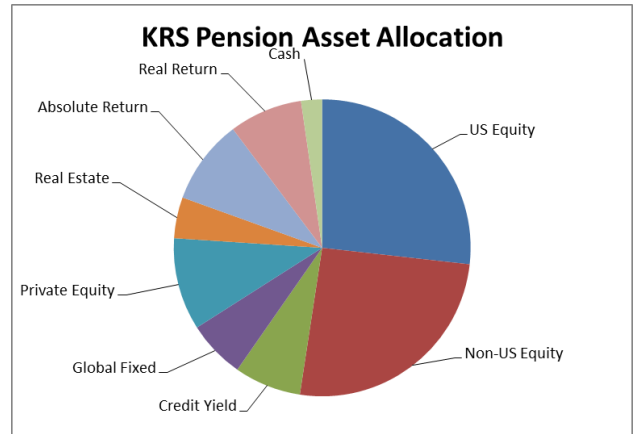


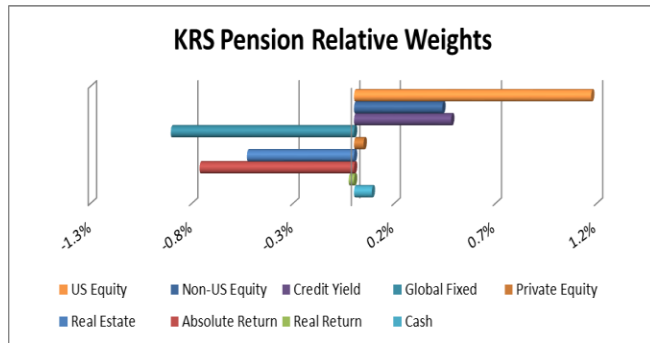
What’s going on in the marketplace?

U.S. equity markets rose for the third straight month in January. Large Caps led with a return of 1.90% (S&P 500). S&P Mid Cap 400 was not far behind, finishing at 1.68% on the month. After an incredible 2016, the Russell 2000 Small Cap Index added another 39 basis points in January. Unlike in November and December, International stocks actually outperformed the United States markets substantially. Developed international stocks added 3.29% in value during January (MSCI EAFE Index). Emerging markets, after a checkered 2016, posted incredible returns in January. They added 6.67% (MSCI Emerging Market Index). Taken together, International equities added 3.82% in value (MSCI ACWI ex USA Index). For perspective, that is a long way toward matching 2016 returns (5.01%) one month into 2017. Equity returns over the past three months have been anomalously positive and consistent.



Fixed Income had a steady return of .090% (KRS Blended Fixed Index) during the month of January. Corporate High Yield Bonds led once again (Barclays U.S. Corporate High Yield Index) with a 1.45% gain on the month. Broad Fixed Market Income, as defined by Barclays U.S. Aggregate, returned 20 basis points.

What added value this month?



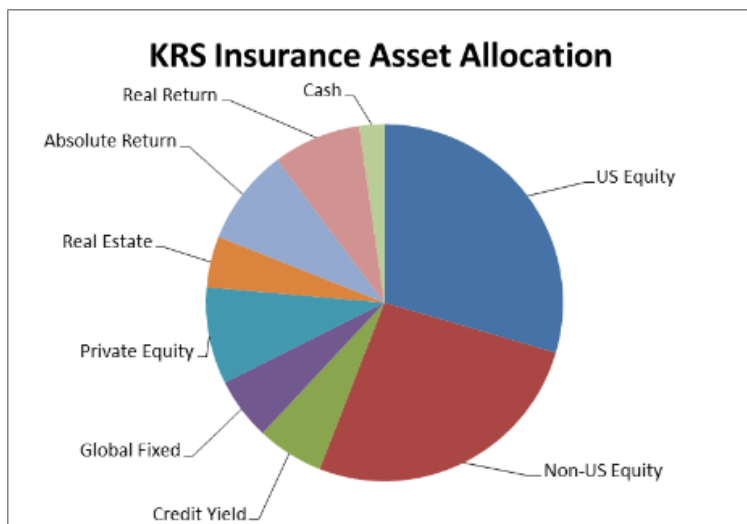
PENSION- From an absolute standpoint, KRS followed positive numbers across the board in December with positive numbers across the board in January. Two straight months without a loss from any asset class is remarkable and is baked into the total return of 1.66%. However, from a relative standpoint, January was less remarkable. Allocation weights did not affect the plan, contributing a flat 0.00%. KRS-specific manager contributions, with the exception of Real Return, were all flat or negative resulting in underperformance of the benchmark

