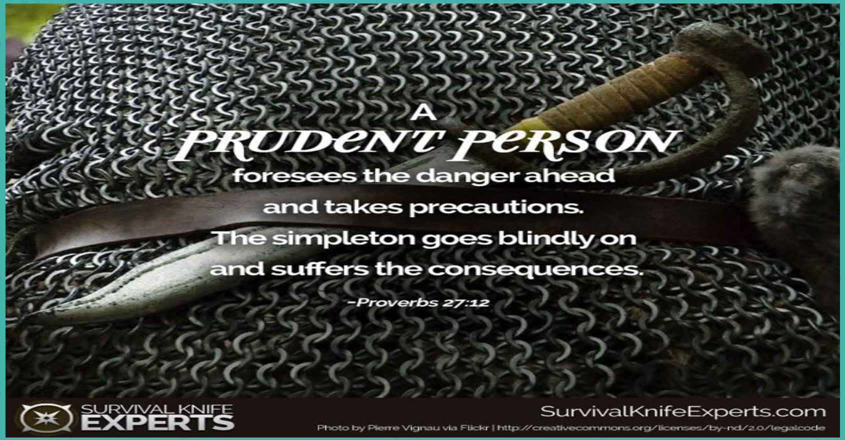


WHAT DOES IT TAKE TO BE A PRUDENT INVESTOR?

PRUDENT INVESTOR RULE

Adopted in Oklahoma as the Prudent Investor Act

“A trustee shall use the judgment and care under the circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital"

STANDARD OF CARE

A. A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.

B. A trustee's investment and management decisions respecting individual assets must be evaluated not in isolation, but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust

CIRCUMSTANCES TO CONSIDER UNDER PRUDENT INVESTOR RULE

1. General economic conditions;
2. The possible effect of inflation or deflation;
3. The expected tax consequences of investment decisions or strategies;
4. The role that each investment or course of action plays within the overall trust portfolio, which may include financial assets, interests in closely held enterprises, tangible and intangible personal property, and real property;
5. The expected total return from income and the appreciation of capital;
6. Other resources of the beneficiaries;
7. Needs for liquidity, regularity of income, and preservation or appreciation of capital;

DUTY TO VERIFY RELEVANT FACTS

- A trustee shall make a reasonable effort to verify facts relevant to the investment and management of trust assets.

- ***A trustee does not use due care in making an investment unless he/she makes an investigation as to the safety of the investment and the probable income to be derived therefrom. Ordinarily this involves securing information from sources on which prudent men in the community customarily rely. He may take into consideration advice given to him by attorneys, bankers, brokers and others whom prudent men in the community regard as qualified to give advice, but he is not ordinarily justified in relying solely on such advice, but must exercise his own judgment.***

CODE OF CONDUCT FOR PENSION TRUSTEES

PENSION TRUSTEES SHALL:

- ✓ *Act in good faith and in the best interest of the participants and beneficiaries.*
- ✓ *Act with skill, competence, and diligence.*
- ✓ *Maintain independence and objectivity by, among other actions, avoiding conflicts of interest, refraining from self-dealing, and refusing any gift that could reasonably be expected to affect their loyalty.*
- ✓ *Abide by all applicable laws, rules, and regulations, including the terms of the Trust documents.*
- ✓ *Deal fairly, objectively, and impartially with all participants and beneficiaries.*
- ✓ *Take actions that are consistent with the established mission of the Trust and the policies that support that mission.*
- ✓ *Review on a regular basis the efficiency and effectiveness of the Trust's success in meeting its goals, including assessing the performance and actions of Trust service providers, such as investment managers, consultants, and actuaries.*
- ✓ *Maintain confidentiality of participant, and beneficiary information.*
- ✓ *Communicate with participants, beneficiaries, and plan sponsors in a timely, accurate, and transparent manner.*

DEFINED CONTRIBUTION PLANS

Under the Defined Contribution Plan, the participant acts as his/her own fiduciary in selecting the types and mix of investments that suit his/her circumstances. OkMRF staff conducts participant meetings on site to educate participants about various investment options. However, the Trustees act in a fiduciary capacity and have a duty to make sure that the various investments offered to the participants are selected using the prudent investor rules outlined earlier. The Trustees further have a duty to advise the participants of the relative risk and reward of each investment type offered.

