

Unlocking

Your FUTURE



Comprehensive Annual Financial Report
for fiscal year ended June 30, 2007

KENTUCKY RETIREMENT SYSTEMS

*Kentucky Employees Retirement System
County Employees Retirement System
State Police Retirement System*

A COMPONENT UNIT OF THE COMMONWEALTH OF KENTUCKY



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RETIREMENT

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Introductory Section



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Kentucky Employees Retirement Systems
County Employees Retirement Systems
State Police Retirement Systems

KENTUCKY RETIREMENT SYSTEMS

Peremiter Park
1260 Louisville Road
Frankfort, Kentucky 40601



William P. Hanes Esq.
Executive Director
Phone: 502-696-8800
FAX: 502-696-8801
www.kyret.com

November 15, 2007

The Board of Trustees
Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601-6124

Dear Board of Trustees and Members:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS) for the fiscal year ended June 30, 2007. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the Kentucky Retirement Systems.

We present this information to assist the Board and members of Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS) (collectively referred to as KRS) in understanding KRS' financial and actuarial status. This CAFR was prepared to conform with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board. Transactions of the system are reported on the accrual basis of accounting. Additionally, sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules. Please refer to Management's Discussion and Analysis on page 29 for more information.

History

KERS was created in 1956 by the Kentucky General Assembly in order to supplement the benefits provided by Social Security. When the first actuarial valuation was completed June 30, 1957, there were 16,000 employees participating in KERS and assets of \$2.8 million. SPRS and CERS were established in 1958. The first actuarial valuation of SPRS was conducted June 30, 1959. No actuarial valuation of CERS was conducted until June 30, 1960 because the statutes did not authorize retirements from the system prior to July 1, 1960. On June 30, 1960, there were 68 counties and 2,617 employees participating in CERS, and SPRS included 415 uniformed state troopers.

As of June 30, 2007, there were more than 316,000 active, inactive and retired members in the combined systems and approximately \$16.9 billion in assets. A breakdown of membership by system is provided in the Statistical Section.

KRS staff provides detailed benefit estimates to members upon request. Counselors are available at the Frankfort office for individual counseling, both in office by appointment and by telephone during normal business hours. In addition, staff conducts individual counseling sessions at sites throughout the Commonwealth and holds pre-retirement seminars to help members prepare for retirement. Information including an online benefit calculator and a service purchase calculator is available online at <http://www.kyret.com>.

Major Initiatives

A major goal for KRS during the fiscal year was to raise awareness of the continued reductions to the KERS and SPRS employer contribution rates by the Kentucky General Assembly. These rates have been less than the amount recommended by the KRS Board of Trustees and its consulting actuary. Through educational initiatives with our membership and with policymakers, KRS received an increase in the employer contribution rate for the 2006-2007 and the 2007-2008 fiscal years. While this was the first increase in the KERS and SPRS employer rates since 2001, contributions remained far short of the actuarially recommended rates. Management believes that these efforts must continue as actuarial funding levels continue to falter.

In 2006 KRS offered five new health plans to its Medicare eligible retirees. Three of those offerings were self-insured products and two were Anthem Medicare Advantage plans. Beginning in January 2007 the Anthem Medicare Advantage plans were no longer offered to retirees. This first year saw a 5% increase in generic drug utilization and an overall medical trend in single digits. KRS has supported CMS's preventive screening initiatives for Medicare eligible retirees and participated in the Retiree Drug Subsidy (RDS) program also offered by CMS. The RDS program realized a \$13.5 million reimbursement for KRS from CMS for providing pharmaceutical coverage to its retirees. Developing an effective long term strategy is a priority for KRS and begins with identifying baseline information and formulating programs that bring disease and pharmacy management principles to bear on those with chronic disease. It is important to recognize that a program of ongoing prevention activities and education of retirees in self-management skills is a critical piece of an effective long term strategy. In that light KRS has also begun to analyze the under-65 retiree health care utilization trends in an effort to support the long-term program management needs.

KRS has undertaken a major project initiative to implement a new, state of the art pension administration solution. The project is called Strategic Technology Advancement for the Retirement of Tomorrow (START).

The primary objective of START is to implement a stable, proven, state-of-the-industry, fully integrated and browser based solution capable of supporting the KRS mission well into the 21st century.

Objectives of the START initiative include:

- Improved service levels to members;
- Improved system workflow and increased work efficiency;
- Expanded and improved Web-based, self-service functions to members, retirees, and employers;
- Improved accuracy of all information collected, maintained, and provided by KRS;
- Improved timeliness and accuracy of responses to members' inquiries, and
- A secure environment for the receipt and transmittal of information related to members, retirees, and employers.

In addition to the pension application, the new solution will include best practice workflow management elements and business process and organizational changes, as well as the computer hardware and software necessary to support the new system.

As part of the continued commitment to protect our membership information, Kentucky Retirement Systems has identified the need to improve information technology security controls and practices as part of continual improvement processes. Over the past twelve months, KRS has initiated several activities to better protect member's information including:

- Established and implemented a disclosure policy that outlines how KRS will respond in the event member data is exposed in any manner.
- Enhanced security awareness activities for KRS staff and management.
- Provided security awareness presentations for members to help them better understand potential risks associated with technology and the Internet.
- Continued review of business processes to determine potential security risks.
- Completed another 3rd party assessment of critical information technology infrastructure to identify and remedy weaknesses.
- Enhanced the security of our business and technology infrastructure by investing in several security related systems and solutions designed to protect against unauthorized access to our membership information.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kentucky Retirement Systems for its Consolidated Annual Financial Report for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports. This was the eighth consecutive year that KRS has achieved this award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Investments

The Board of Trustees of the Kentucky Retirement Systems has a statutory obligation to invest KRS' funds in accordance with the "prudent person rule." The prudent person rule states that fiduciaries shall discharge their investment duties with the same degree of diligence, care and skill that a prudent person would ordinarily exercise under similar circumstances in a comparable position.

The Board has managed the funds in recognition of the basic long-term nature of the Systems. The Board has interpreted this to mean that the assets of the systems should be actively managed — that is, investment decisions regarding the particular securities to be purchased or sold shall be the result of the conscious exercise of discretion. The Board has further recognized that proper diversification of assets must be maintained. It is through these policies that KRS has been able to provide significant return/risk ratio over the long-term while minimizing investment related expenses. The Investment Section of this report, starting on page 73, contains detailed analysis of investments. This section includes asset allocations, rates of return, discussion of the fiscal year market environment and historical trend schedules.

The pension and insurance investment trusts experienced positive growth during the 2006-2007 fiscal year. The pension portfolio posted a total return of 15.3% for the year, while the insurance portfolio earned 19.3%. Investment income, which includes the appreciation of asset values, dividends, and interest totaled \$1,909.2 million and \$421.7 million, net of investment expenses, for the pension and insurance portfolios, respectively. The majority of this amount was due to the appreciation in value of investments, which totaled \$1,507.8 million for the pension portfolio and \$366.8 million for the insurance fund. Interest and dividends accounted for \$420.7 million for the pension portfolio and \$57.4 million for the insurance portfolio.

Actuarial Funding

The Kentucky Retirement Systems' funding objective is to meet long-term benefit promises through contributions that remain fairly level as a percent of active member payroll. The progress towards achieving the intended funding objectives for both the pension and insurance funds can be measured by the funding level of the actuarial assets of each fund to the actuarial liabilities. The funding level for the pension funds as of June 30, 2007 are 56.89% for KERS Non-Hazardous, 83.59% for KERS Hazardous, 82.11% for CERS Non-Hazardous, 74.22% for CERS Hazardous and 63.66% for SPRS. These funding levels will fluctuate over time with experience deviations. Since 2001, all systems have experienced reductions in the funding levels for the pension funds due to investment returns less than the assumed rate resulting from market loss, higher than anticipated retirements, increasing payments for retiree cost of living adjustments, and adjustments in actuarial assumptions which were effective with the June 30, 2006 valuation.

The insurance funds, which were established in 1978 to provide funding for retiree medical benefits, has improved in recent years due to the Board's policy of incrementally increasing employer contributions to the funds in order to reach full entry age normal cost by 2016. However, the insurance funds are not at the same funding levels as the pension funds. The funding level for the insurance funds as of June 30, 2007 are 11.94% for KERS Non-Hazardous, 49.82% for KERS Hazardous, 28.80% for CERS Non-Hazardous, 31.15% for CERS Hazardous and 16.62% for SPRS. The insurance funds continue to be a primary concern of the Kentucky Retirement Systems. Total actuarial liabilities for the funds exceed the actuarial value of the assets by \$8.66 billion.

Detailed information of the actuarial soundness of KRS can be found in the Actuarial Section of this report.

Professional Services

A listing of the Board's contract consultants can be found in the organizational chart on page 14. A listing of the

external investment managers can be found on page 89 in the Investment Section.

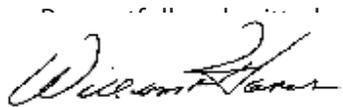
Other Information

Kentucky Statutes require an annual audit by an independent certified public accountant or the Auditor of Public Accounts. Mountjoy & Bressler PSC performed the audit for the fiscal year ended June 30, 2007, and the results of that audit are contained in the Financial Section. The firm gave KRS an unqualified opinion and also indicated that the financial statements present fairly, in all material respects, the plan net assets of Kentucky Retirement Systems.

The compilation of this report reflects the combined efforts of the KRS administrative staff under the leadership of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with statutory provisions, and as a means of determining responsible stewardship of KRS funds.

The report is available to all employers participating in the Kentucky Retirement Systems. They form the link between KRS and its membership, and their cooperation contributes significantly to the success of the Kentucky Retirement Systems. We hope the employers and their employees find this report informative. This and past CAFRs can be found on the KRS web site, www.kyret.com.

On behalf of the Board of Trustees, I would like to take this opportunity to express my gratitude to the staff, the advisors and the many people who have worked so diligently to assure the successful operation of the Kentucky Retirement Systems.



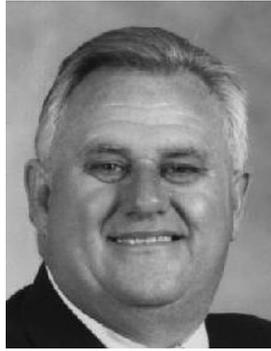
William P. Hanes, Esq.
Executive Director

2007 KRS Board of Trustees

A nine-member Board of Trustees administers the Systems: two trustees elected by KERS members; two trustees elected by CERS members; one trustee elected by SPRS members; three trustees appointed by the Governor; and the Secretary of the State Personnel Cabinet. One of the trustees appointed by the Governor must be knowledgeable about the impact of pensions on local governments. Elected trustees may serve no more than five terms consecutively.



Randy J. Overstreet, Chair
Elizabethtown
Elected by SPRS
Term Expires March 31, 2007



Walter J. Pagan, Vice Chair
Wilder
Appointed by Governor
Term Expires March 31, 2008



Vince Lang
Frankfort
Elected by CERS
Term Expires March 31, 2009



Lynn T. Harpring
Louisville
Appointed by Governor
Term Expires March 31, 2008



Bobby D. Henson
Frankfort
Elected by KERS
Term Expires March 31, 2010



Susan Smith Horne
Lexington
Elected by KERS
Term Expires March 31, 2010



W. Lewis Reynolds III
Louisville
Appointed by Governor
Term Expires March 31, 2011



Brian J. Crall
Frankfort
Secretary, Personnel Cabinet
Term Expires Ex-Officio



Patricia Ballenger
Lexington
Elected by CERS
Term Expires March 31, 2009

Board of Trustees

Audit Committee



*Internal Auditor
Todd E. Coleman*



*Executive Director
William P. Hanes*



*Chief Operations Officer
William A. Thielen*



*Human Resources Director
Marlane Robinson*

Office Support
Donna Beckley

Accounting
Sandra Bush

Information and Technology
Chris Clark (Acting)

Planning and Constituent Services
Shawn Sparks

START Project Manager
Chris Clark

Communications
Scarlett Consalvi

Consultants

Actuarial Services
Cavanaugh Macdonald Consulting, LLC

Auditing Services
Mountjoy & Bressler, LLP

Legal Consultants
Klausner & Kaufman, PA

**Investment
Committee**



**Chief Investment Officer
Adam Tosh**

Compliance Officer
Joseph Gilbert

Equity Assets
Bo Cracraft

Fixed Assets
Kenton Bottoms

Alternative Investments
Brent Aldridge



**General Counsel
J. Eric Wampler**



**Chief Benefits Officer
Gerri D. Miller**

Retiree Services
Lela Hatter (Acting)

Field Services
Sarah Webb

Membership Support
Suzanne Howe

Disabilities
Charlene Haydon

Employment Services
Rebecca Stephens

Sr. Advisor Retiree Health
Rick Schultz

Legal Services

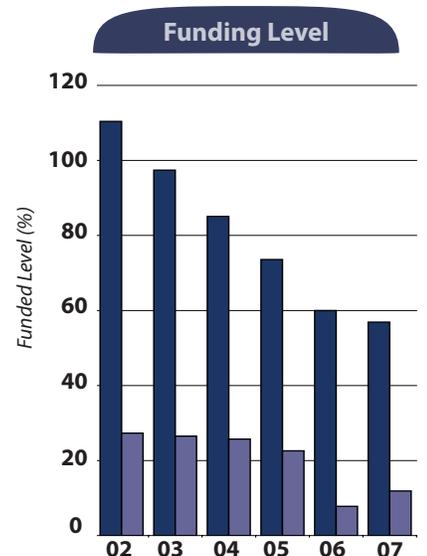
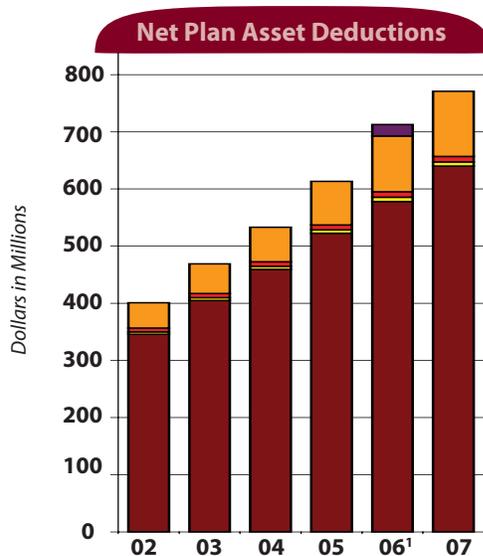
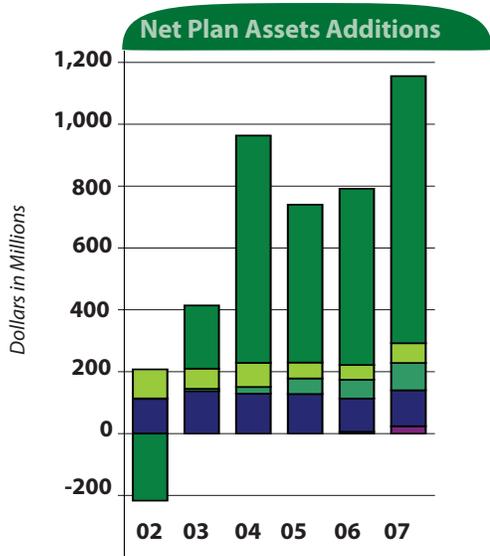
Stoll Kennon & Park, LLP

Fiduciary Review Consultants

Ice Miller, LLP

Asset Management

Strategic Investment Solutions



¹ As of January 1, 2006 the Medical Insurance Exp. includes Self Funding Insurance expenses.

Kentucky Employees Retirement System Non-Hazardous

The Kentucky Employees Retirement System (KERS) was established July 1, 1956 by the state legislature. Employees who work in a regular full time position for a participating agency must be enrolled in the retirement system at the beginning of their employment. A regular full-time position is defined by state statute as a position that averages 100 hours of work per month over a fiscal or calendar year, excluding the classifications of temporary, seasonal, and interim.

System Highlights

Members

Active Members :	47,913
Inactive Members:	30,904
Retired Members and Beneficiaries:	33,849

Active Membership

Average Age:	43.3
Average Years of Service:	9.3
Average Annual Salary:	\$37,155

Retired Membership

Average Age:	66.1
Average Annual Benefit:	\$20,120
Number Added:	2,440
Number Removed:	731

Normal Retirement

The KERS formula for normal retirement is:

$$\text{Final Compensation} \times \text{Benefit Factor} \times \text{Years of Service}$$

Insurance Benefits

The cost of insurance for the retired member may be partially, or fully paid by KRS depending upon the member's years of service, the insurance carrier selected and the level of coverage chosen.

Retirement Eligibility

Age	Years of Service	Allowance Reduction
65	4	None
Any	27	None
55	5	5% per year for 5 years before age 65 or 27 years of service. 4% for each year thereafter.
Any	25	5% each year for five years before 65 or 27 years of service.

Cost of Living Adjustment

Monthly retirement allowances are increased July 1 each year by the percentage increase in the annual average consumer price index (CPI-U) for all urban consumers for the most recent calendar year not to exceed 5%. The State Legislature may reduce, suspend or eliminate COLAs in the future.

Net Plan Assets

Pension Fund:	\$5,773,157,000
Insurance Fund:	\$ 663,558,000
Total:	\$6,436,715,000

Contributions

Employees:	5%
Employers:	Pension: 16.54%
	Insurance: 20.38%
	Total 36.92%

(Rate Effective July 1, 2008)

KERS employer rates are subject to state budget approval.

2002 2003 2004 2005 2006 2007

(Dollars in Millions)

Net Plan Assets Additions

● Net Investment Income	216.8	204.2	734.6	510.5	570.1	863.5
● Employer Cont. (Ins.)	93.9	65.3	78.0	51.4	47.6	64.0
● Employer Cont. (Pen.)	1.8	7.6	21.7	50.3	60.7	88.2
● Member Contribution	112.0	137.1	129.1	127.8	107.6	116.3
● Other Income					5.8	22.9

Net Plan Assets Deductions

● Medical Insurance Exp.	44.1	52.0	60.5	76.0	97.5	114.1
● Refunds	6.7	7.3	8.0	8.8	9.6	9.5
● Administrative Exp.	4.4	5.0	5.3	5.9	7.6	7.1
● Benefit Payments	345.7	404.9	459.4	522.4	577.9	640.2
● Demutualization Refunds					20.0	

Funding Level

(% of Actuarial Assets to Actuarial Liabilities)

● Pension	110.4	97.4	85.1	73.6	60.0	56.9
● Insurance	27.3	26.5	25.7	22.6	7.8	11.9

System Highlights

Members

Active Members:	4,349
Inactive Members:	2,738
Retired Members and Beneficiaries:	2,202

Active Membership

Average Age:	41.7
Average Years of Service:	7.0
Average Annual Salary:	\$33,304

Retired Membership

Average Age:	61.3
Average Annual Benefit:	\$13,487
Number Added:	241
Number Removed:	19

Normal Retirement

The KERS formula for normal retirement is:

$$\text{Final Compensation} \times \text{Benefit Factor} \times \text{Years of Service}$$

Insurance Benefits

The cost of insurance for the retired member and eligible dependents may be partially, or fully paid by KRS depending upon the member's type and years of service, the insurance carrier selected and the level of coverage chosen.

Retirement Eligibility

Age	Years of Service	Allowance Reduction
55	5	None
Any	20	None
50	15	5.5% per year for 5 years before age 55 or 20 years of service.

Cost of Living Adjustment

Monthly retirement allowances are increased July 1 each year by the percentage increase in the annual average consumer price index (CPI-U) for all urban consumers for the most recent calendar year not to exceed 5%. The State Legislature may reduce, suspend or eliminate COLAs in the future.

Net Plan Assets

Pension Fund:	\$ 510,775,000
Insurance Fund:	\$ 280,886,000
Total:	\$ 791,661,000

Contributions

Employees:	8 %
Employers:	
Pension:	10.84 %
Insurance:	23.94 %
Total:	34.78 %

(Rate Effective July 1, 2008)

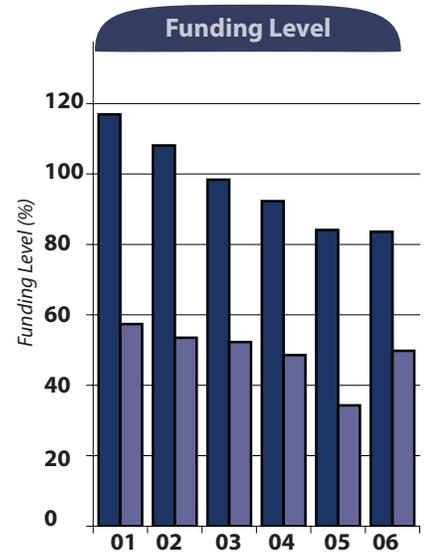
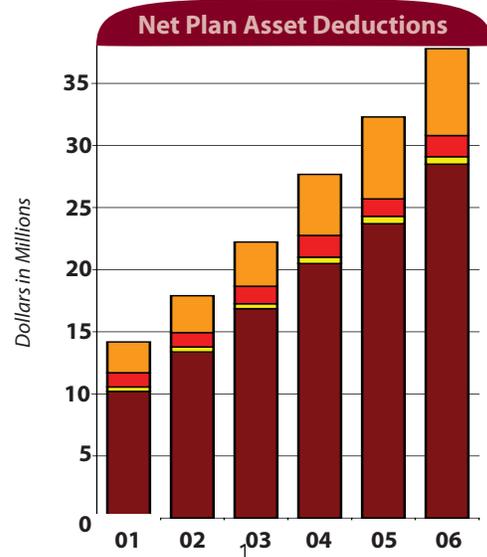
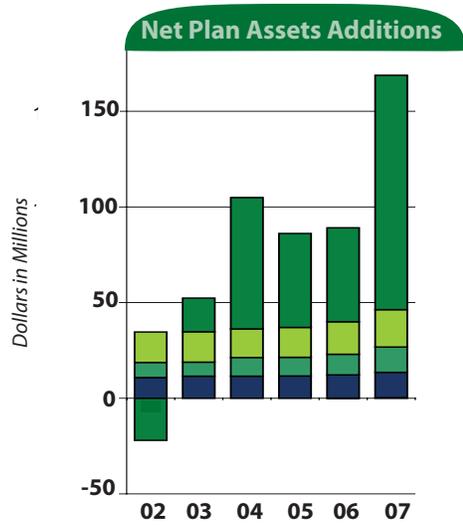
KERS employer rates are subject to state budget approval.

Kentucky Employees Retirement System Hazardous

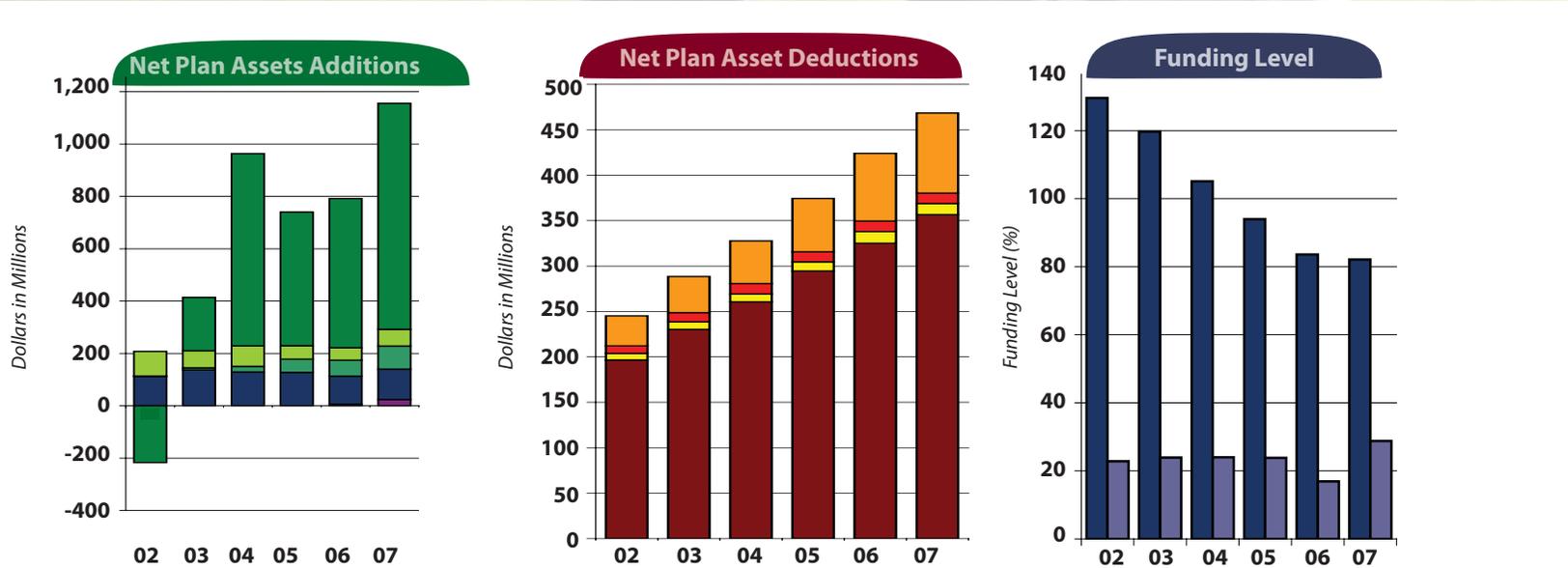
The Kentucky Employees Retirement System (KERS) was established July 1, 1956 by the state legislature. Employees who work in a regular full time position for a participating agency must be enrolled in the retirement system at the beginning of their employment. A regular full-time position is defined by state statute as a position that averages 100 hours of work per month over a fiscal or calendar year, excluding the classifications of temporary, seasonal, and interim.



