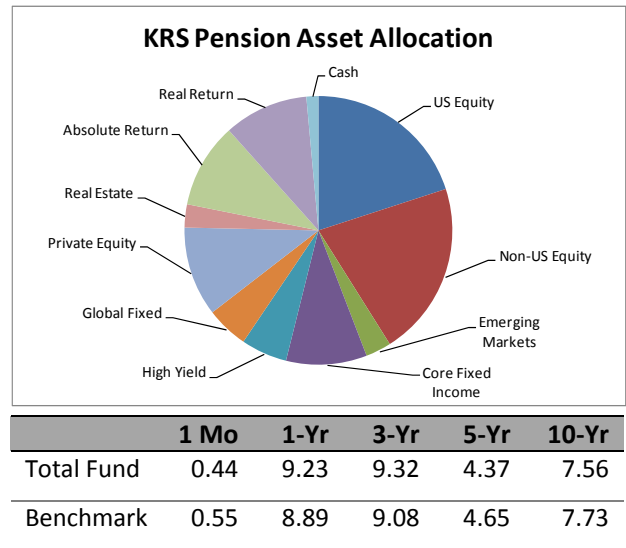


Pension Fund:**What's going on in the marketplace?**

In February, global equity markets eked out a small gain to keep the positive trend going for the start of the year. Overall, global equities were in the black with U.S. markets finishing positive for the month, while Non-U.S. and emerging markets struggled. The drivers behind the domestic market positive returns were continued improvement from economic figures, as well as improved investor confidence due to lasting positive market returns to start the year. In terms of Non-U.S. market equities, the main reasons behind the pull back were due to geo-political concerns that decreased investor confidence in European policymakers' ability to stabilize the impact from debt crisis; thereby increasing sovereign credit contagion fears throughout the region. Emerging market equity returns varied by country, but overall were negative due to increased concerns that manufacturing in China had slowed and that a real estate bubble had developed.



From an economics standpoint the picture took a positive and encouraging turn from the concerning figures produced in last month's report. Recent U.S. growth figures, as measured by GDP, were revised to 0.1% from a projected -0.1% in the fourth quarter. Overall, U.S. growth figures finished the 2012 year at 2.2% versus 1.8% in 2011. Inflation, as measured by CPI, was again flat last month; on a year-over-year basis, inflation is holding steady at 1.60%, below the Federal Reserve Bank's target of 2.0%. Housing data, which continues to be a bright spot, was positive with housing prices and sales

Asset Class	Market Value	Target	Actual
US Equity	2,241,030,810	20.5%	20.0%
Non-US Equity	2,353,222,966	20.0%	21.0%
Emerging Markets	346,636,442	2.9%	3.1%
Core Fixed Income	1,092,505,451	9.6%	9.8%
High Yield	623,484,309	4.8%	5.6%
Global Fixed	568,836,361	4.9%	5.1%
Private Equity	1,207,197,098	10.0%	10.8%
Real Estate	312,494,057	4.5%	2.8%
Absolute Return	1,145,080,415	10.0%	10.2%
Real Return	1,141,539,019	10.0%	10.2%
Cash	162,085,353	2.8%	1.4%
	11,194,112,281	100.0%	100.0%

increasing. This reflects improved builder confidence and increasing demand for single family homes. Another bright spot was found within the employment figures, as non-farm payrolls increased by 236,000 versus the consensus expectation of only 165,000. Employment gains in the private sector were slightly offset by decreases in government payrolls. The overall unemployment rate fell from 7.9% to 7.7% for the month. One final key economic area which improved for the month was Consumer Confidence, which rose 11.2 to reach a level of 69.6.

