Oklahoma Firefighters Pension and Retirement System

Master 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, the goal is to achieve the optimal rate of return consistent with the funding needs of the System and 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 Master Statement of Investment Policy, Objectives and Guidelines, the Investment Guidelines Sub-Policy and all Manager Addendums 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 in an attempt 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 the 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.

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 VIII, Competitive Bid Standards.

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

c. Meet with Investment Managers to review periodic 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 the Investment Policy;

2. Review of Investment Manager performance;

3. Review of portfolio Fund performance;

4. Review of custodian performance;

5. Review of consultant performance;

6. Review asset allocation targets 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; and

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 the 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 the Investment Policy. Any deviation from the Investment Policy must be by direction of the Board in writing.

B. Full discretion, consistent with the Investment Policy, Investment Guidelines Sub-Policy, and the Investment Manager Addendums, 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.

V. Asset Allocation Guidelines

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 of the Fund 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 affect the asset re-balancing within thirty days. Due to the volatility of financial markets, the requirement to make benefit and expense payments, and the contractual obligation to make capital calls, the Board authorizes the Executive Director, with input from the Investment Consultant, to conduct intra-quarter re-balancing transactions within the allowable ranges outlined below. Intra-quarter re-balancing transactions will be reported to the Investment Committee and the Board at the next meeting.

Due to System's unique contingent liabilities, the Board has established a Liquidity Portfolio ("Liquidity Portfolio") that represents a defined segment within the System's larger investment portfolio. The Liquidity Portfolio's structure and target allocation is outlined in an addendum to this policy. The Liquidity Portfolio's targets are proxied to the asset allocation of the total portfolio's target policy using liquid index funds and the Liquidity Portfolio's weight within the System's total portfolio is maintained at approximately 18% of the System's assets.

Under normal circumstances the Liquidity Portfolio is used to efficiently rebalance the System's portfolio and fund ongoing cash flow needs such as benefit payments, capital calls, and fee payments. However, certain circumstances could arise that would require the System to distribute a significant portion, if not all, of the Liquidity Portfolio to pay accrued benefit payments to participants or other necessary obligations. A distribution from the Liquidity Portfolio of this magnitude would create an unintentional overallocation of the System's remaining investment portfolio in illiquid investments and hinder the System's ability to efficiently rebalance the investment portfolio. Illiquid investments include the System's ongoing allocation to strategies in the Other Equity, Other Fixed, Real Estate, and Other Asset portions of the portfolio.

To account the possibility of a large-scale distribution from the Liquidity Portfolio, the System's total portfolio target allocations to the previously identified illiquid segments were multiplied by 82% (removing the 18% Liquidity Portfolio) to establish an investible portfolio target allocation. The investible portfolio targets will be used to determine the System's annual pacing for illiquid investments (future illiquid investment commitments). The investible portfolio targets and illiquid investment allocations are detailed in the subsequent table and table footnotes.

Asset Class	Total Portfolio Target	Investible Portfolio Target[1]	Range	Fund Level Benchmark
Domestic Equity	40%	42%	30% - 50%	Russell 3000
International Equity	15%	15%	10% - 20%	MSCI-ACWI x US
Private Equity[2]	10%	8%	5% - 15%	Russell 3000 (1 Quarter Lag)
Total Equity	65%	65%	55% - 75%	
Core Fixed Income	9%	12%	4% - 14%	Bloomberg US Aggregate
High Income	3%	3%	0% - 8%	Bloomberg Global Credit
Multi-Asset Credit	5%	5%	0% - 10%	50% Morningstar LSTA US Leveraged Loans + 50% Ice BofA US High Yield
Private Credit[3]	3%	2%	0% - 8%	Bloomberg US Aggregate (1 Quarter Lag)
Total Fixed Income	20%	22%	10% - 30%	
Core Real Estate	4%	4%	0% - 9%	NCREIF ODCE Index (VW)
Non-Core Real Estate[4]	5%	4%	0% - 10%	NCREIF ODCE Index (VW) (1 Quarter Lag)
Infrastructure[4]	6%	5%	0% - 11%	Bloomberg US Treasury Bellwether 1-Year +3%
Total Real Assets	15%	13%	10% - 20%	
Cash & Equivalents	0%	0%	0% - 5%	N/A

1. The investible portfolio target for Domestic Equity includes 2% from Private Equity. The investible portfolio target for Core Fixed Income includes 1% from Private Credit, 1% from Non-Core Real Estate, and 1% from Infrastructure.

2. The unallocated or uncalled portion of the total portfolio target allocation (or investible target allocation) to Private Equity will be allocated to Domestic Equity. This will increase the target allocation (and range) to Domestic Equity by the difference between the dollar amount actually invested in Private Equity and the target allocation amount.

3. The unallocated or uncalled portion of the total portfolio target allocation (or investible target allocation) to Private Credit will be allocated to Core Fixed Income. This will increase the target allocation (and range) to Core Fixed Income by the difference between the dollar amount actually invested in Private Credit and the target allocation amount.

4. The unallocated or uncalled portion of the total portfolio target allocation (or investible target allocation) to Non-Core Estate and Infrastructure will be allocated to Core Fixed Income. This will increase the target allocation (and range) to Core Fixed Income by the difference between the dollar amount actually invested in Non-Core Estate and Infrastructure and the target allocation amounts.

