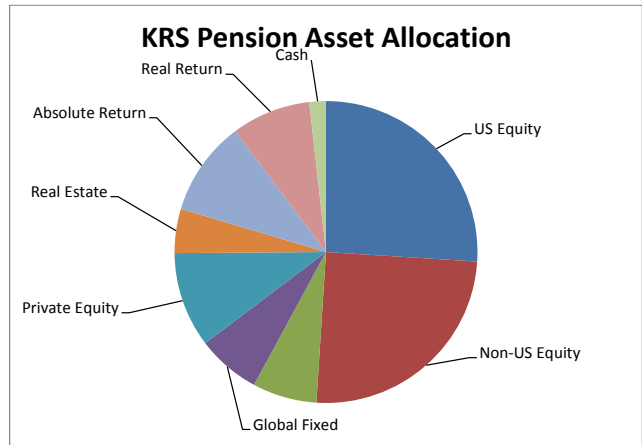


What's going on in the marketplace?

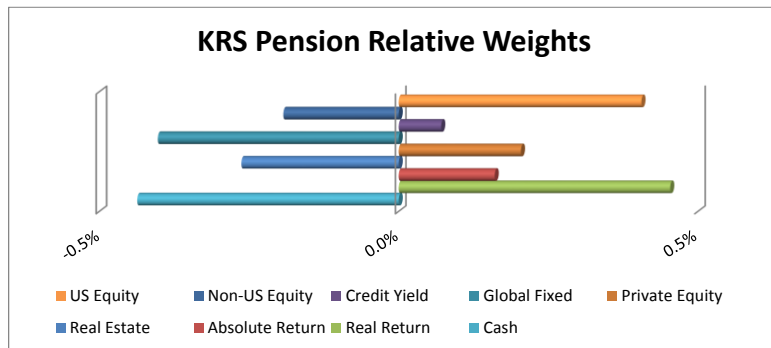
Markets were tested in June with the UK's vote to leave the European Union. Major indices suffered initial losses with the news of the vote, but most losses were recovered by the end of the month. Developed international markets were hit the hardest, falling -3.32% in June (MSCI EAFE Index). Italy and Spain were among the worst performing countries due to market concerns regarding their potential to leave the EU. Emerging markets posted strong gains for the month, returning 4.10% (MSCI Emerging Markets Index). The MSCI ACWI Ex US Index (comprised of roughly 80% international developed stocks and 20% emerging market stocks) fell -1.47% in June.

Markets domestically were mainly either slightly positive or flat. Mid-caps performed the most favorably, returning 0.42% (S&P 400 Midcap Index). Large caps favored slightly worse, with the S&P 500 total return index returning 0.26%. Small caps were the worst domestic performers, falling -0.06% (Russell 2000 Index).

Fixed Income markets were strong in the U.S., with the 10-year US treasury yield falling 35 basis points to 1.49%. The Barclays U.S. Aggregate Bond Index returned 1.80%, while the Barclays U.S. Corporate High Yield index returned 0.92%.



	June	1-Yr	3-Yr	5-Yr	10-Yr
Total Fund	-0.09	-0.52	5.45	5.38	5.02
Benchmark	0.24	-0.19	5.61	5.74	5.41



What added value this month?

PENSION – From a manager selection standpoint the pension portfolio was able to add relative value in the Real Return asset class, which was able to outperform its benchmark by 50 basis points. All other asset classes struggled to add relative value for the month of June.

From an allocation standpoint the pension portfolio benefited from an overweight to Real Return and Absolute Return due to the strong performance of

these asset classes when compared to the total pension portfolio performance. The portfolio also benefited from an underweight to Non U.S. Equity due to the poor relative performance of the developed international equity markets. In total, the pension portfolio returned -0.09% in June, underperforming the benchmark return of 0.24%.