	2002	2003	2004	2005	2006	2007
Net Plan Assets Additions	(Dollars in Millions)					
● Net Investment Income	22.0	17.6	68.6	49.1	65.7	122.5
● Employer Cont. (Ins.)	15.9	15.9	15.0	15.7	17.0	19.5
● Employer Cont. (Pen.)	7.9	7.3	9.8	9.8	10.8	13.3
● Member Contribution	10.8	11.6	11.5	11.6	12.1	13.3
● Other Income					.09	.3
Net Plan Assets Deductions	(Dollars in Millions)					
● Medical Insurance Exp. ¹	2.5	3.0	3.6	4.9	6.6	7.0
● Refunds	1.1	1.2	1.4	1.8	1.4	1.3
● Administrative Exp.	.4	.4	.4	.5	.6	.6
● Benefit Payments	10.2	13.4	16.9	20.5	23.7	28.5
Funding Level						
● Pension	116.9	108.1	98.4	92.3	84.1	83.3
● Insurance	57.4	53.5	52.3	48.6	34.3	49.8



¹ As of January 1, 2006 the Medical Insurance Exp. includes Self Funding Insurance expenses.



¹ As of January 1, 2006 the Medical Insurance Exp. includes Self Funding Insurance expenses.

County Employees Retirement System Non-Hazardous

The County Employees Retirement System (CERS) was established July 1, 1958 by the state legislature. Employees who work in a regular full time position for a participating agency must be enrolled in the retirement system at the beginning of their employment. A regular full-time position is defined by state statute as a position that average 100 hours of work per month over a fiscal or calendar year, excluding the classifications of temporary, seasonal, and interim. For school board employees participating in the CERS non-hazardous plan, a regular full-time position is defined as a position that requires the employee to averages 80 hours of work per month over the actual days worked during the school year.

System Highlights

Members

Active Members	84,920
Inactive Members	53,901
Retired Members and Beneficiaries	35,564

Active Membership

Average Age	45.9
Average Years of Service	8.1
Average Annual Salary	\$24,457

Retired Membership

Average Age	68.0
Average Annual Benefit	\$10,212
Number Added	3,244
Number Removed	782

Normal Retirement

The CERS formula for normal retirement is:

$$\text{Final Compensation} \times \text{Benefit Factor} \times \text{Years of Service}$$

Insurance Benefits

The cost of insurance for the retired member may be partially, or fully paid by KRS depending upon the member's years of service, the insurance carrier selected and the level of coverage chosen.

Retirement Eligibility

Age	Years of Service	Allowance Reduction
65	4	None
Any	27	None
55	5	5% per year for 5 years before age 65 or 27 years of service. 4% for each year thereafter.
Any	25	5% each year for five years before 65 or 27 years of service.

Cost of Living Adjustment

Monthly retirement allowances are increased July 1 each year by the percentage increase in the average consumer price index (CPI-U) for all urban consumers for the most recent calendar year not to exceed 5%. The State Legislature may reduce, suspend or eliminate COLAs in the future.

Net Plan Assets

Pension Fund:	\$5,812,936,000
Insurance Fund:	\$1,084,043,000
Total:	\$6,896,979,000

Contributions

Employees:	5%
Employers:	Pension: 7.76%
	Insurance: 12.75%
	Total 20.51%

(Rate Effective July 1, 2008)

2002 2003 2004 2005 2006 2007

(Dollars in Millions)

Net Plan Assets Additions

● Net Investment Income	151.5	170.7	637.7	469.4	527.8	949.0
● Employer Cont. (Ins.)	102.2	99.2	89.3	107.6	128.9	147.6
● Employer Cont. (Pen.)	5.5	11.9	44.0	54.6	90.8	124.3
● Member Contribution	122.4	125.3	122.5	127.6	112.4	122.0
● Other Additions					6.4	23.6

(Dollars in Millions)

Net Plan Assets Deductions

● Medical Insurance Exp. ¹	33.0	39.7	47.0	58.7	74.5	88.2
● Refunds	8.3	10.2	11.3	11.0	11.6	11.4
● Administrative Exp.	7.2	8.2	8.7	10.0	12.8	12.2
● Benefit Payments	196.7	230.3	260.6	294.6	325.1	356.6

(% of Actuarial Assets to Actuarial Liabilities)

Funding Level

● Pension	129.6	119.7	105.1	94.0	83.6	82.1
● Insurance	22.8	23.9	24.0	23.8	16.9	28.8

System Highlights

Members

Active Members	10,063
Inactive Members	2,224
Retired Members and Beneficiaries	5,159

Active Membership

Average Age	38.6
Average Years of Service	8.1
Average Annual Salary	\$45,613

Retired Membership

Average Age	58.6
Average Annual Benefit	\$24,259
Number Added	500
Number Removed	53

Normal Retirement

The KERS formula for normal retirement is:

$$\text{Final Compensation} \times \text{Benefit Factor} \times \text{Years of Service}$$

Insurance Benefits

The cost of insurance for the retired member and eligible dependents may be partially, or fully paid by KRS depending upon the member's type and years of service, the insurance carrier selected and the level of coverage chosen.

Retirement Eligibility

Age	Years of Service	Allowance Reduction
55	5	None
Any	20	None
50	15	5.5% per year for 5 years before age 55 or 20 years of service.

Cost of Living Adjustment

Monthly retirement allowances are increased July 1 each year by the percentage increase in the annual average consumer price index (CPI-U) for all urban consumers for the most recent calendar year not to exceed 5%. The State Legislature may reduce, suspend or eliminate COLAs in the future.

Net Plan Assets

Pension Fund:	\$1,754,935,000
Insurance Fund:	\$ 570,156,000
Total:	\$2,325,091,000

Contributions

Employees:		8 %
Employers:	Pension:	15.04 %
	Insurance:	27.62 %
	Total:	42.66 %

(Rate Effective July 1, 2008)

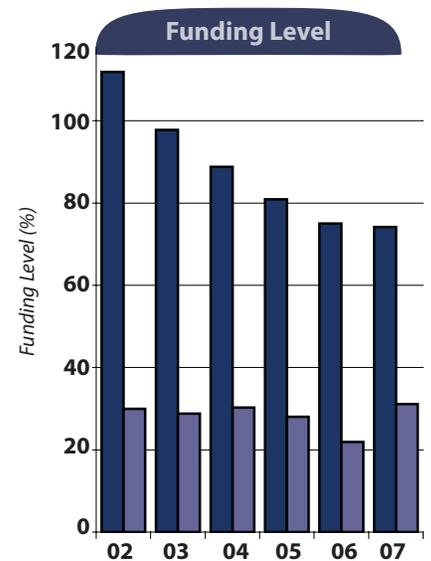
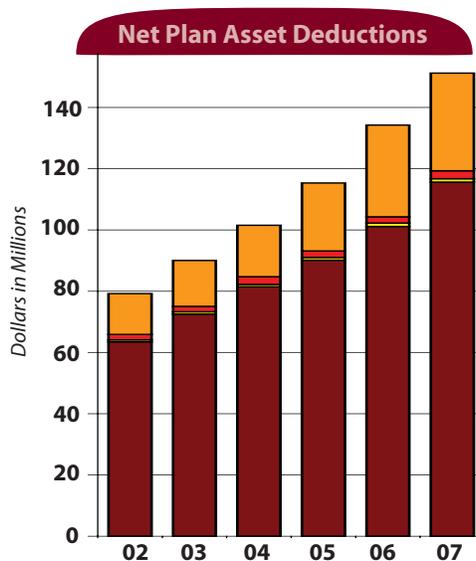
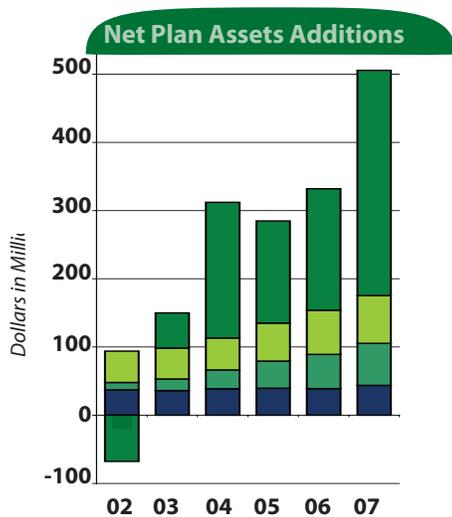


	2002	2003	2004	2005	2006	2007
Net Plan Assets Additions	(Dollars in Millions)					
● Net Investment Income	67.6	51.6	199.0	148.7	178.1	330.1
● Employer Cont. (Ins.)	45.7	45.2	47.0	55.6	64.9	70.1
● Employer Cont. (Pen.)	11.1	16.9	27.6	39.9	50.0	61.6
● Member Contribution	37.1	36.2	38.7	39.5	39.1	43.7
● Other Income					1.0	.8
Net Plan Assets Deductions	(Dollars in Millions)					
● Medical Insurance Exp. ¹	13.3	15.0	16.8	22.2	29.9	31.9
● Refunds	1.8	1.8	2.5	2.1	2.1	2.6
● Administrative Exp.	.6	.7	.8	.9	1.1	1.1
● Benefit Payments	63.5	72.5	81.4	90.1	101.1	115.6
Funding Level	(% of Actuarial Assets to Actuarial Liabilities)					
● Pension	111.9	97.8	88.8	80.9	75.0	74.2
● Insurance	30.0	28.8	30.3	28.0	21.9	31.2



County Employees Retirement System Hazardous

The County Employees Retirement System (CERS) was established July 1, 1958 by the state legislature. Employees who work in a regular full time position for a participating agency must be enrolled in the retirement system at the beginning of their employment. A regular full-time position is defined by state statute as a position that averages 100 hours of work per month over a fiscal or calendar year, excluding the classifications of temporary, seasonal, and interim.

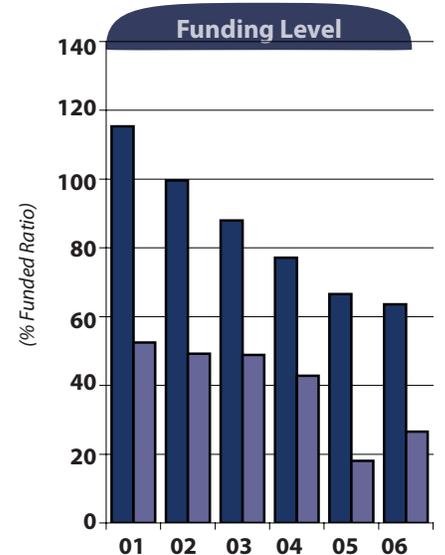
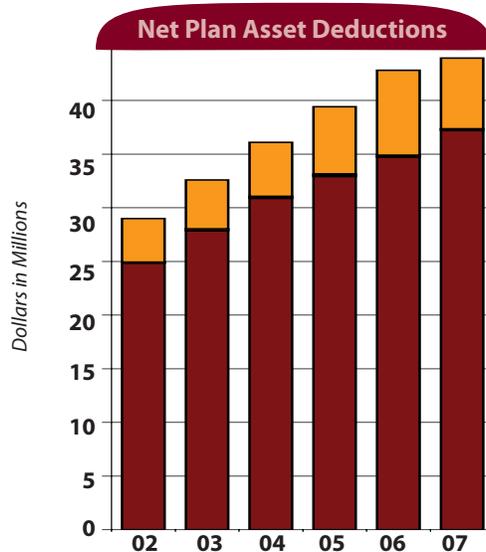
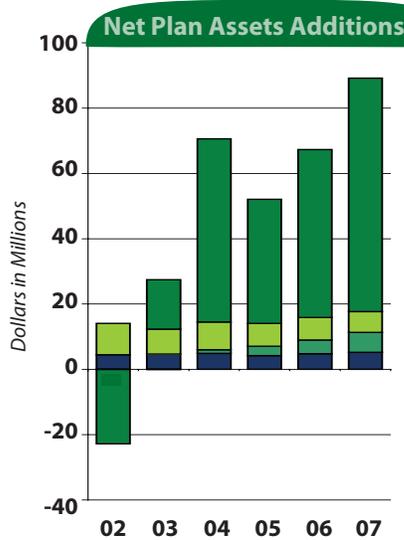


¹ As of January 1, 2006 the Medical Insurance Exp. includes Self Funding Insurance expenses.



State Police Retirement System

The State Police Retirement System (SPRS) was established July 1, 1960 by the state legislature. Employees who work in a regular full time position for a participating agency must be enrolled in the retirement system at the beginning of their employment. A regular full-time position is defined by state statute as a position that averages 100 hours of work per month over a fiscal or calendar year, excluding the classifications of temporary, seasonal, and interim.



¹ As of January 1, 2006 the Medical Insurance Exp. includes Self Funding Insurance expenses.

System Highlights



Members

Active Members	957
Inactive Members	286
Retired Members and Beneficiaries	1,105

Active Membership

Average Age	37.3
Average Years of Service	11.1
Average Annual Salary	\$51,460

Retired Membership

Average Age	60.1
Average Annual Benefit	\$35,736
Number Added	49
Number Removed	11

Normal Retirement

The SPRS formula for normal retirement is:

$$\text{Final Compensation} \times \text{Benefit Factor} \times \text{Years of Service}$$

Insurance Benefits

The cost of insurance for the retired member and eligible dependents may be partially, or fully paid by KRS depending upon the member's type and years of service, the insurance carrier selected and the level of coverage chosen.

Retirement Eligibility

Age	Years of Service	Allowance Reduction
55	5	None
Any	20	None
Any	15	5.5% each year for five years before 55 or 20 years of service.

Cost of Living Adjustment

Monthly retirement allowances are increased July 1 each year by the percentage increase in the average consumer price index for all urban consumers for the most recent calendar year not to exceed 5%. The General Assembly may reduce, suspend or eliminate COLAs in the future.

Net Plan Assets

Pension Fund:	\$ 376,381,000
Insurance Fund:	\$ 132,574,000
Total:	\$ 508,955,000

Contributions

Employees:	8 %
Employers:	Pension: 32.39 %
	Insurance: 59.54 %
	Total: 91.93 %

(Rate Effective July 1, 2008)

SPRS employer rates are subject to state budget approval.

2002 2003 2004 2005 2006 2007

Net Plan Assets Additions

	2002	2003	2004	2005	2006	2007
Net Investment Income	22.8	15.1	56.1	38.0	51.4	71.5
Employer Cont. (Ins.)	9.6	7.7	8.5	7.0	6.9	6.4
Employer Cont. (Pen.)	0	0	1.2	2.9	4.2	6.1
Member Contribution	4.5	4.7	4.9	4.2	4.8	5.2

(Dollars in Millions)

Net Plan Assets Deductions

	2002	2003	2004	2005	2006	2007
Medical Insurance Exp. ¹	4.0	4.5	5.0	6.3	7.9	6.6
Refunds	0	.1	.2	.1	.1	.05
Administrative Exp.	.1	.1	.1	.1	.1	.1
Benefit Payments	24.8	27.9	30.8	32.9	34.7	37.2

(Dollars in Millions)

Funding Level

	2002	2003	2004	2005	2006	2007
Pension	115.3	99.6	88.0	77.1	66.6	63.7
Insurance	52.5	49.2	48.9	42.8	18.1	26.6

(% of Actuarial Assets to Actuarial Liabilities)

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kentucky Retirement Systems

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

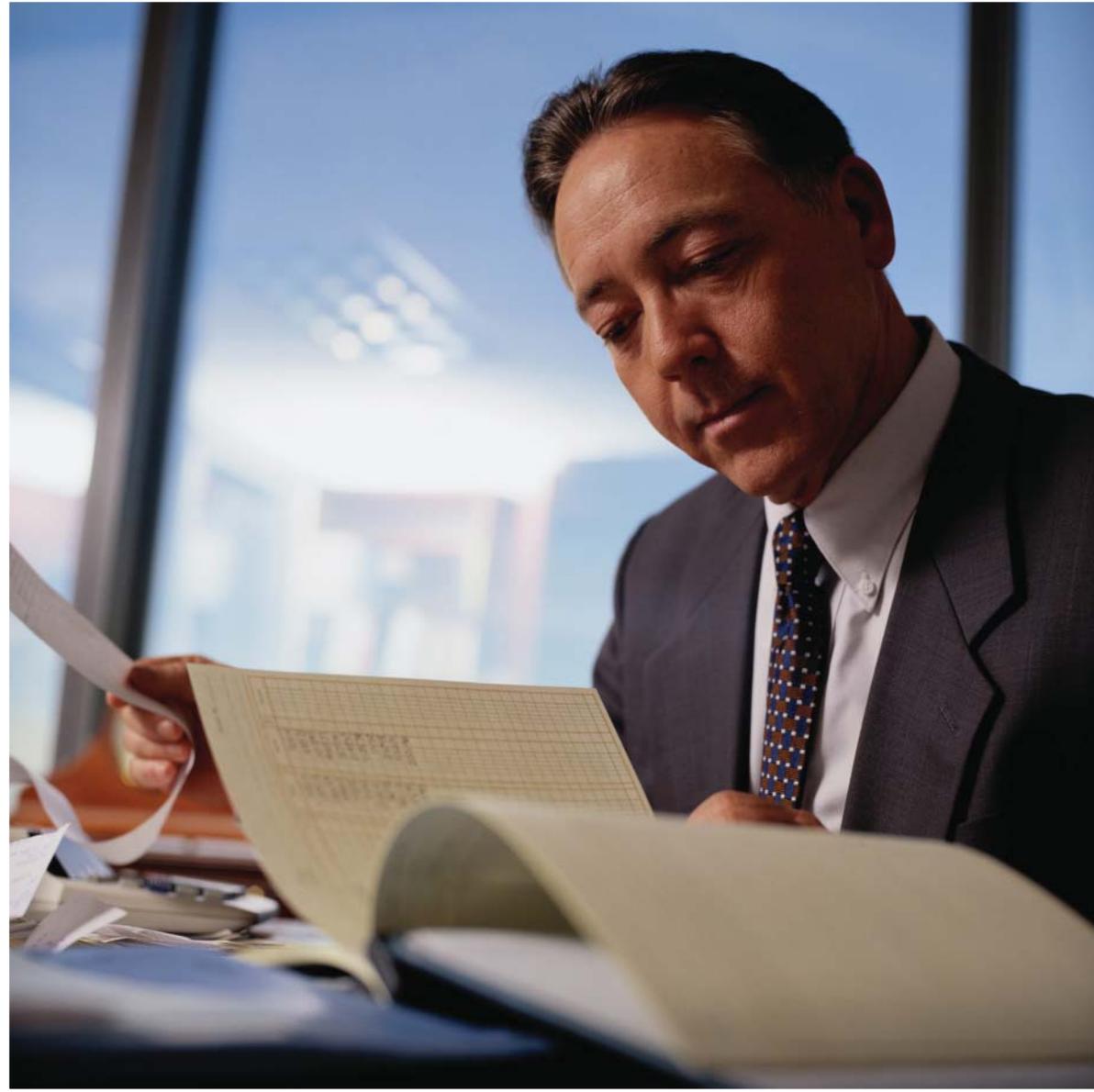
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Thomas J. Han
President

Jeffrey L. Esser
Executive Director



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kentucky Retirement Systems
Frankfort, Kentucky

We have audited the financial statements of the Kentucky Retirement Systems, a component unit of the Commonwealth of Kentucky, as of and for the fiscal year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Kentucky Retirement Systems' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Kentucky Retirement Systems, a component unit of the Commonwealth of Kentucky, as of June 30, 2007 and the changes in plan net assets for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2007 on our consideration of the Kentucky Retirement Systems' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis (pages 29 through 33) and the required supplementary information included in the schedule of funding progress and schedule of contributions from the employers and other contributing entities (pages 58 through 68) are not a required part of the basic financial statements, but are supplementary information required by auditing standards generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional supporting schedules (pages 70 through 71) are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mountjoy & Bressler, LLP".

November 15, 2007
Louisville, Kentucky

KENTUCKY RETIREMENT SYSTEMS MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2007

This discussion and analysis of Kentucky Retirement System's financial performance provides an overview of the pension and insurance fund financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the financial statements, which begin on page 34.

FINANCIAL HIGHLIGHTS—PENSION FUND

The following highlights are explained in more detail later in this discussion.

- The combined plan net assets of all pension funds administered by Kentucky Retirement Systems increased by \$1,276.1 million during the 2006-2007 fiscal year.
- Covered payroll for 2006-2007 was \$4,484.4 million compared to covered payroll for the 2005-2006 plan year of \$4,348 million, increasing approximately \$136.4 million. The corresponding employer contributions increased by \$131.2 million for a total employer contribution amount of \$601.1 million. Of the total employer contribution amount, \$293.4 million was posted to the pension funds while \$307.7 million was posted to the insurance fund. Contributions paid by employees were \$300.3 and \$275.9 million respectively for the fiscal years ended June 30, 2007 and June 30, 2006. This increase in employee contribution is a result of an increase in covered payroll and an increase in service purchased by employees.
- The net appreciation in the fair value of investments was \$1,507.8 million for the fiscal year ended June 30, 2007 compared to net appreciation of \$803.6 million for the prior fiscal year. Included in this net appreciation were realized gains on sales of investments of \$870.7 million. In comparison, the pension funds realized gains of \$601.6 million for the fiscal year ended June 30, 2006. The increase in realized gain experienced by the pension funds is due to a favorable change in market conditions.
- Interest, dividend and securities lending income net of their respective expenses was \$407.9 million compared to \$358.8 million net investment income in last fiscal year.
- Pension benefits paid to retirees and beneficiaries increased \$124.5 million bringing total benefit payments to \$1,187.1 million. Refund of contributions paid to former members upon termination of employment increased from \$24.9 million to \$25.2 million.
- Administrative expense increased \$.7 million totaling \$21.1 million compared to \$20.4 million in the prior year.

KENTUCKY RETIREMENT SYSTEMS MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2007

FINANCIAL HIGHLIGHTS—INSURANCE FUND

The following highlights are explained in more detail later in this discussion.

- The combined plan net assets of the insurance fund administered by Kentucky Retirement Systems increased by \$530.6 million during the 2006-2007 fiscal year.
- Premiums received from retirees that participated in the self-funded plan totaled \$26.6 million.
- Employer contributions of \$307.7 million were received. This is an increase of \$54.3 million over the prior fiscal year. This increase is due to the increase of covered payroll reported by participating employers and the employers' increased percentage of covered payroll contributed.
- Retiree Drug Subsidies received were \$21.5 million.
- The net appreciation in the fair value of investments was \$366.8 million compared to net appreciation of \$188.2 million for the prior fiscal year. Included in this net appreciation were realized gains on sales of investments of \$129.5 million. In comparison, the insurance funds realized gains on investments of \$77.9 million in the prior fiscal year. This increase in realized gains is due to a favorable change in market conditions.
- Interest, dividend and securities lending income net of their respective expenses was \$56.6 million compared to net investment income of approximately \$42.6 million in last fiscal year.
- Premiums paid by the fund for hospital and medical insurance coverage totaled \$151.5 million. Payments for the self-funded healthcare reimbursements totaled \$89.6 million. The total of insurance premiums paid plus self-funded reimbursements was \$241.1 million for the 2006-2007 plan year. Insurance premium paid plus self-funded healthcare reimbursements for the prior plan year totaled \$212.8 million.

USING THIS FINANCIAL REPORT

Because of the long-term nature of a defined benefit pension plan and post-employment healthcare benefit plan, the financial statements alone cannot provide sufficient information to properly reflect the plan's ongoing plan perspective. This financial report consists of two financial statements and two required schedules of historical trend information. The Combined Statements of Plan Net Assets for the Pension Fund on page 34 and for the Insurance Fund on page 36 provides a snapshot of the financial position of the each of the three systems at June 30, 2007. The Combined Statement of Changes in Plan Net Assets for the Pension Fund on page 35 and for the Insurance Fund on page 37 summarize the additions and deductions that occurred for each of the three systems during the period from July 1, 2006 through June 30, 2007.

