

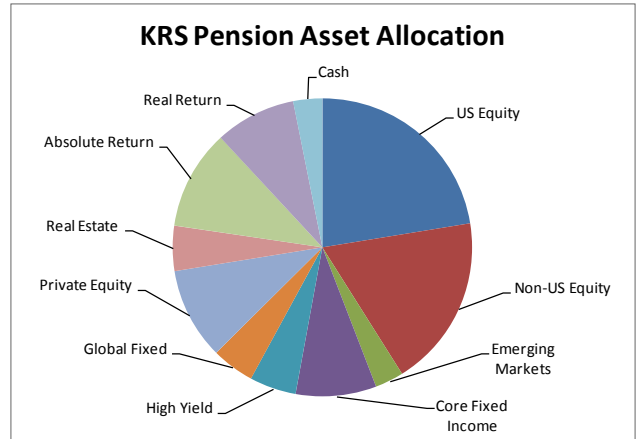
**What's going on in the marketplace?**

As typical with the final month of the year, recent volatility was tempered by fewer trading days on the calendar and many market participants taking a break from investing to spend time with their families.

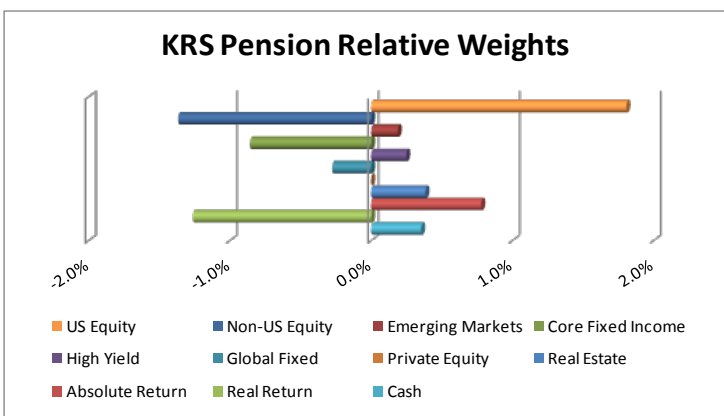
U.S. equities took a pause in December and were relatively flat for the month. This marked the third year in a row for double digit returns in the S&P 500 Index. As with last month, consumer confidence, and ultimately spending should increase as the continued decline in oil prices positively affects the U.S. economy on a net basis. Similar to last month those who are heavily invested in the energy sector got hit hard. On the positive side of things, the final estimate for third quarter real GDP came in at an annual rate of 5.0%, well above the estimate of 3.5%. Job gains were also positive on the month, bringing unemployment down to 5.6%.

Non-U.S. developed markets lost ground during the month spurred on by fears over a decline in global growth, currency weakness (relative to USD), and increased concerns over terrorist activities. Emerging markets' stocks declined more than their developed Non-U.S. counterparts as investors fled for perceived safe haven investments (benefitting U.S. investment and strengthening the US Dollar).

In the near-term, though the domestic economy seems to have turned the corner and is heading into the New Year with a positive wind at its back, global volatility could still have adverse effects at home. Fears of struggling economies in the Non-U.S. developed nations and increased currency volatility are sure to influence markets in the near-term. Emerging market economies will likely continue to be volatile as their success is heavily dependent on the economic success of the developed world.



	Dec	1-Yr	3-Yr	5-Yr	10-Yr
Total Fund	-0.92	5.14	10.11	8.41	5.83
Benchmark	-0.58	6.02	10.91	8.67	6.03