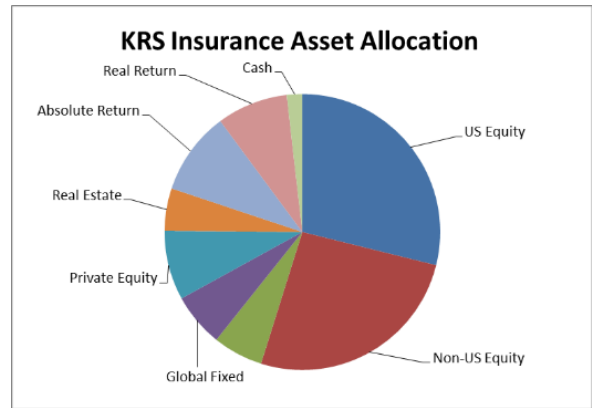
INSURANCE –The insurance portfolio had positive contribution from manager selection in the Fixed Income and Real Return portfolios. Within the Fixed Income portfolio, Waterfall was the best performer beating its benchmark by 2.59%. The Real Return portfolio outperformed its benchmark by 0.36% for the month of June.

From an allocation standpoint, the insurance portfolio benefited from an overweight to Real Return and Fixed Income. This is due to the fact that these asset classes had better returns than the overall insurance portfolio. The insurance portfolio also benefited from an underweight to Non U.S. Equity due to the relatively weak performance of the ACWI Ex US IMI Index. In total, the Insurance portfolio returned -0.09% in June compared to the benchmark return of 0.27%.

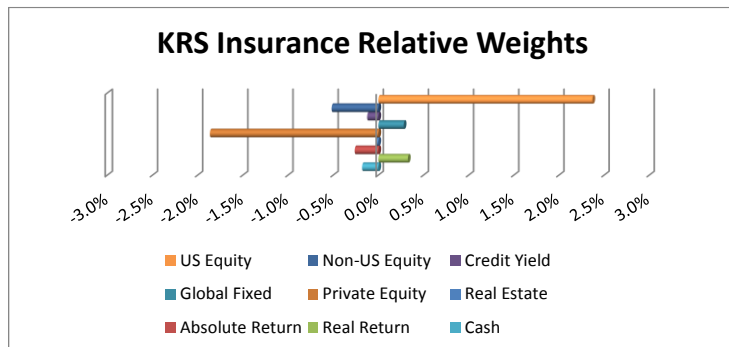
What detracted this month?

PENSION – June was a very challenging month for most asset classes to add value relative to their respective benchmarks. From a manager selection standpoint the largest detractor of performance within the pension portfolio came from Non U.S. Equity, which underperformed its benchmark by 84 basis points. Two of the active international equity managers underperformed their benchmarks by over 250 basis points. Other large detractors in this area came from the Absolute Return, Fixed Income, U.S. Equity, and Real Estate portfolios.

From an allocation perspective, the pension portfolio suffered from an overweight to U.S. Equity. This was due to the poor performance of the overall domestic equity market when compared to the total pension portfolio performance. The pension portfolio also suffered due to an underweight to Fixed Income and Real Estate due to the relatively strong performance of these asset classes.



	June	1-Yr	3-Yr	5-Yr	10-Yr
Total Fund	-0.09	-0.09	5.35	4.79	4.28
Benchmark	0.27	0.03	5.88	5.80	4.83



INSURANCE – From a manager selection standpoint, the largest detractor from performance came from the Non U.S. Equity portfolio, which underperformed its benchmark by 0.99%. Three of the active Non U.S. Equity managers underperformed their benchmarks by over 240 basis points, making it an extremely difficult month for active managers in this area. Other detractors from performance came from the U.S. Equity, Real Estate, and Absolute Return asset classes.

From an allocation perspective, the insurance portfolio suffered from an overweight to U.S. Equity due to its relatively weak market performance, as well as an underweight to fixed income and Real Estate due to their relatively strong market performance.

