

**Kentucky Retirement Systems
Investment Committee Meeting
Special Called
June 3, 2026, at 3:00 p.m. ET (2:00 p.m. CT)
Via Video Teleconference and Facebook Live**

AGENDA

- | | |
|--|--------------------------------------|
| 1. Call to Order | Prewitt Lane |
| 2. Opening Legal Statement | Victoria Hale |
| 3. Roll Call | Sherry Rankin |
| 4. Public Comment | Sherry Rankin |
| 5. KRS Investment Related Policy Review* | Carrie Bass
Nick Zuiker, Reinhart |
| 6. Adjourn* | Prewitt Lane |

** Committee Action May be Taken*

MEMORANDUM

TO: Kentucky Retirement Systems Board of Trustees Investment Committee (IC)

FROM: Carrie Bass, Compliance Officer/Special Assistant, Kentucky Public Pensions Authority (KPPA) Office of Operations

DATE: May 28, 2026

RE: Summary of proposed updates to the Kentucky Retirement Systems Board of Trustees' (Board) investment-related policies

Recommendation to Review and Vote to Recommend Adoption of the “Kentucky Retirement Systems’ Statement of Investment Objectives & Policies”

I recommend that the IC review this Memorandum and the materials included, and vote to recommend that the Board adopt the “Kentucky Retirement Systems’ Statement of Investment Objectives & Policies.”¹

The IC also is requested to recommend that the Board repeal the following policies², which have been merged into or otherwise addressed by the “Kentucky Retirement Systems’ Statement of Investment Objectives & Policies”:

1. [Investment Policy Statement](#);
2. [Investment Securities Lending Guidelines](#);
3. [Brokerage Policy](#);
4. [Manager and Placement Agent Statement of Disclosure Policy](#);
5. [Investment Proxy Voting Policy](#);
6. [Investment Transaction Procedures Policy](#);
7. [Real Estate Policy](#); and
8. [Investment Procurement Policy](#).³

¹ The IC should be aware that the Investment Procurement Policy, located on pages 34 through 41 of the “Kentucky Retirement Systems’ Statement of Investment Objectives & Policies,” can only be approved to be tendered to the Kentucky Finance and Administration Cabinet (Finance Cabinet) in accordance with Kentucky Revised Statutes (KRS) 61.650(6)(b). The Finance Cabinet then will provide comments on the Investment Procurement Policy, after which time the Board can vote to adopt its final version of the Investment Procurement Policy and decide whether to adopt any changes proposed by the Finance Cabinet. See KRS 61.650(6)(b)-(c). Thereafter, the Board will provide a copy of its final Investment Procurement Policy to the Finance Cabinet, and the Finance Cabinet will certify whether this policy meets best practices for investment management procurement. See KRS 61.650(6)(d)-(e). Finally, within sixty (60) days of adoption, the Investment Procurement Policy, along with the certification of best practices from the Finance Cabinet, will be tendered to the Public Pension Oversight Board (PPOB). See KRS 7A.255(3).

² The referenced policies of the Board are hyperlinked and can also be found on the KPPA website at: <https://www.kyret.ky.gov/Investments/Investments-Library/Pages/Investments-Policies.aspx>.

³ Proposed updates to the Kentucky Retirement Systems’ Securities Litigation Policy and the Kentucky Retirement Systems’ Securities Trading Policy for Trustees and Employees are expected to be presented to the Board separately at a later date. Updates to the Board’s Bylaws may also be warranted based on the proposed updates to the Board’s investment-related policies.

Background

KPPA Internal Audit 2025-2 found that compliance with investment-related policies of the Board was not being monitored (with the exception of Investment Policy Statement guidelines and restrictions). Internal Audit recommended that the Board's CEO, the Board's Investment Committee, the CIO, KPPA Executive Management, and the Compliance Officer work together to establish the following:

1. A process for monitoring and reporting investment compliance;
2. Responsibility for investment compliance;
3. Responsibility for ensuring statutorily required policies are in place;
4. A process for ensuring there are no conflicts in policy language;
5. A process for periodic review of investment-related policies of the Board; and
6. Updated language used in investment-related policies to refer to the CIO (rather than the Executive Director of the Office of Investments).

The consolidated "Kentucky Retirement Systems' Statement of Investment Objectives & Policies" addresses Internal Audit's findings and adopts the foregoing suggested actions.

The "Kentucky Retirement Systems' Statement of Investment Objectives & Policies" document also streamlines the Board's investment-related policies and creates an overarching investment governance document that aligns with current industry best practices, while meeting the unique needs of the Board.

Summary of Statement of Investment Objectives & Policies

The updates made to the Board's investment-related policies in the "Kentucky Retirement Systems' Statement of Investment Objectives & Policies" can be summarized as follows:

1. Outlines the purpose of the document, the Board's overall investment objectives, and the Board's strategy for achieving its investment objectives.
2. Establishes a definitions section and consistent language used throughout all policies in the document.
3. Defines the roles and responsibilities of the Board, its Investment Committee, and various staff and contractors of the Board and the KPPA. Includes clear, specific delegations and reporting expectations that comply with the Board's fiduciary duties. Delegates certain procurement and investment decisions to the CIO with reporting to (not approval by) the Board and its Investment Committee as follows:
 - a. Certain procurement decisions on behalf of the Board, including selection of investment managers below a certain threshold, electing to pursue re-ups, electing to pursue co-investments below a certain threshold, and selecting specialty investment consultants; and
 - b. On behalf of the Board, renewing contracts with current investment managers and other current investment vendors, amending the terms of an existing contract with investment managers and other investment vendors, and deciding whether to agree to fund term extensions.
4. Creates a standalone, streamlined Asset Allocation Policy. The Board's asset allocation was previously housed in its Investment Policy Statement. No substantive changes have been made to the allocation.

5. Creates a standalone, streamlined Benchmarking & Performance Measurement Policy. The Board's benchmarking and performance measurement standards were previously housed in its Investment Policy Statement. No substantive changes have been made to the actual benchmarks (other than those adopted by the Board in 2025, after the Investment Policy Statement was last updated). The discussion regarding measurements and objectives is significantly condensed.
6. Creates a standalone, streamlined Guidelines & Restrictions document. The Board's guidelines and restrictions were previously housed in its Investment Policy Statement.
7. Streamlines the Proxy Voting Guidelines. No substantive changes have been made to the actual guidelines. However, minor changes have been made to the policy for clarity, and the Board has been provided with a separate Memorandum addressing additional corporate governance matters the Board may wish to speak to in its Proxy Voting Guidelines.
8. Streamlines the Investment Procurement Policy. Consistent with #3 above, the Investment Procurement Policy has been amended to contain specific delegations of procurement and investment decisions by the CIO with reporting to (not approval by) the Board and its Investment Committee. The delegations to the CIO include selection of investment managers below a certain threshold, electing to pursue re-ups, electing to pursue co-investments below a certain threshold, and selecting specialty investment consultants. In addition, detailed procedures previously contained in this policy have been removed from the policy, and separate Investment Procurement Procedures have been established.
9. Adds revision histories. Dates and brief summaries of revisions made to the policies and documents contained with the consolidated "Kentucky Retirement Systems' Statement of Investment Objectives & Policies" will be maintained prospectively from the date of adoption of the consolidated "Kentucky Retirement Systems' Statement of Investment Objectives & Policies."

Materials Included

1. Draft Kentucky Retirement Systems' Statement of Investment Objectives & Policies;
2. Memo to Kentucky Retirement Systems Board of Trustees' Investment Committee on additional options for Proxy Voting Guidelines; and
3. Consolidated Statement of Investment Policies & Objectives Overview PowerPoint slides.

Kentucky Retirement Systems' Statement of Investment Objectives & Policies

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	Purpose, Objectives, & Strategy	Initial Date: [Insert date policy initially adopted] Revision Date: [Insert most recent revision date] Policy Owner: KRS Board
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Section 1: Background

The Kentucky Retirement Systems Board of Trustees (Board) administers and is the fiduciary of two (2) public pension plans, the Kentucky Employees Retirement System (KERS) and the State Police Retirement System (SPRS). *See* Kentucky Revised Statutes (KRS) 61.645, 61.650, and 16.642. The KERS pension plan is further subdivided into two (2) funds for administrative purposes – the Hazardous Duty Fund and the Non-hazardous Duty Fund.

The Board also administers a health insurance trust for recipients of the pension plans.¹ *See* KRS 61.650(1) and 61.701. The health insurance trust is further subdivided into three (3) funds² for administrative purposes – the KERS Hazardous Duty Health Insurance Fund, the KERS Non-hazardous Duty Health Insurance Fund, and the SPRS Health Insurance Fund.

To the extent the pension and insurance funds have different objectives or policies, the funds will be mentioned separately in this Statement of Objectives & Policies (Document). Otherwise, the pension and the health insurance trusts will be referred to and addressed collectively as “the Trusts.”

Section 2: Purpose

The Board is required by Kentucky law to adopt a written investment procurement policy and written proxy voting guidelines. *See* KRS 61.650(6)-(7). In addition, the Board is required by Kentucky law to adopt written policies to maintain ownership and control over the assets of the Trusts. *See* KRS 61.650(2). This Statement of Investment Objectives & Policies (Document) achieves all three (3) of those statutory mandates.

Moreover, this Document is central to the fulfillment of the Board’s fiduciary duty as trustees of the Trusts. The Board has established this Document to comply with its duty of prudence through the allocation of assets, diversification, performance objectives and benchmarking, policies, guidelines, roles, responsibilities, delegations, monitoring functions, and other matters detailed in this Document relating to the investment and management of the Trusts’ assets.

This Document functions in concert with other laws, policies, and guidelines detailing fiduciary and ethical requirements and parameters for the Trusts’ investments, including, but not limited to:

1. IRC § 401(a)
2. Executive Branch Code of Ethics (KRS Chapter 11A);

¹ The County Employees Retirement System Board of Trustees manages County Employees Retirement System assets in the health insurance trust in accordance with KRS 61.701(3).

² These three (3) health insurance funds are those administered by the Kentucky Retirement Systems Board of Trustees. There are additional health insurance funds administered by the County Employees Retirement System Board of Trustees.

3. Board as fiduciary and plan investment requirements (KRS 61.650, 16.642, KRS 61.701, common law of trusts);
4. Conflict of interest prohibitions (KRS 61.655);
5. Kentucky Retirement Systems Board of Trustees Statement of Bylaws and Committee Organization, Kentucky Retirement Systems' Conflict of Interest, Kentucky Retirement Systems' Confidentiality Policy, and Securities Trading Policy for Trustees and Employees; and
6. CFA Code of Ethics and Standards of Professional Conduct, CFA Asset Manager Code of Professional Conduct, and CFA Code of Conduct for Members of a Pension Scheme Governing Body.

The law shall control if any inconsistency exists between it and this Document.

Section 3: Objective & Strategy

Investment returns play an important role in terms of the funded status of the Trusts. Utilizing an appropriate level of risk, the Board is committed to maximizing the long-term total rate of return on investments for the sole benefit of the beneficiaries of the Trusts. The Board's overall investment performance goal is to achieve an annualized rate of return which, when combined with employee and employer contributions, will achieve full funding for the Trusts by 2049.

To achieve this goal, the Board employs multiple strategies:

1. Asset Allocation

The Board recognizes that asset allocation is the primary driver of long-term investment performance. Asset allocation is a process designed to construct an optimal long-term asset mix that achieves a specific set of investment objectives. The [Asset Allocation Policy](#) is adopted herein to provide for diversification of assets in an effort to maximize the long-term returns on investments consistent with prudent levels of market and economic risks. Of all the components of investment strategy formulation, the asset allocation is the most important.

2. Diversification

The Board recognizes that diversification minimizes the risk of poor investment performance by ensuring that the performance of the Trusts' portfolios is not dependent on any single asset class, group of securities, investment vehicle/structure, investment style or strategy, and/or manager of investment assets.

As previously stated, asset allocation is one (1) method employed by the Board to diversify investments and risks. In addition, within each individual asset class, diversification is achieved through the use of multiple portfolios that are managed internally by Kentucky Public Pensions Authority (KPPA) investment staff and externally by professional investment managers. Both internal investment staff and external managers offer a variety of investment styles and strategies. Additionally, investment staff and external managers are delegated the discretion to diversify their assigned portfolios, so long as the diversification is within the parameters of this Document and

portfolio guidelines. Finally, the Board uses a variety of investment vehicles to structure its investments.

The Board also relies on independent investment consultants to advise on all aspects of investment functions. The advice from independent consultants on investment matters adds another layer of diversified approaches and strategies.

3. Rebalancing

Proper implementation of this Document requires that a periodic adjustment, or rebalancing, of assets be made to conform to the targets and ranges established in the [Asset Allocation Policy](#) and in the contractual guidelines of each external investment manager (particularly for managers of public assets). Such rebalancing is necessary to reflect sizable cash flows and performance imbalances among asset classes and individual portfolios. KPPA investment staff are delegated the discretion to rebalance in order to achieve compliance with the [Asset Allocation Policy](#), and external public asset managers may rebalance to achieve compliance with the investment guidelines established in their contracts.

