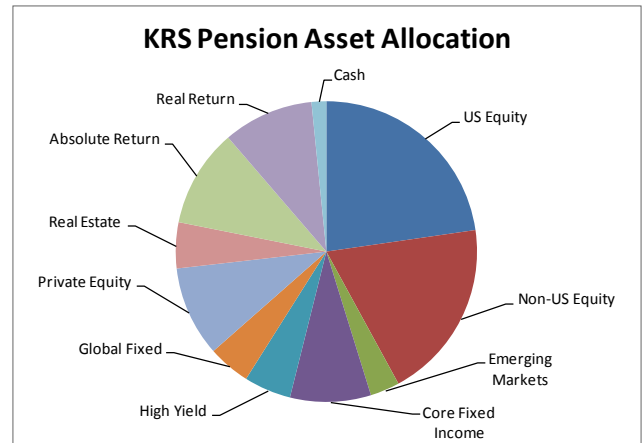


What’s going on in the marketplace?

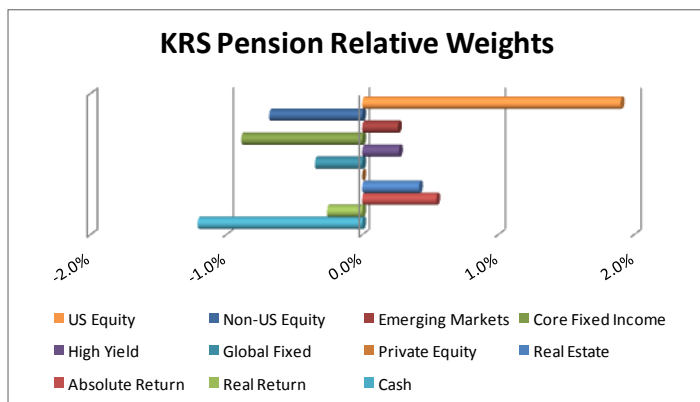
February of 2015 was a month of rallying stock prices as the United States and pan-European region showed signs of moderate economic growth. After a challenging couple of months, the energy and materials sectors rebounded as oil prices slowly began to increase. Large cap U.S. equities were up 4.08% during the month of February (S&P 500 index). U.S. Small Cap equities performed particularly well, growing by 5.71% during the same time. February was also a good month for Non U.S. equities in both developed and emerging markets. The MSCI ACWI ex U.S. index, a global market index, earned 4.30%, while the MSCI Emerging Market Index earned 2.42%. This economic growth caused some investors to fear a potential interest rate hike by the Feds, which caused high quality bond issuances to retreat slightly.

The U.S. equity indexes had their best monthly performances since 2011 when the economy was still recovering from the 2008 financial crisis. Investors retreated from U.S. high quality bonds and instead shifted back into riskier European bonds as the ECB signaled a quantitative easing program, thus backstopping many European issuances. The Barclays U.S. Aggregate Index declined by -0.9%, while the 10-year U.S. Treasury yield increased by 35 basis points to 1.99%.

European equities rallied right alongside their U.S. counterparts during the month. This asset appreciation can be attributed in part to improving retail sales, as well as investor optimism due to the ECB’s aggressive stimulus program and the Fed’s signal of careful unwind of their own quantitative easing program. Within the pan-European bond market, Italy and Spain saw sovereign debt yields plummet as investors anticipated the ECB’s bond buying program. Germany’s 10-year bond, however, remained flat over the period. In Japan, equities increased significantly as the economy began to digest Prime Minister Shinzo Abe’s “third arrow” of economic reforms (a consumption tax). Markets were also favorable in Australia, where interest rate cuts early in the month surprised investors and helped to drive equity markets higher. Emerging market equities drifted slightly higher due to positive momentum from the developed markets.



	Feb	1-Yr	3-Yr	5-Yr	10-Yr
Total Fund	2.32	6.30	8.73	8.93	6.08
Benchmark	2.21	7.48	9.36	9.28	6.27



Overall, the U.S. economy remains the global driver for growth. The strength of the U.S. dollar, as well as the increase in U.S. equity performance helped to pave the way for an outstanding month for stocks globally.

What added value this month?

