch List at its discretion.

2. If an Investment Manager is placed on the Watch List, as a courtesy to the Investment Manager the Board may, but is not obligated to, send a written notice to the Investment Manager stating that the Investment Manager has been placed on the Watch List and detailing the reasons why. The notice shall also state the duration of the Watch List period (usually 2 calendar quarters). The Investment Consultant shall closely monitor the Investment Manager during the Watch List period.

Termination

1. The Board has the power to terminate an Investment Manager, with or without cause and whether or not the Investment Manager appears on the Watch List, on thirty (30) days notice or as soon as practicable according to the provisions of the agreement with the Investment Manager, and nothing in these Investment Guidelines should be read to limit that power. An Investment Manager may also be terminated for other reasons, including the reasons provided in paragraphs 2 and 3 below.

2. If an Investment Manager does not correct the Watch Problems during the Watch List period, the Investment Consultant may recommend to the Board that the Investment Manager be terminated. If the Board elects to terminate the Investment Manager, it shall send a notice of termination to the Investment Manager (pursuant to the terms of the Investment Management Agreement)

stating that the Investment Management Agreement between the System and the Investment Manager shall be terminated on a date not less than thirty (30) days from the date of the notice or as soon as practicable according to the provisions of the agreement with the Investment Manager.

3. Notwithstanding paragraph 2 above, if at any time (before, during or after the end of the Watch List period the Board determines that the Investment Manager has not or cannot correct the Watch Problems and as a result the Board desires to terminate the Investment Management Agreement with the Investment Manager, it shall send a notice of termination to the Investment Manager (pursuant to the terms of the Investment Management Agreement) stating that the Investment Management Agreement between the System and the Investment Manager shall be terminated on a date not less than thirty (30) days from the date of the notice or as soon as practicable according to the provisions of the agreement with the Investment Manager.

VII. General Policies

A. Derivatives

Derivatives may be used for the purpose of reducing or controlling risk, reducing transaction costs or shifting an asset mix.

Prior to the use of specific derivative methodologies, the Investment Manager will seek approval of the Board. The Investment Manager must identify the purpose of the derivative exposure. The Investment Manager must demonstrate the expertise, strategy and internal controls to effectively manage the derivative positions. If the Investment Manager cannot explain the use and purpose of derivatives to be used in lay terms, derivatives may not be used in the System's portfolio.

Investment Managers using derivatives will have a written policy in place and the capability to readily report on the derivative instruments and exposures. In the Investment Manager's quarterly report, or more frequently as requested by the Board, the Investment Manager will outline the derivative(s) used currently in the portfolio and include a statement identifying that the Investment Manager is in compliance with the Investment Policy and the guidelines set forth herein.

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VIII. Investment Manager Guidelines

A. Large-Cap Equity Investment Manager Guidelines

Investment Philosophy

1. Each Investment Manager is expected to manage a portfolio of large capitalization U.S. domestic securities ("Large-Cap Equity Portfolio"). Any significant deviation from the Investment Manager's style of investment, as set forth in its contract with the Board, will require written approval from the Board.

2. Each Investment Manager is expected to earn the highest possible rate of return consistent with the risk tolerance, guidelines, and performance criteria established by the Board.

3. Passive Portfolio allocations are expected to match the return and risk profile (as measured by the standard deviation) of their appropriate benchmarks.

Investment Guidelines

1. Cash should not exceed 10% of the portfolio.

2. Equity securities shall mean common stocks or equivalent (ADRs, issues convertible into common stocks, etc.)

3. Equity investment by an Investment Manager in any one company shall not exceed 5% of the Large-Cap Equity Portfolio managed by the Investment Manager, based on cost. If at any time an equity investment in any one company exceeds 10% of the market value of the Large-Cap Equity Portfolio managed by an Investment Manager, the Investment Manager shall provide the Board with written notice and recommendation of action that Investment Manager intends to take to address this level of concentration. Provided, where an investment manager's process of portfolio construction is based on a mutually agreed benchmark, companies comprising 3.8% or more of the benchmark may comprise up to 1.2% above the weight in the benchmark. In addition, any security whose market value rises beyond this limit due to relative price appreciation will have its position reduced to conform with the limit within a reasonable period, typically one week.

4. The Investment Manager shall immediately notify the Board if the equity investment under management by the Investment Manager on behalf of all of its clients in any company exceeds 5% of the total market capitalization of said company.

5. Notwithstanding the provisions of Section VIII D. Cash Investment Guidelines, the investment manager may use exchange-traded funds such as S&P Depository Receipts for the purpose of short-term equitization of unused funds, including cash in the account due to contribution or pending withdrawal.

6. It is expected that the Large-Cap Equity Portfolio will be prudently diversified by industry.

7. The Large Cap Equity investment managers are not authorized to utilize leverage.

Performance Evaluation

1. The Investment Consultant shall monitor the Investment Manager's performance on a monthly basis to ensure that the Investment Manager's performance is meeting or exceeding the portfolio objectives described below.

2. The Investment Consultant, along with the Board, shall conduct l evaluations of each Investment Manager on a quarterly basis. The quarterly evaluation shall include, but not be limited to, a review of the following:

   a. The Investment Manager's organizational structure, process and philosophy and personnel changes to ensure the consistency of these items over time.
   b. The Investment Manager's performance relative to the Performance Criteria described below.
   c. The Investment Manager's adherence to its specific style of management (i.e. growth, value, etc.).
   d. The Investment Manager's adherence to these Investment Guidelines.

3. An Investment Manager who fails to meet expectations in any of the areas mentioned in paragraphs 1 and 2 above may, at the recommendation of the Investment Consultant, be placed on the watch list. An Investment Manager who meets its objectives can still be placed on the Watch List in the event of any material change including, but not limited to:

   a. There is a significant change in the ownership or control of the Investment Management Firm.
   b. There is a significant change in the Investment Manager's process or philosophy.
   c. The departure from the Investment Management Firm of the portfolio manager for this strategy or other key or responsible personnel.
   d. Any pending litigation or SEC or other state or federal regulatory agency investigation or action.
   e. The Investment Manager falls below the median in the Investment Consultant's peer group universe in a rolling three (3) year period, for (2) consecutive quarters *provided however,* that until the Investment Manager has provided services to the System for three (3) years, a rolling one (1) year period shall be used.

Performance Criteria

1. Investment Manager performance shall be monitored using one-year, three-year, and five-year moving return averages compared to:

   a. An unmanaged broad market index comprised of the S&P 500 Index.
   b. An unmanaged broad style index such as S&P 500 Barra Growth/Value or the Russell 1000 Growth or Russell 1000 Value index.
   c. Relative return targets of placing within the top half of the Investment Consultant's peer group of large capitalization equity managers.

2. Performance will be reviewed for the following periods:

   a. One month, three months, calendar and fiscal year to date, one-, three- and five years.
   b. Up markets (trough-to-peak).
   c. Down markets (peak-to-trough).

3. See Communications, Section VI.B.

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B. Small-Cap Equity Investment Manager Guidelines

Investment Philosophy

1. Each Investment Manager is expected to manage a portfolio of small capitalization U.S. domestic securities ("Small-Cap Equity Portfolio"). Any significant deviation from the Investment Manager's style of investment, as set forth in its contract with the Board, will require written approval from the Board.

2. Each Investment Manager is expected to earn the highest possible rate of return consistent with the risk tolerance, guidelines, and performance criteria established by the Board.

3. In the event a passive portfolio allocation is introduced to the small cap equity composite, the allocation is expected to match the return and risk profile (as measured by the standard deviation) of their appropriate benchmark.

Investment Guidelines

1. Cash should not exceed 10% of the portfolio.

2. Equity securities shall mean common stocks or equivalent (ADRs, issues convertible into common stocks, etc.).

3. The investment by the Investment Manager in any one company shall not exceed 5% of the Small-Cap Equity Portfolio managed by the Investment Manager, based on cost. Equity investment in any one company shall not exceed 10% of the market value of the Small-Cap Equity Portfolio managed by the Investment Manager.

4. The Investment Manager shall notify the board on a quarterly basis of which companies the Investment Manager holds more than 5% of the total equity on behalf of all its clients.

5. It is expected that the Small-Cap Equity Portfolio will be prudently diversified by industry.

6. No leverage will be allowed in the Small-Cap Equity Portfolio.

Performance Evaluation

1. The Investment Consultant shall monitor the Investment Manager's performance on a monthly basis to ensure that the Investment Manager's performance is meeting or exceeding the portfolio objectives described below.