by seven basis points. Real Return, despite only making up slightly less than 9% of the plan, contributed significantly to relative performance with its outperformance of 58 basis points. KRS is still ahead of the benchmark, net of fee, for the fiscal year. It is important to note that these numbers are not risk-adjusted, and downside protection can be expensive, especially in bull markets. In addition, some managers were still especially good. Westfield Capital returned 4.20% vs. 3.23% from its benchmark. KRS’s PIMCO product returned 3.35%, demolishing its benchmark return of 0.81%.

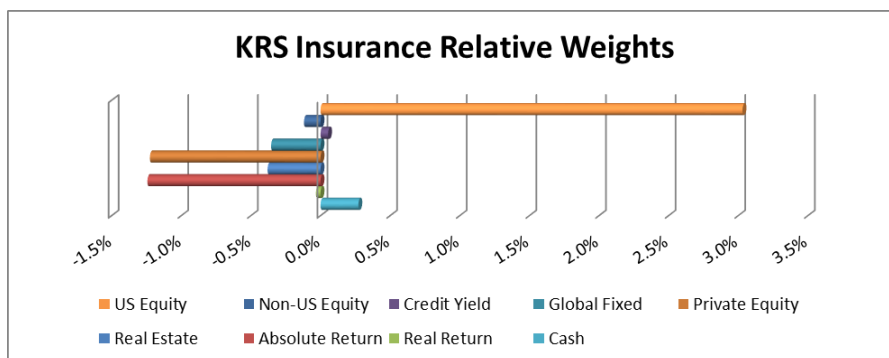
INSURANCE – The KRS Insurance portfolio followed the same general trend as KRS Pension with granular differences. The Insurance Real Return asset class also significantly outperformed its benchmark (1.18% compared to 0.63%). The relative gain from Real Return was offset by underperformance in Equities and Fixed Income. In total, KRS Insurance lagged its benchmark by six basis points. Similar to KRS Pension, KRS Insurance is still ahead of its benchmark 19 basis points Fiscal YTD.

What detracted this month?

PENSION – The seven point underperformance by KRS Pension plan can be explained by small underperformances across a couple of asset classes. Equities and Fixed Income, our largest asset classes, struggled relative to their benchmarks. A majority of the underperformance can be attributed to equities lagging. KRS US equity returned 17 basis points less than its benchmark, while KRS Non-US equity trailed 23 basis points. As previously stated, large magnitude equity gains (3.36% for KRS Non-US, for example) might be accompanied by slight underperformance in exchange reliable downside protection. Several KRS Equity active managers strive for this and can be expected to outperform in the long run.



INSURANCE – The Insurance Portfolio also had its two biggest asset classes, Equities and Fixed Income, lag their benchmarks. Equities saw a majority of managers outperform, it was only one or two that caused small underperformance. Fixed Income profiled differently, with many managers underperforming their benchmarks. PIMCO and Waterfall, however, were the Fixed Income managers that outperformed for the month. For the Fiscal YTD, Equities and Fixed Income are slightly behind their benchmarks. Public equity only trails 12 basis points, a small percentage of the 1,002 basis points total that it added in value to the plan. Fixed Income has fared a little worse Fiscal YTD, lagging its benchmark 21 basis points. KRS seeks to close that gap



over the second half of the fiscal year. Allocation weights did not affect the plan. The most overweighted asset class, US Equity, performed in line with the rest plan. Other allocation weight balanced across outperforming and underperforming asset classes.

