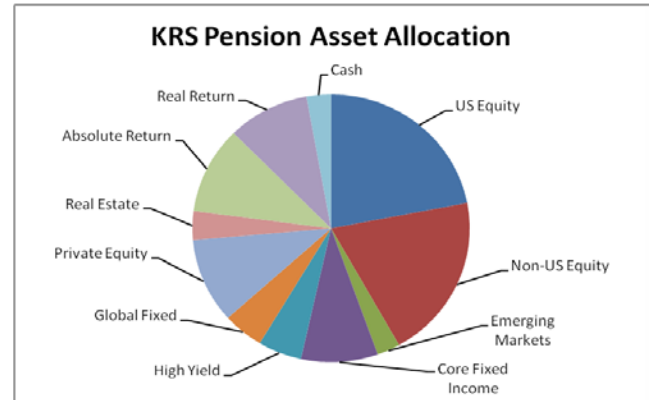


What's going on in the marketplace?

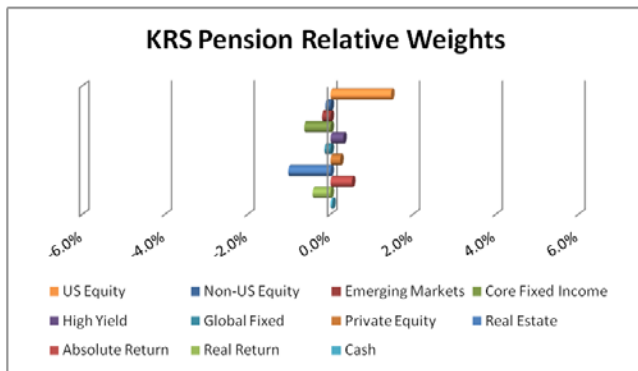
In January, global equity markets pulled back after having an overall positive December. Returns were driven by investor concern about global economic growth prospects as well as concern from recent lackluster corporate earnings releases. U.S. Market Equities and Non-U.S. Market Equities provided negative returns after starting the month on a positive note while Emerging Market Equities continued to struggle for the third consecutive month. The theme driving US markets is that the overall picture continues to improve; however, investors have started to question the level of earnings sustainability amid a slowdown in the emerging market economies.

Regarding Non-U.S. Market equities, the European economy has continued to improve but the recent slowdown in the emerging market economies has reduced investor confidence. Emerging Market Equity returns were the hardest hit for the month with negative returns driven mainly by reduced growth in China and a strengthening U.S. dollar negatively impacting emerging market economies.

The U.S. equity market was down -3.46% (S&P 500 Index) for the month of January while Non- U.S. Equities also provided a negative return for the month. From a sector standpoint eight out of ten industry sectors within the S&P 500 Index were negative for the month with Utilities (2.9%) and Health Care (0.9%) leading the way higher while Energy (-6.3%), Consumer Discretionary (-6.0%), Consumer Staples (-5.3%) and Materials (-4.7%) were the main detractors. Mid-Cap stocks decreased by -2.00% (Russell Mid-Cap Index) and Small-Cap stocks were also down -2.77% (Russell 2000 Index). For the U.S. Equity Market from a style perspective value investing slightly outperformed growth investing. The MSCI ACWI ex- U.S. ND Index was down -4.54% for the month and the MSCI Emerging Markets Index was down -6.47% for the month.



	Jan	1-Yr	3-Yr	5-Yr	10-Yr
Total Fund	-1.34	8.74	7.30	12.07	6.07
Benchmark	-1.20	9.88	7.50	12.82	6.19



Fixed Income markets were primarily in the black for the month of January. The Barclays U.S. Aggregate Bond Index returned 1.48% while high-yield bonds, as represented by the Barclays US Corporate High Yield Index, returned 0.70%. For the month of January the shape of the U.S. Treasury Yield curve slightly flattened. The 10 Year Treasury Note ended January at 2.67% and the 30 Year Treasury Bond Yield ended the month at 3.61%.

