

CONTRACT

THIS CONTRACT, made and entered into this 30 day of June 2023, by and between the Teachers' Retirement System of the State of Kentucky, 479 Versailles Road, Frankfort, Kentucky 40601, hereinafter referred to as "TRS," and Fort Washington Investment Advisors, Inc., 303 Broadway, Suite 1200, Cincinnati, Ohio 45202, hereinafter referred to as the "Manager."

WHEREAS, TRS by its Board of Trustees at a meeting held on the 19 day of June 2023, has by order pursuant to authority granted in KRS 161.340(3) selected the Manager to provide investment services to the board in connection with the investment of funds of TRS; and

WHEREAS, the Manager is a reputable, qualified and established firm and has agreed to provide investment 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 Manager 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 services described as follows:

- (1) Continuing investment services including recommendations as to the purchase, sale and retention of securities under management of TRS (such securities, the "Account"). Manager shall have full power and authority to supervise and direct the investment of the Account, subject to such limitations as TRS may impose by notice in writing. Manager may, when it deems appropriate and without prior consultation with TRS, buy, sell, exchange, convert and otherwise trade in any stocks, bonds and other securities (including money market instruments) on behalf of the Account.
- (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, Manager 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 Manager or the Investment Committee to be important to the investment of the trust funds managed by TRS. Manager shall, not less than quarterly, submit

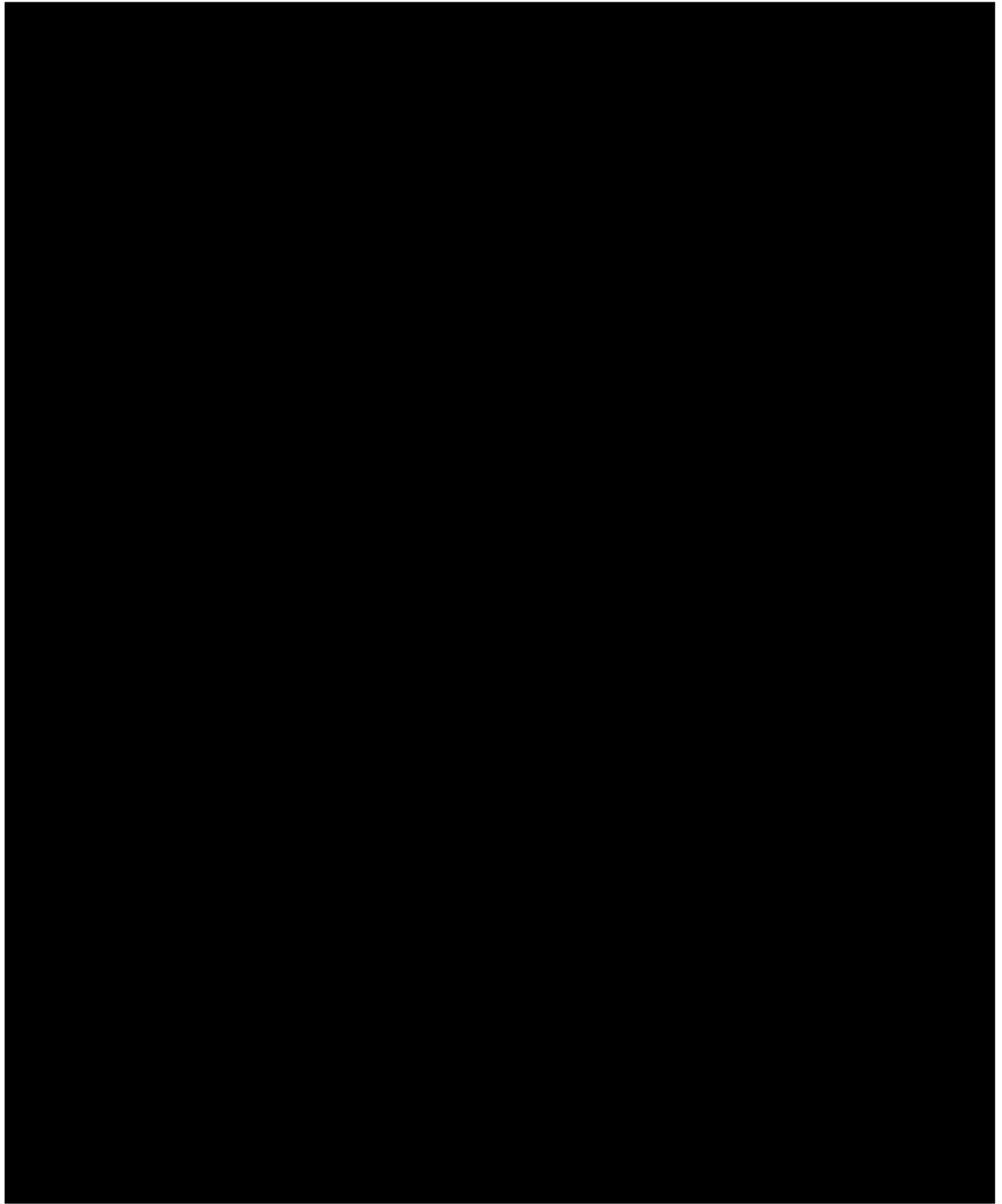
written reports to the Investment Committee in such form as the Investment Committee may require.