The Schedule of Funding Progress on pages 58-63 includes historical trend information about the actuarially funded status of each plan from a long-term, ongoing plan perspective and the progress made in accumulating sufficient assets to pay benefits and insurance premiums when due. The Schedule of Contributions from the employers and other contributing entities on pages 64-68 presents historical trend information about the annual required contributions and the contributions made in relation to the requirement. These schedules provide information that contributes to understanding the changes over time in the funded status of the plans.

Kentucky Retirement Systems' combined plan net assets increased during the year ended June 30, 2007 by \$1,806.7 million from \$15,152.7 million to \$16,959.4 million. Plan net assets for the prior fiscal year increased by \$818.9 million. The increase in plan net assets for the plan year ended June 30, 2007 is primarily attributable to the gains on investment due to favorable market conditions. The analysis below focuses on plan net assets (Table 1) and changes in plan net assets (Table 2) of Kentucky Retirement Systems' pension funds and insurance fund.

Financial Section

KENTUCKY RETIREMENT SYSTEMS MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2007

Table 1 Plan Net Assets
(in millions)

	Pension Funds			Insurance Fund			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Cash & Invest.	\$ 17,245.3	\$16,299.5	\$14,926.9	\$ 3,441.6	\$2,691.6	\$2,338.9	\$ 20,686.9	\$18,991.1	\$17,265.8
Receivables	125.2	123.4	123.4	41.4	35.7	23.5	166.6	159.1	146.9
Equip. net of dep.	1.9	1.3	0.8				1.9	1.3	0.8
Total Assets	\$ 17,372.4	\$16,424.2	\$15,051.1	\$ 3,483.0	\$2,727.3	\$2,362.4	\$ 20,855.4	\$19,151.5	\$17,413.5
Total Liabilities	(3,144.2)	(3,472.1)	(2,645.9)	(751.8)	(526.7)	(433.8)	(3,896.0)	(3,998.8)	(3,079.7)
Plan Net Assets	\$ 14,228.2	\$12,952.1	\$12,405.2	\$ 2,731.2	\$2,200.6	\$1,928.6	\$ 16,959.4	\$15,152.7	\$14,333.8

Table 2 Changes in Plan Net Assets
(in millions)

	Pension Funds			Insurance Fund			Total		
	2007	2006	2005	2007	2006	2005	2007	2006	2005
Additions:									
Member Contribution	\$ 300.3	\$275.9	\$310.8				\$ 300.3	\$275.9	\$310.8
Employer Contribution	293.4	216.5	157.5	307.7	253.4	232.7	601.1	469.9	390.2
Premiums Received				26.6	12.3		26.6	12.3	
Insurance Appropriation					11.9	4.6		11.9	4.6
Retiree Drug Subsidy				21.5			21.5		
Investment Income (net)	1,915.8	1,162.4	1,059.1	423.4	230.8	157.6	2,339.2	1,393.2	1,216.7
Total Additions	\$2,509.5	\$1,654.8	\$1,527.4	\$ 779.2	\$508.4	\$394.9	\$3,288.7	\$2,163.2	\$1,922.3
Deductions:									
Benefit Payments	\$ 1,187.1	\$1,062.6	\$960.5				\$ 1,187.1	\$1,062.6	\$960.5
Refunds	25.2	24.9	23.9				25.2	24.0	23.9
Administrative Expenses	21.1	20.4	17.4	6.7	3.6	1.2	27.8	25.9	18.6
Healthcare Costs				241.1	212.8	166.9	241.1	212.8	166.9
Demutualization Refund				0.8	20.0		0.8	20.0	
Total Deductions	\$ 1,233.4	\$1,107.9	\$1,001.8	\$ 248.6	\$236.4	\$168.1	\$1,482.0	\$1,344.3	\$1,169.9
Increase (Decrease) in Plan Net Assets	\$ 1,276.1	\$546.9	\$525.6	\$530.6	\$272.0	\$226.8	\$1,806.7	\$818.9	\$752.4

Plan net assets of the pension funds increased by \$1,276.1 million (\$14,228.2 million compared to \$12,952.1 million). All of these assets are restricted in use to provide monthly retirement allowances to members who contributed to the pension funds as employees and their beneficiaries. This plan net asset increase is attributable primarily to the net appreciation in the fair value of investments due to the change in market conditions in general.

Plan net assets of the insurance fund increased by approximately \$530.6 million (\$2,731.2 million compared to \$2,200.6 million). All of these assets are restricted in use to provide hospital and medical insurance benefits to members of the pension funds who receive a monthly retirement allowance. This increase in net plan assets is primarily attributable to the net appreciation in the fair value of investments, which is due to the change in market conditions in general.

Financial Section

KENTUCKY RETIREMENT SYSTEMS MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2007

PENSION FUND ACTIVITIES

Member contributions increased by \$24.4 million. Retirement contributions are calculated by applying a percentage factor to salary and are remitted by each employer on behalf of the member. Members may also pay contributions to repurchase previously refunded service credit or to purchase various types of elective service credit. The increase in member contributions is a result of an increase in elective service purchases by KRS members over the prior period.

Employer contributions increased by \$76.9 million due to the increase in covered payroll reported to KRS and the increase in the employer contribution rate applied to covered payroll.

Net investment income increased by \$753.4 million (net investment income of \$1,915.8 million compared to net investment income of \$1,162.4 million in the prior year). The pension funds experienced an increase in income primarily due to the increase in gains on sale of investments. This can be illustrated in Table 3 as follows:

<i>Table 3</i> <i>Investment Income (Pension)</i>	<i>In Millions</i>		
	2007	2006	2005
Increase in fair value of investments current year end	\$2,483	\$1,845	\$1,644
Increase in fair value of investments prior year end	\$1,845	\$1,644	\$ 1,395
Net increase in fair value of investments	\$638	\$201	\$249
Investment Income net of Investment Expense	\$408	\$359	\$335
Gain (loss) on sale of investments	\$870	\$602	\$ 475
Investment Income (net)	\$1,916	\$1,162	\$1,059

Pension fund deductions increased by \$125.5 million caused principally by an increase of \$124.5 million in benefit payments. Retirees received a C.O.L.A. increase of 3.2% in benefit payments as of July 1, 2006. Refunds of member contributions increased by \$.3 million and administrative expenses increased by \$.7 million.

INSURANCE FUND ACTIVITIES

Employer contributions paid into the insurance fund increased by \$54.3 million over the prior year. This increase is a result of the increase in covered payroll reported to KRS and the increase in the rate applied to covered payroll.

Net investment income increased by \$192.6 million. This increase in net income is due primarily to the increase in the gains on sale of investments. This can be illustrated in Table 4 as follows:

<i>Table 4</i> <i>Investment Income (Insurance)</i>	<i>In Millions</i>		
	2007	2006	2005
Increase in fair value of investments current year end	\$652	\$415	\$304
Increase in fair value of investments prior year end	\$415	\$304	\$218
Net increase in fair value of investments	\$237	\$111	\$86
Investment Income net of Investment Expense	\$56	\$42	\$36
Gain (loss) on sale of investments	\$130	\$78	\$36
Investment Income (net)	\$423	\$231	\$158

Insurance fund deductions increased by \$12.2 million primarily due to the increase in healthcare costs.

KENTUCKY RETIREMENT SYSTEMS MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended June 30, 2007

HISTORICAL TRENDS

Accounting standards require that the statement of plan net assets state asset value at fair value and include only benefits and refunds due plan members and beneficiaries and accrued investment and administrative expense as of the reporting date. Information regarding the actuarial funding status of the pension funds and insurance fund is provided in the Schedule of Funding Progress on pages 58-63. The asset value stated in the Schedule of Funding Progress is the actuarial value of assets determined by calculating the difference between the expected valuation assets and the actual market value of assets adjusted for any unrecognized gains or losses and amortized over a five-year period. The actuarial accrued liability is calculated using the entry age normal cost funding method. The difference in value between the actuarial accrued liability and the actuarial value of assets is known as the unfunded actuarial accrued liability. This unfunded actuarial accrued liability is the measure of the cost of benefits that have been earned to date by KRS members, but not yet paid for.

The unfunded actuarial accrued liability in the pension plans increased by \$765.5 million for a total unfunded amount of \$6,141.1 million for the fiscal year ended June 30, 2007 compared to an unfunded amount of \$5,375.6 for the fiscal year ended June 30, 2006. In recent years, funding levels for the pension funds have fallen dramatically in response to investment returns less than the actuarially assumed rate, higher than anticipated retirement rates, the 2007 assumption changes, and increasing expenditures for retiree Cost of Living Adjustments. Within the KERS and SPRS plans, employer contribution rate reductions enacted by the State Legislature have limited the plans ability to correct the declining funding levels.

The Insurance Plan's unfunded actuarial accrued liability has made some improvement for the plan year ended June 30, 2007, decreasing to \$8,658.3 million from \$13,424.7 million for the plan year ended June 30, 2006. This is a decrease in the unfunded actuarial accrued liability of \$4,766.4 million. While the funding level relative to the insurance funds has improved steadily since 1990, medical inflation rates in excess of the assumed rates as well as recent employer contribution rate reductions under KERS and SPRS have significantly limited this improvement. The recent adoption of new actuarial assumptions and the application of GASB Statement 43 requirements have further reduced the measured funding level.

Annual required contributions of the employers as actuarially determined and actual contributions made by the employers in relation to the required contributions are provided in the Schedule of Contributions from the employers and other contributing entities on pages 64-68. The difference in the annual required contributions and actual contributions made by employers in the KERS and SPRS funds is attributable to the statutory employer contribution rate set by the Kentucky General Assembly being less than the rate computed by the actuary.

Financial Section

KENTUCKY RETIREMENT SYSTEMS COMBINED SCHEDULES OF PLAN NET ASSETS--PENSION FUNDS For the Fiscal Years Ended June 30, 2007 and 2006

Pension Funds							2006
As of June 30, 2007 (with comparative totals as of June 30, 2006)							(Restated)
<i>(Dollars in Thousands)</i>	KERS Hazardous	KERS Non- Hazardous	CERS Hazardous	CERS Non- Hazardous	SPRS	TOTAL	TOTAL
Assets							
Cash and Short-Term Investments							
Cash	\$101	\$310	\$381	\$333	\$56	\$1,181	\$3,010
Short-Term Investments	20,977	184,957	63,155	67,102	6,137	342,328	240,887
Total Cash and Short-Term Investments	21,078	185,267	63,536	67,435	6,193	343,509	243,897
Receivables							
Contributions	1,787	21,811	11,753	31,236	1,167	67,754	64,896
Investment Income	2,111	22,755	7,180	23,843	1,553	57,442	58,484
Total Receivables	3,898	44,566	18,933	55,079	2,720	125,196	123,380
Investments at Fair Value							
Corporate and Government Bonds	133,395	1,326,277	432,239	1,434,224	94,457	3,420,592	3,835,399
Corporate Stocks	303,951	3,645,970	1,060,131	3,624,492	234,365	8,868,909	7,909,480
Mortgages	46,952	572,802	178,666	633,529	38,274	1,470,223	845,536
Real Estate	1,943	2,346	2,415	2,360	482	9,546	9,545
Total Investments at Fair Value	486,241	5,547,395	1,673,451	5,694,605	367,578	13,769,270	12,599,960
Securities Lending Collateral Invested	118,723	1,137,425	349,591	1,386,461	140,338	3,132,538	3,455,693
Equipment (net of accumulated depreciation)	54	643	97	1,089	11	1,894	1,277
Total Assets	629,994	6,915,296	2,105,608	7,204,669	516,840	17,372,407	16,424,207
Liabilities							
Accounts Payable	496	4,714	1,082	5,272	121	11,685	16,400
Securities Lending Collateral	118,723	1,137,425	349,591	1,386,461	140,338	3,132,538	3,455,693
Total Liabilities	119,219	1,142,139	350,673	1,391,733	140,459	3,144,223	3,472,093
Plan Net Assets Held in Trust for Pension Benefits							
	\$510,775	\$5,773,157	\$1,754,935	\$5,812,936	\$376,381	\$14,228,184	\$12,952,114

(A Schedule of Funding Progress for each Plan is presented beginning on page 58)
See accompanying Independent Auditors Report and Notes to the Financial Statements

Financial Section

KENTUCKY RETIREMENT SYSTEMS COMBINED SCHEDULES OF CHANGES IN PLAN NET ASSETS--PENSION FUNDS For the Fiscal Years Ended June 30, 2007 and 2006

<i>Pension Funds</i>							2006
As of June 30, 2007 (with comparative totals as of June 30, 2006)							(Restated)
<i>(Dollars in Thousands)</i>	KERS Hazardous	KERS Non- Hazardous	CERS Hazardous	CERS Non- Hazardous	SPRS	Total	Total
Additions							
Members' Contributions	\$13,245	\$116,254	\$43,650	\$121,979	\$5,152	\$300,280	\$275,904
Employers' Contributions	13,237	88,249	61,553	124,261	6,142	293,442	216,538
Total Contributions	26,482	204,503	105,203	246,240	11,294	593,722	492,442
Investment Income							
From Investing Activities:							
Net Appreciation in Fair Value of Investments	63,641	620,802	190,027	594,889	38,496	1,507,855	803,596
Interest/Dividends	14,820	169,521	51,758	173,310	11,318	420,727	370,009
Total Investing Activities Income	78,461	790,323	241,785	768,199	49,814	1,928,582	1,173,605
Investment Expense	456	4,843	1,654	4,731	307	11,991	10,611
Commissions	262	3,154	842	2,927	201	7,386	8,212
Total Investing Activities Expense	718	7,997	2,496	7,658	508	19,377	18,823
Net Income from Investing Activities	77,743	782,326	239,289	760,541	49,306	1,909,205	1,154,782
From Securities Lending Activities:							
Securities Lending Income	7,109	67,410	20,692	82,521	8,343	186,075	134,770
Securities Lending Expense:							
Security Borrower Rebates	6,774	64,323	19,707	78,613	7,960	177,377	124,694
Security Lending Agent Fees	82	761	139	953	94	2,129	2,463
Net Income From Securities Lending Activities	253	2,326	746	2,955	289	6,569	7,613
Total Net Investment Income	77,996	784,652	240,035	763,496	49,595	1,915,774	1,162,395
Total Additions	104,478	989,155	345,238	1,009,736	60,889	2,509,496	1,654,837
Deductions							
Benefit Payments	28,514	640,201	115,604	365,648	37,187	1,187,154	1,062,608
Refunds	1,662	9,489	2,563	11,396	47	25,157	24,937
Administrative Expenses	611	7,070	1,073	12,197	126	21,077	20,369
Capital Project Expenses	1	13	2	22		38	
Total Deductions	30,788	656,773	119,242	389,263	37,360	1,233,426	1,107,914
Net Increase in Plan Assets	73,690	332,382	225,996	620,473	23,529	1,276,070	546,923
Plan Net Assets Held in Trust for Pension Benefits							
Beginning of Year	\$437,085	\$5,440,775	\$1,528,939	\$5,192,463	\$352,852	\$12,952,114	\$12,405,191
End of Year	\$510,775	\$5,773,157	\$1,754,935	\$5,812,936	\$376,381	\$14,228,184	\$12,952,114

(A Schedule of Funding Progress for each Plan is presented beginning on page 58)
See accompanying Independent Auditors Report and Notes to the Financial Statements

Financial Section

KENTUCKY RETIREMENT SYSTEMS COMBINED SCHEDULES OF PLAN NET ASSETS--INSURANCE FUND For the Fiscal Years Ended June 30, 2007 and 2006

Insurance Fund							2006
As of June 30, 2007 (with comparative totals as of June 30, 2006)							
<i>(Dollars in Thousands)</i>	KERS Hazardous	KERS Non- Hazardous	CERS Hazardous	CERS Non- Hazardous	SPRS	TOTAL	TOTAL
Assets							
Cash and Short-Term Investments							
Cash	\$10	\$1	\$16	\$21	\$6	\$54	\$265
Short-Term Investments	27,737	33,998	51,975	100,996	9,879	224,585	233,850
Total Cash and Short-Term Investments	27,747	33,999	51,991	101,017	9,885	224,639	234,115
Receivables							
Contributions	1,077	6,116	6,743	19,514	366	33,816	30,293
Investment Income	733	1,822	1,607	3,050	368	7,580	5,440
Total Receivables	1,810	7,938	8,350	22,564	734	41,396	35,733
Investments, at Fair Value							
Corporate and Government Bonds	23,331	67,683	64,034	121,460	12,835	289,343	220,782
Corporate Stocks	228,045	555,185	445,919	840,203	109,324	2,178,676	1,735,264
Alternative Investment	15	15	37	61	7	135	135
Total Investments	251,391	622,883	509,990	961,724	122,166	2,468,154	1,956,181
Securities Lending Collateral Invested	82,368	110,898	179,488	344,074	31,974	748,802	501,343
Total Assets	363,316	775,718	749,819	1,429,379	164,759	3,482,991	2,727,372
Liabilities							
Accounts Payable	62	1,262	175	1,262	211	2,972	5,407
Demutualization Proceeds Payable							20,000
Securities Lending Collateral	82,368	110,160	179,488	344,074	31,974	748,802	501,343
Total Liabilities	82,430	112,160	179,663	345,336	32,185	751,774	526,750
Plan Net Assets Held in Trust for Insurance Benefits							
	\$280,886	\$663,558	\$570,156	\$1,084,043	\$132,574	\$2,731,217	\$2,200,622

(A Schedule of Funding Progress for each Plan is presented beginning on page 58)
See accompanying Independent Auditors Report and Notes to the Financial Statements

Financial Section

KENTUCKY RETIREMENT SYSTEMS COMBINED SCHEDULES OF CHANGES IN PLAN NET ASSETS--INSURANCE FUND For the Fiscal Years Ended June 30, 2007 and 2006

Insurance Fund							
As of June 30, 2007 (with comparative totals as of June 30, 2006)							2006
<i>(Dollars in Thousands)</i>	KERS Hazardous	KERS Non- Hazardous	CERS Hazardous	CERS Non- Hazardous	SPRS	Total	Total
Additions							
Employer Contributions	19,535	64,014	70,073	147,609	6,489	307,720	\$253,397
Premiums Received from Retirees	204	12,196	191	13,997	8	26,596	12,326
Retiree Drug Subsidy	105	10,744	657	9,623	361	21,490	
Insurance Appropriation							11,852
Total Contributions	19,844	86,954	70,921	171,299	6,858	355,806	277,575
Investment Income							
From Investing Activities:							
Net Appreciation in Fair Value of Investments	38,760	64,426	78,402	166,070	19,151	366,809	188,231
Interest/Dividends	5,888	14,737	11,789	22,244	2,786	57,444	43,583
Total Investing Activities Income	44,648	79,163	90,191	188,314	21,937	424,253	231,814
Investment Expense	202	367	380	721	93	1,763	1,889
Commissions	84	187	155	277	40	743	567
Total Investing Activities Expense	286	554	535	998	133	2,506	2,456
Net Income from Investing Activities	44,362	78,609	89,656	187,316	21,804	421,747	229,358
From Securities Lending Activities:							
Securities Lending Income	4,055	5,750	8,706	16,645	1,620	36,776	22,094
Securities Lending Expense:							
Security Borrower Rebates	3,839	5,432	8,240	15,751	1,534	34,796	20,294
Security Lending Agent Fees	37	50	81	155	14	337	366
Net Income From Securities Lending Activities	179	268	385	739	72	1,643	1,434
Total Net Investment Income	44,541	78,877	90,041	188,055	21,876	423,390	230,792
Total Additions	64,385	165,831	160,962	359,284	28,734	779,196	508,367
Deductions							
Healthcare Premium Subsidies	6,472	66,590	28,991	44,141	5,288	151,482	177,477
Administrative Expenses	83	3,199	320	3,040	105	6,747	3,562
Self-funding Insurance Premiums	402	44,264	2,616	41,058	1,227	89,567	35,311
Demutualization Proceeds Refunded		805				805	20,000
Total Deductions	6,957	114,858	31,927	88,239	6,620	248,601	236,350
Net Increase in Plan Assets	57,428	50,973	129,035	271,045	22,114	530,595	272,017
Plan Net Assets Held in Trust for Insurance Benefits							
Beginning of Year	223,458	612,585	441,121	812,998	110,460	2,200,622	1,928,605
End of Year	\$280,886	\$663,558	\$570,156	\$1,084,043	\$132,574	\$2,731,217	\$2,200,622

(A Schedule of Funding Progress for each Plan is presented beginning on page 58)
See accompanying Independent Auditors Report and Notes to the Financial Statements

KENTUCKY RETIREMENT SYSTEMS NOTES TO FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2007 and 2006

Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees of Kentucky Retirement Systems (KRS) administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS). Although the assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the provisions of Kentucky Revised Statute Sections 16.555, 61.570, and 78.630.

Under the provisions of Kentucky Revised Statute Section 61.701, the Board of Trustees of Kentucky Retirement Systems (KRS) administers the Kentucky Retirement Systems Insurance Fund. The statutes provide for a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by Kentucky Retirement Systems: (1) Kentucky Employees Retirement System (KERS); (2) County Employees Retirement System (CERS); and (3) State Police Retirement System (SPRS). The assets of the insurance fund are commingled for investment purposes. The following notes apply to the various funds administered by Kentucky Retirement Systems.

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - KRS financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Plan. Premium payments are recognized when due and payable in accordance with terms of the Plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate is based on appraisals. Investments that do not have an established market are reported at estimated fair value.

Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Equipment - Equipment is valued at historical cost and depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets ranging from three to ten years. The capitalization threshold used by KRS for the 2008 and 2006 plan years was \$750.

Expense Allocation - Administrative and investment expenses of the Kentucky Retirement Systems are allocated in proportion to the number of active members participating in each plan and the carrying value of plan investments, respectively.

Component Unit - Kentucky Retirement Systems is a component unit of the Commonwealth of Kentucky for financial reporting purposes.

The Kentucky Employees Retirement System (KERS) was created by the Kentucky General Assembly pursuant to the provisions of Kentucky Revised Statute 61.515. The County Employees Retirement System (CERS) was created by the Kentucky General Assembly pursuant to the provisions of Kentucky Revised Statute 78.520. The State Police Retirement System (SPRS) was created by the Kentucky General Assembly pursuant to the provisions of Kentucky Revised Statute 16.510. The Kentucky Retirement Systems Insurance Fund was created by the Kentucky General Assembly pursuant to the provisions of Kentucky Revised Statute 61.701. KRS' administrative budget is subject to approval by the Kentucky General Assembly. Employer contribution rates for KERS and SPRS are also subject to legislative approval. Employer contribution rates for CERS are determined by the Systems' Board of Trustees without further legislative review. The methods used to determine the employer rates for all Retirement Systems are specified in Kentucky Revised Statute 61.565. Employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly.

Financial Section

KENTUCKY RETIREMENT SYSTEMS
 NOTES TO FINANCIAL STATEMENTS
 For the Fiscal Years Ended June 30, 2007 and 2006

NOTE B--PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION

Membership of each retirement system consisted of the following at June 30, 2007 and 2006:

Kentucky Employees Retirement System

Number of Members	2007			2006		
	Non-Hazardous Position Employees	Hazardous Position Employees	Total	Non-Hazardous Position Employees	Hazardous Position Employees	Total
Retirees and Beneficiaries Receiving Benefits	33,900	2,206	36,106	32,140	1,980	34,120
Inactive Vested Retirements	5,326	287	5,613	4,998	265	5,263
Inactive Vested Memberships	25,667	2,453	28,120	24,145	2,236	26,381
Active Plan Members	48,033	4,352	52,385	46,707	4,320	51,027
Total	112,926	9,298	122,224	107,990	8,801	116,791
Number of Participating Employers			359			353

County Employees Retirement System

Number of Members	2007			2006		
	Non-Hazardous Position Employees	Hazardous Position Employees	Total	Non-Hazardous Position Employees	Hazardous Position Employees	Total
Retirees and Beneficiaries Receiving Benefits	35,564	5,159	40,723	33,102	4,712	37,814
Inactive Vested Retirements	8,027	573	8,600	7,379	393	7,772
Inactive Vested Memberships	43,501	4,089	47,590	42,667	1,562	44,229
Active Plan Members	85,367	10,097	95,464	83,694	9,635	93,329
Total	172,459	19,918	192,377	166,842	16,302	183,144
Number of Participating Employers			1,400			1,391

Financial Section

KENTUCKY RETIREMENT SYSTEMS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2007 and 2006

State Police Retirement System

	2007	2006
Number of Members	Hazardous Position Employees	Hazardous Position Employees
Retirees and Beneficiaries Receiving Benefits	1,105	1,067
Inactive Vested Retirements	47	48
Inactive Vested Memberships	228	218
Active Plan Members	970	1,028
Total	2,350	2,361

Number of Participating Employers 1 1

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

Hospital and medical contracts in force consisted of the following at June 30, 2007 and 2006:

Kentucky Retirement Systems Insurance Fund

	2007					2006				
	Single	Couple/ Family	Parent +	Medicare Without Prescription	Medicare With Prescription	Single	Couple/ Family	Parent +	Medicare Without Prescription	Medicare With Prescription
KERS										
Non-Hazardous	9,144	2,023	538	941	13,144	8,393	1,826	490	1,672	12,000
Hazardous	738	571	82	85	658	656	378	58	74	603
CERS										
Non-Hazardous	6,919	915	280	1,412	13,734	6,298	1,058	249	2,502	11,803
Hazardous	1,379	2,199	219	69	1,230	1,275	1,739	198	52	1,105
SPRS	252	296	19	15	380	260	406	29	9	368
Total	18,432	6,004	1,138	2,522	29,146	16,882	5,407	1,024	4,309	25,879

KENTUCKY EMPLOYEES RETIREMENT SYSTEM

Non-Hazardous Employees Pension Plan

Plan Description - KERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty positions of any state department, board, or agency directed by Executive Order to participate in the System. KERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Cost-of-living (COLA) adjustments are provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed five percent in any plan year. The General Assembly reserves the right to suspend or reduce cost-of-living adjustments if in its judgment the welfare of the Commonwealth so demands.

