



Kentucky Retirement Systems  
Securities Trading Policy for Trustees and Employees  
Approved February 24 , 2015

The Kentucky Retirement Systems (“KRS”) is charged with the administration of pension and group health insurance funds held in trust for active and retired KRS members and their beneficiaries. Accordingly, its Trustees, and its Employees have fiduciary duties commonly associated with pension and other trusts. The principal purpose of the Securities Trading Policy (hereinafter “Policy”) is to prevent an intentional or inadvertent violations of Federal securities laws as well as Kentucky’s fiduciary and ethics standards. Since KRS is described by statute as a state agency, KRS Trustees and Employees have the special responsibilities for honesty and integrity applicable to public servants. This Policy acknowledges certain standards of conduct expected of Trustee and Employees in view of these responsibilities.

Although many of the provisions of this Policy are based upon legal and fiduciary concepts, this Policy should not be interpreted as an exclusive and complete statement of legal and fiduciary responsibilities and its provisions should not be construed as the only statements of legal and fiduciary responsibility. The primary source of laws governing the legal and fiduciary conduct of Trustees and Employees are set forth in Kentucky Revised Statutes Chapter 11A, et seq., and Kentucky Revised Statutes 61.645. This Policy does not limit or expand the scope of those laws.

This Policy is intended to provide specific requirements to Trustees and Employees regarding personal securities trading, trading for KRS accounts and compliance with legal and fiduciary responsibilities. Personal securities trading and transactions in accordance with this policy should create a presumption of compliance with legal and fiduciary responsibilities by Trustees and Employees. Any violation of this Policy may result in disciplinary action such as disgorging proceeds, dismissal, or removal from office.

## A. Definitions

In this Policy, the following definitions apply unless the context requires otherwise:

1. “KRS” means the Kentucky Retirement Systems.
2. “Board” means the Board of Trustees of KRS.
3. “Employee” means a person working for KRS in an employer/employee relationship.
4. “Trustee” means a member of the Board of KRS.
5. “Access Person” means a person occupying one of the following KRS positions: The Executive Director, Chief Operations Officer, Chief Investment Officer, General Counsel, Assistant General Counsel, Compliance Officer and Investment Division Staff. If there is an asset or security in which a KRS Trustee or Employee makes an investment recommendation, participates in investment decisions concerning current or potential portfolio investments in the asset or security, has obtained information concerning such investment recommendations or decisions, and; has actual knowledge of investment recommendations or decisions

6. "Covered Person" means a Trustee or a person occupying one of the following KRS positions: Chief Benefits Officer, Controller, Deputy Controller, Internal Audit Staff, Accounting Staff and Information Technology staff
7. "Personal securities transactions" means
  - a. Transactions in securities in any investment account(s) including, but not limited to, brokerage accounts, Traditional and Roth Individual Retirement Accounts, Section 401(k) or similar plans and college savings plans, that are owned, individually or jointly, or controlled by a Trustee or Employee, and
  - b. Transactions for an account in which a Trustee or Employee has indirect beneficial interest, unless the Trustee or Employee has no direct or indirect influence or control over the account. Accounts involving family or accounts in which the Trustee or Employee has a beneficial interest (such as a trust of which he or she is an income or principal beneficiary) are included within the meaning of "indirect beneficial interest."
8. "Family" means the Trustee's or Employee's spouse, their children under the age of 18, adult children financially dependent upon them or living in the same household and any other person(s) living in their household. This policy also applies to any relative of a Trustee or Employee, even if not living in their household, over whose investments the Trustee or Employee has discretionary authority.
 

**NOTE:** Broader restrictions of KRS 11A may apply when a Trustee or covered Employee has actual knowledge of an extended family member who may benefit from a transaction.
9. "Federal Securities Laws" shall mean the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940, the Investment Advisers Act of 1940, Title V of the Gramm-Leach-Bliley Act, the Sarbanes-Oxley Act of 2002, Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Jumpstart Our Business Startups Act of 2012 along with any rules adopted by the U.S. Securities and Exchange Commission and any rules adopted by the U.S. Department of the Treasury including sanction programs enforced by the Office of Foreign Assets Control.
10. "Policy" means this Securities Trading Policy.

