

Statement of Investment Policy, Objectives and Guidelines

Kansas Public Employees Retirement System

As adopted by the Board of Trustees • September 19, 2025



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SECTION 1: STATUTORY AUTHORITY AND STATUTORY RESTRICTIONS

Statutory authority for the investment program of the Kansas Public Employees Retirement System (the System) is provided for in K.S.A. 74-4901 *et seq.*, effective July 1, 1993. The Retirement Act addresses the following areas:

- A. Establishes the structure of the Board of Trustees, defines the responsibilities of the Board and imposes the prudent expert rule upon the Trustees' actions with respect to the assets of the System.
- B. Requires that the assets be invested to preserve capital and solely to provide benefits to members and such members' beneficiaries.
- C. Limits the possible allocation to common stock to 60% of the total book value (adjusted cost) of the Fund.
- D. Limits the annual net commitment to alternative (non-publicly traded) investments to 5% of the total investment assets (measured at market value at the previous December 31st) of the Fund.
- E. Establishes limits on the structure of future investments in alternative investments.
- F. Requires that the Board develop investment policies and objectives for the investment and reinvestment of the assets of the Fund.
- G. Authorizes the Board to hire qualified professionals/firms to assist in the investing of the Fund and to require that such professionals/firms obtain errors and omissions insurance coverage and fidelity bond insurance coverage.
- H. Authorizes the Board to pay for the services of retained professionals/firms at the rates fixed by the Board, excluding any reimbursement for expenses and subject to the provisions of the appropriations acts.
- I. Provides for an annual audit and requires that the Board annually examine the investment program, specific investments, and its policies and practices.

SECTION 2: CODE OF ETHICS

A. Fiduciary Responsibility: The members of the Board of Trustees recognize that they serve as fiduciaries of assets held in trust for the providing of earned retirement, survivor and disability benefits to members or their beneficiaries of the Kansas Public Employees Retirement System. Their responsibility is the prudent investment of those funds; i. e., that the Board shall exercise the judgment, care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims by diversifying the investments of the fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

Hence, Board members or anyone acting on their behalf will comply with the provisions of Kansas retirement statutes governing the responsibilities of a fiduciary.

B. Compliance with Kansas Statutes and Code of Ethics: The Board members also recognize that they are public officials governed by the provisions of both K.S.A. 74-4901 *et seq.* and the State Governmental Ethics Law at K.S.A. 46-215-293. Because they believe that public confidence in the Board's integrity is essential for not only members of the System, but also for the public and taxpayers of the State of Kansas as well, they wish to ensure that their actions conform not only with the letter of the law but also with the spirit of the law.

C. Consistency with the Employee Retirement Income Security Act "ERISA": The Board recognizes the protection which ERISA affords to retirement plans who must abide by its provisions and intends to comply with its provisions, to the extent desirable, in order to further protect the assets of the System and allow for the payment of benefits to members and beneficiaries.

D. Persons to Whom this Code of Ethics Applies: All references to Board members will include not only the member of the Board of Trustees but also all members of their immediate family, members of a firm with which they are associated or individuals with whom they have a financial association. A financial association is defined as a relationship with any individual or organization from which some form of financial remuneration has been or could be received. The disclosure provisions apply specifically to members of the Board of Trustees and members of their immediate families.

E. Assets to which this Code of Ethics Applies: The provisions of the Code apply to all assets of the Kansas Public Employees Retirement System, both publicly traded and non-publicly traded investments.

F. Disclosure: No Board member shall participate in discussion or vote on a matter in which they have a direct or indirect financial interest. Any person who serves on the Board shall fully disclose any substantial interest, as defined in K.S.A. 74-4901 *et seq.*, in any publicly traded investment made with monies of the Fund.

G. Provisions with respect to Real Estate and Other Non-Publicly Traded Investments of the System: All references to alternative or real estate investments of the Fund do not include investments that are defined as publicly traded.

No Board member shall have a substantial interest, as defined by K.S.A. 74-4901 and K.S.A. 74-75-4302a, in any of the non-publicly traded alternative or real estate investments of the Fund. No Board member shall serve as an officer, director, associate, partner, proprietor, or employee of an entity in which an alternative or real estate investment is made by the Fund. No Board member shall serve as a consultant to or receive any fee, commission or payment from an entity in which an alternative or real estate investment is made by the Fund. No Board member shall act as a representative or agent of any third party in dealing with the System's managers or consultants.

No Board member shall be employed for a period of two years after the end of their term on the Board with an organization in which the System invested unless that organization's stock or other evidence of ownership is traded on the public stock or bond exchanges.

- H. Responsibilities of Investment Managers and Consultants: In order to accomplish these objectives, each investment manager retained by the System for alternative or real estate investments shall be notified in writing of this Code of Ethics and the related conflict of interest laws of the State of Kansas, and of the Board's adoption of this Code. All investment professionals shall strictly conform to this Code of Ethics. Any suggestion or offer to deviate from these provisions made by a Board member shall be reported by the manager or consultant, in writing, to all members of the Board.

The Board recognizes that investment managers and consultants have every right as citizens to participate in the political process both individually and corporately. However, the Board believes that it is inappropriate and improper for members of the Board to solicit contributions or support of specific candidates from any manager, consultant or staff employed by the System. Any such incident should be reported, in writing, by the manager or consultant to all members of the Board.

All investment managers, consultants and other persons retained in a capacity which has fiduciary responsibilities are expected to abide by the provisions of this Code of Ethics.

- I. Personal Financial Gain: No member of the Board or employee of the System shall use their official position or office to obtain direct or indirect personal financial gain for themselves, their family or any business, as specified in the Kansas Conflict of Interest Laws.
- J. Retaining of Staff or Professionals: The Board has the authority and responsibility to hire employees and professionals to work for the System. Selection of any professionals (custodians, investment managers, consultants or other parties who are in a position to possibly have a conflict of interest) shall be solely on the basis of merit and subject to the provisions of Section 14 of this Statement.

SECTION 3: PURPOSE OF THE SYSTEM'S ASSETS AND THIS STATEMENT OF INVESTMENT POLICY

The Kansas Public Employees Retirement System exists solely to provide present and future retirement, disability and survivor benefits to members and their beneficiaries, as defined by the State of Kansas Statutes, and to cover reasonable expenses incurred to provide such benefits.

The System, including its Fund, was established in 1962 by an enactment of the legislature of the State of Kansas and now operates under K.S.A. 74-4901 *et seq.*

The purpose of the Fund by State Statute is: to provide an orderly means whereby employees of the participating employers who have attained retirement age may be retired from active service, to enable such employees to accumulate reserves for themselves and their dependents, and to provide for old age, death, and termination of employment.

This Statement of Investment Policy, Objectives and Guidelines is consistent with the Statutes. It complements the Statutes and documents the principles and standards which are believed to guide the management of the assets of the System. This document is intended to be binding upon all persons with authority over System assets, including investment managers, custodians, consultants, staff and the Board of Trustees of the System, as well as any other person who could have a potential conflict of interest with the System.

This Statement is the product of the Board's careful and prudent study; it presents the Board's conclusions as to the most suitable combination of investments, within the statutory requirements, which will satisfy the System's ongoing obligations for members and beneficiaries.

The purpose of the Investment Policy Statement is to:

- A. Set forth the investment policies, objectives, and guidelines which the Board of Trustees judges to be appropriate and prudent, in consideration of the needs of the System, and to comply with K.S.A. 74-4901 *et seq.*, to direct the System's assets. Although the System is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Board intends to abide by the directions of ERISA to the greatest extent desirable; hence, this Statement is written to be consistent with ERISA.
- B. Establish the criteria against which the investment managers retained are to be measured.
- C. Communicate the investment policies, objectives, guidelines and performance criteria to the Board, staff, investment advisors, consultants and all other interested parties.
- D. Serve as a review document to guide the ongoing oversight of the investment of the Fund and as a yardstick for compliance with K.S.A. 74-4901 *et seq.*
- E. Demonstrate that the Board of Trustees is fulfilling its responsibilities in the management of the investments of the System solely in the interests of members and beneficiaries of the System.
- F. Document that the Board of Trustees is fulfilling its responsibilities under K.S.A. 74-4901 *et seq.*

SECTION 4: RESPONSIBLE PARTIES AND THEIR DUTIES

- A. The State of Kansas has established through its Statutes the Kansas Public Employees Retirement System ("System") and may amend it from time to time; the Statutes specify requirements for the investment of the System's assets as well.

- B. The Board of Trustees is the body of persons whose role is to oversee the operation of the System. The Board members are fiduciaries of the System; their responsibilities with respect to the assets of the System include completing each of the duties below as a prudent expert:
- Set the policies, objectives and guidelines for the investment of the assets of the System.
 - Study thoroughly strategic issues affecting the investments of the System so as to make educated and prudent policy decisions.
 - Select qualified professionals to assist in the implementation of the investment policies.
 - Evaluate the Fund, its performance, its compliance with this Statement of Investment Policy and K.S.A. 74-4901 *et seq.*, the performance of staff and the performance of investment professionals retained.
 - Represent the System to the State of Kansas.
- C. The Staff of the System are those persons hired by the Board. Their duties are to administer the System in line with the policies and decisions of the Board and the provisions of K.S.A. 74-4901 *et seq.*, to provide input for the Board so that issues can be studied fully prior to any Board decision, and to provide management and oversight of the System assets as directed by the Board. In addition, staff is responsible for interacting with the legislature, serving the needs of System members and managing the System's relationships with outside professionals and other constituencies.
- D. An Investment Advisor/Manager is a person(s), firm, corporation, bank or insurance company who is retained to manage a portion of the assets of the System under specified guidelines. Such investment managers will be registered as Investment Advisors under the Investment Advisors Act of 1940 and Securities Exchange Commission Acts, unless exempted from registration by the SEC (i.e., banks and insurance companies and affiliates).
- E. A Custodian for the Fund is an organization, normally a bank, which is retained by the Board and is responsible for the safekeeping of the System's assets and the accurate and timely reporting of the assets to the System.
- F. Consultants are persons or firms who are retained by the Board for the System and are responsible for providing advice to the System based upon their expertise and their analyses of the issues under consideration.
- G. The term "fiduciary" evolved through General Trust Law over the course of many years.

General Trust Law indicates that a fiduciary duty exists where a relationship entails a special level of confidence, trust and loyalty in one, who in good conscience is bound to act in the utmost good faith and solely for the benefit of the beneficiary. The fiduciary capacity entails holding property for the benefit of another; the fiduciary is bound to act in the best interests of that other person.

Under ERISA, the term Fiduciary means any person who: (1) exercises any discretionary authority or control with respect to the management of the plan or exercises any authority or control with respect to management or disposition of its assets; (2) renders investment advice for a fee or other compensation, direct or indirect, with respect to any monies or other property of the plan or has any authority or responsibility to do so; or (3) has any discretionary authority

or discretionary responsibility in the administration of such plan. Fiduciary responsibility (the prudent expert rule) is defined in Section 2.A.

Note: Investment advisors, custodians, consultants, actuaries, legal counsel and other professionals and experts retained by the Board of Trustees are considered to be fiduciaries of the Retirement System.

SECTION 5: OBJECTIVES

A. General Objectives

1. General objectives have been formulated with respect to the following considerations:

The anticipated financial needs of the System in light of the expected future contributions and benefits.

- The need to preserve capital.
 - The risk tolerance of the System and the Board and the need to adequately manage risk.
 - Observations about historical rates of return on various asset classes.
 - Assumptions about current and projected capital market and general economic conditions and expected levels of inflation.
 - The need to invest, exercising the judgment, care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.
 - The need to document investment policies, objectives, guidelines and performance standards.
2. Investment objectives represent desired results and are long-term in nature covering typical market cycles. Non-publicly traded investments normally have an even longer market cycle. Any shortfall in the short-term should be explainable in terms of general economic and capital market conditions, or, in the case of non-publicly traded assets, by the unique characteristics of the investment and historical performance patterns.
3. The investment objective, consistent with the provisions of ERISA, to the extent desirable, is to invest the Fund's assets in a manner consistent with generally accepted standards of fiduciary responsibility. The safeguards which would guide a prudent expert will be observed. Capital preservation shall be emphasized, and the Fund will be diversified so as to avoid the risk of large loss. All transactions undertaken on behalf of the Fund will be for the sole benefit of System members and beneficiaries and for the exclusive purpose of providing benefits to them and defraying reasonable administrative expenses.
4. Financial objectives identified include:
- Assets are managed with a long-term perspective to achieve a level of return at or above their actuarially projected value and are thereby intended to maintain or improve the funded position of the System.

- Assets should grow over time on a real dollar basis at a compound rate of return, which when combined with contributions, will provide for the paying of benefits as defined by the Statutes.
 - Total System costs should be held at their lowest possible level consistent with prudent management of the assets, in order to provide the greatest flexibility in funding the greatest portion of benefits for participants.
5. Investment managers will have discretion and authority for determining investment strategy, and implementation of security selection and timing within the provisions of this Statement of Investment Policy, except for alternative investments and real estate investments, where significant management decisions require the approval of staff and/or the Board of Trustees.

B. Investment Rate of Return and Risk Objectives

Through a detailed study of the liabilities and assets of the System which reflects both the statutory requirements and the investment experience in the capital markets, the Board has developed and established these objectives:

1. Rates of return will be based on an annualized, gross of fees and expenses, time-weighted total return calculation over rolling three to five-year periods (five to ten or more years for non-publicly traded assets) and will recognize all cash income plus realized and unrealized capital gains and losses.
2. The long-term objective of the Total Fund is to earn the greater of the actuarial discount rate (which is currently 7.0% per annum) or an average annual total investment rate of return in excess of the rate of return of an investment in representative indices in the long-term target allocation of the Fund as shown below, adjusted for risk and including fees and other expenses.

Russell 3000 Index	23.0%
MSCI All Country World Ex U.S., Ex China Net Index	18.0%
KPERS Core Fixed Income Benchmark	12.0%
KPERS Non-Core Fixed Income Benchmark	8.0%
KPERS Real Assets Benchmark	13.0%
KPERS Real Estate Benchmark	12.0%
KPERS Alternative Investments Benchmark	11.0%
KPERS Cash Equivalents Benchmark	3.0%

The Board may establish interim target allocations, within the ranges specified in Section 5C 3 below, to facilitate implementation of the long-term allocation targets.