**What added value this month?**

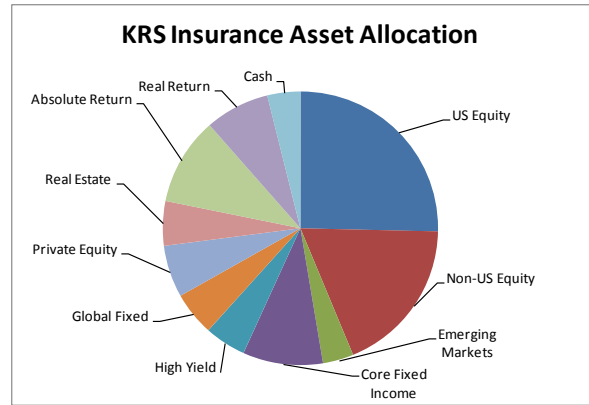
**PENSION** – From a manager selection standpoint, the portfolio struggled a bit during the month; however, there were a couple of asset classes that were able to add value on a relative basis. The Non-U.S. equity portfolio added 35 basis points of downside protection over the MSCI ACWI Ex-US index return of -3.57%. The newly funded Franklin Templeton and LSV portfolios carried the the asset class during the month, adding 196 and 128 basis points over the benchmark, respectively. In addition, the U.S. equity portfolio added 6 basis points of relative outperformance over its index the Russell 3000.

From an allocation perspective, the pension fund most benefited from being 1.3% underweight Non-U.S. equities, the second weakest performing asset class for the period. Also, the portfolio benefited from its overweight position to the

Absolute Return, Real Estate, and U.S. equity spaces, these were among the few positive performing asset classes for the month.

**INSURANCE** – From a manager selection point of view, the portfolio really benefitted from the downside protection provided by the Non-US Equity portfolio, and the slight relative outperformance of the US Equity allocation. Like with the pension fund, the Non-US Equity portfolio provided 30 basis points. The US Equity portfolio returned 0.13% versus the flat Russell 3000 Index.

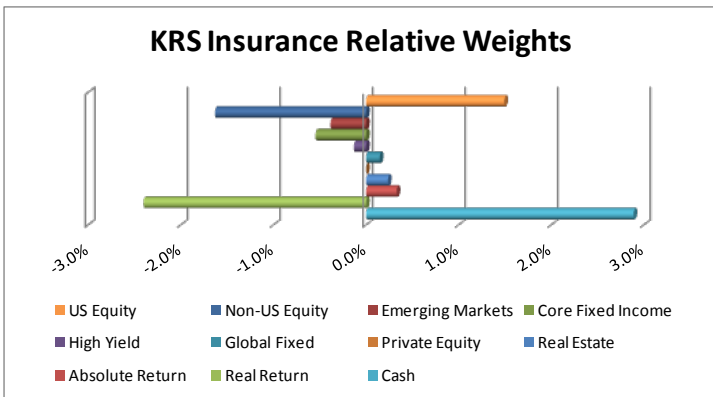
Like the pension fund, the insurance portfolio benefited from its underweight position to the Non-U.S. equity and Real Return portfolio. In addition, unlike the pension fund, the insurance portfolio benefited from being underweight Emerging Markets, which were very weak during the month, falling over -4.5% .



	Dec	1-Yr	3-Yr	5-Yr	10-Yr
Total Fund	-0.87	4.46	9.52	7.84	5.24
Benchmark	-0.56	6.21	10.81	8.95	5.63

**What detracted this month?**

**PENSION** – Several asset classes struggled from a manager selection standpoint. The Real Return portfolio trailed its custom benchmark by -1.26% during the period; the PIMCO All Asset, Magnetar, and Tortoise Capital portfolios were the primary sources of weakness during the month. The Real Estate allocation was able to provide positive absolute performance, earning nearly 1.0% on the month; however, it trailed on a relative basis, its index returned 3.0%. The Fixed Income portfolio fell -0.59%, while its benchmark managed to drop only 18 basis points, weakness was found in a number of mandates, the most detrimental to overall performance was the Waterfall and Stone Harbor mandates. Also, the Absolute Return and Emerging Market portfolios were bested by their associated benchmarks, trailing by 30 and 40 basis points, respectively.



From an allocation perspective, the slight overweight to Emerging Markets, the weakest performing asset class for the month, and an underweight to the Fixed Income allocation hampered performance.

**INSURANCE** – Just like the pension fund, the insurance fund suffered from relative underperformance experienced within several asset classes, the primary detractors including the Real Estate, Fixed Income, and Real Return portfolios.