2. The Investment Consultant, along with the Board, shall also conduct evaluations of each Investment Manager on a quarterly basis. The quarterly evaluation shall include, but not be limited to, a review of the following:

a. The Investment Manager's organizational structure, process and philosophy and personnel changes to ensure the consistency of these items over time.
b. The Investment Manager's performance relative to the Performance Criteria described below.
c. The Investment Manager's adherence to its specific style of management (i.e. growth, value, etc.).
d. The Investment Manager's adherence to these Investment Guidelines.

3. An Investment Manager who fails to meet expectations in any of the areas mentioned in paragraphs 1 and 2 above may, at the recommendation of the Investment Consultant, be placed on the watch list. An Investment Manager who meets its objectives can still be placed on the Watch List in the event of any material change including, but not limited to the following:

a. There is a significant change in the ownership or control of the Investment Management firm.
b. There is a significant change in the Investment Manager's process or philosophy.
c. The departure from the Investment Management firm of the portfolio manager for this strategy or other key or responsible personnel.
d. Any pending litigation or SEC or other state or federal regulatory agency investigation or action.
e. The Investment Manager falls below the median in the Investment Consultant's peer group universe in a rolling three (3) year period, for (2) consecutive quarters *provided however,* that until the Investment Manager has provided services to the System for three (3) years, a rolling one (1) year period shall be used.

Performance Criteria

1. Investment Manager performance shall be monitored using one-year, three-year, and five-year moving return averages compared to:

a. An unmanaged market index comprised of the Russell 2000 index.
b. A relevant style specific index such as the Russell 2000 Growth, or Russell 2000 Value index. .
c. Relative return targets of placing in the top half of the Investment Consultant's peer group of small capitalization equity managers.

2. Performance will be reviewed for the following periods:

a. One month, three months, calendar and fiscal year to date, one-, three- and five years.
b. Up markets (trough-to-peak).
c. Down markets (peak-to-trough).

3. See Communications, Section VI.B.

C. International Equity Investment Manager Guidelines

Investment Philosophy

1. The Investment Manager is expected to manage a portfolio of non-U.S. securities ("International Equity Portfolio"). Any significant deviation from the Investment Manager's investment style, as set forth in its contract with the Board, will require written approval from the Board.

2. The Investment Manager is expected to earn the highest rate of return consistent with the risk tolerance, guidelines, and performance criteria established by the Board.

3. In the event a passive portfolio allocation is introduced to the international equity composite, the allocation is expected to match the return and risk profile (as measured by the standard deviation) of their appropriate benchmark.

Investment Guidelines

1. Diversification. The Investment Manager will broadly diversify investments in the International Equity Portfolio by region, country, sector, industry and market capitalization.

2. The International Equity Portfolio shall consist of non-U.S. issues, including ADRs, convertible bonds, and U.S. registered securities, whose principal markets are outside of the U.S.

3. While there are no percentage limits with regard to country weightings, the Investment Manager should use prudent investment judgment under the circumstances.

4. Should an equity investment by an Investment Manager in any one company exceed 10%, based on cost, of the International Equity Portfolio managed by the Investment Manager, the Investment Manager will verbally notify the Board.

5. The cash assets of the International Equity Portfolio may be invested in short-term fixed income investments (cash equivalents). These securities may be denominated in U.S. dollars or other major foreign currencies. Should fixed income investments exceed 10% of the total International Equity Portfolio; the Investment Manager will verbally notify the Board.

6. Currency hedging within international portfolios is allowed up to 25%. Hedging positions should be reported quarterly by those firms employing this strategy.

7. See Derivatives Policy, Section VII.A.

8. It is expected that the International Equity Portfolio will be prudently diversified by industry and country.

9. No leverage will be allowed in the International Equity Portfolio.

Performance Evaluation

1. The Investment Consultant shall monitor the Investment Manager's performance on a monthly basis to ensure that the Investment Manager's performance is consistent the performance required by the Performance Criteria described below.

2. The Investment Consultant, along with the Board, shall conduct evaluations of each Investment Manager on a quarterly basis. The quarterly evaluation shall include, but not be limited to, a review of the following:

    a. The Investment Manager's organizational structure, process and philosophy and personnel changes to ensure the consistency of these items over time.
    b. The Investment Manager's performance relative to the Performance Criteria described below.
    c. The Investment Manager's adherence to its specific style of management (i.e. growth, value, etc.)
    d. The Investment Manager's adherence to these Investment Guidelines.

3. An Investment Manager who fails to meet expectations in any of the areas mentioned in paragraphs 1 and 2 above may, at the recommendation of the Investment Consultant, be placed on the watch list. An Investment Manager who meets its objectives can still be placed on the Watch List in the event of any material change including, but not limited to the following:

    a. There is a significant change in the ownership or control of the Investment Management Firm.
    b. There is a significant change in the Investment Manager's process or philosophy.
    c. The departure from the Investment Management Firm of the portfolio manager responsible for this strategy or other key or responsible personnel.
    d. Any pending litigation or SEC or other state or federal regulatory agency investigation or action.
    e. The Investment Manager falls below the median in the Investment Consultant's peer group universe in a rolling three (3) year period, for (2) consecutive quarters *provided however,* that until the Investment Manager has provided services to the System for three (3) years, a rolling one (1) year period shall be used.

Performance Criteria

1. Investment Manager performance shall be monitored using one-year, three-year, and five-year moving return averages compared to:

    a. The MSCI EAFE Index
    b. A relevant style specific index such as the MSCI EAFE Growth or MSCI EAFE Value index.

c. Relative return targets of placing within the top half of the Investment Consultant's peer group of international equity managers.

2. Performance will be reviewed for the following periods:

   a. One month, three months, calendar and fiscal year to date, one-, three- and five years.
   b. Up markets (trough-to-peak).
   c. Down markets (peak-to-trough)

3. See Communications Section VI.B.

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D. LONG/SHORT EQUITY GUIDELINES

Investment Philosophy

The Primary emphasis of this portfolio should be on positive absolute returns with low correlation to the long only equity markets. The portfolio should be managed in a style that will provide less volatility in returns than the broad long only equity markets so as to provide protection in down markets but allow participation in up markets. The focus of individual security selections will be on strong companies on the long side and companies with deteriorating fundamentals on the short side.

Investment Guidelines

1. Within the Long/Short equity investment portfolio, the following securities and/or strategies are allowed:

   - Short-Selling
   - Leverage
   - Concentrated portfolios
   - Illiquid securities

   Futures, options and other derivatives
   Traditional equity and fixed income
   Securities as well as currencies

The portfolio should make all attempts to avoid all issues relating to Unrelated Business Taxable Income (UBTI).

2. Managers are expected to prudently diversify the portfolio across market capitalization, geography, industry/economic sectors, and size of positions.

3. The Long/Short Equity portfolio shall include primarily fundamental long/short equity managers, but may include other primarily equity oriented hedge fund strategies.

Performance Evaluation

1. The Investment Consultant shall monitor the Investment Manager's performance on a monthly basis to ensure that the Investment Manager's performance is meeting or exceeding the portfolio objectives described below.

2. The Investment Consultant, along with the Board, shall conduct evaluations of each Investment Manager on a quarterly basis. The quarterly evaluation shall include, but not be limited to, a review of the following:

   a. The Investment Manager's organizational structure, process and philosophy and personnel changes to ensure the consistency of these items over time.
   b. The Investment Manager's performance relative to the Performance Criteria described below.
   c. The Investment Manager's adherence to its specific style of management.
   d. The Investment Manager's adherence to these Investment Guidelines.

3. An Investment Manager who fails to meet expectations in any of the areas mentioned in paragraphs 1 and 2 above may, at the recommendation of the Investment Consultant, be placed on the watch list. An Investment Manager who meets its objectives may still be placed on the watch list in the event of any material change including, but not limited to:

   a. There is a significant change in the ownership or control of the Investment Management firm.
   b. There is a significant change in the Investment Manager's process or philosophy.
   c. The departure from the Investment Management firm of a portfolio manager or other key or responsible personnel.
   d. Any pending litigation or SEC or other state or federal regulatory agency investigation or action.

