

CONTRACT

August

THIS CONTRACT, made and entered into this 17th 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 Aon Hewitt Investment Consulting, Inc., AON Center, 200 East Randolph Street, Suite 1500, Chicago, Illinois 60601, hereinafter referred to as the "Investment Consultant".

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) and 161.430(7) appointed the Investment Consultant to provide services in connection with the investment and management of the funds of the retirement systems as described in KRS 161.420; and

WHEREAS, the Investment Consultant is a reputable, qualified and established investment consulting firm, and has agreed to provide investment consulting services to TRS.

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

1. Scope of Services

- a. Investment Policy, Strategy and Procedures – Investment Consultant will review investment-related statutes, regulations, policies, strategies, and procedures and make appropriate recommendations for changes.
- b. Portfolio Analysis – Investment Consultant will perform an asset/liability modeling study in intervals of five years. However, if significant changes warrant conducting another study before the expiration of five years, the Investment Consultant will, at the request of TRS, perform an asset/liability modeling study for the various funds administered by TRS, including the pension fund, health benefits fund, the 115 insurance trust fund, and life insurance fund. The results of the asset/liability modeling study will be presented in a report to the Board of Trustees. The report shall include at a minimum: the basis of projections, projected cash contributions, projected asset values, projected funded ratios, projected cash flow, optimum investment strategies, conclusions, and recommendations, and other statistical statements as the Consultant and TRS mutually agree are required to support the conclusions and recommendations contained in the report. However, Investment Consultant will conduct a review of asset allocation each year and make recommendations for appropriate changes, including the appropriate interval for conducting an asset/liability modeling study.
- c. Reporting – Investment Consultant, in compliance with CFA Institute Standards, will provide quarterly performance reports, including performance data and analysis for the total fund and individual asset classes; detailed analyses, including return attribution analysis, portfolio characteristics, style and risk analysis, and comparisons to other public pension funds; and holdings analysis relative to benchmarks.

- d. **Manager Research and Analysis** – Investment Consultant will provide TRS investment staff with ongoing advice, and access to resources dedicated to investment manager research and analysis which will cover current and potential TRS investment staff efforts to track top-tier investment managers who service public and/or private markets. Investment Consultant will not charge TRS additional investment consulting fees associated with manager turnover. If changes in the investment advisor structure are needed, the Investment Consultant will provide due diligence services as directed by TRS which may include: Identifying for TRS the leading investment managers that best meet TRS requirements. Assisting in open searches or the preparation of "Request for Proposals" as needed to screen, evaluate, and select additional or replacement investment managers. Investment Consultant will also assist with reviewing and evaluating proposals and other material received from investment managers that solicit business from TRS. Investment Consultant will assist in the process of interviewing and selecting investment advisors, including commenting on investment manager agreements and other documents necessary to complete the investment manager selection process.
- e. **Research** – Investment Consultant will annually provide a written report on the state of investment markets, including a review of global financial markets, global geopolitical and macroeconomic factors affecting financial markets, and detailed reviews of relevant public and private equity, fixed income, and real estate markets and sectors; quarterly provide summary overviews of such markets; periodically inform of market anomalies that arise which potentially could create risk or opportunity for TRS assets; provide information, research and analysis related to emerging investment concepts which may be of benefit to TRS; and, provide occasional special research and analysis on questions or issues that may arise.
- f. **Training and Development** – Investment Consultant will annually provide one or more educational workshops for the TRS Board of Trustees and/or TRS investment staff on specific investment related issues. The location and duration of such workshops will be determined by TRS.
- g. **Meetings** – Investment Consultant will meet at least quarterly with the TRS Investment Committee, and TRS investment staff, and as otherwise needed.
- h. **Alternatives** – Investment Consultant will monitor and report on the private partnerships in the areas of private equity, infrastructure, real estate, timber and hedge funds in the TRS portfolio, including determining the most appropriate asset allocation to these asset classes. Investment Consultant will assist in determining the most desirable method to invest these asset classes (i.e., fund of funds investments or direct fund investments). Investment Consultant will conduct searches for fund of funds investments in the alternatives area and will not charge TRS an additional annual investment consulting fee.

- i. Annual private equity program review—Investment Consultant will provide TRS an annual review on the private equity program including the following: market overview; performance overview, commentary and benchmarking; overview and commentary of diversification and allocation; and research and recommendations on forward looking portfolio allocations.
- j. Alternatives (direct fund investments)—TRS may request that Investment Consultant perform searches for direct fund investments in the alternatives area. This service is not included in the annual investment consulting fee.

2. **Fees.** For the services rendered by the Investment Consultant hereunder, TRS shall pay fees to the Investment Consultant in accordance with the following schedule:

a. For the services listed under paragraph 1.a.—h. above, TRS shall pay an annual fee not to exceed \$358,850. The fee will be billed and paid quarterly in arrears in four equal payments not to exceed \$89,712.50.

b. For the services listed under paragraph 1.i. above, TRS shall pay an annual fee not to exceed \$55,000. The fee will be billed and paid upon delivery and acceptance of the report by the Investment Committee.

