

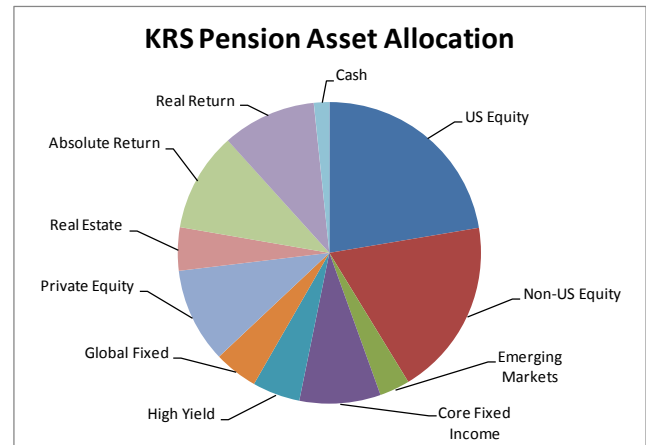
What’s going on in the marketplace?

The volatility experienced towards the end of the third quarter continued into the beginning of the fourth. But, by mid-October the financial markets began to turn. The large discrepancy in performance of large cap equities versus small caps that occurred during the third quarter as investors fled to safety amongst global financial fears (ie: geopolitical issues and a slowing of the European and Chinese economies) flipped during the month. Small caps rallied over 6.5%, while large caps return nearly 2.5%.

Part of the mid-month turnaround can be attributed to investor optimism outweighing fears that had bubbled up during the prior month. And while economic activity has been mild, an improved job market, and lower energy costs can not be ignored and is helping fuel the expansion. Lower fuel prices at the pump effectively act as a tax cut to final consumers adding to growing consumer confidence.

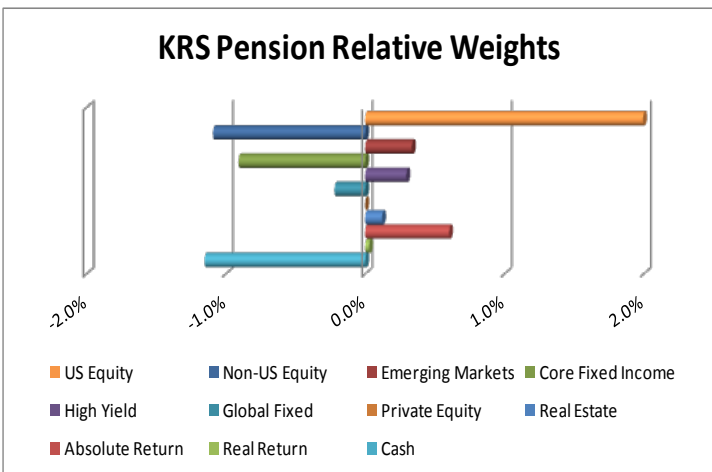
While the domestic economy is improving, the world is not without its worry. The Ukraine and Russia conflict has resulted in economic sanctions placed against Russia. This situation has caused an already weak European economy to get worse and slip back into recession. A China slowdown has many concerned; as the world’s second largest economy faces the transition from high growth led by an infrastructure build out to a more sustainable consumption based economy. The lesser demand for commodities has weighed heavy on those countries dependent on their export, such as Brazil and Australia.

In the near-term, geopolitical instability and economic activity questions abroad combined with higher valuations domestically will lead to greater volatility in the markets.



| | Oct | 1-Yr | 3-Yr | 5-Yr | 10-Yr |
|------------|------|------|------|------|-------|
| Total Fund | 0.83 | 7.66 | 9.77 | 9.60 | 6.49 |
| Benchmark | 0.66 | 7.95 | 9.99 | 9.59 | 6.61 |

KRS Pension Relative Weights

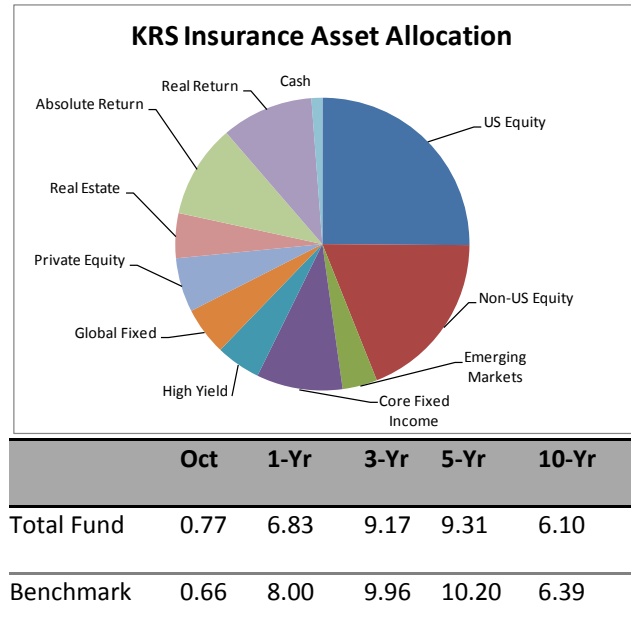


What added value this month?