3. The volatility of returns, or risk, for the Total Fund, as measured by standard deviation of investment returns, should be, over time, commensurate with the level of returns achieved.
4. The objective of the domestic equity investment component of marketable securities of the Fund is to earn, over time, an average annual total rate of return which is approximately equal to the return of the Russell 3000 Index, combining dividends and capital appreciation/depreciation, while at the same time maintaining a reasonable risk level (as measured by standard deviation) relative to its index.

5. The objective of the international equity investment component of marketable securities of the Fund is to earn, over time, an average annual total rate of return which exceeds that of the MSCI All Country World Index ex-U.S., ex-China Net Index in U.S. dollars, combining dividends and capital appreciation/depreciation, adjusted for currency overlay program, while at the same time maintaining a reasonable risk level (as measured by standard deviation) relative to its index.
6. The objective of the core fixed income investment component of the Fund is to diversify the total portfolio and to earn, over time, an average annual total rate of return which exceeds that of the Bloomberg US Aggregate Index, combining interest income and capital appreciation/depreciation, while at the same time maintaining a reasonable risk level (as measured by standard deviation) relative to its benchmark.
7. The objective of the non-core fixed income investment component of the Fund is to diversify the total portfolio, to provide current income, and to earn, over time, an average annual total rate of return which is equal to or exceeds the KPERS Non-Core Fixed Income Benchmark, combining income and capital appreciation/depreciation, while at the same time maintaining a reasonable risk level (as measured by standard deviation) relative to its benchmark. KPERS Non-Core Fixed Income Benchmark is defined as Bloomberg U.S. High Yield 2% Issuer Cap Index. (The non-core fixed income component and benchmark were formerly known as “yield driven”).
8. The objective of the real assets component of the Fund is to diversify the total portfolio and provide long-term inflation protection, as well as to earn, over time, an average annual total rate of return which is equal to or exceeds the KPERS Real Assets benchmark, combining interest income and capital appreciation/depreciation, while at the same time maintaining a reasonable risk level (as measured by standard deviation) relative to its benchmark. The KPERS Real Assets benchmark is defined as the U.S. CPI-U + 4.0%. (The real assets component and benchmark were formerly known as “Real Return”).
9. The objective of the real estate investment component of the Fund is to diversify the total portfolio and provide long-term inflation protection as well as earn, over time, an average annual total rate of return which exceeds the KPERS Real Estate Benchmark, combining income and capital appreciation/depreciation, while at the same time maintaining a reasonable risk level (as measured by standard deviation) relative to its benchmark. KPERS Real Estate benchmark is defined as NCREIF ODCE: 75%; and NCREIF ODCE + 3%: 25%.
10. The objective of the alternative investment component of the Fund is to earn, over time, an average total return which exceeds the Russell 3000 Index plus 2%, while maintaining a risk level (as measured by standard deviation) commensurate with the expected return differential.
11. The objective of the short-term cash equivalent reserve component of the Fund is to provide liquidity for the timely payment of benefits and/or fees and expenses while earning a competitive return. The objective of the cash equivalent reserve component of the Fund is to earn, over time, an average annual total rate of return which exceeds that of the KPERS Cash Equivalents benchmark, combining income and capital appreciation/depreciation, while at the same time maintaining a reasonable risk level (as measured by standard deviation) relative to its index. The KPERS Cash Equivalents benchmark is defined as 100% BofA Merrill Lynch 0-1 Year Treasury Index.

C. Asset Allocation Policy

1. The Board of Trustees suggest a well-diversified and balanced investment approach using a broad range of asset classes relative to the following characteristics of the System:
 - The need to deliver the projected funded position of the System.
 - The liquidity requirements of the System.
 - The investment preferences and risk tolerances of the Board of Trustees.
 - The rate of return objectives.
 - The diversification objectives of the Fund, in accordance with K.S.A. 74-4901 *et. seq.*
2. The asset allocation targets which follow below contains guideline percentages, at market value, of Total Fund assets to be invested in various asset classes. The target mix may not actually be attained at any specific point in time, since actual asset allocation will be dictated by current and anticipated market conditions, the independent actions of investment managers and the overall directions of the Board of Trustees.
3. The Board of Trustees will review this Statement of Investment Policy, Objectives and Guidelines annually, as required in K.S.A. 74-4901 *et seq.*, and will ascertain at least once a year that the Fund conforms to the following asset allocation ranges and limits.

<u>Asset Allocation For the Total Fund</u>	<u>Allowable Range</u>	<u>LT Target Allocation</u>
Domestic Equities	15% - 60%	23.0%
International Equities	10% - 35%	18.0%
Core Fixed Income	10% - 75%	12.0%
Non-Core Fixed Income	5% - 20%	8.0%
Real Assets	0% - 20%	13.0%
Real Estate	0% - 20%	12.0%
Alternative Investments	0% - 15%	11.0%
Cash	0% - 6%	3.0%

Per Kansas Statutes, investments in equities (common stock) are not to exceed, in total, 60% of the total book value (adjusted cost) of the Fund.

The following conditions must be met for any new investments made in the alternative asset class. Conditions "c" and "d" must be met prior to any new real estate investment.

- a. In addition to the Retirement System, there are at least two other sophisticated investors, as defined by Section 301 of the Securities and Exchange Act of 1933.
- b. The Retirement System's investment in an individual alternative investment is limited to a maximum of 20% of the alternative investment.
- c. The Retirement System has received a favorable and appropriate recommendation from a qualified, independent expert in investment management or analysis in that particular type of investment.
- d. The investment is consistent with the provisions of this Statement of Investment Policy.

- e. The investment does not exceed 2.5% of the total alternative investment portfolio (unless the investment is in a multi-investor pool, in which case the 2.5% limitation applies to the underlying individual assets of the pool and not to investment in the pool itself). An individual investment in a multi-investor pool will not exceed 20% of the alternative investment portfolio.
 - f. The Board of Trustees has received and considered the due diligence findings for the investment prior to the making of the investment.
 - g. Criteria have been established by the staff and/or the investment manager that will be used as a guideline to determine when no additional add-on investments or reinvestments would be made and when the investment would be liquidated.
4. Due to variation over time between the target allocation and the actual allocation, the Board of Trustees has approved a method for rebalancing the asset mix using the "Constant Mix" approach. The actual asset allocation of the Retirement System shall be reviewed monthly by staff relative to the prescribed allocation targets of Section C(3) and relative to the variation tolerance set forth in this section. Staff shall rebalance any asset class that breaches the assigned tolerance to any point of compliance within tolerance, utilizing the most efficient means available and over a prudent time period. Staff may, from time to time, take action to adjust allocation(s) within the maximum tolerance based on market conditions or needs of the System. Required rebalancing activity shall be reported to the Board of Trustees at their next regularly scheduled meeting.

<u>Asset Class</u>	<u>Variation Tolerance</u>
Domestic Equities	+/- 4%
International Equities	+/- 4%
Core Fixed Income	+/- 4%
Non-Core Fixed Income	+/- 4%
Real Assets	+/- 5%
Real Estate	+/- 5%
Alternative Investments	+/- 3%
Cash	+/- 2%

5. The Chief Investment Officer will allocate the assets of the fund to the investment managers and specify approved guidelines, investment objectives and standards of performance which are to apply to each manager's portfolio. These decisions will encompass allocating assets among active, enhanced index and index matching investment strategies in order to control the expenses of investment management, the active risk of the portfolio and to provide broad market exposure.
6. Net income (income and contributions less expenses) is swept from the publicly traded investment portfolios on a weekly basis, as available, and used to provide liquidity for the System's cash flow needs.

D. Liquidity Policy

The Retirement System is a mature defined benefit pension plan with a negative cash flow situation. (On an annual basis, distributions for benefit payments exceed total employer and employee contributions.) As noted above, net income is swept from the publicly traded

portfolios on a weekly basis, as available, and is used to provide liquidity for the System's cash flow needs. However, net income is not expected to be sufficient to cover cash outflows. Therefore, the System has established its cash equivalents target in order to provide sufficient liquidity to meet normal cash flow needs. However, in the event of a sustained negative market environment for risk assets, the Retirement System may need to access liquid assets in order to fund required distributions. The objective of this Liquidity Policy is to define the hierarchy of sources of liquidity which will be accessed in order to fund the System's negative cash flows in a sustained negative market environment for risk assets.

In the event assets are required to be liquidated in order to fund cash outflows, the following protocol will be followed:

- The assets in the Short-Term Investment Fund (STIF) will be utilized first to meet benefit payments, other required distributions, expenses, and capital calls for private markets investment (collectively, "liquidity needs").
- The U.S. Treasury holdings in the Core Fixed Income portfolios will be utilized to fund liquidity needs when the STIF and SCR exposure approaches the lower end of the target range for the cash equivalents asset class.
- The balance of the Core Fixed Income portfolio will be liquidated to fund liquidity needs after the STIF and U.S. Treasury holdings have been utilized.

The lower band of the rebalancing range for each asset class will be used as a guide to determine when to move down the hierarchy from one investment strategy to the next in order to access liquidity.

The System's Chief Investment Officer will follow the above protocol as needed in order to fund outgoing cash flows. This policy does not preclude the Chief Investment Officer from engaging in asset class rebalancing activities as may otherwise be appropriate, in a normal market environment. Deviations from the above protocol will be discussed with the Board of Trustees as appropriate, in a timely manner.

SECTION 6: PERMISSIBLE INVESTMENTS

Below are permissible investments for prospective investment. Neither the Board nor K.S.A. 74-4901 *et seq.*, require that securities or other types of investments which are not identified below, but which are a current investment of the Fund, must be sold, unless that action would be in the best interest of the System.

- A. Equities are considered to be common or preferred corporate stocks; warrants or rights; corporate bonds, debentures or preferred stock which are convertible into common stock. Stocks listed on well-recognized or principal United States exchanges and well-recognized or principal exchanges of foreign countries are permissible.
- B. Fixed income securities are considered to be U.S. and foreign Treasury or Government agency obligations; U.S. or foreign corporate bonds; asset backed securities such as CMOs, mortgage-backed securities, Treasury Inflation Protected Securities (TIPS), and segments of

these types of vehicles or participation in commingled (fixed income) funds, managed by a bank, insurance company or other professional fixed income investment manager.

- C. Cash equivalent securities include U.S. dollar denominated and non-U.S. dollar denominated securities with a duration of one year or less and an investment grade rating by Moody's and Standard & Poor's. A security's duration will be determined by a third-party.
- D. Derivatives. The Board of Trustees of the Kansas Public Employees Retirement System acknowledges that Derivative instruments are potentially useful tools for use by the System's investment managers for the purposes of:
- Risk Management: Mitigating or managing portfolio risks through hedging or otherwise modifying specific risk exposures.
 - Substitution: In substitution for "cash market" securities/positions, or for modifying portfolio positioning in lieu of cash market transactions.
 - Derivative-based Strategies: As a structural part of an investment strategy (i.e. "Stocks Plus", actively managed currency portfolios)
 - Efficiency/Cost Effectiveness: Efficiency and/or cost effectiveness in implementing: portfolio construction, trading, portfolio strategy or managing a portfolio's risk/return profile.

Derivative instruments are potentially useful tools for use by the System in managing the total portfolio for the purposes of:

- Managing asset class exposure:
 - Hedging or otherwise managing asset class exposures.
 - Executing the asset rebalancing process.
 - Passively investing cash (i.e. cash "equitization").
- Managing "portable alpha" strategies.
- Hedging or otherwise managing currency exposure.
- Executing manager, portfolio or other asset transitions.
- Other, similar purposes where implementation efficiency and/or cost reduction is clearly improved through the use of derivative instruments.

The Board establishes the following general guidelines for the use of derivative instruments:

1. Use of derivative instruments should be for the purposes listed above and be consistent with the executing manager's primary investment strategy or mandate. Specific uses for derivative instruments should be addressed in each manager's Investment Management Agreement.
2. Derivative instruments should be used in a manner such that the risk of the containing portfolio will not be greater than if the portfolio were fully invested in cash market securities the manager would otherwise utilize. An investment manager should be able to attain substantially the same portfolio positioning and risk profile using cash markets securities appropriate for the manager's strategy or mandate, as constructed using derivatives instruments. Derivative instruments or positions which create portfolio leverage are not approved under these guidelines.

3. Long derivative positions must be backed, on a notional basis, by (U.S. dollar or non-U.S. dollar denominated) cash or cash equivalents, or offset by another derivative position. Any derivative position used as an offset must be sufficiently similar to the associated long position to fully hedge the long position, or must combine with the long position to create an economic exposure that could otherwise substantially be created with cash markets securities appropriate for the manager's strategy or mandate.
4. Short derivatives positions must hedge an existing portfolio position or portfolio risk or be used in combination with long derivatives positions to create economic exposure that could otherwise substantially be created with cash markets securities appropriate for the manager's strategy or mandate.
5. Maximum exposure to derivative instruments in any given portfolio is 50% of market value, unless specifically provided for in a manager's Investment Management Agreement. For purposes of calculation, the combined notional value of both long and short positions will be used. Long and short positions may not be netted unless the contracts involve substantially the same underlying asset or offset risks exhibited by the underlying asset. The notional values of payer and receiver swaps may not be netted. Money market futures will not be used in the calculation of derivatives exposure.
6. Maximum notional (gross) counterparty exposure to any one derivative counterparty entity is 20% of the market value of the individual portfolio.
7. Money market futures are permitted up to a maximum duration exposure of 1.0 year. Money market futures are cash settled and marked to market daily and therefore are exempt from cash-backing requirements. Money market futures will not be included in the calculation of derivatives exposure. Money market futures are not eligible as cash equivalents to meet the cash-backing requirement for other derivatives positions or TBA mortgage-backed securities.
8. Options and option strategies are permissible investments up to a maximum exposure of 5% of the portfolio market value and are part of, not in addition to, the 50% derivative limitation. (Exposure is defined as the market value of the position.) Option positions must be backed by cash or cash equivalents or offset by another derivative position. The calculation of exposure and cash-backing requirement are monitored in the following manner:
 - Long options exposure will be based on the greater of premium value paid or market value and does require cash-backing.
 - Short naked options exposure will be based on the notional value of the asset to be delivered (written calls) or asset to be received (written puts). Cash-backing is required in the amount of the aforementioned exposure.
 - Short covered call options must hedge an existing portfolio position or portfolio risk, and will not be counted against option or derivatives exposure and cash backing is not required.
9. Foreign exchange options and futures contracts are subject to the above restrictions, however, foreign exchange forward contracts are not. Foreign exchange forward contracts are not subject to the cash backing or counterparty limits outlined above. Maximum

notional (gross) counterparty exposure to any one foreign exchange counterparty in a currency overlay program is 30% of the total gross exposure.