- (4) Investment positions held upon the advice of Manager will be regularly reviewed regarding their creditworthiness and the prospects for future appreciation. Manager may be expected to provide such evaluations in oral and written form.
 - (5) Upon the request of the Investment Committee, Manager will reallocate funds among the various asset classes managed by the Manager.
 - (6) The individual or individuals assigned by Manager to the TRS account must be accessible by telephone to TRS on a daily basis.
- b. Provide confirmation that portfolio managers assigned by Manager to provide TRS with investment 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 portfolios by TRS. The objectives and constraints may infrequently be revised.
- d. Purchase and maintain at Manager'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 Manager's policy is written on a "Claims Made" form, Manager shall, upon written request of TRS, furnish evidence that the liability coverage has been maintained for at least five 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 Manager 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, Manager 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.
- e. Upon written request of the Investment Committee, Manager shall establish and maintain separate accounts for separate funds and account separately for (i) the trust assets for a plan qualified under Internal Revenue Code sections 401(a) and 401(h); (ii) a section 115 insurance trust known as the "Kentucky Teachers' Retirement System insurance trust fund;" and (iii) such other funds as TRS may establish.
- f. In performing services under this agreement in accordance with KRS 161.430, Manager hereby acknowledges that it is a fiduciary and shall discharge its duties

in the best interests of TRS's members, beneficiaries and annuitants considering only pecuniary factors and not to further any nonpecuniary interest.

- g. Manager is authorized to place orders for the execution of securities transactions for the Account with or through such brokers, dealers or issuers as Manager may select. Where Manager places orders for the execution of portfolio transactions for the Account, Manager may allocate such transactions to such brokers and dealers for execution on such markets, at such prices and at such commission rates (which may be in excess of the rates another broker would charge) as in the good faith judgment of Manager will be in the best interest of the Account, taking into consideration in the selection of such brokers and dealers not only the available prices and rates of brokerage commissions, but also other relevant factors (such as, without limitation, execution capabilities, research and other services provided by such brokers and dealers that are expected to enhance the general portfolio management capabilities of Manager and the value of an ongoing relationship of Manager with such brokers and dealers) without having to demonstrate that such factors are of a direct benefit to the Account. Notwithstanding the foregoing, Manager hereby acknowledges that it is a fiduciary and shall abide by the standard of care imposed upon Manager by KRS 161.430.
- h. Manager shall provide TRS with the following information on a timely basis applicable to those assets for which Manager is to provide services:
- Weekly reports of security sales and purchases.
 - Monthly lists of individual securities owned by TRS.
 - Quarterly listings of securities owned by TRS with market values.
- i. TRS hereby acknowledges that it (i) has received a current copy of Manager's Brochure and Brochure Supplements (Parts 2A and 2B of its Form ADV) and consents to receiving future amendments and supplements thereto via electronic delivery; and (ii) has received a current copy of the Manager's Privacy Policy.
- j. A faxed or electronically transmitted signed document sent to Manager has the same legal force and effect as the original signed document, and once received, is the controlling record.

2. Fees.



3. Training/Seminars. In the event the Manager conducts seminars, training sessions or similar events which are generally made available to the Manager's clients receiving

similar services, TRS shall be invited to attend upon the same terms and conditions as such other clients. If the Manager offers to pay the cost of such events and/or expenses incurred by the clients in such events, the Manager shall pay for such expenses by TRS on the same basis as the Manager pays for its other clients.