From an economics standpoint, the tone continued to be positive overall this month. U.S. growth figures, as measured by GDP, came in at 3.2% (1st advance estimate). Inflation, as

measured by CPI, was up 0.10% for the month matching the consensus analyst expectations. The change in the CPI was primarily driven by increases in energy (electricity, natural gas, and fuel oil all rose while gasoline fell), shelter, medical care, recreation and personal care; on the other hand, indices for airline fares, used cars and apparel all declined, offsetting most of the gains. Housing data, measured by the NAHB housing index, fell for the second straight month after matching multi year highs in previous months. Housing prices were relatively unchanged for the month but Housing starts fell sharply in January. Employment figures, as measured by non-farm payrolls, increased by 113,000 versus the consensus expectation of 174,000. Employment gains in the private sector were driven primarily by construction, manufacturing, wholesale trade, and professional and business services. Overall the unemployment rate declined a bit to 6.6%. The labor-force participation rate ever so slightly increased to 63% continuing to stay below a historically healthy rate. One final key economic area which has been volatile in recent months was Consumer Confidence, which decreased slightly to 82.5. Consensus analyst expectations were for the figure to be at 80.4.

Investors will continue to monitor the unrest in Ukraine, Syria and Venezuela as they continue to invest in the first quarter.

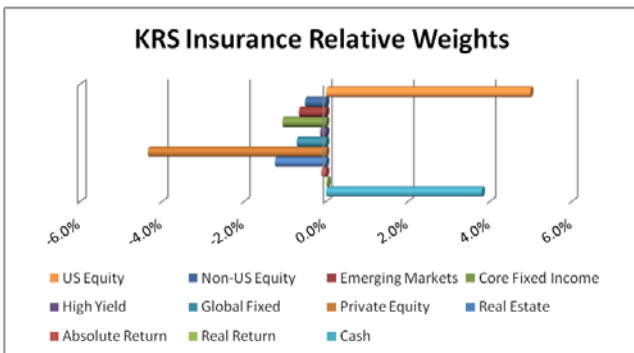
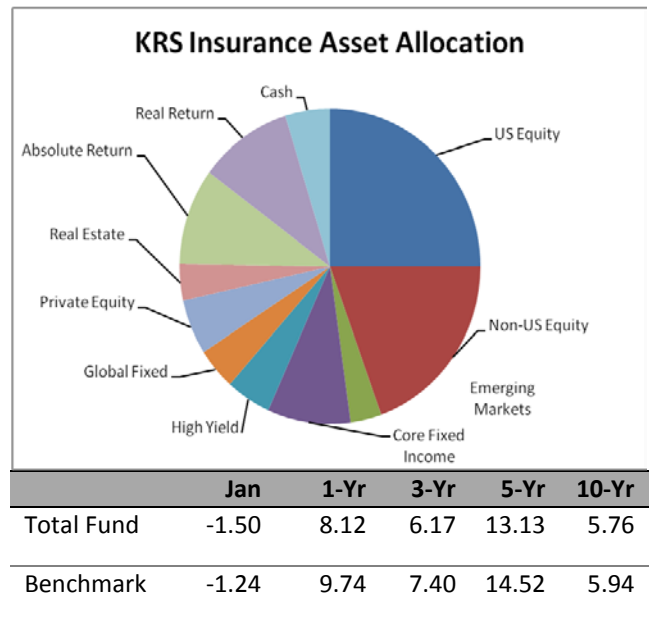
What added value this month?

PENSION – From a manager selection standpoint, it was a mixed month for the plan. On an aggregate scale, non-US equity and emerging market equity managers outperformed their benchmarks by 2 and 5 basis points, respectively. Absolute return and real return both outperformed their benchmarks by 6 and 13 basis points, respectively.

From an allocation perspective, being underweight to non-US and emerging market equities helped the plan as those benchmarks returned -4.53% and -6.47%, respectively. A slight overweight to both private equity and absolute return helped the plan.