Performance Criteria

1. The manager's performance will be evaluated on absolute return, relative return, volatility profile, and consistency with stated style. Investment Manager performance shall be monitored using one-year, three-year, and five-year risk and return characteristics.

2. The primary performance objectives each Long/Short equity managers shall be expected to meet over a 3-5 year time period are as follows:

   - Outperform the Wilshire 5000 Index
   - Annualized volatility of approximately two-thirds or less than that of the Wilshire 5000 Index as measured by standard deviation.
   - Low relative beta and correlation to the Wilshire 5000 Index

3. Performance will be reviewed for the following periods:

   a. One month, three months, calendar and fiscal year to date, one-, three- and five years.
   b. Up markets (trough-to-peak).
   c. Down markets (peak-to-trough).

4. See Communications, Section VI.B.

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E. Fixed Income Investment Manager Guidelines

Investment Philosophy

1. Each Investment Manager is expected to manage a portfolio of U.S. fixed income securities ("Fixed Income Portfolio"). The objective of the Fixed Income Portfolio is to provide a positive rate of return and to reduce the overall volatility of the Fund's total investment portfolio. Any significant deviation from the Investment Manager's style of investment, as set forth in its contract with the Board, will require written approval from the Board.

2. Each Investment Manager is expected to earn the highest rate of return consistent with the risk tolerance, guidelines and performance criteria established by the Board.

Passive Portfolio allocations are expected to match the return and risk profile (as measured by the standard deviation) of the relevant benchmark.

Investment Guidelines

1. Obligations of the U.S. Government or U.S. Government agencies may be held in any amounts.

2. Corporate bonds that are obligations of US corporations shall be diversified by issuer type, such as industry, utility, financial or telephone issues. No more than 5% of the Fixed Income Portfolio managed by the Investment Manager shall be invested in the obligations of any one issuer.

3. Securities must be rated at least "investment grade" by at least 2 rating agencies at the time of purchase.

4. Issues subsequently downgraded to "below investment grade" status by any of the rating services will trigger the following:

    - immediate notification of the Executive Director and
    - specific security recommendations.

5. The original issue size of the securities selected should be such to afford a high degree of marketability.

6. No securities that are denominated in a foreign currency may be held.

7. No more than 5% of the portfolio shall be invested in convertible securities or preferred stocks.

8. Average adjusted duration of the Fixed Income Portfolio should not exceed ±25% of the stated benchmark duration.

9. No leverage will be allowed in the Fixed Income Portfolio.

Performance Evaluation

1. The Investment Consultant shall monitor the Investment Manager's performance on a monthly basis to ensure that the Investment Manager's performance is meeting or exceeding the portfolio objectives described below.

2. The Investment Consultant, along with the Board, shall conduct evaluations of each Investment Manager on a quarterly basis. The quarterly evaluation shall include, but not be limited to, a review of the following:

   a. The Investment Manager's organizational structure, process and philosophy and personnel changes to ensure the consistency of these items over time.
   b. The Investment Manager's performance relative to the Performance Criteria described below.
   c. The Investment Manager's adherence to its specific style of management (i.e. growth, value, etc.).
   d. The Investment Manager's adherence to these Investment Guidelines.

3. An Investment Manager who fails to meet expectations in any of the areas mentioned in paragraphs 1 and 2 above may, at the recommendation of the Investment Consultant, be placed on the watch list. An Investment Manager who meets its objectives can still be placed on the Watch List in the event of any material change including, but not limited to the following:

   a. There is a significant change in the ownership or control of the Investment Management Firm.
   b. There is a significant change in the Investment Manager's process or philosophy.
   c. The departure from the Investment Management firm of the portfolio manager responsible for this strategy or other key or responsible personnel.
   d. Any pending litigation or SEC or other state or federal regulatory agency investigation or action.
   e. The Investment Manager falls below the median in the Investment Consultant's peer group universe in a rolling three (3) year period, for (2) consecutive quarters *provided however,* that until the Investment Manager has provided services to the System for three (3) years, a rolling one (1) year period shall be used.

Performance Criteria

1. Investment Manager performance shall be monitored using one-year, three-year, and five-year moving return averages compared to:

   a. An unmanaged market index comprised of the Barclays Capital Aggregate Bond Index or Barclays Capital Intermediate Aggregate Bond Index.
   b. A relative return target of placing within the top half of the Investment Consultant's peer group of fixed income managers.

2. Performance will be reviewed for the following periods:

   a. One month, three months, calendar and fiscal year to date, one-, three- and five years.
   b. Up markets (trough-to-peak).
   c. Down markets (peak-to-trough).

3. See Communications Section VI.B.

F. Global Opportunistic Fixed Income Investment Manager Guidelines
(Updated July 15, 2011)

Investment Philosophy

1. Each Investment Manager is expected to manage a portfolio of Global fixed income securities ("Fixed Income Portfolio"). The objective of this Portfolio is to provide a positive rate of return and to reduce the overall volatility of the Fund's total investment portfolio. Any significant deviation from the Investment Manager's style of investment, as set forth in its contract with the Board, will require written approval from the Board.

2. Each Investment Manager is expected to earn the highest rate of return consistent with the risk tolerance, guidelines and performance criteria established by the Board.

3. Passive Portfolio allocations are expected to match the return and risk profile (as measured by the standard deviation) of the relevant benchmark.

Investment Guidelines

❖ The investment universe shall consist of:
   - Countries included in the Citigroup World Government Bond ("CWGB") Index or listed in Section A below
   - Emerging market and high yield debt may be held within the parameters defined below

❖ Section A: Individual country and currency exposures typically will not exceed at purchase:

	Country Allocation	Currency Allocation
North America:		
United States	0% - 65%	0% - 100%
Canada	0% - 25%	0% -25%
Europe:		
Euro		0% - 70%
Germany	0% - 40%	
France	0% - 40%	
Italy	0% - 30%	
Belgium	0% - 20%	
Netherlands	0% - 20%	
Spain	0% - 20%	

Other Europe:		
United Kingdom	0% - 40%	0% - 40%
Denmark	0% - 20%	0% - 20%
Sweden	0% - 20%	0% - 20%
Pacific Rim:		
Japan	0% - 60%	0% - 60%
New Zealand	0% - 10%	0% - 10%
	Country Allocation	**Currency Allocation**
Other Countries Contained in the Index (each):	0% - 15%	0% - 15%
Other Non-Index Country (each): AA or better rating by an NRSRO*	0% - 10%	0% - 10%
Other Non-Index Country (each): A or better rating by an NRSRO*	0% - 5%	0% - 5%
Other Non-Index Countries (in aggregate): A or better rating by an NRSRO*	0% - 25%	0% - 25%
Emerging Markets* (each)	0% - 5%	0% - 5%
Emerging Markets* (in aggregate)	0% - 15%	0% - 15%

**NRSRO means one of the following Nationally Recognized Statistical Rating Organizations: Standard & Poor's Ratings Services, Moody's Investor Service, Inc., and Fitch, Inc.. Ratings categories for country/currency include sub-categories or gradations therein and are determined by the local currency long-term debt ratings assigned by NRSROs. Emerging Markets are defined as markets with a local currency long-term debt rating below A- (or the equivalent) assigned by all NRSROs that provide such a rating.*

❖ Section B:

Credit Quality:

- Fixed income securities and cash in the portfolio shall have a weighted average rating of A or better according to the methodology used by the Barclays Capital Global Bond Indices.
- High Yield Debt ** shall be limited to 15% of the portfolio at time of purchase.

Sector/Issuer:

- Investment grade corporate bonds and taxable municipal bonds will not exceed 40% of the portfolio in aggregate.
- No more than 5% of the portfolio shall be invested in the obligations of any one investment grade corporate bond or taxable municipal bond issuer at time of purchase. No more than 3% of the portfolio shall be invested in the obligations of any one High Yield Debt** issuer at time of purchase.
- Fixed income securities of companies of any one industry will not exceed 25% of the portfolio.
- Nonagency mortgage-backed securities and asset-backed securities will not exceed 20% of the portfolio in aggregate.

Duration:

- o Portfolio duration shall be limited to a range of 1– 10 years.

Currency Hedging:

- o At its discretion, the Investment Manager may hedge all, some, or none of the portfolio's currency exposure. The Investment Manager may also cross hedge currency positions, but may not be net short any currency, or long more than 100% of the portfolio.