- E. Alternative investments are considered to be those investments that do not trade publicly on an organized exchange. Examples include but are not limited to partnership funds that focus on private equity, private credit, venture capital, buyout, mezzanine financing or special situations, natural resources, infrastructure, commodities, or hedge funds. Prospective investment in any alternative investments are subject to the requirements that the System will only invest if there are at least two other sophisticated investors; that the System's portion of an investment will not be more than 20% of the total investment; that any individual investment (standing alone or within a pool) must not be more than 2.5% of the Fund's total alternative investment commitments; that a favorable recommendation has been received from an independent expert; that the investment is consistent with this Investment Policy Statement; that the Board has received and considered the due diligence findings regarding the investment and that criteria have been established that will be used as a guideline to determine when no additional investments will be made and when the investment will be liquidated.
- F. Real estate investments are considered to include the investment in real property on a direct ownership basis, through a realty holding corporation, joint partnership, participation in commingled real estate funds (managed by a bank, insurance company or other professional real estate investment manager) or through debt secured by real estate. Any real estate investment shall support the System's intent to hold a real estate portfolio which is diversified by geographic location, property type, stage of development and degree of leverage. Core properties consist of, but are not limited to, operating and substantially leased office, retail, industrial, student housing, senior housing, medical office and apartment properties located in major metropolitan markets or key distribution centers that employ less than 50% leverage. Non-core (core-plus, value add or opportunistic properties or strategies typically employ greater than 50% leverage) portfolio weightings will be assigned within parameters that assure reasonable consistency with the projections for real estate characteristics as used in the asset allocation modeling process. The total real estate portfolio (including core and non-core investments) will have a maximum leverage ratio of 50%.

Excluded Investments

Low-to-moderate income government-subsidized properties financed under the National Housing Act of 1954 (and amendments thereto) Sections 207, 608, 236, 221(d)(3), 202, 231 and 515 or any property subject to rent subsidies provided under Section 8 of the United States Housing Act of 1937, as amended by the Housing and Community Development Act of 1974, are excluded.

Investments in properties designated as "Class C" or bare land (unless intended to be repositioned through a value-added strategy) and hospitals are not permitted under this policy. Properties in material non-compliance with environmental laws and for which conditions cannot be mitigated or indemnified against are excluded.

The approved intra asset class allocation for real estate is as follows:

Core	75% (range of 65% - 85% is allowed)
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As adopted by the Board of Trustees
September 19, 2025

Non-Core 25% (range of 15% - 35% is allowed)

Strategic Objectives:

The real estate investment program shall be managed to accomplish the following:

1. Preserve investment capital.
2. Provide diversification benefits due to low correlation to other asset classes.
3. Provide a hedge against inflation.
4. Generate attractive risk-adjusted rates of return for KPERS, incorporating the following components:
 - a. Provide, at minimum, moderate cash flow in the form of investment yield for the core component of the real estate portfolio.
 - b. Provide, at minimum, moderate to significant capital appreciation opportunities resulting from non-core investment activities associated with the real estate portfolio.

G. Real Assets

1. Infrastructure investments:

Infrastructure investments are considered to include the investment in infrastructure assets on a direct ownership basis, through a holding corporation, joint partnership, publicly listed security, participation in commingled infrastructure funds (managed by a bank, insurance company or other professional infrastructure investment manager) or through debt secured by infrastructure. Any infrastructure investment shall support the System's intent to hold a portfolio which is diversified by sector, sub-sector, business model, stage of development, geography and degree of leverage. Portfolio weighting will be assigned to Income, Growth, Opportunistic and Public investments within parameters that assure reasonable consistency with the projections for infrastructure characteristics as used in the asset allocation modeling process.

Strategic Objectives

The Infrastructure Program shall be managed to accomplish the following:

- Preserve investment capital.
- Provide a hedge against inflation.
- Provide diversification benefits due to low correlation to other asset classes.
- Provide a moderate amount of income from infrastructure operations, and appreciation potential. The essential nature of assets, coupled with typical monopolistic market positions, afford most infrastructure assets very stable, long duration cash flows.

Investment Approaches and Parameters can be found in Appendix D

Risk Allocations

The Program will be appropriately diversified by risk category. Staff and Consultant will review the investments in infrastructure assets regularly to ensure satisfactory diversification

by geography and revenue sources. Adjustments to diversification in the Portfolio shall be implemented on an opportunistic basis over a reasonable time frame, and with ample consideration given to preserving the investment returns to KPERS.

Risk Allocations are more fully described in Appendix D

Leverage

Limited use of leverage is permissible for infrastructure investments to enhance investment returns. Infrastructure assets are able to attract and service significant debt levels due to stable inflation-linked cash flows, long term concessions and off-take agreements. The program shall be managed to ensure that leverage is appropriate and that it is accretive to returns considering leverage risk.

The average leverage level for the total infrastructure portfolio shall not exceed 75%. Individual investments may exceed the average leverage guideline depending upon the rating of the debt, debt service coverage and the general characteristics of the investments.

2. Timber investments:

Timber investments are considered to include investments in timberland on a direct ownership basis, through participation in commingled funds and/or separate accounts (including co-investment vehicles).

Strategic Objectives

The Timber Program shall be managed to accomplish the following:

- Preserve investment capital.
- Provide a hedge against inflation.
- Provide diversification benefits due to low correlation to other asset classes.
- Generate attractive risk-adjusted rates of return for KPERS as a total return investor, including the following components:
 - Provide, at a minimum, low to moderate cash flow from operations, which include timber harvesting and ancillary incomes (hunting licenses, mining rights, etc.), with the generation of cash flow secondary to producing long term total returns; and
 - Provide appreciation potential as a result of biological growth, employing active best management techniques and practices (silviculture), upward product class movement, timber price appreciation, and land price appreciation, including higher-and-better use (HBU) parcel sales.

Investment Objectives and Criteria

Investment quality – Timberland tracts shall be comparable in quality to those held by other institutional investors or the forest products industry to enhance an exit strategy. Several parameters shall be used as a guide when relevant to assess comparability to investment grade timberland assets for possible inclusion in the Portfolio. These parameters include but are not

limited to soil structure, expected rainfall, strong current inventory, silvicultural practices, fire protection, reduced biotic and abiotic risks, access to diverse competitive markets, access to strong labor markets, and no outstanding liabilities. These are more fully described in Appendix E.

Diversification – The Portfolio shall be appropriately diversified to reduce risk. The Portfolio shall be managed to maintain a degree of diversification with regard to geography, tree species, forest cover and revenue sources including emerging product markets. These factors are more fully described in Appendix E.

Staff and Consultant will review the investments in timberland assets regularly to ensure satisfactory diversification by geography, forest cover and revenue sources.

Risk Allocations

Timberland investments can be classified as Core and Non-Core. The Portfolio shall consist primarily of Core timberland investments.

Core timberland investments are characterized by the following:

- Developed timberland markets.
- Operating timberlands
- Even age class distribution
- In-place infrastructure (roads, utilities, mills)

Non-Core timberland investment activities may include:

- Land management for maximization of HBU parcel sales.
- Pre-merchantable timber or Greenfield development strategies.
- Emerging markets
- Lack of in-place infrastructure (roads, utilities, mills)

Investment Holding Period/Dispositions

The target holding period for timberland assets shall generally be for long-term investment (10 years or more). However, disposition of individual investments may be triggered by an opportunity to capture a return in excess of the targeted return, or by a revised investment strategy resulting from changes in forest products markets. Disposition of timberland assets owned directly, through a separate account vehicle, or through a commingled fund may be triggered by changes in KPERS' financial objectives.

Leverage

Limited use of leverage is permissible for timberland investments to enhance investment returns, with a loan-to-value ratio not to exceed 50%. However, the System's current policy is to not use leverage within the separate account timber portfolio, as this could result in a sub-optimal harvest schedule in order to service debt.

Prohibited Investments

Timberland investment with the primary objective of achieving land price appreciation through

commercial land development or other higher-and-better uses shall be prohibited.

3. Real Estate Investment Trusts (REITS):

REIT investments offer an attractive mix of bond-like yields and equity-like returns, portfolio diversifying characteristics, and a highly liquid market. REITS invest in real estate directly and often include many different property types such as apartments, retail, hotels, storage and offices. The REIT managers may invest only in real estate securities, including REITS and Real Estate Operating Companies (REOCs), which are domiciled in the U.S. The benchmark for the REIT portfolios is the MSCI U.S. REIT Index. The REIT portfolios are expected to be fully invested at all times, with a cash equivalents balance of 5% or less.

H. Non-Core Fixed Income

The Non-core Fixed Income portfolio houses the System's investment portfolios which provide significant current income and a degree of diversification away from growth risk, but which also have some degree of correlation with the public equity markets. The Non-Core Fixed Income portfolio currently contains the following investment strategy.

1. Strategic Fixed Income:

Strategic fixed income investments offer active yield across global credit markets with tactical management to optimize the blend of credit sectors. The benchmark for the strategic fixed income managers is the Bloomberg US High Yield 2% Issuer Cap. Managers have the ability to emphasize credit sectors that offer the most compelling risk-adjusted return characteristics within high yield corporate securities with the opportunity to selectively invest in corporate bonds, and other non-core credit sectors such as convertible bonds and mortgage credit. This broadened opportunity set allows an increased degree of diversification. The strategic fixed income portfolios will be diversified by issuer and are expected to be fully invested at all times.

I. New investment strategies:

New investment strategies as they are developed and considered by sophisticated investors, will be considered by the System using the philosophy outlined below. Any new non-publicly traded investment will also be considered on the basis outlined in K.S.A. 74-4901 *et seq.*

Philosophy

As a fiduciary charged with the task of investing the System's assets according to the prudent expert standard of care for the sole purpose of providing benefits to our members and their beneficiaries, the System must give thoughtful consideration to new investment strategies that might help to achieve that goal.

However, as prudent fiduciaries with limited resources (staff members, time, and financial resources) we must work to optimize the number of different investment strategies that we include in the System's portfolio. Therefore, the answers to the following two primary questions

will determine whether we decide to commit our scarce resources to the pursuit of a new investment strategy:

1. Will the new strategy “add value” to the System’s investment portfolio? (Does the new strategy have the potential to either increase expected return, lower portfolio volatility, or both? Can the System prudently invest enough assets in the new strategy to meaningfully affect expected return and/or volatility of return for the System’s entire investment portfolio?)
2. Do we have the resources to invest in the new strategy successfully? (Resources which should be considered include: investment staff time/expertise; investment accounting staff time/expertise; investment consultant time/expertise/expense; custodial bank system requirements; Board education and decision-making required; etc.)

SECTION 7: INVESTMENT RESTRICTIONS

Unless the Board of Trustees gives its prior written approval and the Statutes allow for the proposed deviation(s) from policy, the following prohibited transactions and restrictions are in effect for managers.

A. Equity purchases of:

- Short sales of any kind (except as specifically allowed through the derivatives policy or within the approved investment management agreement).
- Letter or restricted stock.
- Buying or selling on margin.

B. Fixed income purchases of:

- Short sales of any kind (except as specifically allowed through the derivatives policy or within the approved investment management agreement).
- Guaranteed Investment Contracts (GICs) from an insurance company or Bank Investment Contracts (BICs) from a bank not rated both AAA by Standard & Poor’s and AAA by Moody’s.
- Core fixed income managers are precluded from purchasing non-dollar denominated or emerging market securities unless specifically allowed within the approved investment management agreement. Emerging markets are considered to be those countries that are included in the JP Morgan Emerging Markets Bond Index Global (EMBI Global).

C. Cash equivalent purchases of:

- Bank obligations rated below both A-1 and P-1 by Moody’s Investors Services and Standard & Poor’s Corporation.
- Corporate obligations rated below both A-1 and P-1 by Moody’s Investors Services and Standard & Poor’s Corporation.

D. Leverage of a portfolio caused by:

- Outstanding futures and swaps (interest rate and written credit default swaps) positions whose full notional value is not covered by cash, cash equivalents or offsetting derivative positions.
- Written options not covered by holdings of the specific underlying security, cash equivalents), or offsetting derivative positions.
- Outstanding or extended settlement trades that create an exposure equivalent to leverage or a short position, except as specifically allowed through the derivatives policy or within the approved investment management agreement.

E. Transactions in:

- Any direct transaction giving rise to unrelated business taxable income (excluding current holdings).
- Any transaction that would be a "prohibited transaction" under the Internal Revenue Code or ERISA.
- Precious metals
- Physical Commodities

F. Securities lending:

Securities owned by the Fund, but held in custody by another party, such as a bank custodian, will not be lent to any other party for any purpose, unless such securities lending is pursuant to a separate, written agreement which the Board has approved, or unless such securities lending is on a fully-disclosed basis in a commingled fund environment.

G. Sale of Distributed Securities:

It is the policy of the System to liquidate holdings of publicly traded securities which are received as distributions from investments in private equity funds as quickly as prudently possible upon receipt, in order to minimize the market risk.

H. New Investments in Russian Securities:

Effective March 25, 2022, the Board of Trustees took action to prohibit new investments in Russian securities by the Retirement System's investment managers, unless and until the KPERS staff and their advisors advise the Board to make new investments in Russian securities. Therefore, the Retirement System's investment managers are restricted from making new investments in Russian publicly traded securities until the prohibition on new investments is rescinded by the System's Board of Trustees.

I. Countries of Concern

2024 HB 2711, known as the Countries of Concern Divestment Act, was enacted during the 2024 Legislative Session. Effective July 1, 2024, the System is prohibited from knowingly acquiring securities of and making private equity, real estate or other private market commitments to:

1. A person, wherever located, who is a citizen of a nation-state controlled by a Country of Concern, unless such person is a lawful permanent resident of the United States;

2. A corporation, partnership, association or other organization organized under the laws of a nation-state controlled by a Country of Concern.

Person is defined as an individual by the Countries of Concern Divestment Act.