NOTES:

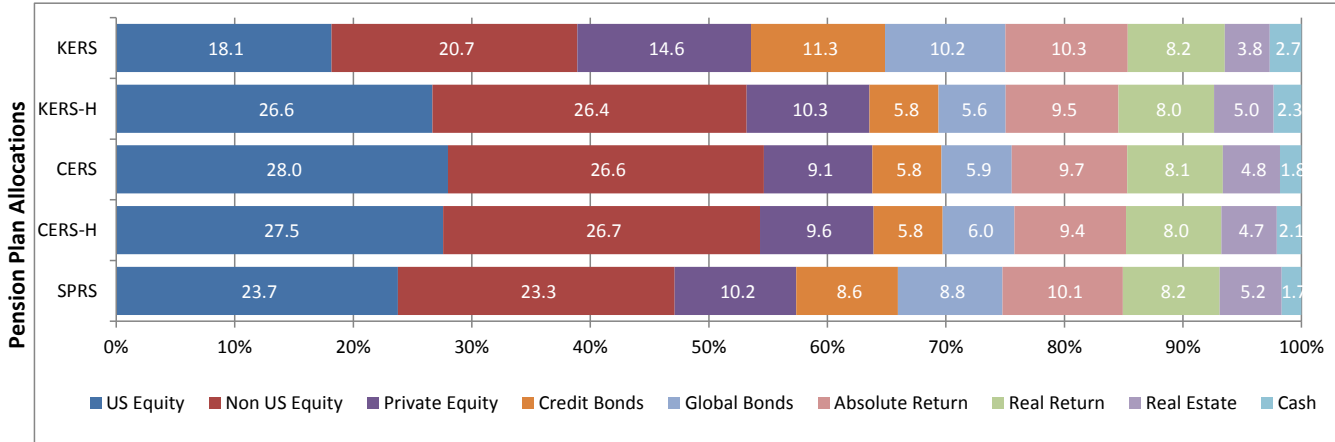
- 1) Returns displayed are “net”. For the purposes of this report, total fund return information is net of fees and expenses, with audited data beginning in July 2011. At the manager level (detailed return sheets pgs.4-5), returns are net of fees beginning with July 2011, and gross of fees for prior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

- | | |
|---|--|
| <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> |

KRS - PENSION

	Market Value	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
KERS	\$ 1,921,520,260.21	0.05	-0.68	-0.68	5.51	5.41	5.04	9.03
KY Ret. KERS Plan Index		0.44	0.71	0.71	5.75	5.82	5.45	9.18
KERS- H	\$ 525,785,525.72	-0.14	-0.24	-0.24	5.53	5.43	5.05	9.03
KY Ret. KERS Haz Plan Index		0.20	-0.61	-0.61	5.35	5.58	5.33	9.14
CERS	\$ 6,099,384,678.23	-0.12	-0.53	-0.53	5.42	5.36	5.01	9.02
KY Ret. CERS Plan Index		0.19	-0.66	-0.66	5.32	5.56	5.32	9.14
CERS- H	\$ 1,996,672,175.16	-0.13	-0.38	-0.38	5.47	5.39	5.03	9.03
KY Ret. CERS Haz Plan Index		0.19	-0.66	-0.66	5.33	5.57	5.32	9.14
SPRS	\$ 207,704,138.04	0.00	-1.49	-1.49	5.09	5.16	4.91	8.99
KY Ret. SPRS Plan Index		0.33	-0.31	-0.31	5.43	5.63	5.35	9.15



KRS - INSURANCE

	Market Value	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
KERS INS	\$ 655,962,157.43	-0.21	-0.59	-0.59	4.86	4.50	4.14	7.16
KY Ins. KERS Plan Index		0.20	-0.56	-0.56	5.40	5.51	4.69	7.56
KERS - H INS	\$ 435,814,502.75	-0.10	-0.27	-0.27	5.35	4.79	4.28	7.21
KY Ins. KERS Haz Plan Index		0.24	-0.38	-0.38	5.51	5.58	4.72	7.57
CERS INS	\$ 1,897,655,656.99	-0.07	-0.07	-0.07	5.43	4.84	4.31	7.21
KY Ins. CERS Plan Index		0.26	-0.25	-0.25	5.59	5.62	4.75	7.58
CERS - H INS	\$ 1,050,416,901.02	-0.07	0.06	0.06	5.47	4.86	4.32	7.22
KY Ins. CERS Haz Plan Index		0.26	-0.24	-0.24	5.59	5.63	4.75	7.58
SPRS INS	\$ 160,102,069.59	-0.08	-0.02	-0.02	5.43	4.84	4.31	7.21
KY Ins. SPRS Plan Index		0.26	-0.22	-0.22	5.61	5.64	4.75	7.58