DEFINED BENEFIT PLAN

Under the Defined Benefit Plan, the Trustees make the investment decisions for the members/participants and all the rules of a prudent investor apply to the trustees in making investment decisions, i.e. allocation, diversification, preservation of principal, needs for liquidity, distribution requirements, and actuarial requirements of the Trust.

MEANS BY WHICH OkMRF TRUSTEES COMPLY WITH THE PRUDENT INVESTOR RULE

1. The Trustees have hired an investment consultant to assist with diversification, allocation, selection & monitoring of money managers, and to provide general overview of economic conditions.

2. The Trustees meet monthly with the investment consultant to review the past monthly and quarterly diversification and performance of the fund.

3. The Trustees have adopted complementary strategies to provide protection in up and down markets.

4. The Trustees have adopted investment guidelines to accomplish the mission of OkMRF and review those policies on a regular basis.

5. The Trustees participate in trustee education opportunities.

6. The Trustees insist on a competent staff to ensure that the legal and administrative requirements of the Trust are followed.

7. The Trustees have employed an attorney specializing in tax qualification of its retirement plans to ensure that the retirement plans perform as required to maintain its tax qualified status.

8. The Trustees have retained an actuary to monitor the financial stability of all OkMRF DB plans and to assist in administration of the plans.

9. The Trustees engage an independent auditor to issue an opinion on the accuracy of its records.

10. The OkMRF staff conducts regular visits with its members and participants to communicate relevant topics and answer questions regarding the plans.

11. The Trustees conduct regular meetings with all money managers and evaluate their performance.

12. Monthly, the Trustees evaluate the fund performance in comparison to generally recognized and accepted performance benchmarks.

13. The Trustees obtain insurance coverage for cybersecurity risks and for wrongful acts of trustees and employees of Trust.

WHAT IS DIVERSIFICATION and WHY IS IT IMPORTANT TO A PRUDENT INVESTOR

A portfolio strategy designed to reduce exposure to risk by combining a variety of investments, such as stocks, bonds, and real estate, which are unlikely to all move in the same direction. The goal of diversification is to reduce the risk in a portfolio. Volatility is limited by the fact that not all asset classes or industries or individual companies move up and down in value at the same time or at the same rate. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

TYPICAL QUESTIONS THAT MIGHT BE ASKED OF A TRUSTEE IN A LAWSUIT CLAIMING VIOLATION OF PRUDENT INVESTOR RULES

Q What measures did you take to protect the beneficiary's principal in his retirement account?

Q What training have you had in investment of Trust funds?

Q What is the plan of the Trust for diversification of investments?

Q What did you do to verify the accuracy of the information provided by your money managers?

Q What steps did you take to protect the principal of the trust in the recent down market?

Q How did you develop your investment policies?

Q How did you select money manager xyz? What research did you do on its qualifications.

Q What is a balanced fund in your retirement plans?

Q How did you advise the participant of the risk vs. reward of the particular investment type?

REDUCING LIKLIHOOD OF CLAIMS AGAINST THE TRUSTEES

The trustee has a duty to continually observe and evaluate investments to ensure that they are consistent with the purpose of the trust, current economic conditions, and the needs of the beneficiaries. So long as the trustee exercises reasonable care in investment decisions, exercises care in selecting and hiring investment advisors and professionals, follows the general principles of prudent investing, and keeps the beneficiaries informed, the likelihood of a claim against the Trustees for improper investment decisions can be reduced.