KENTUCKY RETIREMENT SYSTEMS

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2007 and 2006

NOTE B--PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION--CONTINUED

Contributions - For the fiscal years ended June 30, 2007 and 2006, plan members were required to contribute 5% of their annual creditable compensation. The State was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. For the fiscal years ended June 30, 2007 and 2006, participating employers contributed 7.75% and 5.89%, respectively, of each employee's creditable compensation. The actuarially determined rate set by the Board for the fiscal years ended June 30, 2007 and 2006 was 17.13% and 13.62%, respectively, of each employee's creditable compensation. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

Hazardous Employees Pension Plan

Plan Description - KERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in hazardous duty positions of any state department, board, or agency directed by Executive Order to participate in the System. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed five percent in any plan year. The General Assembly reserves the right to suspend or reduce cost-of-living adjustments if in its judgment the welfare of the Commonwealth so demands.

Contributions - For the fiscal years ended June 30, 2007 and 2006, plan members were required to contribute 8% of their annual creditable compensation. The State was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. For the fiscal years ended June 30, 2007 and 2006, participating employers contributed 22% and 18.84%, respectively, of each employee's creditable compensation. The actuarially determined rate set by the Board for the fiscal years ended June 30, 2007 and 2006 was 23.32% and 21.59%, respectively, of each employee's creditable compensation. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

KENTUCKY RETIREMENT SYSTEMS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2007 and 2006

NOTE B--PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION--CONTINUED

COUNTY EMPLOYEES RETIREMENT SYSTEM

Non-Hazardous Employees Pension Plan

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature.

Contributions - For the fiscal years ended June 30, 2007 and 2006, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal years ended June 30, 2007 and 2006, participating employers contributed 13.19% and 10.98%, respectively, of each employee's creditable compensation. The actuarially determined rate set by the Board for the fiscal years ended June 30, 2007 and 2006 was 13.19% and 10.98%, respectively. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings.

Hazardous Employees Pension Plan

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature.

Contributions - For the fiscal years ended June 30, 2007 and 2006, plan members were required to contribute 8% of their annual creditable compensation. The participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal years ended June 30, 2007 and 2006, participating employers contributed 28.21%, and 25.01%, respectively, of each employee's creditable compensation. The actuarially determined rate set by the Board for the fiscal years ended June 30, 2007 and 2006 was 28.21% and 25.01%, respectively, of each employee's creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

KENTUCKY RETIREMENT SYSTEMS
NOTES TO FINANCIAL STATEMENTS
 For the Fiscal Years Ended June 30, 2007 and 2006

NOTE B--PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION--CONTINUED

STATE POLICE RETIREMENT SYSTEM

Plan Description - SPRS is a single-employer defined benefit pension plan that covers all full-time state troopers employed in a hazardous duty position by the Kentucky State Police. The Plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature.

Contributions - For the fiscal years ended June 30, 2007 and 2006 plan members were required to contribute 8% of their annual creditable compensation. The State was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. For the fiscal years ended June 30, 2007 and 2006, the Commonwealth contributed 25.50% and 21.58%, respectively, of each employee's creditable compensation. The actuarially determined rate set by the Board for the fiscal years ended June 30, 2007 and 2006 was 42.30% and 34.83%, respectively, of each employee's creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

KENTUCKY RETIREMENT SYSTEMS INSURANCE FUND

Plan Description - The Kentucky Retirement Systems Insurance Fund (Fund) was established to provide hospital and medical insurance for members receiving benefits from the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System. The Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ending 2007, insurance premiums withheld from benefit payments for members of the Systems were \$24,604,832 and \$761,803 for KERS and KERS hazardous, respectively, \$23,940,964 and \$1,437,509 for CERS and CERS hazardous, respectively, and \$163,211 for SPRS. For the fiscal year ended June 30, 2006, insurance premiums withheld from benefit payments to members of KRS were \$23,925,504 and \$697,822 for KERS and KERS hazardous, respectively, \$23,353,491 and \$1,392,261 for CERS and CERS hazardous, respectively, and \$203,189 for SPRS. The Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As of June 30, 2007 the Fund had 77,937 retirees and beneficiaries for whom benefits were available.

The amount of contribution paid by the Funds is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>
20 or More	100%
15 - 19	75%
10 - 14	50%
4 - 9	25%
Less Than 4	0%

KENTUCKY RETIREMENT SYSTEMS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2007 and 2006

NOTE B--PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION--CONTINUED

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003 earn ten dollars (\$10) per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on or after July 1, 2003 earn fifteen dollars (\$15) per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives ten dollars (\$10) per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment (COLA), which is updated annually due to changes in the Consumer Price Index for all urban consumers. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statute 16.652, 61.692 and 78.852. The General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

In prior years, the employers' required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal cost method within a 20-year period measured from 1987. In November 1992, the Board of Trustees adopted a fixed percentage contribution rate and suspended future increases under the current medical premium funding policy until the next experience study could be performed. In May 1996, the Board of Trustees adopted a policy to increase the insurance contribution rate by the amount needed to achieve the target rate for full entry age normal funding within twenty years.

Kentucky Retirement Systems commenced self-funding of healthcare benefits for its medicare eligible retirees on January 1, 2006. A self-funded plan is one in which Kentucky Retirement Systems assumes the financial risk for providing healthcare benefits to its retirees. The self-funded plan pays for claims out-of-pocket as they are presented instead of paying a pre-determined premium to an insurance carrier for a fully-insured plan. Kentucky Retirement Systems funds the risk directly from its assets. Kentucky Retirement Systems becomes directly responsible for administering benefits under the plan.

Kentucky Retirement Systems' plan is defined by statute. Kentucky Retirement Systems selected Walgreens Health Initiatives and Fiserv Health (Wausau Benefits, Inc.) to administer the pharmaceutical and medical benefits for its retirees.

Stop-loss insurance can be arranged to limit the Kentucky Retirement Systems' loss to a specified amount to ensure that catastrophic claims do not upset the financial integrity of the self-funded plan. The amount of stop-loss insurance is a function of Kentucky Retirement Systems' size, nature of its business, financials, and tolerance for risk. Kentucky Retirement Systems continues to evaluate the use of stop-loss insurance.

Financial Section

KENTUCKY RETIREMENT SYSTEMS NOTES TO FINANCIAL STATEMENTS For the Fiscal Years Ended June 30, 2007 and 2006

NOTE C--CASH AND SHORT-TERM INVESTMENTS AND SECURITIES LENDING COLLATERAL

The provisions of Governmental Accounting Standards Board Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions" require that cash received as collateral on securities lending transactions and investments made with that cash be reported as assets on the financial statements. In conjunction with the adoption of Governmental Accounting Standard No. 28, KRS has reclassified certain other investments, not related to the securities lending program, as short-term. Cash and short-term investments consist of the following:

Kentucky Employees Retirement System

	2007		2006	
Cash	\$	410,633	\$	1,965,448
Short Term Investments		205,934,152		120,776,512
Securities Lending Collateral Invested		1,256,147,832		1,254,181,656
Total	\$	1,462,492,617	\$	1,376,923,616

County Employees Retirement System

	2007		2006	
Cash	\$	713,861	\$	953,952
Short Term Investments		130,256,739		108,000,545
Securities Lending Collateral Invested		1,736,052,690		2,093,410,581
Total	\$	1,867,023,250	\$	2,202,365,078

State Police Retirement System

	2007		2006	
Cash	\$	56,384	\$	89,840
Short Term Investments		6,136,950		12,110,352
Securities Lending Collateral Invested		140,337,713		108,100,996
Total	\$	146,531,047	\$	120,301,188

Kentucky Retirement Systems Insurance Fund

	2007		2006	
Cash	\$	53,838	\$	265,217
Short Term Investments		224,584,472		233,849,473
Securities Lending Collateral Invested		448,802,051		501,343,495
Total	\$	973,440,361	\$	735,458,185

KENTUCKY RETIREMENT SYSTEMS NOTES TO FINANCIAL STATEMENTS For the Fiscal Years Ended June 30, 2007 and 2006

NOTE D--INVESTMENTS

The Board of Trustees of the Kentucky Retirement Systems (KRS) recognize their duty to invest funds in accordance with the Prudent Person Rule and manage those funds consistent with the long-term nature of KRS. The Board enters into contracts with investment managers who use the following guidelines and restrictions in the selection and timing of transactions as long as the security is not prohibited by the Kentucky Revised Statutes.

Equity Investments - Investments may be made in domestic and international common stock, securities convertible into common stock and in preferred stock of publicly traded corporations.

Fixed Income Investments - Publicly traded corporate bonds are to be selected and managed to assure an appropriate balance in quality and maturities consistent with the current market and economic conditions. Investment may also be made in any debt instrument issued or guaranteed in whole or in part by the U.S. Government or any agency or instrumentality of the U.S. Government.

Mortgages - Investment may be made in real estate mortgages on a direct basis or in the form of mortgage pool instruments guaranteed by an agency of the U.S. Government or the Commonwealth of Kentucky.

Alternative Investments/Equity Real Estate - Subject to the specific approval of the Investment Committee of the Board of Trustees, investments may be made for the purpose of creating a diversified portfolio of alternative investments. The Board may invest in real estate or alternative investments including, without limitation, venture capital, private equity and private placements which the investment committee believes has excellent potential to generate income and which may have a higher degree of risk.

Cash Equivalent Securities - The following short-term investment vehicles are considered acceptable:

Publicly traded investment grade corporate bonds, government and agency bonds, mortgages, and collective STIF's, money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper) and repurchase agreements relating to the above instruments. Instruments may be selected from among those having a BBB or better rating by at least one recognized bond rating service. All instruments shall have a maturity at the time of purchase that does not exceed two years. Repurchase agreements shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur.

Derivatives - Investments may be made in derivative securities, or strategies which make use of derivative instruments, only if such investments do not cause the portfolio to be in any way leveraged beyond a 100% invested position. Investments in derivative securities which are subject to large or unanticipated changes in duration or cash flow, such as interest only (IO), principal only (PO), inverse floater, or structured note securities are expressly prohibited.

The Pension and Insurance Funds invest in collateralized mortgage obligations (CMOs) and other asset-backed securities to increase return and adjust duration of the portfolio. The Pension and Insurance Funds invest in exchange-traded funds to convert cash held in index funds to short-term equity investments. This practice is intended to make the performance of the index funds more closely track the performance of the index that the funds are intended to replicate.

KENTUCKY RETIREMENT SYSTEMS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2007 and 2006

NOTE D--INVESTMENTS--CONTINUED

Collateralized mortgage obligations, asset-backed securities, and exchange-traded funds pose no greater risk than other similar investment grade holdings in the Systems' and the Fund's portfolios. The fair value of CMOs at June 30, 2007 and 2006 was approximately \$356 million and \$225 million respectively; the fair value of asset-backed securities at June 30, 2007 and 2006 was approximately \$225 million and \$195 million respectively; and the fair value of exchange-traded funds at June 30, 2007 and 2006 was approximately \$427 million and \$328 million, respectively.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the System's deposits may not be returned. All non-investment related bank balances are held locally by Farmers Bank & Capital Trust Company. All non-investment related bank balances are held in KRS' name and each individual account is insured up to \$100,000. These cash balances are invested daily by the local institution in overnight repurchase agreements which are required by Kentucky Administrative Regulation (200 KAR 14:081) to be collateralized at 102% of the principal amount.

At June 30, 2007 and 2006, deposits for KRS pension funds were \$3,217,697 and \$4,175,409, respectively. None of these balances were exposed to custodial credit risk as they were either insured or collateralized at required levels.

At June 30, 2007 and 2006, deposits for KRS insurance fund were \$146,289 and \$242,866, respectively. None of these balances were exposed to custodial credit risk as they were either insured or collateralized at required levels.

Custodial Credit Risk for Investments - Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, KRS will not be able to recover the value of investments or collateral securities that are in the possession of an outside third party. KRS does not have an explicit policy with regard to Custodial Credit Risk for investments. At June, 30 2007, and 2006, the following investments were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the System's name.

<u>Pension Funds</u>	<u>2007</u>	<u>2006</u>
Foreign Currency Investments	\$3,838,653	\$ 4,747,304

<u>Insurance Fund</u>	<u>2007</u>	<u>2006</u>
Foreign Currency Investments	\$37,588	\$ 25,598

Investment Policies - Kentucky Revised Statute 61.650 grants the responsibility for the investment of plan assets to the Board of Trustees of the Kentucky Retirement Systems. The Board of Trustees has established an Investment Committee which is specifically charged with the oversight and investment of plan assets. The Investment Committee recognizes their duty to invest the funds in accordance with the Prudent Person Rule and manage those funds consistent with the long-term nature of the Systems. The Committee has adopted a Statement of Investment Policy that contains guidelines and restrictions for deposits and investments. By statute, all investments are to be registered and held in the name of the Kentucky Retirement Systems. The Statement of Investment Policy – Pension contains the specific guidelines for the investment of pension assets. The Statement of Investment Policy – Insurance contains the specific guidelines for the investment of insurance assets. Additionally, the Committee establishes specific investment guidelines in the Investment Management Agreement for each investment management firm.

Financial Section

KENTUCKY RETIREMENT SYSTEMS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2007 and 2006

Investment Summary

The following tables present a summary of the investments by type as of June 30, 2007 and 2006.

Pension Funds
As of June 30, 2007 and 2006

Investment Summary	2007	2006
U.S. Gov't & Agency Fixed Income Securities	\$1,621,746,405	\$ 3,251,063,919
U.S. Corporate Fixed Income Securities	3,267,332,169	1,416,970,614
Municipal Debt Securities	1,736,261	12,901,977
Short Term Investments	342,327,842	240,887,409
Equity Securities	8,339,372,635	7,640,279,994
Private Equity Limited Partnerships	529,536,766	269,198,441
Real Estate	9,545,575	9,545,575
Total	\$14,111,597,653	\$ 12,840,847,929

Insurance Fund
As of June 30, 2007 and 2006

Investment Summary	2007	2006
U.S. Gov't & Agency Fixed Income Securities	\$289,343,176	\$ 220,781,808
Short Term Investments	224,584,472	233,849,474
Equity Securities	2,119,830,709	1,705,352,668
Private Equity Limited Partnerships	58,845,081	29,910,939
Alternative Investment	135,000	135,000
Total	\$2,692,738,438	\$ 2,190,029,889

Credit Risk of Debt Securities - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The debt security portfolios are managed by the Investment Division staff and by external professional investment management firms. All portfolio managers are required by the Statement of Investment Policy to maintain diversified portfolios. Each portfolio is also required to be in compliance with risk management guidelines that are assigned to them based upon the portfolio's specific mandate. In total, the pension fund debt securities portfolio is managed using the following guidelines adopted by the KRS Board of Trustees:

- Bonds, notes or other obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities are permissible investments and may be held without restrictions.
- The average credit quality of the total portfolio must be A or better.
- Debt obligations must have an investment grade rating at the time of purchase.
- Debt obligations that have been downgraded to below investment grade may be held in the portfolio up to a maximum of 1.5 percent of the total portfolio at market value.
- Debt obligations in the lowest investment grade rating category may not exceed 15 percent of the total portfolio at market value.

KENTUCKY RETIREMENT SYSTEMS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2007 and 2006

NOTE D--INVESTMENTS--CONTINUED

The following tables present the KRS pension fund debt ratings at June 30, 2007 and 2006.

Pension Funds		
Debt Securities Investments at Fair Value		
As of June 30, 2007 and 2006		
Quality Rating	2007	2006
AAA	\$3,697,018,884	\$1,677,053,070
AA+	4,019,782	
AA	53,385,523	56,357,290
AA-	98,556,277	106,521,997
A+	40,611,902	117,467,811
A	117,081,402	129,605,231
A-	77,178,845	97,696,399
BBB+	100,891,605	93,215,626
BBB	119,298,748	68,755,102
BBB-	73,693,095	54,767,049
BB+	5,470,138	479,237
BB	2,227,931	
BB-	705,765	
NR		104,104,572
Total Credit Risk Debt Securities	\$4,390,139,897	\$2,506,023,384
U.S. Government & Agencies	500,674,896	2,174,913,125
Total Debt Securities	\$4,890,814,793	\$4,680,936,509

At June 30, 2007, and 2006, the weighted average quality rating of the pension fund debt securities portfolio was AA+ and AA+, respectively. As of June 30, 2007, and 2006, KRS had \$8,403,834, and \$479,237, respectively, in debt securities rated is BBB-. The fair value of securities in the BBB- rating category was \$73,693,095, and \$54,767,049, respectively, as of June 30, 2007, and 2006.

KENTUCKY RETIREMENT SYSTEMS
 NOTES TO FINANCIAL STATEMENTS
 For the Fiscal Years Ended June 30, 2007 and 2006

NOTE D--INVESTMENTS--CONTINUED

The insurance fund debt securities portfolio, by guidelines, is to be invested in US government securities. As shown below, as of June 30, 2007, the entire insurance fund was invested in Treasury Inflation Protected Securities (TIPS) which carry a US Government treasury rating. As of June 30, 2006, the entire insurance fund consisted of TIPS and US Governmental Short-Term Investment Funds (STIF's).

Insurance Fund Credit Risk of Debt Securities As of June 30, 2007 and 2006		
	2007	2006
U.S. Government & Agencies	\$289,343,163	\$220,781,808

Concentration of Credit Risk Debt Securities - Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's exposure in a single issuer.

The total debt securities portfolio is managed using the following general guidelines adopted by the KRS Board of Trustees:

- Bonds, notes or other obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities are permissible investments and may be held without restrictions.
- Debt obligations of any single U.S. corporation shall be limited to a maximum of 5 percent of the total portfolio at market value.

Except for US government debt securities, there were no individual investments held in either the KRS pension or insurance portfolios at June 30, 2007 or June 30, 2006, that exceeded the maximum issuer 5% limit.

Interest Rate Risk - Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The effective duration measures the sensitivity of the market price to changes in the yield curve. Effective duration is the most accurate duration measure when a significant portion of the securities are callable (redeemable) prior to maturity. The pension fund portfolio contains a number of securities that are callable and therefore interest rate risk is most appropriately measured by effective duration. The Systems do not have a formal policy that constrains the duration of its fixed income portfolio.

The KRS pension fund debt securities portfolio benchmarks its debt securities portfolio to a blended benchmark consisting of the Lehman Brothers Government Credit Index, the Lehman Brothers Aggregate Index and the Lehman Brothers U.S. TIPS index. At June 30, 2007 and 2006, the effective duration of the blended benchmark was 4.77 and 5.70, respectively. At the same points in time, the effective duration of the KRS pension fund debt securities portfolio was 4.92 and 4.45, respectively.

Financial Section

KENTUCKY RETIREMENT SYSTEMS
 NOTES TO FINANCIAL STATEMENTS
 For the Fiscal Years Ended June 30, 2007 and 2006

NOTE D--INVESTMENTS--CONTINUED

<i>KRS Pension Fund Interest Rate Risk</i>				
	2007	Weighted Average Effective Duration	2006	Weighted Average Effective Duration
Asset Backed Securities	\$255,198,379	.85	\$195,474,695	.80
Commercial Mortgage Backed Securities	359,777,307	3.97	270,294,818	3.50
Corporate Bonds	654,647,912	5.94	733,297,247	5.67
Government Agencies	165,620,722	4.36	457,938,065	3.58
Government Bonds	1,983,611,141	6.61	2,167,249,022	4.83
Government Mortgage Backed Securities	1,114,227,990	3.72	625,876,832	4.59
Municipal Bonds	1,736,261	14.93	12,901,977	11.78
Non-Government Backed Collateralized Mortgage Obligations	355,995,081	1.43	217,903,854	2.00
Total	\$4,890,814,793	4.92	\$4,680,936,510	4.45

The KRS insurance fund long-term debt securities portfolio consists entirely of US government issued bonds which are not callable (redeemable) prior to maturity. The modified duration, similar to effective duration, measures the sensitivity of the market prices to changes in the yield curve but does not assume that securities will be called prior to maturity. Since the modified duration measure most accurately reflects the interest rate sensitivity of the insurance fund portfolio, this measure is used for comparative purposes. The KRS insurance fund debt securities portfolio benchmarks its debt securities portfolio to the Lehman Brothers U.S. TIPS Index. At June 30, 2007 and 2006, the modified duration of the benchmark was 6.37 and 7.69 years, respectively. At the same points in time, the modified duration of the KRS insurance fund debt securities portfolio was 7.85 and 8.09 years, respectively.

***Insurance Fund
Debt Securities Investments at Fair Value
As of June 30, 2007 and 2006***

Investment	2007		2006	
	Fair Value	Weighted Duration	Fair Value	Weighted Duration
Index Linked Government Bonds	\$289,343,163	7.85	\$220,781,808	8.09

Financial Section

KENTUCKY RETIREMENT SYSTEMS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2007 and 2006

NOTE D--INVESTMENTS--CONTINUED

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. KRS does not have a formal policy to limit foreign currency risk. The following tables present KRS' exposure at June 30, 2007 and 2006.

Pension Funds
Investments at Fair Value
As of June 30, 2007 and 2006

Foreign Equities	2007	2006
Australian Dollar	\$99,886,855	\$ 69,810,185
British Pound Sterling	440,922,544	326,927,792
Danish Krone	1,678	5,555,604
Euro	666,125,958	534,096,705
Hong Kong Dollar	36,321,861	19,200,448
Japanese Yen	423,200,251	420,352,056
Malaysian Ringgit	4,940,420	
Norwegian Krone	18,449,939	13,999,004
Singapore Dollar	27,463,397	29,048,766
South African Rand	4,212,526	2,950,033
South Korean Won	10,265,258	
Swedish Krona	21,968,065	46,216,722
Swiss Franc	158,519,487	121,430,006
International Equity Mutual Fund (various currencies)	629,475,754	508,273,254
Total Securities Subject To:		
Foreign Currency Risk	2,541,780,993	2,097,860,575
USD (securities held by International Investment Managers)	61,178,192	45,147,664
Total International Investment Securities	\$2,602,959,185	\$ 2,143,008,239

KENTUCKY RETIREMENT SYSTEMS
 NOTES TO FINANCIAL STATEMENTS
 For the Fiscal Years Ended June 30, 2007 and 2006

NOTE D--INVESTMENTS--CONTINUED

Insurance Fund
Investments at Fair Value
As of June 30, 2007 and 2006

Foreign Equities	2007	2006
Australian Dollar	\$ 34,120,308	\$ 25,007,521
British Pound Sterling	120,674,789	96,076,217
Danish Krone		2,834,941
Euro	195,444,217	135,800,378
Hong Kong Dollar	9,666,934	6,257,704
Japanese Yen	108,817,816	111,488,690
Norwegian Krone	9,480,847	7,061,386
Singapore Dollar	8,952,357	5,388,276
Swedish Krona	7,170,720	21,656,351
Swiss Franc	49,914,778	35,962,006
Total Securities Subject To:		
Foreign Currency Risk	544,242,766	447,533,470
USD (securities held by International Investment Managers)	3,783,791	3,676,958
Total International Investment Securities	\$548,026,557	\$ 451,210,428

KENTUCKY RETIREMENT SYSTEMS

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2007 and 2006

NOTE E--SECURITIES LENDING TRANSACTIONS

Kentucky Revised Statutes Sections 61.650 and 386.020(2) permit the Pension and Insurance Funds to lend their securities to broker-dealers and other entities. The borrowers of the securities agree to transfer to the Funds' custodial banks either cash collateral or other securities with a fair value of 102 percent of the value of the borrowed securities. The borrowers of the securities simultaneously agree to return the borrowed securities in exchange for the collateral at a later date. Securities lent for cash collateral are presented as unclassified above in the schedule of custodial credit risk; securities lent for securities collateral are classified according to the category for the securities loaned. At June 30, 2007, the Funds have no credit risk exposure to borrowers because the amounts the Funds owe to borrowers exceed the amounts the borrowers owe the Funds. The contracts with the custodial banks require them to indemnify the Funds if the borrowers fail to return the securities and one or both of the custodial banks have failed to live up to their contractual responsibilities relating to the lending of securities.

