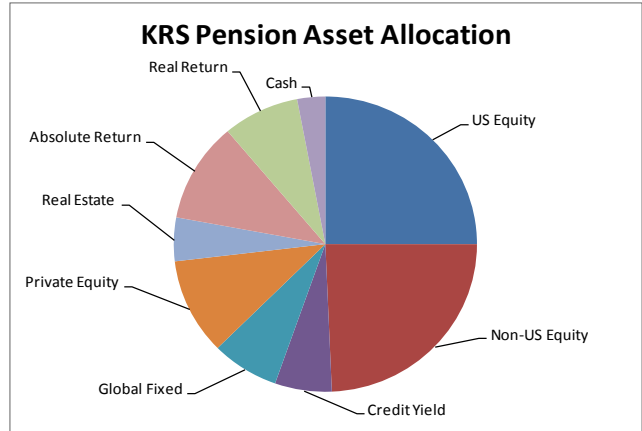


What’s going on in the marketplace?

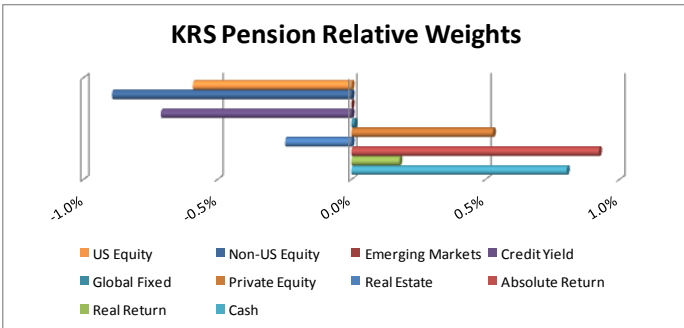
The beginning of February was a continuation of a dismal January; however, a rally beginning mid-month began to show signs of stabilization. U.S. markets outperformed their international counterparts, with U.S. Midcap stocks leading the pack. The S&P 400 Midcap Index returned 1.41% in February, compared to large cap U.S. stocks returning -0.13% (S&P 500 Total Return Index) and small cap U.S. stocks being flat (Russell 2000 Index).

International equities did not perform as favorably due primarily to European political concerns, stemming from concerns of a potential Italian banking crisis. Developed international stocks were less favorable than Emerging Markets, with the MSCI EAFE Index falling -1.80% compared to the MSCI Emerging Market Index return of -0.15%. In total, the MSCI ACWI Ex US Index dropped -1.11% for the month of February.

Fixed Income benefited from the equity market turbulence for the month. The Barclays Aggregate bond Index was up 0.71% while the Barclays Corporate High Yield Index earned 0.57% for the month. Treasury yields were down slightly due to the expectation that the Fed would be less likely to increase rates in the near term.



	Feb	1-Yr	3-Yr	5-Yr	10-Yr
Total Fund	-0.36	-5.09	3.82	4.54	4.50
Benchmark	-0.36	-5.43	4.33	4.79	4.81



What added value this month?

PENSION – From a manager selection standpoint the pension portfolio was able to add relative value in all asset classes other than Fixed Income and Real Return. The largest manager contribution to the portfolio came from U.S. Equity, which outperformed the benchmark by 17 basis points. River Road was the best performer within the U.S. Equity portfolio, returning 2.84% versus a flat benchmark. Non U.S. Equity was another source of good relative performance, as the portfolio beat its benchmark by 7 basis points.

From an allocation standpoint, the pension portfolio benefited from an overweight to Real Return due to its relatively strong performance versus that of the overall pension portfolio. The portfolio also benefited from an underweight to Non U.S. Equity as this was one of the weaker performing asset classes, evidenced by the performance of the MSCI ACWI Ex US IMI Index. In total, the pension portfolio returned -0.36% in February versus the benchmark return of -0.36%.