4. Duration of Contract. The period in which subject services are to be performed is July 1, 2023, through June 30, 2024. 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 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 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. Manager 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 services provided to TRS without TRS's informed written consent. Manager 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 services provided to TRS without TRS's informed written consent. In addition, Manager 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 services to TRS, unless the Manager's acceptance and retention of such item was disclosed fully to and approved by TRS in writing. Manager agrees to exercise independent professional judgment, without conflict of interest, in providing independent investment services to TRS. Manager 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. Manager hereby certifies that Manager is legally entitled to enter into the subject contract with TRS and certifies that Manager 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 Manager 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 Manager 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. In adherence to KRS 161.430 (6), Manager hereby acknowledges that no funds of TRS, including fees and commissions paid to Manager were used to pay fees and commissions to placement agents.

7. Relationship of the Parties. Manager warrants that all work performed by Manager under this contract is and shall be performed as an independent contractor. Manager 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 Manager and TRS.
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. Manager shall notify the Board of Trustees in writing within five business days of any material changes in senior officers providing or overseeing the services identified herein, significant legal actions instituted against Manager, 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 Manager without the written consent of TRS. Further, the obligations of Manager under this contract shall be considered personal obligations of Manager, performable solely by the Manager and Manager may not delegate its duties hereunder to any entity other than an employee of Manager 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. Manager 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 Manager 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, Manager, to the extent it may effectively do so, irrevocably agrees not to claim, and it hereby waives, same.
12. Auditing. The Manager 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 Manager'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 Manager shall presume that all information received pursuant to this contract is confidential except (i) as required by law, rule, or regulation, (ii) as requested by a regulatory authority, (iii) for disclosures of information that has become public by means other than wrongful conduct by the

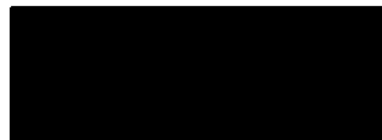
Manager or its agents or employees, (iv) for disclosures by the Manager to its legal counsel, accountants, or other professional advisers, (v) as necessary for the Manager to perform its responsibilities hereunder. The Manager shall remain the responsible authority in charge of all information collected, used, or disseminated by the Manager in connection with the performance of this contract. The Manager 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 Manager shall be considered the property of TRS. The Manager 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 Manager for records containing confidential information, the Manager 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 Manager shall immediately report to TRS any unauthorized disclosure of confidential information.
 - d. Survives Termination. The Manager'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, Maribeth S. Rahe, is the President and Chief Executive Officer of Fort Washington Investment Advisors, Inc., and Brendan White, is the Co-Chief Investment Officer of Fort Washington Investment Advisors, Inc., are duly authorized to sign this contract on behalf of the Manager and their signatures, therefore, binds Manager 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. Martin Flesher shall be the principal contact for the Manager 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.

[Signatures on following page]

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

FORT WASHINGTON INVESTMENT ADVISORS, INC.



Maribeth S. Rahe
President and Chief Executive Officer
Fort Washington Investment Advisors, Inc.
303 Broadway, Suite 1200,
Cincinnati, Ohio 45202
In behalf of Manager



Brendan M. White, CFA
Co-Chief Investment Officer
Fort Washington Investment Advisors, Inc.
303 Broadway, Suite 1200,
Cincinnati, Ohio 45202
In behalf of Manager

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;

- d) Vendors of TRS;
- e) Employees or Officers of the Commonwealth of Kentucky providing legal or expert advice at the request of TRS; and
- f) Any person acting in a fiduciary capacity for TRS.

B. Standards of Conduct Regarding Conflicts of Interest

- 1) Individuals have an obligation to diligently identify, disclose, avoid and manage conflicts of interest.
- 2) Potential conflicts of interest exist when an individual or an individual's family may be directly or indirectly financially impacted, whether favorably or detrimentally, by a decision made by TRS in which the individual participates.
- 3) Individuals and their family members should not enter into any contract with TRS or any agency doing business with TRS for financial gain, apart from an employment contract, without full disclosure and satisfactory management of any potential conflict of interest in accordance with the Executive Branch Code of Ethics and this policy.
- 4) Individuals should not be involved in the decision to hire or in the supervision of any member of their family as defined by the Executive Branch Code of Ethics.
- 5) Individuals should not conduct business or participate in decisions with a company or agency in which the individual or family member is employed or is actively seeking employment.
- 6) Individuals should not accept campaign contributions, gifts, loans, gratuities, discounts, services or other compensation under circumstances from which it could reasonably be inferred that a major purpose of the donor is to influence the individual in the performance of their duties for TRS.
- 7) Individuals must avoid all conduct that in any way might lead the public to believe that the individual is using his or her position with TRS to further a professional, political or private interest.
- 8) Individuals not covered by the conflict of interest provisions under KRS Chapter 11A must not violate any conflict of interest statute or principle by the performance of their duties with TRS. These individuals must not engage directly or indirectly in any financial or other transaction with a trustee or employee of TRS that would violate the standards of the Executive Branch Ethics provisions, as set forth in KRS Chapter 11A.