Out-of-pocket travel and subsistence expense incurred by Investment Consultant in providing services listed under paragraph 1.a.—i. above will be the responsibility of the Investment Consultant and shall not be reimbursed by TRS.

c. Fees for the completion of services listed under paragraph 1.j. above shall be as follows: \$15,000 for each Investment Consultant buy rated manager report and \$30,000 for each manager due diligence report when not buy rated by the Investment Consultant. Out-of-pocket travel and subsistence expense incurred in by Investment Consultant in providing services listed under paragraph 1.j. above will be reimbursed by TRS in accordance with the state travel regulations. The fee for a report will be billed and paid upon delivery and acceptance of the report by TRS staff.

3. **Training/Seminars.** In the event the Investment Consultant conducts seminars, training sessions or similar events which are generally made available to the Investment Consultant's clients receiving similar services, TRS shall be invited to attend upon the same terms and conditions as such other clients. If the Investment Consultant offers to pay the cost of such events and/or expenses incurred by the clients in such events, the Investment Consultant shall pay for such expenses by TRS on the same basis as the Investment Consultant 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.** Investment Consultant 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 a result of or in relation to investment counseling services provided to TRS, without TRS's informed written consent. Investment Consultant 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, Investment Consultant 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 Investment Consultant's acceptance and retention of such item was fully disclosed to and approved by TRS in writing. Investment Consultant agrees to exercise independent professional judgment, without conflict of interest, in providing independent investment counseling services to TRS. Investment Consultant shall certify as to its compliance with this section and 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. Investment Consultant hereby certifies that Investment Consultant is legally entitled to enter into the subject contract with TRS and certifies that Investment Consultant 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 Investment Consultant shall not engage directly or indirectly in any financial or other transaction with a trustee or employee of TRS which would violate standards of the Executive Branch Ethics provisions, as set forth in KRS Chapter 11A. Further, the Investment Consultant certifies that neither the firm, nor its employees, have knowingly violated any of the Executive Branch Ethics provisions or the campaign finance laws of the Commonwealth, and the award of a contract to the firm will not violate any of the Executive Branch Ethics provisions or the campaign finance laws of the Commonwealth or the TRS Conflict of Interest and Confidentiality Policy.

7. **Relationship of the Parties.** Investment Consultant warrants that all work performed by Investment Consultant under this contract is and shall be performed as an independent contractor. Investment Consultant 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 Investment Consultant and TRS. The standard of care imposed upon Investment Consultant for performing services under this agreement is set forth in KRS 161.430. Investment Consultant 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.** Investment Consultant 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 Investment Consultant, 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 Investment Consultant without the written consent of TRS. Further, the obligations of Investment Consultant under this contract shall be considered personal obligations of Investment Consultant, performable solely by the Investment Consultant and Investment Consultant may not delegate its duties hereunder to any entity other than an employee of Investment Consultant 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. Investment Consultant 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 Investment Consultant 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; Investment Consultant, to the extent it may effectively do so, irrevocably agrees not to claim, and it hereby waives, same.

12. **Auditing.** The Investment Consultant 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 Investment Consultant'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 Investment Consultant shall presume that all information received pursuant to this contract is confidential. The Investment Consultant shall remain the responsible authority in charge of all information collected, used, or disseminated by the Investment Consultant in connection with the performance of this contract. The Investment Consultant 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 Investment Consultant shall be considered the property of TRS. The Investment Consultant 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 Investment Consultant for records containing confidential information, the Investment Consultant 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 Investment Consultant shall immediately report to TRS any unauthorized disclosure of confidential information.
- d. **Survives Termination.** The Investment Consultant'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.

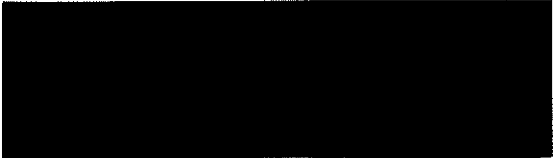
15. **Authorized Signature.** The undersigned, David Testore, is a Principal of the Investment Consultant and is duly authorized to sign this contract on behalf of the Investment Consultant and his signature, therefore, binds Investment Consultant to the provisions of this contract.

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.** P. J. Kelly shall be the principal contact for the Investment Consultant for the implementation of the services set forth in this contract.


18. **Principal Contact.** Gary L. Harbin, 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 Kentucky
479 Versailles Road
Frankfort, Kentucky 40601
In behalf of TRS

AON HEWITT INVESTMENT CONSULTING, INC.



Michael T. Novy
Vice President-Legal
AON Center
200 East Randolph Street, Suite 1500
Chicago, Illinois 60601
In behalf of Investment Consultant

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



Robert B. Barnes
Deputy Executive Secretary Operations and
General Counsel

**TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY**

**EXTERNAL SERVICE PROVIDER
CONFLICT OF INTEREST STATEMENT**

I, David Testore, in my role as NA Chief Operating Officer
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 13th day of August, 2018

Signature

David Testore

Name

NA Chief Operating Officer

Title

Aon Hewitt Investment Consulting, Inc.

Company