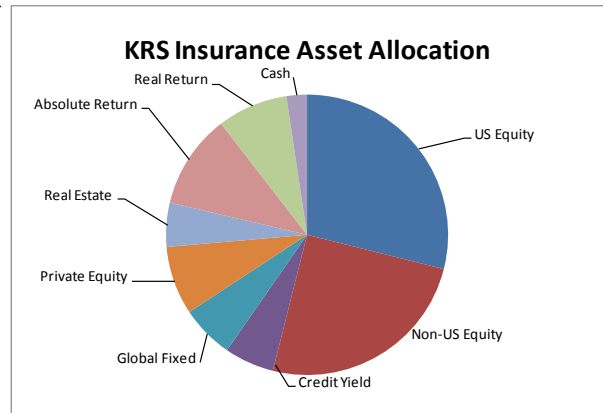
INSURANCE – Like the pension fund, the insurance portfolio had positive contribution from manager selection in all asset classes other than Fixed Income and Real Return. The U.S. Equity portfolio outperformed the benchmark by 14 basis points, which had the greatest contribution to the total portfolio return due to its relatively large size. The Non U.S. Equity portfolio also added quite a bit of value for the month, outperforming its benchmark by 10 basis points.

From an allocation standpoint, the insurance portfolio benefited from an overweight to U.S. equity, Real Estate, and Real Return due to their strong relative performance. Further, the portfolio benefited from an underweight to Non U.S. Equity as this was one of the weaker performing asset classes. In total, the insurance portfolio fell -0.36% for the month versus the -0.37% of the benchmark.

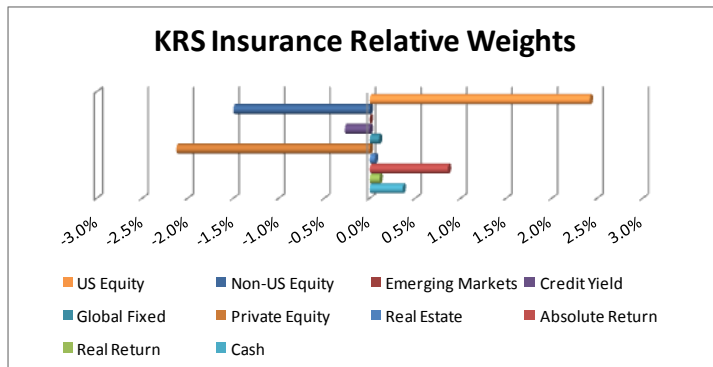
What detracted this month?

PENSION – The largest detractors from a manager selection standpoint came from the Fixed income and Real Return portfolios, which underperformed their benchmarks by 24 and 22 basis points, respectively. All other asset classes had positive performance relative to their benchmarks during the month.

From an allocation perspective the pension portfolio suffered from an overweight to the Absolute Return portfolio, as this was the weakest performing asset class for the month evidenced by the -2.31% return of the benchmark. The portfolio also suffered from underweight to Fixed Income, the best performing asset class for the period.



	Feb	1-Yr	3-Yr	5-Yr	10-Yr
Total Fund	-0.36	-5.27	3.40	3.63	3.72
Benchmark	-0.37	-4.99	4.55	4.73	4.29



INSURANCE – From a manager selection standpoint the biggest detractors from performance came from the Fixed Income and Real Return portfolios, which underperformed their benchmarks by 26 and 18 basis points, respectively. There were no other significant detractors of value from a manager selection standpoint in February.

From an allocation standpoint, the insurance portfolio suffered from an underweight to Fixed Income as indicated by its strong performance compared to the overall insurance portfolio. The insurance portfolio also suffered from an overweight to Absolute Return due to the relatively weak performance of the overall Hedge Fund market during the period.