All securities loans can be terminated on demand by either party to the transaction, although the average term of the loans was 6 days, 10 days, and 24 days for the three investment portfolios subject to security lending agreements. One custodial bank invests cash collateral in securities that are permitted for investment by state statute and board policy, which at year-end has a weighted-average maturity of 3 days for the Funds. The other custodial bank invests cash collateral in the agent's short-term investment pool as permitted by state statute and Board policy, which at year-end has a weighted-average maturity of 24 days for the Pension Fund only. Neither of the Funds can pledge or sell collateral securities received unless the borrower defaults.

NOTE F--RISKS OF LOSS

KRS is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under the provisions of the Kentucky Revised Statutes, the Kentucky Board of Claims is vested with full power and authority to investigate, hear proof, and to compensate persons for damages sustained to either person or property as a result of negligence of the agency or any of its employees. Awards are limited to \$200,000 for a single claim and \$350,000 in aggregate per occurrence. Awards and a pro rata share of the operating cost of the Board of Claims are paid from the fund of the agency having a claim or claims before the Board.

Claims against the Board of Trustees of Kentucky Retirement Systems or any of its staff as a result of an actual or alleged breach of fiduciary duty are insured with a commercial insurance policy. Coverage provided is limited to \$5,000,000 with a deductible amount of \$100,000. Defense costs incurred in defending such claims will be paid by the insurance company. However, the total defense cost and claims paid shall not exceed the total aggregate coverage of the policy.

Claims for job-related illnesses or injuries to employees are insured by the state's self-insured workers' compensation program. Payments approved by the program are not subject to maximum limitations. A claimant may receive reimbursement for all medical expenses related to the illness or injury and up to sixty-six and two-thirds percent (66 2/3%) of wages for temporary disability. Each agency pays premiums based on fund reserves and payroll.

Only claims pertaining to workers' compensation have been filed during the past three fiscal years. Settlements did not exceed insurance coverage in any of the past three fiscal years. There were no claims which were appealed to the Kentucky Workers' Compensation Board.

KENTUCKY RETIREMENT SYSTEMS
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2007 and 2006

NOTE G--CONTINGENCIES

In the normal course of business, KRS is involved in various litigation concerning the right of participants or their beneficiaries to receive benefits. KRS does not anticipate any material losses as a result of the contingent liabilities.

NOTE H--INCOME TAX STATUS

The Internal Revenue Service has ruled that KRS qualifies under Section 401(a) of the Internal Revenue Code and is, therefore, not subject to tax under income tax law.

NOTE I--ANTHEM DEMUTUALIZATION

In 2002, Anthem Insurance Companies, Inc., an Indiana corporation, underwent a demutualization, as authorized by the Indiana statutes. The demutualization provided, among other things, that "eligible statutory members," as defined by Indiana statutory provision, would receive cash or stock in consideration for giving up their membership interest in Anthem. In some instances application of the statute led to the determination by Anthem that individual members of the retirement plans administered by Kentucky Retirement Systems were the "statutory members" and in other instances the Kentucky Retirement Systems was identified by Anthem as the eligible statutory member to receive cash or stock under the Anthem demutualization plan. According to Anthem, this determination was based upon which of Anthem's subsidiaries was the original provider. The determination was confirmed by the Indiana Department of Insurance.

The distribution of approximately \$62 million, which Kentucky Retirement Systems received on January 4, 2002 under the Anthem demutualization, was deposited in the Kentucky Employees Retirement Systems Insurance Fund. As of November 30, 2006 the date on which all funds were disbursed, the Insurance Fund had earned approximately \$4 million in interest, and had appreciated in value approximately \$2.8 million. As a result, the value of the distribution at the time of disbursement amounted to approximately \$68.8 million. The retirement systems included within the Kentucky Retirement Systems for purposes of the Anthem demutualization are the Kentucky Employees Retirement System, (hazardous and non-hazardous), the County Employees Retirement System (hazardous and non-hazardous), the State Police Retirement System, the Legislators' Retirement Plan, and the Judicial Retirement Plan.

Kentucky Retirement Systems was a defendant in a case entitled *Jean C. Love, David E. Wiseman, and Belvia Campbell v. Board of Trustees of the Kentucky Retirement Systems*, which was in Franklin Circuit Court. At issue was how to distribute the proceeds resulting from Anthem's demutualization. The plaintiffs sought to recover the full amount of the proceeds or, alternatively, the pro rata amount of proceeds attributable to insurance premiums that the employees and/or their beneficiaries paid directly.

On June 30, 2006, the parties in the case entered into a Settlement Agreement that was approved on a preliminary basis by the Circuit Court. The Agreement received final approval from the Circuit Court on September 28, 2006. In accordance with the Agreement, \$20 million was transferred to the "Northern Trust Institutional Funds Prime Obligations Portfolio" operated by the Northern Trust Company of Chicago, Illinois (which is the investment custodian for Kentucky Retirement Systems), with such account ("Settlement Fund Savings Account") to be held and controlled exclusively by Kentucky Retirement Systems. This account was created on July 11, 2006.

Financial Section

KENTUCKY RETIREMENT SYSTEMS

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2007 and 2006

On, or about, the effective date of the Settlement Agreement of October 29, 2006, Kentucky Retirement Systems caused all funds contained in the Settlement Fund Savings Account, including any interest earned, to be paid to the Plaintiffs' Counsel in trust for the full, complete and final satisfaction of all claims released pursuant to the Settlement Agreement. The Settlement Fund Savings Account was be distributed by the Plaintiffs' Counsel as ordered by the Court.

The remaining balance of approximately \$48.8 million, plus earnings thereon, was distributed on November 30, 2006, as follows: Judicial Retirement Plan, \$376,105; Legislators Retirement Plan, \$112,343; and, Kentucky Retirement Systems, \$48,356,362. Accrued interest was transferred to each account on December 5, 2006 in the following amounts; Judicial Retirement Plan, \$1,545; Legislators Retirement Plan, \$462; and, Kentucky Retirement System, \$198,666. The balance transferred to Kentucky Retirement Systems was further segregated among the various plans it manages, as follows: Kentucky Employees Retirement System-Non-Hazardous, \$24,777,800 or \$51.24%; Kentucky Employees Retirement System-Hazardous, \$676,989, or \$1.4%; County Employees Retirement System-Non-Hazardous, \$21,523,417 or \$44.51%; County Employees Retirement System-Hazardous, \$913,935, or \$1.89%; and, State Police Retirement System \$464,221, or \$.96%. The manner of distribution was determined by the Segal Company, the former actuaries of Kentucky Retirement Systems

NOTE J--DEFINED BENEFIT PENSION PLAN

All eligible employees of Kentucky Retirement Systems (KRS) participate in the Kentucky Employees Retirement System (non-hazardous), a cost-sharing, multiple-employer defined pension plan that covers substantially all regular full-time employees in non-hazardous positions of any Kentucky State Department, Board or Agency directed by Executive Order to participate in the system. The Plan provides for retirement, disability and death benefits to plan members. Plan benefits are extended to beneficiaries of plan members under certain circumstances. Plan members contributed 5.0% of creditable compensation for the periods ending June 30, 2007, June 30, 2006, and June 30, 2005. KRS contributed 7.75%, 5.89% and 5.89%, of covered payroll for the periods ending June 30, 2007, June 30, 2006, and June 30, 2005. The chart below includes the covered payroll and contribution amounts for KRS for the three periods included in this discussion.

	2007	2006	2005
Covered Payroll	\$11,269,800	\$10,960,000	\$9,891,000
Employer Contributions	\$873,400	\$ 641,200	\$ 572,400

NOTE K--EQUIPMENT

Equipment consists of the following:

	As of June 30, 2007	As of June 30, 2006
Equipment, at cost	\$ 4,886,710	\$ 4,039,537
Less accumulated depreciation	\$ (2,992,574)	\$ (2,763,017)
Total	\$ 1,894,136	\$ 1,276,520

Depreciation expense for the years ended June 30, 2007 and 2006 amounted to \$438,278 and \$387,292, respectively.

NOTE L--ALTERNATIVE INVESTMENT

On February 6, 2006, the health insurance fund of Kentucky Retirement Systems loaned to KRS Perimeter Park West, Inc., a related party, \$700,000 for the purchase of real property at 1300 Louisville Road, Frankfort, Kentucky. The loan was not documented by a note, mortgage contract, or security interest in the property. Subsequent to the lending and purchase, the real property was valued by appraisal from \$135,000 to \$290,000. The range of appraisal values is based upon considerations of zoning classifications, site preparations and improvements, and other matters. Kentucky Retirement Systems is reflecting the alternative investment at the lowest appraisal value for the property. Because of the significant difference in the appraised value of the property and the loan amount, and also because the loan was not documented by a note, mortgage contract, or security interest in the property, the Kentucky Retirement Systems is uncertain whether it will be able to collect any principal (or interest) in excess of the minimum appraised property value. Therefore, as of June 30, 2006, KRS Management elected to write down the value of the alternative investment to an estimated collectable value of \$135,000.

NOTE M--PRIOR PERIOD ADJUSTMENT

The Pension Fund's net assets as of June 30, 2006, and the net increase in the Pension Fund's net assets for the fiscal year then ended, have been restated to correct for an error in accrued wages at June 30, 2006. The net effect of this correction for reporting purposes was a \$1,888,000 decrease in Administrative Expenses (Salaries and Per Diem) for the fiscal year ended June 30, 2006, and a corresponding increase in Pension Fund's net assets as of June 30, 2006.

Financial Section

KENTUCKY RETIREMENT SYSTEMS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

Kentucky Employees Retirement Systems (KERS) - Pension Funds

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
Non-Hazardous						
June 30, 2001	\$6,844,742,687	\$5,444,035,294	(\$1,400,707,393)	125.7%	\$1,505,299,220	(93.1%)
June 30, 2002*	6,654,084,196	6,026,094,764	(627,989,432)	110.4	1,595,809,458	(39.3)
June 30, 2003**	6,351,318,832	6,520,463,188	169,144,356	97.4	1,658,604,696	10.2
June 30, 2004**	6,000,513,743	7,049,613,171	1,049,099,428	85.1	1,645,412,496	63.8
June 30, 2005**	5,578,685,746	7,579,074,839	2,000,389,093	73.6	1,655,907,288	120.8
June 30, 2006**	5,394,086,323	8,994,826,247	3,600,739,924	60.0	1,702,230,777	211.5
June 30, 2007**	5,396,782,459	9,485,939,278	4,089,156,819	56.9	1,780,223,493	229.7
Hazardous						
June 30, 2001	\$361,677,475	\$285,193,761	(\$76,483,714)	126.8%	\$122,857,992	(62.3%)
June 30, 2002*	376,384,302	322,069,164	(54,315,138)	116.9	125,275,925	(43.4)
June 30, 2003**	385,925,722	356,879,133	(29,046,589)	108.1	129,088,956	(22.5)
June 30, 2004**	397,212,763	403,578,036	6,365,273	98.4	126,664,812	5.0
June 30, 2005**	405,288,662	439,013,910	33,725,248	92.3	131,687,088	25.6
June 30, 2006**	427,984,192	508,655,903	80,671,711	84.1	138,747,320	58.1
June 30, 2007**	467,287,809	558,992,327	91,704,518	83.6	144,838,020	63.3
Total						
June 30, 2001	\$7,206,420,162	5,729,229,055	\$1,477,191,107	125.8%	\$1,628,157,212	(90.7%)
June 30, 2002*	7,030,468,498	6,348,163,928	682,304,570	110.7	1,721,085,383	(39.6)
June 30, 2003**	6,737,244,554	6,877,342,321	140,097,767	98.0	1,787,693,652	11.1
June 30, 2004**	6,397,726,506	7,453,191,207	1,055,464,701	85.8	1,772,077,308	59.6
June 30, 2005**	5,983,974,408	8,018,088,749	2,034,114,341	74.6	1,787,594,376	113.8
June 30, 2006**	5,822,070,515	9,503,482,151	3,681,411,635	61.3	1,840,978,097	200.0
June 30, 2007**	5,864,070,268	10,044,931,605	4,180,861,337	58.4	1,925,061,513	217.2

*Asset valuation method was changed to reflect the amount of investment gain/loss for the current year equally over the current year and the following four years.

**Covered payroll was actuarially computed as opposed to estimated in prior years.

Financial Section

KENTUCKY RETIREMENT SYSTEMS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

County Employees Retirement Systems (CERS) - Pension Funds

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
Non-Hazardous						
June 30, 2001	\$5,423,834,549	\$3,706,282,212	(\$1,717,552,337)	146.3%	\$1,544,973,296	(111.2%)
June 30, 2002*	5,397,787,158	4,165,355,149	(1,232,432,009)	129.6	1,663,183,629	(74.1)
June 30, 2003**	5,286,580,047	4,417,597,802	(868,982,245)	119.7	1,796,451,180	(48.4)
June 30, 2004**	5,187,851,530	4,936,459,488	(251,392,042)	105.1	1,826,870,880	(13.8)
June 30, 2005**	5,059,208,687	5,385,306,505	326,097,818	93.9	1,885,275,000	17.3
June 30, 2006**	5,162,894,136	6,179,569,267	1,016,675,131	83.5	1,982,437,473	51.3
June 30, 2007**	5,467,824,480	6,659,446,126	1,191,621,646	82.1	2,076,848,328	57.4
Hazardous						
June 30, 2001	\$1,486,666,016	\$1,193,860,442	(\$292,805,574)	124.5%	\$316,700,304	(92.5%)
June 30, 2002*	1,485,511,793	1,327,291,273	(158,220,520)	111.9	345,849,277	(45.7)
June 30, 2003**	1,467,004,856	1,499,628,782	32,623,926	97.8	374,700,732	8.7
June 30, 2004**	1,457,612,042	1,640,830,120	183,218,078	88.8	392,562,624	46.7
June 30, 2005**	1,452,353,023	1,795,617,335	343,264,312	80.9	411,121,728	83.5
June 30, 2006**	1,515,075,017	2,020,142,770	505,067,753	75.0	426,927,550	118.3
June 30, 2007**	1,639,288,294	2,208,736,179	569,447,255	74.2	458,998,956	124.1
Total						
June 30, 2001	\$6,910,500,565	\$4,900,142,654	(\$2,010,357,911)	141.0%	\$1,861,673,600	(108.0%)
June 30, 2002*	6,883,298,951	5,492,646,422	(1,390,652,529)	125.3	2,009,032,906	(69.2)
June 30, 2003**	6,753,584,903	5,917,226,584	(836,358,319)	114.1	2,171,151,912	(38.5)
June 30, 2004**	6,645,463,572	6,577,289,608	(68,173,964)	101.0	2,219,433,504	(3.1)
June 30, 2005**	6,511,561,710	7,180,923,840	669,362,130	90.7	2,296,396,728	29.2
June 30, 2006**	6,677,969,153	8,199,712,037	1,521,742,884	81.4	2,409,365,023	63.2
June 30, 2007**	7,107,113,404	8,868,182,305	1,761,068,901	80.1	2,535,847,284	69.4

*Asset valuation method was changed to reflect the amount of investment gain/loss for the current year equally over the current year and the following four years.

**Covered payroll was actuarially computed as opposed to estimated in prior years.

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

State Police Retirement Systems (SPRS) - Pension Funds

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
June 30, 2001	\$456,160,709	\$356,211,860	(\$99,948,849)	128.1%	\$44,646,678	(223.7%)
June 30, 2002*	438,955,465	380,790,346	(58,165,119)	115.3	44,314,696	(131.2)
June 30, 2003**	413,063,576	414,881,459	1,817,883	99.6	43,760,832	4.2
June 30, 2004**	385,077,195	437,482,425	52,405,230	88.0	43,835,208	119.6
June 30, 2005**	353,511,622	458,593,576	105,081,954	77.1	43,720,092	240.4
June 30, 2006**	344,016,197	516,482,298	172,466,101	66.6	47,743,865	361.2
June 30, 2007**	348,806,508	547,955,286	199,148,778	63.7	49,247,580	404.4

**Asset valuation method was changed to reflect the amount of investment gain/loss for the current year equally over the current year and the following four years.*

***Covered payroll was actuarially computed as opposed to estimated in prior years.*

Financial Section

KENTUCKY RETIREMENT SYSTEMS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

Kentucky Employees Retirement Systems (KERS) - Insurance Fund

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
Non-Hazardous						
June 30, 2001	\$449,630,605	\$1,769,583,098	\$1,319,952,493	25.4%	\$1,505,299,220	87.7%
June 30, 2002*	521,250,455	1,907,683,881	1,386,433,426	27.3	1,595,809,458	86.9
June 30, 2003**	553,885,082	2,093,210,321	1,539,325,239	26.5	1,658,604,696	92.8
June 30, 2004**	600,586,961	2,335,905,365	1,735,318,404	25.7	1,645,412,496	105.5
June 30, 2005**	607,068,351	2,680,559,188	2,073,490,837	22.7	1,655,907,288	125.2
June 30, 2006**	611,350,765	7,815,480,774	7,204,130,009	7.8	1,702,230,777	423.2
June 30, 2007**	621,171,658	5,201,355,055	4,580,183,397	11.9	1,780,223,493	257.3
Hazardous						
June 30, 2001	\$119,372,742	\$214,450,822	\$95,078,080	55.7%	\$122,857,992	77.4%
June 30, 2002*	135,874,582	236,819,050	100,944,468	57.4	125,275,925	80.6
June 30, 2003**	151,459,500	283,178,335	131,718,835	53.5	129,088,956	102.0
June 30, 2004**	169,158,879	323,503,563	154,344,684	52.3	126,664,812	121.9
June 30, 2005**	187,947,644	386,844,695	198,897,051	48.6	131,687,088	151.0
June 30, 2006**	212,833,818	621,237,856	408,404,538	34.3	138,747,320	294.4
June 30, 2007**	251,536,756	504,842,981	253,306,225	49.8	144,838,020	174.9
Total						
June 30, 2001	569,003,347	\$1,984,033,920	\$1,415,030,573	28.7%	\$1,628,157,212	86.9%
June 30, 2002*	657,125,037	2,144,502,931	1,487,377,894	30.6	1,721,085,383	86.4
June 30, 2003**	705,344,582	2,376,388,656	1,671,044,074	29.7	1,787,693,652	93.5
June 30, 2004**	769,745,840	2,659,408,928	1,889,663,088	28.9	1,772,077,308	106.6
June 30, 2005**	795,015,995	3,067,403,883	2,272,387,888	25.9	1,787,594,376	127.1
June 30, 2006**	824,184,083	8,436,718,630	7,612,534,547	9.8	1,840,178,097	413.5
June 30, 2007**	872,708,414	5,706,198,036	4,833,489,622	15.3	1,925,061,513	251.1

*Asset valuation method was changed to reflect the amount of investment gain/loss for the current year equally over the current year and the following four years.

**Covered payroll was actuarially computed as opposed to estimated in prior years.

Financial Section

KENTUCKY RETIREMENT SYSTEMS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

County Employees Retirement Systems (CERS) - Insurance Fund

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
Non-Hazardous						
June 30, 2001	\$371,758,628	\$1,793,710,768	\$1,421,952,140	20.7%	\$1,544,973,296	92.0%
June 30, 2002*	450,497,307	1,977,577,038	1,527,079,731	22.8	1,663,183,629	91.8
June 30, 2003**	520,060,105	2,176,963,259	1,656,903,154	23.9	1,796,451,180	92.2
June 30, 2004**	585,399,072	2,438,734,696	1,853,335,624	24.0	1,826,870,880	101.5
June 30, 2005**	663,941,949	2,788,754,654	2,124,812,705	23.8	1,885,275,000	112.7
June 30, 2006**	777,726,590	4,607,223,639	3,829,497,049	16.9	1,982,437,473	193.2
June 30, 2007**	960,285,900	3,333,966,070	2,373,680,170	28.8	2,076,848,328	114.3
Hazardous						
June 30, 2001	\$197,875,249	\$721,605,292	\$523,730,043	27.4%	\$316,700,304	165.4%
June 30, 2002*	234,683,878	781,184,974	546,501,096	30.1	345,849,279	158.0
June 30, 2003**	269,190,080	935,650,662	666,460,582	28.8	374,700,732	177.9
June 30, 2004**	310,578,162	1,025,684,477	715,106,315	30.3	392,562,624	182.2
June 30, 2005**	359,180,461	1,283,299,092	924,118,631	28.0	411,121,728	224.8
June 30, 2006**	422,785,042	1,928,481,371	1,505,696,329	21.9	426,927,550	352.7
June 30, 2007**	512,926,549	1,646,460,011	1,133,533,462	31.2	458,998,956	247.0
Total						
June 30, 2001	\$569,633,877	\$2,515,316,060	\$1,945,682,183	22.6%	\$1,861,673,600	104.5%
June 30, 2002*	685,181,185	2,758,762,012	2,073,580,827	24.8	2,009,032,908	103.2
June 30, 2003**	789,250,185	3,112,613,921	2,323,363,736	25.4	2,171,151,912	107.0
June 30, 2004**	895,977,234	3,464,419,173	2,568,441,939	25.9	2,219,433,504	115.7
June 30, 2005**	1,023,122,410	4,072,053,746	3,048,931,336	25.1	2,296,396,728	132.8
June 30, 2006**	1,200,511,632	6,535,705,010	5,335,193,378	18.4	2,409,365,023	221.4
June 30, 2007**	1,473,212,449	4,980,426,081	3,507,213,632	29.6	2,535,847,284	138.3

*Asset valuation method was changed to reflect the amount of investment gain/loss for the current year equally over the current year and the following four years.

