

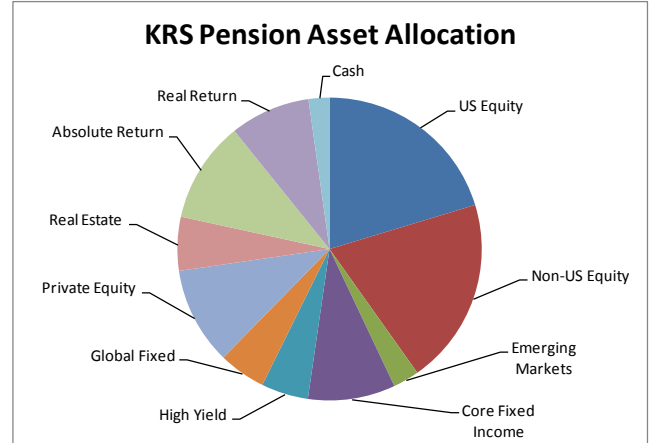
What's going on in the marketplace?

September was yet another difficult month for Global equity markets. Domestic stocks experienced negative returns for the month, but larger companies performed better as investors continue to favor larger, more established companies. Large cap U.S. equities were the most favorable, falling -2.47% (S&P 500 Index). Mid caps fared worse, returning -3.22% (S&P Midcap 400 Index); and Small caps brought up the rear, falling -4.91% (Russell 2000 Index). The market saw investors shifting from small cap to large cap equities over the quarter in an effort to focus on larger, safer companies.

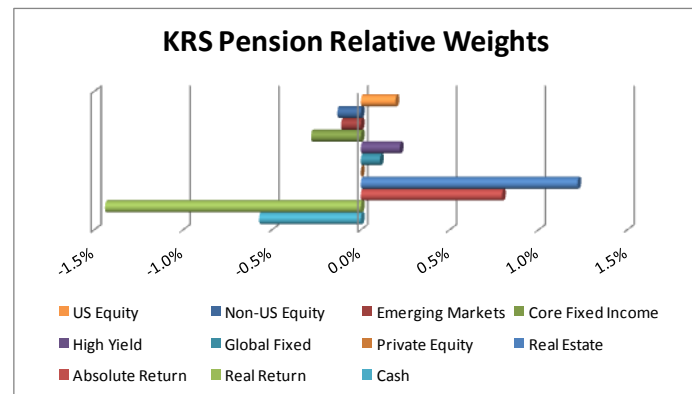
Equity markets abroad experienced losses as well, with developed markets being the largest detractors. The MSCI EAFE Index had a -5.04% loss for the month caused in part by the growing political stress of Europe's refugee crisis.

Emerging Markets fell slightly less for the month, returning -2.97%. In addition to troubles in Europe, China's growth continued to slow, causing damage not only to China's markets but also to the economies of other emerging markets dependent on China's growth.

Unlike the equity markets, core fixed income showed a slight uptick in September, with the Barclays Capital Aggregate Bond Index up 0.68%; and a positive 1.23% for the quarter. The increase was driven by a decline in interest rates in September, with the yield on the 10-year U.S. Treasury bond dropping from 2.17% to 2.06%.



	Sep	1-Yr	3-Yr	5-Yr	10-Yr
Total Fund	-1.52	-1.50	6.06	6.62	5.18
Benchmark	-1.25	-0.64	6.70	7.03	5.48



What added value this month?

PENSION – From a manager selection standpoint the pension portfolio was able to add value in the Non U.S. Equity, Absolute Return, and Emerging Market portfolios. The Non U.S. Equity portfolio was able to offer 35 basis points of downside protection against the MSCI ACWI Ex U.S. Index. Within the Non U.S. Equity portfolio, Franklin Templeton outperformed the benchmark by 135 basis points, making it the highest relative performer in the portfolio. The Emerging Market Equity portfolio also offered some protection, providing 8 basis points of relative outperformance. The Absolute Return portfolio protected against the downside as well, outperforming the benchmark by 7 basis points.

From an allocation standpoint, the portfolio benefited most from an overweight to Real Estate due to the relatively strong performance of its benchmark. The pension portfolio also benefited from an underweight to Non-U.S. Equity, Real Return, and Emerging Market Equity due to the relatively weak performance of their respective benchmarks. In total, the pension portfolio returned -1.52% in September versus the benchmark return of -1.25%.