PENSION – From a manager selection standpoint, the portfolio performed well during the month of February adding value in all but two asset classes and outperforming the benchmark by 11 basis points. The U.S. equity portfolio was the highest performer of the month, earning 5.64%. Within the U.S. Equity portfolio, Westwood Management’s value strategy performed

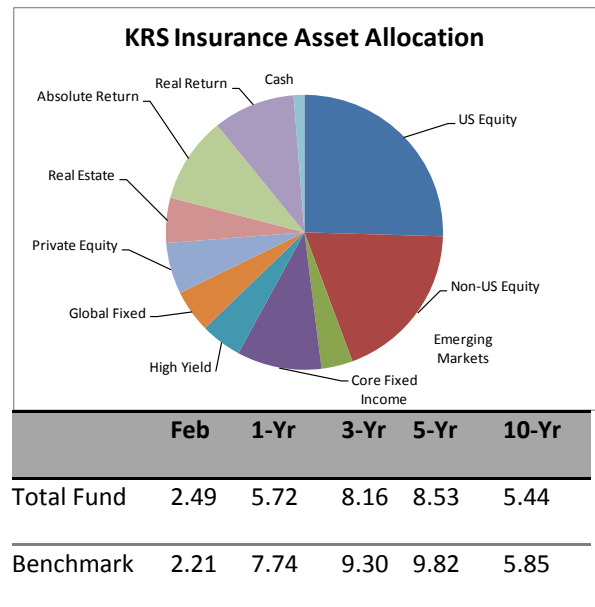
best relative to its benchmark, outperforming it by 245 basis points. Fixed income did relatively well during this period, outperforming its benchmark by 62 basis points. Real return also added value, adding 94 basis points of downside protection against its benchmark, which achieved a -0.56% return.

It was beneficial for KRS to overweight equities in an month where global equities rallied. Overweighting the fixed income and real return asset classes also added value to the portfolio, offering downside protection against poorly performing benchmarks. Overall, the pension portfolio boasted a 2.32% return in February.

INSURANCE – From a manager selection standpoint, the portfolio benefited from the performance of the Fixed Income allocation, which returned 0.03% versus its benchmark return of -0.58% (a difference of 55 basis points). The Real Return allocation also added 93 basis points of downside protection, helping the pension portfolio achieve its return of 2.49% during the past month. Although U.S. equities fell slightly short of their benchmark, they earned a 5.72% return, making them the highest performing asset class from an absolute standpoint. In line with the pension portfolio, Westwood Management provided a return of 7.19%, thus generating active alpha.

What detracted this month?

PENSION – From a manager selection standpoint, the asset class that reduced returns the most came from the Absolute Return portfolio, which lagged behind its benchmark by 64 basis points and had a negative return for the month. Within U.S. Equity, the Northern Trust portfolio struggled relative to its benchmark, falling short by 5 basis points. Because Non U.S. Equity markets had such a strong performing month, the overall portfolio suffered due to being 0.7% underweight in this area. From an absolute standpoint, the only relevant negative return came from the Absolute Return asset class.



INSURANCE – Similar to the pension funds, the insurance trusts suffered from relative underperformance within the Absolute Return and Emerging Market strategies. Although the U.S. Equities strategy performed well during the past month, it struggled next to its benchmark, trailing by 7 basis points. Within U.S. Equity, the Northern Trust portfolio struggled most during the past month earning 35 basis points below its benchmark. From an absolute standpoint, Absolute Return was the only relevant negative performing asset class for February.

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)
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 Present
100.00% Russell 3000 Index + 4% (Qtr Lag)

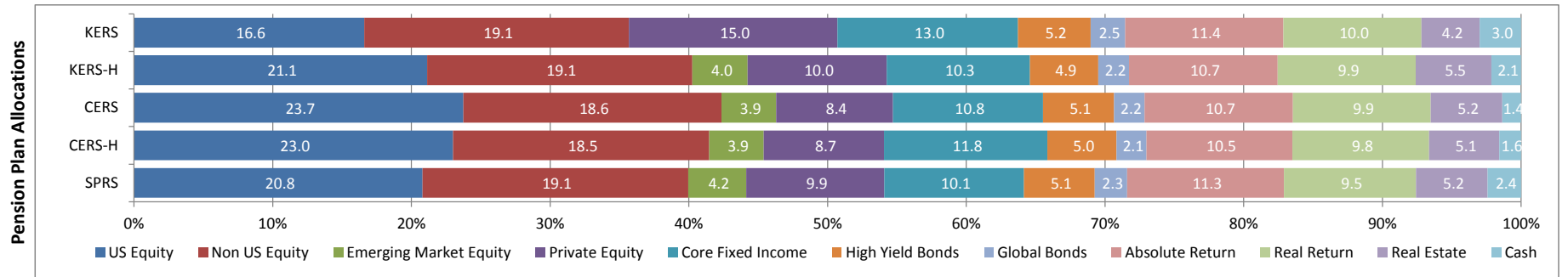
Private Equity Composite (Insurance)
Inception (07/01/02) to 06/30/11
80.00% S&P 1500 Composite Index
20.00% Barclays US Corporate High Yield Index
07/01/11 to Present
100.00% Russell 3000 Index + 4% (Qtr Lag)

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.