INSURANCE – Like the pension fund, the insurance portfolio enjoyed relative outperformance from non-US developed and emerging market equities, with managers outperforming by an even narrower margin. Absolute return and real return also posted superior returns to their benchmarks by 6 basis points each.

The fund benefited from an underweight to non-US developed (-4.53% benchmark return) and emerging market equities (-6.47% benchmark return), while having a small overweight to real return helped the portfolio.



What detracted this month?

PENSION – The portfolio struggled slightly in the US equity manager selection, underperforming the benchmark by a minor 4 basis points. Many of the smaller mandates struggled quite a bit while most of the larger mandates, with the exception of Geneva and Systematic, outperformed or barely trailed their benchmark. Fixed income also struggled in this area, underperforming the benchmark by 31 basis points. The underperformance was primarily due to Manulife and Stone Harbor, while Waterfall helped close the gap against the

benchmark.

From an allocation perspective, the overweight to US equities hurt the plan, as the US equity benchmark returned -3.16%. Having a slight underweight to fixed income detracted from performance, as that benchmark was one of the better performing asset classes and returned 1.32%. Also, the minor underweight to real return also detracted value, as that benchmark returned 1.6%.

INSURANCE – Like the pension fund, US equity managers underperformed the benchmark, by 10 basis points in this fund. Fixed income also underperformed the benchmark by 34 basis points.

From an allocation perspective, being significantly overweight (25% vs. benchmark weight of 20%) to US public equity was a significant detractor. A solid underweight (18.2% vs. 20%) to fixed income also hurt relative performance. A hefty underweight to private equity hurt the Insurance portfolio, as did a minor underweight to absolute return.

NOTES:

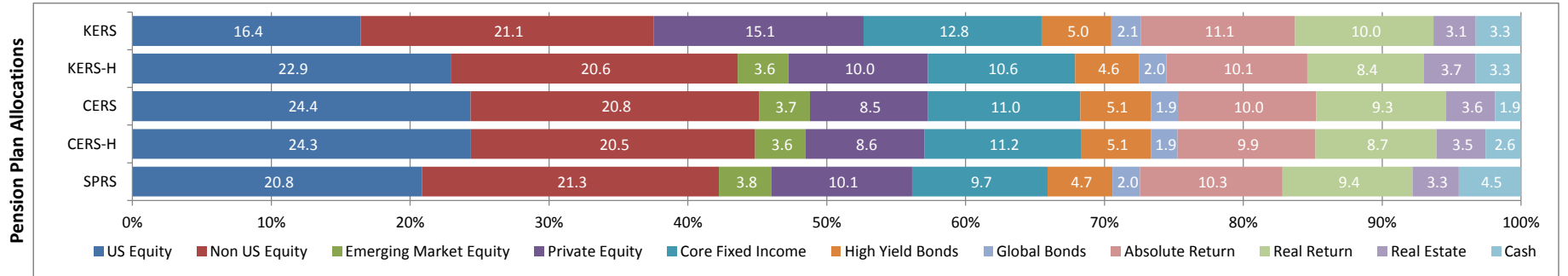
- 1) Returns displayed are “net”. For the purposes of this report, total fund return information is net of fees and expenses, with audited data beginning in July 2011. At the manager level (detailed return sheets pgs.4-5), returns are net of fees beginning with July 2011, and gross of fees for prior 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)
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KENTUCKY RETIREMENT SYSTEMS - INSURANCE FUND - NET RETURNS - 1/31/14

