

## CONTRACT

THIS CONTRACT, made and entered into this 30 day of June 2018, by and between the Teachers' Retirement System of the state of Kentucky, 479 Versailles Road, Frankfort, Kentucky, 40601, hereinafter referred to as "TRS", and **UBS Asset Management (Americas), Inc.**, One North Wacker Drive, Chicago, Illinois 60606, hereinafter referred to as the "Counselor".

WHEREAS, TRS by its Board of Trustees at a meeting held on the 18 day of June 2018, has by order pursuant to authority granted in KRS 161.340(3) selected the Counselor to provide investment counseling services in connection with the investment of funds of the TRS; and

WHEREAS, the Counselor is a reputable, qualified and established counseling firm, and has agreed to provide investment counseling services to TRS; and

WHEREAS, TRS, is responsible for management of the funds of the retirement system and to assist in fulfilling their fiduciary responsibility in the management of those trust funds TRS desires to avail itself of the services of the Counselor to provide investment advisory services for a portion of TRS assets;

NOW THEREFORE, it is hereby and herewith mutually agreed as follows:

1. **Scope of Services**

a. Provide particular investment advisory services described as follows:

(1) Continuing investment advisory services including recommendations as to the purchase, sale and retention of securities under management of TRS.

(2) Meet with the Board and staff of the retirement system when deemed necessary to discuss and review investment policies, practices and procedures.

(3) Upon request of the Investment Committee, Counselor will meet formally with the Investment Committee of TRS to review its economic forecast and market outlook and expectations and how these relate to the investment policy of the Board, review past performance of the securities portfolio, and exercise or evaluate any other matters deemed by Counselor or the Investment Committee to be important to the investment of the trust funds managed by TRS. Counselor shall not, less than quarterly submit written reports to the Investment Committee in such form as the Investment Committee may require.

(4) Investment positions held on the advice of Counselor will be regularly reviewed regarding their suitability and their prospects for future appreciation. Counselor may be expected to provide such evaluations in oral and written form.

(5) Upon the request of the Investment Committee, Counselor will reallocate funds among the various asset classes managed by the Counselor.

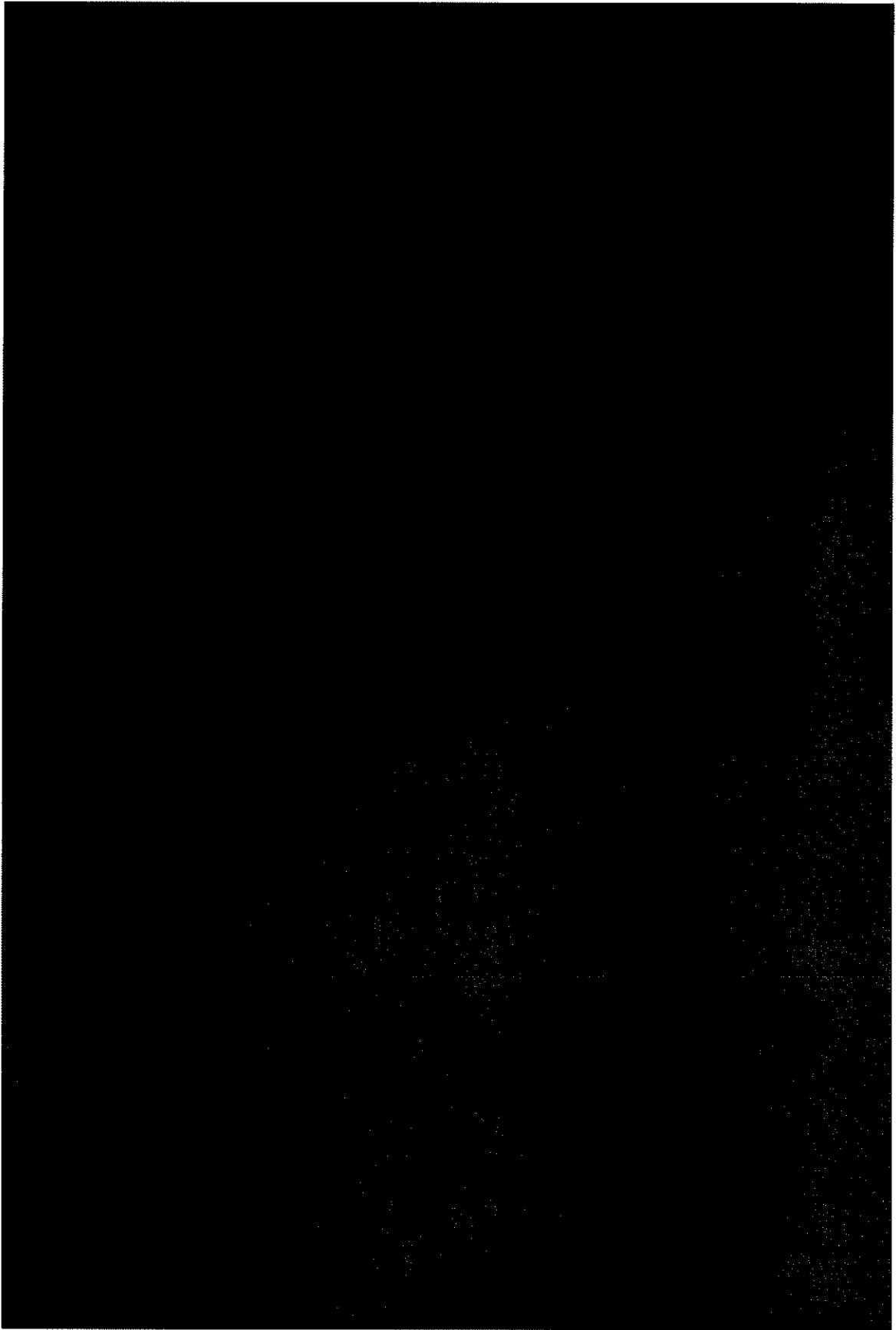
(6) The individual or individuals assigned by Counselor to the TRS account must be accessible by telephone to TRS on a daily basis.