NOTES:

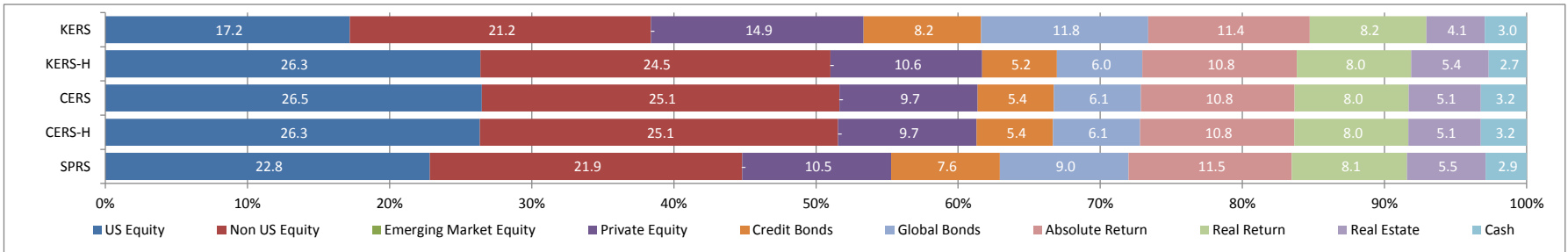
- Returns displayed are "net". For the purposes of this report, total fund return information is net of fees and expenses, with audited data beginning in July 2011. At the manager level (detailed return sheets pgs.4-5), returns are net of fees beginning with July 2011, and gross of fees for prior data.
- 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.

- | | |
|---|--|
| <p>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)</p> | <p>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)</p> |
| <p>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.</p> | |
| <p>6) <u>Pension Benchmark Composite 01/01/14 to 12/31/15</u>
 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%)</p> <p><u>Pension Benchmark Composite 01/01/16 to Present</u>
 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%)</p> | <p><u>Insurance Benchmark Composite 01/01/14 to 12/31/15</u>
 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%)</p> <p><u>Insurance Benchmark Composite 01/01/16 to Present</u>
 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%)</p> |

KENTUCKY RETIREMENT SYSTEMS - PENSION & INSURANCE - PLAN PERFORMANCE & ALLOCATION -2/29/16

Pension Plan Allocations



KRS - PENSION

	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
KERS	-0.40	-5.67	-4.68	3.69	4.46	4.47	8.92
KY Ret. KERS Plan Index	-0.25	-4.82	-3.82	4.73	5.03	4.93	9.11
KERS- H	-0.37	-5.89	-5.05	3.69	4.46	4.47	8.92
KY Ret. KERS Haz Plan Index	-0.38	-6.61	-5.88	4.08	4.63	4.73	9.04
CERS	-0.40	-6.39	-5.66	3.40	4.29	4.38	8.89
KY Ret. CERS Plan Index	-0.38	-6.76	-6.16	4.00	4.59	4.71	9.03
CERS- H	-0.37	-6.06	-5.27	3.67	4.45	4.46	8.92
KY Ret. CERS Haz Plan Index	-0.38	-6.72	-6.09	4.02	4.60	4.72	9.04
SPRS	-0.34	-6.61	-5.85	3.46	4.33	4.40	8.90
KY Ret. SPRS Plan Index	-0.31	-6.16	-5.43	4.21	4.72	4.78	9.05

KRS - INSURANCE

	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
KERS INS	-0.34	-6.38	-6.06	2.92	3.35	3.58	7.02
KY Ins. KERS Plan Index	-0.37	-7.12	-6.69	3.85	4.30	4.08	7.41
KERS - H INS	-0.36	-6.10	-5.51	3.39	3.63	3.72	7.07
KY Ins. KERS Haz Plan Index	-0.37	-6.79	-6.20	4.04	4.42	4.14	7.43
CERS INS	-0.36	-5.86	-5.15	3.49	3.69	3.75	7.08
KY Ins. CERS Plan Index	-0.37	-6.56	-5.84	4.17	4.49	4.18	7.44
CERS - H INS	-0.36	-5.75	-5.00	3.53	3.71	3.76	7.08
KY Ins. CERS Haz Plan Index	-0.37	-6.54	-5.81	4.18	4.50	4.18	7.45
SPRS INS	-0.37	-5.74	-5.02	3.52	3.71	3.76	7.08
KY Ins. SPRS Plan Index	-0.37	-6.50	-5.72	4.21	4.52	4.19	7.45

Insurance Plan Allocations