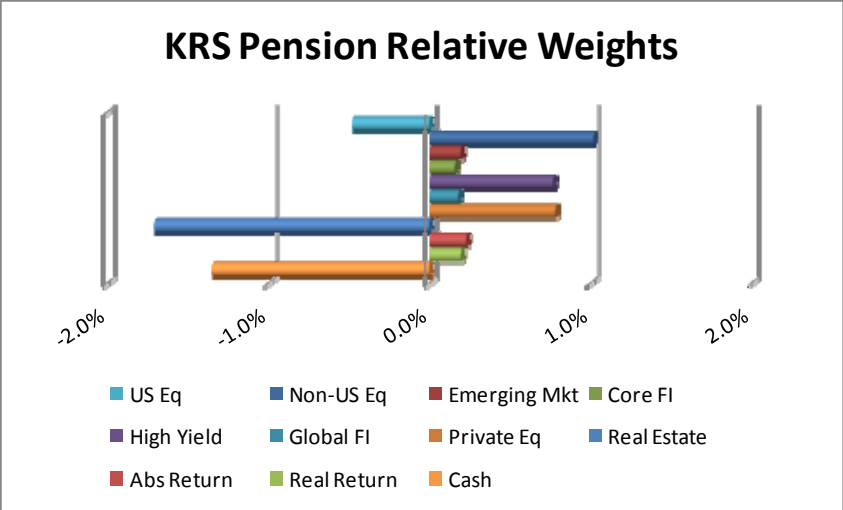
Global equity markets were slightly positive for the month. The U.S. equity market was up 1.36% (S&P 500 Index), with nine out of ten industry sectors within the index positive for the month; consumer staples (3.06%), telecom services (2.56%), industrials (2.07%), and utilities (1.59%) led the charge higher. The only notably negative sector was materials (-1.74%). Mid-Cap stocks increased 1.41% (Russell Mid-Cap Index) and Small-Cap stocks increased 1.10% (Russell 2000 Index). From a style perspective, within the U.S. equity market, value investing outperformed growth investing for the month. Non-U.S. equities detracted from portfolio returns for the month of February. The MSCI ACWI ex- U.S. ND Index was down 1.06% for the month and the MSCI Emerging Markets Index was down 1.24% for the month.

Fixed Income markets continued to tread water overall for the month of February. The Barclays U.S. Aggregate Bond Index returned 0.50% while riskier high-yield bonds, as represented by the Barclays US Corporate High Yield Index, returned 0.51%. For the month of February the U.S. Treasury Yield curve flattened from January. The 10-Year Treasury Note ended January at 1.89% and the 30-Year Treasury Bond Yield ended the month at 3.10%.

Global markets seem to be entering a holding pattern here as we enter the spring after a relatively strong rally to begin the year. This is a positive sign for investors however many of the same geopolitical concerns continue to plague their confidence. As we enter the spring season and the final month of the first quarter, investors will keep an eye on the continued economic improvement in the U.S. and the ebb and flow of the European debt crisis.

What added value this month?

From a manager selection perspective, the biggest contribution in terms of relative outperformance came from the Absolute Return portfolio, which was able to add 55 basis points of outperformance over its benchmark return of 2.07%. Two of the individual managers essentially matched the asset class’ aggregate benchmark; the outperformance of the asset class rested squarely on the PAAMCO portfolio which returned 3.76% for the period. The U.S. Equity allocation added 7 basis points over the Russell 3000, returning 1.40% for the month. Relative strength was supplied by cap weighted portion of the portfolio (1.43% vs 1.33%); all managers within this portion of the allocation provided excess returns over their respective benchmarks with the exception of Systematic (1.45% vs 1.76%). Also, the Emerging Market Equity allocation was additive to the month’s outperformance, as the allocation protected on the downside, falling just 80 points despite matched against a benchmark that fell -1.24%. This relative outperformance was a direct result of the Aberdeen portfolio’s (which makes up 63% of the allocation) ability to treadwater, falling just 33 basis points.



From an allocation perspective, there were no significant contributors to outperformance; however, the slight overweight to the Private Equity, Absolute Return, and High Yield Fixed Income spaces were beneficial. These asset classes performed well during the month, evidenced by their respect benchmarks’ 1.10%, 2.07%, 0.51% returns.

What detracted this month?

The biggest detractor from a stock selection perspective was the Real Return portfolio, giving up 96 basis points of relative performance versus its benchmark (0.11% vs. 1.07%); this one is a little strange. While the all but one account outperformed their individual benchmarks, the class itself underperformed its aggregate benchmark. The Fixed Income portfolio was another source of pressure on the fund’s overall performance last month, returning just 0.16% versus 0.48%; this was primarily attributable to weakness from a couple of the high yield managers. An additional stumbling block came from the relative underperformance of the Non-U.S. Equity portfolio, falling 15 basis points to the MSCI ACWI-Ex US Index’s -1.03%. This is due to underperformance from The Boston Company and NTGI International Small Cap accounts, trailing their respective benchmarks by 81 and 7 bais points.