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 12/31/15
100.00% Russell 3000 Index + 4% (Qtr Lag)
01/01/16 to Present
100.00% Russell 3000 Index + 3% (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 12/31/15
100.00% Russell 3000 Index + 4% (Qtr Lag)
01/01/16 to Present
100.00% Russell 3000 Index + 3% (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.

6) Pension Benchmark Composite 01/01/14 to 12/31/15
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%)

Insurance Benchmark Composite 01/01/14 to 12/31/15
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%)

Pension Benchmark Composite 01/01/16 to Present
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%)

Insurance Benchmark Composite 01/01/16 to Present
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%)

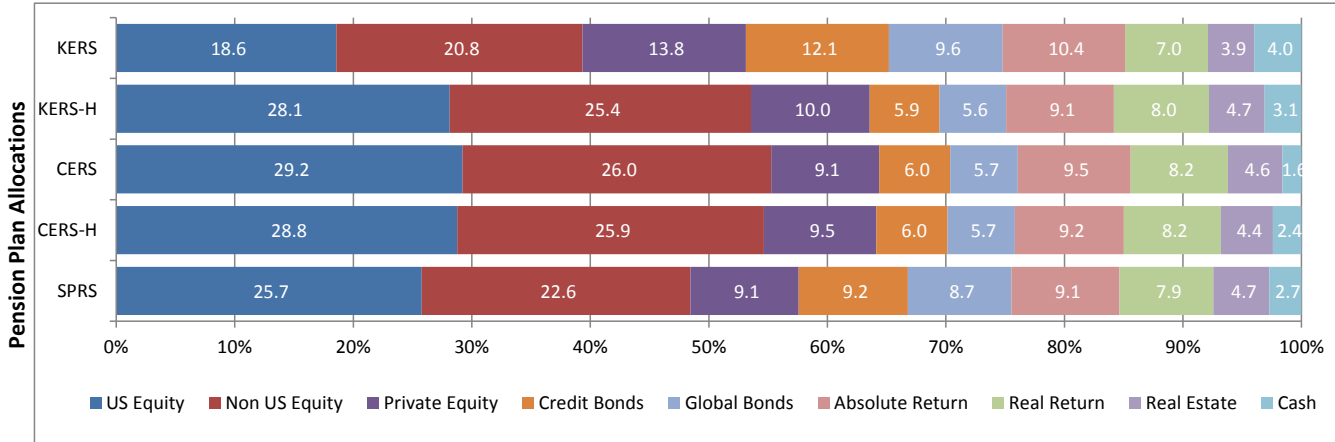
**Fund composite benchmark is a roll-up of individual plans, which may differ from one another.