4. Performance Measurement & Review

The Board has set clear expectations for the performance of the Trusts' portfolios in the [Benchmarking & Performance Measurement Policy](#). At least quarterly, the Board's Investment Committee is tasked with reviewing the performance of the Trusts' portfolios to ensure that investment performance is on track to meet the performance goals and expectations established by the Board.

5. Compliance Monitoring

The KPPA Compliance Officer is to conduct routine testing to assure compliance with guidelines and restrictions imposed by law, this Document, and portfolio guidelines. At least quarterly, the Compliance Officer is to report the findings of those routine tests and any other violations of this Document to the Investment Committee. This compliance function allows the Board, via its Investment Committee, to be informed of violations of applicable law, this Document, investment manager contracts, or any other breach that may pose legal or fiduciary risks.

6. Staffing

The Board supports a culture that promotes the skills and talents of KPPA investment staff. The Board recognizes that a skilled team is necessary to achieve the Board's investment objectives.

Section 4: Review Period

The Board shall review this "Purpose, Objectives, & Strategy" policy no less frequently than every five (5) years.

	<h2>Definitions</h2>	<p>Initial Date: [Insert date policy initially adopted] Revision Date: [Insert most recent revision date] Policy Owner: KRS Board</p>
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1. **“Alternatives or Alternative Assets”** means investments with [GPs](#) or other [Investment Managers](#) in private assets such as timberland, private equity, real estate, commodities, natural resources, and infrastructure that are not traded on public exchanges and are long-term and generally illiquid in nature.
2. **“AUM”** means “assets under management.”
3. **“Benchmark”** means an index used to measure investment performance of a portfolio.
4. **“Best Value”** means (a) potential [Investment Vendor\(s\)](#) that provide(s) the best performance at the lowest cost (economic efficiency) giving due consideration to factors including, but not limited to, performance improvements (faster, more suitable), timing (including emergencies), execution, quality, trust, reputation, service, and price.
5. **“Board”** means the Kentucky Retirement Systems Board of Trustees.
6. **“Bps”** means basis points.
7. **“Bylaws”** means the Kentucky Retirement Systems Board of Trustees’ Statement of Bylaws and Committee Organization.
8. **“CEO”** means the Kentucky Retirement Systems’ Chief Executive Officer.
9. **“CIO”** means the KPPA Chief Investment Officer.
10. **“Co-Investment”** means a direct investment in a portfolio company or property alongside an existing [Trust](#) partnership.
11. **“Compliance Officer”** means the KPPA Compliance Officer.
12. **“Conflict of Interest”** has the meaning stated in Section 2 of the Board’s Conflict of Interest Policy. Out of an abundance of caution, the Board clarifies that a Conflict of Interest for the purposes of this [Document](#) includes an actual or potential conflict of interest, and the appearance of a conflict of interest.
13. **“Custodial Bank”** means custodians and other agents who will be [Fiduciaries](#) to the [Trusts](#) and who will assume responsibility for the safekeeping and accounting of all assets held on behalf of the Trusts, as well as other duties as agreed to by contract.
14. **“Derivative”** means a financial contract that has value linked to an underlying asset, such as a stock, bond, or commodity.
15. **“Document”** means the “Kentucky Retirement Systems’ Statement of Investment Objectives & Policies.”
16. **“Fiduciary”** means a person:
 - a. With discretionary authority or control of the management of the [Trusts](#);
 - b. With discretionary authority or control over the disposition of assets of the Trusts;

- c. With discretionary authority or responsibility over the administration of the Trusts;
or
- d. Who renders investment advice regarding assets of the Trusts.

Trustees, the CEO, the CIO, the KPPA Executive Director, KPPA Deputy Executive Director, the KPPA Executive Director Office of Operations, the KPPA Executive Director Office of Benefits, Investment Staff, Investment Managers, and Proxy Voting Agents (if the Proxy Voting Agent exercises discretion) are statutorily designated fiduciaries. *See* KRS 61.650(1)(c)(2). A person may also be a functional fiduciary if they meet the criteria stated above in this definition.

17. **“Final Candidate Pool”** means a subset of Potential Vendors from which (a) final vendor(s) is chosen to provide services under the Investment Procurement Policy.
18. **“Fund”** means the Kentucky Employees Retirement System Hazardous Duty Pension Fund, the Kentucky Employees Retirement System Non-Hazardous Duty Pension Fund, the State Police Retirement System Pension Fund, the Kentucky Employees Retirement System Hazardous Duty Insurance Fund, the Kentucky Employees Retirement System Non-Hazardous Duty Insurance Fund, and/or the State Police Retirement System Insurance Fund, as context requires. The Funds are subdivisions of the Trusts created and used by KPPA and the Kentucky Retirement Systems for administrative purposes.
19. **“GP”** means General Partner. *See* definition of “LPA” for more information on GPs.
20. **“General Investment Consultant”** means an external organization or person retained by the Kentucky Retirement Systems for asset allocation studies, asset allocation recommendations, performance reporting, Benchmarking/peer group comparisons, Investment Manager searches, general investment education and advice, and other investment-related consulting functions and duties as set forth by contract.
21. **“Investment Committee”** means the Investment Committee established by KRS 61.650 and the Bylaws, Section 2.2(c).
22. **“Investment Manager”** means an external organization with which the Trusts have contracted for the management of assets.
23. **“Investment Program”** means the unified administration of investments on behalf of the Trusts.
24. **“Investment Staff”** means persons holding any portfolio manager position in the KPPA Office of Investments that reports to the CIO.
25. **“Investment Vendor”** means a provider of investment analytical, professional, research, and/or technical services.
26. **“KPPA”** means Kentucky Public Pensions Authority.
27. **“KRS”** means Kentucky Revised Statutes.
28. **“Legal Counsel”** means a licensed attorney employed in the KPPA Office of Legal Services or a contract licensed attorney retained to represent the Trusts.

29. **“LP”** means Limited Partner. *See* definition of **“LPA”** for more information on LPs.
30. **“LPA”** means Limited Partnership Agreement. Limited Partnership Agreements are contractual investment arrangements that are long-term in nature and provide a **GP** with a reasonable time horizon in which to wisely invest capital, add value through intensive operational management, then realize the proceeds of such an investment. The **LP** is generally a passive investor. The LPA defines the relationship between the GP and the LPs, including economic terms such as incentives and ultimate net performance of the partnership.
31. **“Performance Attribution”** means the relationship between a potential **Investment Manager**’s Portfolio returns and the active decisions of the potential Investment Manager.
32. **“Placement Agent”** means a person or firm who acts as an intermediary, finder, or marketer to connect companies or investment funds with potential investors. Placement Agents are banned by KRS 61.645(21) and by policy from receiving fees or commissions incident to an investment by the **Trusts**.
33. **“Policy”** means an individual policy within the “Kentucky Retirement Systems’ Statement of Investment Objectives & Policies.”
34. **“Portfolio”** means a pool of money.
35. **“Potential Vendor”** means a person or company that is in consideration or that could be in consideration to be awarded a contract related to the investment or management of **Trust** assets under the **Investment Procurement Policy**. The person or company could be in contention to be an **Investment Manager**, a **General Investment Consultant**, a **Specialty Investment Consultant**, an **Investment Vendor**, or any other provider of goods or services necessary for the investment or management of Trust assets.
36. **“Proxy Voting Agent”** means the proxy voting service vendor, or in some cases **Investment Managers**, authorized to vote on company proposals on behalf of the **Trusts** by proxy.
37. **“Public Asset”** means securities traded on public exchanges and are liquid in nature. Generally speaking, “Public Asset” will include public equity, core fixed income, and specialty credit asset classes.
38. **“Qualitative Analysis”** means a review of a **Potential Vendor** that uses unquantifiable information, such as the impact of vendor management expertise, processes, and ownership structure on an investment.
39. **“Quantitative Analysis”** means the economic, business, or financial reviews that aim to understand or predict behavior or events through the use of mathematical measurements and calculations, statistical modeling, and research.
40. **“Quiet Period”** means a specified timeframe when **Trustees**, **Investment Staff**, and all other **KPPA** staff are restricted in communications with **Potential Vendors**, **Investment Managers**, **General Investment Consultants**, **Specialty Investment Consultants**, and/or **Investment Vendors** in designated procurements.

41. **“Recipient”** means a member, retired member, beneficiary, or dependent child as defined in KRS 16.505 and 61.510.
42. **“Re-Up”** means a new fund offering within the same asset class by an existing [Alternatives Investment Manager](#).
43. **“RFI”** means Request for Information. A Request for Information is a document sent to [Potential Vendors](#) to request specific information or clarification regarding a service or product.
44. **“RFP”** means Request for Proposals. A Request for Proposals is a document soliciting proposals for a procurement based on the terms listed in the offering document.
45. **“RFQ”** means Request for Quotations. A Request for Quotations is an invitation to suppliers to bid on providing specific products or services.
46. **“Screening Criteria”** means the factors that represent the key areas of importance in making a final determination in whether to invest with a new [Investment Manager](#), invest in a [Re-Up](#), or retain a [General Investment Consultant](#) or [Specialty Investment Consultant](#), which shall always include cost/price as well as other considerations weighted by importance.
47. **“Security”** means a legal representation of the right to receive prospective future returns on invested capital under stated conditions. “Security” includes any investment that represents an ownership stake or debt stake in a company, partnership, governmental unit, business, or other enterprise. A “Security” is broadly defined and includes any instrument that may be conceived of as a “Security.”
48. **“Specialty Investment Consultant”** means a professional investment consultant retained by [KPPA](#) to assist [Investment Staff](#) in specialized markets or asset classes with researching sourcing, and due diligence of managers and strategies.
49. **“Trust”** means the Kentucky Employees Retirement System pension plan established by KRS 61.515, the State Police Retirement System pension plan established by KRS 16.510, and/or the Kentucky Retirement Systems insurance trust established by KRS 61.701, as context requires.
50. **“Trustee”** means a trustee serving on the Kentucky Retirement Systems Board of Trustees pursuant to KRS 61.645.

The Board shall review the foregoing definitions no less frequently than every five (5) years.

	Roles, Responsibilities, & Delegations Policy	Initial Date: [Insert date policy initially adopted] Revision Date: [Insert most recent revision date] Policy Owner: KRS Board
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Section 1: Fiduciaries

Fiduciaries shall discharge their duties with respect to the Trusts as follows:

1. Solely in the interest of the Recipients;
2. For the exclusive purpose of providing benefits to Recipients and paying reasonable expenses of administering the Trusts;
3. With the care, skill, and caution under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose (commonly referred to as the “Prudent Investor Rule”);
4. Impartially, taking into account any differing interests of Recipients;
5. Incurring any costs that are appropriate and reasonable; and
6. In accordance with a good-faith interpretation of the federal, state, and common law governing the Trusts and Fiduciaries.

See KRS 61.645(15); 61.650(1)(c)(2).

Additionally, the Trustees and other Fiduciaries shall not engage in any transaction that results in a substantial diversion of the Trusts’ income or assets without adequate security and reasonable rate of return to a disqualified person or in any other prohibited transaction described in Internal Revenue Code Section 503(b) - Prohibited Transactions.

Section 2: The Board

I. Overview

The Board is established pursuant to KRS 61.645. The Board has ultimate responsibility for the investment and management of the Trusts’ assets in accordance with applicable legal requirements, including the fiduciary duty of the Trustees. See KRS 61.650.

The Board has elected to thoughtfully delegate implementation of the policies adopted herein and routine investment-related actions (including the acquisition, sale, monitoring, and daily management of the Trusts’ assets) to its Investment Committee, Investment Managers, and certain KPPA staff. Those delegations are delineated below.

However, the Board recognizes that such delegations do not absolve it of the ultimate Fiduciary, governance, and oversight responsibilities concerning the investment and management of the Trusts’ assets. As stated in the Purpose, Objectives, & Strategy statement, the Board maintains ownership and control over the Trusts’ assets in conformity with KRS 61.650(2) through the establishment of this Document, in particular setting the asset allocation and Benchmarks for

performance. The Board reserves the right to make changes to this Document, as it deems necessary.

In addition, the [Board](#) maintains ownership and control over the [Trusts'](#) assets through routine reporting on its delegations as stated in this [Document](#). The Board may rescind or alter delegations via this [Policy](#) at any time. All persons delegated responsibilities via this Policy shall promptly report to the Board any deviations from the parameters set forth by law, in this Document, or via directions provided by the Board. In all circumstances, the Board will ensure appropriate remediation of any compliance issues that may arise or compliance failures that may occur. Finally, as set forth in the [Bylaws](#), the Board maintains oversight and control of its assets and the [Investment Committee](#) via its Chair's appointment of other members to the Investment Committee in addition to the three (3) [Trustees](#) with investment experience who are appointed by the Governor to pursuant to KRS 61.645(1)(c). *See* Bylaws, Section 2.2(c).

II. Reports & Monitoring Responsibilities

The [Board](#) shall review reports from the [Investment Committee](#) on actions, decisions, and incidents relevant to the [Trusts'](#) assets and delegations. Based on these reports, the Board will provide feedback, instruction, and direction to its Investment Committee, the [CIO](#), the [CEO](#), [Investment Staff](#), and other [KPPA](#) staff, as appropriate.