**Covered payroll was actuarially computed as opposed to estimated in prior years.

KENTUCKY RETIREMENT SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

State Police Retirement Systems (SPRS) - Insurance Fund

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a)/c]
June 30, 2001	\$79,863,577	\$158,261,479	\$78,397,902	50.5%	\$44,646,678	175.6%
June 30, 2002*	86,867,391	165,445,412	78,578,021	52.5	44,314,696	177.3
June 30, 2003**	90,747,967	184,501,205	93,753,238	49.2	43,760,832	214.2
June 30, 2004**	96,622,908	197,604,301	100,981,393	48.9	43,835,208	230.4
June 30, 2005**	100,207,082	234,159,510	133,952,428	42.8	43,720,092	306.4
June 30, 2006**	105,580,269	582,580,867	477,000,598	18.1	47,743,865	999.1
June 30, 2007**	115,215,912	432,763,229	317,547,317	26.6	49,247,580	644.8

**Asset valuation method was changed to reflect the amount of investment gain/loss for the current year equally over the current year and the following four years.*

***Covered payroll was actuarially computed as opposed to estimated in prior years.*

Financial Section

KENTUCKY RETIREMENT SYSTEMS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Kentucky Employees Retirement System (KERS)

Non-Hazardous

Fiscal Year Ended	Pension			Insurance		
	Annual Required Contributions	Actual Contributions	Percentage Contributed	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	\$21,787,253	\$23,482,080	107.8%	\$66,874,871	\$66,874,871	100.0%
June 30, 2002		1,760,328		93,993,177	93,912,017	99.9
June 30, 2003	4,905,399	7,597,450	134.9	92,052,561	65,335,219	71.0
June 30, 2004	47,739,067	21,696,543	45.4	77,951,553	78,016,737	100.1
June 30, 2005	85,798,943	50,332,750	58.7	86,974,271	49,909,228	57.4
June 30, 2006	137,330,718	60,680,607	44.2	100,942,451	43,748,669	43.3
June 30, 2007	190,299,462	88,248,677	46.4	114,928,046	74,758,381	65.0

Hazardous

	Pension			Insurance		
	Annual Required Contributions	Actual Contributions	Percentage Contributed	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	\$9,920,148	\$10,626,663	107.1%	\$13,226,298	\$13,226,298	100.0%
June 30, 2002	7,742,052	17,933,817	102.5	15,859,932	15,887,399	100.2
June 30, 2003	8,511,402	7,322,607	86.0	15,839,215	15,883,263	100.3
June 30, 2004	9,600,978	9,769,580	101.8	14,942,092	14,959,617	100.1
June 30, 2005	9,449,878	9,758,547	103.3	15,892,977	15,395,977	96.9
June 30, 2006	12,128,538	10,803,206	89.1	18,605,633	16,243,103	87.3
June 30, 2007	13,644,045	13,237,321	97.0	20,642,499	19,639,488	95.1

Total

	Pension			Insurance		
	Annual Required Contributions	Actual Contributions	Percentage Contributed	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	\$31,707,401	\$34,108,743	107.6%	\$80,101,169	\$80,101,169	100.0%
June 30, 2002	7,742,052	9,694,145	125.2	109,853,109	109,799,416	100.0
June 30, 2003	13,416,801	14,920,057	111.2	107,891,776	81,218,482	75.3
June 30, 2004	57,340,045	31,466,123	54.9	92,893,645	92,976,354	100.1
June 30, 2005	95,248,821	60,091,297	63.1	102,867,248	65,305,205	63.5
June 30, 2006	149,459,256	71,483,813	47.8	119,548,084	59,991,772	50.2
June 30, 2007	203,943,507	101,485,998	49.8	135,570,545	94,397,869	69.6

Financial Section

KENTUCKY RETIREMENT SYSTEMS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

Kentucky Employees Retirement System (KERS)

Non-Hazardous			
Total			
Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	\$88,662,124	\$90,356,951	101.9%
June 30, 2002	93,993,177	95,672,345	101.8
June 30, 2003	96,957,960	72,932,669	75.2
June 30, 2004	125,690,620	99,713,280	79.3
June 30, 2005	172,773,214	100,241,978	58.0
June 30, 2006	238,273,169	104,429,276	43.8
June 30, 2007	305,227,508	163,007,058	53.4

Hazardous			
Total			
	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	\$23,146,446	\$23,852,961	103.1%
June 30, 2002	23,601,984	23,821,216	100.9
June 30, 2003	24,350,617	23,205,870	95.3
June 30, 2004	24,543,070	24,729,197	100.8
June 30, 2005	25,342,855	25,154,524	99.3
June 30, 2006	30,734,171	27,046,309	88.0
June 30, 2007	34,286,544	32,876,809	95.9

Total			
Total			
	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	\$111,808,570	\$114,209,912	102.1%
June 30, 2002	117,595,161	119,493,561	101.6
June 30, 2003	121,308,577	96,138,539	79.3
June 30, 2004	150,233,690	124,442,477	82.8
June 30, 2005	198,116,069	125,396,502	63.3
June 30, 2006	269,007,340	131,475,585	48.9
June 30, 2007	339,514,052	195,883,867	57.7

Financial Section

KENTUCKY RETIREMENT SYSTEMS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

County Employees Retirement System (CERS)

Non-Hazardous

Fiscal Year Ended	Pension			Insurance		
	Annual Required Contributions	Actual Contributions	Percentage Contributed	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	\$35,658,922	\$48,914,435	137.2%	\$62,292,385	\$62,292,385	100.0%
June 30, 2002	3,326,367	5,528,348	166.2	102,119,475	102,150,543	100.0
June 30, 2003	8,682,257	11,855,694	136.6	102,038,427	99,234,843	97.3
June 30, 2004	43,111,505	44,028,465	102.1	89,289,520	89,344,241	100.1
June 30, 2005	53,117,955	54,616,800	102.8	106,612,633	106,638,253	100.0
June 30, 2006	89,486,365	90,834,052	101.5	126,460,952	126,480,816	100.0
June 30, 2007	121,931,495	124,260,850	101.9	147,461,540	157,232,232	106.6

Hazardous

	Pension			Insurance		
	Annual Required Contributions	Actual Contributions	Percentage Contributed	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	\$19,409,377	\$20,983,360	108.1%	32,149,432	32,149,432	100.0
June 30, 2002	10,582,988	11,054,949	104.5	45,721,274	45,730,333	100.0
June 30, 2003	19,920,223	16,905,556	84.9	43,502,755	45,243,950	104.0
June 30, 2004	27,050,382	27,640,775	102.2	47,018,046	47,036,777	100.0
June 30, 2005	39,437,725	39,947,747	101.3	54,094,495	54,106,577	100.0
June 30, 2006	49,589,149	49,976,485	100.8	60,947,804	60,933,604	100.0
June 30, 2007	60,782,567	61,553,118	101.3	70,008,907	70,729,308	101.0

Total

	Pension			Insurance		
	Annual Required Contributions	Actual Contributions	Percentage Contributed	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	55,068,299	\$69,897,795	126.9%	\$94,441,817	\$94,441,817	100.0%
June 30, 2002	13,909,355	16,583,297	119.2	147,840,749	147,880,876	100.0
June 30, 2003	28,602,480	28,761,250	100.6	145,541,182	144,478,793	99.3
June 30, 2004	70,161,887	71,669,240	102.1	136,307,566	136,381,018	100.1
June 30, 2005	92,555,680	94,564,547	102.2	160,707,128	160,744,830	100.0
June 30, 2006	139,075,514	140,810,537	101.2	187,408,756	187,414,420	100.0
June 30, 2007	182,714,062	185,813,968	101.7	217,470,447	227,961,540	104.8

Financial Section

KENTUCKY RETIREMENT SYSTEMS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

County Employees Retirement System (CERS)

Non-Hazardous			
Total			
Fiscal Year Ended	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	\$97,951,307	\$111,206,820	113.5%
June 30, 2002	105,445,842	107,678,891	102.1
June 30, 2003	110,720,684	111,090,537	100.3
June 30, 2004	132,401,025	133,372,706	100.7
June 30, 2005	159,730,588	161,255,053	101.0
June 30, 2006	215,947,317	217,314,868	100.6
June 30, 2007	269,393,035	281,493,082	104.5

Hazardous			
Total			
	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	\$51,558,809	\$53,132,792	103.1%
June 30, 2002	56,304,262	56,785,282	100.9
June 30, 2003	63,422,978	62,149,506	98.0
June 30, 2004	74,068,428	74,677,552	100.8
June 30, 2005	93,532,220	94,054,324	100.6
June 30, 2006	100,536,953	110,910,089	100.3
June 30, 2007	130,791,474	132,282,426	101.1

Total			
Total			
	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	\$149,510,116	\$164,339,612	109.9%
June 30, 2002	161,750,104	164,464,173	101.7
June 30, 2003	174,143,662	173,240,043	99.5
June 30, 2004	206,469,453	208,050,258	100.8
June 30, 2005	253,262,808	255,309,377	100.8
June 30, 2006	326,484,270	328,224,956	100.5
June 30, 2007	400,184,509	413,775,508	103.4

Financial Section

KENTUCKY RETIREMENT SYSTEMS REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

State Police Retirement System (SPRS)

Fiscal Year Ended	Pension		
	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	\$1,535,846	\$1,515,521	98.7%
June 30, 2002		(17,463)	
June 30, 2003		(20,061)	
June 30, 2004	1,175,711	1,152,752	98.0
June 30, 2005	3,730,805	2,851,461	76.4
June 30, 2006	6,888,805	4,244,445	61.6
June 30, 2007	10,227,713	6,142,326	60.1

	Insurance		
	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	\$8,098,907	\$8,113,391	100.2%
June 30, 2002	9,563,111	9,579,899	100.1
June 30, 2003	9,443,588	7,654,313	81.1
June 30, 2004	8,434,834	8,455,498	100.2
June 30, 2005	8,608,536	6,631,031	77.0
June 30, 2006	9,669,999	5,990,265	61.9
June 30, 2007	10,733,152	6,850,092	63.8

	Total		
	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2001	\$9,634,753	\$9,628,912	99.9%
June 30, 2002	9,563,111	9,562,256	100.0
June 30, 2003	9,443,588	7,634,252	80.8
June 30, 2004	9,610,545	9,608,250	100.0
June 30, 2005	12,339,341	9,482,492	76.8
June 30, 2006	16,558,804	10,234,710	61.8
June 30, 2007	20,960,865	12,992,418	62.0

Financial Section

KENTUCKY RETIREMENT SYSTEMS NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules as determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Pension Funds		
	Non-Hazardous	Hazardous
Valuation Date	June 30, 2007	June 30, 2007
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	30 Years	30 Years
Asset Valuation Method	Five-Year Smoothed Market	Five-Year Smoothed Market
Actuarial Assumptions:		
Investment Return	7.75%	7.75%
Projected Salary Increases	4.0-13.5%	4.0-14.5%
Cost-of-Living Adjustment	None	None
Includes Inflation Rate at	3.50%	3.50%

Insurance Fund		
	Non-Hazardous	Hazardous
Valuation Date	June 30, 2007	June 30, 2007
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	30 Years	30 Years
Asset Valuation Method	Five-Year Smoothed Market	Five-Year Smoothed Market
Medical Trend Assumption	12.00-5.50%	12.00-5.50%
Year of Ultimate Trend	2015	2015
Actuarial Assumptions:		
Investment Return	4.50%	7.75%
Includes Inflation Rate at	3.5%	3.5%

Financial Section

KENTUCKY RETIREMENT SYSTEMS Schedule of Administrative Expenses For the Fiscal Years Ended June 30, 2007 and 2006

	2007	2006 (Restated)
<i>(Dollars in Thousands)</i>		
Personal Services		
Salaries and Per Diem	\$ 11,429	\$ 11,153
Fringe Benefits	3,230	2,964
Tuition Assistance	53	91
Total Personal Services	14,712	14,208
Contractual Services		
Actuarial	470	161
Audit	42	23
Legal	395	522
Medical	255	288
Contractual	637	1,354
Total Contractual Services	1,799	2,348
Communication		
Printing	331	254
Telephone	147	172
Postage	633	637
Travel	236	218
Total Communication	1,347	1,281
Rentals		
Office Space	979	980
Equipment	67	57
Total Rentals	1,046	1,037
Miscellaneous		
Utilities	274	221
Supplies	268	165
Insurance	64	61
Maintenance	441	300
Other	687	361
Total Miscellaneous	1,734	1,108
Depreciation	439	387
Healthcare Administrative Expenses	6,748	3,562
Total Administrative Expenses	\$ 27,825	\$ 23,931

Financial Section

Kentucky Retirement Systems
 Schedule of Investment Expenses
 For the Fiscal Years Ended June 30, 2007 and 2006

	2007	2006
<i>(Dollars in Thousands)</i>		
Pension Funds		
Security Lending Fees		
Broker Rebates	\$177,377	\$ 124,694
Lending Agent Fees	2,129	2,463
Total Security Lending	179,506	127,157
Common Stock Commissions	7,386	8,212
Contractual Services		
Investment Management	10,573	10,156
Security Custody	381	288
Investment Consultant	377	111
Investment Related Travel	25	57
Total Contractual Services	11,356	10,612
Insurance Fund		
Security Lending Fees		
Broker Rebates	34,796	20,294
Lending Agent Fees	338	366
Total Security Lending	35,134	20,660
Common Stock Commissions	744	567
Investment Management	1,438	1,889
Total Investment Expenses	\$235,564	\$ 169,097

Schedule of Professional Consultant Fees
 For the Fiscal Years Ended June 30, 2007 and 2006

	2007	2006
<i>(Dollars in Thousands)</i>		
Actuarial Services	\$470	\$ 161
Medical Review Services	255	288
Audit Services	42	23
Legal Counsel	395	522
Compliance	180	136
Workflow	245	364
Healthcare	133	750
Banking	53	51
Miscellaneous	26	53
Total	\$1,799	\$ 2,348

Financial Section

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Kentucky Retirement Systems
Frankfort, Kentucky

We have audited the financial statements of Kentucky Retirement Systems, a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2007, and have issued our report thereon dated November 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Kentucky Retirement Systems' internal control over financial reporting in as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Kentucky Retirement Systems' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Kentucky Retirement Systems' control over financial reporting.

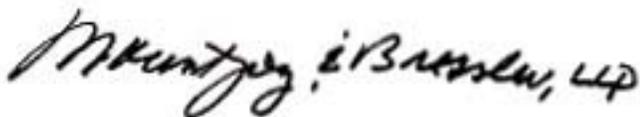
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Kentucky Retirement Systems' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the audit committee, management, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



November 15, 2007
Louisville, Kentucky

SCHEDULE OF FINDING AND RESPONSE

CURRENT YEAR

Our audit disclosed no findings which are required to be reported in accordance with Government Auditing Standards.

PRIOR YEAR

Item 2006-1, Management Override of Internal Controls, was addressed adequately by management.

Investment Section

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Investment Summary

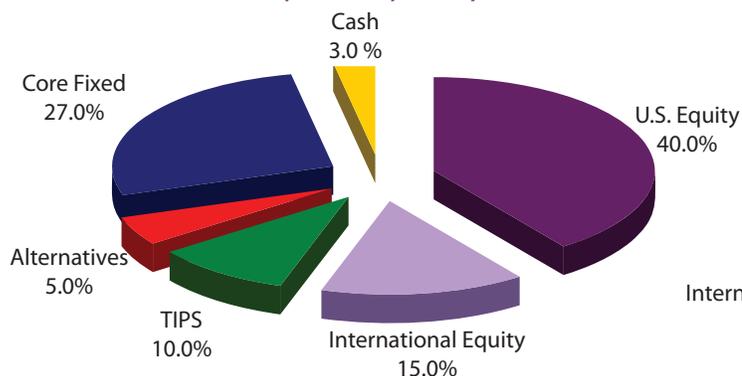
The Board of Trustees is charged with the responsibility of investing Kentucky Retirement Systems' assets in order to provide for the benefits to be paid to KRS members. To achieve that goal the Board follows a policy of preserving capital, while seeking means of enhancing revenues and protecting against undue losses in any particular investment area. The Board recognizes its fiduciary duty not only to invest the funds in formal compliance with the Prudent Person Rule, but also to manage the funds in continued recognition of the basic long term nature of the Systems. In carrying out their fiduciary duties, the Trustees have set forth clearly defined investment policies, objectives and strategies for both the pension and insurance portfolios.

Investment Policy

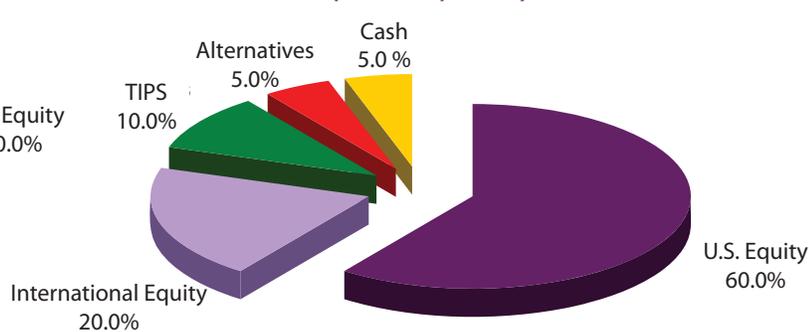
During the fiscal year, the KRS Board of Trustees did not alter its target asset allocation. As of June 30, 2007, the KRS Pension fund's policy allocation invests 40% of the assets in U.S. equities, 15% in international equities, 27% in fixed income, 10% in Treasury Inflation Protected Securities (TIPS), 5% in alternative assets, and 3% in cash or short-term securities. As of June 30, 2007, the KRS Insurance fund's policy allocation invests 60% of the assets in U.S. equities, 20% in international equities, 10% in TIPS, 5% in alternative assets, and 5% in cash or short-term securities.

The following charts graphically depict the Board's investment policy.

Pension Fund Target Allocation
(June 30, 2007)



Insurance Fund Target Allocation
(June 30, 2007)



Investment Objectives

The investment objectives of the portfolios are to produce results that exceed the stated goals over both short-term and long-term periods.

Short-Term: The returns of the particular asset classes of the managed funds of the Systems, measured on a year-to-year basis, should exceed the returns achieved by a policy benchmark portfolio composed of comparable unmanaged market indices.

Long-Term: The total assets of the Systems should achieve a return measured over two market cycles (estimated to be six to ten years) which exceeds the actuarially required rate of return of 7.75% while also exceeding the return achieved by its blended performance benchmark.

Consistent with its fiduciary responsibilities, the Board encourages the investment of the Systems' assets in securities of corporations that provide a positive contribution to the economy of the Commonwealth of Kentucky.

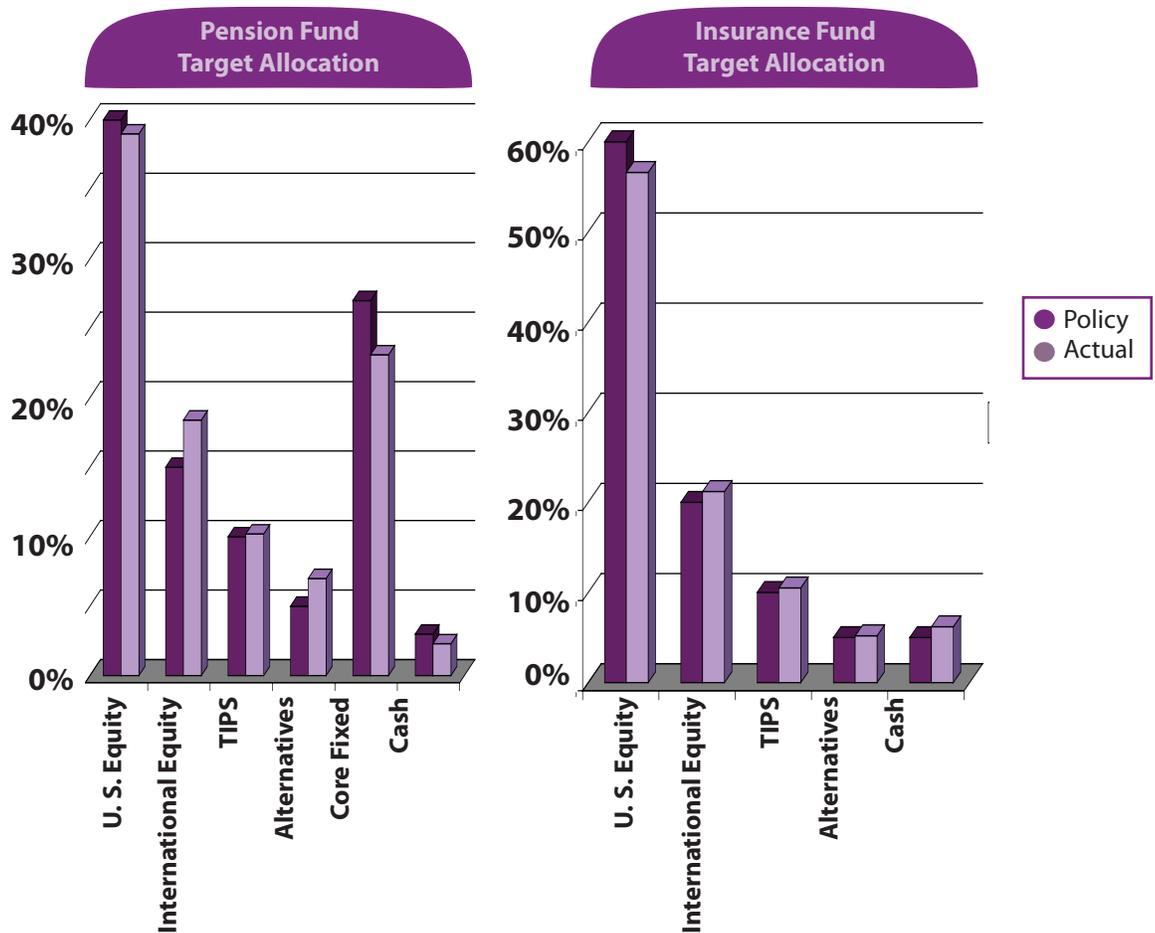
Investment Strategies

Diversification

KRS portfolio is diversified on several levels. Portfolios are diversified through the use of multiple asset classes. Asset allocations are revisited on a periodic basis and represent an efficient allocation to achieve overall return and risk characteristics. The individual asset classes are diversified through the use of multiple portfolios that are managed both by the Investment Division staff and by professional external investment advisors. Finally, portfolios within each of the asset classes are diversified through the selection of individual securities. Each portfolio advisor is afforded discretion to diversify its portfolio(s) within the parameters established by the Board of Trustees.

Rebalancing

Proper implementation of the investment policy requires that a periodic adjustment, or rebalancing, of assets be made to ensure conformance with investment policy target levels. Rebalancing is necessary to reflect sizeable cash flows and performance imbalances among asset classes and investment advisors. KRS' rebalancing policies call for an immediate rebalancing within established allocation ranges, if an asset class exceeds or falls below its target allocation by 10%. As the following charts depict, the Pension and Insurance portfolios were operating within the ranges established by the investment policies.

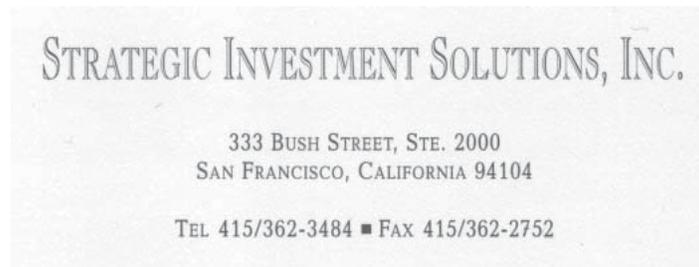


Investments Performance Review Procedures

At least once each quarter, the Investment Committee, on behalf of the Board of Trustees, reviews the performance of the portfolio for determination of compliance with the Statement of Investment Policy. Each month the Investment Division performs tests to assure compliance with the restrictions imposed by the Investment Policy.

Investment Consulting

The Board employs Strategic Investment Solutions, Inc. to review the asset allocation guidelines and the performance of both the internally managed and externally managed assets. A letter from that firm follows this introduction and discusses current allocations, performance and significant changes during the fiscal year.



October 26, 2007

The Board of Trustees of the Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, KY 40601

Subject: Annual Fund Review

Dear Trustees:

Strategic Investment Solutions is charged with the duty to advise the Board in its asset management activities. This is our annual review of the asset management of the Kentucky Retirement Systems. Although we recognize that the Board of Trustees is charged with the responsibility of managing the Funds in a manner consistent with the basic long term nature of the participating systems, our comments focus on the fiscal year ended June 30, 2007. In managing the Funds, the Board must maintain formal compliance with the Prudent Person Rule. Therefore, it seeks to maintain proper and appropriate diversification for the Fund.

Market Highlights

Global equity markets continued their strong recent returns during FY 2007. In the US, corporate earnings growth was strong, offsetting concerns about a deteriorating housing market that began to unfold towards the end of the fiscal year (and which had a much bigger impact on capital markets in the first fiscal quarter of 2008). Inflation remained tame as oil prices stabilized and global market volatility was low throughout the year. While value stocks outperformed growth stocks, most categories of the US equity market posted similarly strong returns. Non-US stocks outpaced US stocks, particularly in emerging markets, which as a group have returned well over 100% over the past 3 years. Investors are betting that emerging market growth will drive the global economy as developed market economies begin to slow. On the fixed income side, short-term interest rates were little changed during the year, after a long period of interest rate hikes, and the yield curve remained flat. Most bond market sectors posted mid-single-digit returns while high yield bonds had double-digit gains. Alternative investments continued to do well during the fiscal year though concerns began to arise about risk relating to excessive leverage and lax borrowing standards by buyout funds.

The US dollar weakened against the Euro and British Pound during this period, boosting International Equity and Fixed Income returns. The S&P 1500 Index gained nearly 20% over the past year while the MSCI EAFE (International Equity) Index (Gross) rose 27.5%. The fixed income markets, as represented by the Lehman Aggregate Bond Index, rose 6.1%.

Systems Highlights

According to the Fund Analytics statements from Northern Trust, the Retirement Fund's assets increased from \$12.9 billion on June 30, 2006 to \$14.2 billion on June 30, 2007. The Fund returned 15.3% during this period versus 14.9% for the Reference Index. The Insurance Fund's assets increased from \$2.1 billion on June 30, 2006 to \$2.7 billion on June 30, 2007. It also outperformed its benchmark, returning 19.3% versus 19.1% for the Reference Index. Please note the Reference Indices are constructed according to the individual target asset allocations of the Funds.

The Retirement Fund was overweight domestic equity and underweight international equity, fixed income, and alternative investments at the end of FY 2007. The Insurance Fund was overweight domestic equity and cash equivalents and underweight international equity, alternative investments, and cash equivalents. Note that KRS is in the process of implementing significant changes to the allocation targets of both Funds. The Funds benefited from strong performance in domestic and international equity and alternative investments.

The asset allocations for the Retirement and Insurance Funds as of June 30 are provided below relative to their allocation targets.