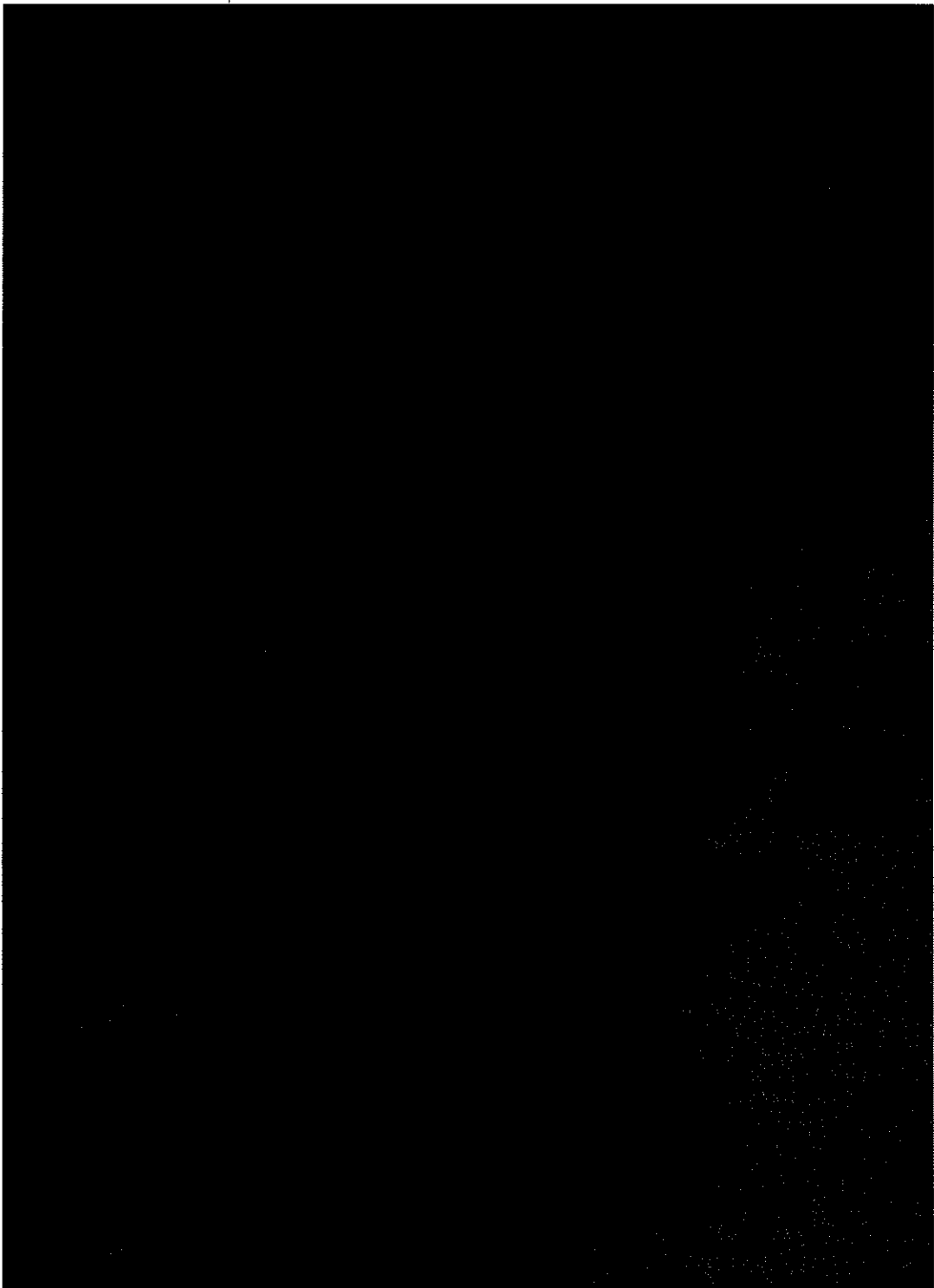
- b. Provide confirmation that portfolio managers assigned by the Counselor to provide TRS with investment counseling services hold the "Chartered Financial Analyst" (CFA) designation or are supervised by a Charter holder.
- c. Provide the services enumerated in paragraph 1 above in accordance with the objectives and constraints established for the portfolio by TRS. The objectives and constraints may infrequently be revised.
- d. Purchase and maintain at Counselor's own expense an Errors and Omission and Directors Officers Liability insurance policy, to be in effect during the entire term of this contract, which includes a minimum Limit of Liability of [REDACTED] for each Wrongful Act. In the event that the Counselor's policy is written on a "Claims Made" form, Counselor shall, upon written request of TRS, furnish evidence that the liability coverage has been maintained for at least five (5) years after this contract's expiration or cancellation date, either by submitting renewal policies with a retroactive date of not later than the date work commenced under this contract, or by evidence that Counselor has purchased an Extended Reporting Period Endorsement that will apply to any and all claims arising from work performed under this contract. Upon request of TRS, Counselor shall provide copies of renewal policies or Certificates of Insurance on an annual basis to TRS so that continuous coverage is provided during the term of this contract.