The underallocation to the Fixed Income portfolio hampered performance, as this was one of the more resilient asset classes for December.

**NOTES:**

- 1) 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.
- 2) Individual plan allocation and performance (pg.6).

3) 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)	Private Equity Composite (Insurance)
Inception (07/01/02) to 06/30/11	Inception (07/01/02) to 06/30/11
60.00% S&P 1500 Composite Index	80.00% S&P 1500 Composite Index
40.00% Barclays US Corporate High Yield Index	20.00% Barclays US Corporate High Yield Index
<b>07/01/11 to Present</b>	<b>07/01/11 to Present</b>
<b>100.00% Russell 3000 Index + 4% (Qtr Lag)</b>	<b>100.00% Russell 3000 Index + 4% (Qtr Lag)</b>

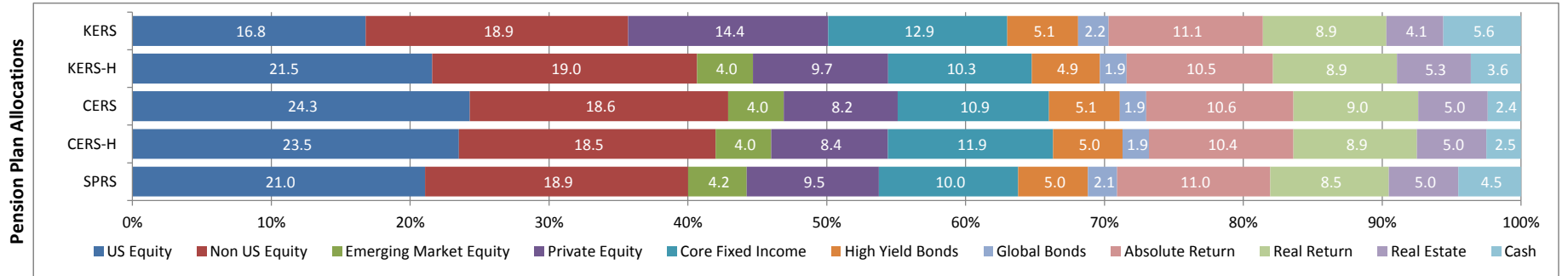
5) The Private Equity Benchmark, from one month returns up until five year returns, is equal to the performance of the KRS Private Equity allocation. Given there is not appropriate benchmark to use for short term performance evaluation, this will allow greater focus on longer term returns, which is more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