KENTUCKY RETIREMENT SYSTEMS - PENSION FUND - NET RETURNS - 02/28/15

Structure	Benchmark	Inception	Market Value	% of Total	Month	QTD	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	ITD										
TOTAL FUND	KY Ret. Blended Index	4/1/1984	11,593,460,056.02	100.00	2.32	2.21	2.14	2.41	1.14	2.30	6.30	7.48	8.73	9.36	8.93	9.28	6.08	6.27	8.27	8.39	9.42	9.57	
US PUBLIC	KY Domestic Equity Blend	4/1/1984	2,632,321,092.35	22.71	5.64	5.79	2.78	2.85	7.12	8.25	12.46	14.12	17.12	18.02	15.83	16.44	8.24	8.38	10.11	10.05	11.56	11.53	
INTERNAL MID CAP GROWTH	Russell Midcap Index	8/1/2014	230,895,915.70	1.99	5.03	5.12	3.88	3.94													10.76	10.88	
INVESCO	S&P 500 - Total Return Index	8/1/2005	237,211,238.98	2.05	4.49	5.75	2.18	2.57	6.65	8.85	13.98	15.51	18.29	18.00	16.05	16.18						9.17	7.99
NTGI STRUCTURED	Russell 2000 Index	10/1/1999	241,351,238.25	2.08	5.89	5.94	2.64	2.53	5.19	4.22	7.58	5.63	18.03	16.58	17.83	15.97	9.41	8.31				10.47	8.53
RIVER ROAD	Russell 3000 Value Index	7/1/2011	32,306,371.90	0.28	5.23	4.82	1.82	0.62	6.46	5.04	12.51	12.70	16.02	17.89								14.24	15.03
S&P 500 INDEX	KY Ret. S&P Blend	7/1/2001	1,391,867,476.99	12.01	5.76	5.75	2.59	2.57	8.90	8.85	15.50	15.51	17.91	18.00	16.54	16.46	8.36	8.29				6.64	6.59
SASCO CAPITAL	Russell Midcap Value Index	7/1/2012	49,651,296.20	0.43	5.75	4.10	0.58	2.61	-5.03	5.94	2.21	13.63										17.17	22.76
SYSTEMATIC	Russell Midcap Value Index	7/1/2012	207,141,606.96	1.79	4.92	4.10	2.43	2.61	0.58	5.94	6.76	13.63										18.80	22.76
TRANSITION ACCOUNT			14,915.18	0.00																			
WESTFIELD CAPITAL	Russell 3000 Growth Index	7/1/2011	134,712,939.47	1.16	7.28	6.71	4.93	5.01	11.31	11.42	13.65	15.51	20.75	18.03								17.13	16.38
WESTWOOD MGMT	Russell 3000 Value Index	7/1/2011	107,168,095.67	0.92	7.27	4.82	3.91	0.62	6.81	5.04	13.00	12.70	17.25	17.89								13.83	15.03
EQUITY NON US	KY Ret.Int'l Eq. Blended Index	7/1/2000	2,238,066,050.26	19.30	5.39	5.36	5.09	5.22	-3.68	-4.05	0.79	1.31	7.07	6.96	6.07	7.12	5.08	5.21				2.64	3.26
AMERICAN CENTURY	KY MSCI ACWI ex-US Index	7/1/2014	146,220,060.01	1.26	6.12	5.36	5.82	5.22	-0.60	-4.05												-0.60	-4.05
BLACKROCK ACWI EX	MSCI All Country World Ex United States Net Index	7/1/2009	927,923,677.26	8.00	5.34	5.35	5.20	5.19	-4.23	-4.20	0.90	0.87	6.67	6.49	6.74	6.55						9.08	8.91
BOSTON CO NON-US VALUE	KY MSCI Blended Index	5/1/2005	135,025,060.53	1.16	6.80	5.36	4.12	5.22	-6.98	-4.05	-1.74	1.31	5.86	6.96	4.32	6.96						4.37	5.32
FRANKLIN TEMPLETON	KY MSCI ACWI ex-US Index	7/1/2014	146,025,719.56	1.26	5.63	5.36	6.17	5.22	-1.63	-4.05												-1.63	-4.05
LAZARD ASSET MANAGEMENT	KY MSCI ACWI ex-US Index	7/1/2014	290,951,925.13	2.51	5.46	5.36	5.05	5.22	-1.88	-4.05												-1.88	-4.05
LSV ASSET MANAGEMENT	KY MSCI ACWI ex-US Index	7/1/2014	141,992,714.94	1.22	4.09	5.36	3.89	5.22	-4.30	-4.05												-4.30	-4.05
NON-US TRANSITION ACCOUNT			252,599.25	0.00																			
NTGI INTL SM CAP	MSCI AC World ex USA Small Cap Net Index	12/1/2008	161,384,912.33	1.39	5.50	5.46	5.13	5.07	-5.72	-5.97	-1.97	-2.43	7.79	7.32	8.05	8.36						15.64	16.26
PYRAMIS NON-US GROWTH	KY MSCI Blended Index	8/1/2001	288,289,381.25	2.49	4.92	5.36	4.94	5.22	-3.10	-4.05	0.42	1.31	7.69	6.96	7.71	6.96	5.38	4.73				6.63	5.83
EQ EMERGING MKTS	MSCI Emerging Markets Index	7/1/2011	366,453,855.84	3.16	2.67	3.11	3.71	3.73	-5.30	-4.20	3.96	5.38	1.20	0.01								0.81	-1.21
ABERDEEN	MSCI Emerging Markets Index	4/1/2008	118,630,394.59	1.02	3.52	3.11	5.53	3.73	-3.86	-4.20	8.02	5.38	2.08	0.01	7.86	3.97						6.95	1.17