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

**TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
EXTERNAL SERVICE PROVIDER
CONFLICT OF INTEREST STATEMENT**

I, MARIBETH RAHE, in my role as President and CEO of FWIA
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 29 day of JUNE, 2023

Signature

MARIBETH S RAHE

Name

PRESIDENT AND CEO

Title

KT. WASHINGTON INVESTMENT ADVISORS

Company

161.430 Investment of funds -- Standards of conduct -- Investment procurement policy -- Proxy voting guidelines. (Effective June 29, 2023)

- (1) (a) The board of trustees shall be the trustee of the funds of the retirement system and shall have full power and responsibility for the purchase, sale, exchange, transfer, or other disposition of the investments and moneys of the retirement system. The board shall, by administrative regulation, establish investment policies and procedures to carry out their responsibilities.
- (b)
 - 1. The board shall contract with experienced competent investment managers to invest and manage assets of the system. The board may also employ qualified investment staff to advise it on investment matters and to invest and manage assets of the system not to exceed fifty percent (50%) of the system's assets. The board may contract with one (1) or more general investment consultants, as well as specialized investment consultants, to advise it on investment matters.
 - 2. All internal investment staff and investment consultants shall adhere to the Code of Ethics and Standards of Professional Conduct, and all board trustees shall adhere to the Code of Conduct for Members of a Pension Scheme Governing Body, promulgated by the CFA Institute. Investment managers shall comply with the federal Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder and shall comply with all other applicable federal securities statutes and related rules and regulations that apply to investment managers.
 - 3. No investment manager shall manage more than forty percent (40%) of the funds of the retirement system.
- (c) The board may appoint an investment committee to act for the board in all matters of investment, subject to the approval of the board of trustees. The board of trustees, in keeping with their responsibilities as trustees and wherever consistent with their fiduciary responsibilities, shall give priority to the investment of funds in obligations calculated to improve the industrial development and enhance the economic welfare of the Commonwealth. Toward this end, the board shall develop procedures for informing the business community of the potential for in-state investments by the retirement fund, accepting and evaluating applications for the in-state investment of funds, and working with members of the business community in executing in-state investments which are consistent with the board's fiduciary responsibilities. The board shall include in the criteria it uses to evaluate in-state investments their potential for creating new employment opportunities and adding to the total job pool in Kentucky. The board may cooperate with the board of trustees of Kentucky Retirement Systems in developing its program and procedures, and shall report to the Legislative Research Commission annually on its progress in placing in-state investments. The first report shall be submitted by October 1, 1991, and subsequent reports shall be submitted by October 1 of each year thereafter. The report shall include the number of applications for in-state investment received, the nature of the investments proposed, the amount requested, the amount invested, and the

percentage of applications which resulted in investments.

(2) (a) For the purposes of this subsection:

1. "Solely in the interest of the members and beneficiaries" shall be determined using only pecuniary factors and shall not include any purpose to further a nonpecuniary interest;
2. "Pecuniary factor" means a consideration having a direct and material connection to the financial risk or financial return of an investment;
3. A "material connection" is established if there is a substantial likelihood that a reasonable investor would consider it important in determining the financial risk or the financial return of an investment;
4. "Nonpecuniary interest" includes but is not limited to an environmental, social, political, or ideological interest which does not have a direct and material connection to the financial risk or financial return of an investment; and
5. "Investment manager" and "investment consultant" shall have the same definition attributed to "investment adviser" under the federal Investment Advisers Act of 1940, 15 U.S.C. sec. 80b-2.