Country of Concern is defined by the Countries of Concern Divestment Act as the:

- People's Republic of China, including the Hong Kong special administrative region, but not including the Republic of China (Taiwan);
- Republic of Cuba;
- Islamic Republic of Iran;
- Democratic People's Republic of Korea;
- Russian Federation;
- Bolivarian Republic of Venezuela.

Starting July 1, 2024, the System shall liquidate publicly traded securities that are prohibited by this Section I that are in its possession. Such assets shall be liquidated as quickly as is prudent, subject to a minimum of 50% of such assets liquidated by July 1, 2025, and 100% of such assets liquidated by January 1, 2026.

As of July 1, 2024, the System did not possess indirect holdings of publicly traded securities that would otherwise be subject to divestment under the Countries of Concern Divestment Act. On and after July 1, 2024, the System shall not acquire indirect holdings of publicly traded securities that the System is otherwise prohibited from acquiring under the Countries of Concern Divestment Act.

Private equity and real estate investment commitments made prior to July 1, 2024, are not subject to the Country of Concern Divestment Act or to this Section I.

The Countries of Concern Divestment Act will expire on July 1, 2029.

On or after July 1, 2028, but before July 15, 2028, the System shall notify the Speaker of the House of Representatives, the President of the Senate, and the Chairperson of the Joint Committee on Pensions, Investments and Benefits that the Countries of Concern Divestment Act is scheduled to expire on July 1, 2029.

SECTION 8: GUIDELINES FOR INVESTMENT MANAGERS

A. General Guidelines for Investment Managers

Each investment manager retained to manage a portion of the assets of the Kansas Public Employees Retirement System shall be aware of and operate within this Statement of Investment Policy, Objectives and Guidelines and K.S.A. 74-4901 *et seq.*

As fiduciaries to the System, investment managers will discharge their duties solely in the interests of the System's members and beneficiaries and with the care, skill, prudence and

diligence that an expert would use on his/her own behalf, including, but not limited to the following activities:

1. Diversification

The policy is to:

- Limit the purchase of common stock in any one corporation to an initial cost of 5% of the market value of a manager's portfolio. Through capital appreciation, no one holding should exceed 10% of the market value of the equity holdings of such manager's portfolio. These limitations may be waived within passive portfolios that are replicating an index position, within risk-controlled strategies seeking to replicate or contain active risk relative to an identified benchmark, or within actively managed portfolios, at the discretion of the Chief Investment Officer.
- Diversify each manager's common stock portfolio through participation in industries and companies with above average prospects for appreciation and/or sound fundamentals.
- Ensure that no more than 10% of the market value of the fixed income securities in an individual portfolio shall be invested in the obligations of a single, non-governmental issuer.

2. Securities Trading

- Each manager is to send a copy of each transaction record to the Fund's custodian(s) within trade-date plus one business day.
- The manager is further required to reconcile the account(s) under its management on a timely basis each month with the custodian(s).
- Each manager is responsible for complying fully with the System's policies for securities trading and selecting brokerage firms, as specified in Section 11 of this Statement.
- In particular, the emphasis of security trading should be on best execution, i.e., the highest proceeds to the Fund and the lowest costs, including commission costs and market impact.
- Placement of orders should be based upon the financial viability of the brokerage firm and the assurance of a prompt and efficient execution. Commission recapture programs (soft dollar or directed commission arrangements) may not be entered into by the System unless the Board is indemnified to its satisfaction for any potential liability with respect thereto.

3. Acknowledgements in Writing

- Each investment manager retained by the System must be a person, firm, or corporation registered as an investment adviser under the Investment Advisors Act of 1940, a bank as defined in such Act, or an insurance company qualified to do business in more than one state, and must acknowledge its fiduciary responsibility in writing.
- Furthermore, all managers will, according to K.S.A. 74-4901 *et seq.*, obtain errors and omissions insurance coverage in such amount as required by the Board, but such coverage shall be at least the greater of \$500,000 or 1% of the assets managed but not to exceed

\$10,000,000. The manager shall annually provide evidence in writing of the existence of such coverage.

- In addition, all managers will, according to K.S.A. 74-4901 *et seq.*, obtain fidelity bonds in the amount of \$1 million as required by the Board. Each manager will be required to provide written evidence of such coverage on an annual basis.
- All managers shall acknowledge in writing their receipt of the Statement of Investment Policy, Objectives and Guidelines and their agreement to abide by its contents.

Each manager will abide by the System's Proxy Voting Policy as stated in Section 12 of this Statement and will provide an annual report of proxy voting activity to the Retirement System. (The annual report of proxy voting activity may be provided to the System through a third-party vendor, as determined by the System.)

Subject to the guidelines in this section and the policies documented in this Statement, any investment manager of marketable securities and other investments, except real estate and alternative investments, retained by the System is to have full discretionary investment authority over the assets said manager is responsible for managing. Prior to any action by investment managers for real estate and alternative investments, specific investment actions are selected from a study of possible actions, subject to approval of staff or the Board in certain instances, and always in compliance with the requirements of Kansas Statutes.

4. Conflicts of Interest

An investment manager shall not invest any part of the Fund with itself or with any person or entity with which or in which it has any economic interest. This limitation shall be construed so as to avoid any possibility of self-dealing or conflict of interest. In addition, each investment manager shall not act or receive compensation as a broker, dealer, underwriter or principal, whether directly or through a related or an affiliated entity, unless such manager receives prior written approval from the Board of Trustees or is selected by staff to provide transition management services under terms outlined under a separate agreement.

B. Reporting Procedures for Investment Managers

The investment manager shall:

1. Prepare a monthly report (or quarterly for the Real Estate and Alternative Investment managers) which will be delivered to the System and includes those items requested by the System, in the format requested by the System. Periodically, the staff will provide the investment manager with a detailed description and format for these reports.
2. When requested by the Board, make a presentation to the Board or its designated committee, describing the professionals, the investment process employed for the System's portfolio under the manager's responsibility, recent performance, current investment strategy and outlook, and any other related issues as requested by the Board or its designated committee.

3. Meet regularly with the System's investment staff to discuss the management of the portfolio, new developments and any other related matters.
4. Immediately report all instances of default on investments, as defined in Section 15E, to staff for further communication to the Board and provide recommendations regarding options for curing the default, withdrawing from the investment or other appropriate actions.

C. Guidelines for the Investment of the Portfolios

Each investment manager will be retained to implement a specific investment process for the Fund. The manager will describe this process and its underlying philosophy in an attachment to its Investment Management Agreement with the System and manage according to this process until such time as the Board of Trustees and manager agree in writing to any change.

D. Guidelines for the Holding Account

1. The Board of Trustees acknowledges its responsibility to have sufficient money on hand to pay benefits and the cost of administration of the System as these expenses come due.
2. Money that is withheld shall be deposited with the cash manager for credit to the Holding Account. Income is credited to the investment manager based upon the rate of return of the Short-Term Investment Fund (STIF) of the custodian bank with any excess return above the STIF rate retained in this account.
3. Suitable investments will be determined by Section 6 of this Statement.
4. Money in the Holding Account and the earnings on that money shall be (a) reinvested and (b) deposited to the Kansas Public Employees Retirement System Fund in the State Treasurer's office as needed to pay benefits and/or the cost of administration.

E. Guidelines for Internal Asset Management

1. The Board of Trustees may, at their discretion, direct that staff perform certain management activities. When acting as a manager, staff must abide by the Statement of Investment Policy, Objectives and Guidelines to the extent desirable and applicable as determined by the Board.
2. All Investment Division staff will be expected to comply with the Code of Ethics and The Standards of Professional Conduct as set forth by the CFA Institute.
3. In addition to the reporting of personal security transactions as set forth in Section 10 of the Investment Monitoring System Procedures, staff members involved in the investment decision process are prohibited from participating in equity initial public offerings. Staff members are also prohibited from initiating personal trades for their own account in a security (other than a U.S. Government Security or a mutual fund) anticipated to be acquired or sold within an internal System portfolio for a period of five (5) trading days before or after a System transaction is initiated, executed or cancelled.

F. Disclosure Guidelines for Investment Advisers and Private Market Investments

The purpose of this policy is to ensure that KPERS investment decisions are founded on independent, merit-based evaluation of investment opportunities. All investment decisions made by the board and recommended by staff will adhere to the fiduciary, ethical and legal standards as stated in the Code of Ethics, Section 2 of the Statement of Investment Policy, Objectives and Guidelines. In addition, all investment recommendations made by consultants and advisers must be based solely on the merits of the proposed investment after completion of the required due diligence.

The policy applies to all new Investment Advisers that are entered into by KPERS after September 17, 2010, the date this policy was revised in order to incorporate Securities and Exchange Commission (“SEC”) Rule 206(4)-5. This policy applies to existing agreements with Investment Advisers who are registered with the SEC and to private market funds if, after the date this Policy is adopted, there is an increase in a Fund’s capital commitment by KPERS pursuant to the existing agreement or an amendment to an existing agreement that may impact this policy.

All new Investment Advisers shall provide information based on KPERS policy as early as possible in KPERS due diligence or Request for Proposal “RFP” process. The investment staff will provide prospective Investment Advisers with a copy of this policy upon commencement of due diligence.

1. *Private Market Investment Disclosure of Placement Agents*

- At a minimum, the information required will include:
 - a) A statement that identifies third-party marketers, placement agents or individuals the investment managers use(d) to market their Fund. If none, then a statement to that effect.
 - b) A detailed description of the services performed and provided by the Placement Agent and the scope of the engagement (e.g., with all prospects or a subset of prospects).
 - c) A copy or summary of the terms of the agreement to compensate those identified in the statement including details regarding the fee arrangement, amount of the fee(s) and basis for the calculation.
- Neither KPERS nor any KPERS investment will bear the cost, directly or indirectly, for any Placement Fees, compensation or expenses for any Placement Agent as so stated in the final investment agreement(s).
- KPERS will not commit to or invest in a Fund if the transaction involves either (1) a Placement Agent who is not registered with the Securities and Exchange Commission (“SEC”) or is not a registered broker-dealer or a Regulated Person or (2) the sharing of a Placement Fee with a third party, person or entity who is not registered with the SEC or is not a registered broker-dealer or a Regulated Person.

2. *Political Contributions, Restrictions and Bans*

KPERS will rely on SEC Rule 206(4)-5 guidelines for:

- Restrictions on direct and indirect political contributions and the ban on direct and indirect solicitation of contributions.
- Definitions for various entities and persons (e.g., Elected Officials, Covered Associates and Regulated Persons).
- Permitted contributions as provided in a *de minimis* provision.
- Consequences for an Investment Adviser determined to be in violation of Rule 206(4)-5.

3. *Lobbyist(s)*

- KPERS requires the disclosure of a registered Lobbyist(s) in the State of Kansas by each Investment Adviser, Placement Agent and / or Affiliate.

4. *Acknowledgement in writing*

- Each Investment Adviser, Placement Agent and / or Affiliate shall provide a certified statement as to its compliance with SEC Rule 206(4)-5. The disclosure document will be executed by an authorized officer as true and complete in all material respects and submitted to KPERS as early as possible in KPERS due diligence or RFP process.
- Each Investment Adviser shall represent and warrant to KPERS in the executed closing documents for the transaction that its responses to this policy and any supplemental inquiries are true, correct, and complete in all material respects, and shall also covenant to update any such information within 10 business days of any change in the information in the response.
- Final investment agreement(s) with an Investment Adviser shall provide KPERS with the right to terminate the management agreement or withdraw without penalty from the Fund's investment vehicle or vehicles either through individual rights to KPERS or through group rights granted to all investors in the investment agreement, if the Investment Adviser is determined to be in violation of SEC Rule 206(4)-5.

5. *Reporting*

- KPERS' investment staff will place the disclosure document in the Investment Adviser's due diligence file.
- A summary of the information provided in the disclosure document and gathered in the due diligence process will be included in the Investment Committee and / or Board of Trustee material for each Investment Adviser recommendation.

6. *Definitions applicable to this Policy*

Affiliate – means a person or entity controlled by or under common control with another person or entity.

Covered Associates – of an Investment Adviser includes: (1) any general partner, managing member or executive officer, or other individual with a similar status or function; (2) any employee who solicits a government entity for the investment adviser.

Fund or Manager Party – includes, (1) a covered investment pool as described in SEC Rule 206(4)-5, (2) a private investment Fund, Fund sponsor, the general partner, managing member, or its equivalent with respect to a Fund, Fund sponsor, or Fund management firm, (3) an external, separate account investment manager, the asset management entity and the parent of such asset management entity, and (4) as to (1), (2) and (3), any Affiliate, principal, owner, officer, shareholder, director, managing member, or employee having authority to act on behalf of such Fund or firm.

For the purpose of this policy “Fund or Manager Party” is also considered to be an Investment Adviser regardless of whether the entity is registered with the SEC.

Investment Adviser – means a person or entity that (1) helps manage money or assets directly for KPERS or its affiliated entities; (2) provide advice to KPERS or its affiliated entities about which investments they should make, or which investment options they should make available as choices. In return for their advice, the investment advisers typically charge fees that come out of the assets of KPERS or its affiliated entities for which the advice is provided.

Elected Official – includes any elected official of the State of Kansas, including but not limited to the governor, lieutenant governor, state treasurer, attorney general and any member of the Kansas Legislature.

Lobbyist - Kansas law defines “Lobbyist” as anyone who is (1) employed to a considerable degree to lobby, (2) formally appointed to a specific position as the primary representative of an organization or other person to lobby in person on state property, or (3) spending \$100 or more in a year lobbying, exclusive of personal travel and subsistence expenses. See K.S.A. 46-222. Anyone whose activities fall within this definition shall register with the Kansas Secretary of State by completing and signing a registration form as required the Kansas Governmental Ethics Commission. See K.S.A. 46-265.

Persons with authority to appoint – include the following Kansas Elected Officials: Governor, President of the Senate and Speaker of the House.

Placement Agent – includes any third party, whether or not affiliated with a Fund or Manager Party, that is a party to an agreement or arrangement (whether oral or written) with a Fund or Manager Party for the direct or indirect payment of a Placement Fee in connection with a KPERS investment. Any other person or entity who claims a Placement Fee or who by agreement with a Placement Agent will share in a Placement Agent’s Placement Fee is deemed to be a Placement Agent whether or not the person or entity is an Affiliate, principal, owner, officer, shareholder, director, managing member, or employee of a Placement Agent. A “finder” is a Placement Agent.

Placement Fee – includes any compensation or payment, directly or indirectly, of a commission, finder’s fee, or any other consideration or benefit to be paid to a Placement Agent.