Section 3: Investment Committee

I. Responsibilities

The [Investment Committee](#) is responsible for ensuring the implementation of this [Document](#) and assuring the prudent investment of the [Trusts'](#) assets to achieve the goals established herein. The Investment Committee's responsibilities include, but are not limited to, the following:

1. Holding quarterly meetings;
2. Ensuring conformity with this [Document](#);
3. Monitoring progress achieved toward the [Board's](#) stated investment goals, including most importantly, investment performance;
4. Reviewing this [Document](#) and recommending appropriate changes to the [Board](#);
5. Selecting certain [Investment Managers](#), [Re-Ups](#), and [Co-Investments](#), and any [General Investment Consultants](#), pursuant to the [Investment Procurement Policy](#);
6. Reviewing the [CIO's](#) selection of certain [Investment Managers](#), certain [Re-Ups](#), and certain [Co-Investments](#) pursuant to the [Investment Procurement Policy](#);
7. Monitoring investment activities performed by the [CIO](#), [Investment Staff](#), and [Investment Managers](#);
8. Monitoring current [General Investment Consultants](#);
9. Resolving [Conflicts of Interest](#) of an [Investment Manager](#), [General Investment Consultant](#), or [Specialty Investment Consultant](#);
10. Monitoring compliance as reported by the [Compliance Officer](#); and
11. Any other duties as directed by the [Board](#).

II. Delegations

To allow the [Investment Committee](#) to fulfill its critical functions, the [Board](#) hereby delegates to the Investment Committee the authority to make the following decisions:

1. Certain procurement decisions, as delineated in and subject to the requirements of the [Investment Procurement Policy](#);
2. Selecting [General Investment Consultants](#) as stated in the [Investment Procurement Policy](#);
3. Decide how to resolve disclosed [Investment Manager](#), [General Investment Consultant](#), or [Specialty Investment Consultant Conflicts of Interest](#) (such resolution may include, but is not limited to, taking no action, conflicted party abstention, or refusal to invest or enter into a contract); and
4. Take any other action necessary to implement this [Document](#) and meet the goals and objectives established by the [Board](#).

III. Reports

No later than at the next regularly scheduled meeting of the [Board](#) following a quarterly or special-called [Investment Committee](#) meeting, the Investment Committee Chair or the Chair's designee shall provide the following written and/or verbal reports to the Board:

1. Summaries on information received and action taken by the Investment Committee at the meeting relating to the responsibilities outlined in (I) above; and
2. Decisions made at the meeting pursuant to the delegations outlined in (II) above.

Section 4: CEO & KPPA Executive Director

The [Board](#) employs a [CEO](#), who serves as the Board's executive advisor. *See* KRS 61.645(9)(a). The CEO is responsible for ensuring that statutorily required policies, such as those contained in this [Document](#), are in place. The CEO is also charged with ensuring this Document is implemented in conformity with the applicable laws and other Board policies, including the [Bylaws](#). *See* Bylaws, Section 1.3(e).

The KPPA Executive Director is the [Board's](#) chief administrative officer. *See* KRS 61.505(8)(a). The KPPA Executive Director is charged with executing all [KPPA](#) duties, including the investment and management of assets in conformity with this [Document](#), applicable laws, and other Board policies. *See* Bylaws, Section 2.2(c)(4). The KPPA Executive Director employs the [CIO](#)³ and all other KPPA staff tasked with carrying out this Document. *See* KRS 61.505(8)(b).

³ While the [KPPA](#) Executive Director supervises the [CIO](#), the [Board](#) and its [Investment Committee](#) provide direction to the CIO concerning investment and management of the [Trusts'](#) assets.

Section 5: CIO

I. Responsibilities

The [CIO](#) position is a multi-faceted role. The CIO is responsible for the day-to-day oversight of the [Trusts'](#) investments consistent with applicable laws, this [Document](#), other [Board](#) policies, and the direction provided by the Board or its [Investment Committee](#). The CIO, through management of [Investment Staff](#), oversees investment risk management, [Investment Manager](#) oversight, and other related activities. The CIO fosters effective collaboration between [General Investment Consultants](#), [Specialty Investment Consultants](#), and Investment Staff, and ensures that General Investment Consultants provide appropriate information and advice to the Investment Committee and the Board. The CIO works with the [Compliance Officer](#) to develop policies, procedures, guidelines, and templates that govern the work of Investment Staff. The CIO communicates with the mass media and other agencies, entities, or institutions regarding investment-related issues. The CIO recommends and opines on proposed and enacted changes to Kentucky laws and regulations relating to investments, and submits public comments on proposed regulatory changes. The CIO recommends policy and strategy changes. The CIO is the primary authorized signer on behalf of the Board and generally acts as a liaison on all matters pertaining to investment of the Trusts' assets and the [Investment Program](#).

II. Delegations

To allow the [CIO](#) to fulfill their duties, the [Board](#) hereby delegates to the CIO the authority to make the following decisions:

1. Certain procurement decisions, as delineated in and subject to the requirements of the [Investment Procurement Policy](#);
2. Increase or reduce assets assigned to a current [Investment Manager](#), so long as the relevant asset class remains within the relevant range established by the [Asset Allocation Policy](#);
3. Renew contracts related to the investment or management of [Trust](#) assets and [Alternative fund term extensions](#);
4. Negotiate and decide whether to authorize new contract terms or changes to existing contract terms;
5. Terminate the contract of or otherwise cease the relationship with an [Investment Manager](#), [General Investment Consultant](#), [Specialty Investment Consultant](#), or other [Investment Vendor](#);
6. Select [Specialty Investment Consultants](#) as stated in the [Investment Procurement Policy](#);
7. Submit public comments on behalf of the [Board](#) regarding proposed changes to state or federal regulations; and
8. Any other action necessary to invest the [Trusts](#) in compliance with this [Document](#), comply with legal requirements, or administer the [Investment Program](#).

If the [CIO](#) is unavailable, the Deputy CIO may serve in place of the CIO for the foregoing. The CIO or Deputy CIO may also subdelegate decisions related to numbers two (2) through five (5) above to Investment Staff.

III. Reports

The [CIO](#) ensures that the investment reports listed in [Section 10 of this Policy](#) are provided to the [Investment Committee](#).

IV. Policies, Procedures, Guidelines, & Templates

The [CIO](#), in collaboration with the [Compliance Officer](#), is responsible for ensuring that appropriate policies, procedures, guidelines, and templates are established to implement this [Document](#) and the [Investment Program](#). Policies, procedures, guidelines, and/or templates that conform to this Document and applicable law shall be developed, and routinely reviewed and monitored, for the following areas:

1. Guidelines for rebalancing, diversification, and apportionment of allocation from the [Trusts](#) among the [Funds](#) for new investments;
2. Asset allocation reviews (actual asset allocation versus target asset allocation as stated in Section 2 of the [Asset Allocation Policy](#));
3. Guidelines for [Public Asset Investment Managers](#) as stated in [Section 8 of this Policy](#);
4. Procedures for carrying out the [Investment Procurement Policy](#);
5. Review cycles for [Public Asset Investment Managers](#), [General Investment Consultants](#), [Specialty Investment Consultants](#), and other [Investment Vendor](#) contracts;
6. Cost-savings and cost-efficiency policy for [Investment Managers](#), [Specialty Investment Consultant](#), and other [Investment Vendors](#);
7. [Investment Manager](#) ongoing due diligence and quantitative risk monitoring;
8. [Custodial Bank](#) due diligence and other administrative matters, such as a portfolio accounting system;
9. [Placement Agent](#) and [Conflict of Interest](#) disclosures required of [Investment Managers](#) and handling of discovered Placement Agent use or Conflicts of Interest;
10. [Derivatives](#) guidelines;
11. Securities lending program;
12. Broker selection and monitoring program;
13. Trade execution violation requirements for [Public Asset Investment Managers](#);
14. Securities transactions, including compliance with federal securities trading laws, applicable to [Investment Staff](#);
15. United States Office of Foreign Assets Control (OFAC) compliance;
16. End-of-fund-life strategy; and
17. Any other area determined by the [Board](#), the [Investment Committee](#), the [CEO](#), or the [KPPA Executive Director](#).

At any time, the [Investment Committee](#) or the [Board](#) may require the [CIO](#) or designee to provide information on the [Investment Program](#) documents described above. The Board reserves the right and the right of its Investment Committee to direct the CIO to make changes to the foregoing documents.

V. Authorized Signer

To carry out this [Document](#) and any investment related decisions of the [Board](#) or its [Investment Committee](#), the [CIO](#) or designee is authorized to execute agreements and other necessary or proper documents on behalf of the Board.

Section 6: Investment Staff

Under the supervision of the [CIO](#), the [Investment Committee](#), and the [Board](#), [Investment Staff](#) are tasked with implementing this [Document](#) and carrying out instructions from the CIO, the Investment Committee, and the Board. This Document, the CIO, the Investment Committee, and [Investment Program](#) policies, procedures, guidelines, and templates provide parameters and directions for the Investment Staff; however, Investment Staff are authorized to exercise discretion within those parameters and in accordance with those directions. Investment Staff are specifically authorized to rebalance their assigned asset class [Portfolios](#) as stated in Section 3 of the [Asset Allocation Policy](#) to manage liquidity or for any purpose established by the CIO in rebalancing guidelines. Investment Staff are further authorized to direct the voting of proxies by [Proxy Voting Agents](#) as stated in the [Proxy Voting Guidelines](#).

In addition, [Investment Staff](#) make recommendations to the [CIO](#) and the [Investment Committee](#) concerning the following:

1. Procurements as stated in the [Investment Procurement Policy](#);
2. Changes to this [Document](#), particularly [Benchmarks](#) for their assigned asset class, and other [Board](#) policies;
3. Changes to [Investment Program](#) policies, procedures, guidelines, and templates; and
4. Any other matters pertaining to investment of the [Trusts'](#) assets and/or the [Investment Program](#).

Section 7: Compliance Officer

The [Compliance Officer](#) is responsible for overseeing investment compliance. More specifically, the Compliance Officer assists with the development of appropriate policies and controls, and monitors and provides reporting on compliance with legal requirements, this [Document](#), [Investment Manager](#) guidelines, and [Investment Program](#) policies, procedures, guidelines, and templates. To ensure the Compliance Officer's independence from the Investment Program, the Compliance Officer reports directly to the KPPA Executive Director of the Office of Operations.

More specifically, the [Compliance Officer](#) performs the following functions:

1. **Daily Monitoring** – Daily, the [Compliance Officer](#) or designee shall test the guidelines and restrictions listed in Section 1 of the [Guidelines & Restrictions Policy](#) and the guidelines in place for each public equity and fixed income [Public Asset Portfolio](#) managed by an [Investment Manager](#).

2. **Investment Program Policies, Procedures, Guidelines, & Templates** – The [Compliance Officer](#) shall assist the [CIO](#) the development and periodic review and monitoring of [Investment Program](#) policies, procedures, guidelines, and templates in accordance with [Section 5 \(IV\) of this Policy](#).
3. **Compliance Sign-Off (New Investments)** – The [Compliance Officer](#) is responsible for completing a sign-off attesting that new investments are completed in accordance with applicable legal requirements and applicable requirements set forth in this [Document](#).
4. **Reports** – The [Compliance Officer](#) is responsible for the compliance reports listed in [Section 10 of this Policy](#).

Section 8: Investment Managers

The [Board's](#) investments are primarily managed by professional investment management firms based on applicable laws, this [Document](#), and the contract entered between the [Trusts](#) and the [Investment Manager](#).

Each [Investment Manager shall](#) be required to:

1. Agree to serve as a [Fiduciary](#) to the [Trusts](#);
2. Certify as part of its contract that it does not have any [Conflicts of Interest](#);
3. Certify as part of its contract that it does not use [Placement Agents](#);
4. Agree that subsequent discovery of any undisclosed [Conflict of Interest](#) or use of [Placement Agent](#) may be considered a breach of contract and may result in immediate termination of any agreements without penalty or fee to [Trusts](#); and
5. When possible, invest [Trust](#) assets in [Securities](#) that provide a positive contribution to the economy of the Commonwealth of Kentucky.

Each individual [Portfolio](#) of a [Public Assets Investment Manager](#) shall have a comprehensive set of investment guidelines that contain a listing of permissible investments, Portfolio restrictions, risk parameters, and standards of performance for the Portfolio. In addition, Investment Managers are subject to the applicable parameters listed in the [Guidelines & Restrictions Policy](#).

Section 9: Legal Counsel

Legal documentation for all [Investment Managers](#), [General Investment Consultants](#), [Specialty Investment Consultants](#), and other [Investment Vendors](#) will be reviewed by internal or external legal counsel, or both. The [CIO](#) and [Investment Staff](#) will seek the assistance, review, and advice of [Legal Counsel](#) (internal, external, or both), as needed. The KPPA Office of Legal Services has primary responsibility for the engagement of outside legal counsel for investment matters.

Section 10: Reporting Criteria

Investment Reports (CIO or Designee)

1. Quarterly Reports – At each regular quarterly meeting of the Investment Committee, the CIO or designee shall present written investment reports on the following for the prior quarter. The quarterly investment reports presented generally will include:
 - A. Economic and market update;
 - B. Performance by Trust and by Fund, including quarterly, fiscal year-to-date, 1-year, 3-year, 5-year, 10-year, 20-year, and 30-year investment performance;
 - C. Performance by manager and mandate, including internally managed portfolios;
 - D. Asset allocation and performance;
 - E. Performance highlights and attribution;
 - F. Investment budget update;
 - G. Securities lending program;
 - H. Any decision(s) made by the CIO, the CIO’s designee, the Deputy CIO, or Investment Staff pursuant to the delegations made in Section 5 (II) of this Policy since the last meeting of the Investment Committee; and
 - I. Any other reports requested by the Investment Committee or initiated by the CIO.