KENTUCKY RETIREMENT SYSTEMS - INSURANCE FUND - NET RETURNS - 12/31/14

Structure	Benchmark	Inception	Market Value	% of Total	Month	QTD	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	ITD										
<b>TOTAL FUND</b>	<b>KY Ins. Blended Index</b>	<b>4/1/1987</b>	<b>4,092,349,275.11</b>	<b>100.00</b>	<b>-0.87</b>	<b>-0.56</b>	<b>0.49</b>	<b>0.72</b>	<b>-0.98</b>	<b>0.01</b>	<b>4.46</b>	<b>6.21</b>	<b>9.52</b>	<b>10.81</b>	<b>7.84</b>	<b>8.95</b>	<b>5.24</b>	<b>5.63</b>	<b>7.22</b>	<b>7.76</b>	<b>7.50</b>	<b>7.92</b>	
<b>US PUBLIC</b>	<b>KY Domestic Equity Blend</b>	<b>7/1/1992</b>	<b>1,038,120,516.64</b>	<b>25.37</b>	<b>0.13</b>	<b>0.00</b>	<b>5.33</b>	<b>5.24</b>	<b>4.34</b>	<b>5.25</b>	<b>10.58</b>	<b>12.56</b>	<b>19.56</b>	<b>20.51</b>	<b>14.83</b>	<b>15.52</b>	<b>7.65</b>	<b>7.87</b>	<b>9.85</b>	<b>9.69</b>	<b>9.66</b>	<b>9.48</b>	
INTERNAL MID CAP GROWTH	Russell Midcap Index	8/1/2014	87,867,900.47	2.15	0.80	0.82	6.29	6.35														6.65	6.67
NTGI STRUCTURED	Russell 2000 Index	7/1/2011	100,736,526.39	2.46	2.48	2.85	9.38	9.73	2.50	1.65	5.80	4.89	20.36	19.21								14.26	12.89
RIVER ROAD	Russell 3000 Value Index	7/1/2011	12,194,509.57	0.30	0.12	0.78	5.02	5.31	4.64	4.39	9.86	12.70	16.93	20.68								14.44	15.59
S&P 500 INDEX	KY Ins. S&P Blend	7/1/2001	649,330,353.91	15.87	-0.24	-0.25	4.95	4.93	6.13	6.12	13.63	13.69	20.34	20.41	15.80	15.79	8.11	7.99				6.58	6.48
SASCO CAPITAL	Russell Midcap Value Index	7/1/2012	18,718,530.60	0.46	-0.34	0.82	0.03	6.35	-5.73	2.11	9.69	9.77										17.96	20.71
SYSTEMATIC	Russell Midcap Value Index	7/1/2012	78,289,293.40	1.91	-0.33	0.82	2.66	6.35	-1.92	2.11	5.09	9.77										18.92	20.71
TRANSITION ACCOUNT		9/1/2004	5,723.08	0.00																			
WESTFIELD CAPITAL	Russell 3000 Growth Index	7/1/2011	50,326,468.00	1.23	0.03	-0.75	6.96	5.17	6.05	6.10	12.82	12.44	24.22	20.25								16.62	15.60
WESTWOOD MGMT	Russell 3000 Value Index	7/1/2011	40,634,769.59	0.99	0.26	0.78	4.72	5.31	2.77	4.39	10.44	12.70	19.16	20.68								13.36	15.59
<b>EQUITY NON US</b>	<b>KRS Ins.Int'l Eq Blend</b>	<b>4/1/2000</b>	<b>751,751,944.47</b>	<b>18.37</b>	<b>-3.27</b>	<b>-3.57</b>	<b>-3.15</b>	<b>-3.81</b>	<b>-8.40</b>	<b>-8.81</b>	<b>-4.28</b>	<b>9.32</b>	<b>-3.44</b>	<b>20.49</b>	<b>3.83</b>	<b>4.80</b>	<b>4.89</b>	<b>4.57</b>				<b>2.34</b>	<b>1.90</b>
AMERICAN CENTURY	KY MSCI Blended Index	7/1/2014	47,745,020.72	1.17	-3.55	-3.57	-2.94	-3.81	-6.09	-8.81												-6.09	-8.81
BLACKROCK ACWI EX-US	MSCI All Country World Ex United States Net Index	6/1/2012	315,163,305.68	7.70	-3.60	-3.61	-3.87	-3.87	-8.93	-8.93	-3.88	-3.87										11.58	11.81
BLACKROCK ACWI EX-US SM CAF	MSCI AC World ex USA Small Cap Net Index	7/1/2013	53,304,097.04	1.30	-1.26	-1.24	-3.80	-3.98	-10.36	-10.51	-3.90	-4.03										10.08	8.38