BLACKROCK EMERG MKTS	MSCI Emerging Markets Net Dividend Index	7/1/2013	128,194,970.80	1.11	3.07	3.10	3.67	3.71	-4.54	-4.42	4.84	5.01										5.29	5.46
WELLINGTON	MSCI Emerging Markets Index	4/1/2008	119,628,490.45	1.03	1.41	3.11	2.00	3.73	-7.46	-4.20	-1.21	5.38	-1.22	0.01	2.14	3.97						0.36	1.17
PUBLIC EQUITY	Global Equity Blended Index	4/1/1984	5,236,840,998.45	45.17	3.32	5.35	3.82	4.01	1.44	1.44	6.62	7.43	11.49	10.74	11.18	11.18	6.35	6.17	9.16	8.92	10.94	10.79	
FIXED INCOME	KY Ret.Fixed Blended Index	4/1/1984	2,123,843,539.33	18.32	0.04	-0.58	1.40	1.31	1.98	2.64	4.65	4.80	4.53	3.19	5.88	4.78	5.22	4.99	6.28	6.22	7.93	7.65	
CERBERUS		9/1/2014	63,668,969.42	0.55	0.00	0.00	0.00															1.17	
COLUMBIA	Barclays U.S. Corporate High Yield	11/1/2011	146,748,982.76	1.27	2.06	2.41	3.56	3.09	2.41	0.15	4.89	2.80	8.11	7.60								9.35	8.69
LOOMIS	Barclays U.S. Corporate High Yield	11/1/2011	142,601,600.92	1.23	2.12	2.41	2.72	3.09	0.06	0.15	3.97	2.80	9.07	7.60								10.55	8.69
MANULIFE ASSET MGMT	Barclays Multiverse Index	12/1/2011	411,420,793.86	3.55	2.27	-0.67	3.70	-0.87	3.37	-5.15	5.49	-2.79	5.72	0.11								6.51	0.88
NISA	Barclays U.S. Aggregate Bond Index	2/1/2009	1,000,943,013.88	8.63	-0.93	-0.94	1.21	1.14	3.34	3.12	5.33	5.05	2.90	2.76	4.41	4.29						5.15	4.98
PIMCO	PIMCO Blended Index	12/1/2009	13,700,491.70	0.12	-0.79	-0.51	0.68	0.43	-1.12	-1.26	1.03	1.23	1.90	1.53	3.61	3.75						3.86	4.01
SHENKMAN CAP	ShenKman Blended Index	10/1/2010	109,154,927.07	0.94	1.87	1.41	2.39	1.75	0.68	0.75	2.47	2.96	5.23	6.49								5.80	6.87
STONE HARBOR	JP Morgan Emerging Markets Bond Index GD	12/1/2010	110,470,545.98	0.95	2.42	0.85	2.17	1.79	-3.21	0.63	3.45	6.86	2.10	5.37								4.55	6.37
WATERFALL	Opportunistic FI Blended Index	2/1/2010	125,134,213.74	1.08	0.66	1.48	1.25	1.91	5.68	0.36	10.10	2.31	12.40	5.14	13.73	6.19						13.98	6.12
REAL RETURN	PENSION REAL RETURN CUSTOM BM	7/1/2011	1,128,595,217.98	9.73	0.38	-0.56	2.11	1.14	-2.80	-1.78	2.31	2.10	2.11	3.50								4.57	3.49
AMERRA AGRI FUND II		12/1/2012	34,397,305.81	0.30	0.00	0.00	0.00		4.75		8.63											3.78	
BTG PACTUAL		12/1/2014	3,491,996.59	0.03	0.00																	0.00	
INTERNAL TIPS	Barclays U.S. Treasury: US TIPS Index	5/1/2002	345,219,213.04	2.98	-0.77	-0.86	1.76	1.59	-0.90	-1.51	2.35	1.75	0.30	-0.02	4.26	4.14	4.58	4.48				5.75	5.66
MAGNETAR MTP		7/1/2013	77,708,432.00	0.67	-1.91		-3.62		-6.95		-3.10											1.37	
NUVEEN	Nuveen Real Asset Custom Index	2/1/2015	222,251,307.00	1.92	0.11	0.08																0.11	0.08
OBERLAND CAPITAL		10/1/2014	3,656,999.99	0.03	0.00	0.00	0.00				0.00											-3.19	
PIMCO ALL ASSET	Barclays U.S. Treasury Inflation Notes: 1-10 Year	12/1/2011	339,991,646.64	2.93	1.37	-0.87	4.90	1.60	-3.78	-1.42	1.50	0.81	3.89	-0.06								5.85	0.46
TORTOISE CAPITAL	Alerian MLP Index	8/1/2009	93,470,160.84	0.81	3.97	2.08	0.98	-1.04	-7.59	-10.83	10.90	3.30	17.32	9.30	21.07	15.31						23.39	18.15
TPF II		10/1/2008	8,408,147.00	0.07	0.00	0.00	0.00	0.40			-0.88											-4.21	
ABSOLUTE RETURN	HFRI Fund of Funds Diversified Index - 1 Month Arrears	4/1/2010	1,221,767,118.42	10.54	-0.45	0.19	-0.18	0.48	0.57	2.63	3.29	4.13	7.32	5.25	UPDATE							5.74	5.13
BAAM		9/1/2011	385,196,933.00	3.32	-0.40	0.10	2.59				6.08			8.56								3.54	
HBK II		12/1/2013	15,601,384.00	0.13	-0.30		-0.88				-0.68			2.02								7.87	
JANA PARTNERS		9/1/2014	14,268,577.00	0.12	-4.61		-4.24															3.19	
KNIGHTHEAD		1/1/2014	15,500,590.00	0.13	-1.27		-2.14				-3.14		0.07										