2. Annual Reports
 - A. At least annually, but more frequently as needed, the CIO or designee will present an annual investment plan to the Investment Committee, which shall include, but is not limited to, the following:
 - i. A comprehensive review of each asset class and underlying asset class Portfolios, including an organizational, performance, and compliance assessment;
 - ii. Assessments of the conformity of General Investment Consultants, Specialty Investment Consultants, and Investment Vendors with expectations, objectives, policies, and guidelines; and
 - iii. Any action resulting in significant cost savings to the Trusts’ Portfolio.
 - B. At least annually, but more frequently as needed, the CIO or designee will provide the Investment Committee with a report on the performance of the securities lending program.

3. As Needed Reports – As needed, the CIO or designee will provide reports to the Investment Committee regarding the following:
 - A. Written reports required by the Investment Procurement Policy;
 - B. Conflicts of Interest disclosed by an Investment Manager, General Investment Consultant, Specialty Investment Consultant, or other Investment Vendor;
 - C. Terminations of Public Assets Investment Managers, General Investment Consultants, Specialty Investment Consultant, or other Investment Vendors, including the reasons and justifications for termination;

- D. Updates on [Investment Managers'](#) conformity with expectations, objectives, policies, and guidelines;
- E. Updates on investment-related matters for consideration and potential action by the [Investment Committee](#);
- F. Recommended changes this [Document](#) or other policies relating to investments, including, but not limited to, recommending asset allocation or asset class [Benchmark](#) changes; and
- G. [Investment Staff](#) updates.

Compliance Reports (Compliance Officer)

1. [Quarterly Reports](#) – At each regular quarterly meeting of the [Investment Committee](#), the [Compliance Officer](#) or designee shall present written reports for the prior quarter detailing the results of the daily testing of the guidelines and restrictions listed in the [Guidelines & Restrictions Policy](#) and the guidelines in place for each public equity and fixed income [Public Asset Portfolio](#) managed by an [Investment Manager](#). The reports shall include exceptions, the cause of each exception, and the resolution for each exception.

The [Compliance Officer](#) or designee will also present a report providing the location of the proxy voting report for the preceding quarter in compliance with KRS 61.650(7)(d) and verifying that the proxy voting report for the preceding quarter has been posted on the [KPPA](#) website in compliance with KRS 61.645(19).

2. [Annual Reports](#) – Annually, the [Compliance Officer](#) or designee shall provide the [Investment Committee](#) with a report on any material deviations from the [Investment Program](#) policies, procedures, and guidelines.
3. [As Needed Reports](#) – The [Compliance Officer](#) or designee shall provide the [Investment Committee](#) with a report on any of the following, as needed:
 - A. Any violations of the [Policies](#) (aside from the quarterly exception reporting described in (1) above) detailed in this [Document](#) at the next [Investment Committee](#) meeting following the violation;
 - B. Certification that each procurement of goods or services that is submitted to the [Investment Committee](#) for approval complied with the [Investment Procurement Policy](#);
 - C. Progress reports on the status of [Investment Program](#) compliance and other compliance activities; and
 - D. Any other reports or information requested by the [CIO](#), the [Investment Committee](#), and/or the [Board](#).

Section 11: Review Period

The Board shall review this “Roles, Responsibilities, & Delegations” policy no less frequently than every two (2) years.

	<h2>Asset Allocation Policy</h2>	Initial Date: [Insert date policy initially adopted] Revision Date: [Insert most recent revision date] Policy Owner: KRS Board
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Section 1: Background

The importance of asset allocation is described in the Board’s [“Purpose, Objectives, & Strategy”](#) statement. In establishing its asset allocation in Section 2 below, the Board recognizes that each [Fund](#) has its own capacity to tolerate investment volatility (i.e., risk). The asset allocation listed for the Funds in Section 2 of this Policy are based on an analysis of capital market assumptions including expected returns, risks, volatility, correlations, liquidity, and factor exposures of various asset classes. The asset classes are grouped together in broad macro categories.

Section 2: Asset Allocation (effective February 1, 2024)

Kentucky Employees Retirement System Hazardous Duty Pension Fund & Kentucky Retirement Systems Health Insurance Trust Funds⁴			
Asset Class	Target	Minimum	Maximum
Equity			
Public Equity	40%	25%	50%
Private Equity	8%	4%	12%
Fixed Income			
Core Fixed Income	10%	8%	15%
Specialty Credit	25%	20%	30%
Cash	2%	0%	5%
Inflation Protected			
Real Estate	7%	4%	10%
Real Return	8%	5%	11%

Kentucky Employees Retirement System Non-Hazardous Duty Fund & State Police Retirement System Fund			
Asset Class	Target	Minimum	Maximum
Equity			
Public Equity	30%	20%	40%
Private Equity	6%	3%	9%
Fixed Income			
Core Fixed Income	27%	22%	35%
Specialty Credit	20%	15%	25%
Cash	2%	0%	5%
Inflation Protected			
Real Estate	5%	3%	7%
Real Return	10%	7%	13%

⁴ Includes the Kentucky Employees Retirement System Hazardous Insurance Fund, the Kentucky Employees Retirement System Nonhazardous Insurance Fund, and the State Police Retirement System Insurance Fund.

Section 3: Asset Allocation Target & Range Deviations

Public Assets: Investment Staff and Investment Managers are prohibited from intentionally causing an asset class actual allocation to move outside the allowable range (as stated in Section 2 of this Policy) without prior approval of the Investment Committee, except when there is a perceived extraordinary downside risk in the asset class. Should the actual allocation of a particular asset class move outside of the stated range based on market movement, rebalancing transactions will be made to move the allocation back into the allowable range.

Alternatives: Investments in Alternatives are generally less liquid than investments in public markets Securities and are typically implemented via periodic commitments to funds with LPA structures. As a result, an actual vs. stated range deviation for these asset classes shall not be considered in violation of the asset allocation in Section 2 of this Policy if the deviation occurs due to the nature of the Alternatives within the asset class or available to the asset class. If an asset class with Alternatives is below the minimum allowable range, investments may be made in public markets Securities with the most similar risk/return characteristics as a short-term proxy for the asset class in question. If any asset class with Alternatives exceeds the maximum allowable range, Investment Staff will present a proposed plan to the Investment Committee to bring the asset class back in range over time.

Section 4: Asset Class Descriptions

Equity

1.1 Public Equity

The public equity asset class will consist of Securities such as publicly traded company stock and other Securities with a similar profile. Examples include common stock, Securities convertible into common stock, preferred stock of publicly traded companies on stock markets, asset class relevant exchange-traded funds (“ETFs”), and other similar Securities. This asset class is expected to provide exposure to economic growth. Public equity investments are highly liquid and can be liquidated with minimal cost. The public equity asset class is managed by Investment Managers and Investment Staff.

1.2 Private Equity

Private equity investments will primarily consist of investments in privately held companies. While it is expected that the majority of these assets will be invested within the United States, a portion can be allocated to non-United States private company investments. Examples of securities in this asset class include venture capital, leveraged buyouts, special situations, distressed debt, private debt, and private placements. This asset class is expected to achieve attractive risk-adjusted returns and, by definition, possesses a higher degree of risk with a higher return potential than traditional investments. Accordingly, total rates of return from private equity investments are expected to be greater than those that might be obtained from conventional public equity or debt investments. This asset class is highly illiquid.

Fixed Income

1.3 Core Fixed Income

Core fixed income investments will consist of lower-risk strategies in fixed income instruments such as government and sovereign bonds, mortgage-backed securities, investment-grade corporate bonds, and similar [Securities](#). This asset class is expected to provide steady growth and income. This asset class is considered liquid and can usually be liquidated with minimal cost.

1.4 Specialty Credit

Specialty credit investments will consist of higher risk lending solutions in both public and private markets. Examples include non-investment grade U.S. and non-U.S. corporate credit (including bonds and bank loans), municipal bonds, non-U.S. sovereign debt, mortgages (including residential mortgage-backed [Securities](#), commercial mortgage-backed Securities, and whole loans), asset-backed Securities, emerging market debt (including sovereign and corporate debt), direct lending, special situations, distressed debt, private debt, asset-based lending, and other similar Securities. This asset class is expected to receive higher returns than core fixed income correlating with the higher degree of risk, and is generally illiquid.

1.5 Cash Equivalent Securities (“Cash”)

Cash equivalent securities will consist of publicly traded investment grade corporate bonds, variable rate demand notes, government and agency bonds, mortgages, municipal bonds, collective short-term investment funds (“STIFs”), money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers’ acceptances, and commercial paper), and repurchase agreements relating to the above instruments. This asset class is highly liquid.

Inflation Protected

1.6 Real Estate

This asset class will consist of equity and debt real estate investments. Examples of real estate investments include open-end and closed-end commingled real estate funds, joint ventures investments, real estate investment trusts (“REITs”), public real estate operating companies, and real estate related debt. The objectives of the real estate [Portfolio](#) are to provide the highest rate of return possible consistent with a prudent level of risk and act as a hedge against inflation. This asset class is generally illiquid.

1.7 Real Return

Real return strategies consist of real assets and financial assets. Examples of real assets include infrastructure, real estate, commodities, and natural resources. Examples of financial assets include “real” bonds such as Treasury Inflation-Protected Securities (“TIPs”) and other inflation linkers,

“real” stocks such as [REITs](#), Master Limited Partnerships (“MLPs”), and oil and gas stocks. The purpose of the real return [Portfolio](#) is to identify strategies that provide higher rates of returns based upon corresponding high risk, hedge against inflation, and add value by tactically allocating to various asset classes according to how each asset class performs across an economic cycle.

Section 5: Allowable Investment Vehicles/Structures

A variety of investment vehicles/structures may be used within each asset class, so long as the vehicle/structure is appropriate for the asset class. Such vehicles/structures include, but are not limited to, direct investments, mutual funds, limited partnership, limited liability companies, strategic partnerships, trusts, commingled vehicles, fund-of-funds, fund-of-one, and separately managed accounts.

Section 6: Asset Liability Study

To ensure that its asset allocation is appropriate, the Board will undertake an asset liability study at least every five (5) years.

Section 7: Review Period

The Board shall review this “Asset Allocation Policy” no less frequently than every five (5) years.

	Benchmarking & Performance Measurement Policy	Initial Date: [Insert date policy initially adopted] Revision Date: [Insert most recent revision date] Policy Owner: KRS Board
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Section 1: Overview

The [Board](#) measures overall performance relative to each [Fund's](#) Total [Benchmark](#) established by the Board during the asset allocation process. The Total Benchmark is calculated by means of a weighted average methodology. This method is consistent with the CFA Institute's Global Investment Performance Standards (GIPS®), a set of standardized, industry-wide ethical principles that guide investment managers and asset owners on how to fairly calculate and present their investment results with the goal of promoting performance transparency and comparability. It is the product of the component weights (i.e., asset classes' percentages) and their respective performance (returns). Due to market fluctuations and acceptable divergence, the asset classes' weights (percentages) are often not equivalent to the Benchmark's weights. Therefore, the performance may indicate that the Funds have outperformed (underperformed) relative to their respective Benchmarks, even when the preponderance of lesser weighted categories have underperformed (outperformed) their indexes.

The component asset class [Benchmarks](#) listed below in Section 2 are comprised of (1) recognized and published indexes (e.g., Russell 2000, Bloomberg US Aggregate Bond Index) that are determined to be appropriate measures of investments and (2) composites of investments with identical or similar investment profiles, characteristics, and strategies. These Benchmarks are developed from publicly available information and are intended to be objective, investable, replicable, representative, and measurable of each asset class.

Section 2: Asset Class Benchmarks (Effective as of January 12, 2026)

Asset Class	Benchmark
Equity	
Public Equity	MSCI ACWI IMI
Private Equity	Custom Private Equity Benchmark
Fixed Income	
Core Fixed Income	Bloomberg US Aggregate
Specialty Credit	50% Bloomberg US High Yield/50% Morningstar LSTA US Leveraged Loan
Cash	FTSE 3 Month UST-Bill
Inflation Protected	
Real Estate	NCREIF NFI-ODCE 1 Qtr in Arrears
Real Return	US CPI+ 3%

Section 3: Total Fund Performance Measurement and Objectives

In analyzing the performance of the [Funds](#) and the [Investment Staff](#), the [Board](#) will use the Total Fund [Benchmark](#). The Total Fund Benchmark represents the strategic asset allocation mix and the asset class level benchmarks established by the Board during the asset allocation process. The Fund's long-term performance objective is to generate net returns that meet or exceed the applicable assumed rate of return adopted by the Board well as to generate net returns that meet or exceed the returns of the Total Fund Benchmark. The performance objective of the Investment Staff is to execute the [Asset Allocation Policy](#) established by the Board and to attempt to add value relative to the Total Fund Benchmark.