VI. Evaluation and Review

A. Total Fund Performance Objectives

The System's total return will be expected to provide superior results relative to the following benchmarks over a long term period (3 to 5 years):

1. The current target rate of return of 7.5% on a net of fee basis.

2. A relative return objective of a total portfolio policy index composed of the benchmarks and target weights detailed in the table contained in Section V - Asset

Allocation Guidelines.

3. A relative return objective of above median in a comparable peer group universe on a gross of fees basis.

4. Risk commensurate with the return achieved and risk-adjusted performance superior to same measure for Items 2, 3 and 4 above.

B. Communications

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

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

2. 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. Such changes include, but are not limited to, 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 & Reporting Requirements

As required by Oklahoma law and to the extent economically practicable, the Board shall retain the authority to exercise shareholder proxy rights for shares owned directly or indirectly on behalf of the System. 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 and cost, 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, the Board delegates the authority to the Investment Managers to vote all proxies.

Further, as directed by HB4428, the Investment Managers are required to provide a proxy report to the Board, on or before February 1 of each calendar year that includes the prior calendar year's proxy votes. The proxy report must include:

1. A PDF copy of the Investment Manager's proxy voting policy for the reporting calendar year.

2. The separate and specific identification of the proxy voting service ("Proxy Advisor")

used for the reporting calendar year, if any.

3. The vote caption and the Investment Manager's vote for each proxy.

4. If applicable, the recommendation of the Proxy Advisor or other service provider advisor guidance on proxy votes.

5. The recommendation of company management for each proxy.

Voting on all company proposals and proxy proposals should be in accordance with the guidelines set forth in the Investment Policy, in keeping with the Board's fiduciary duties, and based solely on pecuniary factors for the exclusive sole benefit of the System and its members, participants and beneficiaries that maximize risk-adjusted returns over an appropriate investment horizon.

For purposes of this Section, a "pecuniary factor" is a factor that a prudent person in a like capacity would reasonably believe has a material effect on the financial risk or return of an investment, based on an appropriate investment horizon consistent with the System's investment objectives and funding policy, and does not include nonpecuniary factors, including the promotion, furtherance, or achievement of environmental, social, or political goals, objectives, or outcomes.

Any engagement with a company regarding the exercise of shareholder votes or the introduction of a proxy proposal shall be based solely on pecuniary factors and for the sole purpose of maximizing shareholder value, except that the System may engage with a company to express opposition to a company proposal or proxy proposal that does not have a pecuniary impact.

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 the 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 two 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, 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 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 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

VIII. Competitive Bid Standards

A. Normal Competitive Bid Standards

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. Communication guidelines.

    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.

        2) Part of a noticed board meeting.

        3) As provided in section VIII.A.9.c..

        4) 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 section VIII.A.9.c..

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 with 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; and

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 the bidder's fees.

B. Competitive Bid Standards Applicable to Investments in Limited Investment Opportunities

For the purposes of these guidelines, limited investment opportunities ("Closed End Funds") may include, but are not limited to, closed end vehicle forms of private equity, private credit, private real estate, and private infrastructure.

Certain investment strategies that 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 but may also represent open-ended structures that are only offered by a narrow number of qualified vendors. These Closed End Funds may have more limited offering periods than the traditional investment strategies in which the Board invests the System's assets. The nature of these investments often allows for a very short window of opportunity in which to invest.

Because of the often limited offering periods and/or limited investment opportunity represented by investments classified in the Investment Policy as 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 classified as Closed End Funds. The existing competitive bid standards shall continue to apply to all investments other than those classified as 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 and/or investment opportunities become available. Because of the often short window of opportunity available to make investment decisions with respect to this type of offering and the often limited capacity of these offerings, a fiduciary must be in a constant search process. Further, each Closed End Fund may be 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.

Evaluation and Due Diligence Process for Closed End Funds

In the development of a diversified investment portfolio of Closed End Funds within the System's overall target allocation, it is the intent of the Board, pursuant to recommendations made by the Investment Committee, to implement this portion of the portfolio through the recommendation of various investment offerings that are typically structured as illiquid interests in Closed End Funds.

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. Although the following criteria may not apply to all Closed End Fund opportunities, the items listed do outline the qualities and attributes to be sought in identifying appropriate Closed End 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 and needs of the portfolio;

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

    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 specific to the Closed End Fund's underlying strategy. 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 potentially 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.

Process for Investment in Closed End Funds

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; and

    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; or

    c. Determine not to proceed with investment.

IX. Securities Litigation Policy

A. 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.

B. 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.

C. 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 as well as notify the chairman of the Board and the Investment Committee, 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.

D. 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.

E. 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.

F. 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.

X. Placement Agents Disclosure

A. System Board Policy

In order to preserve the independence and integrity of the System, the Board has determined that it is in the best interest of the 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 System, or otherwise doing business with the System. This policy is designed to prevent conflicts of interest, or the appearance of conflicts of interests in the 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 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 subsection constitute a threshold issue for all Investment Managers.

1. Investment Managers seeking to do business with, or currently doing business with the 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 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 System will provide the Placement Agent disclosure information as part of the yearly renewal of the Investment Manager's contracts with the System. Any Investment Manager seeking to do business with the System must disclose the required Placement Agent information as part of the bidding process set forth in section VIII of the Board's Investment Policy.

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