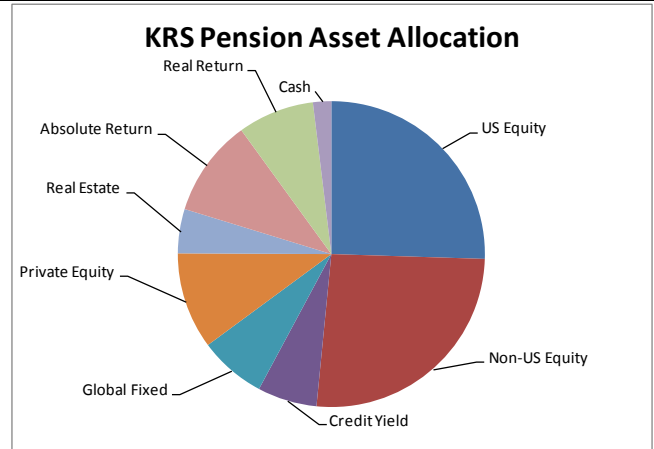


What's going on in the marketplace?

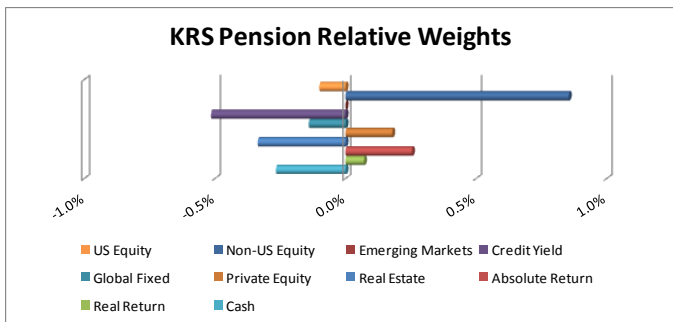
April was a wild ride for U.S. equities. After a challenging start stocks began to climb mid-month, ending on a down turn. Within the United States market returns improved moving down the cap spectrum. Small cap stocks were the most favorable, returning 1.57% in April (Russell 2000 Index). Mid Caps earned 1.22% for the month (S&P Midcap Index), and Large caps were least favorable, returning 0.39% (S&P 500 Index).

International equities favored better than their domestic counterparts. Developed international markets were the best performers, returning 3.00% (MSCI EAFE Index). The MSCI ACWI Ex US Index returned 2.72%, and Emerging Markets returned 0.56% in April (MSCI Emerging Market Index).

U.S. interest rates ticked up slightly in April, with the 10-year treasury rising from 1.79% to 1.83%. The Barclays High Yield Index returned 3.92% in response to better than expected corporate earnings. The Barclays Aggregate index returned 0.38% for the month.



	April	1-Yr	3-Yr	5-Yr	10-Yr
Total Fund	1.18	-1.20	4.68	5.06	4.84
Benchmark	1.38	-1.24	5.31	5.43	5.23



What added value this month?

PENSION – From a manager selection standpoint, the pension portfolio was able to add relative value in the Real Estate, Absolute Return, and Real Return portfolios. The largest manager contribution came from Real Return, which outperformed its benchmark by 78 basis points. The Real Estate portfolio also had significant manager contribution, outperforming its benchmark by 13 basis points.

From an allocation standpoint, the pension portfolio benefited from an overweight to Non U.S. Equity due to the downside protection provided by the Non U.S. Equity managers. The portfolio also benefited from an underweight to Real Estate as evidenced its relatively weak performance compared to the total portfolio. In total, the pension portfolio returned 1.18% in April versus the benchmark return of 1.38%.