Regulated Person – includes certain broker-dealers and registered investment advisers that are themselves subject to prohibitions against participating in pay to play practices and are subject to SEC oversight and in the case of broker-dealers, the oversight of a registered national securities association, such as FINRA.

SECTION 9: INVESTMENT PERFORMANCE STANDARDS

A. Public Equity Program

Each equity investment manager is to maintain a fully invested portfolio. Fully invested means that only minimal transaction related cash will be held; usually this means that the cash position of a manager will be 5% or less of the manager's account. This requirement is not intended to preclude a manager from establishing a higher cash position as a defensive measure. Should conditions arise where the manager believes that prudence warrants a higher cash position, the manager is required to communicate in writing to the System its rationale for the higher cash position and its criteria for removing the higher cash component in the future.

1. Domestic Equity Index Managers

The benchmark for the Aggregate Domestic Equity Investments is the Russell 3000 Composite Stock Index (Russell 3000 Index).

Over a period of five years, the Domestic Equity Index managers are expected to:

- Achieve an annualized time-weighted rate of return (gross of fees and expenses) that matches the return of the assigned benchmark with an intended tracking error (+ or -) of less than or equal to 20 basis points.

2. Active International Equity Managers

The Benchmark for the aggregate International Equity portfolio is the Morgan Stanley Capital International All Country World Ex U.S., Ex-China Net Index.

Over a period of five years, Active international equity managers are expected to:

- Achieve an information ratio that is greater than the median manager in the appropriate manager universe.
- Achieve investment performance results that rank in the top half of a universe of other actively managed international equity funds with similar objectives and risk profiles.
- Maintain an acceptable risk level, which results in a standard deviation that is less than 125% of the standard deviation of the assigned benchmark.

3. Currency Overlay Managers

Over a long-term time period of ten years or more, including periods of U.S. dollar strength and weakness, the Currency Overlay managers are expected to:

- Achieve an annualized time-weighted rate of return (gross of fees and expenses) which exceeds the return of an arithmetic average of the currency component of return on the fully hedged underlying international equity portfolio, and the unhedged underlying international equity portfolio (the Benchmark).
- Maintain an acceptable risk level by reducing the negative volatility of the currency component of return (measured by the difference in the returns of the hedged and unhedged underlying international equity portfolios) of the underlying international equity portfolio by 50%, as measured by the negative semivariance of return.
- In any one-year program, avoid greater than 3% under performance of the currency component of the return of the Benchmark.
- Take forward currency exchange contract positions which will have the intent and effect of hedging the currency exposure of the underlying international equity portfolio. The underlying international equity portfolio shall include only the currency exposures of countries included in the MSCI Developed Market World excluding US Index.

4. *Cash Securitization Manager*

Over a period of five years, the cash securitization manager is expected to:

Utilize exchange traded futures to securitize a portion, as communicated by Staff, of the Short-Term Investment Fund (STIF) portfolio. The equity exposure of the combined STIF and Cash Securitization Program (CSP) portfolios will not be greater than if the combined portfolio were fully invested in securities.

B. Fixed Income Program

1. *Core Fixed Income*

a. *Core Fixed Income Managers*

Over a period of five years, Core fixed income managers are expected to:

- Achieve an information ratio that is greater than the median manager in the appropriate manager universe.
- Achieve investment performance results that rank in the top half of a universe of other actively managed core fixed income funds with similar objectives and risk profiles.
- Maintain an acceptable risk level, which results in a standard deviation that is less than 125% of the standard deviation of the assigned benchmark.

2. *Non-Core Fixed Income*

(Non-Core Fixed Income was formerly known as Yield Driven).

a. *Strategic Fixed Income Managers*

Over a period of five years, Strategic Fixed Income managers are expected to:

- Achieve an information ratio that is greater than the median manager in the appropriate manager universe.
- Achieve investment performance results that rank in the top half of a universe of other actively managed strategic fixed income funds with similar objectives and risk profiles.
- Maintain an acceptable risk level, which results in a standard deviation that is less than 135% of the standard deviation of the assigned benchmark.

C. Real Assets Program

The benchmark for the aggregate Real Assets portfolio is the U.S. Bureau of Labor Statistics Consumer Price Index for all Urban Consumers, or CPI-U +4.0%. (The Real Assets Program was formerly known as Real Return)

1. *Infrastructure*

a. *Infrastructure Managers*

Over a period of ten years, the Infrastructure Managers are expected to:

- Achieve an annualized time-weighted return (gross of fees and expenses) that exceeds a real return of 4.5% (inflation plus 4.5%).
- Maintain an acceptable risk level, as measured by standard deviation, relative to the assigned benchmark.

2. *Other Real Assets*

a. *Timber Investment Managers*

Over a period of ten years, the Timber Investment Managers are expected to:

- Achieve an annualized time-weighted return (gross of fees and expenses) that exceeds a real return of 3.5% (inflation plus 3.5%).
- Maintain an acceptable risk level, as measured by standard deviation, relative to the assigned benchmark.

b. *Real Estate Investment Trust (REIT) Managers*

Over a period of five years, the Real Estate Investment Trust managers are expected to:

- Achieve an information ratio that is greater than the median manager in the appropriate manager universe.
- Achieve investment performance results which rank in the top half of a universe of other actively managed REIT funds with similar objectives and risk profiles.

- Maintain an acceptable risk level, which results in a standard deviation that is less than 125% of the standard deviation of the assigned benchmark.

D. Real Estate Program

The benchmark for the aggregate Real Estate portfolio is a weighted average of the following indexes: NCREIF ODCE = 75%; and NCREIF ODCE plus 3% = 25%. The performance goal of the aggregate Real Estate investment portfolio is to exceed the weighted benchmark over a time period of ten years.

1. *Core-Separate Account and Commingled Fund Managers*

Managers will act on behalf of the System in the sourcing, screening, due diligence, negotiating, recommending and executing the purchase of approved investments for the real estate investment portfolio.

Over a period of ten years, the Core Real Estate and Commingled Fund Managers are expected to:

- Achieve an annualized time-weighted rate of return (gross of fees and expenses) in excess of an unmanaged composite index which will be the NFI-ODCE.
- Achieve investment performance results which rank in the top half of a universe of other actively managed real estate funds with similar objectives and risk profiles.
- Maintain an acceptable risk level, which results in a standard deviation that is less than 125% of the standard deviation of the NFI-ODCE.

2. *Non-Core Managers*

Over a period of ten years, the Non-Core managers are expected to:

- Invest in strategies that materially differ from the NFI-ODCE.
- Achieve an annualized time-weighted rate of return (gross of fees and expenses) in excess of the NFI-ODCE Index plus 3%.
- Achieve investment performance results which rank in the top half of a universe of other actively managed real estate funds with similar objectives and risk profiles (this will be measured using IRRs and MOICs)
- Maintain an acceptable risk level, which results in a standard deviation that is less than 200% of the standard deviation of the NFI-ODCE.

E. Alternative Investments Program

The Alternative Investment asset class consists of two investment portfolios and one distributed securities portfolio. Each portfolio has its own set of directives, guidelines and has received advice on investment strategy and investment selection from its own external consultant or manager during its formation and investment period. The actively invested and

managed program is the Private Equity Program (PEP). The remaining investment program is the Alternative Investment Portfolio (AIP).

The Alternative Investment Program includes the portfolios outlined above.

Over the course of ten years, the Alternative Investment Program is expected to:

- Achieve an annualized time-weighted rate of return (gross of fees and expenses) in excess of the KPERS Alternative Investment Benchmark. (Russell 3000 Index plus 2%)
- Achieve investment performance results which rank in the top half of a universe of other private equity funds with similar objectives and risk profiles. (This will be measured using IRRs and MOICs.)
- Maintain an acceptable risk level, which results in a standard deviation which is less than or equal to 200% of the standard deviation of the Russell 3000 Index. Private equity standard deviation will be measured using quarterly IRRs of the total private equity portfolio.

However, since each portfolio is in a unique stage of development or dissolution, the following describes the specific expectations for the manager of each portfolio.

Alternative Investment Portfolio (AIP) continues to have modest investment activity. This portfolio looks to the General Partners to determine the timing and means of exiting an investment. As such the portfolio objectives are to:

- Ensure that distribution notices are accurately processed.
- Monitor valuations and review quarterly and annual audited financial statements.
- Review and take action on requests for consent or amendments.

Private Equity Program (PEP) was initiated and began investing in fiscal year 2008. This program is actively seeking and making new investments. As such the portfolio objectives are to:

- Determine target sub-allocations by investment strategy and geography.
- Determine and target proper pacing of investments to balance opportunistic investing and overall funding targets.
- Source, screen, diligence and recommend the purchase of new investments.
- Ensure that capital call and distribution notices are accurately processed.
- Monitor valuations and review quarterly and annual audited financial statements.
- Review and take action on requests for consent or amendments.

Distributed Securities Portfolio contains securities distributed to the Alternative Investment Program by fund managers as a means to exit portfolio investments. As such the holdings are passively acquired by the limited partners from fund managers. The primary objective for the portfolio is to:

- Utilize available management techniques, as defined within the Statement of Investment Policy and Guidelines to provide for the orderly disposition of distributed securities.

F. Cash Equivalents Program

1. *Short-Term Investment Fund (STIF) Manager*

Over a period of five years, the Short-Term Investment Fund manager is expected to:

- Achieve an annualized time-weighted rate of return (gross of fees and expenses) in excess of an unmanaged composite index which will be the BofA Merrill Lynch 0-1 year Treasury Index.
- Achieve investment performance results which rank in the top half of a universe of other actively managed STIF funds with similar objectives and risk profiles.
- Maintain an acceptable risk level, which results in a standard deviation that is less than 125% of the standard deviation of the assigned benchmark.

SECTION 10: GUIDELINES FOR THE CUSTODIAN

The Board of Trustees recognizes that accurate and timely completion of custodial functions is necessary for effective investment management and accurate records. As stated in Section 4, the custodian is a fiduciary to the Retirement System.

The Board identifies the following as responsibilities of the custodian(s) for the segments of the Fund for which each custodian is responsible:

- Provide complete custody and depository services for the designated accounts.
- Provide for investment of any cash to avoid uninvested amounts.
- Implement in a timely and effective manner the investment actions as directed by the investment manager(s).
- Collect all income and principal realizable and properly report transactions in periodic statements.
- Provide monthly and annual accounting statements as well as on-line accounting for the Fund, including all transactions; these should be based on accurate security values both for cost and market value. These reports should be provided within a time frame acceptable to the Board.
- Report to the Retirement System staff situations where security pricing is either not possible or subject to considerable uncertainty.
- Distribute to the proper investment manager(s) in a timely manner all proxy voting materials.
- Provide assistance to the Board and Retirement System staff to complete such activities as the annual audit, transaction verification or unique issues.

- I. Provide performance measurement, portfolio analytics, and compliance monitoring reports for the Fund.

SECTION 11: TRADING AND BROKERAGE POLICY

The Board of Trustees of the Kansas Public Employees Retirement System intends to fulfill its responsibility for the evaluation and management of transaction costs for the exclusive benefit of members and beneficiaries. To assist in accomplishing these duties, this Security Transactions Policy and these Guidelines for the Selection of Brokerage Firms have been approved by the Board.

A. Security Transactions Policy

1. Basic Principles

The Board of Trustees requires that these principles guide all transactions for the Fund:

- Best execution and lowest cost, (including commission costs and market impact) and providing benefits exclusively for members and beneficiaries of the System must apply to each trade.
- Efforts to reduce trading costs, in terms of both commissions and market impact, provided the investment returns of the Fund are not jeopardized, will be ongoing.
- Only brokerage firms who meet the System's Guidelines for Broker Selection and Retention with appropriate trading capabilities and market expertise will be utilized.
- The Board will retain the ability to enter into brokerage commission recapture agreement(s).
- The Board may evaluate transaction activity annually, through a Trading Cost Analysis.

Provided that the total return of a manager's portfolio is not adversely affected or that the investment process is not affected so as to place the Fund in a disadvantageous position relative to the investment manager's other accounts, and provided that best execution and lowest cost are obtained, each manager identified by staff may be instructed to direct a percentage of its trading to specified firms for the purpose of brokerage commission recapture programs. If a commission recapture program is implemented, the Board will select the brokerage firms and establish the expected level of trading to be directed.

B. Guidelines for Selection of Brokerage Firm

1. *Introduction and Basic Principles*

The primary responsibility of the Board of Trustees is to act as a fiduciary to the members and beneficiaries of the System. It is the intent of the Board of Trustees that all transactions of publicly traded securities be effected through brokerage firms, regardless of location, in order to obtain the best execution and lowest cost of the transaction.

Brokerage firms are an integral part of the investment process. Their services can significantly affect the investment performance of the Fund. Hence, the Board of Trustees, in fulfilling their

fiduciary responsibilities, has established guidelines for the selection of broker/dealer firms to be used by the Fund's investment managers.

Each investment manager will be responsible for the selection of brokerage firms, or automated trading systems, through which trading will be completed for the Retirement System. Their selection must in all cases be for the exclusive benefit of the System's members and beneficiaries and should strive for best execution with lowest cost on each trade. The Chief Investment Officer will be responsible for the selection of brokerage firms (primarily, execution only brokers and brokers capable of offering access to Electronic Crossing Networks) for the equity trades necessary to liquidate publicly traded equities which are received as distributions from the System's private equity fund investments.

2. *Guidelines for Selection*

The broker/dealer firm must:

- Be in compliance with applicable Federal and State of Kansas laws relevant to the conduct of business as a broker/dealer.
- Be a member in good standing of the major financial exchanges worldwide.
- Have on-site, in-house trading capability and direct access to major markets.
- Have in-house access to trading support equipment.
- Be able to trade for competitive rates.
- Have the financial capability to accommodate a capital commitment trade over the settlement period or have the capability to competitively provide agency brokerage services.
- Have the ability to clear and settle trades, without unnecessary delays or fails, and a record of doing so.
- Have been in business, as a broker/dealer for a reasonable period of time to ensure financial and operational stability.

3. *Review/Evaluation*

At least annually, the Board of Trustees may review the brokerage firms utilized by the Fund's investment managers and all transactions and soft dollar arrangements, if any, for compliance with these policies and procedures.