BOSTON CO NON-US VALUE	KY MSCI ACWI EX USA GD	6/1/2008	48,554,799.33	1.19	-4.12	-3.57	-5.40	-3.81	-10.87	-8.81	-6.73	-3.44	8.43	9.49	2.50	4.85						0.08	-0.25
FRANKLIN TEMPLETON	KY MSCI Blended Index	7/1/2014	47,697,020.20	1.17	-1.68	-3.57	-0.51	-3.81	-7.22	-8.81												-7.22	-8.81
LAZARD ASSET MANAGEMENT	KY MSCI Blended Index	7/1/2014	95,387,239.67	2.33	-3.69	-3.57	-1.40	-3.81	-6.67	-8.81												-6.67	-8.81
LSV ASSET MANAGEMENT	KY MSCI Blended Index	7/1/2014	46,747,649.13	1.14	-2.45	-3.57	-2.27	-3.81	-8.24	-8.81												-8.24	-8.81
NON-US TRANSITION ACCOUNT			82,237.79	0.00																			
PYRAMIS NON-US GROWTH	KY MSCI ACWI EX USA GD	8/1/2001	97,070,574.91	2.37	-3.43	-3.57	-2.72	-3.81	-7.67	-8.81	-4.86	-3.44	9.69	9.49	5.45	4.85	4.97	4.45				6.25	5.51
<b>EQ EMERGING MKT</b>	<b>MSCI Emerging Markets Index</b>	<b>7/1/2011</b>	<b>147,986,608.20</b>	<b>3.62</b>	<b>-4.96</b>	<b>-4.56</b>	<b>-5.18</b>	<b>-4.44</b>	<b>-8.65</b>	<b>-7.65</b>	<b>-2.89</b>	<b>-1.82</b>	<b>5.30</b>	<b>4.41</b>								<b>-0.14</b>	<b>-2.30</b>
ABERDEEN	MSCI Emerging Markets Index	4/1/2008	47,118,592.26	1.15	-5.96	-4.56	-5.44	-4.44	-8.91	-7.65	-1.80	-1.82	5.11	4.41	5.98	2.11						6.26	0.65
BLACKROCK EMERG MKTS	MSCI Emerging Markets Net Dividend Index	7/1/2013	55,102,006.95	1.35	-4.61	-4.61	-4.52	-4.50	-7.91	-7.84	-2.42	-2.19										3.40	3.53
WELLINGTON	MSCI Emerging Markets Index	4/1/2008	45,766,008.99	1.12	-4.36	-4.56	-5.70	-4.44	-9.28	-7.65	-5.48	-1.82	4.03	4.41	0.49	2.11						0.10	0.65
<b>PUBLIC EQUITY</b>	<b>Global Equity Blended Index</b>	<b>7/1/1992</b>	<b>1,937,859,069.31</b>	<b>47.35</b>	<b>-1.61</b>	<b>-2.01</b>	<b>1.06</b>	<b>0.24</b>	<b>-1.97</b>	<b>-2.42</b>	<b>3.35</b>	<b>3.85</b>	<b>14.17</b>	<b>14.04</b>	<b>9.20</b>	<b>9.55</b>	<b>5.76</b>	<b>5.50</b>	<b>8.91</b>	<b>8.72</b>	<b>8.83</b>	<b>8.62</b>	
<b>FIXED INCOME</b>	<b>KRS Ins. Fixed Blended Index</b>	<b>7/1/1992</b>	<b>796,805,349.00</b>	<b>19.47</b>	<b>-0.67</b>	<b>-0.18</b>	<b>0.32</b>	<b>1.34</b>	<b>-0.63</b>	<b>1.31</b>	<b>3.79</b>	<b>5.56</b>	<b>4.31</b>	<b>3.20</b>	<b>5.39</b>	<b>5.15</b>	<b>5.10</b>	<b>4.89</b>	<b>7.03</b>	<b>6.81</b>	<b>6.73</b>	<b>6.59</b>	
CERBERUS		10/1/2014	27,286,701.18	0.67	1.17		1.17															1.17	
COLUMBIA	Barclays U.S. Corporate High Yield	11/1/2011	44,903,802.86	1.10	-0.81	-1.45	0.77	-1.00	-1.03	-2.85	4.45	2.45	8.70	8.43								8.54	8.12
LOOMIS	Barclays U.S. Corporate High Yield	11/1/2011	45,811,995.96	1.12	-1.60	-1.45	-0.71	-1.00	-2.50	-2.85	5.29	2.45	10.73	8.43								9.78	8.12
MANULIFE ASSET MGMT	Barclays Multiverse Index	12/1/2011	47,093,560.91	1.15	-0.25	-0.81	0.46	-1.16	-0.39	-4.32	3.19	0.48	5.73	1.00								5.64	1.21