TRS shall provide the Counselor with the following information on a timely basis applicable to those assets for which Counselor is to provide advisory services:

- Weekly reports of security sales and purchases.
- Monthly lists of individual securities owned by TRS with market values.

2. Fees. [REDACTED]





3. **Training/Seminars.** In the event the Counselor conducts seminars, training sessions or similar events which are generally made available to the Counselor's clients receiving similar services, TRS shall be invited to attend upon the same terms and conditions as such other clients. If the Counselor offers to pay the cost of such events and/or expenses incurred by the

clients in such events, the Counselor shall pay for such expenses by TRS on the same basis as the Counselor pays for its other clients.

4. **Duration of Contract.** The period in which subject services are to be performed is July 1, 2018, through June 30, 2019. At the expiration of its term, this contract may, at the option of the parties hereto, be renewed by negotiation for further periods not to exceed twelve (12) months for each such renewal.

5. **Termination or Cancellation.** Termination or cancellation of this contract may be effected at any time by either party upon thirty (30) days advance written notice of its intent to terminate. The notice of termination shall be served on the other party by registered or certified mail. Upon such termination, TRS will only pay such fees as had been incurred until the date of termination as specified in the notice of termination.

6. **Conflict of Interest.** Counselor hereby certifies that it has not and will not pay or cause to be paid any money, fees, political contributions or other things of value to any third party as result of or in relation to investment counseling services provided to TRS without TRS's informed written consent. Counselor hereby certifies that it has not and will not accept any money, fees or other things of value from any third party as a result of or in relation to investment counseling services provided to TRS without TRS's informed written consent. In addition, Counselor agrees to act as a fiduciary to TRS in regard to any payments, fees or other things of value nevertheless received from a third party in relation to providing investment counseling services to TRS, unless the Counselor's acceptance and retention of such item was disclosed fully to and approved by TRS in writing. Counselor agrees to exercise independent professional judgment, without conflict of interest, in providing independent investment counseling services to TRS. Counselor shall acknowledge its adherence with this section and the TRS Conflict of Interest and Confidentiality Policy by executing the TRS External Service Provider Conflict of Interest Statement. The TRS Conflict of Interest and Confidentiality Policy and External Service Provider Conflict of Interest Statement are attached hereto and incorporated herein as Exhibit 1. Counselor hereby certifies that Counselor is legally entitled to enter into the subject contract with TRS and certifies that Counselor is not and will not be violating any conflict of interest statute (KRS 121.056 or any other applicable statute) or principle by the performance of this contract. The Counselor shall not engage directly or indirectly in any financial or other transaction with a trustee or employee of TRS that would violate the Executive Branch Ethics law as set forth in KRS Chapter 11A. Further, the Counselor certifies that neither the firm, nor its employees, knowingly have violated any of the Executive Branch Ethics or campaign finance laws of the Commonwealth, and the award of a contract to the firm will not violate any of the Executive Branch Ethics or campaign finance laws of the Commonwealth or the TRS Conflict of Interest and Confidentiality Policy.

7. **Relationship of the Parties.** Counselor warrants that all work performed by Counselor under this contract is and shall be performed as an independent contractor. Counselor shall be responsible for compliance with all laws, rules and regulations by its respective employees, including, but not limited to, employment of labor, hours of labor, health and safety, working conditions, workers' compensation insurance, and payment of wages. This contract shall not be construed so as to create a partnership or joint venture between Counselor and TRS.

The standard of care imposed upon Counselor for performing services under this agreement is set forth in KRS 161.430. Counselor hereby acknowledges that it is a fiduciary and shall abide by the standard of care imposed upon Counselor by KRS 161.430. Counselor hereby acknowledges that no funds of TRS, including fees and commissions paid to Counselor were used to pay fees and commissions to placement agents in adherence to KRS 161.430 (6).

8. **Amendments and Renewal.** Written modifications, amendments or additions to this contract shall be effective only when signed by both parties.

9. **Notices of Material Changes.** Counselor shall notify the Board of Trustees in writing within five (5) business days of any material changes in senior officers providing or overseeing the services identified herein, significant legal actions instituted against Counselor, or any significant investigations, examinations, or other proceedings commenced by any governmental agency relating to the kinds of services identified herein. Notices required in this section shall be served on TRS by registered or certified mail.

10. **Assignment.** This contract may not be assigned by Counselor without the written consent of TRS. Further, the obligations of Counselor under this contract shall be considered personal obligations of Counselor, performable solely by the Counselor and Counselor may not delegate its duties hereunder to any entity other than an employee of Counselor without the express written consent of TRS.

11. **Controlling Law; Jurisdiction and Venue; Waiver.** All questions as to the execution, validity, interpretation, construction, and performance of this contract shall be construed in accordance with the laws of the Commonwealth of Kentucky, without regard to conflicts of laws principles thereof. Counselor hereby consents to the jurisdiction of the courts of the Commonwealth of Kentucky and further consents that venue shall lie in Franklin Circuit Court located in Franklin County, Kentucky. To the extent that in any jurisdiction Counselor may now or hereafter be entitled to claim for itself or its assets immunity from suit, execution, attachment (before or after judgment) or other legal process, Counselor, to the extent it may effectively do so, irrevocably agrees not to claim, and it hereby waives, same.

12. **Auditing.** The Counselor agrees that TRS shall have reasonable access to any books, documents, papers, records, or other evidence, which are directly pertinent to this contract for the purpose of financial audit or program review.

13. **Access to Confidential Information.** The Counselor's employees, agents and subcontractors may have access to confidential information maintained by TRS to the extent necessary to carry out its responsibilities under the contract. The Counselor shall presume that all information received pursuant to this contract is confidential. The Counselor shall remain the responsible authority in charge of all information collected, used, or disseminated by the Counselor in connection with the performance of this contract. The Counselor shall provide adequate supervision and training to its agents, employees and subcontractors to ensure compliance with the terms of this contract. The private or confidential information shall remain the property of TRS at all times.