SECTION 12: PROXY VOTING & SECURITIES LITIGATION POLICY

A. Introduction: The Kansas Public Employees Retirement System (the "System") is a large public pension fund and a significant equity investor. The Board of Trustees of the System (the "Board") recognizes its responsibilities as a fiduciary of the System and as such, it shall adopt a proxy voting policy to fulfill these duties and, to the extent desirable, be consistent with the Employees Retirement Income Security Act of 1974 ("ERISA") and subsequent Department of Labor policy statements, as well as, the provisions of K.S.A. 74-4921.

The Kansas Public Investments and Contracts Protection Act (the "Act") effective July 1, 2023, provides further guidance with respect to the System's proxy voting activities.

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- B. Proxy Voting Objectives: All proxy ballots on common stock shares held directly or indirectly by or on behalf of the System or the participants and their beneficiaries shall be voted based solely upon financial factors (See Section 13.G) in furtherance of the financial interests of the System’s participants and their beneficiaries, for the exclusive purpose of:
1. Providing financial benefits to participants and their beneficiaries; and
 2. Defraying reasonable expenses of administering the System.
- C. Voting on Social, Political or Ideological Interests: Evidence of any of the following purposes in connection with the assets managed on behalf of the System is evidence that a Proxy Service Provider (defined below in Section 12.E) has taken an action or considered a factor with a purpose to further social, political or ideological interests, beyond what controlling federal or state law requires:
1. Eliminating, reducing, offsetting or disclosing greenhouse gas emissions.
 2. Instituting or assessing corporate board, employment, composition, compensation or disclosure criteria that incorporates characteristics protected under state law.
 3. Divesting from, limiting investment in or limiting the activities or investments of any company for failing or not committing to meet environmental standards or disclosures.
 4. Accessing abortion, sex or gender change or transgender surgery; or
 5. Divesting from, limiting investment in or limiting the activities or investments of any company that engages in, facilitates or supports the manufacture, import, distribution, marketing, advertising, sale or lawful use of firearms, ammunition or component parts and accessories of firearms or ammunition.

While the purposes listed above are presumed to further social, political or ideological interests, the list is not exhaustive. Evidence of purposes can be found in portfolio company engagement, board or shareholder votes, or other activities of the Proxy Service Provider. A Proxy Service Provider shall vote against each ballot initiative that furthers these as well as other social, political or ideological interests.

- D. Board’s Authority to Vote Proxies: As the designated fiduciary of the System, the Board has the authority to vote the proxy ballots appurtenant to shares of common stock directly owned by the System.
- E. Board’s Authority to Delegate: As described in greater detail in Sections 12.F and 12.G below, the Board may discharge its proxy voting duties by delegating the authority it holds to vote proxies to investment managers who serve as fiduciaries to the System or to Proxy Advisors (as defined below in Section 12.F) (each such delegated party being referred to herein as a “Proxy Service Provider”). Each Proxy Service Provider who accepts such delegated authority from the Board shall be subject to the same fiduciary duties as the Board and the requirements of this policy, the Act, and the Board approved Proxy Voting Policy when exercising the authority to vote proxies on behalf of the System.

If the Board elects to delegate proxy voting authority to a Proxy Service Provider:

1. The Board shall adopt a proxy voting policy that will direct the Proxy Service Provider to vote the System's shares in a strictly fiduciary manner and without consideration of policy objectives that are not the express policy objectives of the System.
 2. The proxy voting policy adopted by the Board may be a bespoke policy developed by the Board, investment staff, and/or an external consultant or the Board may use proxy voting guidelines developed by and made available to clients of a Proxy Advisor.
 3. The proxy voting policy or proxy voting guidelines, as may be adopted by the Board from time to time, shall be incorporated into this Statement of Investment Policy, Objectives and Guidelines by reference as the System's Proxy Voting Policy.
- F. Delegation to a Proxy Advisor: The Board may delegate proxy voting authority to a proxy advisory service or contractor thereof (a "Proxy Advisor"). In doing so, the Board shall give preference to Proxy Advisors that commit in writing to engage in voting shares and making recommendations in a strictly fiduciary manner and without consideration of policy objectives that are not the express policy objectives of the System.
- G. Delegation to Investment Managers: The Board may delegate proxy voting authority to an investment manager who is otherwise serving as a fiduciary of the System if, with respect to only the assets managed on behalf of the System, the investment manager has a practice of, and commits in writing to, following guidelines, when engaging with portfolio companies and voting shares or proxies, that follow the System's obligation to act solely upon financial factors and not upon policy considerations that are not the express policy objectives of the System.

To the extent that a proxy voting advisor or other service provider is used to assist in some aspect of the investment manager's proxy voting with respect to proxies associated to the System's investments, the investment manager shall follow the recommendations of such parties only if such advisor or service provider has a practice of, and commits in writing to, follow the System's obligation to act solely upon financial factors and not upon policy considerations that are not the express policy objectives of the System. The investment manager must inform the System of the third party used and its exact responsibilities.

- H. Indirect Share Ownership: When the Board elects to invest the System's assets through investment vehicles such as mutual funds, collective trusts, partnerships or similar structures, the System typically will not hold a direct interest in the securities held within the vehicle. When equity investments are made through such vehicles, the Board will not hold the authority to vote the proxies of the shares held in the vehicle.

In this situation, the Board, by virtue of making an investment in such vehicle, delegates proxy voting authority to the named fiduciary of the investment vehicle. This fiduciary will have the authority to vote proxies on shares of common stock held indirectly by the System in these vehicles. In such cases, the Board may only grant proxy voting authority to the named fiduciary of the investment vehicle if such fiduciary has a practice of, and in writing commits to, following guidelines, when engaging with portfolio companies and voting shares or proxies, that follow the System's obligation to act solely upon financial factors and not upon policy considerations that are not the express policy objectives of the System.

If the System elects to invest in a public market investment vehicle that results in indirect ownership of shares of common stock that have an appurtenant right to vote proxies, the fiduciary of that investment vehicle must comply with this policy and the Act.

This provision does not apply to alternative or real estate investments as defined in K.S.A. 74-4921(5), and amendments thereto.

- I. Reporting: All proxy votes cast on shares of common stock held in the System's publicly traded asset classes shall be tabulated and reported to the Board no less than annually. For each vote, the report shall contain:
1. A vote caption.
 2. The System's vote.
 3. The recommendation of company management.
 4. The Proxy Service Provider's recommendation, if applicable.

This report shall be posted on the System's website for review by the public.

The System shall provide this report to the Joint Committee on Pensions, Investments and Benefits annually.

- J. Revocation of Voting Authority: Provided the System allows, the Board may revoke the authority of a Proxy Service Provider to vote the shares of common stock of the System by presenting a written revocation of voting authority to the Proxy Service Provider. Authority to vote the shares of common stock of the System will either be left completely with the Proxy Service Provider or revoked entirely for all shares, based upon the evaluation of performance with respect to compliance with this policy, the Act, and related matters. Immediately upon the revocation of a Proxy Service Provider's voting responsibility, all proxy materials regarding the shares of common stock of the System will be forwarded to the System's investment staff. Staff will provide this material to the Board for action until an alternate approach to voting the stocks is approved by the Board.
- K. Securities Litigation: From time to time, class action lawsuits are brought against companies in which the System holds an investment or other interest. As an investor or shareholder, the System is a putative member of the alleged class. It is the System's general policy not to actively seek designation as lead or co-lead plaintiff in private securities class action litigation except in those instances where the System has a substantial financial interest and designation as lead or co-lead plaintiff is determined to be in the best interest of the System. The Board has adopted a policy that establishes procedures and guidelines for monitoring securities class action lawsuits and participating when appropriate. A copy of this policy is attached as Appendix C.

SECTION 13: SOCIAL, POLITICAL OR IDEOLOGICAL INTERESTS

- A. Introduction and Purpose: Consistent with the Retirement Act, the System is committed to the prudent investment of assets to preserve capital and solely to provide benefits to members and such members' beneficiaries. The Kansas Public Investments and Contracts Protection Act

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(the “Act”) effective July 1, 2023, provides further guidance with respect to the System’s prudent investment of assets. The Act reinforces the System’s commitment to “providing financial benefits to participants and their beneficiaries.”

In making and supervising investments of the System in Investment Vehicles (as defined in Section 13.C below), the System must discharge its duties solely in the financial interests of the participants and their beneficiaries, for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the System. This requires that the Board, investment staff, and the Board’s consultants consider only financial factors when discharging their duties with respect to the System.

- B. Impermissible Objectives: No moneys of the System shall be invested or reinvested if any investment objective is for economic development or social purposes or objectives. No investment may be made in an Investment Vehicle with the objective to further social, political or ideological interests or that is deemed to have the effect of furthering such interests under this policy.
- C. Applicability: This policy applies to all investment managers, proxy advisors or contractors thereof (each a “Service Provider”) engaged by the System to provide services for the System or to any investment fund, collective investment trust, investment partnership or similar investment vehicle (collectively, “Investment Vehicle”) in which the System invests. This policy applies to existing and future agreements with Service Providers that take action with respect to assets managed on behalf of the System and to existing and future Investment Vehicles in which the System invests.
- D. Board’s Authority to Delegate: The Board of Trustees (the “Board”) may discharge its duties by delegating the requisite authority it holds to a Service Provider. The Board may also discharge its investment duties by authorizing an investment in, and delegating authority to, a Service Provider acting as the fiduciary of an Investment Vehicle. Duties delegated to, and obligations assumed by, a Service Provider will be by contract or through other controlling legal documents as agreed to in writing by both the System and the Service Provider.

Each Service Provider to an Investment Vehicle in which the System invests will be an investment advisor covered under the Investment Advisors Act, to the extent required by law, or subject to other fiduciary laws or regulations and, as such, have fiduciary duties.

- E. Assets Managed for Other Clients: This policy does not limit or prevent a Service Provider from considering non-financial factors with respect to its various business undertakings that are not associated with the assets managed on behalf of the System. Therefore, when KPERS’ assets are excluded, a Service Provider may have substantial businesses considering non-financial factors, such as social, political or ideological criteria and not be in violation of the Act. See Section 13.H below for a description of financial and non-financial factors.
- F. Service Providers: Each Service Provider retained by the System is subject to the fiduciary duties as delegated by the Board and accepted in writing as per Section 13.D. In making and supervising investments of the System, each Service Provider engaged directly by the System, and the Board with respect to investments through Investment Vehicles, must:

1. Consider only financial factors; and
2. Discharge its duties (a) solely in the financial interests of the participants and their beneficiaries; and (b) for the exclusive purposes of providing financial benefits to participants and their beneficiaries, and defraying reasonable expenses of administering the System.

G. Financial Factors: Financial factors are factors prudently determined by a fiduciary to have a material effect on the financial risk or the financial return of an investment. Financial factors do not include actions or factors considered with any purpose whatsoever to further social, political or ideological interests.

H. Social, Political, and Ideological Interests: Evidence of any of the following purposes in connection with the assets managed on behalf of the System is evidence that a Service Provider has taken an action or considered a factor with a purpose to further social, political or ideological interests, beyond what controlling federal or state law requires:

1. Eliminating, reducing, offsetting or disclosing greenhouse gas emissions;
2. Instituting or assessing corporate board, employment, composition, compensation or disclosure criteria that incorporates characteristics protected under state law;
3. Divesting from, limiting investment in or limiting the activities or investments of any company for failing or not committing to meet environmental standards or disclosures;
4. Accessing abortion, sex or gender change or transgender surgery; or
5. Divesting from, limiting investment in or limiting the activities or investments of any company that engages in, facilitates or supports the manufacture, import, distribution, marketing, advertising, sale or lawful use of firearms, ammunition or component parts and accessories of firearms or ammunition.

While the purposes listed above are presumed to further social, political or ideological interests, the list is not exhaustive. Evidence of purposes can be found in portfolio company engagement, board or shareholder votes, or other activities of the Service Provider.

I. Duty to Consider Material Financial Factors: In making and supervising investments of the System, Service Providers (which will include their role as a fiduciary of an investment vehicle) shall consider only those factors that have been prudently determined to have a material effect on financial return or financial risk. A material factor may include any factor, including the purposes described in Section 13.H, if such purpose is included based on prudent determination as a fiduciary. If a Service Provider determines that a purpose described in Section 13.H is a material financial factor it shall:

1. Report determinations made under this paragraph to the System's investment staff or the Board's consultant at the next regular diligence review required under Section 13.O;
2. Maintain requisite documents that support the determination; and
3. Make such documents available to the System upon request.

J. Decisions to Further Social, Political or Ideological Interests: The Act presumes that the purposes described in Section 13.H, may reasonably be determined to further social, political or ideological interests if action is taken to further such purpose specifically on assets managed

on behalf of the System beyond what controlling federal or state law requires. This determination may not necessarily be reached if there is a duty to consider such interests as material per Section 13.I and such determination shall not be reached based on actions taken on behalf of other clients per Section 13.E.

- K. Prohibition Regarding Associating the System with Non-Financial Causes: Specifically with respect to assets managed on behalf of the System, a Service Provider must not use the System's name or associate the System in any way in advertisements, statements, explanations, reports, communications with portfolio companies, statements of principles or commitments, or participation in, affiliation with or status as a signatory to any coalition, initiative, joint statement of principles or agreement, or through similar actions or evidence that furthers social, political or ideological interests beyond what controlling federal or state law requires.
- L. Prohibition Regarding Use of the System's Name: Absent permission in writing from the System to do so, a Service Provider shall not use the System's name, disclose the System as a client, nor associate the System with the Service Provider or to the services provided, in any way, to any third party, beyond what controlling federal or state law requires.
- M. Prospective Agreements: Investment staff will provide prospective Service Providers with a copy of this policy upon commencement of due diligence. Service Providers will be asked to become familiar with their obligations under the Act. As early as possible in the System's due diligence or Request for Proposal process, each Service Provider shall provide the following acknowledgments in writing to:
1. Commit, when acting specifically with respect to assets managed on behalf of the System, to act solely upon financial factors when discharging their duties.
 2. Cooperate with the System's staff in meeting its obligations under the Act.
 3. Provide a certified statement, executed by an authorized officer, as to its compliance with the Act.
 4. Represent and warrant to the System that its responses and certifications to this policy and any supplemental inquiries are true, correct, and complete in all material respects, and covenant to update any such information within 10 business days of any change in the information in the response.