Derivatives:

- o The Investment Manager may utilize derivatives including forwards, futures, options, mortgage derivatives, structured notes and swaps. Use of derivatives shall not modify the portfolio characteristics, such that the account would be in violation of these guidelines.

Leverage and borrowing:

- o At no time may the Investment Manager leverage the portfolio through borrowing.

Investment Manager Investment Products:

- o The Investment Manager shall have the authority to invest assets of the portfolio in one or more investment products sponsored or advised by the Investment Manager ("Investment Products"), with the understanding that the System will not pay any additional management fee for such investment, and provided any investment in such Investment Products are consistent with this Schedule I and applicable provisions of ERISA.

*** High Yield Debt consists of non-sovereign investments with below investment grade ratings (below BBB- or the equivalent) assigned by all NRSROs that provide such a rating.*

Performance Evaluation

1. The Investment Consultant shall monitor the Investment Manager's performance on a monthly basis to ensure that the Investment Manager's performance is meeting or exceeding the portfolio objectives described below.

2. The Investment Consultant, along with the Board, shall conduct evaluations of each Investment Manager on a quarterly basis. The quarterly evaluation shall include, but not be limited to, a review of the following:

   a. The Investment Manager's organizational structure, process and philosophy and personnel changes to ensure the consistency of these items over time.
   b. The Investment Manager's performance relative to the Performance Criteria described below.
   c. The Investment Manager's adherence to its specific style of management (i.e. growth, value, etc.).
   d. The Investment Manager's adherence to these Investment Guidelines.

3. An Investment Manager who fails to meet expectations in any of the areas mentioned in paragraphs 1 and 2 above may, at the recommendation of the Investment Consultant, be placed on the watch list. An Investment

Manager who meets its objectives can still be placed on the Watch List in the event of any material change including, but not limited to the following:

a. There is a significant change in the ownership or control of the Investment Management Firm.
b. There is a significant change in the Investment Manager's process or philosophy.
c. The departure from the Investment Management firm of the portfolio manager responsible for this strategy or other key or responsible personnel.
d. Any pending litigation or SEC or other state or federal regulatory agency investigation or action.
e. The Investment Manager falls below the median in the Investment Consultant's peer group universe in a rolling three (3) year period, for (2) consecutive quarters *provided however,* that until the Investment Manager has provided services to the System for three (3) years, a rolling one (1) year period shall be used.

Performance Criteria

1. Investment Manager performance shall be monitored using one-year, three-year, and five-year moving return averages compared to:

   a. An unmanaged market index comprised of the Citigroup World Government Bond Index (Unhedged).

   b. A relative return target of placing within the top half of the Investment Consultant's peer group of fixed income managers.

2. Performance will be reviewed for the following periods:

   a. One month, three months, calendar and fiscal year to date, one-, three- and five years.

   b. Up markets (trough-to-peak)

   c. Down markets (peak-to-trough).

3. See Communications Section VI.B

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G. Low Volatility Hedge Fund Portfolio Guidelines

Investment Philosophy

1. The Primary emphasis of this portfolio should be on positive absolute returns. The portfolio should be managed in a style that will provide similar volatility in returns to the Barclays Capital Aggregate bond index with low correlation to the long only equity and fixed income markets.

2. This portfolio will be implemented through a fund of funds approach. The manager will have complete discretion to determine the proper asset allocation among absolute return hedge fund strategies within the bounds of the following limitations. The portfolio is intended to serve as a surrogate to traditional fixed income and maintain a volatility profile similar to the Barclays Capital Aggregate Bond index. In so doing the manager may prudently diversify the portfolio across multiple managers and strategies designed to generate absolute returns with low volatility and low correlations to the long only equity and fixed income markets.

Investment Guidelines

1. Within the Low Volatility Hedge Fund Portfolio, the following securities and/or strategies are allowed:
   - Short-Selling
   - Leverage
   - Concentrated portfolios
   - Illiquid securities

   Futures, options and other derivatives
   Traditional equity and fixed income
   Securities as well as currencies

   The portfolio should make all attempts to avoid all issues relating to Unrelated Business Taxable Income (UBTI).

2. The portfolio may include various relative value, event driven and market neutral oriented hedge fund strategies all at the manager's discretion.

Performance Evaluation

1. The Investment Consultant shall monitor the Investment Manager's performance on a monthly basis to ensure that the Investment Manager's performance is meeting or exceeding the portfolio objectives described below.

2. The Investment Consultant, along with the Board, shall conduct evaluations of each Investment Manager on a quarterly basis. The quarterly evaluation shall include, but not be limited to, a review of the following:

   a. The Investment Manager's organizational structure, process and philosophy and personnel changes to ensure the consistency of these items over time.
   b. The Investment Manager's performance relative to the Performance Criteria described below.
   c. The Investment Manager's adherence to its specific style of management.

d. The Investment Manager's adherence to these Investment Guidelines.

3. An Investment Manager who fails to meet expectations in any of the areas mentioned in paragraphs 1 and 2 above may, at the recommendation of the Investment Consultant, be placed on the watch list. An Investment Manager who meets its relevant objectives may can still be placed on the Watch List in the event of any material change including, but not limited to:

    a. There is a significant change in the ownership or control of the Investment Management firm.
    b. There is a significant change in the Investment Manager's process or philosophy.
    c. The departure from the Investment Management firm of a portfolio manager or other key or responsible personnel.
    d. Any pending litigation or SEC or other state or federal regulatory agency investigation or action.

Performance Criteria

1. The manager's performance will be evaluated on absolute return, relative return, volatility profile, and consistency with stated style. Investment Manager performance shall be monitored using one-year, three-year, and five-year risk and return characteristics.

2. The primary performance objectives that the Low Volatility Hedge Fund portfolio manager shall be expected to meet over a 3-5 year time period are as follows:

    - Outperform the Barclays Capital Aggregate Bond Index
    - Annualized volatility as measured by standard deviation similar to the Barclays Capital Aggregate Bond Index
    - Low relative beta and correlation to the Barclays Capital Aggregate and Wilshire 5000
    - Positive Returns over all rolling 12 month periods

3. Performance will be reviewed for the following periods:

    a. One month, three months, calendar and fiscal year to date, one-, three- and five years.
    b. Up markets (trough to peak).
    c. Down markets (peak to trough).

4. See Communications, Section VI.B.

H. Cash Investment Guidelines

Investment Philosophy

1. The assets of the Fund may be held in cash, or U.S. Government Securities ("Cash Portfolio"), as set forth below, pending investment in other asset portfolios. The investment of cash by an Investment Manager or the

Custodian should be consistent with the cash management guidelines for the Cash Portfolio.

2. The investment in this asset class is expected, through active management, to provide safety of principal, daily liquidity and a competitive yield by investing in U.S. Government Securities.

Investment Guidelines

1. Eligible Investment Instruments:

   U.S. Treasury bills, notes and bonds; 2) other obligations issued by the U.S. Government, its agencies and instrumentalities; 3) repurchase agreements; and 4) money market mutual funds subject to SEC Rule 2a-7, short-term collective investment funds and registered or private investment companies investing principally in fixed income or other debt securities and which have investment guidelines consistent with those contained herein. All investments are limited to securities and other instruments issued after July 18, 1984.

2. Credit Quality:

   a. Repurchase Agreements:

      1) All counterparties must have executed a written repurchase agreement.
      2) The Board shall approve counterparties.
      3) All repurchase transactions shall be collateralized initially at 102% and counterparties shall be required to deliver additional collateral in the event the market value of the collateral falls below 100%.

3. Investment Restrictions and Concentration Limits:

   a. Repurchase Agreements:
      1) The Investment Manager or Custodian must take possession of collateral either directly or through a third-party custodian.
      2) The Investment Manager or Custodian may invest in repurchase agreements with counterparties approved by the Board.

   b. Duration:
      1) The maximum expected average time to receipt of principal of any single security will not exceed 397 days.
      2) The average effective duration of the Cash Portfolio will not exceed 90 days.

   c. Derivatives:
      1) The Cash Portfolio shall not be invested in detached derivative transactions such as futures, options, swaps, caps or floor contracts or agreements. This restriction does not apply to instruments or securities that have detached derivatives embedded in them.

2) The Cash Portfolio will not be invested in inverse floaters, dual index notes, range notes, or any other instrument the terms of which do not make non-payment of interest in an event of default.

d. Lending of Securities:
The Cash Portfolio will not be utilized for the lending of securities.