From an allocation perspective, there really was not much that hurt the portfolio during the month. However, the overweight to both the Non-U.S. and Emerging Market Equity portfolios was a slight detraction, as these were the weakest performing asset classes during the month, returning -1.03% and -1.24% respectively.

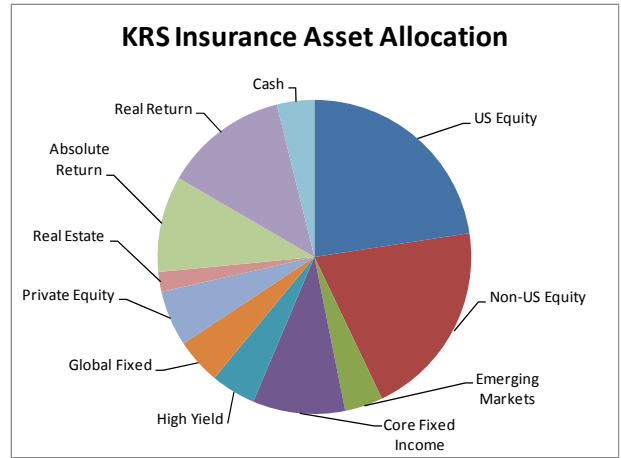
Note: See page 3 for detailed performance information by asset class and individual managers. See page 6 for blended benchmark details.

Insurance Fund:

What added value this month?

From a stock selection perspective, the biggest contribution in terms of relative outperformance came from the Absolute Return portfolio, which added 52 basis points over its benchmark. As with the Pension Fund, the PAAMCO portfolio provided the source strength, returning 3.64% versus 2.07%. The Emerging Market allocation performed very well, in speaking in relative terms, providing 44 basis points of downside protection against the MSCI EM Index, which tumbled -1.24%; this was due to the resillance of the Abedeen portfolio, which returned -0.33%. The Private Equity portfolio also added to the overall fund’s relative outperformance for the month.

The most additive allocation decision was the overweight to the U.S. Equity portfolio; the broad market was up nearly 1.33% according to the the Russell 3000. In addition, the overweight (relative to target) postion of the Real Return portfolio, combined with that of the High Yield piece of the portfolio, was additive, as these were two solid performing asset classes for the month.



	1 Mo	1-Yr	3-Yr	5-Yr	10-Yr
Total Fund	0.41	8.66	8.97	3.02	7.98
Benchmark	0.53	8.53	9.91	3.40	8.18

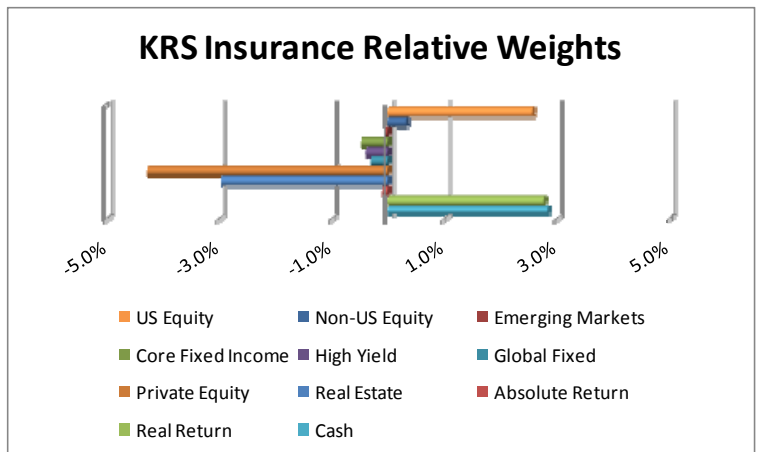
Asset Class	Market Value	Target	Actual
US Equity	772,855,319	20.0%	22.6%
Non-US Equity	695,391,010	20.0%	20.3%
Emerging Markets	134,841,830	4.0%	3.9%
Core Fixed Income	325,670,931	10.0%	9.5%
High Yield	158,115,481	5.0%	4.6%
Global Fixed	161,128,344	5.0%	4.7%
Private Equity	196,177,317	10.0%	5.7%
Real Estate	69,687,002	5.0%	2.0%
Absolute Return	338,943,105	10.0%	9.9%
Real Return	437,449,543	10.0%	12.8%
Cash	131,609,689	1.0%	3.8%
	3,421,869,571	100.0%	100.0%

What detracted this month?

