



KENTUCKY RETIREMENT SYSTEMS INVESTMENTS



TO: Kentucky Retirement System Board of Trustees

FROM: T.J. Carlson, Chief Investment Officer

DATE: May 30, 2013

SUBJECT: Investment Committee Quarterly Report

The Investment Committee held its regularly scheduled meeting on May 7, 2013. The purpose of the meeting was to evaluate investment activities, program structure, management, controls, and performance results of the Pension and Insurance Funds, for the quarter ending March 31, 2013, along with various other subjects.

The meeting began with approval of the minutes for the previous Investment Committee meeting held on February 5th, 2013.

Ann Case presented the Quarterly Compliance report. The Management Update was given by the CIO which included a review of the standard quarterly reports. These reports include the: Monthly Portfolio Plan Allocations report; Monthly Performance Update; Investment Division Expense Report; Meeting and Related Expense Report; Net of Fees Report; Internally Managed Portfolio Asset Report; Internally Managed Portfolio Transactions Report; Partnership Investments Report; Domestic Equity Commissions Report; Global Equity Commissions Report; Trading Cost Analysis Report (semi-annual); Securities Lending Report; and Securities Litigation Report.

A \$15,000 budget reallocation was reviewed and approved by the Investment Committee.

Updates to the Approved Broker Dealer List were reviewed, updated, and approved by the Investment Committee.

Recommendations to modify the accounting treatment of PPW were reviewed and approved by the Investment Committee.

An overview of the Standard Quarterly Topics list, the Potential Future Topics list and the supplied articles of interest were also provided. Questions were encouraged and addressed throughout the reports.

Updates to the Statement of Investment Policy were reviewed, updated, and approved by the Investment Committee.

A Real Return exposure commitment of 45 basis points, or approximately \$50 million, to Red Kite Mine Finance Fund I was reviewed, discussed and approved by the Investment Committee.

A Real Return exposure commitment of 50 basis points, or approximately \$73 million, to Magnetar MTP Energy Fund was reviewed, discussed and approved by the Investment Committee.

A Real Estate exposure commitment of 25 basis points, or approximately \$37 million, to the H/2 Core Lending Fund was reviewed, discussed and approved by the Investment Committee.

A Real Estate commitment of \$30 million to Rubenstein Properties Fund II was reviewed, discussed and approved by the Investment Committee.

A Private Equity commitment of Euro 50 million to CVC Capital Partners CVC Fund IV was reviewed, discussed and approved by the Investment Committee.

A Private Equity exposure commitment of 150 basis points, for an approximate rolling commitment of \$40 million per year, to the KRS Private Equity Emerging Manager program through Bay Hills Emerging Partners III L.P. was reviewed, discussed and approved by the Investment Committee.

A review of the RV Kuhns report titled “Non-US Equity Structure Review” and the Annual Public Equity Manager Review were presented for informational purposes by Bo Cracraft (Staff) and Tony Johnson (RV Kuhns).

Please see the next page for a summary of the Pension and Insurance performance information ending March 31, 2013.

Pension Funds Performance Overview								
Rates of Return (%) as of March 31, 2013								
	One Year		Three Years		Five Years		Ten Years	
	Fund	Index	Fund	Index	Fund	Index	Fund	Index
Equity	11.23	10.91	8.09	8.64	3.83	3.24	8.93	8.98
Fixed Income	7.98	4.72	7.93	6.23	6.04	5.52	5.51	5.36
Private Equity	14.17	21.05	13.19	11.36	3.87	7.98	12.02	9.28
Real Estate	11.67	10.78	13.93	12.38	N/A		N/A	
Absolute Return	8.05	4.20	N/A		N/A		N/A	
Real Return	7.60	4.51	N/A		N/A		N/A	
Cash Equivalents	0.32	0.08	0.47	0.09	0.89	0.31	2.21	1.66
Total Fund	10.03	9.50	8.29	8.13	4.69	4.95	7.68	7.85

Insurance Funds Performance Overview								
Rates of Return (%) as of March 31, 2013								
	One Year		Three Years		Five Years		Ten Years	
	Fund	Index	Fund	Index	Fund	Index	Fund	Index
Equity	11.23	11.07	7.58	8.48	3.26	2.90	8.65	8.37
Fixed Income	7.92	4.72	8.19	7.09	5.79	5.02	6.33	5.88
Private Equity	14.04	21.05	13.45	11.43	6.21	6.72	10.35	8.95
Real Estate	9.59	7.89	19.04	11.40	N/A		N/A	
Absolute Return	8.19	4.20	N/A		N/A		N/A	
Real Return	7.26	4.51	N/A		N/A		N/A	
Cash Equivalents	0.49	0.08	0.33	0.09	0.51	0.31	2.14	1.66
Total Fund	9.52	9.10	7.51	8.44	3.41	3.76	8.10	8.29

RECOMMENDATION: The Board is requested to ratify the actions of the Investment Committee.