Performance Criteria

1. Performance shall be monitored using one-year, three-year, and five-year moving return averages compared to:

   a. Ninety day Treasury Bills.
   b. A relative return targets of the top half of a cash manager universe.

2. Performance will be reviewed for the following periods:

   a. One month, three months, calendar and fiscal year to date, one-, three- and five years.
   b. Up markets (trough-to-peak).
   c. Down markets (peak-to-trough).

4. See Communications Section VI.B.

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I. CORE REAL ESTATE MANAGER GUIDELINES

(Updated November 19, 2010)

Investment Philosophy

1. Each Investment Manager is expected to manage a diversified portfolio of core real estate ("Core Real Estate Portfolio"). The majority of investments in the Core Real Estate Portfolio shall be 100% fee ownership of properties, *provided however*, that other transaction structures may be used including equity joint ventures, participating mortgages and other hybrid debt-equity arrangements. Any significant deviation from the Investment Manager's investment style, as set forth in its contract with the Board, will require written approval from the Board.

2. The Investment Manager is expected to earn the highest rate of return consistent with the risk tolerance, guidelines, and performance criteria established by the Board. It is expected that the income component will compromise the majority of the portfolio's total return.

3. Assets are expected to be held for a medium to long-term holding period, *provided* however, that an individual asset may be disposed of when it is considered to have "peaked" in value or for other reasonable portfolio management reasons.

Investment Guidelines

1. Diversification. The Investment Manager will broadly diversify investments in the Core Real Estate Portfolio according to geographic location, and by property type, size, and number of properties.

2. The Core Real Estate Portfolio shall consist mainly of the following property types: office, warehouse, retail, multi-family residential and industrial. The Core Real Estate Portfolio shall be comprised primarily of improved properties with stabilized occupancies.

3. While there are no percentage limits with regard to property type, the Investment Manager should use prudent investment judgment under the circumstances with regard to diversification based on property type.

4. The base currency of the Core Real Estate Portfolio shall be U.S. Dollars. The cash assets of the Core Real Estate Portfolio may be invested in short-term fixed income investments (cash equivalents). These securities may be denominated in U.S. dollars or other major foreign currencies. Should fixed income investments exceed 10% of the total Core Real Estate Portfolio, the Investment Manager will verbally notify the Board.

5. See Derivatives Policy, Section VII.A.

6. The prudent use of leverage will be allowed in the Core Real Estate Portfolio, *provided however*, that should third party leverage exceed 30% of the total of the Core Real Estate Portfolio's gross asset value utilizing a 50%

guideline on any individual investment, the Investment Manager shall notify the Board annually.

7. Development will generally not be undertaken in the Core Real Estate Portfolio. However, development will be allowed if it is ancillary to an existing investment (i.e. the expansion of an existing retail property). In addition, a limited number of new developments, not to exceed five percent (5%), may be undertaken to achieve asset portfolio construction objectives.

8. Notwithstanding anything in this Section I to the contrary, the System may invest directly in real estate, either 100% owned or through joint ventures or other co-investment vehicles, for the purpose of (i) generating return through income and capital appreciation competitive with institutional grade properties within the greater Oklahoma City market, and (ii) providing office space for the System.

Performance Evaluation

1. The Investment Consultant shall monitor the Investment Manager's performance on a monthly basis to ensure that the Investment Manager's performance is meeting or exceeding the portfolio objectives described below.

2. The Investment Consultant, along with the Board, shall conduct evaluations of each Investment Manager on a quarterly basis. The quarterly evaluation shall include, but not be limited to, a review of the following:

   a. The Investment Manager's organizational structure, process and philosophy and personnel changes to ensure the consistency of these items over time.
   b. The Investment Manager's performance relative to the Performance Criteria described below.
   c. The Investment Manager's adherence to its specific style of management (i.e. core, value added, opportunistic, etc.)
   d. The Investment Manager's adherence to these Investment Guidelines.

3. An Investment Manager who fails to meet expectations in any of the areas mentioned in paragraphs 1 and 2 above may, at the recommendation of the Investment Consultant, be placed on the watch list. An Investment Manager who meets its objectives can still be placed on the Watch List in the event of any material change including, but not limited to the following:

   a. There is a significant change in the ownership or control of the Investment Management firm. .
   b. There is a significant change in the Investment Manager's process or philosophy.
   c. The departure from the Investment Management Firm of the portfolio manager responsible for this strategy or other key or responsible personnel.
   d. Any pending litigation or SEC or other state or federal regulatory agency investigation or action.

e. The Investment Manager falls below the median in the Investment Consultant's peer group universe in a rolling three (3) year period, for (2) consecutive quarters provided however, that until the Investment Manager has provided services to the System for three (3) years, a rolling one (1) year period shall be used.

Performance Criteria

1. Investment Manager performance shall be monitored using one-year, three-year, and five-year moving return averages compared to:

    a. The NCREIF Property Index. A return target of at least 100 basis points in excess of the NCREIF Property Index is expected.
    b. Relative return targets of placing within the top half of the Investment Consultant's peer group of real estate managers.
    c. The top half of the Investment Consultant's real estate manager peer group.

2. Performance will be reviewed for the following periods:

    a. One month, three months, calendar and fiscal year to date, one-, three- and five years.
    b. Up markets (trough-to-peak).
    c. Down markets (peak-to-trough)

3. See Communications Section VI.B.

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J. VALUE ADDED REAL ESTATE GUIDELINES

(Updated November 19, 2010)

Separate Accounts

The following guidelines shall apply when the System enters into an investment manager agreement with an Investment Manager to provide investment management services to the System with respect to assets held by the System or direct or indirect subsidiaries of the System.

Investment Philosophy

1. The Investment Manager is expected to manage a diversified portfolio of value added real estate ("Value Added Real Estate Portfolio"). The majority of investments in the Value Added Real Estate Portfolio shall be 100% fee ownership of properties, *provided however*, that other transaction structures may be used including equity joint ventures, participating mortgages and other hybrid debt-equity arrangements. Any significant deviation from the Investment Manager's investment style, as set forth in its contract with the Board, will require written approval from the Board.

2. The Investment Manager is expected to earn the highest rate of return consistent with the risk tolerance, guidelines, and performance criteria established by the Board. Capital appreciation is expected to comprise the majority of the strategy's return, with income comprising the balance.

3. Assets are expected to be held for a medium to long-term holding period, *provided* however, that an individual asset may be disposed of when it is considered to have "peaked" in value or for other reasonable portfolio management reasons.

Investment Guidelines

1. Diversification. The Investment Manager will broadly diversify investments in the Value Added Real Estate Portfolio according to geographic location, and by property type, size, and number of properties.

2. The Value Added Real Estate Portfolio shall consist mainly of the following property types: office, warehouse, retail, multi-family residential and industrial. The Value Added Real Estate Portfolio shall be comprised primarily of properties that can be improved upon and where occupancy can be increased.

3. While there are no percentage limits with regard to property type, the Investment Manager should use prudent investment judgment under the circumstances with regard to diversification based on property type.

4. The base currency of the Value Added Real Estate Portfolio shall be U.S. Dollars. The cash assets of the Value Added Real Estate Portfolio may be invested in short-term fixed income investments (cash equivalents). These securities may be denominated in U.S. dollars or other major foreign currencies. Should fixed income investments exceed 10% of the total Value

Added Real Estate Portfolio; the Investment Manager will verbally notify the Board.

5. See Derivatives Policy, Section VII.A.

6. The prudent use of leverage will be allowed in the Value Added Real Estate Portfolio, provided however, that should third party leverage exceed 50% of the total of the Value Added Real Estate Portfolio's gross asset value the Investment Manager shall notify the Board annually.

7. Notwithstanding anything in this Section J to the contrary, the System may invest directly in real estate, either 100% owned or through joint ventures or other co-investment vehicles, for the purpose of (i) generating return through income and capital appreciation competitive with institutional grade properties within the greater Oklahoma City market, and (ii) providing office space for the System.

Investment Funds

The following guidelines shall apply to the System's investment in collective investment vehicles ("Investment Funds"), where the System invests in the Investment Fund on the advice of the Investment Consultant or as determined by the Board. In such cases, there will typically be an investment manager agreement or other relationship between the Investment Fund and an investment manager for the Investment Fund (a "Manager"). The Manager of an Investment Fund will not typically enter into an investment manager agreement with the System.