## B. General Ethical Standards

All KRS Trustees and Employees must comply with all applicable state and federal laws and ethical principles. They should specifically be aware of the following statutes and rules: KRS 11A, et seq., KRS 61.645, 15 U.S.C. 78j, Section 10 of the Securities Exchange Act of 1934 (including rules 10b-5, 10b5-1, 10b5-2) and the Kentucky Retirement Systems Personnel and Investment Policies. The omission of any applicable statute from this list does not excuse violation of its provisions.

Federal securities laws also prohibit persons, including KRS Trustees and Employees, from trading securities or commodities using any manipulative or deceptive device or scheme to defraud. This includes misstating or omitting any material fact. Moreover, trading securities or commodities on the basis of material non-public information is prohibited. This prohibition covers both "insiders" (persons who acquire material non-public information in the context of their employment or a

relationship of trust such as a fiduciary relationship) and “Tippees” (persons who misappropriate material non-public information obtained from an insider). This Policy is designed to prevent KRS Trustees and Employees from misusing material non-public information in a manner that might violate Federal securities laws or from otherwise engaging in inappropriate securities transactions such as front running in KRS accounts as well as their personal and family accounts.

Federal laws also prohibit KRS Trustees, Employees or Investment Managers from transacting securities issued in countries subject to economic sanctions by the U. S. Department of Treasury Officer of Foreign Assets Control. Additionally, KRS Trustees, Employees and Investment Managers should not conduct business or invest with individuals or entities connected with sanction targets or Specially Designated Nationals (SDNs).

Accordingly, all KRS Trustees or Employees are prohibited from trading on material inside and non-public information whether obtained in the course of their KRS duties or otherwise. Material inside information is non-public information that a reasonable investor is likely to consider important in determining whether to purchase or sell a security. It is also information that, if made public, would likely affect the market price of a security. Information may be considered material even if it relates to future, speculative or contingent events and even if it is significant only when considered in combination with publically available information. Information is considered non-public unless it has been publically disclosed and adequate time has passed for securities markets to digest the information. Any instances or questions regarding possible inside information must be immediately brought to the attention of the Compliance Officer.

## C. Personal Securities Transactions

### 1. PROHIBITED TRANSACTIONS

All KRS Trustees or Employees are PROHIBITED from engaging in the following personal securities transactions:

1. Knowingly conducting any securities transaction in any instrument KRS is actively trading until three (3) trading days after the buy/sell orders have been completed or canceled.
2. Purchasing stock in any Initial Public Offering (“IPO”). They may accept IPO shares derived from a stock dividend on shares previously owned, from demutualization of an insurance company in which they are a policy holder or as the result of a Family member’s employment by an IPO issuer.
3. Front running, which is defined as buying or selling a security in advance of the time such a transaction would be blocked by the pre-clearance procedure. Trustees and Employees who have actual knowledge of transactions that are being considered for implementation in KRS portfolios, even in securities exempted by this policy, are prohibited from acting in advance thereof even if such purchase or sale would not otherwise be barred by the pre-clearance procedure below.

Personal securities transactions covered by this policy include transactions in:

- Individual equity or equity-related instruments, including but not limited to stocks, convertibles, preferred stock, options and futures on individual stocks, warrants, rights, etc., for domestic and foreign securities, whether publicly traded or privately placed.
- Individual bonds, options and financial futures on individual bonds,
- Investments in real estate not otherwise exempted below.

Investments in real estate involving more than one individual or entity with a fiduciary duty to KRS, or otherwise subject to the requirements of this policy, must be disclosed thirty (30) days PRIOR to transaction consummation even if it falls under an exemption listed below.

### *Exempted Securities and Assets*

Personal securities transactions do not include transactions in:

- Mutual funds, index funds, options and futures on indices or ETF's, annuity contracts, bank deposits, tangible personal property, stock splits, stock dividends, hard assets, unit trusts, master trusts, retirement plan pooled accounts, securities transactions that are effected in connection with the exercise of rights to purchase additional securities from an issuer and granted by such issuer pro rata to all holders of a class of securities and similar investments in which the participant does not make individual security selections, covered call writing or protective put purchases on securities already owned by the Trustee or Employee, participation in traditional DRIP or DSP stock purchase plans, money market instruments, certificates of deposit, commercial paper, short-term bonds (less than 365 days) and U.S. short-term debt instruments (less than 365 days).
- Real estate used for a their own personal or recreational residence, real estate held through a real estate investment trust for which the Trustee or Employee is not making individual property selections, agricultural or other land with a value of less than \$250,000 and bona fide rental properties with two (2) or fewer units.