PENSION – From a manager selection standpoint, the portfolio fared fairly well, having 2 asset classes really outperform on a relative basis. The Fixed Income portfolio added significant value over the BC Universal. The asset class was a mixed bag in terms of manager selection; however, the performance was buoyed by the collection of significant proceeds relating to a security class action case. The Non-US equity portfolio added 39 basis points of downside protection over the MSCI ACWI Ex-US index return of -0.98% for the month. The newly funded Lazard, Franklin Templeton, LSV, and American Century portfolios were the primary contributors of outperformance, adding 233, 99, 90, and 72 basis points over the benchmark, respectively.

From an allocation perspective, the pension fund most benefited from being roughly 2% overweight US equities, the strongest performing asset class for the period. In addition, the slightly better than 1% underweight Non-US equities benefited the portfolio as the asset class fell -1% for October.

INSURANCE – From a manager selection point of view, the portfolio really benefitted from the downside protection provided by the Non-US Equity portfolio, and relative outperformance of the US Equity allocation. Like with the pension fund, the Non-US Equity portfolio provided 39 basis points due in great part to the relative outperformance of the newly funded mandates (mentioned above). The US Equity portfolio returned 2.88% versus the Russell 300 Index return of 2.75% for the period. For the most part the large and small cap portfolios performed well, with the mid cap allocation performing more of a mixed bag in terms of individual mandates.

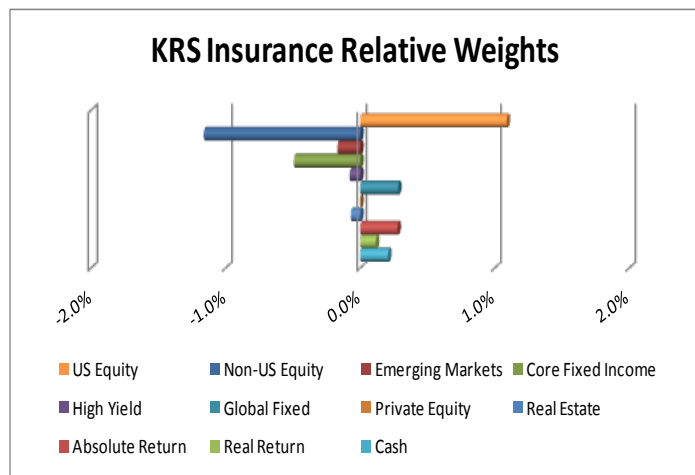


Like the pension fund, the insurance portfolio benefited from its overweight position to US Equities, combined with its underweight to Non-US Equities.

What detracted this month?

PENSION – Several asset classes struggled from a manager selection standpoint. The Absolute Return portfolio fell -0.31%, while its benchmark was essentially flat, 0.02%. The Emerging Market allocation underperformed the MSCI EM Index return of 1.19%; gaining just 0.62% as both active mandates struggled against the benchmark. Finally, the Real Return portfolio trailed its custom benchmark by 0.16% during the period; the Tortoise Capital portfolio experienced weakness in absolute terms, though it held up well versus its associated index.

From an allocation perspective, there were no significant detractors. The slight overweight to Absolute Return and underweight to the Fixed Income allocation hampered performance.



INSURANCE – Just like the pension fund, the insurance fund suffered from relative underperformance from the Absolute Return, Emerging Market Equity, and Real Return portfolios. In addition, the Fixed Income portfolio stumbled in terms of relative performance.

The underallocation to the Fixed Income portfolio hampered performance, as this was one of the better performing asset classes for October.