Structure	Benchmark	Inception	Market Value	% of Total	Month	QTD	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	ITD
TOTAL FUND	KY Ins. Blended Index	4/1/1987	3,817,896,709.81	100.00	-1.50	-1.24	-1.50	-1.24	7.30	6.97	8.12	9.74
US PUBLIC	KY Domestic Equity Blend	7/1/1992	953,832,431.76	24.98	-3.26	-3.16	-3.26	-3.16	13.60	13.39	22.29	22.60
GENEVA CAPITAL	Russell Midcap Growth Index	7/1/2012	82,202,822.16	2.15	-3.40	-2.17	-3.40	-2.17	14.62	15.77	19.81	25.08
NTGI STRUCTURED	Russell 2000 Index	7/1/2011	104,870,280.79	2.75	-3.03	-2.77	-3.03	-2.77	16.70	16.50	27.19	27.03
RIVER ROAD	Russell 3000 Value Index	7/1/2011	13,639,087.18	0.36	-3.96	-3.58	-3.96	-3.58	8.64	10.50	19.91	20.18
S&P 500 INDEX	KY Ins. S&P Blend	7/1/2001	567,458,832.69	14.86	-3.45	-3.46	-3.45	-3.46	12.24	12.29	21.42	21.52
SASCO CAPITAL	Russell Midcap Value Index	7/1/2012	17,499,341.48	0.46	-1.97	-1.69	-1.97	-1.69	17.95	13.02	22.74	22.14
SYSTEMATIC	Russell Midcap Value Index	7/1/2012	72,599,179.20	1.90	-2.64	-1.69	-2.64	-1.69	15.67	13.02	22.48	22.14
TRANSITION ACCOUNT		9/1/2004	101.20	0.00	0.93		0.93		-6.99		-12.99	
WESTFIELD CAPITAL	Russell 3000 Growth Index	7/1/2011	51,863,241.61	1.36	-2.29	-2.76	-2.29	-2.76	20.53	16.30	27.33	24.95
WESTWOOD MGMT	Russell 3000 Value Index	7/1/2011	43,699,545.45	1.14	-3.59	-3.58	-3.59	-3.58	10.98	10.50	22.14	20.18
EQUITY NON US	KRS Ins.Int'l Eq Blend	4/1/2000	743,875,878.56	19.48	-4.51	-4.53	-4.51	-4.53	10.57	10.24	7.71	6.20
BLACKROCK ACWI EX-US	MSCI All Country World Ex United States Net Index	6/1/2012	227,797,439.71	5.97	-4.56	-4.54	-4.56	-4.54	10.05	10.10	5.16	5.75
BLACKROCK ACWI EX-US SM	MSCI AC World ex USA Small Cap Net Index	7/1/2013	54,372,192.59	1.42	-1.98	-1.93	-1.98	-1.93	17.80	15.31		
BOSTON CO NON-US VALUE	KY MSCI ACWI EX USA GD	6/1/2008	231,536,387.22	6.06	-4.81	-4.53	-4.81	-4.53	9.61	10.24	8.50	6.20
PYRAMIS NON-US GROWTH	KY MSCI ACWI EX USA GD	8/1/2001	230,169,859.04	6.03	-4.75	-4.53	-4.75	-4.53	10.48	10.24	8.44	6.20
EQ EMERGING MKT	MSCI Emerging Markets Index	7/1/2011	127,307,175.36	3.33	-6.46	-6.47	-6.46	-6.47	0.03	0.89	-9.94	-9.85
ABERDEEN	MSCI Emerging Markets Index	4/1/2008	44,448,580.20	1.16	-7.37	-6.47	-7.37	-6.47	-5.57	0.89	-13.58	-9.85
BLACKROCK EMERG MKTS	MSCI Emerging Markets Net Dividend Index	7/1/2013	36,398,161.43	0.95	-6.57	-6.49	-6.57	-6.49	0.67	0.71		
WELLINGTON	MSCI Emerging Markets Index	4/1/2008	46,460,433.73	1.22	-5.48	-6.47	-5.48	-6.47	5.45	0.89	-7.29	-9.85
PUBLIC EQUITY	Global Equity Blended Index	7/1/1992	1,825,015,485.68	47.80	-4.00	-4.05	-4.00	-4.05	11.31	10.94	13.20	11.95
FIXED INCOME	KRS Ins. Fixed Blended Index	7/1/1992	690,016,898.20	18.07	0.98	1.32	0.98	1.32	3.14	2.31	0.83	0.49
COLUMBIA	Barclays U.S. Corporate High Yield	11/1/2011	51,756,865.62	1.36	0.69	0.70	0.69	0.70	5.86	6.69	5.63	6.77
LOOMIS	Barclays U.S. Corporate High Yield	11/1/2011	53,402,236.84	1.40	1.21	0.70	1.22	0.70	6.20	6.69	3.86	6.77