- a. **No Dissemination of Confidential Information.** No confidential information collected, maintained, or used in the course of the contract shall be disseminated except as authorized by law and with the written consent of TRS either during the period of the contract or thereafter. Any information supplied to or created by the Counselor shall be considered the property of TRS. The Counselor must return any and all information collected, maintained, created or used in the course of the performance of the contract in whatever form it is maintained promptly at the request of TRS.
- b. **Subpoena.** In the event that a subpoena or other legal process is served upon the Counselor for records containing confidential information, the Counselor shall promptly notify TRS and cooperate with TRS in any lawful effort to protect the confidential information, at TRS's expense.
- c. **Reporting of Unauthorized Disclosure.** The Counselor shall immediately report to TRS any unauthorized disclosure of confidential information.
- d. **Survives Termination.** The Counselor's obligations under this section regarding the security, confidentiality, and ownership of information as set forth in this section shall survive termination of this contract.

14. **Authorized Signature.** The undersigned, Gary L. Harbin, CPA, is Executive Secretary of TRS and as such has been duly authorized by the Board of Trustees of TRS to sign this contract in behalf thereof, therefore, binding TRS to the provisions of this contract.

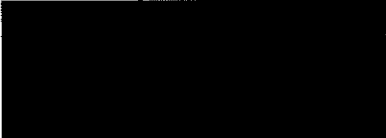
15. **Authorized Signature.** The undersigned, Jennifer Wiley and John Matteson are Officers of the Counselor and are duly authorized to sign this contract on behalf of the Counselor, thereby binding Counselor to the provisions of this contract.

16. **Severability.** The provisions of this contract shall be deemed severable, and the unenforceability of any one or more provisions shall not affect the enforceability of any of the other provisions. In addition, if any provision of this contract, for any reason, is declared to be unenforceable, the parties shall substitute an enforceable provision that, to the maximum extent possible in accordance with applicable law, preserves the original intentions and economic positions of the parties.


17. **Principal Contact.** Nicole Jenkins shall be the principal contact for the Counselor for the implementation of the services set forth in this contract.

18. **Principal Contact.** Gary L. Harbin, CPA shall be the principal contact for TRS for the implementation of the services set forth in this contract.

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY


  
\_\_\_\_\_  
Gary L. Harbin, CPA  
Executive Secretary  
Teachers' Retirement System of Kentucky  
479 Versailles Road  
Frankfort, KY 40601  
In behalf of TRS

UBS ASSET MANAGEMENT (AMERICAS), INC.

  
\_\_\_\_\_  
(Print Name) Jennifer Wiley  
(Print Title) Executive Director  
UBS Asset Management  
(Americas), Inc.  
One North Wacker Drive  
Chicago, IL 60606  
In behalf of Counselor

  
\_\_\_\_\_  
(Print Name) John Matteson  
(Print Title) Director  
In behalf of Counselor

Approved as to Form and Legality:  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY

  
\_\_\_\_\_  
Robert B. Barnes  
Deputy Executive Secretary Operations and  
General Counsel



## BOARD GOVERNANCE MANUAL

### APPENDIX 7 CONFLICT OF INTEREST AND CONFIDENTIALITY POLICY

#### INTRODUCTION

##### 1. Adoption of Conflict of Interest and Confidentiality Policy

Pursuant to the provisions of KRS 161.250, the Board of Trustees (board) of the Teachers' Retirement System of the State of Kentucky (TRS) is vested with the responsibility for the general administration and management of the retirement system. The board may adopt procedures necessary to conduct the business of the retirement system as needed. The law shall control if any inconsistency exists between the law and this policy.

##### 2. Statement of Conflict of Interest and Confidentiality Policy

TRS recognizes the need to maintain the public's confidence and trust in the integrity of TRS and the Commonwealth of Kentucky. Individuals associated with TRS must not engage in activities that have the potential to become a conflict of interest in their association with TRS. Likewise, individuals associated with TRS must not release information about TRS or any of its members that would breach any duty to protect such information. TRS recognizes the need to establish procedures to prevent such conflicts or breaches.

##### 3. Purpose

The purpose of this Conflict of Interest and Confidentiality Policy is to: establish which individuals are subject to TRS's conflict of interest provisions; establish the specific standards of conduct with regard to conflict of interest; establish standards with regard to the confidentiality of information; and establish procedures for obtaining written conflict of interest statements and confidentiality agreements from certain individuals.