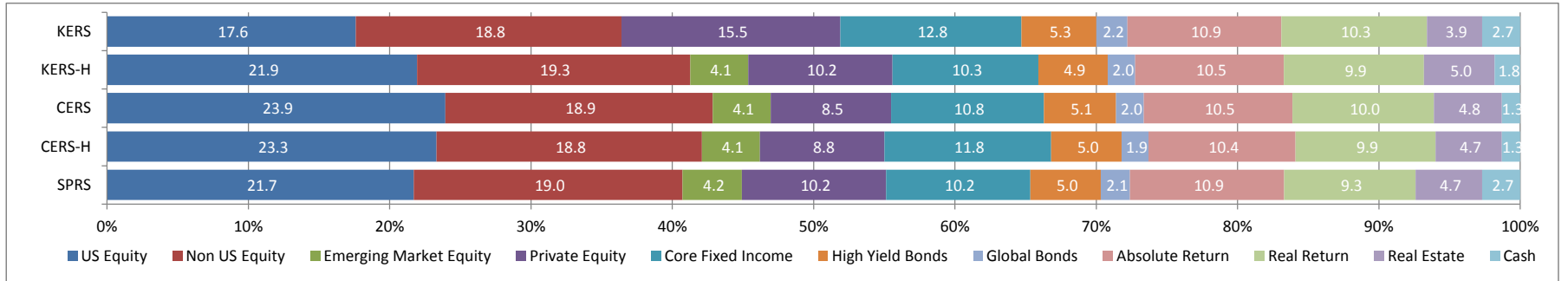
NOTES:

- 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.

- 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)</p> <p>Inception (07/01/02) to 06/30/11</p> <p>60.00% S&P 1500 Composite Index</p> <p>40.00% Barclays US Corporate High Yield Index</p> <p>07/01/11 to Present</p> <p>100.00% Russell 3000 Index + 4% (Qtr Lag)</p> | <p>Private Equity Composite (Insurance)</p> <p>Inception (07/01/02) to 06/30/11</p> <p>80.00% S&P 1500 Composite Index</p> <p>20.00% Barclays US Corporate High Yield Index</p> <p>07/01/11 to Present</p> <p>100.00% Russell 3000 Index + 4% (Qtr Lag)</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.

KENTUCKY RETIREMENT SYSTEMS - PENSION & INSURANCE - PLAN PERFORMANCE & ALLOCATION - 10/31/14

Pension Plan Allocations



KRS - PENSION

| | Month | FYTD | 1 YR | 3 YR | 5 YR | 10 YR | ITD |
|-----------------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|
| KERS | 0.82 | (0.25) | 8.44 | 9.88 | 9.66 | 6.52 | 9.48 |
| KERS Plan Index | 0.43 | (0.48) | 7.67 | 9.91 | 9.54 | 6.58 | 9.58 |
| KERS-H | 0.76 | (0.71) | 7.56 | 9.76 | 9.59 | 6.49 | 9.47 |
| KHAZ Plan Index | 0.56 | (0.52) | 7.71 | 10.02 | 9.60 | 6.62 | 9.60 |
| CERS | 0.85 | (0.68) | 7.44 | 9.75 | 9.58 | 6.48 | 9.46 |
| CERS Plan Index | 0.60 | (0.50) | 7.74 | 10.03 | 9.61 | 6.62 | 9.60 |
| CERS-H | 0.81 | (0.67) | 7.45 | 9.73 | 9.57 | 6.48 | 9.46 |
| CHAZ Plan Index | 0.60 | (0.50) | 7.74 | 10.03 | 9.61 | 6.62 | 9.60 |
| SPRS | 0.89 | (0.60) | 7.57 | 9.80 | 9.61 | 6.50 | 9.47 |
| SPRS Plan Index | 0.55 | (0.53) | 7.67 | 10.00 | 9.59 | 6.61 | 9.59 |

KRS - INSURANCE

| | Month | FYTD | 1 YR | 3 YR | 5 YR | 10 YR | ITD |
|---------------------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|
| KERS INS | 0.78 | (0.72) | 6.63 | 8.99 | 9.20 | 6.05 | 7.54 |
| INS KERS Plan Index | 0.71 | (0.37) | 7.78 | 9.96 | 10.20 | 6.39 | 7.96 |
| KERS-H INS | 0.78 | (0.68) | 6.94 | 9.25 | 9.36 | 6.13 | 7.57 |
| INS KHAZ Plan Index | 0.70 | (0.37) | 7.79 | 9.97 | 10.21 | 6.40 | 7.97 |
| CERS INS | 0.78 | (0.69) | 6.87 | 9.21 | 9.34 | 6.12 | 7.57 |
| INS CERS Plan Index | 0.69 | (0.37) | 7.79 | 9.97 | 10.21 | 6.40 | 7.97 |
| CERS-H INS | 0.77 | (0.69) | 6.86 | 9.20 | 9.33 | 6.11 | 7.57 |
| INS CHAZ Plan Index | 0.68 | (0.37) | 7.79 | 9.97 | 10.21 | 6.40 | 7.97 |
| SPRS INS | 0.75 | (0.69) | 6.93 | 9.21 | 9.34 | 6.12 | 7.57 |
| INS SPRS Plan Index | 0.67 | (0.36) | 7.79 | 9.97 | 10.21 | 6.40 | 7.97 |

Insurance Plan Allocations