MANULIFE ASSET MGMT	Barclays Multiverse Index	12/1/2011	32,724,662.94	0.86	0.06	1.00	0.07	1.00	3.29	3.59	1.95	-0.40
NISA	Barclays U.S. Aggregate Bond Index	7/1/2011	188,718,350.09	4.94	1.54	1.48	1.54	1.48	1.96	1.91	0.07	0.12
PIMCO	PIMCO Blended Index	4/1/2011	253,838,138.70	6.65	0.94	0.72	0.94	0.72	1.91	1.93	-2.13	-1.05
SHENKMAN CAP	Shenkman Blended Index	7/1/2011	36,637,464.80	0.96	0.39	0.66	0.39	0.66	7.95	5.11	8.29	5.81
STONE HARBOR	JP Morgan Emerging Markets Bond Index GD	7/1/2011	29,304,349.09	0.77	-1.30	-0.68	-1.30	-0.68	-1.71	2.03	-8.88	-4.62
WATERFALL	Opportunistic FI Blended Index	7/1/2011	43,634,830.12	1.14	1.55	0.48	1.55	0.48	8.49	4.16	12.17	4.57
REAL RETURN	INSURANCE REAL RET CUSTOM BM	7/1/2011	383,249,422.60	10.04	1.71	1.65	1.71	1.65	2.23	1.30	-3.47	4.00
AMERRA AGRI FUND II		12/1/2012	12,380,993.69	0.32	0.00		0.00		2.81		0.06	
INTERNAL TIPS	Barclays U.S. Treasury: US TIPS Index	10/1/2003	223,199,019.72	5.85	1.96	1.98	1.96	1.98	1.58	0.64	-5.26	-6.17
MAGNETAR MTP		7/1/2013	24,636,129.00	0.65	1.89	-1.51	1.89	-1.51	5.01	-1.51	0.00	-1.51
PIMCO ALL-ASSET	Barclays U.S. Treasury Inflation Notes: 1-10 Year	12/1/2011	100,917,148.87	2.64	1.26	1.31	1.26	1.31	3.04	0.91	-1.44	-4.19
TORTOISE CAP	Alerian MLP Index	8/1/2009	20,428,349.32	0.54	2.17	0.59	2.17	0.59	11.62	5.14	23.99	13.95
TPF II		10/1/2008	1,687,782.00	0.04	0.00		0.00		-12.16		-16.22	-2.81
REAL ESTATE	NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^	5/1/2009	143,192,446.19	3.75	0.10	0.00	0.10	0.00	3.33	7.07	9.25	11.96
GREENFIELD ACQ VI		12/1/2012	15,958,654.00	0.42	0.00		0.00		4.46		14.93	
H/2 CORE RE DEBT FD		10/1/2013	1,472,577.00	0.04	0.00		0.00					0.00
H/2 CREDIT PARTNER		7/1/2011	26,080,675.98	0.68	0.00		0.00		0.04		4.07	
HARRISON STREET		5/1/2012	29,880,061.00	0.78	0.00		0.00		4.03		6.81	
MESA WEST CORE LEND		5/1/2013	23,244,215.00	0.61	0.00		0.00		2.77			2.77
MESA WEST RE INC II		1/1/2010	2,563,751.00	0.07	0.00		0.00		0.37		26.54	19.10
PRIMA MORTGAGE		5/1/2009	36,413,398.33	0.95	0.38		0.38		5.37		8.86	8.06
RUBENSTEIN PF II		7/1/2013	2,581,163.94	0.07	0.14		0.14		-3.36			
WALTON ST RE FD VI		5/1/2009	3,674,226.00	0.10	0.00		0.00		6.07		15.24	24.24
WALTON ST RE FD VII		7/1/2013	1,323,723.94	0.03	0.00		0.00		5.69		0.00	
ABSOLUTE RETURN	HFRF Fund of Funds Diversified Index - 1 Month Arrears	4/1/2010	377,395,833.77	9.88	1.15	1.09	1.15	1.09	5.41	3.56	12.09	8.54
BAAM		9/1/2011	120,091,951.00	3.15	0.89		0.89		4.99		11.30	
HBK II		12/1/2013	5,058,594.00	0.13	0.21		0.21					1.17
KNIGHTHEAD			5,122,888.00	0.13	2.46		0.00					2.46
MKP OPPORTUNITY		11/1/2013	5,208,012.94	0.14	1.12		1.12					4.16
PAAMCO		9/1/2011	122,615,017.05	3.21	1.44		1.44		7.35		15.49	
PRISMA CAPITAL PAR		9/1/2011	119,299,370.78	3.12	1.09		1.09		4.03		9.66	
PRIVATE EQUITY	Russell 3000 + 4% (Qtr Lag)	7/1/2002	215,632,307.13	5.65	0.12	4.59	0.12	4.78	8.32	15.92	15.60	32.99
CASH ACCOUNT	Citigroup Treasury Bill-3 Month	7/1/1992	183,294,289.82	4.80	0.02	0.00	0.02	0.00	0.16	0.02	0.05	0.32