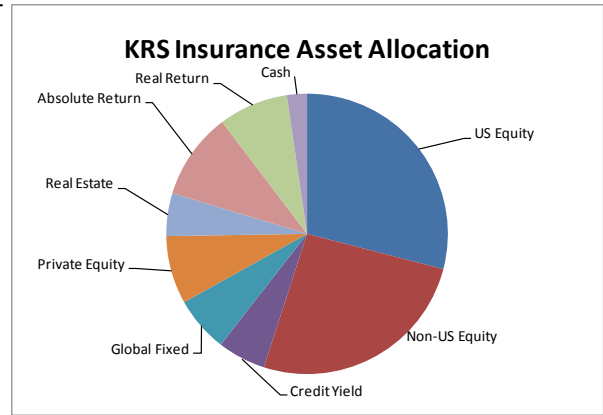
INSURANCE –The insurance portfolio had positive contribution from manager selection in U.S. Equity, Real Return, Absolute Return, and Real Estate. The Real Return portfolio outperformed the benchmark by 63 basis points, which had the greatest return contribution to the total portfolio. The U.S. Equity portfolio also added value for the month, outperforming its benchmark by 4 basis points, making it the second highest contributor to the overall portfolio. Absolute Return and Real Estate outperformed by 4 and 3 basis points respectively.

From an allocation standpoint, the insurance portfolio benefited from an overweight to Real Estate due to its strong performance relative to the overall pension portfolio. All other asset classes had negative (or minimal) impact from an allocation standpoint. The Insurance portfolio returned 1.17% in April compared to the benchmark return of 1.39%.

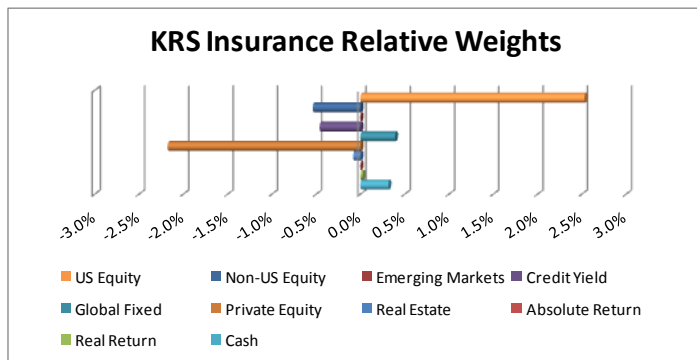
What detracted this month?

PENSION – The largest detractors from a manager selection standpoint came from the Fixed Income and Non U.S. Equity portfolios. Fixed Income was the largest detractor, underperforming the benchmark by 128 basis points. The Non U.S. Equity underperformed its benchmark by 37 basis points.

From an allocation perspective the pension portfolio suffered from an underweight to the Fixed Income portfolio as indicated by the relatively strong performance of the Fixed Income market in April. The portfolio also suffered from an overweight to Absolute Return do to the relative weak performance of this asset class.



	April	1-Yr	3-Yr	5-Yr	10-Yr
Total Fund	1.17	-1.11	4.34	4.16	3.96
Benchmark	1.39	-0.82	5.65	5.34	4.61



INSURANCE – From a manager selection standpoint, detractors from performance came from the Fixed Income and Non U.S. Equity portfolios. Fixed Income was the largest detractor, underperforming its benchmark by 141 basis points in April. The Non U.S. Equity portfolio underperformed its benchmark by 39 basis points, making it the second largest detractor to the overall insurance portfolio. All other portfolios had positive relative performance.

From an allocation standpoint, the insurance portfolio suffered from an overweight to U.S. Equity as indicated by the relatively weak performance of domestic equities when compared to the overall insurance portfolio. The insurance portfolio also suffered from an underweight to Non U.S. Equity and Fixed Income due to the relatively weak performance of these portfolios in April.

NOTES:

- Returns displayed are “net”. For the purposes of this report, total fund return information is net of fees and expenses, with audited data beginning in July 2011. At the manager level (detailed return sheets pgs.4-5), returns are net of fees beginning with July 2011, and gross of fees for prior data.
- Individual plan allocation and performance (pg.6).
- Prior to January 1, 2014, the inception date for the Private Equity asset class was stated as 10/1/1990 for Pension Fund and 6/1/2001 for Insurance Fund. Prior to 07/01/02, the characteristics of the allocation, and the benchmark itself, were more closely aligned with Real Estate. As such, it is not appropriate to report this portion of the return stream within the Private Equity allocation, whose true inception date has been determined to be 07/01/02 based on funding the Systems’ first private equity mandate. The portion of the original return streams that are no longer reported within the Private Equity allocation (Pension from 10/1/90 to 06/30/02; Insurance 06/01/01 to 06/30/02) are reported within the Fund Level performance figures.