Investment Philosophy

Investment Funds will be selected that are expected:

1. to invest in a diversified portfolio of value added real estate;

2. to hold a majority of their investments (measured by cost) as 100% fee ownership of properties (directly or through wholly owned subsidiaries), *provided however*, that other transaction structures may be used including equity joint ventures, participating mortgages and other hybrid debt-equity arrangements;

3. to have investment strategies where capital appreciation is expected to comprise the majority of the strategy's return, with income comprising the balance; and

4. to hold assets for a medium to long-term holding period *provided* however, that an individual asset may be disposed of when it is considered to have "peaked" in value or for other reasonable portfolio management reasons.

Investment Guidelines

Investment Funds will also be selected that are expected to comply with the following guidelines, although the Board may permit investments in Investment Funds that do not comply with such guidelines where it is expected that the Value Added Real Estate Portfolio, including investments in Investment Funds, will, as a whole, comply with the following guidelines:

1. Diversification. The Investment Fund will broadly diversify investments according to geographic location, and by property type, size, and number of properties.

2. The Investment Fund will invest mainly in the following property types: office, warehouse, retail, multi-family residential and industrial, with prudent diversification among property types. The Investment Fund's assets will be comprised primarily of properties that can be improved upon and where occupancy can be increased.

3. The base currency of the Investment Fund is U.S. Dollars. The cash assets of the Investment Fund may be invested in short-term fixed income investments (cash equivalents). These securities may be denominated in U.S. dollars or other major foreign currencies. Should fixed income investments of an Investment Fund exceed 10% of its assets for more than 90 consecutive days, based on financial reports provided by the Investment Fund, the Investment Consultant will verbally notify the Board.

4. The Investment Fund may employ leverage; provided however, that should third party leverage exceed 50% of the total of the gross asset value of the Investment Fund, based on financial reports provided by the Investment Fund, the Investment Consultant shall notify the Board annually.

Performance Evaluation

The following provisions will apply to the review of the performance of Investment Managers:

1. The Investment Consultant shall monitor the Investment Manager's or Manager's performance on a monthly basis to ensure that the Investment Manager's or Manager's performance is consistent with the performance required by the Performance Criteria described below.

2. The Investment Consultant, along with the Board, shall also conduct evaluations of each Investment Manager or Fund on a quarterly basis. The quarterly evaluation shall include, but not be limited to, a review of the following:

    a. The Investment Manager's organizational structure, process and philosophy and personnel changes to ensure the consistency of these items over time.
    b. The Investment Manager's performance relative to the Performance Criteria described below.
    c. The Investment Manager's adherence to its specific style of management (i.e. core, value added, opportunistic, etc.)
    d. The Investment Manager's adherence to these Investment Guidelines.

3. An Investment Manager who fails to meet expectations in any of the areas mentioned in paragraphs 1 and 2 above may, at the recommendation of the Investment Consultant's discretion, be placed on the watch list An Investment Manager who meets its objectives can still be placed on the Watch List in the event of any material change (each a "Value Added Real Estate Material Change") including, but not limited to the following:

    a. There is a significant change in the ownership or control of the Investment Management Firm or the General Partner of a Limited Partnership investment vehicle. .
    b. There is a significant change in the Investment Manager's process or philosophy.
    c. The departure from the Investment Management firm or the General Partnership of a Limited Partnership of the portfolio manager for this strategy or other key or responsible personnel.
    d. Any pending litigation or SEC or other state or federal regulatory agency investigation or action.
    e. The Investment Manager falls below the median in the Investment Consultant's peer group universe in a rolling three (3) year period, for (2) consecutive quarters provided however, that until the Investment Manager has provided services to the System for three (3) years, a rolling one (1) year period shall be used.

Managers of Investment Fund will also be evaluated on substantially the same basis as Investment Managers; provided that where the System has made a long-term commitment to the Investment Fund and has limited rights to withdraw or to transfer its interest in the Investment Fund, evaluation of the Managers may be limited to those factors necessary to perform appropriate monitoring of the System's investment, given the limited liquidity of the investment.

Performance Criteria

1. Manager and Investment Manager performance shall be monitored using one-year, three-year, and five-year moving return averages compared to:

    a. The NCREIF Property Index. A return target of mid to high teens has been established for this mandate.
    b. Relative return targets of placing within the top half of the Investment Consultant's peer group of real estate managers.
    c. The top half of the Investment Consultant's real estate manager peer group.

2. Performance will be reviewed for the following periods:

    a. One month, three months, calendar and fiscal year to date, one-, three- and five years.
    b. Up markets (trough-to-peak).
    c. Down markets (peak-to-trough).

3. See Communications Section VI.B.

IX. Competitive Bid Standards

(Updated March 18, 2011)

Contractual services with pension fund custodians, investment managers, investment consultants and other professions which are exempt from competitive bidding procedures of the Oklahoma Central Purchasing Act shall be chosen by a solicitation of proposals on a competitive bid basis pursuant to the following standards:

1. The Board shall approve all solicitations of proposals issued by the Oklahoma Firefighters Pension and Retirement System (the System).

2. Respondents to a proposal shall comply with the bid procedures set forth in the solicitation of proposals and these standards.

3. The Executive Director is responsible for developing a list of qualified bidders for each approved proposal including those bidders who have registered with the Central Purchasing Division of the Oklahoma Department of Central Services.

4. Proposals will be mailed by and returned to the System's independent certified public accountant that will verify to the Board whether the solicitation is in compliance with these standards.

5. A solicitation does not commit the Board to award a contract, to pay any costs incurred in the preparation of a proposal, or to procure or contract for the articles of goods or services.

6. The Board reserves the right to accept or reject any or all proposals received as a result of a solicitation, to negotiate with any and all qualified bidders, to select any qualified bidder to provide additional or ancillary services to the Board, or to cancel in part or in its entirety a solicitation if it is in the best interest of the System to do so.

7. The Board shall award contracts to the lowest and best bidder at a specified time and place, which shall be open to the public pursuant to the provisions of the Oklahoma Open Meeting Act.

8. Proposals shall be evaluated by the Executive Director and any other person or organization, including but not limited to the Investment Committee or Rules Committee of the Board, as determined by the Chairmen of the Board. The Executive Director and other persons or organizations shall present the evaluations and recommendations to the Board.

9. a. No member of the Board or its staff shall knowingly communicate concerning any matter relating to the contract or selection process with any party financially interested in the contract an officer or employee of that party, or a placement agent retained or employed by that party, unless the communication is (1) part of the process expressly described in the request for proposal or other solicitation invitation, or (2) part of a noticed board meeting, or (3) as provided in subsection c. of this section. Any bidder who knowingly

participates in a communication that is prohibited by this subsection shall be disqualified from the contract award.

b. During the evaluation of any solicitation of proposal, no party who is financially interested in a proposal, an officer or employee of that party, placement agent or a person retained or employed by that party, may knowingly communicate with any Board Member concerning any matter relating to the transaction or its evaluation, unless the financially interested party discloses the content of the communication in a writing addressed and submitted to the Executive Director and the Board prior to the Board's action on the prospective proposal. This subsection shall not apply to communications that are part of a noticed board meeting, or as provided in subsection c of this section.

(1) The writing shall disclose the date and location of the communication, and the substance of the matters discussed. The Board shall prescribe other procedures concerning this disclosure.

(2) Any Board Member who participates in a communication subject to this subsection shall also have the obligation to disclose the communication to the Executive Director and the Board, prior to the Board's action on the proposal. The Board shall prescribe procedures for this disclosure, including procedures to apply to Board Members who fail to disclose communications as required by this subsection.

(3) Consistent with its fiduciary duties, the Board of Trustee shall determine the appropriate remedy for any knowing failure of a financially interested party to comply this subsection including, but not limited to, outright rejection of the prospective proposal, reduction in fee received, or any other sanction.

(4) The communications disclosed under this subsection shall be made public, either at the open meeting of the Board in which the proposal is considered, or if in closed executive session, upon public disclosure of any closed executive session votes concerning the proposal.

c. The procedures and prohibitions prescribed by this section shall not apply to:

(1) Communications that are incidental, exclusively social, and do not involve the System or its business, or the Board or staff member's role as a System official

(2) Communications that do not involve the System or its business and are within the scope of the Board or staff member's private business or public office wholly unrelated to the System.