KENTUCKY RETIREMENT SYSTEMS - PENSION & INSURANCE - PLAN PERFORMANCE & ALLOCATION - 12/31/13



KRS - PENSION

	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
KERS	(0.90)	7.34	8.71	7.29	12.06	6.07	9.47
KERS Plan Index	(1.08)	7.27	10.20	7.60	12.89	6.22	9.60
KERS-H	(1.44)	7.39	8.76	7.31	12.07	6.07	9.47
KHAZ Plan Index	(1.29)	7.17	10.10	7.57	12.87	6.21	9.60
CERS	(1.47)	7.37	8.74	7.30	12.07	6.07	9.47
CERS Plan Index	(1.29)	7.17	10.10	7.57	12.87	6.21	9.60
CERS-H	(1.46)	7.33	8.70	7.29	12.06	6.07	9.47
CHAZ Plan Index	(1.29)	7.17	10.10	7.57	12.87	6.21	9.60
SPRS	(1.42)	7.44	8.81	7.32	12.08	6.08	9.47
SPRS Plan Index	(1.30)	7.15	10.08	7.56	12.86	6.21	9.59

KRS - INSURANCE

	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
KERS INS	-1.48	6.89	7.70	6.03	13.04	5.72	7.52
INS KERS Plan Index	-1.27	7.19	9.97	7.47	14.57	5.96	7.91
KERS-H INS	-1.54	7.43	8.24	6.21	13.15	5.77	7.54
INS KHAZ Plan Index	-1.27	7.21	9.99	7.48	14.57	5.96	7.91
CERS INS	-1.51	7.36	8.18	6.19	13.14	5.76	7.54
INS CERS Plan Index	-1.27	7.21	9.99	7.48	14.57	5.96	7.91
CERS-H INS	-1.50	7.33	8.15	6.18	13.13	5.76	7.54
INS CHAZ Plan Index	-1.27	7.21	9.99	7.48	14.57	5.96	7.91
SPRS INS	-1.49	7.36	8.17	6.19	13.14	5.76	7.54
INS SPRS Plan Index	-1.27	7.21	9.99	7.48	14.57	5.96	7.91