KENTUCKY RETIREMENT SYSTEMS - PENSION FUND - NET RETURNS - 1/31/17

Structure	Benchmark	Inception	Market Value	% of Total	Month		QTD		Fiscal YTD		1 Year		3 Years		5 Years		10 Years		20 Years		ITD			
					KRS	Benchmark	KRS	Benchmark	KRS	Benchmark	KRS	Benchmark	KRS	Benchmark	KRS	Benchmark	KRS	Benchmark	KRS	Benchmark	KRS	Benchmark	KRS	Benchmark
TOTAL FUND	KY Ret. Blended Index	4/1/1984	11,242,484,681.39	100.00	1.66	1.72	1.66	1.72	6.94	6.84	12.66	13.52	5.31	5.57	7.18	7.50	4.64	5.10	6.62	6.79	9.08	9.22		
US PUBLIC	KY Domestic Equity Blend	4/1/1984	3,007,900,290.42	26.75	1.71	1.88	1.71	1.88	11.36	10.84	22.52	21.73	9.57	10.28	13.34	13.97	6.91	7.15	6.62	6.79	11.23	11.21		
INTERNAL MID CAP GROWTH	Russell Midcap Index	8/1/2014	33,010.65	0.00	0.07	1.90	0.07	1.90	-13.15	9.87	-4.96	20.04									5.74	7.73		
KRS INTERNAL EQUITY	S&P 500 - Total Return Index	7/1/2016	296,574,641.77	2.64	1.75	1.68	1.75	1.68	13.71	13.74	30.15										10.28	10.41		
NTGI STRUCTURED	Russell 2000 Index	10/1/1999	124,699,372.60	1.11	1.11	0.60	1.11	0.60	11.77	12.06	25.14	25.76	10.38	10.10	12.93	14.05	0.00	0.00			12.00	12.14		
RIVER ROAD - DAV	Russell 3000 Value Index	7/1/2011	93,418,903.95	0.83	2.11	0.60	2.11	0.60	20.97	12.06	0.00	0.00	0.00	0.00	0.00	0.00					20.97	12.06		
RIVER ROAD - FAV	Russell 3000 Value Index	7/1/2016	1,427,674,918.63	12.70	1.89	1.90	1.89	1.90	9.79	9.87	19.87	20.04	10.73	10.85							6.60	6.58		
S&P 500 INDEX	KY Ret. S&P Blend	7/1/2001	1.54	0.00	0.00	1.68	0.00	1.68	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00					0.00	0.00		
SYSTEMATIC	Russell Midcap Value Index	7/1/2012	295,601,558.98	2.63	0.61	1.68	0.61	1.68	17.58	12.07	30.92	29.15	7.40	10.69							13.27	15.77		
TRANSITION ACCOUNT			15,663.03	0.00																				
WESTFIELD CAPITAL	Russell 3000 Growth Index	7/1/2011	154,406,024.07	1.37	4.20	3.23	4.20	3.23	10.62	9.62	14.59	17.91	6.13	10.45	12.78	13.81					10.76	12.55		
FEE ACCRUAL			615,476,195.20																					
EQUITY NON US	KY Ret.Int'l Eq. Blended Index	7/1/2000	2,880,358,190.23	25.62	3.36	3.59	3.36	3.59	8.29	9.30	14.13	16.74	1.40	1.36	5.10	4.82	1.47	1.35			2.26	2.74		
AMERICAN CENTURY	KY MSCI ACWI ex-US Index	7/1/2014	345,694,221.61	3.07	3.87	3.55	3.87	3.55	5.66	9.47	6.50	16.67									-2.94	-2.38		
BLACKROCK ACWI EX	MSCI All Country World Ex United States Net Index	7/1/2009	1,187,770,941.68	10.57	3.56	3.54	3.56	3.54	9.39	9.31	16.46	16.09	1.13	0.92	4.58	4.36					6.37	6.16		
BOSTON CO NON-US VALUE	KY MSCI Blended Index	5/1/2005	1,513,182.10	0.01	1.59	3.55	1.59	3.55	1.61	9.47	7.59	16.67	-1.41	1.38	3.25	4.83	-0.08	0.90			3.05	4.25		
FRANKLIN TEMPLETON	KY MSCI ACWI ex-US Index	7/1/2014	239,338,417.63	2.13	3.58	3.55	3.58	3.55	6.73	9.47	14.33	16.67									-0.70	-2.38		
LAZARD ASSET MANAGEMENT	KY MSCI ACWI ex-US Index	7/1/2014	484,653,721.07	4.31	2.45	3.55	2.45	3.55	3.24	9.47	8.96	16.67									-1.79	-2.38		
LSV ASSET MANAGEMENT	KY MSCI ACWI ex-US Index	7/1/2014	444,006,967.83	3.95	3.16	3.55	3.16	3.55	14.63	9.47	19.87	16.67									-1.69	-2.38		
NON-US TRANSITION ACCOUNT			1,751,924.57	0.02																				
NTGI INTL SM CAP	MSCI AC World ex USA Small Cap Net Index	12/1/2008	172,737,642.26	1.54	3.82	3.83	3.82	3.83	8.23	8.10	17.11	16.85	2.99	2.70	7.06	6.74					12.53	12.94		
PYRAMIS NON-US GROWTH	KY MSCI Blended Index	8/1/2001	2,891,171.48	0.03																				
PUBLIC EQUITY	Global Equity Blended Index	4/1/1984	5,888,258,480.65	52.38	2.51	2.73	2.51	2.73	9.85	10.15	18.32	19.34	5.18	5.32	8.70	8.59	4.00	3.78	6.61	6.38	10.41	10.25		