If the Service Provider determines at any subsequent time that its representations and warranties have become untrue, incomplete, contains a material omission, or is misleading in any material respect, the Service Provider will notify the System and provide the System with updated disclosures within 10 business days of the date that the Service Provider knew or should have known of such change to or omission in the information.

The written agreements covering items 1 through 4 shall be in a form acceptable to the System's legal counsel and will be included as part of the closing documents for the transaction.

- N. Initial Diligence: The System shall undertake appropriate diligence in accordance with the provisions of the Act and the System's Statement of Investment Policy, Objectives and Guidelines in hiring a new Service Provider or when evaluating Investment Vehicles, through which the System's assets will be invested. The System shall hire a Service Provider only if,

after requisite diligence and in the professional opinion of investment staff and the Board's consultant, the provider, in discharging the duties to be delegated by the Board, specifically on assets managed on behalf of the System and subject to controlling federal and state law, is expected to do so only in the financial interests of the participants and beneficiaries of the System and as otherwise required by the Act and this policy.

Investment staff and the Board's investment consultant shall make the foregoing determination at the time the recommendation is brought to the Board to hire the Service Provider or to invest in the investment vehicle. A summary of the information provided in the disclosure document and gathered in the due diligence process will be included in the Investment Committee material for each Service Provider or investment vehicle recommendation.

- O. Ongoing Diligence: Investment staff or the Board's investment consultant shall conduct periodic diligence reviews to evaluate Service Providers' and investment vehicles' continued compliance with the Act and this policy. The Board shall be notified at its next regular meeting if investment staff or the Board's consultant determines that the Service Provider is believed to no longer be in compliance with the Act.
- P. Annual Certification: Each Service Provider shall certify compliance with the Act annually.
- Q. Contracts:
 - 1. Future Contracts: Final agreements with Service Providers should provide the System an "at will" termination right or provide for a full redemption or withdrawal of the System's investment, at the discretion of the System, without default, penalty, or liability. In the event a final agreement does not provide the System the foregoing rights, the final agreement with a Service Provider, including with respect to Investment Vehicles, shall provide that, if the Service Provider is found to be in violation of the Act or if the System provides to the Service Provider an opinion of counsel stating that it is more likely than not that the Service Provider has engaged in a violation of the Act, the System shall have the right to (a) immediately terminate the agreement with the Service Provider or withdraw from the Investment Vehicle, as applicable, without default, penalty, or liability on the part of the System to the Service Provider, Investment Vehicle, and parties associated therewith (i.e., the general partner, limited partners or third parties) and (b) in connection with an Investment Vehicle, receive prompt payment of the System's capital account balance. Any final agreement that does not meet the requirements of this section must be approved in advance by a vote of the Board specifically approving such agreement.
 - 2. Existing Contracts: If a Service Provider is determined to be in violation of the Act, the System will consider all applicable withdrawal rights, transfer rights, and other options to terminate its relationship with the Service Provider. If the System does not already have the right to terminate the agreement or withdraw from the Investment Vehicle(s), the System will work with the Service Provider in good faith to obtain an economically feasible resolution for the System.

SECTION 14: STANDARDS FOR THE SELECTION OF CONSULTANTS, INVESTMENT MANAGERS, CUSTODIANS AND OTHER PROFESSIONALS

- A. Investing Prudently: If the Board or staff does not have sufficient expertise or information in order to allow them to “exercise the judgment, care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims,” they have the responsibility to retain qualified professionals to assist them in developing their ability to act prudently.
- B. Basis for Selection: For any type of expertise or assistance which is to be retained by the Board, selection shall only be made based upon the demonstrated ability of the professional(s) to provide the expertise or assistance needed. For each type of expertise, relevant and objective criteria will be established to judge and select experts.
- C. Types of Expertise for Consideration: Illustrations of professionals and specialized expertise which the Board may retain include but are not limited to: actuaries, investment managers, accountants, legal counsel, custodians, consultants, appraisers, engineers and systems specialists.
- D. Process for the Selection of Professional Assistance: Within listed exceptions, all agency contracts for professional and consultant services shall be governed by the Professional Services Sunshine Act at K.S.A. 75-37,130-135 and KPERS’ Purchasing Policy governed by K.S.A. 74-4909(15). Within this process, the sequence of steps to be completed to identify and select qualified firms or individuals who satisfy the Board’s need for expert assistance are:
- Step 1.* Board authorizes Executive Director or Chief Investment Officer to initiate search and either establishes a Procurement Negotiating Committee (PNC) or authorizes Executive Director or Chief Investment Officer to do so. The PNC need not comprise all members of the Board of Trustees, but may consist of a subset of the trustees, or designees from KPERS staff, or a combination of trustees and staff.
- Step 2.* Staff (and, as needed, Board’s general consultant) define the service or expertise needed; establish minimum, objective criteria for bidders; and detail the information bidders must provide in submitting an eligible proposal.
- Step 3.* Staff identifies and screens, on the basis of the specified criteria, a universe of potential bidders.
- Step 4.* Staff (and, as needed, Board’s general consultant) either draft an RFP or seek proposals directly from specific firms in the identified universe. An RFP, when used, defines the service or expertise sought, specifies the minimum screening criteria and the information needed from prospective bidders and outlines the selection process and timeframe to be used by the System during the search.
- Step 5.* A notice is published in the *Kansas Register*. In addition, staff publishes a notice of the RFP in a widely circulated national publication such as *The Wall Street Journal*, *Pensions and Investments* or *Institutional Investor*. As appropriate to the

services sought, notice is published in area newspapers or through area professional associations.

- Step 6.* Any qualifying proposals received by the deadline and supplying the requested information are considered by the PNC.
- Step 7.* A standard set of evaluation criteria is devised and used by the PNC to evaluate the proposals, including the qualifications of proposing firms.
- Step 8.* In a process approved by the Board, either: (a) the PNC presents the top proposals to the Board for review and the Board selects the contractor from among the finalists, or (b) the PNC selects the contractor and submits selection to the Board for approval.
- Step 9.* (a) When the Board selects the contractor from finalists submitted by the PNC, the finalists make a presentation to the Board. The Board selects the contractor, delegates detailed negotiation to the PNC, and sets the maximum acceptable fee.
- (b) If the PNC selects contractor, the PNC negotiates the fee subject to Board approval.

SECTION 15: EVALUATION AND REVIEW PROCEDURES

Evaluation and the periodic investment reports should supply critical information on a continuing basis, such as the amount of trading activity, investment performance, cash positions, diversification ratios, rates of return and other perspectives of the portfolios as requested by the Board. The reports should be examined to determine whether investment policy guidelines are being followed.

A. Performance Measurement:

At least quarterly the Board of Trustees will formally review the performance of the Total Fund and of each investment manager's portfolio relative to the objectives and guidelines described herein. Such a review may include quarterly performance analysis and comparisons of firms retained.

The investment performance review will include comparisons with unmanaged market indices, a broad universe of investment managers and the Consumer Price Index. A time-weighted return formula (which minimizes the effect of contributions and withdrawals) will be utilized. The services of an outside, independent consulting firm providing performance measurement and evaluation may be retained. Investment managers will be expected to comply with the CFA Institute Global Investment Performance Standards (GIPS) in calculating and reporting their investment performance. The Retirement System, and any firms retained by the System to calculate investment performance, will also adhere to the CFA Institute Standards.

B. Meetings and Reports:

The Board of Trustees or its designated Committee may meet periodically with investment manager(s) to review the portfolio and investment results in the context of this Investment Policy Statement. The custodian is expected to meet with staff or the Board periodically to review its responsibilities. Minutes of the Board of Trustees or Committee meetings will be kept reflecting the investment matters reviewed and actions taken. Investment managers are also expected to meet regularly with System staff to review the portfolio.

C. Review and Modification of Investment Policy Statement:

The Board of Trustees shall review this Investment Policy Statement at least once a year to determine if modifications are necessary or desirable. If modifications are made, they shall be promptly communicated to all investment managers and other responsible parties, as required by K.S.A. 74-4901 *et seq.*

D. Compliance with this Policy and Kansas Statutes:

Annually, the Board will confirm that the Fund and each of its managed portfolios have complied with the stated policies.

E. Watch List and Probationary Events

In the course of executing the System's management strategy, certain events may create a need for the Board and staff to place an investment entity on the watch list and to exercise greater scrutiny over a period of probation for the affected entity.

A manager or custodian will be eligible for placement on the watch list for any of the following events:

- Any event that is likely to adversely impact to a significant degree the management, professionalism, integrity or financial position of the manager or custodian.
- A significant change in firm ownership, control and/or structure or a significant change in business direction or focus of the firm.
- The loss of one or more key personnel in the portfolio management process, client-service area or senior management.
- A significant shift in the firm's philosophy or process evidenced by style drift, increases or decreases in tracking error, or value-added coming from an unexpected source.
- A significant loss of clients and/or assets under management.
- A significant change in the active risk profile of the manager. (A change will be deemed significant at the discretion of the Chief Investment Officer, but will generally be considered any change of 20% or more, as measured on a rolling thirty-six-month basis.)
- Returns that do not generate a sufficient amount of positive alpha to produce a reasonable expectation of meeting an information ratio target above the median manager in an appropriate manager universe over a typical market cycle. Issues of sufficiency or reasonableness, as well as the definition of the market cycle, will be interpreted by the Chief Investment Officer, consistent with industry practice and this Statement of Policy, Objectives and Guidelines.
- A significant decrease in the quality or volume of deal flow and/or a marked change in the investment types or deal terms negotiated by the manager.

- Failure to comply with written instructions or requests related to communications or reports requested by the Board or staff.
- Failure to make a timely reconciliation of the System’s asset positions, values, transactions or performance.
- Any material violation of the System’s Statement of Policy, Objectives and Guidelines.

Should a probationary event occur, the Chief Investment Officer will make the determination as to the steps or actions necessary to protect the integrity of the System’s assets, process or outcomes. This determination and these guidelines do not preclude the Board from taking any action in any time frame deemed appropriate, nor do they restrict or reduce any and all other remedies available to the System.

Probationary events will be acknowledged through written notification to the offending entity, informing the manager or custodian of the issue and requesting a written explanation. The written response should include an assessment of the alleged event, an explanation of the cause of the event and what changes will or should be expected to assure that the event will not reoccur.

If the event is excused due to extenuating circumstances, the Chief Investment Officer will provide a written explanation to the manager’s file describing the circumstances. If the event is found to be material, the Chief Investment Officer will review the remediation plan provided and place the offending manager on probation for a period of ninety days. Following this period, the Chief Investment Officer will review the situation to determine if the remediation efforts have been sufficient and successful. If this review is negative, the Chief Investment Officer will provide the Board a full report and explanation, including a recommendation for further action and possible termination.

The Board of Trustees will be notified whenever a manager or custodian is placed on probation. The Board of Trustees will be notified immediately in all instances of default, per K.S.A. 74-4901 *et. seq.* Default is defined as:

1. a missed interest or principal payment, violation of bond covenants, or other activity which causes a “D” or default rating to be assigned by one or more of the credit ratings agencies; or
2. In the case of a security which is not rated, default shall be defined as a failure to make interest or principal payments as required.

APPENDIX A: GLOSSARY OF TERMS (Attached as a separate document)

APPENDIX B: STATUTORY CITATIONS

SECTION 1: STATUTORY AUTHORITY AND STATUTORY RESTRICTIONS

- A. K.S.A. 74-4905; 74-4907; 74-4908; 74-4909; 74-4921(4).
- B. K.S.A. 74-4921(2); 74-4921(3).
- C. K.S.A. 74-4921(5)(a)
- D. K.S.A. 74-4921(5)(b)
- F. K.S.A. 74-4921(6); 74-4921(11).
- G. K.S.A. 74-4921(7)
- H. K.S.A. 74-4921(7)
- I. K.S.A. 74-4921(12); 74-4921(11); 74-4921(6).

SECTION 2: CODE OF ETHICS

- A. K.S.A. 74-4921(4)
- B. K.S.A. 46-215-293; K.S.A. 46-237a
- C. 29 U.S.C. § 1001 *et seq.*
- G. K.S.A. 74-4905(f); 74-4905(g).
- I. K.S.A. 46-215-293
- J. K.S.A. 74-4921(7)

SECTION 3: PURPOSE OF THE SYSTEM'S ASSETS AND THIS STATEMENT OF INVESTMENT POLICY

INTRO. K.S.A. 74-4921(1); 74-4921(2); 74-4921(3); 74-4902(7); 74-4901.

SECTION 4: RESPONSIBLE PARTIES AND THEIR DUTIES

- B. K.S.A. 74-4921

SECTION 5: OBJECTIVES

- C. 3. K.S.A. 74-4921(5)(a); 74-4921(5)(b); 74-4921(5)(c).
- 5. K.S.A. 74-4921(6)

SECTION 8: GUIDELINES FOR INVESTMENT MANAGERS

- A. K.S.A. 74-4921(4); 74-4921(7)
- 3. K.S.A. 74-4921(7)

SECTION 14: STANDARDS FOR THE SELECTION OF CONSULTANTS, INVESTMENT MANAGERS, CUSTODIANS AND OTHER PROFESSIONALS

- D. K.S.A. 75-37,130-135; K.S.A. 74-4909(15)

SECTION 15: EVALUATION AND REVIEW PROCEDURES

- C. K.S.A. 74-4921(6); 74-4921(11)

APPENDIX C: SECURITIES LITIGATION POLICY

The Kansas Public Employees Retirement System Securities Litigation Policy

The Kansas Public Employees Retirement System adopts this policy to establish procedures and guidelines for monitoring securities class action lawsuits and participating in such class actions when appropriate to protect the Retirement System's interests.

Introduction & Purpose

Under the federal Private Securities Litigation Reform Act of 1995, federal courts are required to appoint one or more members of the putative class to serve as the lead plaintiff(s) in securities class action lawsuits. *See* 15 U.S.C. § 78u-4(a)(3)(B). The Act provides a rebuttable presumption that the lead plaintiff is to be the investor with the largest financial interest in the relief sought by the lawsuit who also desires to serve as the lead plaintiff. *See* 15 U.S.C. § 78u-4(a)(3)(B)(iii). Typically, this means that those investors with the largest holdings in the defendant issuer's stock have the right to serve as the lead plaintiff.