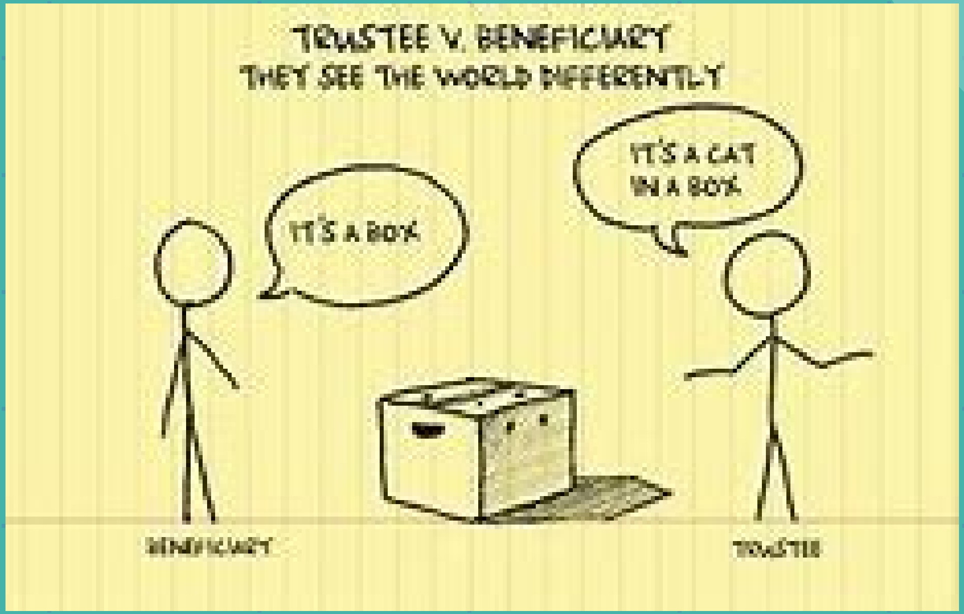
All investing involves risk of loss and by following the prudent investor rules the risk can be minimized.

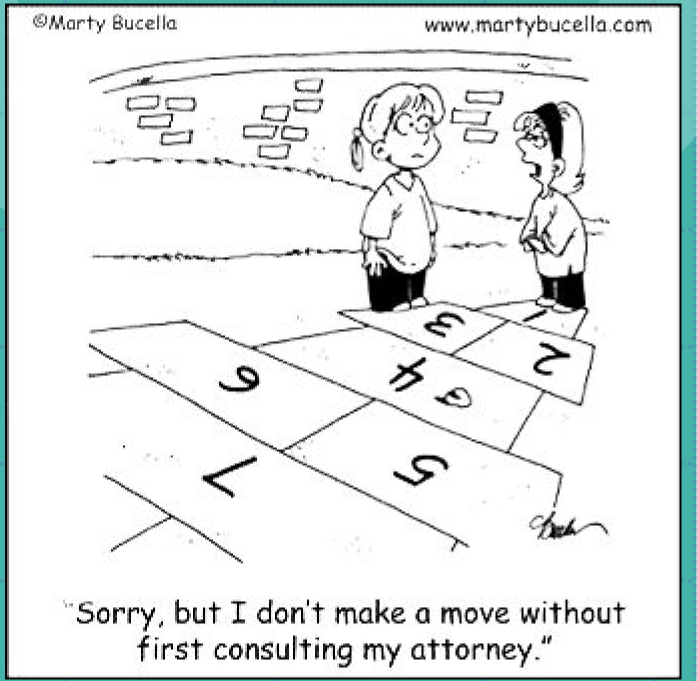
The Prudent Investor Act is not a static legal concept, rather it is an evolving PROCESS for applying the rules set forth in the act to the existing circumstances.

RECOMMENDED READING:

CFA Institute's CODE OF CONDUCT FOR MEMBERS OF A PENSION SCHEME GOVERNING BODY which was provided to you in the 2018 Trustee retreat and again recently emailed to you from your Executive Director on May 26, 2021

QUESTIONS


TRUSTEE V. BENEFICIARY
THEY SEE THE WORLD DIFFERENTLY
IT'S A BOX
IT'S A CAT IN A BOX
BENEFICIARY
TRUSTEE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"Sorry, but I don't make a move without first consulting my attorney."


MY ADVICE IS TO INVEST IN TENNIS BALLS
THEY HAVE A HIGH RATE OF RETURN
quickmeme.com