Section 4: Review Period

The Board shall review this "Benchmarking & Performance Measurement Policy" no less frequently than every five (5) years.

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	<h2>Guidelines & Restrictions</h2>	Initial Date: [Insert date policy initially adopted] Revision Date: [Insert most recent revision date] Policy Owner: KRS Board
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Section 1: Trust & Fund Guidelines & Restrictions

The following guidelines shall apply to the [Trusts](#) and its [Funds](#), as indicated:

I. General

1. Total [Trust](#) assets managed by an [Investment Manager](#) shall not exceed twenty-five percent (25%) of the Investment Manager's total [AUM](#) at time of purchase or commitment.
2. Total assets managed by an [Investment Manager](#) in a commingled product shall not exceed twenty-five percent (25%) of the Investment Manager's total [AUM](#) in that commingled product at time of purchase or commitment, excluding separate accounts or funds of one.
3. The assets managed by an [Investment Manager](#) shall not exceed fifteen percent (15%) of the total assets at time of purchase or commitment in all the [Trusts](#) combined per KRS 61.650(5).
4. The [Trusts](#) shall not be leveraged beyond a one hundred percent (100%) invested position.

II. Public Equity

1. The amount of stock in the public equity allocation in any single corporation shall not exceed five percent (5%) of the aggregate market value of each [Fund's](#) assets at the time of purchase at time of purchase.
2. The total shares of any single public corporation held by the [Trusts](#) in its total public equity allocation shall not exceed three percent (3%) of the outstanding shares of that corporation at time of purchase.
3. Investment in countries not included in the MSCI ACWI Index (i.e., "frontier" markets) shall not exceed five percent (5%) of each [Fund's](#) total NonUS public equity assets at time of purchase.

III. Private Equity

1. No more than fifteen percent (25%) of each [Fund's](#) total allocation to private equity investments may be committed to any one partnership at time of commitment, without the approval of the [Board](#).

IV. Fixed Income

1. The duration of each [Fund's](#) core fixed income [Portfolio](#) shall not vary from that of the Board's core fixed income [Benchmark](#) as listed in [Section 2 of the Benchmarking & Performance Measurement Policy](#) by more than +/- twenty-five percent (25%) duration as measured by effective duration, modified duration, or dollar duration except when the [Investment Staff](#) has determined a target duration to be used for an interim basis.
2. The amount invested in the debt of a single issuer shall not exceed five percent (5%) of the total market value of each [Fund's](#) core fixed income assets at time of purchase, with the exception of U.S. Government issued, guaranteed, or agency obligations (or [Securities](#) collateralized by same), and [Derivatives](#) used for exposure, cost efficiency, or risk management purposes.

3. Fifty percent (50%) of each [Fund's](#) core fixed income assets must have stated liquidity that is trade date plus three (3) days or better.

V. Cash Equivalent Securities

1. Instruments may be selected from among those having an investment grade rating at the time of purchase by at least one recognized bond rating service (in cases where the instrument has a split rating, the lower of the two ratings shall prevail).
2. All instruments shall have a maturity at the time of purchase that does not exceed 397 days.
3. Repurchase agreements shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying [Securities](#) is scheduled to occur.
4. Variable rate [Securities](#) shall be deemed to have a maturity equal to the time left until the next interest rate reset occurs, but in no case will any security have a stated final maturity of more than three (3) years.

VI. Real Return

1. No more than fifty percent (50%) of each [Fund's](#) real return [Portfolio](#) may be invested in any one registered investment vehicle, mutual fund, or separately managed account at time of purchase or commitment.
2. No more than twenty percent (25%) of each [Fund's](#) real return [Portfolio](#) may be invested in any single closed-end or open-end limited partnership or other unregistered investment vehicle at time of purchase or commitment.

VII. Co-Investments


1. The maximum investment in any single [Co-Investment](#) shall not exceed fifty percent (50%) of the total capital committed by all partners at the time of the final closing.
2. The maximum investment in any single [Co-Investment](#) shall not exceed twenty percent (20%) of the original partnership commitment.
3. Total investment in [Co-Investments](#) shall not exceed twenty percent (30%) of the asset class [Portfolio](#) on a cost basis at the time of investment.

Section 2: Investment Manager Cash Restriction

The intent of the [Board](#) in allocating capital to [Investment Managers](#) is for Investment Managers to fully invest the capital. However, the Board is aware that Investment Managers will occasionally require a portion of the allocated capital to be held in cash provided the cash holdings do not exceed five percent (5%) of the Investment Manager's [Portfolio](#), unless such cash holdings are an integral part of a contracted investment strategy.

Section 3: Review Period

The Board shall review these "Guidelines & Restrictions" no less than every five (5) years.

	<h2>Proxy Voting Guidelines</h2>	Initial Date: [Insert date policy initially adopted] Revision Date: [Insert most recent revision date] Policy Owner: KRS Board
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Section 1: Overview

The [Board](#) recognizes that voting as a shareholder of a company is an important responsibility in fostering the positive performance of company shares and, consequently, assuring the overall financial performance of the [Trusts](#) over a long-term horizon, consistent with the Board's fiduciary duty. This [Policy](#) sets forth guidelines to be used by [Proxy Voting Agents](#) that vote proxies on behalf of the Board.

Section 2: General Requirements for Proxy Voting Agents

The [Board](#) has delegated the responsibility of voting all proxies that the [Trusts](#) are entitled to vote to [Proxy Voting Agents](#). The Board expects that its Proxy Voting Agents will execute all proxies in a timely fashion and in accordance with this [Policy](#), applicable state law (including, but not limited to, KRS 61.650), and applicable federal law. The Board further expects that Proxy Voting Agents will conform to their fiduciary duty, if applicable, in accordance with KRS 61.650(1)(c) and common law.

If this [Policy](#) does not provide specific guidance relevant to a particular proxy issue or if this Policy acknowledges that the issue must be decided on a case-by-case basis, the [Proxy Voting Agent](#) is generally directed to vote to support management's position, if management's position meets the following requirements:

1. Appears reasonable;
2. Is not detrimental to the long-term equity ownership of the corporation;
3. Reflects consideration of the impact of societal values and attitudes on the long-term liability of the corporation; and
4. Conforms with the [Board's](#) fiduciary duty.

The [Board](#) reserves the right of [Investment Staff](#) to direct the [Proxy Voting Agent](#) to vote the proxies in accordance with this [Policy](#) or deviate from this Policy in the Board's sole discretion.

Section 3: Proxy Guidelines

I. Routine Business or Financial Matters

Election of Directors	FOR
In most instances, election of directors is a routine voting issue. Unless there is a proxy fight for seats on the company's board of directors, the Board will usually vote in favor of the management-proposed slate of directors.	

Appointment of Auditors	FOR
The selection of independent accountants to audit the company's financial records is a routine business matter and in most instances is submitted to shareholders for public relations reasons. Since the accounting firm selected to do the audit has no effect on the investment value of the company's Securities , the Board will vote in favor of management's recommendation.	

Increase Authorized Common Stock	FOR*
The Board will vote for an increase in authorized common stock needed to (a) implement a stock split when coupled with intent to immediately effect the split, (b) aid in a restructuring or acquisition, or (c) provide a sufficient number of shares for employee savings plans, stock option, or executive compensation plans; provided that the company discloses a satisfactory explanation for a company's plans for the stock in its proxy statement.	
*EXCEPTION: The Board will vote AGAINST an increase authorized common stock if it is suspected that the shares are to be used to implement a "poison pill" (i.e., a shareholder rights plan designed to discourage takeovers of a company) or another form of anti-takeover device, or if the issuance of new shares is likely to excessively dilute the value of the outstanding shares upon issuance.	

Changes in Board of Directors Structure	FOR*
Companies may propose various provisions related to the structure of their board of directors. These provisions may include changing the way board of directors vacancies are filled, the way directors are nominated, or the number of directors. These provisions may include majority vote director elections and the separation of the CEO and chairman of board of directors. These proposals may be proposed amendments to the charter or bylaws and need to be reviewed by the shareholders prior to voting. In most instances these proposals are not controversial nor an anti-takeover device. The Board generally will vote in favor of such proposals.	
*EXCEPTION: The Board will vote AGAINST cumulative voting for members of the board of directors and attempts to limit term of board of directors based on tenure or age.	

II. Non-Routine Business or Financial Matters

Considering Non-Financial Effects of a Merger or Acquisition Proposal	AGAINST
The Board expects that a company's board of directors will act in the best interest of the company's shareholders at all times in accordance with applicable fiduciary duty. Accordingly, the Board generally will oppose proposals that require the board of directors to consider the potential impacts or effects of a proposed merger or acquisition on certain groups other than a company's shareholders, including, but not limited to, employees, consumers, business partners, and the communities in which the company is located.	

Director Liability and Indemnification	FOR*
Reasonable proposals concerning liability and indemnification, which have the potential to limit the personal liability of company directors for breaches of fiduciary duty and provisions for payment of expenses incurred by officials, directors, and other representatives who become defendants in lawsuits, will be supported. .	
*EXCEPTION: The Board will vote AGAINST extreme measures limiting personal liability of directors and provisions for payments of expenses incurred by officials, directors, and other representatives.	

Stock Splits	FOR
The Board generally will vote in favor of a proposal to split the company's stock if there is an immediate intent to effectuate the split.	

Employment Relations	FOR
The board of directors and corporate management have the responsibility for harmonious labor relations. This responsibility also includes conducting labor negotiations within the appropriate laws of the jurisdiction. Where efficient operation of the corporation requires plant closings or relocations, the corporation should give as much notice as possible and assist its employees in relocating or in seeking other employment. Resolutions of shareholders that seek to impose requirements on management in this regard will not be supported automatically. Support will be contingent upon whether or not managers can demonstrate that efforts have been made to retain good employment relations subject to the constraints encountered in the particular circumstances.	

III. Anti-Takeover Issues

Blank Check Preferred Stock	AGAINST
The Board generally will vote against proposals to authorize the issuance of certain preferred stock at some future point in time that would allow the board of directors to establish voting, dividend, conversion, and other rights at the time of issuance. While such arrangements can provide a corporation with flexibility to meet changing financial conditions, it also may be used as the vehicle for implementing a poison pill defense, or it may be placed in friendly hands to help block a takeover bid.	

Classified Boards	AGAINST
A "classified board" is typically divided into three separate classes, each class to hold office for a term of two (2) or three (3) years. Only a portion of the board of directors can be elected or replaced each year. Since this type of proposal has fundamental anti-takeover implications, the Board will vote against the adoption of classified boards.	

Fair Price Provisions	AGAINST
<p>A fair price provision in the company’s charter or bylaws is designed to assure that, if the corporation is acquired under a plan not agreed to by the board of directors, each shareholder’s Securities will be purchased at the same price. In most instances the provision requires that any tender offer made by a third party be made to all shareholders at the same price.</p>	
<p>Fair pricing provisions attempt to limit the “two-tiered” pricing systems in which the interested party or would-be acquirer of the company initially offers a premium for a sufficient number of shares of the company to garner control. Thereafter, an offer at a much lower price is made to the remaining shareholders who have no choice at all but to accept the offer. The “two-tiered” approach is coercive in that it makes it easier for an outsider to gain control of a company because it provides an incentive to the shareholder to sell his shares immediately in order to receive the benefits of a higher price per share and avoid falling into the second tier, if the offer is successful. The coercive pressures associated with these offers have caused many states to adopt controlled share acquisition statutes which restrict this practice by law. In theory this type of provision is acceptable standing alone; however, given the fact that the practice is in most aspects prohibited by law, and the fact that fair price provisions are invariably linked with other anti-takeover measures, such as supermajority voting requirements to approve certain transactions, the Board will vote against most fair price provisions.</p>	

IV. Executive Compensation

Executive Compensation	FOR*
<p>Executive compensation can take various forms, but should provide adequate compensation and incentives to management consistent with the long-term interests of the shareholders of the company. In addition, management should have some assurance that they will not, in the event of a takeover, be terminated without motive and compensation. The Board will vote in favor of agreements which provide executives with a reasonable period of compensation after termination.</p>	
<p>*EXCEPTION: The Board will vote AGAINST excessive compensation plans, including, but not limited to, in the event of a takeover.</p>	

V. Corporate Governance Shareholder Proposals

Submit Company's Shareholder Rights Plan (Poison Pill) to Shareholder Vote	FOR*
<p>Most poison pills/shareholder rights plan permit the shareholders of a target company involved in a hostile takeover to acquire shares of that company, the acquiring company, or both, at a substantial discount once a triggering event occurs. A triggering event is usually a hostile tender offer or the acquisition by an outside party of a certain percentage of the company's stock. Since most poison pills/shareholder rights plans exclude the hostile bidder from the purchase, the effect in most instances, is to dilute the equity interest and the voting rights of the potential acquirer once the plan is triggered. Poison pills/shareholder rights plans are designed to be so disadvantageous to potential acquirers that merely their existence could deter possible acquirers from making a hostile bid. The Board will vote in favor of shareholder proposals asking that the company submit their poison pill/shareholder rights plan to a shareholder vote.</p>	
<p>*EXCEPTION: The Board will vote case-by-case on proposals to completely redeem shareholder rights plans.</p>	