10. Proposals will be evaluated using the following criteria listed in order of importance.

a. Bidder's demonstrated understanding of the problems and the needs of the solicitation as outlined in the proposal as well as the perceptiveness to address areas not specifically identified.

b. Soundness of the bidder's approach to the problems and needs presented by the proposal including methodology for achieving specific tasks and objectives.
c. Experience and capacity of bidder including recent, related experience, qualification of personnel and bidder's ability to commit capable staff to support the project requested by the proposal.
d. Cost effectiveness and reasonableness of bidder's fees.

Competitive Bid Standards Applicable to Investments in Closed End Funds
(*Added March 18, 2011)*

A. Establishment of Competitive Bid Standards Applicable to Investments in Closed End Funds

Certain investment strategies that the Oklahoma Firefighters Pension and Retirement Board (the "Board") has determined to be appropriate and prudent as part of its long term strategic investment plan are primarily organized as closed end entities such as limited partnerships or limited liability companies (the "Closed End Funds") which, as a general rule, have more limited offering periods than the traditional investment strategies in which the Board invests the System's assets. The nature of these investments allows for a very short window of opportunity in which to invest. The primary areas where this type of fund structure exists are private equity, venture capital, mezzanine and distressed debt as well as certain real estate and natural resource funds.

Because of the often limited offering periods for investments in Closed End Funds, the Board finds it is to the benefit of the System to establish separate and distinct competitive bid standards which will apply only to investments in Closed End Funds. The existing competitive bid standards shall continue to apply to all investments other than Closed End Funds.

The best practices in the due diligence and selection of these Closed End Funds require the ability to conduct on-going prospective due diligence in order to make timely decisions when fund options become available. Because of the short window of opportunity available to make investment decisions with respect to this type of offering and the limited capacity of these offerings, a fiduciary must be in a constant search process. Further, each Closed End Fund is unique in its style, strategy, focus, and timing of investment, with only a limited number of vendors offering the same or similar products at the same time.

As such, pursuant to 11 O.S. § 49-100.9(D), the Board establishes the following competitive selection process for Closed End Funds.

B. Evaluation and Due Diligence Process

In the development of a diversified private equity investment program, it is the intent of the Board, pursuant to recommendations made by the Investment Committee, to implement this program through the recommendation of various investment offerings that are typically structured as illiquid interests in Closed End Funds. Recommended investments may be in individual Closed End Funds or in vehicles that invest in multiple entities (fund-of-funds or sub-advisory relationships).

The Investment Committee's due diligence process and ultimate fund selection criteria considers a variety of attributes of individual managers. This enables the Investment Committee to recommend funds that show the greatest potential for superior future financial returns. In most cases, these attributes would apply to both investments in individual Closed End Funds as well as fund-of-funds/sub advisory relationships. The following outlines the qualities and attributes to be sought in identifying private equity funds for the Board's consideration.

1. *People/Organization* – Stable, established organization with a committed team that has successfully worked together for a significant period of time, indicating high compatibility and low organizational risk. Key areas of focus include:

    a. Assets under management

    b. Industry presence/tenure

    c. Significant general partner, manager or similar position commitment to the fund

    d. Significant and relevant experience of senior professionals

    e. Low turnover rates and significant tenures

    f. Alignment of interests, including:

        (1) Reasonable distribution of ownership among senior professionals

        (2) Reasonable compensation, including the sharing of carried interest

        (3) Regular performance reviews

    g. Sufficient staffing to support the attention needs of the portfolio

    h. Good "bench strength" and a business that is not overly reliant on any single person

    i. With respect to "next generation" funds, a history of the principals working together as a team and a clear attribution of prior success to that team.

2. *Operational Expertise* – Operational expertise, either internal or through some proprietary relationship, especially that gained through prior difficult market cycles or leveraged situations. Exceptional returns are driven by post-acquisition operational improvements and not so much by financial engineering. In addition, operational expertise can be crucial in attracting deals and facilitating transactions.

3. *Independence* – Preference is given to truly independent managers because of the lower tendency for conflicts of interests, widely variable investment

focus, and potential misalignment of interests among the principals. In general, situations to be avoided include:

a. Funds sponsored by investment banks or large financial institutions engaged in other activities focused on investment or financing businesses.

b. Firms with large or controlling interests.

4. *Investment Strategy/Philosophy* – A clearly defined and articulated strategy that is supported by the experience of the manager's professionals and consistently applied. Preference is given to firms whose funds are appropriately sized for the stated strategy since they are better able to deliver the type of return required from this illiquid asset class.

5. Track Record – Manager track records are examined as an indicator of their ability to add value to companies in which they invest. However, it is often difficult to evaluate managers on Fund returns alone, because data is often immature. As such, considerable emphasis is placed on qualitative factors (*i.e.*, adherence to strategy; team dynamics; etc.). It is important that the track record provide evidence that the strategy employed has been successful and will likely remain so in the future. The track record information will be reviewed in the following manner:

a. Historical rates of return: Internal Rates of Return (IRR) are calculated on a consistent basis in order to assure accuracy and some degree of comparability between managers. Returns are analyzed in a variety of ways: absolute and relative to benchmarks; realized and unrealized; returns of attributable to current principals; returns attributable to deals following the current strategy, etc. In addition to IRR, cash-on-cash returns are also considered.

b. Historical quality of returns: The quality and consistency of returns are as important as the absolute level of returns. Therefore, examination will be conducted of the concentration of returns and the timing of capital deployment and exits. The manager's rate of deploying capital in past funds is analyzed against the size of the new fund and any difference between past and prevailing market conditions, which may affect future deployment.

c. Record of realizations: A record of realizations from past investments shall be reviewed. This provides a valuable measurement of returns; it indicates a manager's ability to properly manage exists; and it lessens the time required by the manager to manage past funds' investments (where such activity would dilute their attention to the new fund).

d. Financing Experience – Managers with solid reputations in the leveraged finance markets, proven ability to access debt and other capital, and a demonstrated ability to manage through difficult periods in the capital markets cycle. A manager's history of dealing with problem investments, loan workouts, and restructurings will be addressed.

e. Deal Flow/Research – Managers with proprietary sources of deal flow and, therefore, the ability to make acquisitions at reasonable multiples. In addition, preference will be given to firms that perform target-market research to help focus investment activity and deal sourcing.

f. Decision Making – Defined processes and shared decision-making. A concentration of decision-making power is not desirable. A diversity of backgrounds and experience within a firm may add to the quality of decision-making.

g. Investor Base – Managers that have a significant number of returning institutional investors. It can be a warning sign when investors opt not to return or reduce their commitments to subsequent funds. The quality and diversity of the investor base is also considered.

h. Terms – Investments will have suitable financial terms (management fees, carried interest, clawback, key man, etc.) and governance provisions, which will be properly reflected in the underlying governing documents.

C. Process for Investment in Closed End Funds with Limited Offering Periods

Pursuant to the recommendation of the Investment Committee, the following process in the selection of these types of funds is necessary and prudent for the Board to most effectively carry out its fiduciary responsibility in the on-going development and implementation of its long-term investment strategy. Approval authority for all investment decisions will continue to rest solely with the Board. Therefore, the Board will adhere to the following process:

1. The Investment Committee will submit investment recommendations to the Board following due diligence of candidate fund(s) that fit within strategic guidelines. The recommendation from the Investment Committee will include:

   a. Summary Recommendation with recommended commitment amount and anticipated cash flow requirements.

   b. Evaluation Report

   c. Timeframe for decision

2. Following the submission of the Investment Committee's recommendation, the Board will then review the investment recommendation and will take one of the following actions within the time allocated for decisions:

   a. Approve commitment

   b. Request additional information

c. Determine not to proceed with investment

X. Securities Litigation Policy

Purpose

The Board adopts this Securities Litigation Policy to establish procedures and guidelines for evaluating, monitoring, and, when appropriate, participating in securities class action lawsuits to protect the System's interests.

As an institutional shareholder, the System is periodically a class member in securities class action lawsuits that seek to recover damages resulting from alleged wrongful acts or omissions of others. The enactment by Congress of the Private Securities Litigation Reform Act ("PSLRA") in 1995 allows institutional investors and other large shareholders to seek "lead plaintiff" status in securities class action litigation. The lead plaintiff gains the right to supervise and control the prosecution of the case. Since the enactment of the PSLRA, it has been demonstrated that participation as lead plaintiff by large, sophisticated shareholders, including institutional shareholders, can result in lower attorneys' fees and larger recoveries on behalf of shareholders in certain class action lawsuits.