KENTUCKY RETIREMENT SYSTEMS - PENSION & INSURANCE - PLAN PERFORMANCE & ALLOCATION - 02/28//15



KRS - PENSION

	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
KERS	1.95	1.29	6.83	8.77	8.96	6.10	9.87
KERS Plan Index	2.04	1.66	6.50	9.15	9.16	6.22	9.82
KERS-H	2.32	0.95	6.15	8.72	8.93	6.08	9.74
KHAZ Plan Index	2.34	1.59	6.87	9.26	9.22	6.25	10.00
CERS	2.44	1.11	6.16	8.75	8.95	6.09	9.79
CERS Plan Index	2.43	1.65	6.94	9.28	9.24	6.25	10.05
CERS-H	2.38	1.11	6.16	8.73	8.93	6.08	9.75
CHAZ Plan Index	2.41	1.64	6.93	9.28	9.24	6.25	10.04
SPRS	2.31	1.04	6.21	8.74	8.94	6.09	9.79
SPRS Plan Index	2.35	1.56	6.81	9.23	9.21	6.24	9.95

KRS - INSURANCE

	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
KERS INS	2.51	1.06	5.66	7.96	8.41	5.38	9.08
INS KERS Plan Index	2.61	1.92	7.20	9.22	9.77	5.83	10.23
KERS-H INS	2.50	1.15	5.77	8.24	8.58	5.46	9.59
INS KHAZ Plan Index	2.57	1.92	7.20	9.22	9.77	5.83	10.24
CERS INS	2.49	1.16	5.75	8.21	8.56	5.45	9.54
INS CERS Plan Index	2.52	1.91	7.19	9.22	9.77	5.83	10.23
CERS-H INS	2.46	1.13	5.73	8.19	8.54	5.44	9.50
INS CHAZ Plan Index	2.52	1.91	7.19	9.22	9.77	5.83	10.23
SPRS INS	2.45	1.09	5.72	8.19	8.54	5.44	9.50
INS SPRS Plan Index	2.49	1.90	7.18	9.22	9.77	5.83	10.22