Anti-Greenmail Proposal	FOR
<p>Greenmail payments generally result when a potential hostile acquirer has accumulated a significant percentage of the company's stock and the company acquires the raider's stock at an aggregate price usually above the then current market value usually in exchange for an agreement that the raider would not attempt to acquire control within a certain number of years. The proposal that has been proposed most often to prevent greenmail is the adoption of charter amendments severely limiting the board's ability to acquire blocks of the company's stock in these situations and at above market prices. The Board will vote in favor of an anti-greenmail proposal standing alone provided the proposal has no other management initiated anti-takeover attributes.</p>	

VI. Issues Affecting Shareholder Rights

Limiting Shareholders' Right to Call Special Meetings	AGAINST
<p>Shareholders should have the right to call a special meeting. Additionally, limitations on shareholder action make it difficult for a large shareholder or group of shareholders to use this facility to force management to address issues that may be of urgent or utmost importance. Since, in most instances, state law prohibits shareholders from abusing or using this facility in certain manners, the Board sees no justifiable reason for management to eliminate this facility. The Board will vote against the elimination of this fundamental shareholder right.</p>	

Limiting Shareholders' Right to Act by Written Consent	AGAINST
Action by written consent enables a large shareholder or group of shareholders of a company to initiate and vote on corporate matters without having to wait until the date of the next annual meeting. The Board believes this is a fundamental shareholder right that is inherent in the concept of stock ownership and will vote against any proposals which may limit this right.	
Supermajority Vote Requirements	AGAINST
A "supermajority vote requirement" is a charter or bylaw requirement that, when implemented, raises the percentage of shareholder votes needed to approve certain proposals, including, but not limited to, mergers, changes of control, or proposals to amend or repeal a portion of the Articles of Incorporation. The Board believes that a simple majority is generally in the best interest of shareholders and, accordingly, in most cases will vote against proposals attempting to raise the percentage of shareholder votes needed for certain issues.	
Reincorporation	AGAINST
A company may change the state of its incorporation to take advantage of tax and corporate laws in the state of reincorporation. However, in a majority of instances, a reincorporation proposal has its foundation in the corporation's desire to take advantage of the new state's laws governing corporations and corporate control and the state courts' views in interpreting laws that make it more difficult for unsolicited takeovers to occur. In such cases, the Board will vote against proposals for reincorporation.	
Issuance of Stock with Unequal Voting Rights	AGAINST
Proposals of this nature generally result in unequal voting rights among different classes of shareholders. The most frequent proposal of this type is a dual class capitalization plan which establishes two classes of stock. As an incentive to encourage shareholders to approve plans designed to concentrate voting power in the hands of insiders, some plans give higher dividends to shareholders willing to exchange shares with superior voting rights for shares with inferior voting rights.	
Unequal voting rights plans are designed to reduce the voting power of existing shareholders and concentrate a significant amount of voting power in the hands of management. For these reasons, the Board deems these plans unacceptable and, in most instances, will vote against these proposals.	
Elimination of Preemptive Rights	AGAINST
Preemptive rights allow the shareholders of the company to buy newly issued shares before they are offered to the public in order to retain their then current percentage of ownership as well as to avoid ownership dilution by the issuance of additional stock. The Board believes this is fundamental right of a shareholder and barring a compelling reason should not be eliminated by management. The Board will vote against management proposals requesting eliminating these rights and will vote for shareholder proposals that request the restoration of preemptive rights.	

VII. Social & Policy Issues

Policy Issues	FOR
<p>The Board believes that most decisions of a policy nature, having either a direct or an indirect effect on the conduct of business and on corporate profitability, should remain management responsibilities. As such, they should be subject only to their board of directors' approval. Accordingly, the Board will generally support the position taken by management.</p>	

Section 5: Review Period

The Board shall review this "Proxy Voting Guidelines Policy" no less frequently than every five (5) years.

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	<h2>Investment Procurement Policy</h2>	Initial Date: [Insert date policy initially adopted] Revision Date: [Insert most recent revision date] Policy Owner: KRS Board
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Section 1: Introduction

Pursuant to KRS 61.650(6), the [Board](#) is required to develop and adopt an investment procurement policy. The investment procurement policy must be designed in consultation with the Secretary of the Kentucky Finance and Administration Cabinet and must follow best practices for investment management procurement.

Generally, procurements of goods and services for the investment or management of assets of the [Trusts](#) will promote the highest level of competition and [Best Value](#), giving due consideration to factors including, but not limited to, timing (including emergencies), execution, quality, service and price.

All parties carrying out the procurement procedures in this Policy shall do so in a manner that is consistent with the parties' fiduciary duty.

Section 2: Investment Manager Selection

[Investment Managers](#) are chosen through a competitive selection process coordinated by [Investment Staff](#) as follows:

- 2.1 **Investment Consultants** – [Investment Staff](#) may consult with or otherwise use [a General Investment Consultant](#) or [Specialty Investment Consultant](#) during any of the steps to select an [Investment Manager](#) that follow.
- 2.2 **Screening Criteria** – [Investment Staff](#) will develop [Screening Criteria](#) prior to beginning the search for an [Investment Manager](#).
- 2.3 **Search Process** – [Investment Staff](#) will use an open search process when conducting a search for an [Investment Manager](#). The open search process may include the use of an [RFP](#), [RFI](#), or [RFQ](#).
- 2.4 **Preliminary List** – [Investment Staff](#) will identify a preliminary list of [Potential Vendors](#) found during the open search process. The preliminary list will include only those Potential Vendors that meet the initial set of [Screening Criteria](#).
- 2.5 **Screening** – [Investment Staff](#) will contact each [Potential Vendor](#) on the preliminary list to determine if they are accepting new business and to obtain the most current information and any additional information, as required. Follow-up telephone or videoconference calls and/or onsite visits with Potential Vendors on the preliminary list may be made as necessary.

2.6 Candidate Pool – Based upon the [Screening Criteria](#) and the screening process, [Investment Staff](#) will narrow the preliminary list to a candidate pool.

2.6.1 [Conflicts of Interest](#) – In developing the candidate pool, [Investment Staff](#) will employ reasonable efforts to identify potential or actual [Conflicts of Interest Potential Vendors](#) may have with [Trustees](#), [KPPA](#) employees, and/or the [CEO](#). Potential Vendors with potential or actual Conflicts of Interest with any Trustee, KPPA Employee, or CEO will be removed from the candidate pool.

2.6.2 [Qualitative Analysis](#) – [Investment Staff](#) will conduct a [Qualitative Analysis](#), including a more in-depth interview with each [Potential Vendor](#) in the candidate pool. Investment Staff may check institutional references provided by Potential Vendors during the interview process.

2.6.3 [Quantitative Analysis](#) – [Investment Staff](#) will conduct [Quantitative Analyses](#) of the [Potential Vendors](#) in the candidate pool, including [Performance Attribution](#) and risk management.

2.6.4 [Alternatives](#) – Additional due diligence factors may be necessary in selecting an [Investment Manager](#) for [Alternatives](#) because of the long-term and illiquid nature of these types of investments, including, but not limited to, risk management, diversification, and legal and business matters.

2.7 Recommendation – [Investment Staff](#) may recommend one (1) or more [Potential Vendor\(s\)](#). If Investment Staff recommend one (1) or more Potential Vendor, Investment Staff will address a written report containing the particulars of the recommendation to the [CIO](#) or the [Investment Committee](#), as appropriate.

2.8 Decision

2.8.1 [CIO](#)

2.8.1.1 Based on the written report recommending one (1) or more [Potential Vendor\(s\)](#) as an [Investment Manager](#) and in accordance with Section 5 of the [Roles, Responsibilities, & Delegations Policy](#), the [CIO](#) shall decide whether to hire an Investment Manager, subject to contract negotiations, if the following applies:

1. For [Public Asset](#) mandates, if the total allocation from each [Fund](#) for each potential [Investment Manager](#) selection will be equal to or less than 300 [bps](#) (3%) of each Fund's total [AUM](#); or
2. For [Alternative](#) mandates, if the total allocation from each [Fund](#) for each potential [Investment Manager](#) selection will be equal to or less than 150 [bps](#) (1.5%) of each Fund's total [AUM](#).

2.8.1.2 The [CIO](#) shall approve initial allocations to an [Investment Manager](#) as follows:

1. For [Alternatives](#), the [CIO](#) will approve a specific dollar amount intended to be committed.
2. For [Public Assets](#), the [CIO](#) will approve a percentage of the appropriate asset class target intended to be committed.

2.8.1.3 Decisions by the [CIO](#) pursuant to [Section 2.8.1.1 of this Policy](#) shall be reported in writing to the [Investment Committee](#) at its next meeting.

2.8.2 Investment Committee

2.8.2.1 Based on the written report recommending one (1) or more Potential Vendor(s) as an Investment Manager and in accordance with Section 3 of the Roles, Responsibilities, & Delegations Policy, the Investment Committee shall decide whether to hire an Investment Manager, subject to successful contract negotiations, where the selection will exceed the amounts listed in Section 2.8.1.1 of this Policy.

2.8.2.2 The Investment Committee shall approve initial allocations to an Investment Manager as follows:

1. For Alternatives, the Investment Committee will approve a specific dollar amount intended to be committed.
2. For Public Assets, the Investment Committee will approve of the percentage of the appropriate asset class target intended to be committed.

2.9 **Contract Negotiations**

2.9.1 Following approval by the CIO or the Investment Committee, Investment Staff may begin working with Legal Counsel on contract negotiations with (an) Investment Manager(s).

2.9.2 Terms of the contract shall accurately reflect the terms and conditions of the authorization and shall adhere to applicable law.

2.9.3 The Investment Manager shall certify as part of the contract that no fees or commissions are paid to a Placement Agent.

2.9.4 The Investment Manager shall certify as part of the contract that no individual or organization has a Conflict of Interest.

Section 3: Re-Ups

Re-Ups are coordinated by Investment Staff as follows:

3.1 **Investment Consultants** – Investment Staff may seek the assistance of a General Investment Consultant or a Specialty Investment Consultant in screening and/or recommending a Re-Up.

3.2 **Screening: Re-Ups** will be evaluated consistently with the process described in Sections 2.2, 2.4, and 2.5 of this Policy for Investment Manager selection (understanding that some of the materials and knowledge for conducting due diligence already may have been obtained based on the prior investment with the Investment Manager).

3.3 **Recommendation** – Investment Staff may recommend one (1) or more Re-Up(s). If Investment Staff recommend one (1) or Re-Up(s), Investment Staff will address a written report containing the particulars of the recommendation to the CIO or the Investment Committee, as appropriate.

3.4 Decision

3.4.1 CIO

3.4.1.1 Based on the written report recommending one (1) or more [Re-Up\(s\)](#) and in accordance with Section 5 of the [Roles, Responsibilities, & Delegations Policy](#), the [CIO](#) shall decide whether to pursue a Re-Up, subject to contract negotiations, if the total allocation from each [Fund](#) to the Re-Up will be equal to or less than 150 [bps](#) (1.5%) of each Fund's total [AUM](#).

3.4.1.2 The [CIO](#) shall approve a specific dollar amount intended to be committed for each [Re-Up](#).

3.4.1.3 Decisions by the [CIO](#) pursuant to Section 3.4.1.1 shall be reported in writing to the [Investment Committee](#) at its next meeting.

3.4.2 Investment Committee

3.4.2.1 Based on the written report recommending a [Re-Up](#) and in accordance with Section 3 of the [Roles, Responsibilities, & Delegations Policy](#), the [Investment Committee](#) shall decide whether to invest in the Re-Up, subject to successful contract negotiations, that exceed the amounts listed in Section 3.4.1.1.

3.4.2.2 The [Investment Committee](#) shall approve a specific dollar amount intended to be committed for each [Re-Up](#).

3.5 Contract Negotiations

3.5.1 Following approval by the [CIO](#) or the [Investment Committee](#), the [Investment Staff](#) may begin working with [Legal Counsel](#) on contract negotiations for the [Re-Up](#).

3.5.2 Terms of the contract shall accurately reflect the terms and conditions of the authorization and shall adhere to applicable law.

3.5.3 The [Investment Manager](#) may be required to re-certify as part of the new contract that no fees or commissions are paid to a [Placement Agent](#) and/or that no [Conflict of Interest](#) exists.

Section 4: Co-Investment Opportunities

[Co-Investment](#) opportunities occurring through [GPs](#) previously approved by the [Investment Committee](#) or [CIO](#) may be authorized by the CIO in amounts up to 100 [bps](#) (1%) of each [Fund's](#) total [AUM](#), subject to the following:

1. [Co-Investments](#) may be made alongside an existing [GP](#), provided that the strategy and objective of the partnership investing in the transaction are consistent with those of the partnership in which [Trusts](#) have an existing commitment; and
2. [Co-Investments](#) shall be made on the same (or better) terms and conditions as provided to the partners in the existing commitment.

[Co-Investment](#) opportunities in amounts greater than 100 [bps](#) (1%) of one (1) or more [Fund's](#) ([Funds'](#)) total [AUM](#) shall be approved by the [Investment Committee](#) consistent with [Re-Ups](#) in [Sections 3.3](#) and [3.4.2](#) of this Policy.