4) Private Equity Composite (Pension)
Inception (07/01/02) to 06/30/11
60.00% S&P 1500 Composite Index
40.00% Barclays US Corporate High Yield Index
07/01/11 to 12/31/15
100.00% Russell 3000 Index + 4% (Qtr Lag)
01/01/16 to Present
100.00% Russell 3000 Index + 3% (Qtr Lag)

Private Equity Composite (Insurance)
Inception (07/01/02) to 06/30/11
80.00% S&P 1500 Composite Index
20.00% Barclays US Corporate High Yield Index
07/01/11 to 12/31/15
100.00% Russell 3000 Index + 4% (Qtr Lag)
01/01/16 to Present
100.00% Russell 3000 Index + 3% (Qtr Lag)

5) The Private Equity Benchmark, from one month returns up until five year returns, is equal to the performance of the KRS Private Equity allocation. Given there is not appropriate benchmark to use for short term performance evaluation, this will allow greater focus on longer term returns, which is more appropriate given the long term nature of private equity investments.

6) Pension Benchmark Composite 01/01/14 to 12/31/15
US Equity: Russell 3000 (20.5%)
Non US Equity: MSCI AXCI Ex-US (20.0%)
Emerging Market: MSCI Emerging Markets (2.9%)
Fixed Income: Barclays Universal Index (19.3%)
Real Estate: NCREIF ODCE (4.5%)
Absolute Return: HFRI Diversified FOF (10.0%)
Real Return: Allocation Specific (10.0%)
Private Equity<5Yrs: Actual Performance
Private Equity>5Yrs: Russell 3000 Index+4% (10.0%)
Cash: Cit Grp 3-mos Treasury Bill (2.8%)

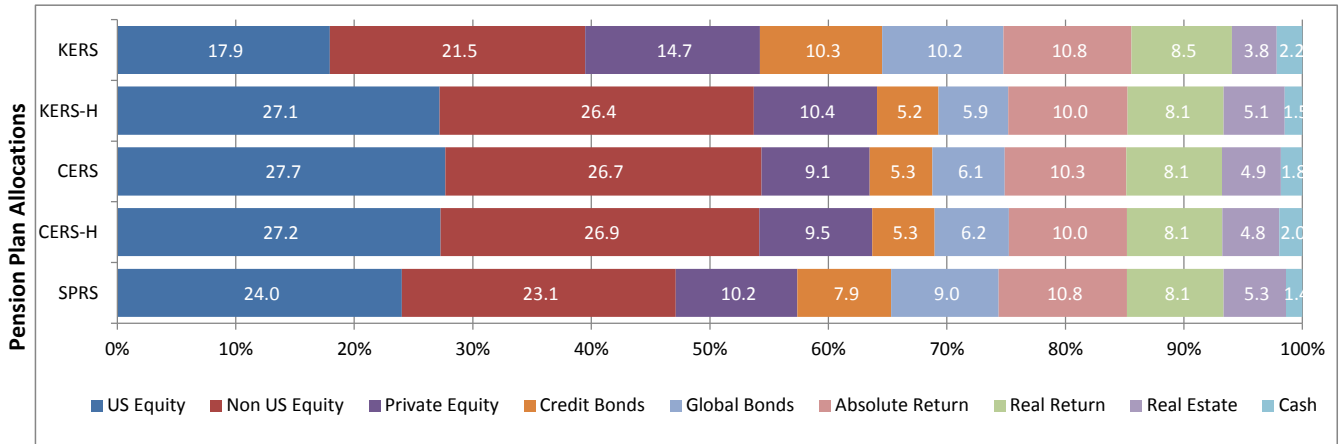
Insurance Benchmark Composite 01/01/14 to 12/31/15
US Equity: Russell 3000 (20.0%)
Non US Equity: MSCI AXCI Ex-US (20.0%)
Emerging Market: MSCI Emerging Markets (4.0%)
Fixed Income: Barclays Universal Index (20.0%)
Real Estate: NCREIF ODCE (5.0%)
Absolute Return: HFRI Diversified FOF (10.0%)
Real Return: Allocation Specific (10.0%)
Private Equity<5Yrs: Actual Performance
Private Equity>5Yrs: Russell 3000 Index+4% (10.0%)
Cash: Cit Grp 3-mos Treasury Bill (1.0%)