<u>Asset Class</u>	<u>Retirement Fund</u>		<u>Insurance Fund</u>	
	<u>6/30/2007</u> <u>Allocation</u>	<u>Target</u> <u>Allocation</u>	<u>6/30/2007</u> <u>Allocation</u>	<u>Target</u> <u>Allocation</u>
Domestic Equity	38.4%	30.0%	55.5%	40.0%
International Equity	18.4%	20.0%	20.4%	30.0%
Fixed Income	23.1%	25.0%	0.0%	0.0%
Alternatives *	6.9%	12.0%	5.7%	15.0%
TIPS	10.2%	10.0%	10.9%	12.0%
Cash **	3.0%	3.0%	7.4%	3.0%

* Includes Private Equity and Real Estate

** Includes equitization positions

All major asset classes are within their allowable ranges. New policy targets were adopted midway through the fiscal year. As a result, allocations for certain asset classes are significantly different than their respective targets, as KRS works toward implementing these changes.

Investment Manager Highlights

Retirement Fund

Among domestic equity managers, the INVESCO structured core equity portfolio (return of 20.6%) matched the benchmark return while the S&P 1500 Index portfolio (19.7% vs. 20.3% for the S&P 1500 Total Return Index) underperformed its benchmark. The NTQA small cap portfolio trailed its benchmark (16.2% vs. 16.4% for the Russell 2000 Index).

On the international side, only BGI International Alpha Tilts outperformed its benchmark (27.9% vs. 27.5% for the MSCI EAFE (Gross) Index). The Fidelity growth portfolio (24.2% return), Boston Company value portfolio (22.4% return) both trailed the Index. The Boston Company's performance continues to be disappointing, particularly given its high exposure to emerging market equities, which have posted very strong performance since the portfolio's inception.

Among the three fixed income portfolios active during the entire fiscal year, Lincoln Capital tracked its benchmark (2.75% vs. 2.72% for the Lehman Aggregate Index) while both TIPS portfolios lagged the Lehman US TIPS Index (3.91% for the Internal portfolio and 3.79% for the Barksdale portfolios vs. 3.99% for the Index). Over longer time periods, Lincoln Capital has exceeded its benchmark net of management fees while the other portfolios have performed in line with the benchmark. Two new core fixed income portfolios were funded at the end of calendar year 2006, Baird Advisors and Pyramis, replacing Barksdale and INVESCO.

The Alternatives portfolio continued its strong absolute performance record since inception, with a 15.6% return, though it trailed the 16.8% return of the Blended Index. Over the past three years, the portfolio gained 21.5% vs. 10.9% for the Index, on an annualized basis.

Insurance Fund

The S&P 1500 Index portfolio (19.8% vs. 20.3% for the S&P 1500 Total Return Index) and Fidelity (24.2% vs. 27.5% for the MSCI EAFE Index) both underperformed their respective benchmarks.

The Internal TIPS portfolio modestly trailed the Lehman TIPS Index (3.9% vs. 4.0%).

Summary

During 2007 fiscal year the Retirement and Insurance Funds again experienced strong returns and asset growth. Both Funds benefited from generally strong absolute results by their domestic and international equity portfolios, though relative performance was disappointing. Alternatives boosted returns substantially. The fixed income portfolios generally lagged their benchmarks while posting modest absolute returns. The System is working to implement significant changes made recently to the Funds' asset allocation targets.

Sincerely,



Peter A. Keliuotis, CFA
Managing Director

cc: A. Tosh, K. Bottoms, B. Cracraft, B. Aldridge (KRS)

Investment Results

Fiscal Year 2007 Results:

For the fiscal year ended June 30, 2007, KRS pension fund returned 15.3%, which exceeded the return of its benchmark by 0.4%. The 15.3% return also exceeded the actuarially assumed rate of return of 7.75%. The above benchmark performance of the pension fund was due in large part to an above benchmark weighting to international equities and a below benchmark weighting to fixed income, the best and worst performing asset classes for the measurement period.

Pension Total Fund Return¹

	Inception Date	Fiscal Year	3-Year	5-Year	10-Year	Inception
KRS Total Fund	Apr-84	15.3%	11.4%	10.4%	8.1%	11.1%
Performance Benchmark		14.9%	10.5%	10.1%	8.0%	11.1%

¹ Current Policy Benchmark is comprised of 14% LB Aggregate, 13% LB Government/Credit, 10% LB U.S. TIPS, 15% MSCI EAFE, 5% Russell 2000, 31.4% S&P 1500 Composite (Price Only), 6.6% S&P 500, 3% 3-Month Treasury Bill, and 2% LB High Yield Corporate Index

The KRS insurance fund also posted a strong return for the fiscal year ending June 30, 2007. The portfolio returned 19.3% compared to the benchmark's 19.1% return and the actuarially assumed rate of 7.75%. The above benchmark performance of the insurance fund was also due in large part to higher than benchmark allocations to international equities and above benchmark performance from the domestic equity asset class.

Insurance Total Fund Return

	Inception Date	Fiscal Year	3-Year	5-Year	10-Year	Inception
KRS Total Insurance Fund	Apr-84	19.3%	13.7%	12.3%	8.4%	9.5%
Performance Benchmark		19.1%	12.9%	11.8%	8.0%	9.6%

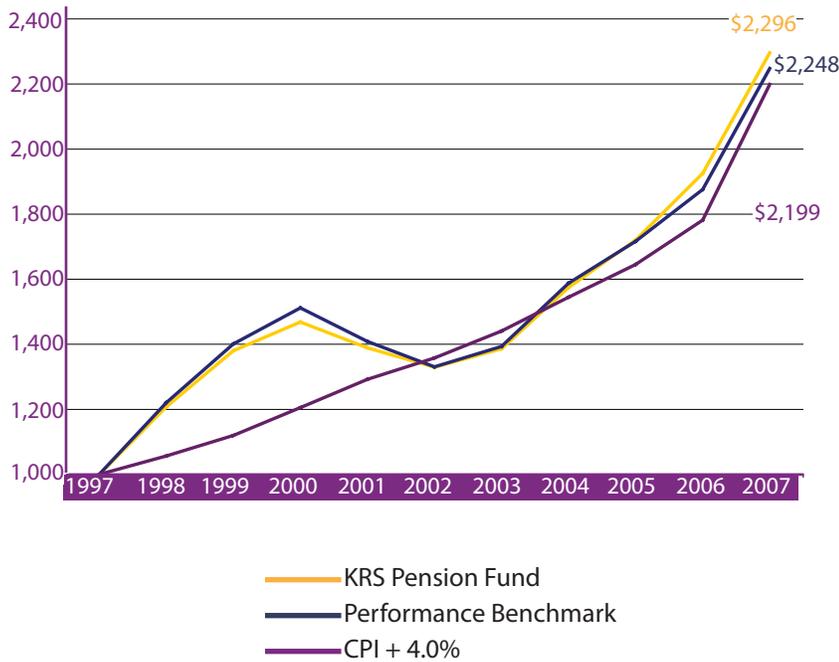
¹ Current Policy Benchmark is comprised of 10% LB U.S. TIPS, 20% MSCI EAFE, 64% S&P 1500 Composite (Price Only), 5% 3-Month Treasury Bill, and 1% LB High Yield Corporate Index.

Long-Term Results:

The 10 years ending June 30, 2007, provided returns that by historical measures were quite good. The KRS pension fund portfolio earned an annualized total return of 8.1%. As shown in the investment results table, the KRS pension fund return remains ahead of or in line with its benchmark for each of the time periods presented. The consistent, above benchmark performance, is best illustrated by the growth of dollars chart. The graph demonstrates the performance of \$1,000 invested in the KRS pension portfolio, its policy benchmark portfolio, and its actuarial objective over the past 10 years.

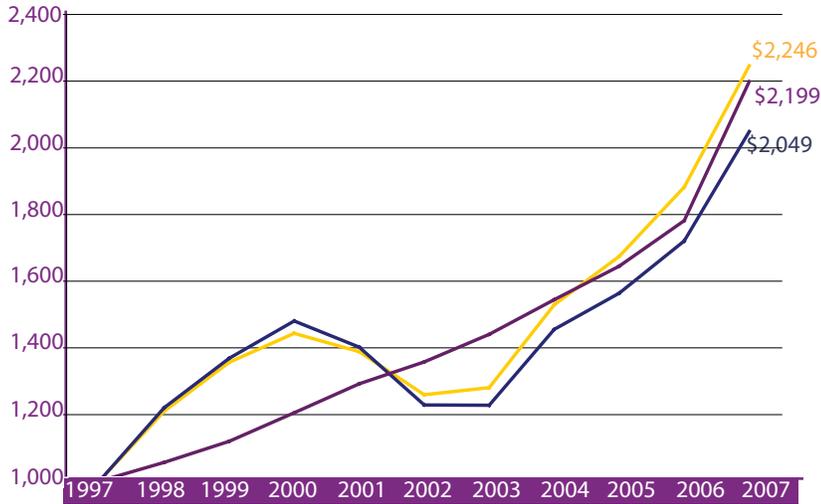
Investment Results

Total Pension Fund Growth of \$1,000



As of June 30, 2007, the chart indicates that \$1,000 would have grown to \$2,296, while the same \$1,000 invested in the benchmark or in the actuarial objective would have grown to \$2,248 and \$2,199, respectively.

Total Insurance Fund Growth of \$1,000



The KRS insurance fund also enjoyed a strong period of growth over the past 10 years, earning an 8.4% return for the 10-year period ending June 30, 2007. Consistent performance is best illustrated by the growth of dollars chart. The graph highlights the performance of \$1,000 invested in the KRS insurance portfolio (\$2,246), benchmark (\$2,049), and actuarial objective (\$2,199) over the past 10 years.

As the results show in the accompanying insurance charts and table above, the KRS insurance fund's returns have been above or in line with the benchmark for each of the time periods presented.

Investment Results

U.S. Equities

For the fiscal year, ending June 30, 2007, the KRS pension fund's U.S. equity portfolio posted a return of 19.3%, which underperformed the return of its benchmark by 0.6%. The KRS insurance U.S. equity portfolio also enjoyed positive results, posting a return of 19.8%, yet falling short of the return of its benchmark by 0.5%. As the accompanying table indicates, all segments of the U.S. equity markets posted positive results during the twelve month period.

U.S. Equity

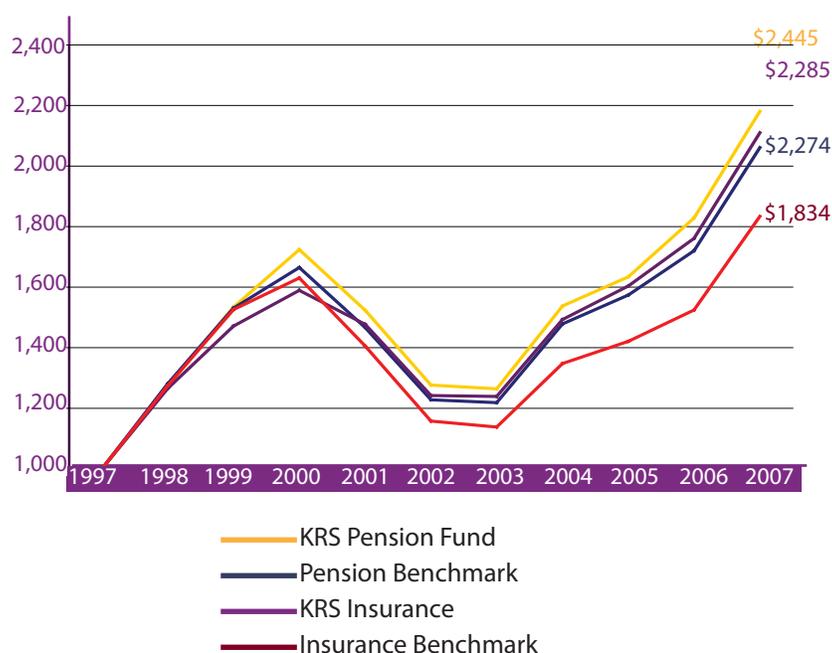
	Inception Date	Fiscal Year	3-Year	5-Year	10-Year	Inception
KRS Pension	Apr-84	19.3%	12.4%	11.3%	8.1%	13.2%
Performance Benchmark		19.9%	12.5%	11.7%	8.0%	13.1%
KRS Insurance	Jul-92	19.8%	12.2%	11.2%	7.8%	11.4%
Performance Benchmark		20.3%	12.1%	11.2%	7.0%	10.9%
Market Indices						
Russell 1000 (Large Cap)		20.4%	12.3%	11.3%	7.5%	
Russell 2000 (Small Cap)		16.4%	13.4%	13.9%	9.1%	
Russell 3000 (Total Equity)		20.1%	12.4%	11.5%	7.6%	

¹ Current Blended Pension Benchmark consist of 12.5% Russell 2000, 71% S&P 1500 Composite (Price Only), and 16.5% S&P 500

² Insurance benchmark is S&P 1500 Composite (Price Only)

Over the past three years, U.S. equity investors have received favorable returns from U.S. equity investments. According to the above table, the KRS pension fund portfolio has generated an annualized return of 12.4% over this period, slightly trailing its benchmark by 0.1%. Over the same time period, the insurance fund has produced an annualized return of 12.2%, slightly outperforming its benchmark return of 12.1%. Boasted by three years of positive performance, both the pension and insurance portfolios have produced positive returns when viewed over a five-year time horizon. The 10-year returns for each U.S. equity portfolio also point to strong positive performance. The pension's equity portfolio has generated an annualized average return of 8.1%, while the insurance equity portfolio posted an average annual return of 7.8%. Both portfolios exceeded their benchmarks for the 10-year period.

U. S. Equity Portfolio Growth of \$1,000



Investment Results

The consistent outperformance is best illustrated again by the growth of dollars chart. For the 10-year period ending June 30, 2007, the pension fund's chart indicates that \$1,000 would have grown to \$2,181, while the same \$1,000 invested in the benchmark would have grown to \$2,061. For the KRS insurance fund, ending June 30, 2007, a \$1,000 investment would have grown to \$2,110, while only growing to \$1,834 in the benchmark.

Top 10 U.S. Equity Holdings

Pension Fund			Insurance Fund		
Company	Shares	Market Value	Company	Shares	Market Value
Exxon Mobil Corp	1,926,500	161,594,820	Exxon Mobil Corp	456,900	38,324,772
General Electric Co	2,721,200	104,167,536	General Electric Co	776,700	29,732,076
Microsoft Corp	3,211,600	94,645,852	Microsoft Corp	791,200	23,316,664
Citigroup, Inc	1,732,200	88,844,538	Citigroup, Inc	381,000	19,541,490
Bank of America Corp	1,709,431	83,574,082	AT&T Inc.	465,521	19,319,122
Pfizer, Inc	2,716,960	69,472,667	Bank of America Corp	353,432	17,279,290
AT&T Inc.	1,618,464	67,166,256	Proctor & Gamble Corp	253,675	15,522,373
IBM Corp	630,200	66,328,550	Wal-Mart Stores, Inc	306,300	14,736,093
Chevron Corp	663,459	55,889,786	Chevron Corp	172,216	14,507,476
Hewlett Packard Co	1,214,653	54,197,817	Pfizer, Inc	563,100	14,398,467
Total	18,144,667	845,881,904	Total	4,520,044	206,677,823

A complete list of holdings is available upon request.

Investment Results

International Equities

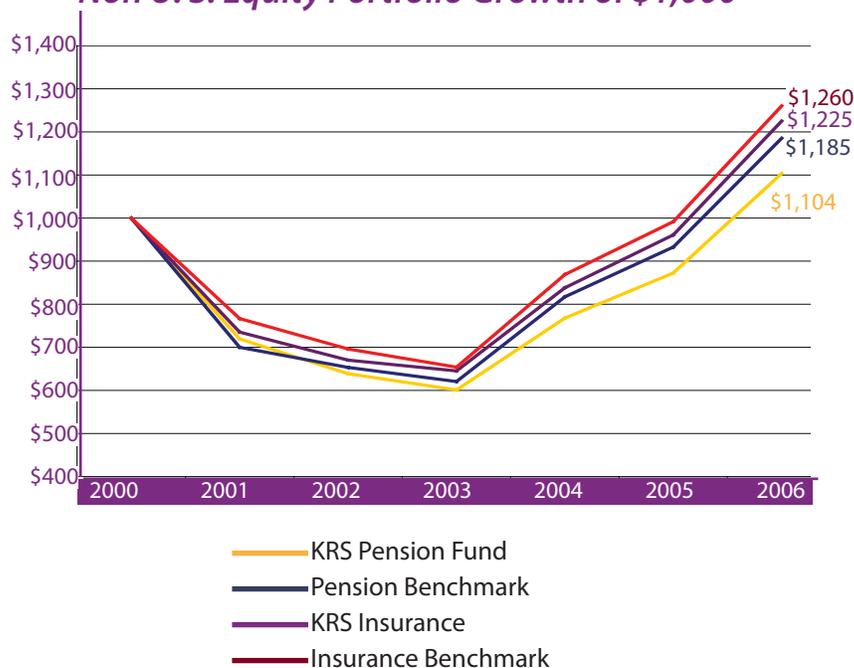
For the fiscal year, ending June 30, 2007, the KRS pension fund's international equity portfolio returned 24.4%, trailing its benchmark, the MSCI EAFE Index, by 3.1%. The KRS insurance international equity portfolio also underperformed the MSCI EAFE Index, posting a return of 24.2% during the same twelve month period. As the accompanying table indicates, both developed and emerging international equity markets posted strong positive results during the twelve month period.

International Equity					
	Inception Date	Fiscal Year	3-Year	5-Year	Inception
KRS Pension	Jul-00	24.4%	21.4%	16.6%	4.6%
Performance Benchmark		27.5%	22.8%	18.3%	6.1%
KRS Insurance	Jul-00	24.2%	22.0%	17.8%	4.8%
Performance Benchmark		27.5%	22.8%	18.2%	6.2%
Market Indices					
MSCI EAFE		27.5%	22.7%	18.2%	8.0%
MSCI Emerging Markets		43.1%	37.9%	30.2%	9.2%
MSCI ACWI Ex US		31.4%	25.4%	20.2%	8.7%

2 Pension and Insurance benchmark is the MSCI EAFE Index

Over the past three years, international equity investors have received very favorable returns from the Non-U.S. Equity asset class. The KRS pension fund portfolio has generated an annualized average return of 21.4% over this three-year period, which has fallen short relative to the MSCI EAFE Index return of 22.8%. The insurance fund has also trailed the annualized return of the index, generating an average return of 22.0%. The Systems began their international equity program in July of 2000. Since inception, both portfolios have underperformed their benchmark as more aggressive international equity styles account for the deviation.

Non U. S. Equity Portfolio Growth of \$1,000



Investment Results

The accompanying chart depicts the growth of \$1,000 invested in the KRS international equity portfolios and the blended benchmarks since inception. For the KRS pension fund, ending June 30, 2007, \$1,000 would have grown to \$1,373, while the same amount invested in the benchmark would have grown to \$1,512. For the KRS insurance fund, ending June 30, 2007, \$1,000 would have grown to \$1,521, while an investment in the index would have risen to \$1,607.

Top 10 International Equity Holdings

Pension Fund			Insurance Fund		
Company	Shares	Market Value	Company	Par	Market Value
Total SA	481,814	39,212,018	Total SA	126,564	10,300,302
Royal Bank of Scotland Group	2,769,094	35,168,037	Vodafone Group Plc	2,978,987	10,029,223
Vodafone Group Plc	10,200,596	34,341,892	Toyota Motor Corp	158,400	10,004,616
BP Plc	2,670,947	32,313,894	Siemens AG NPV	60,800	8,750,829
Novartis AG	539,253	30,359,381	Royal Bank of Scotland Group	661,800	8,404,990
Siemens AG NPV	192,510	27,707,600	Roche Holdings AG	46,830	8,306,823
E.ON AG	151,120	25,366,981	E.ON AG	48,500	8,141,203
Nestle S. A.	64,672	24,589,713	3I GROUP ORD GBP0.62784	331,590	7,750,578
GlaxoSmithKline Plc	908,199	23,779,255	Numico (KON) NV	148,800	7,743,059
Toyota Motor Corp	368,700	23,287,259	Muenchener Rueckve NPV	40,000	7,357,256
Total	18,346,905	296,126,031	Total	4,602,271	86,788,879

A complete list of holdings is available upon request.

Investment Results

Fixed Income

For the fiscal year, ending June 30, 2007, the KRS pension fund's fixed income portfolio returned 5.7%, outperforming its custom index by 0.2%. As the accompanying table indicates, both of the broad market indices, the Lehman Brothers Aggregate Index and the Lehman Brothers Intermediate Government Credit Index, posted positive returns for the most recent twelve month period. The KRS insurance TIPS portfolio posted a 3.9% rate of return, which slightly underperformed its benchmark, the Lehman Brothers U.S. TIPS Index, by 0.1%.

Fixed Income

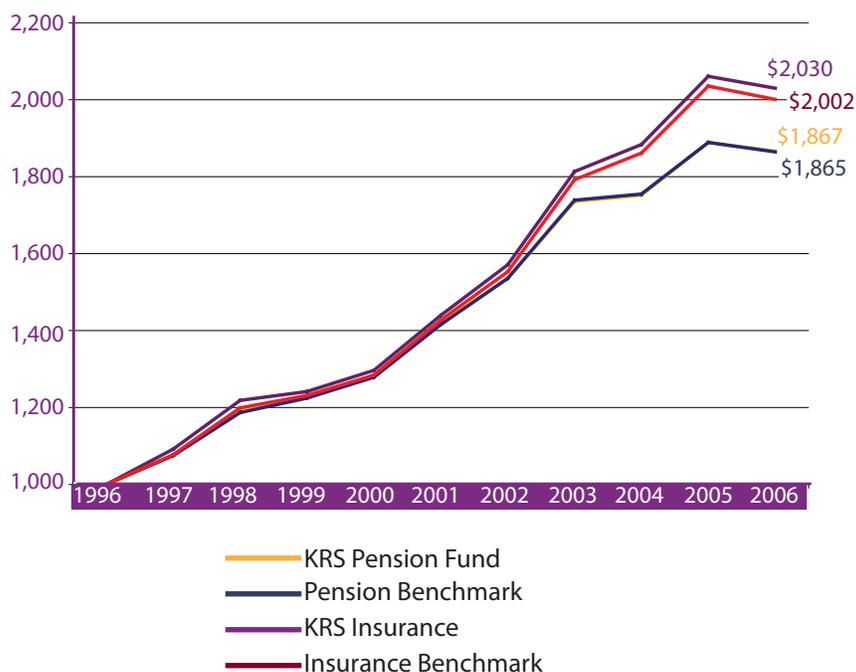
	Inception Date	Fiscal Year	3-Year	5-Year	10-Year	Inception
KRS Pension	Apr-84	5.7%	4.1%	5.2%	6.3%	8.6%
Performance Benchmark		5.5%	3.9%	5.1%	6.2%	8.3%
KRS Insurance	Jul-92	3.9%	3.9%	6.1%	6.8%	7.0%
Performance Benchmark		4.0%	3.8%	6.0%	6.8%	7.0%
Market Indices						
LB Aggregate		7.7%	4.5%	4.8%	6.2%	
LB Government/Credit		7.8%	4.4%	5.0%	6.2%	

¹ Current Blended Pension Benchmark consists of 38% LB Aggregate, 35% LB Government/Credit, and 27% LB U.S. TIPS

¹ Insurance Benchmark is the Lehman Brothers U.S. TIPS Index

Over the past three years ending June 30, 2007, the KRS pension fund's portfolio has generated an annualized average return of 4.1% versus its custom performance benchmark return of 3.9%. The insurance fund's portfolio posted a 3.9% return during the same period, exceeding its benchmark return by 0.1%. Over longer time horizons (i.e., five and ten year periods) both the pension and insurance funds' fixed income portfolios have performed in line with their benchmarks.

U. S. Equity Portfolio Growth of \$1,000



Investment Section Investment Results

The preceding chart shows the growth of \$1,000 invested in KRS fixed income over the past ten years. For the KRS pension fund, ending June 30, 2007, \$1,000 would have grown to \$1,835, while the same \$1,000 invested in the benchmark would have grown to \$1,831. For the KRS insurance fund, ending June 30, 2007, \$1,000 would have grown to \$1,932 when invested portfolio, equal to its benchmark.