## 2. PRE-CLEARANCE

Access Persons shall not enter into a non-exempt personal securities transaction without first complying with the pre-clearance process defined herein and receiving approval or clearance from the KRS Compliance Officer or the Chief Investment Officer. The KRS Compliance Officer shall be responsible for implementation of this policy and for establishing procedures to track Trustee and Employee compliance with this Policy.

#### A. Open Orders/Options

If an Access Person wants to place “good until canceled”, limit”, equivalent open order specifying certain execution limits or writing a covered call in a security that has not been defined as exempt in this policy they must indicate this order type on their request for approval. If the order request is approved in accordance with pre-clearance procedures in this policy, a transactional disclosure form must be completed and submitted to the Compliance Officer within ten (10) calendar days of the order being executed. **If at any time between approval by the Compliance Officer and trade execution the Access Person obtains actual knowledge of KRS or its external managers transacting in that security, transacting in that option or open order is no longer approved.**

Employees shall obtain pre-clearance for personal securities transactions by sending an e-mail message to the KRS Compliance Officer requesting a determination as to whether trading is allowed and must wait for approval from the Compliance Officer **before entering into the transaction**. In the absence of the Compliance Officer, the Chief Investment Officer may also consider the pre-clearance request of an Employee pursuant to the same procedure. Pre-clearance approval or denial shall be based on the determination of the Compliance Officer in their reasonable discretion, in consultation with KRS investment managers and staff as necessary that the transaction does not conflict with federal or Kentucky law or KRS policies.

Pre-clearance for Trustees and Employees will be documented in a personal securities transaction log which will provide a record of all requests for approval of personal securities transactions. The KRS Compliance Officer will provide pre-clearance and maintain the log. Unless otherwise noted by the Compliance Officer, or placing an open order has been approved, pre-clearance approval for personal securities transactions is effective until market close on the first trading day following communication of pre-clearance approval by the Compliance Officer. **Under no circumstances shall a KRS employee or trustee approve or clear their own transaction.**

A transactional disclosure form must be completed for personal securities transactions, except for those described above which are exempted from the disclosure requirement. Transactional disclosure forms must be fully completed and given to the KRS Compliance Officer along with the trade confirmation from the broker (unless the transaction only involved real estate) within ten calendar days of the personal transaction trade date. A sample of the required form is attached to this policy.

The transactional disclosure form must be fully completed and contain information including:

- Name and amount of the security involved. If the asset is Real Estate not exempted by this policy, the address of the property should also be included.
- Date and nature of the transaction
- Price at which the transaction was effected
- Name of the broker through whom the transaction was effected.

## D. Certification

### 1. ANNUAL

Each year, at the request of the Compliance Officer, all Access and Covered persons shall submit to the Compliance Officer a certification of their understanding of the requirements of this policy. Additionally, unless they are a Trustee, all Access and Covered persons should submit a brokerage statement disclosing the account title, their securities holdings and securities transactions for personal and family accounts where a non-exempt securities transaction may occur, for the period ending as of the preceding December 31<sup>st</sup>.

### 2. NEW HIRE/APPOINTMENT

All access and covered persons shall also be required to file with the Compliance Officer, in such format as the Compliance Officer may require a certification of their understanding of the requirements of this policy. Additionally, unless they are a Trustee, all Access and Covered persons should disclose the account name and account for all personal and family accounts where a non-exempt securities transaction may occur, within fifteen business (15) days of becoming an access or covered person.

## E. Violations and Remediation

KRS takes violations of securities laws and this policy very seriously. As mentioned above, any violation of this policy may result in disciplinary action such as disgorging proceeds, dismissal, or removal from office. Failure to pre-clear non-exempt personal securities transactions shall be considered a willful violation of this policy and will subject that Access Person to appropriate sanctions.

As such, KRS Trustees and Employees should promptly report any suspected violation of securities laws or this policy to the Compliance Officer. If any violation of this policy is determined to have occurred, the Compliance Officer will escalate the situation to the Executive Director and Chair of the Board of Trustees for action. No KRS Trustee or Employee shall participate in a determination of whether he or she has committed a violation of this policy or in the imposition of any sanction against himself or herself.

### Signatories

As Adopted by the Investment Committee

Date: February 3, 2015

Signature: 

Dr. Daniel Bauer

Chair, Investment Committee

As Adopted by the Board of Trustees

Date: February 24, 2015

Signature: 

Mr. Thomas Elliot

Chair, Board of Trustees