The biggest detractor from a stock selection perspective was the Real Return portfolio, which trailed its benchmark by 96 basis points, returning 0.11% versus 1.07%. Like the Pension Fund, while the individual accounts performed relatively well against their respective benchmarks, the aggregate result was a negative. Additionally, the portfolio suffered from weakness the Non-U.S. Equity portfolio, primarily attributable to the underperformance of The Boston Company portfolio. The Fixed Income portfolio struggled this month, loosing 26 basis points to the benchmark; as a couple of the high yield managers had a tough time.

From an allocation perspective, no one asset class really pushed the portfolio down. The underweight to Fixed Income was the largest detractor of value; followed by the slight overweight to the Non-U.S. Equity class, which was the second worst performer during the month. The underweight (relative to target) to the Private Equity space was a detractor during the month.

Note: See page 5 for detailed performance information by asset class and individual managers. See page 7 for blended benchmark details.



KRS Insurance Fund Blended Index Composition and History

L-KRS Internal S&P 500 Index	06/30/01 S&P500 Index (Cap Weighted)	6/30/2011-Current	S&P 500	100					
		Inception-6/30/2011	S&P 1500 (Price Only)	100					
Total US Equities	06/30/00 Russell 3000 Index	6/30/2011-Current	Russell 3000	100					
		Inception-6/30/2011	S&P 1500 (Price Only)	100					
Boston Company Non-US Value	05/31/08 MSCI ACWI ex US GD	12/31/2011-Current	MSCI ACWI ex USA GD	100					
		6/30/2009-12/31/2011	MSCI World ex USA GD	100					
		Inception-6/30/2009	MSCI EAFE GD	100					
Pyramis International Growth	07/31/01 MSCI ACWI ex US GD	12/31/2011-Current	MSCI ACWI ex USA GD	100					
		6/30/2009-12/31/2011	MSCI World ex USA GD	100					
		Inception-6/30/2009	MSCI EAFE GD	100					
Total Intl Equity	06/30/00 MSCI ACWI ex US GD	6/30/2011-Current	MSCI ACWI ex USA GD	100					
		6/30/2009-6/30/2011	MSCI ACWI ex USA GD	10	MSCI Emerging Markets GD	10	MSCI World ex USA GD	80	
		4/30/2008-6/30/2009	MSCI EAFE GD	90	MSCI Emerging Markets GD	10			
		3/31/2004-4/30/2008	MSCI EAFE GD	100					
		6/30/2003-3/31/2004	MSCI EAFE GD	80	S&P ADR	20			
		6/30/2002-6/30/2003	MSCI EAFE GD	75	S&P ADR	25			
		6/30/2001-6/30/2002	BONY ADR	25	MSCI EAFE GD	75			
		Inception-6/30/2001	BONY ADR	100					
Total Equities	06/30/92 Global Equity Blended Index	6/30/2011-Current	MSCI ACWI ex USA GD	46	MSCI Emerging Markets GD	8	Russell 3000	46	
		6/30/2009-6/30/2011	MSCI ACWI ex USA GD	4	S&P 1500 (Price Only)	57	MSCI Emerging Markets GD	4	MSCI World ex USA GD 34
		4/30/2008-6/30/2009	MSCI EAFE GD	39	S&P 1500 (Price Only)	57	MSCI Emerging Markets GD	4	
		6/30/2007-4/30/2008	MSCI EAFE GD	43	S&P 1500 (Price Only)	57			
		3/31/2004-6/30/2007	MSCI EAFE GD	25	S&P 1500 (Price Only)	75			
		6/30/2002-3/31/2004	S&P 1500 (Price Only)	75	S&P ADR	75			