Pension Benchmark Composite 01/01/16 to Present
US Equity: Russell 3000 (25.6%)
Non US Equity: MSCI AXCI Ex-US IMI (25.2%)
Global Fixed Income: Barclays Universal Index (6.8%)
Credit Fixed Income: Barclays US High Yield (7.2%)
Real Estate: NCREIF ODCE (5.0%)
Absolute Return: HFRI Diversified FOF (10.0%)
Real Return: Allocation Specific (8.0%)
Private Equity<5Yrs: Actual Performance
Private Equity>5Yrs: Russell 3000 Index+3% (10.0%)
Cash: Cit Grp 3-mos Treasury Bill (2.2%)

Insurance Benchmark Composite 01/01/16 to Present
US Equity: Russell 3000 (26.5%)
Non US Equity: MSCI AXCI Ex-US IMI (26.5%)
Global Fixed Income: Barclays Universal Index (6.0%)
Credit Fixed Income: Barclays US High Yield (6.0%)
Real Estate: NCREIF ODCE (5.0%)
Absolute Return: HFRI Diversified FOF (10.0%)
Real Return: Allocation Specific (8.0%)
Private Equity<5Yrs: Actual Performance
Private Equity>5Yrs: Russell 3000 Index+3% (10.0%)
Cash: Cit Grp 3-mos Treasury Bill (2.0%)

KRS - PENSION

	Market Value	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
KERS	\$ 1,970,732,206.96	1.03	-1.48	-1.66	4.16	4.75	4.68	9.02
KY Ret. KERS Plan Index		1.41	0.37	-0.12	5.48	5.53	5.28	9.24
KERS- H	\$ 528,770,052.67	1.18	-0.49	-1.04	4.59	5.01	4.81	9.06
KY Ret. KERS Haz Plan Index		1.37	-0.79	-1.69	5.08	5.29	5.16	9.20
CERS	\$ 6,133,760,976.45	1.17	-0.99	-1.60	4.31	4.84	4.73	9.04
KY Ret. CERS Plan Index		1.37	-0.88	-1.85	5.02	5.25	5.14	9.19
CERS- H	\$ 2,004,148,091.63	1.20	-0.55	-1.17	4.62	5.02	4.82	9.07
KY Ret. CERS Haz Plan Index		1.37	-0.86	-1.82	5.04	5.26	5.15	9.19
SPRS	\$ 211,665,196.74	1.14	-1.79	-2.38	4.18	4.76	4.69	9.02
KY Ret. SPRS Plan Index		1.39	-0.63	-1.53	5.11	5.30	5.17	9.20



KRS - INSURANCE

	Market Value	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
KERS INS	\$ 654,361,611.27	1.15	-0.77	-1.66	3.89	3.89	3.82	7.19
KY Ins. KERS Plan Index		1.39	-0.88	-2.00	5.02	4.96	4.42	7.61
KERS - H INS	\$ 434,760,455.64	1.16	-0.53	-1.32	4.34	4.16	3.96	7.24
KY Ins. KERS Haz Plan Index		1.39	-0.63	-1.65	5.17	5.05	4.47	7.62
CERS INS	\$ 1,894,595,228.19	1.16	-0.33	-1.07	4.42	4.21	3.98	7.25
KY Ins. CERS Plan Index		1.39	-0.44	-1.39	5.28	5.12	4.50	7.63
CERS - H INS	\$ 1,048,330,782.69	1.16	-0.20	-0.91	4.46	4.23	3.99	7.25
KY Ins. CERS Haz Plan Index		1.39	-0.43	-1.37	5.29	5.12	4.50	7.64
SPRS INS	\$ 160,383,442.89	1.17	-0.24	-0.94	4.44	4.22	3.99	7.25
KY Ins. SPRS Plan Index		1.39	-0.39	-1.31	5.32	5.14	4.51	7.64