NISA	Barclays U.S. Aggregate Bond Index	7/1/2011	206,935,968.04	5.06	0.14	0.09	1.86	1.79	2.06	1.96	6.16	5.97	2.68	2.66								3.81	3.71
PIMCO	PIMCO Blended Index	4/1/2011	299,940,509.67	7.33	-0.85	-0.85	-0.24	-0.21	-2.01	-1.68	2.23	2.62	2.61	2.12								3.15	3.58
SHENKMAN CAP	Shenkman Blended Index	7/1/2011	38,795,393.64	0.95	-1.69	-1.25	-0.94	-0.51	-1.56	-0.98	-1.32	2.98	4.74	7.39								4.18	6.09
STONE HARBOR	JP Morgan Emerging Markets Bond Index GD	7/1/2011	43,618,101.92	1.07	-3.62	-2.31	-3.09	-0.55	-5.38	-1.14	2.69	7.43	3.10	6.13								2.82	5.97
WATERFALL	Opportunistic FI Blended Index	7/1/2011	42,419,314.82	1.04	0.42	-0.85	1.31	-0.52	4.05	-1.53	8.91	2.16	12.73	5.66								12.62	4.80
<b>REAL RETURN</b>	<b>INSURANCE REAL RET CUSTOM BM</b>	<b>7/1/2011</b>	<b>310,848,284.11</b>	<b>7.60</b>	<b>-2.13</b>	<b>-1.63</b>	<b>2.32</b>	<b>-1.48</b>	<b>-3.91</b>	<b>-2.74</b>	<b>3.78</b>	<b>3.11</b>	<b>2.46</b>	<b>3.39</b>								<b>4.02</b>	<b>3.37</b>
AMERRA AGR FUND II		12/1/2012	13,950,683.83	0.34	2.42	2.42	4.75		8.63													4.09	
BTG PACTUAL		12/1/2014	1,568,868.03	0.04	0.00																	0.00	
INTERNAL TIPS	Barclays U.S. Treasury: US TIPS Index	10/1/2003	126,989,718.52	3.10	-1.30	-1.55	-0.80	-1.03	-2.59	-3.05	3.02	2.60	0.55	0.10	4.15	3.90	4.44	4.27				5.00	4.69
MAGNETAR MTP		7/1/2013	24,899,350.00	0.61	-4.13		-5.40		-3.46													4.04	
OBERLAND CAPITAL		10/1/2014	2,387,030.50	0.06	0.00		-3.19		0.00													-3.19	
PIMCO ALL-ASSET	Barclays U.S. Treasury Inflation Notes: 1-10 Year	12/1/2011	112,195,298.32	2.74	-2.97	-1.54	-2.90	-1.00	-5.70	-2.97	3.34	0.91	6.81	0.03								5.48	-0.03
TORTOISE CAP	Alerian MLP Index	8/1/2009	27,925,049.91	0.68	-3.06	-5.62	-8.44	-12.29	-8.69	-9.90	14.90	4.80	19.75	11.90	22.38	16.74						24.26	18.98
TPF II		10/1/2008	932,285.00	0.02	0.81		0.81		0.40		-0.88											-4.32	
<b>REAL ESTATE</b>	<b>NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^</b>	<b>5/1/2009</b>	<b>214,278,721.20</b>	<b>5.24</b>	<b>0.93</b>	<b>3.00</b>	<b>1.32</b>	<b>3.00</b>	<b>3.60</b>	<b>5.77</b>	<b>7.46</b>	<b>11.36</b>	<b>8.84</b>	<b>11.26</b>	<b>11.88</b>	<b>11.34</b>						<b>8.67</b>	<b>3.82</b>
DIVCOWEST IV		3/1/2014	4,872,739.00	0.12	4.65		5.25		6.16													3.34	
GREENFIELD ACQ VI		12/1/2012	17,732,760.00	0.43	0.89		0.89		7.78		16.59											13.34	
GREENFIELD ACQ VII		7/1/2014	7,408,545.00	0.18	-2.21		-2.21		-2.19													-2.19	
H/2 CORE RE DEBT FD		10/1/2013	8,976,872.26	0.22	0.34		0.34		1.32		2.80											2.23	
H/2 CREDIT PARTNER		7/1/2011	27,793,997.96	0.68	-0.12		-0.12		1.58		7.79											6.52	
HARRISON STREET		5/1/2012	36,552,271.00	0.89	2.75		3.74		5.46		12.03											7.16	
LUBERT-ADLER VII		7/1/2014	1,233,449.90	0.03	-18.24		-18.24		-23.39														