(b) The board members, investment managers, investment consultants, or other fiduciaries, and proxy advisers shall discharge their duties with respect to the assets of the system solely in the interests of the active contributing members and annuitants and:

1. For the exclusive purpose of providing benefits to members and annuitants and defraying reasonable expenses of administering the system;
2. With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims;
3. By diversifying the investments of the plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
4. In accordance with the federal, state, and common laws, administrative regulations, and other instruments governing the system and fiduciaries.

(c) Evidence that a fiduciary has considered or acted on a nonpecuniary interest shall include but is not limited to:

1. Statements, explanations, reports, or correspondence;
2. Communications with portfolio companies;
3. Statements of principles or policies, whether made individually or jointly;
4. Votes of shares or proxies; or
5. Coalitions, initiatives, agreements, or commitments to which the fiduciary is a participant, affiliate, or signatory.

(3) (a) In choosing and contracting for professional investment management and

consulting services, the board shall do so prudently and in the interest of the members and annuitants. Any contract that the board makes with an investment manager shall set forth policies and guidelines of the board with reference to standard rating services and specific criteria for determining the quality of investments. Expenses directly related to investment management and consulting services shall be financed from the guarantee fund in amounts approved by the board.

- (b) An investment manager or consultant appointed under this section shall acknowledge in writing his or her fiduciary responsibilities to the fund. To be eligible for appointment, an investment manager, consultant, or an affiliate, shall be:
 - 1. Registered under the Federal Investment Advisers Act of 1940; or
 - 2. A bank as defined by that Act; or
 - 3. An insurance company qualified to perform investment services under the laws of more than one (1) state.
- (c) Proxy advisers and proxy voting services shall comply with all applicable provisions of the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder, and shall comply with all other federal statutes and related rules and regulations that apply to proxy advisers and proxy voting services.
- (d) No contract or agreement, whether made in writing or not, shall in any manner waive, restrict, or limit a fiduciary's liability as to any of the duties imposed by this section. Any agreement shall specify that it is made in the Commonwealth and governed by the laws of the Commonwealth.
- (4) No investment or disbursement of funds shall be made unless authorized by the board of trustees, except that the board, in order to ensure timely market transactions, shall establish investment guidelines and may permit its staff and investment managers who are employed or under contract with the board pursuant to this section to execute purchases and sales of investment instruments within those guidelines without prior board approval.
- (5) In discharging his or her administrative duties under this section, a trustee shall strive to administer the retirement system in an efficient and cost-effective manner for the taxpayers of the Commonwealth of Kentucky.
- (6) Notwithstanding any other provision of KRS 161.220 to 161.716, no funds of the Teachers' Retirement System, including fees and commissions paid to an investment manager, private fund, or company issuing securities, who manages systems assets, shall be used to pay fees and commissions to placement agents. For purposes of this subsection, "placement agent" means a third-party individual, who is not an employee, or firm, wholly or partially owned by the entity being hired, who solicits investments on behalf of an investment manager, private fund, or company issuing securities.
- (7) All contracts for the investment or management of assets of the system shall not be subject to KRS Chapters 45, 45A, 56, and 57. Instead, the board shall conduct the following process to develop and adopt an investment procurement policy with

which all prospective contracts for the investment or management of assets of the system shall comply:

- (a) On or before July 1, 2017, the board shall consult with the secretary of the Finance and Administration Cabinet or his or her designee to develop an investment procurement policy, which shall be written to meet best practices in investment management procurement;
 - (b) Thirty (30) days prior to adoption, the board shall tender the preliminary investment procurement policy to the secretary of the Finance and Administration Cabinet or his or her designee for review and comment;
 - (c) Upon receipt of comments from the secretary of the Finance and Administration Cabinet or his or her designee, the board shall choose to adopt or not adopt any recommended changes;
 - (d) Upon adoption, the board shall tender the final investment procurement policy to the secretary of the Finance and Administration Cabinet or his or her designee;
 - (e) No later than thirty (30) days after receipt of the investment procurement policy, the secretary or his or her designee shall certify whether the board's investment procurement policy meets or does not meet best practices for investment management procurement; and
 - (f) Any amendments to the investment procurement policy shall adhere to the requirements set forth by paragraphs (b) to (e) of this subsection.
- (8) (a) The board shall adopt written proxy voting guidelines which are consistent with the fiduciary duties and other requirements of this section.
- (b) The board shall not adopt the recommendations of a proxy adviser or proxy voting service and shall not allow such proxy adviser or proxy voting service to vote on behalf of the system, unless the proxy adviser or proxy voting service acknowledges in writing and accepts under contract its duties under this section and commits to follow the board-adopted proxy voting guidelines when voting the system's shares in order to comply with the board's fiduciary duties and other responsibilities under this section.
- (c) All shares held by or on behalf of the system, and which the system is entitled to vote under state, federal, or common laws, shall be voted according to the proxy voting guidelines adopted by the board and subject to the fiduciary duties and other requirements of this section by:
- 1. The board, the investment committee of the board, or an employee or employees of the system who are fiduciaries under this section and are appointed or otherwise authorized by the board; or
 - 2. A proxy adviser or proxy voting service that acknowledges in writing and accepts under contract its duties under this section and commits to follow the board-adopted proxy voting guidelines when voting the system's shares in order to comply with the board's fiduciary duties and other responsibilities under this section.
- (d) All proxy votes shall be reported at least quarterly to the board. For each vote, the report shall provide:

1. The vote caption;
2. The date of the vote;
3. The company's name;
4. The vote cast for the system;
5. The recommendation of the company's management; and
6. If applicable, the recommendation of the proxy adviser or proxy voting service.

Effective: June 29, 2023

History: Amended 2023 Ky. Acts ch. 94, sec. 8, effective June 29, 2023. -- Amended 2019 Ky. Acts ch. 72, sec. 3, effective March 25, 2019. -- Amended 2017 Ky. Acts ch. 12, sec. 8, effective March 10, 2017. -- Amended 2012 Ky. Acts ch. 75, sec. 13, effective April 11, 2012. -- Amended 2008 (1st Extra. Sess.) Ky. Acts ch. 1, sec. 32, effective June 27, 2008. -- Amended 2004 Ky. Acts ch. 121, sec. 5, effective July 1, 2004. -- Amended 2002 Ky. Acts ch. 275, sec. 9, effective July 1, 2002. -- Amended 1994 Ky. Acts ch. 369, sec. 5, effective July 1, 1994. -- Amended 1992 Ky. Acts ch. 192, sec. 4, effective July 1, 1992. -- Amended 1990 Ky. Acts ch. 442, sec. 18, effective July 1, 1990; and ch. 476, Pt. V, sec. 499, effective July 13, 1990. -- Amended 1988 Ky. Acts ch. 363, sec. 4, effective July 1, 1988. -- Amended 1984 Ky. Acts ch. 253, sec. 7, effective July 1, 1984. -- Amended 1980 Ky. Acts ch. 246, sec. 10, effective July 15, 1980. -- Amended 1978 Ky. Acts ch. 152, sec. 4, effective March 28, 1978. -- Amended 1972 Ky. Acts ch. 82, sec. 8. -- Amended 1968 Ky. Acts ch. 136, sec. 3. -- Amended 1966 Ky. Acts ch. 16, sec. 2. -- Amended 1964 Ky. Acts ch. 43, sec. 5. -- Amended 1962 Ky. Acts ch. 64, sec. 4. -- Amended 1960 Ky. Acts ch. 44, sec. 7. -- Amended 1958 Ky. Acts ch. 8, sec. 2. -- Amended 1954 Ky. Acts ch. 215, sec. 1. -- Recodified 1942 Ky. Acts ch. 208, sec. 1, effective October 1, 1942, from Ky. Stat. sec. 4506b-21.

Legislative Research Commission Note (3/10/2017). 2017 Ky. Acts ch. 12, sec. 12 provided that amendments made to subsection (6) in 2017 Ky. Acts ch. 12, sec. 8 governing placement agents and contracts or offerings entered into by the state-administered retirement systems shall apply to contracts and offerings established or contracts or offerings renewed on or after July 1, 2017.

Legislative Research Commission Note (3/10/2017). 2017 Ky. Acts ch. 12, sec. 13 provided that amendments made to subsection (7) of this statute in 2017 Ky. Acts ch. 12, sec. 8 governing the application of the Model Procurement Code, KRS Chapter 45A, and related statutes to the state-administered retirement systems, shall apply to contracts and offerings established or contracts or offerings renewed on or after July 1, 2017.

Legislative Research Commission Note (4/11/2012). 2012 Ky. Acts ch. 75, sec. 18, provides that the amendments made to subsection (6) of this statute regarding unregulated placement agents by 2012 Ky. Acts ch. 75, sec. 13, "shall apply to contracts established or contracts renewed on or after July 1, 2012."