Section 5: Investment Consultant Selection

General Investment Consultants and Specialty Investment Consultants are chosen through a competitive selection process coordinated by Investment Staff as follows:

- 5.1 **Screening Criteria** – Investment Staff will develop Screening Criteria prior to beginning the search for a General Investment Consultant or Specialty Investment Consultant.
- 5.2 **Search Process** – The Investment Staff will use an open search process when conducting a search for a General Investment Consultant or a Specialty Investment Consultant. The open search process may include the use of an RFP, RFI, or RFQ.
- 5.3 **Preliminary List** – Investment Staff will identify a preliminary list of Potential Vendors found during the open search process. The preliminary list will include only those Potential Vendors that meet the initial set of Screening Criteria.
- 5.4 **Screening** – Investment Staff will contact each Potential Vendor on the preliminary list to determine if they are accepting new business and to obtain the most current information and any additional information, as required. Follow-up telephone or videoconference calls and/or onsite visits with Potential Vendors on the preliminary list may be made as necessary.
- 5.5 **Analysis**
 - 5.5.1 Investment Staff will conduct Qualitative and Quantitative Analyses using Screening Criteria identified to meet the General Investment Consultant or Specialty Investment Consultant needs of the Board and the Investment Staff.
 - 5.5.2 Investment Staff will check references for Potential Vendors on the preliminary list.
 - 5.5.3 Investment Staff may use additional due diligence factors for consideration in selecting a General Investment Consultant or Specialty Investment Consultant. Such additional due diligence may include, but is not limited to, conducting in-person, telephonic, or videoconference interviews, so long as the interaction allows for the evaluation of the person or persons who will be providing investment consulting services.
- 5.6 **Recommendation** – Investment Staff may recommend one (1) or more Potential Vendor(s). If Investment Staff recommend one (1) or more Potential Vendor, Investment Staff will address a written report containing the particulars of the recommendation to the CIO or the Investment Committee, as appropriate.
- 5.7 **Decision:**
 - 5.7.1 Investment Committee: Based on the written report recommending one (1) or more Potential Vendor(s) as a General Investment Consultant and in accordance with Section 3 of the Roles, Responsibilities, & Delegations Policy, the Investment Committee shall decide whether to hire a General Investment Consultant, subject to successful contract negotiations.

- 5.7.2 CIO: Based on the written report recommending one (1) or more Potential Vendor(s) as a Specialty Investment Consultant and in accordance with Section 5 of the Roles, Responsibilities, & Delegations Policy, the CIO shall decide whether to hire a Specialty Investment Consultant, subject to successful contract negotiations.

5.8 Contract Negotiations

- 5.8.1 Following approval by the CIO or Investment Committee, the Investment Staff may begin working with Legal Counsel on contract negotiations with the General Investment Consultant(s) or Specialty Investment Consultant(s).
- 5.8.2 Terms of the contract shall accurately reflect the terms and conditions of the authorization and shall adhere to applicable law.
- 5.8.3 Each General Investment Consultant and Specialty Investment Consultant shall certify as part of the contract that no individual or organization has a Conflict of Interest.

Section 6: Procurement of Investment Goods and Investment Analytical, Professional, Research, and/or Technical Services

Investment Staff will procure goods and services for the investment and/or management of Trust assets as described below. Nothing in this section shall apply to the procurement of ordinary goods and services that are common to other KPPA administrative functions, including procurement of legal services related to investments.

6.1 Procurement Delegations

- 6.1.1 Procurement of investment-related goods and services costing less than \$5,000 during a fiscal year
- 6.1.1.1 Investment Staff will procure such goods and/or services based upon Best Value by comparing known Potential Vendors.
- 6.1.1.2 In comparing Potential Vendors, Investment Staff will promote the highest level of competition.
- 6.1.2 Procurement of investment-related goods and services costing between \$5,000 and \$24,999 during a fiscal year
- 6.1.2.1 The following are individually authorized to procure such goods and/or services: CIO, deputy CIO, KPPA Executive Director, KPPA Executive Director Office of Operations, or any KPPA employee designated by the Board to act in its stead. Only one (1) of the listed individuals is needed to decide to procure such goods and/or services.
- 6.1.2.2 Procurement of such goods and/or services will be based upon Best Value by comparing at least three (3) known Potential Vendors, whose price quotations may be obtained by telephone, videoconference, email, or website.
- 6.1.3 Procurement of investment-related goods and services equal to or greater than \$25,000 in cost during a fiscal year

- 6.1.3.1 The [KPPA](#) Executive Director or [CIO](#) are individually authorized to procure such goods and/or services. Only one (1) of the listed individuals is needed to decide to procure such goods and/or services.
- 6.1.3.2 Procurement of such good and/or services will be based upon [Best Value](#) by comparing at least three (3) known [Potential Vendors](#), whose price quotations must be obtained in written form on the Potential Vendor's letterhead. The price quotations received and comments concerning the basis for placing the order shall be recorded in writing and shall be placed in a file to be maintained by the [Compliance Officer](#). These records will be retained by [KPPA](#) for audit, [Investment Committee](#), and/or [Board](#) review.
- 6.1.4 Exception for procurement of investment-related goods and services from uniquely qualified sources
 - 6.1.4.1 [KPPA](#) staff are not required to compare [Potential Vendors](#) as stated in [Sections 6.1.1 through 6.1.3](#) of this Policy if the procurement of goods and services are available only from one (1) or two (2) uniquely qualified sources.
 - 6.1.4.2 The reason for the exception will be documented in writing by the [KPPA](#) Executive Director or [CIO](#) and shall be placed in a file to be maintained by the [Compliance Officer](#). These records will be retained by KPPA for audit, [Investment Committee](#), and/or [Board](#) review.

6.2 Procurement Methods

- 6.2.1 A price contract established by the Commonwealth of Kentucky, the U.S. General Services Administration, or U.S. Communities (a national government purchasing cooperative) may be used in the procurement of goods or services for the investment and/or management of [Trust](#) assets so long as the [Potential Vendor](#) enters into a contract at or below the contract price and under the same terms and conditions.
- 6.2.2 Unless Section 6.2.1 applies, [Investment Staff](#) will use an open search process when procuring goods or services for the investment and/or management of [Trust](#) assets. The open search process may include the use of an [RFP](#), [RFI](#), or [RFQ](#).

Section 7: Custodial Bank

The KPPA Board is responsible for appointing the [Custodial Bank](#) for the [Trusts](#) in accordance with KRS 61.660(2) and KRS Chapters 45 and 45A.

Section 8: Emergency Procurement

The existence of an emergency may cause an immediate need for [Investment Managers](#), [Re-Ups](#), or [Co-Investments](#) that cannot be procured through the normal investment procurement procedures described in Sections 2 through 4 of this Policy. An "emergency" includes time-sensitive, favorable investment opportunities where a quorum of the Investment Committee is unavailable or similar occasions. Emergency procurements are to be used for favorable investment opportunities extremely rarely.

The determination that an emergency exists related to a favorable investment opportunity shall be made by any two (2) of the following: the [Board's](#) Chair, the [Investment Committee's](#) Chair, the [CEO](#), or the [CIO](#). Thereafter, no later than at the next regularly scheduled meetings of the Investment Committee and Board, the emergency procurement determination and emergency action approved will be reported.

In [Section 6](#) of this Policy, the [Board](#) has delegated authority to the [Investment Staff](#), [CIO](#), and other [KPPA](#) leadership to procure goods and/or services related to the investment or management of assets. Accordingly, the Board anticipates that any emergency procurement of goods and/or services related to the investment or management of assets can be handled by available Investment Staff and/or succession planning.

Section 9: Quiet Period

A [Quiet Period](#) is designed to ensure a competitive and fair procurement by preventing current [Investment Vendors](#) or [Potential Vendors](#) from gaining an advantage of information regarding a procurement process.

To achieve the stated goal of competitive fairness, at all times, [KPPA](#) employees (aside from designated [Investment Staff](#) and the [CIO](#)), the [CEO](#), and the [Trustees](#) will refrain from speaking to current [Investment Vendors](#) or [Potential Vendors](#) about a procurement process. Only the CIO and Investment Staff will communicate directly with the principals of current Investment Vendors or Potential Vendors regarding an active procurement process. This will ensure transparency, accountability, and compliance with legal requirements and this [Document](#).

During an active procurement process, the [CIO](#) and [Investment Staff](#) involved in a procurement may communicate with current [Investment Vendors](#) or [Potential Vendors](#) about a procurement so long as it is authorized by this [Policy](#) and any [RFP](#), [RFI](#), or [RFQ](#) used in the procurement. The CIO and Investment Staff can continue to have communications with current Investment Vendors under contract about normal business matters that are unrelated to the procurement, even when an active procurement is underway and the current Investment Vendor is being considered for a new contract.

The [Quiet Period](#) will cease when a new contract has been fully executed or when the search process has ended (without a new contract).

Section 10: Succession

In the event that the [CIO](#) is unavailable, the Deputy CIO may serve in place of the CIO.

Section 11: Review Period

The Board shall review this "Investment Procurement Policy" no less frequently than every five (5) years.

	<h2>Certification</h2>	
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We, the Chair of the Kentucky Retirement Systems Board of Trustees and the CEO of the Kentucky Retirement Systems, hereby certify that this Statement of Investment Objectives and Policies was made effective on [Click or tap here to enter text..](#)

[Click or tap here to enter text.](#)

Chair, Kentucky Retirement Systems Board of Trustees

[Click or tap here to enter text.](#)

Date


[Click or tap here to enter text.](#)

CEO, Kentucky Retirement Systems

[Click or tap here to enter text.](#)

Date

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	<h2>Appendix – Revision Histories</h2>	
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[Purpose, Objectives, & Strategy](#)

Date	Details

[Definitions](#)

Date	Details

[Roles, Responsibilities, & Delegations Policy](#)

Date	Details

[Asset Allocation Policy](#)

Date	Details

Benchmarking & Performance Monitoring Policy

Date	Details

Guidelines & Restrictions

Date	Details

Proxy Voting Guidelines

Date	Details

Investment Procurement Policy

Date	Details

MEMORANDUM

TO: Kentucky Retirement Systems Board of Trustees' Investment Committee (IC)

FROM: Carrie Bass, Compliance Officer/Special Assistant, Kentucky Public Pensions Authority (KPPA) Office of Operations

DATE: May 28, 2026

RE: Additional options for Proxy Voting Guidelines

Recommendation for Board Review & Consideration of Modifications to Proxy Voting Guidelines

I recommend that the IC review and consider the modifications to the Kentucky Retirement Systems Board of Trustees' (Board) Proxy Voting Guidelines presented in this Memorandum. Should the IC feel that any changes are appropriate, the IC should vote to recommend that the Board adopt the updates to its Proxy Voting Guidelines with those changes.

Background

As part of the effort to streamline the Board's policies related to its investments, I looked for other resources available for public pension plan proxy voting guideline best practices, including the National Conference on Public Employee Retirement Systems' ("NCPERS") Model Proxy Voting Guidelines.¹ I also consulted with outside legal counsel with expertise in corporate governance and proxy voting, Nick Zuiker (Reinhart Boerner Van Deuren).

Based on NCPERS' Model Proxy Voting Guidelines and discussions with Mr. Zuiker, I identified the following potential changes to the Proxy Voting Guidelines for the Board's consideration. As a reminder, the changes for consideration presented below are not legal or ethical requirements; instead, these potential changes are a matter of the Board's discretion and control over its assets.

Furthermore, the Board may wish to adopt guidelines that address other matters that may come up for shareholder vote that are not outlined in the Memorandum. So long as the guideline complies with state and federal law, the fiduciary duties of the trustees serving on the Board, and the Board's Bylaws and other policies, the Board is free to speak to any shareholder voting matter in its Proxy Voting Guidelines.

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¹ NCPERS' Model Proxy Voting Guidelines can be found on the NCPERS website. The full Model Proxy Voting Guidelines are not provided, as the guidelines are password protected and accessible only to NCPERS members. Please feel free to contact me directly if you would like to view a complete copy of NCPERS' Model Proxy Voting Guidelines.

Revised Language Changes

I. Election of Directors

Current Language	Revised Language
Election of Directors – FOR	Election of Directors – FOR*
<p>In a majority of instances, election of directors is a routine voting issue. Unless there is a proxy fight for seats on the company’s board, the Board will usually vote in favor of the management-proposed slate of directors.</p>	<p><u>In most instances</u>, election of directors is a routine voting issue. Unless there is a proxy fight for seats on the company’s board, the Board will usually vote in favor of the management-proposed slate of directors, <u>subject to the considerations stated below</u>.</p> <p><u>EXCEPTION: The Board may consider withholding its vote or voting against management’s recommendation in its sole discretion if it determines the proposed slate of directors is insufficiently independent. Generally, the board of directors should be comprised of at least [decision needed: a majority or two-thirds] independent directors (i.e., directors that do not have a material or affiliated relationship with the company or its management).</u></p> <p><u>EXCEPTION: The Board may consider withholding its vote or voting against management’s recommendation in its sole discretion if it determines the average tenure of the board of directors does not reflect an adequate balance of short- and long-tenured directors.</u></p> <p><u>EXCEPTION: The Board may consider withholding its vote or voting against management’s recommendation in its sole discretion if it determines certain directors are not able to devote the time and energy necessary to responsibly fulfill their commitment to the company or effectively represent shareholders’ interests.</u></p>

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II. Appointment of Auditors

Current Language	Revised Language
Appointment of Auditors – FOR	Appointment of Auditors – FOR
The selection of independent accountants to audit the company’s financial records is a routine business matter and in most instances is submitted to shareholders for public relations reasons. Since the accounting firm selected to do the audit has no effect on the investment value of the company’s Securities, the Board will vote in favor of management’s recommendation.	<u>In most cases, the selection of accountants</u> to audit the company’s financial records is a routine business matter and in most instances is submitted to shareholders for public relations reasons. <u>Unless there are clear and significant signs that demonstrate an auditor’s lack of independence from the company,</u> the Board will vote in favor of management’s recommendation.