**KENTUCKY RETIREMENT SYSTEMS - PENSION & INSURANCE - PLAN PERFORMANCE & ALLOCATION - 12/31/14**



**KRS - PENSION**

	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
<b>KERS</b>	<b>-0.85</b>	<b>-0.61</b>	<b>5.98</b>	<b>10.23</b>	<b>8.48</b>	<b>5.86</b>	<b>9.41</b>
KERS Plan Index	-0.63	-0.62	5.38	10.75	8.58	5.99	9.52
<b>KERS-H</b>	<b>-0.95</b>	<b>-1.17</b>	<b>4.90</b>	<b>10.08</b>	<b>8.39</b>	<b>5.82</b>	<b>9.40</b>
KHAZ Plan Index	-0.79	-0.79	5.44	10.82	8.62	6.00	9.53
<b>CERS</b>	<b>-0.94</b>	<b>-1.07</b>	<b>4.91</b>	<b>10.08</b>	<b>8.39</b>	<b>5.82</b>	<b>9.40</b>
CERS Plan Index	-0.81	-0.75	5.50	10.84	8.63	6.01	9.53
<b>CERS-H</b>	<b>-0.93</b>	<b>-1.05</b>	<b>4.92</b>	<b>10.07</b>	<b>8.38</b>	<b>5.82</b>	<b>9.40</b>
CHAZ Plan Index	-0.81	-0.75	5.49	10.84	8.63	6.01	9.53
<b>SPRS</b>	<b>-0.97</b>	<b>-1.08</b>	<b>4.96</b>	<b>10.10</b>	<b>8.40</b>	<b>5.83</b>	<b>9.40</b>
SPRS Plan Index	-0.80	-0.81	5.37	10.79	8.60	6.00	9.53

**KRS - INSURANCE**

	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
<b>KERS INS</b>	<b>-0.93</b>	<b>-1.06</b>	<b>4.28</b>	<b>9.32</b>	<b>7.72</b>	<b>5.18</b>	<b>7.48</b>
INS KERS Plan Index	-0.80	-0.52	5.73	10.73	8.90	5.60	7.91
<b>KERS-H INS</b>	<b>-0.88</b>	<b>-0.97</b>	<b>4.51</b>	<b>9.60</b>	<b>7.89</b>	<b>5.27</b>	<b>7.51</b>
INS KHAZ Plan Index	-0.79	-0.52	5.74	10.74	8.91	5.61	7.91
<b>CERS INS</b>	<b>-0.85</b>	<b>-0.95</b>	<b>4.51</b>	<b>9.57</b>	<b>7.87</b>	<b>5.26</b>	<b>7.51</b>
INS CERS Plan Index	-0.78	-0.52	5.73	10.74	8.91	5.61	7.91
<b>CERS-H INS</b>	<b>-0.85</b>	<b>-0.97</b>	<b>4.52</b>	<b>9.56</b>	<b>7.86</b>	<b>5.25</b>	<b>7.51</b>
INS CHAZ Plan Index	-0.78	-0.52	5.73	10.74	8.91	5.61	7.91
<b>SPRS INS</b>	<b>-0.85</b>	<b>-0.99</b>	<b>4.50</b>	<b>9.56</b>	<b>7.86</b>	<b>5.25</b>	<b>7.51</b>
INS SPRS Plan Index	-0.77	-0.53	5.72	10.74	8.91	5.60	7.91