Currently, the System's Board Counsel monitors securities litigation cases that have reached settlement, requests transaction/activity information from the System for those cases in which the System is an eligible claimant, and files claims on behalf of the System in such cases. In light of the emerging changes in securities litigation cases, and in addition to the existing procedures, the Board now desires to establish procedures to monitor potential and ongoing securities class action lawsuits in which the System has an interest, and to participate as lead plaintiff where such participation is appropriate and is likely to enhance the recovery by members of the class.

Monitoring Proofs of Claim

The System shall continue to utilize the services of the Board Counsel for the purposes of monitoring and managing the timely filing of proofs of claim in securities class action litigation matters that have already reached settlement, with respect to investments held by the System from time to time. Except as otherwise provided below, the Board Counsel shall be responsible for the timely and effective filing of proofs of claim in all settled class actions involving securities held on behalf of the System. However, in those securities class action lawsuits in which the System has retained Outside Securities Counsel to represent the System as lead plaintiff or to actively monitor the progress of the case, then the Outside Securities Counsel shall be responsible for the timely and effective filing of proofs of claim in such lawsuits on behalf of the System and will notify, in writing, the System, the Board Counsel and the System's custodian and applicable investment manager, if any, of the proofs of claim that have been filed on behalf of the System. The System's staff shall be responsible for assisting the Board Counsel and/or Outside Securities Counsel, if requested to do so, in the timely and accurate filing of proofs of claim by the Board Counsel and/or Outside Securities Counsel employed by the System for these purposes, and shall report the status of such matters to the System's Investment Committee on a periodic basis.

To assist Board Counsel in monitoring proofs of claim, the Board authorizes the System's custodial banks to provide Board Counsel with information, in electronic and/or other format, regarding the System's current holdings, transactions and investments in securities, as well as its holdings, transactions and investments in securities for the past three years. The custodial banks shall provide ongoing periodic information to Board Counsel on a regular basis to ensure that counsel has current information.

Identification of Potential and Filed Securities Class Action Litigation

In addition to the filing of proofs of claim as described above, the System will consider and assess whether and under what circumstances it may choose to become more actively involved in securities class action litigations matters from time to time. To this end, the System will retain one or more Outside Securities Counsel experienced in securities litigation matters to review potential and filed class action lawsuits and to bring to the attention of the System meritorious cases that the Outside Securities Counsel concludes are worthy of further monitoring or involvement by the System and for which the System has suffered losses on its investment. The outside securities counsel shall make its recommendations to the Executive Director of the System and the Board Counsel, including a statement as to whether the System should actively monitor the case, seek lead plaintiff status, or take some other course of action with respect to the particular securities class action lawsuit.

To assist Outside Securities Counsel, the Board authorizes the System's custodial banks to provide Outside Securities Counsel with information, in electronic and/or other format, regarding the System's current holdings, transactions and investments in securities, as well as its holdings, transactions and investments in securities for the past three years. The custodial banks shall provide ongoing periodic information to Outside Securities Counsel on a regular basis to ensure that counsel has current information.

Investment Committee Action

As to any matter that the Executive Director and Board Counsel submit to the Investment Committee, with the assistance of Outside Securities Counsel, the Investment Committee will make an assessment and formulate a recommendation to the Board as to whether the System should undertake an active role in the pending or potential securities litigation by considering appropriate criteria and factors, which may include, without limitation, the following:

1. The recommendation of the Outside Securities Counsel regarding the System's role in the litigation.

2. The size of the claim.

3. The likely nature and amount of recovery versus the time and costs involved in pursuing the matter actively and any staffing constraints that might make it difficult for the System to effectively pursue the case actively.

4. The effectiveness of potential alternatives for recovering the value of the claim, such as corporate governance actions or less costly methods for monitoring the litigation.

5. Whether the active involvement of the System will add value to the potential resolution or management of the case.

6. Whether any other institutional investors are members of the class, and the extent to which they plan to become actively involved.

If the Investment Committee determines that a matter is worth pursuing, the Investment Committee will submit the matter to the Board, with a recommendation as to what actions it would recommend the System take in connection with the particular case. In appropriate situations, the System may seek lead plaintiff status jointly with one or more other public retirement funds or other suitable lead plaintiff candidates.

Board Action

All retainer agreements with any Outside Securities Counsel must be approved in advance by the Board. As to any matter submitted to the Board by the Investment Committee, the Board will review the Committee's assessment and recommendation and, at the Board's discretion, may authorize seeking lead plaintiff status, actively monitoring the case, or taking such other action, if any, as it deems to be appropriate and in the best interests of the System and its participants and beneficiaries.

Upon the Board's approval of the System seeking lead plaintiff status or taking any action in any particular case, the Chairperson and the Vice Chairperson of the Board or another designated representative are authorized to sign any affidavits or other documents relating to a lead plaintiff application or any fee agreements with Outside Securities Counsel in the case. The System's Executive Director and staff shall provide any other assistance necessary to facilitate the lead plaintiff application process, and to assist Outside Securities Counsel in the conduct of the litigation or its resolution should the System secure appointment as a lead plaintiff.

If the Board decides that the System should not seek appointment as lead plaintiff but should actively monitor a particular lawsuit, or if the System applies for but fails to secure a lead plaintiff position in a particular case, then the Executive Director and the Board Counsel shall, with the assistance of Outside Securities Counsel, actively monitor the case and report to the Investment Committee. Such monitoring may include participation by the System in the settlement approval process.

The authority to settle, withdraw from or otherwise terminate a securities litigation matter initiated by the System pursuant to this policy shall rest with the Board.

Reports to the Board

With the assistance of Outside Securities Counsel and Board Counsel, the Investment Committee will provide the Board with regular status reports on cases that the System is monitoring or in which the System has been granted lead plaintiff status and shall keep the Board apprised of major developments in the case. With the assistance of the System's custodians, the Executive Director will provide the Investment Committee and the Board with monthly or other periodic reports summarizing the submission of any proofs of claims filed in any class action lawsuits and any funds recovered for the System.

XI. Placement Agents Disclosure Policy

In order to preserve the independence and integrity of the Oklahoma Firefighters Pension and Retirement System, the Board has determined that it is in the best interest of the Pension System to require full disclosure and transparency in the engaging, investing with, committing to, or doing business with an Investment Manager that is using the services of a third party marketer, solicitor, placement agent, registered lobbyist or other intermediary ("Placement Agent"), to assist the Investment Manager in obtaining investments by the Pension System, or otherwise doing business with the Pension System. This policy is designed to prevent conflicts of interest, or the appearance of conflicts of interests in the Pension System's investment decision-making process, and ensure that investment decisions are made solely on the merits of proposed investments for the benefit of the Pension System's members and beneficiaries.

The Board recognizes that Placement Agents may provide useful information concerning Investment Managers and their business practices, performance or products. The Board has determined that the disclosure and notification requirements set forth in this policy constitute a threshold issue for all Investment Managers, and adopt this policy as part of the Board's Investment Policy.

1. Investment Managers seeking to do business with, or currently doing business with the Pension System must fully comply with Rule 206(4)-3 promulgated under the Investment Advisors Act of 1940 ("SEC Rule 206(4)-3") with regard to Placement Agent disclosure.

2. In addition to the disclosure requirements set forth in SEC Rule 206(4)-3, Investment Managers that hire or retain Placement Agents to seek Pension System business shall disclose to the Board in writing their retention of Placement Agents, the fees they pay them, the services performed, and other relevant information about their engagement. The disclosed information must include the Placement Agents' identities, resumes of key people, description of compensation and paid services provided, copies of any agreements, and if the agent is registered with the SEC or as a lobbyist in any state or the national government.

3. Each Investment Manager currently doing business with the Pension System will provide the Placement Agent disclosure information as part of the yearly renewal of the Investment Manager's contracts or contracts with the Pension System. Any Investment Manager seeking to do business with the Pension System must disclose the required Placement Agent information as part of the bidding process set forth in Section IX of the Board's Investment Policy.

4. Placement Agents of any Investment Managers seeking to do business with the Pension System shall comply with the restrictions on communications set forth in Section IX of the Board's Investment Policy.

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