III. Changes in Board Structure

Current Language	Revised Language
Changes in Board of Directors Structure – FOR*	Changes in Board of Directors Structure – FOR*
Companies may propose various provisions related to the structure of its board of directors. These provisions may include changing the way board of directors vacancies are filled, the way directors are nominated, or the number of directors. These provisions may include majority vote director elections and the separation of the CEO and chairman of board of directors. These proposals may be proposed amendments to the charter or bylaws and need to be reviewed by the shareholders prior to voting. In most instances these proposals are not controversial nor an anti-takeover device. The Board generally will vote in favor of such proposals.	<u>The Board will generally vote in favor of proposals with respect to board structuring that support overall board effectiveness and independence, including proposals to (a) appoint an independent board chair or lead director, (b) separate the CEO and chair roles, (c) form or implement of board committees (e.g., audit, compensation, nominating and governance), (d) declassify the board or eliminate staggered elections, and (e) implement majority voting for director elections.</u>
*EXCEPTION: However, the Board will vote AGAINST cumulative voting for members of the Board of Directors and attempts to limit term of Board of Directors based on tenure or age.	*EXCEPTION: The Board will <u>generally</u> vote AGAINST cumulative voting for members of the board of directors <u>or proposals that seek</u> to limit terms of <u>individual directors</u> or the board of directors <u>as a whole</u> based on tenure or age.

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IV. Classified Boards

Current Language	Revised Language
Classified Boards – Against	Classified Boards – Against
A “classified board” is typically divided into three separate classes, each class to hold office for a term of two (2) or three (3) years. Only a portion of the board of directors can be elected or replaced each year. Since this type of proposal has fundamental anti-takeover implications, the Board will vote against the adoption of classified boards.	A “classified board” is typically divided into three separate classes, each class to hold office for a term of two (2) or three (3) years. Only a portion of the board of directors can be elected or replaced each year. Since this type of proposal has fundamental anti-takeover implications, the Board will vote against the adoption of classified boards.

It is recommended that the Board delete the standalone instructions regarding proxy voting on classified boards and instead address this topic in the “Changes in Board Structure” instructions (*see previous page*).

V. Executive Compensation

Current Language	Revised Language
Executive Compensation – FOR	<u>Advisory Vote on</u> Executive Compensation – FOR
Executive compensation can take various forms, but should provide adequate compensation and incentives to management consistent with the long-term interests of the shareholders of the company. In addition, management should have some assurance that they will not, in the event of a takeover, be terminated without motive and compensation. The Board will vote in favor of agreements which provide executives with a reasonable period of compensation after termination. *EXCEPTION: The Board will vote AGAINST excessive compensation plans, including, but not limited to, in the event of a takeover.	<u>In their say-on-pay proposals, companies should indicate that their compensation plan demonstrates alignment of pay for performance over a long-term time horizon.</u> Executive compensation can take various forms, but should provide adequate compensation and incentives to management consistent with the long-term interests of the shareholders of the company. In addition, management should have some assurance that they will not, in the event of a takeover, be terminated without motive and compensation. The Board will vote in favor of agreements which provide executives with a reasonable period of compensation after termination. *EXCEPTION: The Board will vote AGAINST excessive compensation plans, including, but not limited to, in the event of a takeover. <u>*EXCEPTION: The Board may consider voting AGAINST compensation plans that do not include of insufficiently address clawback of unearned executive compensation.</u>

DeletionsI. Employment Relations

Current Language	Revised Language
Employment Relations – FOR	Employment Relations – FOR
<p>The board of directors and corporate management have the responsibility for harmonious labor relations. This responsibility also includes conducting labor negotiations within the appropriate laws of the jurisdiction. Where efficient operation of the corporation requires plant closings or relocations, the corporation should give as much notice as possible and assist its employees in relocating or in seeking other employment. Resolutions of shareholders that seek to impose requirements on management in this regard will not be supported automatically. Support will be contingent upon whether or not managers can demonstrate that efforts have been made to retain good employment relations subject to the constraints encountered in the particular circumstances.</p>	<p>The board of directors and corporate management have the responsibility for harmonious labor relations. This responsibility also includes conducting labor negotiations within the appropriate laws of the jurisdiction. Where efficient operation of the corporation requires plant closings or relocations, the corporation should give as much notice as possible and assist its employees in relocating or in seeking other employment. Resolutions of shareholders that seek to impose requirements on management in this regard will not be supported automatically. Support will be contingent upon whether or not managers can demonstrate that efforts have been made to retain good employment relations subject to the constraints encountered in the particular circumstances.</p>

Discussion of employment relations is not standard in Proxy Voting Policies. Unless there is a specific reason for including directions on this topic, it is recommended that the Board remove this language from its Proxy Voting Policy.

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II. Fair Price Provisions

Current Language	Revised Language
Fair Price Provisions – AGAINST	Fair Price Provisions – AGAINST
<p>A fair price provision in the company’s charter or bylaws is designed to assure that, if the corporation is acquired under a plan not agreed to by the board of directors, each shareholder’s Securities will be purchased at the same price. In most instances the provision requires that any tender offer made by a third party be made to all shareholders at the same price.</p>	<p>A fair price provision in the company’s charter or bylaws is designed to assure that, if the corporation is acquired under a plan not agreed to by the board of directors, each shareholder’s Securities will be purchased at the same price. In most instances the provision requires that any tender offer made by a third party be made to all shareholders at the same price.</p>
<p>Fair pricing provisions attempt to limit the “two-tiered” pricing systems in which the interested party or would-be acquirer of the company initially offers a premium for a sufficient number of shares of the company to garner control. Thereafter, an offer at a much lower price is made to the remaining shareholders who have no choice at all but to accept the offer. The “two-tiered” approach is coercive in that it makes it easier for an outsider to gain control of a company because it provides an incentive to the shareholder to sell his shares immediately in order to receive the benefits of a higher price per share and avoid falling into the second tier, if the offer is successful. The coercive pressures associated with these offers have caused many states to adopt controlled share acquisition statutes which restrict this practice by law. In theory this type of provision is acceptable standing alone; however, given the fact that the practice is in most aspects prohibited by law, and the fact that fair price provisions are invariably linked with other anti-takeover measures, such as supermajority voting requirements to approve certain transactions, the Board will vote against most fair price provisions.</p>	<p>Fair pricing provisions attempt to limit the “two-tiered” pricing systems in which the interested party or would-be acquirer of the company initially offers a premium for a sufficient number of shares of the company to garner control. Thereafter, an offer at a much lower price is made to the remaining shareholders who have no choice at all but to accept the offer. The “two-tiered” approach is coercive in that it makes it easier for an outsider to gain control of a company because it provides an incentive to the shareholder to sell his shares immediately in order to receive the benefits of a higher price per share and avoid falling into the second tier, if the offer is successful. The coercive pressures associated with these offers have caused many states to adopt controlled share acquisition statutes which restrict this practice by law. In theory this type of provision is acceptable standing alone; however, given the fact that the practice is in most aspects prohibited by law, and the fact that fair price provisions are invariably linked with other anti-takeover measures, such as supermajority voting requirements to approve certain transactions, the Board will vote against most fair price provisions.</p>

Discussion of fair price provisions is not standard in Proxy Voting Policies. Unless there is a specific reason for including directions on this topic, it is recommended that the Board remove this language from its Proxy Voting Policy.

New LanguageI. Directors' Compensation Plans

New Language	
Directors' Compensation Plans	FOR
The Board will generally support director compensation proposals, provided they do not pay excessive amounts to directors for board service and do not consist of options, retirement plans or other performance-based awards.	

II. Proxy Access

New Language	
Proxy Access	FOR
The Board will generally support proposals allowing shareholder access to director nominations and the company's proxy materials. Generally, the Board will vote in favor of proposals that allow long-term investors or a group of investors owning at least 3% of the company's voting stock for at least three years to nominate up to 25% of the board of directors.	

III. Tracking Stock

New Language	
Creation of Tracking Stock	AGAINST
Tracking stock is designed to reflect the performance of a particular business segment. The problem with tracking stocks is they can create substantial conflicts of interest between shareholders, directors, and management. Such proposals must be carefully scrutinized and they should be supported only if a company makes a compelling justification for them.	

IV. Greater Transparency and Oversight

New Language	
Greater Transparency and Oversight	FOR
Shareholders benefit from full disclosure of the board of directors' practices and procedures, company operating practices and policies, business strategy, and the way companies calculate executive compensation. Proposals seeking greater disclosure on these matters will generally be supported.	

Proposed Consolidated Statement of Investment Policies & Objectives Overview

Carrie Bass, KPPA Compliance Officer
June 2026

Bases for Recommended Changes



Review of other public pension plan investment policies/policy manuals



Addressing Internal Audit findings



Conversations with CIO and Investment Team



May 2026 Aon Study of 50 largest public pension plans

KRS Investment-Related Board Policies

Current

1. Investment Policy Statement (IPS)
2. Investment Securities Lending Guidelines
3. Brokerage Policy
4. Manager and Placement Agent Statement of Disclosure
5. Proxy Voting Policy
6. Investment Transaction Procedures
7. Real Estate Policy
8. Investment Procurement Policy (IPP)
9. Securities Litigation Policy
10. Securities Trading Policy



Proposed

1. Statement of Investment Objectives & Policies
2. Securities Litigation Policy
3. Securities Trading Policy

IPS (Current) v. Statement of Investment Objectives & Policies (Proposed)

IPS	Statement of Investment Objectives & Policies
Board's purpose & philosophy stated	Board's purpose, objectives, & strategy updated and streamlined
No definitions section	Definitions section added
Roles & responsibilities stated	Roles, Responsibilities, & Delegations updated and clarified
Asset allocation section	Standalone Asset Allocation Policy
Performance measurement standards & expectations set	Standalone Benchmarking & Performance Monitoring Policy
Guidelines & restrictions stated throughout	Separate Guidelines & Restrictions Policy
N/A	Proxy Voting Guidelines
N/A	Investment Procurement Policy
Certification	Certification
N/A	Revision history appendix for each policy/section

Policies (Current) Other than IPS

Current Policy	Proposed Change
Investment Securities Lending Guidelines	Delegated to KPPA Investment Staff
Brokerage Policy	Delegated to KPPA Investment Staff
Manager and Placement Agent Statement of Disclosure	Delegated to KPPA Investment Staff
Investment Proxy Voting Policy	Moved to “Statement of Investment Objectives & Policies”
Investment Transaction Procedures Policy	Delegated to KPPA Investment Staff
Real Estate Policy	Repeal
Investment Procurement Policy	Moved to “Statement of Investment Objectives & Policies”
Securities Litigation Policy	No changes
Securities Trading Policy	Changes to be presented at upcoming Board meeting

Significant Changes Proposed in “Statement of Investment Objectives & Policies”

Investment decision-making below threshold delegated to KPPA Investment Staff

Selecting investment managers

Public asset mandates: Total allocation from each fund equal to or less than 300 bps (3%) of each fund’s total AUM

Alternative mandates: Total allocation from each fund equal to or less than 150 bps (1.5%) of each fund’s total AUM

Re-ups – Total allocation from each fund equal to or less than 150 bps (1.5%) of each fund’s total AUM

Co-investments – Total allocation from each fund equal to or less than 100 bps (1%) of each fund’s total AUM

Specialty investment consultants (all)

Terminating investment managers & vendors (all)

Other Notable Changes

Potential additional guidelines added to Proxy Voting Guidelines (see Memo)

Procedures removed from Investment Procurement Policy & placed in standalone Investment Procurement Procedures document

Reasons for Changes Proposed in “Statement of Investment Objectives & Policies”

Proposed Changes	Justification
Some delegation of investment decision-making to KPPA Investment Staff	<ul style="list-style-type: none"> • Appropriate exercise of fiduciary duty • Minimizes risk exposure for voluntary board members • Avoid MNPI exposure + monitoring of personal securities trades • Improves agility of KPPA Investment Staff in pursuing investment opportunities for KRS
Consideration of additional proxy voting guidelines	<ul style="list-style-type: none"> • Address modern corporate governance issues
Procedures removed from IPP	<ul style="list-style-type: none"> • Best practices not to include procedures in policies

Unchanged in
Statement of
Investment
Objectives &
Policies

Board sets asset allocation

Board sets performance objectives & benchmarks

Board sets restrictions

Board sets proxy voting guidelines

Board sets procurement policy for contracts for investment & management of assets

Board monitors & oversees investments

Board maintains ability to any part of the Statement of Investment Objectives & Policies at any time, including delegations

Trustees are fiduciaries