		6/30/2001-6/30/2002	BONY ADR	5	S&P 1500 (Price Only)	5	MS EAFE GD	20	
		6/30/2000-6/30/2001	BONY ADR	20	S&P 500	50	S&P 600 Small Cap	30	
		7/31/1996-6/30/2000	S&P 500	70	S&P 600 Small Cap	30			
		Inception-7/31/1996	S&P 500	100					
PIMCO	03/31/11 PIMCO Blended Index	9/30/2011-Current	BC US Aggregate	60	PIMCO Glb Adv Bd (GLADD)	40			
		Inception-9/30/2011	BC US Aggregate	100					
Commerce Street Income Partners	04/30/09 Opportunistic FI Blended Index	04/30/2009-Current	BC US High Yield	60	BC ABS	40			
Waterfall Investment	06/30/11 Opportunistic FI Blended Index	06/30/2011-Current	BC US High Yield	60	BC ABS	40			
Shenman Capital	06/30/11 Shenman Blended Index	06/30/2011-Current	BC US High Yield	50	BC High Yield Loan Index	50			
Total Fixed Income	06/30/00 BC US Universal Bond Index	6/30/2011-Current	BC US Universal	100					
Total Real Estate	03/31/09 NCREIF O-E Div Core GR NonL	6/30/2011-Current	NCREIF Op-End Diversified Core GR NonL	100					
		Inception-6/30/2011	NCREIF Property Index (Lagged)	100					
Total Private Equity	09/30/90 Russell 3000 Index + 4% (Qtr Lag)	6/30/2011-Current	Russell 3000 Index + 4% (Qtr Lag)	100					
		Inception-6/30/2011	BC High Yield Corporate	20	S&P 1500 (Price Only)	80			
Total Insurance Fund	03/31/87 KRS Ins.Blended Index	12/31/2012-Current	BC US Universal	20	CG 3 Month Treasury	5	HFR FOF: Diversified Lagged	10	KRS CPI + 300 bpts
		6/30/2011-12/31/2012	MSCI ACWI ex US GD	20	MSCI Emerging Markets GD	5	Russell 3000	20	KY Russell 3000 Qtr Lag + 400 bpts
		3/31/2011-6/30/2011	BC US Universal	19	CG 3 Month Treasury	1	HFR FOF: Diversified Lagged	11	KY Russell 3000 Qtr Lag + 400 bpts
		6/30/2009-3/31/2011	MSCI ACWI ex US GD	21	MSCI Emerging Markets GD	3	NCREIF Op-End Diversified Core GR NonL	4	Russell 3000
		4/30/2008-6/30/2009	KRS Alternative Blend	15	70% BC Tips/ 30% BC Agg	12	MSCI ACWI ex USA GD	3	S&P 1500 (Price Only)
		6/30/2007-4/30/2008	MSCI Emerging Markets GD	3	MSCI World ex US GD	24		40	CG 3 Month Treasury
		3/31/2004-6/30/2007	KRS Alternative Blend	15	BC U.S. TIPS	12	MSCI ACWI ex USA GD	3	S&P 1500 (Price Only)
		6/30/2003-3/31/2004	MSCI Emerging Markets GD	3	MSCI World ex US GD	24		40	CG 3 Month Treasury
			KRS Alternative Blend	15	BC U.S. TIPS	12	MS EAFE GD	27	S&P 1500 (Price Only)
			MSCI Emerging Markets GD	3				40	CG 3 Month Treasury
			KRS Alternative Blend	15	BC U.S. TIPS	12	MS EAFE	30	S&P 1500 (Price Only)
			KRS Alternative Blend	5	BC U.S. TIPS	10	MS EAFE	20	S&P 1500 (Price Only)
			CG 3 Month Treasury	5	LB U.S. TIPS	10	MS EAFE	16	S&P 1500 (Price Only)
			KRS Alternative Blend	5	LB U.S. TIPS	10	MS EAFE	15	S&P 1500 (Price Only)
			SB 3 Month Treasury	5				60	S&P ADR
			BONY ADR	5	KRS Alternative Blend	5	LB U.S. TIPS	10	MS EAFE
			SB 3 Month Treasury	5				15	S&P 1500 (Price Only)
			BONY ADR	15	LB Gov't Credit Bond	25	S&P 500	35	S&P 600 Small Cap
			LB Gov't Credit Bond	25	S&P 500	25	S&P 600 Small Cap	20	SB 3 Month Treasury
			LB Gov't Credit Bond	63	S&P 500	28	SB 3 Month Treasury	10	