INSURANCE – From a manager selection standpoint the insurance portfolio was able to add value in the Non U.S. Equity, Absolute Return, and Emerging Market Equity portfolios. The Non U.S. Equity portfolio was the best relative performer

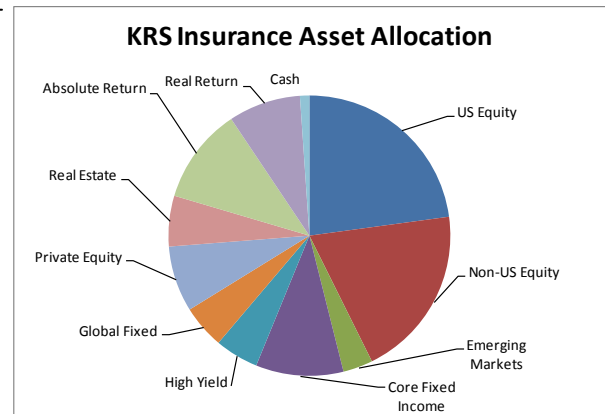
from a manager selection perspective, adding 32 basis points over its benchmark. The Absolute Return and Emerging Market Equity portfolios also outperformed from a relative perspective by 7 and 10 basis points respectively.

From an allocation standpoint, the insurance portfolio benefited most from an overweight to Real Estate due to its relatively strong benchmark performance. Like the pension fund, the Insurance portfolio benefited from an underweight to Non U.S. Equity, Emerging Markets, and Real Return. In total, the insurance portfolio fell -1.54% for the month of September compared to the benchmark return of -1.02%.

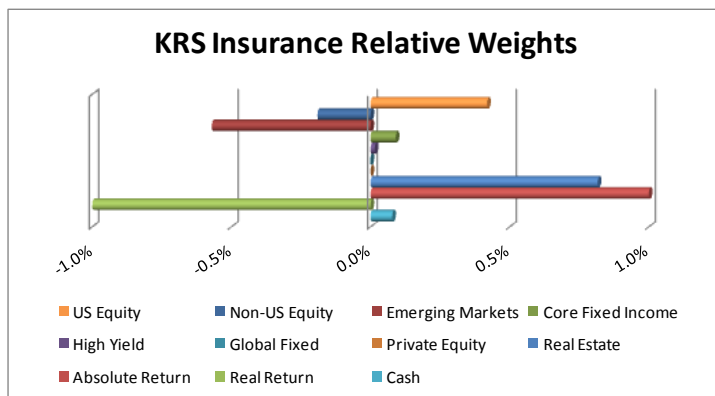
What detracted this month?

PENSION – From a manager selection standpoint the biggest detractor from performance came from the Real Return portfolio, which fell -2.54% for the month, underperforming its benchmark by 100 basis points. Fixed Income, U.S. Equity, and Real Estate detracted value from a manager selection standpoint as well, underperforming their benchmarks by 50, 32, and 65 basis points respectively. Various individual managers contributed to the underperformance, but within the Fixed Income portfolio Stone Harbor was the worst relative performer at 88 basis points less than its benchmark.

From an allocation perspective the pension portfolio suffered most from an underweight to the Fixed Income portfolio as indicated by the relatively strong performance of the Fixed Income portfolio benchmark. The portfolio also suffered from an overweight to the U.S. Equity and Absolute Return asset classes, due to their relatively weak benchmark returns.



	Sep	1-Yr	3-Yr	5-Yr	10-Yr
Total Fund	-1.54	-1.77	5.49	6.30	4.49
Benchmark	-1.02	-0.08	6.89	7.75	5.07



INSURANCE – From a manager selection standpoint the biggest detractor from performance came from the Fixed Income and Real Return portfolios, which fell -0.07% and -2.22% for the month respectively. U.S. Equity and Real Estate detracted value from a manager selection standpoint as well, underperforming their benchmarks by 26 and 30 basis points respectively. Various individual managers contributed to the underperformance, but within the U.S. Equity portfolio Sasco Capital was the worst relative performer, underperforming the Russell

Midcap Value Index by 1.89%.

From an allocation standpoint, the insurance portfolio suffered most from an underweight to Fixed Income as indicated by its relatively strong performing benchmark. The insurance portfolio also suffered from an overweight to U.S. Equity and Absolute Return, which had relatively weak performing benchmarks for the month.