FIXED INCOME	KY Ret.Fixed Blended Index	4/1/1984	1,525,335,313.20	13.57	0.76	0.90	0.76	0.90	3.95	3.71	8.43	11.66	4.66	5.23	4.51	3.99	5.44	5.44	5.92	5.91	7.71	7.52		
CERBERUS	S&P LSTA Leveraged Loan Index	9/1/2014	93,905,041.04	0.84	0.17	0.56	0.17	0.56	4.04	6.00	8.00	11.50									7.95	3.55		
COLUMBIA	Barclays U.S. Corporate High Yield	11/1/2011	254,675,098.07	2.27	1.00	1.45	1.00	1.45	6.59	8.96	13.44	20.77	5.23	4.92	7.03	7.02					7.52	7.39		
MANULIFE ASSET MGMT	Barclays U.S. Universal High Yield	12/1/2011	413,042,778.81	3.67	0.47	0.35	0.47	0.35	0.23	-1.33	4.43	3.14	2.97	0.11	3.86	4.03					4.41	0.88		
MARATHON	Barclays U.S. Corporate High Yield	1/1/2016	239,614,909.61	2.13	1.68	1.45	1.68	1.45	13.65		18.33										16.81			
NISA	Barclays U.S. Aggregate Bond Index	2/1/2009	293,929,096.66	2.61	0.18	0.20	0.18	0.20	-2.27	-2.34	1.55	1.45	2.92	2.59	2.30	2.09					4.26	4.05		
PIMCO	PIMCO Blended Index	12/1/2009	315,592.91	0.00																				
SHENKMAN CAP	Shenkman Blended Index	10/1/2010	87,552,845.25	0.78	0.51	0.56	0.51	0.56	5.60	6.00	10.19	11.50	3.21	4.02	4.63	5.81					5.01	6.04		
REAL RETURN	PENSION REAL RETURN CUSTOM BM	7/1/2011	895,876,639.20	7.97	2.27	1.69	2.27	1.69	4.14	2.56	15.22	11.27	2.53	1.85	2.14	2.85					3.71	2.84		
AMERRA AGRY FUND II		12/1/2012	28,222,873.24	0.25	0.00	0.00	0.00	0.00	1.41		3.50										6.23			
AMERRA-AGRI HOLDING		8/1/2015	35,040,479.60	0.31	0.00	0.00	0.00	0.00	-0.19		0.72										0.25			
BTG PACTUAL		12/1/2014	8,426,491.75	0.07	0.00	0.00	0.00	0.00	9.81		9.84										-15.62			
INTERNAL TIPS	Barclays U.S. Treasury: US TIPS Index	5/1/2002	94,104,837.89	0.84	0.76	0.76	0.76	0.76	0.29		3.92			0.88					4.56		5.25			
MAGNETAR MTP		7/1/2013	80,864,752.94	0.72	4.57		4.57		13.49		29.08										1.76			
MAGNETAR MTP EOF II		8/1/2015	15,087,032.84	0.13	0.00	0.00	0.00	0.00	15.19		9.41										-2.51			
NUVEEN	Nuveen Real Asset Custom Index	2/1/2015	211,687,943.16	1.88	2.06	2.06	2.06	2.06	1.90		15.18										3.54			
OBERLAND CAPITAL		10/1/2014	1,223,055.00	0.01	0.00	0.00	0.00	0.00	-9.15		53.70										3.28			
PIMCO ALL ASSET	Barclays U.S. Treasury Inflation Notes: 1-10 Year	12/1/2011	327,633,539.45	2.91	2.43	2.43	2.43	2.43	3.58		14.96			3.05							3.94			
TAURUS MINE FINANCE		4/1/2015	10,880,842.00	0.10	0.00	0.00	0.00	0.00	13.19		31.15										16.26			
TORTOISE CAPITAL	Alerian MLP Index	8/1/2009	81,746,343.33	0.73	4.57	4.57	4.57	4.57	10.20		39.25										14.91			
TPF II		10/1/2008	958,448.00	0.01	0.00	0.00	0.00	0.00	13.12		-23.28										-4.52			
ABSOLUTE RETURN	HFRI Fund of Funds Diversified Index - 1 Month Arrears	4/1/2010	1,037,825,122.99	9.23	0.74	0.72	0.74	0.72	4.13	3.69	0.76	1.63	1.94	1.62	5.06	3.70					4.02	2.72		
ANCHORAGE CAPITAL		8/1/2016	26,276,299.92	0.23	2.52	2.52	2.52	2.52													4.56			
BAAM		9/1/2011	105,399,969.27	0.94	0.50	0.50	0.50	0.50	4.28		1.06			4.75		6.89					6.39			
BLACKROCK GAO FUND		8/1/2016	27,917,764.97	0.25	1.81	1.81	1.81	1.81													-3.92			
COATUE QUAL PTRNS		7/1/2015	17,244,295.78	0.15	4.17	4.17	4.17	4.17	8.35		5.81										9.21			
DAVIDSON-KEMPNER LP		2/1/2016	45,757,099.02	0.41	0.79	0.79	0.79	0.79	4.94		7.82										7.82			
DSAM FUND LP		5/1/2016	15,161,798.56	0.13	2.97	2.97	2.97	2.97	1.19												1.08			
FINISTERRE GLOBAL OP		8/1/2016	19,578,145.39	0.17	1.99	1.99	1.99	1.99													4.45			
GLENVIEW INSTITUTION		11/1/2015	18,048,607.49	0.16	5.17	5.17	5.17	5.17	15.02		3.07										-1.37			
HBK II		12/1/2013	43,962,44																					