##### 4. Procedures Regarding Conflicts of Interest and Confidentiality

###### A. Application of Policy

- 1) This policy shall apply to all individuals who have a statutory, contractual or working relationship with TRS.
- 2) Individuals affected by this policy shall include, but are not limited to:
  - a) Employees of TRS;
  - b) The board;
  - c) Independent contractors of TRS;

EXHIBIT 1

## Standards of Conduct Regarding Confidentiality

- 1) Individuals associated with TRS may be granted access to confidential information in the course of being a TRS employee, board member or contractor.
- 2) This information may include, but is not limited to, investment trade data; individual member information, including but not limited to, Social Security numbers, names, addresses, phone numbers, birth dates, beneficiaries, health insurance information, member numbers; documents; records; programs; files; scientific or technical information; and other information made available to individuals for purposes of completing their obligations to TRS.
- 3) These individuals have a duty to keep confidential the information to which they are granted access as a result of their association with TRS.
- 4) TRS and these individuals shall also recognize that confidential member information is protected under KRS 161.585.

### 5. Written Statements of Conflict of Interest and Confidentiality

- A. On an annual basis, the executive secretary, deputy executive secretaries, chief investment officer, chief financial officer, the members of the board, independent contractors, vendors of TRS and other persons identified in Section 2 (2) shall file a written conflict of interest statement on the form(s) provided by TRS and adopted by the board.
- B. Upon proposal for contract and continuing on an annual basis, any independent contractors and vendors of TRS shall file a written confidentiality agreement on the form provided by TRS and adopted by the board. This form may be amended to conform to specific needs of the individual vendor or contractor as deemed necessary by general counsel or designee.
- C. Other employees of TRS also may be requested to file a written conflict of interest statement as needed or requested by the board.
- D. An individual who abstains from involvement in an official decision because of a personal or private interest must disclose that fact in writing to the executive secretary.

### 6. Ethics and Confidentiality

Individuals as set forth above shall conform to the Executive Branch Code of Ethics with regard to conflicts of interests as set forth in KRS Chapter 11A; applicable provisions of KRS 161.430 and KRS 161.460; and this policy. Individuals as set forth above shall conform to the confidentiality requirements of KRS 161.585.

Adopted March 16, 2009; amended September 19, 2016 and June 20, 2018

EXHIBIT 1

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TEACHERS' RETIREMENT SYSTEM  
OF THE STATE OF KENTUCKY

EXTERNAL SERVICE PROVIDER  
CONFLICT OF INTEREST STATEMENT

I, UBS Asset Management (Americas) Inc. in my role as investment adviser for the Teachers' Retirement System of the State of Kentucky (TRS), recognize the need to maintain the public's confidence and trust in the integrity of TRS and the Commonwealth of Kentucky.

I understand that I have the obligation to diligently identify, disclose, avoid and manage conflicts of interest that may arise through my relationship with TRS.

I will conduct my activities with TRS so that I do not advance or protect my own interests or the private interests of others with whom I have a relationship in a way that is detrimental to the interests of TRS.

In every instance in which I am acting on behalf of TRS, I will conduct my activities in a manner to best promote the interests of TRS.


I agree not to attempt to influence TRS in disregard of the public interest at large.

In all matters where an official decision must be made that may favorably or detrimentally impact my own financial interests or the financial interests of other individuals or organizations with whom I have a relationship, I will reveal that relationship and abstain from involvement in the official decision.

When a conflict of interest arises, or when a potential conflict of interest arises, I will disclose that conflict or potential conflict to my contact person at TRS and seek resolution of that issue.

I agree not to violate any conflict of interest statute or principle by the performance of my duties with TRS, including the TRS Conflict of Interest and Confidentiality Policy (policy). I will not engage, directly or indirectly, in any financial or other transaction with a trustee or employee of TRS that would violate the Executive Branch Ethics law (as set forth in KRS Chapter 11A); applicable provisions of KRS 161.430; or the policy.

Agreed this the 12<sup>th</sup> day of July, 2018.

  
Signature Jennifer Wiley / John Matteson  
Name  
Title Executive Director / Director  
Company UBS Asset Management (Americas) Inc.