NOTES:

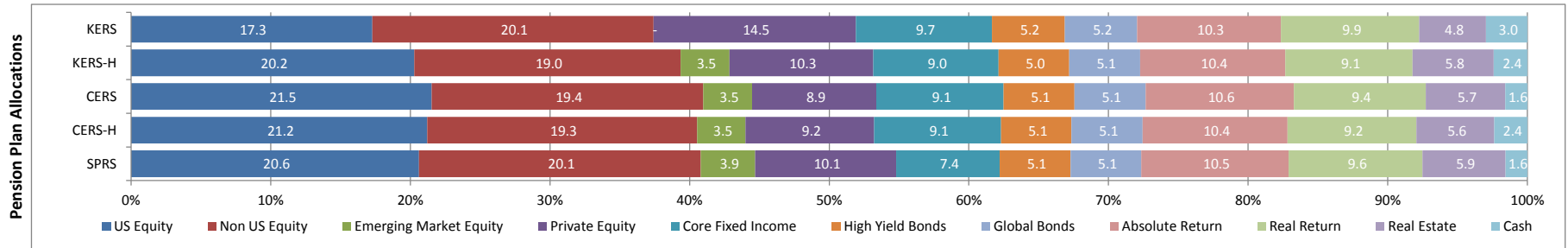
- 1) Returns displayed are “net”. For the purposes of this report, total fund return information is net of fees and expenses, with audited data beginning in July 2011. At the manager level (detailed return sheets pgs.4-5), returns are net of fees beginning with July 2011, and gross of fees for prior 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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- 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 FUND - NET RETURNS - 09/30/15

Table with columns: Structure, Benchmark, Inception, Market Value, % of Total, and performance metrics for 1 Month, QTD, Fiscal YTD, and 1 Year, 3 Years, 5 Years, 10 Years, 20 Years, and ITR. Rows include categories like TOTAL FUND, US PUBLIC, EQUITY NON-US, PUBLIC EQUITY, FIXED INCOME, REAL RETURN, ABSOLUTE RETURN, REAL ESTATE, and PRIVATE EQUITY.

KENTUCKY RETIREMENT SYSTEMS - PENSION & INSURANCE - PLAN PERFORMANCE & ALLOCATION - 09/30/15



KRS - PENSION

	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
KERS	-1.41	-4.22	-1.17	6.06	6.62	5.18	9.10
KY Ret. KERS Plan Index	-1.02	-3.62	-0.08	6.90	7.15	5.54	9.28
KERS- H	-1.48	-4.85	-1.73	5.91	6.53	5.14	9.08
KY Ret. KERS Haz Plan Index	-1.33	-4.64	-1.32	6.52	6.92	5.43	9.24
CERS	-1.62	-5.14	-2.01	5.69	6.40	5.07	9.06
KY Ret. CERS Plan Index	-1.43	-4.80	-1.53	6.44	6.87	5.41	9.23
CERS- H	-1.53	-4.94	-1.67	5.92	6.54	5.14	9.08
KY Ret. CERS Haz Plan Index	-1.40	-4.76	-1.48	6.46	6.89	5.41	9.23
SPRS	-1.66	-5.17	-2.02	5.83	6.48	5.11	9.08
KY Ret. SPRS Plan Index	-1.35	-4.68	-1.39	6.48	6.90	5.42	9.23

KRS - INSURANCE

	Month	FYTD	1 YR	3 YR	5 YR	10 YR	ITD
KERS INS	-1.80	-5.29	-2.48	5.06	6.04	4.36	7.17
KY Ins. KERS Plan Index	-1.64	-5.19	-1.87	6.23	7.35	4.88	7.60
KERS - H INS	-1.61	-5.08	-1.93	5.51	6.31	4.49	7.22
KY Ins. KERS Haz Plan Index	-1.44	-4.91	-1.44	6.40	7.45	4.93	7.62
CERS INS	-1.49	-4.92	-1.63	5.58	6.36	4.51	7.22
KY Ins. CERS Plan Index	-1.29	-4.71	-1.12	6.52	7.52	4.96	7.63
CERS - H INS	-1.45	-4.85	-1.55	5.60	6.37	4.52	7.23
KY Ins. CERS Haz Plan Index	-1.28	-4.70	-1.09	6.53	7.53	4.96	7.63
SPRS INS	-1.46	-4.83	-1.62	5.60	6.37	4.52	7.23
KY Ins. SPRS Plan Index	-1.25	-4.65	-1.02	6.56	7.55	4.97	7.64