Since enactment of the PSLRA, it has been demonstrated that participation as lead plaintiff by large, sophisticated shareholders—particularly institutional shareholders—has resulted in lower attorney's fees and significantly larger recoveries on behalf of shareholders. Arguably, a fund may have a fiduciary duty to pursue claims involving alleged wrongdoing in which that fund has an investment. By assuming lead plaintiff status, the fund is in a position to insure that any proposed settlements actually benefit the investment in the issuers by the fund and maximize damages for the violation. It may also be in a position to reduce fees paid to attorneys from any settlement, thereby resulting in more return to the investors.

One of the Retirement System's objectives in participating in class action securities litigation is to monitor, research and potentially pursue claims against responsible individuals with recoverable assets or insurance within the corporation, responsible third-party professionals who advised the corporation or the directors and officers coverage held by the corporation. Where KPERS is a long-term shareholder, the object of KPERS' role in litigation will be primarily to improve the situation through communications with management as a shareholder and to seek corporate governance changes rather than sue to merely obtain monetary damages. KPERS does not desire to seek lead plaintiff status, and in some cases where KPERS maintains a large continuing position may, due to a potential conflict between vigorous pursuit of the company and protecting and enhancing the value of our retained holdings, take a passive role or withdraw its support from the class.

Background

In carrying out its fiduciary duties to prudently invest and manage the assets of the System, KPERS invests in the stock of various public companies. From time to time, class action lawsuits are brought against these companies, their directors, and/or their officers for alleged violations of federal and state securities laws relating to various disclosure obligations and, in many cases, other breaches of fiduciary or other duties. As a shareholder, KPERS is a putative member of the alleged classes (as are most or all of the other shareholders).

As adopted by the Board of Trustees
September 19, 2025

In most securities class action lawsuits, several other investors, including many institutional investors with substantially greater investment portfolios than KPERS, hold more shares in the defendant issuer than KPERS holds and, thus, have a larger financial interest in the relief sought. Accordingly, in most such lawsuits, an investor other than KPERS will have the right to serve as the lead plaintiff. Regardless, KPERS may find itself in a position to assume lead or co-lead plaintiff status and therefore, KPERS has established procedures regarding its interests in class action lawsuits.

KPERS' Procedures

Review of Class Action Filings

Kaplan, Fox & Kilsheimer was selected, after an extensive RFP process and Board approval, to serve as the Retirement System's securities litigation counsel, and subsequently entered into Legal Services Agreements with KPERS to provide the following services:

- Retirement System staff will monitor and review the filings of relevant class actions, in conjunction with Institutional Shareholder Services Inc. (ISS), with which KPERS has contracted to provide securities class action claims monitoring on the System's behalf. The System's custodial bank will file claims for class actions related to securities held by the System. In the event that the System sustains a substantial loss in a security, Kaplan Fox will be asked to determine whether a case would be meritorious and worthy of further investigation.
- The firm shall report their findings to the KPERS' legal staff with a recommendation as to whether KPERS should actively monitor the case or seek lead plaintiff status. The legal staff shall consult with both the Chief Investment Officer and the Executive Director should a case reach the level of active participation by KPERS.
- The firm shall provide information and analysis to assist KPERS in evaluating options for managing the Retirement System's interest in securities matters, as requested.
- The firm acknowledges that they act in a fiduciary capacity toward KPERS when they render legal services and advice.

Authorization to File Suit

Upon the recommendation of outside counsel, and KPERS staff's concurrence, that the Retirement System should seek lead or co-lead plaintiff status in a particular class action, the Executive Director will request the Board's authorization to proceed at the next regularly scheduled meeting. The Executive Director will schedule a telephone Board meeting if necessary to meet the filing deadline.

Reports to the Board

The legal staff shall provide the Board of Trustees with status reports on cases in which KPERS has been granted lead or co-lead plaintiff status to keep the Board apprised of major developments.

KPERS' Policy

Based on the foregoing, it is KPERS' general policy not to actively seek or accept designation as lead or co-lead plaintiff in private securities class action litigation except in those instances where KPERS has a substantial financial interest and designation as lead or co-lead plaintiff is determined to be in the best interest of the Retirement System.

APPENDIX D: INFRASTRUCTURE

Investment Approaches and Parameters

Sector – The Program shall consider any appropriate investment opportunity with the potential to meet or exceed the Program’s performance objectives and to fulfill the role of a core/core plus infrastructure fund. Infrastructure is broadly defined as the permanent assets a society requires to facilitate the orderly operation of its economy and the physical systems of a business or nation. Infrastructure encompasses a wide range of assets and can be broadly broken down by Economic or Social Infrastructure assets. Investments shall generally fall within the categories defined below:

1. **Economic Infrastructure:** Relates to assets directly related to the growth and sustenance of a country’s economy. Economic assets typically provide services that the end user is prepared to pay for and are sourced either through government privatizations or sales of businesses owned by the private sector. This sector has potentially higher returns as well as risks. Sub-sectors include but are not limited to:
 - a. Transportation assets (e.g. – bridges, roadways, tunnels, airports, seaports, railways, ferries, public transit)
 - b. Energy assets (e.g. – gas networks, storage facilities, electricity networks, contracted power generation, renewable energy, water distribution, treatment and storage)
 - c. Industrial assets (e.g. – utilities and other services onsite at industrial production facilities. Heating and cooling, gas or compressed air supply, dust collection, lighting services and water treatment)
 - d. Communications (e.g. – cellular towers, transmission networks, cable networks, satellites)
 - e. Other infrastructure investments that are aligned with KPERs objectives.
2. **Social Infrastructure:** Relates to assets, which, while not directly essential to the growth of a country’s economy, are vital to the continued general welfare of society. Social assets are typically acquired through Private/Public Partnerships (PPP) or Private Finance Initiatives (PFI) and have revenue guaranteed by a governmental body or agency. This sector has a lower return expectation along with lower risks.
3. Social assets typically include educational facilities; healthcare facilities; court houses; other government buildings. KPERs shall not make any investments in prisons for the purposes of the Infrastructure Program.

Business Model – The Infrastructure portfolio shall be appropriately diversified so that no one source of revenue is dominant in the portfolio. Risk/return characteristics of infrastructure assets vary in accordance with their underlying business model.

1. **Regulated assets:** Assets subject to government regulation. Examples of regulated assets include electricity transmission and distribution and certain pipelines. While such assets have many single entity characteristics, prices and charges are generally regulated by the government. As a result, these assets can offer low but stable earnings with some growth potential.

2. Patronage assets: Patronage assets include toll roads, airports, ports and water treatment plants. These assets need increases in use (or patronage) to generate revenue growth and increase in capital value. As a result, they can be affected by demographic changes or economic trends.
3. Competitive assets: Competitive assets include electricity and gas generators. These infrastructure assets often sell their product (e.g. gas or electric power) in an open or lightly regulated market. Unlike single entity assets like roads and bridges, these assets are exposed to market risk and their returns are more volatile than other infrastructure assets.
4. Competitive power generation projects with significant commodity risks will be excluded unless such risks are mitigated or hedged. Merchant power generation projects which assume a spot price risk for power will generally be excluded.

Stage of Development – The Infrastructure portfolio will be diversified by development stage.

1. Brownfield assets are typically operating and generating revenue in one of three phases including:
 - a. Ramp-up phase where use is just beginning following the completion of construction.
 - b. Growth phase where use continues to increase towards its long run potential.
 - c. Mature phase where the project has well-established long-term cash flow and use has leveled off near long term potential.
2. Greenfield assets are new assets in the pre-development or construction phase and do not generate current revenue. For projects in the Greenfield/Ramp-up stage, return consists mostly of capital growth with a risk premium for associated risk factors, while mature stage projects are dominated by more stable returns from income. Greenfield and Ramp-up infrastructure assets face business risks such as construction risk, uncertain demand, forecasting risk and early year post-privatization risk. By comparison, mature infrastructure assets are typically long-established businesses which have a history of consistent, predictable cash flows and therefore offer a lower risk profile.

Diversification by Geography – The Program shall seek to include investments in a variety of jurisdictions. Investments in both domestic and international markets are permitted with the relative proportion of each type at a given time to be determined based on prevailing market conditions. Regional diversification within a particular country shall also be considered when such diversification contributes measurably to risk mitigation. Diversification will be measured by gross asset value through the following regions:

1. USA
2. OECD Ex USA – Canada, Mexico, UK, Australia, Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey
3. Other – Asia, including Emerging Asia, Latin America, Central Europe, Emerging Europe, Middle East, North Africa

Risk Allocations

Income Investments – will consist of a mix of economic and social sector investments with a regulated or patronage-based revenue stream. Investments will be located in the USA or OECD countries. Investments will be mature with a well-established operating history and evidence of steady cash flow generation. Characteristics include low risk and low growth with cash yield being the dominant part of total return.

Growth Investments – will consist of a mix of economic and social investments with a regulated or patronage-based revenue stream. Investments will primarily be located in the USA or OECD countries. Investments will be less mature with a shorter operating history and typically still in the Growth or late Ramp-up phase. Investments may exhibit higher near-term risk associated with the capital structure (e.g. short-term maturities, lower coverage ratios or higher loan to values than the asset can currently support). Investments may also have risks associated with a repositioning, re-contracting or redevelopment. Characteristics include higher return potential and higher risk in the execution of the growth strategies with cash yield and net capital appreciation more or less an equal contributor to total return.

Opportunistic Investments – will consist of economic investments with regulated, patronage or competitive based revenue stream. Investments will typically be in Greenfield construction and development or early-stage Ramp-up. Opportunistic investments will also include assets located in regions non-USA, non-OECD. Investments may exhibit higher risk associated with an inefficient or flawed capital structure. Characteristics include higher risk and high return potential with capital appreciation the dominant driver of total return. *Public Investments* – will consist of economic and social investments with a regulated or patronage-based revenue stream. Investments will be in publicly listed equities of companies receiving a substantial portion of revenue directly from regulated or patronage-based infrastructure assets. Characteristics include medium risk with cash yield and capital appreciation more or less equal.

Investment Asset Size

Investments in the Portfolio shall have a range of sizes to enhance liquidity of the Portfolio, as various investment sizes will have differing exit opportunities.

APPENDIX E: TIMBER

Investment Quality

1. Soils – soil structure and fertility should be as good as or better on average than comparable industrial tracts.
2. Rainfall – the annual average and distribution of rainfall should be similar to that for observed on nearby industrial tracts.
3. Stocking – the forest should be fully stocked with vigorous healthy trees and species that are matched to the sites with no backlog of unplanted land.
4. Genetic stock – for plantations, the provenance of the planted trees should be appropriate for the sites and have shown good growth and form characteristics.
5. Silvicultural practices – the silvicultural prescriptions applied by the current owner and proposed by the candidate investment manager/property manager should be proven as appropriate for the species, sites, and target markets. There should be verifiable evidence that the prescriptions have been implemented as planned.
6. Fire threat/protection – the threat of fire should be low and proven protection capacity should exist for the asset and neighboring lands.
7. Biotic risks – there should be little or no evidence or history of problems with insect, or fungal, pathogens or harmful animals.
8. Abiotic risks – there should be little or no evidence or history of problems from wind throw, flooding, snow press, and other abiotic risks.
9. Diverse competitive markets – the forest should be located in proximity (economically viable) to diverse and competitive markets for the full range of products expected to be generated by the forest.
10. Well-developed transportation network – the private and public transportation network (roads, rail, and waterways) should be well developed and well maintained as warranted.
11. Labor – there should be no evidence of labor shortages or labor disruptions for manufacturing phases relevant to the investment.
12. Tenure – the property should have secure, defensible legal title with no evidence of outstanding land claims, whether the intention is to buy the land or use some other form of contractual arrangement (lease, joint venture, and license).
13. Liabilities – there should be no outstanding material regulatory (environmental, silvicultural, protected areas, taxation, other) liabilities associated with the property.

Diversification

1. Diversification by Geography

The Portfolio shall include investments in a variety of jurisdictions. Investments in both domestic and international markets are permitted with the relative proportion of each type at a given time to be determined based on prevailing market conditions. Regional diversification within a particular country shall also be considered when such diversification contributes measurably to risk mitigation.

US timberlands are divided into six timberland regions (per NCREIF). Only the first four are large enough to warrant a sub-index:

- South
- Northwest
- Northeast
- Lake States
- Hawaii
- Other States

International timberlands can be categorized by developed timberland markets and emerging timberland markets and include but are not limited to:

- Developed – Canada, Australia, New Zealand, Northern Europe
- Emerging Markets – South America, Africa, Eastern Europe (including Russia), Southeast Asia (including China)

2. Diversification by Forest Cover

Different species of trees have different end uses (and thus different end markets) as well as different tolerances to disease and infestation. The Portfolio shall include assets that are diversified with respect to forest cover including a variety of species in both the softwood and hardwood species groups. Diversification may also be enhanced by investments in non-traditional woody and non-woody species. Diversification by forest cover shall be consistent with the Portfolio requirements for financial performance and risk mitigation.

The primary species groups are characterized as follows:

- Softwoods – generally are conifers such as pine, fir, hemlock, spruce, and cedar.
- Hardwoods – generally are deciduous such as oak, maple, cherry, walnut, and elm.
- Non-traditional woody – generally are tropical tree species such as bamboo and teak.
- Non-woody – generally are grasses and underbrush such as switchgrass, used in producing cellulosic ethanol.

3. Diversification by Revenue Source

The Portfolio shall be diversified so that no one source of revenue (pulpwood, chip-n-saw, sawtimber, specialty hardwood, bio-fuel, carbon sequestration, non-timber) dominates the Portfolio. Timber has various return drivers which include but are not limited to the following:

Biological growth – a tree’s natural growing process

Silviculture – the practice and science of growing trees, which includes genetic engineering, fertilization, and pruning to maximize growing conditions

Timber prices – the market pricing of pulpwood, chip-n-saw, and saw timber, which may drive harvesting decisions.

Higher-and-better use – alternative uses for timberland that result in higher value, such as recreational land and real estate development.

Ancillary incomes – additional sources of revenue from timberland, including hunting licenses, mineral rights, carbon credits, and ground leases for oil drilling, wind turbines, etc.

4. Diversification by Age Class

Age class can most simply be categorized by pre-merchantable and merchantable. The value of a tree increases as it grows and moves into a new age class.

- Pre-merchantable timber is typically less than 25 years old and its primary end uses are pulpwood (for paper and packaging) and chip-n-saw (for plywood)
- Merchantable timber is typically 25 years and older and its primary end use is saw timber.