KRS - PENSION

	Market Value	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
KERS	\$ 1,946,506,092.12	1.43	6.20	10.90	5.13	7.06	4.59	9.06
KY Ret. KERS Plan Index		1.48	6.08	12.28	5.34	7.42	5.06	9.20
KERS- H	\$ 565,872,270.34	1.66	6.80	12.64	5.34	7.20	4.66	9.09
KY Ret. KERS Haz Plan Index		1.77	6.99	13.66	5.27	7.36	5.03	9.19
CERS	\$ 6,396,298,446.36	1.72	7.14	13.10	5.34	7.20	4.65	9.08
KY Ret. CERS Plan Index		1.79	7.05	13.83	5.27	7.36	5.03	9.19
CERS- H	\$ 2,108,587,227.53	1.71	7.08	13.07	5.38	7.22	4.66	9.09
KY Ret. CERS Haz Plan Index		1.78	7.02	13.77	5.27	7.36	5.03	9.19
SPRS	\$ 231,723,628.28	1.55	6.41	11.79	4.75	6.85	4.48	9.03
KY Ret. SPRS Plan Index		1.65	6.53	13.06	5.21	7.32	5.01	9.19



KRS - INSURANCE

	Market Value	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
KERS INS	\$ 721,316,107.48	1.68	9.17	15.98	4.82	6.53	3.93	7.31
KY Ins. KERS Plan Index		2.01	9.46	17.37	5.33	7.26	4.48	7.71
KERS - H INS	\$ 466,827,169.81	1.58	8.83	15.60	4.94	6.74	4.03	7.34
KY Ins. KERS Haz Plan Index		1.88	9.10	16.83	5.32	7.26	4.48	7.71
CERS INS	\$ 2,055,582,978.78	1.51	8.61	15.32	4.97	6.75	4.04	7.35
KY Ins. CERS Plan Index		1.80	8.87	16.50	5.32	7.26	4.48	7.71
CERS - H INS	\$ 1,129,784,332.40	1.51	8.59	15.30	5.02	6.77	4.05	7.35
KY Ins. CERS Haz Plan Index		1.80	8.85	16.48	5.32	7.26	4.48	7.71
SPRS INS	\$ 170,804,442.45	1.50	8.57	15.18	4.97	6.74	4.03	7.34
KY Ins. SPRS Plan Index		1.80	8.85	16.47	5.33	7.27	4.49	7.71