Top 10 Fixed Income Holdings

Pension Fund			Insurance Fund		
Company	Par Value	Market Value	Company	Par Value	Market Value
US TSY NT INFL Index 2.000 Due 1/15/14	123,385,000	132,579,848	US TSY NT INFL Index 0.875 Due 4/15/10	20,450,000	21,179,508
US TSY NT INFL Index 0.875 Due 4/15/10	109,900,000	113,820,435	US TSY BD INFL Index 2.375 Due 1/15/25	18,360,000	19,349,442
US TSY BD INFL Index 3.875 Due 4/15/29	67,567,000	102,518,960	US TSY BD INFL Index 3.875 Due 4/15/29	12,525,000	19,004,099
US TSY NT INFL Index 3.000 Due 7/15/12	81,650,000	95,636,861	US TSY NT INFL Index 3.000 Due 7/15/12	15,585,000	18,254,752
US TSY NT INFL Index 2.375 Due 1/15/17	91,635,000	91,654,150	US TSY BD INFL Index 1.875 Due 7/15/13	15,450,000	16,670,350
US TSY NT INFL Index 1.625 Due 1/15/15	84,900,000	85,386,023	US TSY BD INFL Index 3.625 Due 4/15/28	11,075,000	16,388,993
US TSY BD INFL Index 6.250 Due 8/15/23	73,300,000	81,391,660	US TSY NT INFL Index 2.000 Due 1/15/14	15,080,000	16,203,786
US TSY NT INFL Index 3.625 Due 4/15/28	54,400,000	80,502,144	US TSY NT INFL Index 2.000 Due 7/15/14	14,575,000	15,334,266
US TSY NT INFL Index 2.000 Due 7/15/14	76,200,000	80,169,541	US TSY NT INFL Index 1.625 Due 1/15/15	14,425,000	14,507,578
US TSY BD INFL Index 1.875 Due 7/15/13	74,200,000	80,060,841	US TSY NT INFL Index 2.375 Due 4/15/11	13,625,000	14,026,598
Total	750,652,000	855,514,203	Total	131,740,000	149,282,718

A complete list of holdings is available upon request.

Investment Results

Alternative Investments

For the fiscal year, ending June 30, 2007, the KRS pension fund's alternative investments portfolio posted a return of 15.6%. The portfolio consists primarily of private equity limited partnerships and real estate investment trusts ("REITs"), publicly traded real estate securities, operating companies, and focused real estate investments. The custom benchmark for the pension alternative investment portfolio returned 16.8% during this same period. The insurance alternative investment portfolio generated a return of 16.7% versus its custom benchmark return of 18.5%.

As the accompanying table indicates, the longer term results from the alternative investment portfolios have also been excellent. For the three years ending June 30, 2007, the pension fund portfolio has outperformed its custom benchmark by nearly 11% on an annualized basis. Since its inception in October, 2000, the portfolio has exceeded its benchmark by 2.7% per year. The insurance portfolio has also done very well exceeding its benchmark return over the three-year period as well as since its inception by 1.2% and 3.0%, respectively.

Alternative Equity

	Inception Date	Fiscal Year	3-Year	5-Year	10-Year	Inception
KRS Pension	Oct-90	15.6%	21.5%	18.6%	16.5%	13.6%
Performance Benchmark		16.8%	10.9%	11.6%	7.3%	10.9%
KRS Insurance	Jul-01	16.7%	12.7%	11.4%		9.7%
Performance Benchmark		18.5%	11.5%	11.4%		6.7%

**Additional Schedules and
Required Supplemental Information**

Following are additional schedules, which indicate the Investment Advisors employed along with the total assets each of the firms manage for the Systems, external investment-related expenses incurred, portfolio summaries for each of the five pension and insurance plans, and commissions paid by the Systems for the year ended June 30, 2007.

External Investment Advisors

External Investment Advisors	Assets Under Management (in thousands)
Barclays Global Investors, San Francisco, California	\$ 629,481
Blackstone Capital Partners V, New York, New York	58,035
Columbia Capital IV, Alexandria, Virginia	10,656
Duff, Ackerman & Goodrich Ventures II, Palo Alto, California	25,725
Pyramis Global Advisors, Boston, Massachusetts	2,357,968
H.I.G. Venture Partners II, Miami, Florida	5,742
INVESCO, Atlanta, Georgia	937,017
Institutional Venture Partners XI, Menlo Park, California	9,698
JW Childs Equity III, Boston, Massachusetts	20,791
Lehman Brothers Asset Management, Chicago, Illinois	1,863,838
Leonard Green & Partners, L.P.,IV, Los Angeles, California	65,907
Matlin Patterson Global Opportunities I & II, New York, New York	70,753
Merit Capital Partners IV, Chicago, Illinois	13,385
New Mountain Partners II, New York, New York	37,568
Northern Trust Quantitative Advisors, Chicago, Illinois	712,775
Oak Hill Partners II, New York, New York	54,597
Sun Capital Partners IV, Boca Raton, Florida	8,478
Technology Crossover Ventures VI, Palo Alto, California	10,289
The Boston Company, Boston, Massachusetts	904,473
Vantagepoint Venture IV, San Bruno, California	32,284
Warburg Pincus IX, New York, New York	67,793
Wayzata Investment Partners I, Wayzata, Minnesota	86,754
Weaver Barksdale & Associates, Brentwood, Tennessee	634,473
Robert W. Baird & Co., Milwaukee, Wisconsin	674,462
GTCR Golder Rauner IX, Chicago, Illinois	12,063
Harvest Partners V, New York, New York	3,033
Hellman & Friedman VI, New York, New York	13,667
MHR Institutional Advisors III, New York, New York	10,849

Master Custodian & Performance Measurement

The Northern Trust Company, Chicago, Illinois

Investment Consultants

Strategic Investment Solutions, San Francisco, California

Investment Section

Pension Fund Summaries

Asset Class	KERS Non Hazardous		KERS Hazardous	
	Market Value	% Market Value	Market Value	% Market Value
Bonds	1,326,277,518	23.1%	133,395,068	26.3%
Mortgages	572,801,607	10.0%	46,952,013	9.3%
Short Term	184,956,974	3.2%	20,977,178	4.1%
Alternatives	386,099,373	6.7%	44,018,192	8.7%
Domestic Equities	2,179,102,061	38.0%	177,092,659	34.9%
International Equities	1,083,114,648	18.9%	84,783,037	16.7%
Total Portfolio	5,732,352,181	100.0%	507,218,146	100.0%

Asset Class	CERS Non Hazardous		CERS Hazardous	
	Market Value	% Market Value	Market Value	% Market Value
Bonds	1,434,223,520	24.9%	432,238,927	24.9%
Mortgages	633,529,054	11.0%	178,665,880	10.3%
Short Term	67,101,619	1.2%	63,155,120	3.6%
Alternatives	379,257,537	6.6%	119,113,418	6.9%
Domestic Equities	2,205,105,562	38.3%	646,473,705	37.2%
International Equities	1,042,489,288	18.1%	296,959,170	17.1%
Total Portfolio	5,761,706,581	100.0%	1,736,606,221	100.0%

Asset Class	SPRS	
	Market Value	% Market Value
Bonds	94,456,729	25.3%
Mortgages	38,274,517	10.2%
Short Term	6,136,950	1.6%
Alternatives	24,198,572	6.5%
Domestic Equities	144,231,811	38.6%
International Equities	66,415,944	17.8%
Total Portfolio	373,714,522	100.0%

Insurance Fund Summaries

Asset Class	KERS Non Hazardous		KERS Hazardous	
	Market Value	% Market Value	Market Value	% Market Value
Bonds	67,683,206	10.3%	23,330,847	8.4%
Short Term	33,997,604	5.2%	27,737,219	9.9%
Alternatives	43,756,064	6.7%	15,238,911	5.5%
Domestic Equities	374,369,825	57.0%	151,189,199	54.2%
International Equities	137,074,460	20.9%	61,631,829	22.1%
Total Portfolio	656,881,159	100.0%	279,128,006	100.0%

Asset Class	CERS Non Hazardous		CERS Hazardous	
	Market Value	% Market Value	Market Value	% Market Value
Bonds	121,459,899	11.4%	64,034,173	11.4%
Short Term	100,995,782	9.5%	51,974,891	9.2%
Alternatives	55,088,604	5.2%	27,683,653	4.9%
Domestic Equities	582,798,807	54.8%	304,585,000	54.2%
International Equities	202,376,376	19.0%	113,686,685	20.2%
Total Portfolio	1,062,719,467	100.0%	561,964,402	100.0%

Asset Class	SPRS	
	Market Value	% Market Value
Bonds	12,835,051	9.7%
Short Term	9,878,976	7.5%
Alternatives	8,025,705	6.1%
Domestic Equities	71,869,774	54.4%
International Equities	29,435,899	22.3%
Total Portfolio	132,045,405	100.0%

External Investment Expenses

Expense	Fees Paid (in thousands)	Expense as a % of Assets
Equity & Fixed Income Portfolio		
Pension Funds	\$10,4314	0.0754%
Insurance Funds	\$1,272	0.0864%
Consulting Fees	\$445	0.0007%
Custody Fees	\$450	0.0018%
Other Investment-Related Fees	\$196	0.0004%
Total Expenses	\$12,794	0.0798%

Schedule of Commissions Paid

	Total Shares	Commissions Paid	\$ per share
U.S. Equity	69,322,588	\$4,479,297	\$0.064
	Total Value of Trades	Commissions Paid	As a % of Trade
Non-U.S. Equity	\$2,775,978,683	\$3,649,746	0.131%
Total Commissions Paid		\$8,129,043	

Actuarial Section



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November 15, 2007

Board of Trustees
Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601

Subject: Certification of Actuarial Results

Dear Members of the Board:

The fifty-first annual actuarial valuation of the Kentucky Employees Retirement System, the forty-eighth annual actuarial valuation of the County Employees Retirement System, and the forty-ninth annual actuarial valuation of the State Police Retirement System have been completed and the reports prepared. These reports describe the current actuarial condition of the Kentucky Retirement Systems (KRS), determine the calculated employer contribution rates, and analyze fluctuations in these contribution rates.

Under state statute, the Board of Trustees must approve the employer contribution rate for the upcoming fiscal year based upon the results of the most recent annual valuation. These rates are determined actuarially based upon current membership data, plan provisions, and the assumptions and funding policies adopted by the KRS Board. Employer contribution rates become effective one year after the valuation date. The recently completed June 30, 2007 actuarial valuation will be used by the Board of Trustees to certify the employer contribution rates for the fiscal year beginning July 1, 2008 and ending June 30, 2009.

Funding Objectives & Policies

For each retirement system, KRS administers both a pension and insurance fund to provide for monthly retirement allowances and retiree insurance benefits respectively. The total employer contribution rate is comprised of a contribution to each respective fund.

Relative to the pension fund, a contribution rate has been established which consists of the normal cost and an amortization payment on the unfunded accrued liability (UAL). The normal cost is expected to remain level as a percent of payroll in future years. The amortization of any UAL is made over 30 years from the establishment of the amortization base using a level percent of payroll amortization method. Prior to the June 30, 2007 actuarial valuation, each year any actuarial gains or losses, along with any other changes in the actuarial liability (such as the retiree COLA or other benefit improvements) were established as a new amortization base to be amortized over the following 30 years. Effective with the June 30, 2007 actuarial valuation, all amortization bases have been combined and amortized over a single 30-year period beginning June 30, 2007. The amortization period will decrease by one each year going forward (i.e. 29-year amortization June 30, 2008, 28-year amortization June 30, 2009, and so on).

Overall, the total contribution for the pension fund is expected to remain stable as a percentage of payroll over future years in the absence of benefit improvements and material experience gains or losses. However, the current valuation contribution rate does not anticipate any future cost of living increases to benefit recipients as required by statute. Should these cost of living increases occur in the future, the contribution rate for the pension fund will be expected to increase as a percentage of payroll in the absence of material aggregate experience gains.

Relative to the insurance fund, the Board's funding objective is to establish a contribution rate which consists of the normal cost and an amortization payment on the UAL over a 30 year period. Beginning with the June 30, 2006 valuation, the assumptions and methods used are to meet the requirements of GASB Statement No. 43. As with the pension Fund, going forward, the combined UAL bases will be amortized over a 30 year period beginning June 30, 2007. The amortization period will decrease by one each year in the future.

Administrative expenses of the plans are also included as part of the total pension fund contribution. This portion of the funding is expected to remain stable as a percentage of payroll over future years.

Progress towards Realization of Funding Objectives

The progress towards achieving the intended funding objectives, both relative to the pension and insurance funds, can be measured by the relationship of actuarial assets of each fund to the actuarial accrued liabilities. This relationship is known as the funding level and in the absence of benefit improvements, should increase over time until it reaches 100%.

In recent years, funding levels for the pension funds have fallen dramatically in response to investment returns less than the actuarially assumed rate, higher than anticipated retirement rates, the 2006 assumption changes, and increasing expenditures for retiree Cost of Living Adjustments (COLA). Within the KERS and SPRS plans, employer contribution rate reductions enacted by the State Legislature have limited the plans ability to correct the declining funding levels. As of June 30, 2007 the funding levels for the pension funds are as follows:

System	Pension Funding Level
KERS Non-Hazardous Pension Fund	56.9%
KERS Hazardous Pension Fund	83.6%
CERS Non-Hazardous Pension Fund	82.1%
CERS Hazardous Pension Fund	74.2%
SPRS Pension Fund	63.7%

The funding level for the insurance funds is not anywhere near 100% at this time, and the Board's funding objective is to increase this funded level consistently over time. Medical inflation rates in excess of the assumed rates, as well as recent employer contribution rate reductions under KERS and SPRS, have significantly limited this improvement. The recent adoption of new actuarial assumptions and the application of GASB Statement 43 requirements have further reduced the measured funding level. As of June 30, 2007 the funding level for the insurance funds are as follows:

System	Insurance Funding Level
KERS Non-Hazardous Insurance Fund	11.9%
KERS Hazardous Insurance Fund	49.8%
CERS Non-Hazardous Insurance Fund	28.8%
CERS Hazardous Insurance Fund	31.2%
SPRS Insurance Fund	26.6%

Data

In completing the valuation of these systems, we have relied on data provided by Kentucky Retirement Systems, as well as financial data provided by the plan's external auditor. We have reviewed this data for reasonableness, and made some general edit checks to impute certain information that may not have been provided with the original employee data. However, we have not audited this data. Any schedules of trend data over the past ten years or less contained in the Actuarial Section, as well as the Schedule of Funding Progress and Schedule of Employer Contributions in the Financial Section, have been based on valuation reports fully prepared by the actuary for the plan at the time of each valuation.

Assumptions & Methods

The Board of Trustees, in consultation with the actuary, sets the actuarial assumptions and methods used in the valuation. Once every five years the actuary conducts a thorough review of plan experience for the preceding five years, and then makes recommendations to the Board. The actuarial assumptions and methods used for the funding calculations of the valuation, as adopted by the Board on January 19, 2006 based on the experience investigation report dated January 12, 2006, meet the parameters set for disclosure under GASB Statements No. 25 and 43. The health care cost trend assumptions were updated for the June 30, 2007 valuation as adopted by the Board November 15, 2007. These assumptions have been adopted by the Board of Trustees of the Kentucky Retirement Systems in accordance with the recommendation of the actuary. The next experience study is schedule to be completed in January 2011 and any adjustments will be reflected in the June 30, 2011 actuarial valuation.

Closing

The information presented in this letter describes the pertinent issues relative to the valuation. There are no other specific issues that need to be raised beyond these items in order to fairly assess the funded position of the plan as presented in the current valuation.

Based on the continuation of current funding policies adopted by the Board, adequate provision is being determined for the funding of the actuarial liabilities of the Kentucky Employees Retirement System, the County Employees Retirement System, and the State Police Retirement System as required by the Kentucky Revised Statutes. The funding rates established by the Board are appropriate for this purpose.

Sincerely,



Thomas J. Cavanaugh FSA, FCA, MAAA, EA
Chief Executive Officer



Edward A. Macdonald ASA, FCA, MAAA
President

Summary of Actuarial Assumptions and Methods

(As of June 30, 2007)

The results of the actuarial valuation are based upon the assumptions and funding policies adopted by the Board and statutory funding requirements. Assumptions and funding policies are reviewed against actual plan experience once every five years through the completion of the Actuarial Experience Study. The most recent study was completed in January 2006 and reviewed plan experience for the period from July 1, 2000 through June 30, 2005. All assumptions used in the June 30, 2006 actuarial valuation were based on the study performed in 2006 and in accordance with the actuary's recommendations. The next Experience Study is scheduled to be completed in January 2011.

- 1. Actuarial Cost Method:** The actuarial valuation was prepared using the entry age normal cost (EANC) method as required by state statute. Under this method, the present value of future benefits is determined for each member and allocated equitably as a level percentage of payroll from the member's entry age into the plan to the assumed age of exit from the plan. The portion of the present value of future benefits allocated to the current valuation year is called the normal cost. The portion of the present value of future benefits allocated to prior years of service that has accrued to date is called the actuarial liability. The unfunded actuarial liability (UAL) represents the difference between the actuarial liability and the actuarial value of assets as of the valuation date. Relative to the pension fund and the insurance fund, an employer contribution rate has been established to be equal to the sum of the normal cost and the amount needed to amortize the unfunded actuarial liability (UAL) over no more than a 30-year period.
- 2. UAL Amortization Method:** The amortization of any UAL is made over 30 years from the establishment of the amortization base using a level percent of payroll amortization method. Prior to the June 30, 2007 actuarial valuation, each year any actuarial gains or losses, along with any other changes in the actuarial liability (such as the retiree COLA or other benefit improvements) were established as a new amortization base to be amortized over the following 30 years. Effective with the June 30, 2007 actuarial valuation, all amortization bases have been combined and amortized over a single 30-year period beginning June 30, 2007. The amortization period will decrease by one each year going forward (i.e. 29-year amortization June 30, 2008, 28-year amortization June 30, 2009, and so on).
- 3. Asset Valuation Method:** The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected market value of assets, based on the investment return assumption. The amount recognized each year is 20% of the difference between market value and expected market value. The Asset Valuation Method was adopted by the Board in 2006.
- 4. Retiree Insurance Funding Policy:** The assumptions, methods, and funding requirements used in the valuation are to meet the requirements of GASB Statement No. 43. As with the pension Fund, going forward, the combined UAL bases will be amortized over a 30 year period beginning June 30, 2007. The amortization period will decrease by one each year in the future.
- 5. Investment Return Assumption:** The future investments earnings of plan assets are assumed to accumulate at a rate of 7.75% per annum. This rate consists of a 3.5% inflationary component and a 4.25% real rate of return component. In accordance with GASB Statement 43, the investment return assumption has been reduced to a blended rate of 4.5% for KERS and SPRS insurance funds due to a lack of pre-funding benefits. This assumption was adopted in 2006.
- 6. Salary Increase Assumption:** Active member salaries are assumed to increase at the rates provided in Table 1 on the following page. The rates include a 3.5% percent inflationary component and an additional increase due to promotion based upon plan experience. This assumption was adopted in 2006.

Summary of Actuarial Assumptions and Methods (As of June 30, 2007)

Table 1: Salary Increase Assumptions

<i>Service</i>	<i>KERS & CERS Non-Hazardous</i>	<i>KERS & CERS Hazardous, SPRS</i>
0-1	13.5%	14.5%
1-2	7.0%	7.5%
2-3	5.5%	7.0%
3-4	5.0%	6.5%
4-5	5.0%	6.0%
5-6	4.5%	5.5%
6-7	4.5%	5.0%
7-8	4.5%	5.0%
8-9	4.0%	4.5%
9-10	4.0%	4.5%
10+	4.0%	4.0%

7. **Payroll Growth Assumption:** Active member payroll is assumed to increase at a rate of 3.5% per annum. This assumption was adopted in 2006.
8. **Retiree Cost of Living Adjustments (COLA):** State statute requires retirement allowances to be increased by the percentage increase in the annual average of the consumer price index for all urban consumers (CPI-U) for the most recent calendar year, not to exceed five percent. Statute only allows the Cost of Living Adjustments (COLAs) awarded as of the valuation date to be recognized for funding purposes and for determining employer contribution rates. The State Legislature has the authority to suspend or reduce cost of living adjustments.
9. **Medical Inflation Rate Assumption:** The costs for retiree medical premiums are assumed to increase each year by 12% for 2008, by 11% for 2009, by 10% for 2010, by 9% for 2011, by 8% for 2012, by 7% for 2013, by 6% for 2014, and by 5% thereafter. This assumption was adopted in 2007.
10. **Retirement Rate Assumption:** The probability, or the likelihood, that a member will retire at a specified age or level of service is provided in Table 2. This assumption was adopted in 2006.

Actuarial Section

Summary of Actuarial Assumptions and Methods

(As of June 30, 2007)

Table 2: Retirement Rate Assumptions

Non-Hazardous		Hazardous			
Age	Probability	Service	KERS Probability	CERS Probability	SPRS Probability
55	8.00%	20	20%	30%	20%
56	8.00%	21	15%	25%	9%
57	8.00%	22	15%	20%	9%
58	8.00%	23	15%	20%	9%
59	8.00%	24	15%	25%	20%
60	10.00%	25	20%	25%	20%
61	20.00%	26	35%	30%	20%
62	25.00%	27	35%	30%	20%
63	25.00%	28	35%	30%	30%
64	25.00%	29	35%	30%	45%
65	25.00%	30	35%	40%	45%
66	25.00%	31	35%	40%	45%
67	25.00%	32	35%	35%	45%
68	25.00%	33	35%	35%	45%
69	25.00%	34	35%	30%	70%
70	25.00%	35+	60%	30%	70%

If service credit is at least 27 years, the rate is 25%. Rates are doubled for KERS Non-hazardous members during the window period (set to expire January 1, 2009). 100% are anticipated to retire at age 75.

- For KERS, 100% are anticipated to retire at age 65.
- For CERS, 100% are anticipated to retire at age 62.
- For SPRS, 100% are anticipated to retire at age 55.

Actuarial Section

Summary of Actuarial Assumptions and Methods

(As of June 30, 2007)

11. **Mortality Assumptions:** The mortality table used for active members is the 1994 Group Annuity Mortality (GAM) Table. For members retiring on or after July 1, 2006, the mortality table was changed from the 1983 GAM table to the 1994 GAM table. Mortality assumptions for disabled lives are set using the 1994 GAM table set forward five years. These assumptions were adopted in 2006.

Table 3: Sample Annual Rates Of Mortality

Age	Active & Retired Member Mortality*		Disabled Member Mortality	
	Males	Females	Males	Females
Under 20	0.04%	0.03%	----	----
22	0.06%	0.03%	----	----
32	0.08%	0.04%	----	----
42	0.13%	0.08%	0.19%	0.11%
52	0.32%	0.17%	0.56%	0.29%
62	1.01%	0.58%	1.80%	1.08%
72	2.85%	1.65%	4.52%	2.84%

*For members retiring on or after July 1, 2006.

12. **Withdrawal Rates:** The probability, or likelihood, of active members terminating employment prior to retirement is provided in Table 4 on the following page. The withdrawal rate is a function of both age and service. This type of structure is known as "select and ultimate rates". This structure reflects the fact that both service and age affect the likelihood of a member staying in active employment. The ultimate period for these systems covers a member's withdrawal rate after the first five years of service. These assumptions were adopted in 2006.

Actuarial Section

Summary of Actuarial Assumptions and Methods (As of June 30, 2007)

Table 4: Selected Rates Of Termination Prior To Retirement

<i>KERS & CERS Non-Hazardous</i>				<i>KERS Hazardous</i>			
Select Rates		Ultimate Rates		Select Rates		Ultimate Rates	
Service	Probability	Age	Probability	Service	Probability	Age	Probability
1 st Yr. of Service:	15.00%	20	6.00%	1 st Yr. of Service:	15.00%	20	6.00%
2 nd Yr. of Service:	14.00%	25	5.40%	2 nd Yr. of Service:	14.00%	25	5.40%
3 rd Yr. of Service:	10.00%	30	4.80%	3 rd Yr. of Service:	10.00%	30	4.80%
4 th Yr. of Service:	8.00%	35	3.60%	4 th Yr. of Service:	8.00%	35	3.60%
5 th Yr. of Service:	6.00%	40	2.66%	5 th Yr. of Service:	6.00%	40	2.66%
		45	1.98%			45	1.98%
		50	1.92%			50	1.92%
		55	1.08%			55	1.08%
		60	0.75%			60	0.75%
<i>CERS Hazardous</i>				<i>SPRS</i>			
Select Rates		Ultimate Rates		Select Rates		Ultimate Rates	
Service	Probability	Age	Probability	Service	Probability	Age	Probability
1 st Yr. of Service:	10.00%	20	4.56%	1 st Yr. of Service:	10.00%	20	2.50%
2 nd Yr. of Service:	7.00%	25	3.04%	2 nd Yr. of Service:	7.00%	25	2.28%
3 rd Yr. of Service:	5.00%	30	3.01%	3 rd Yr. of Service:	5.00%	30	1.83%
4 th Yr. of Service:	4.00%	35	1.95%	4 th Yr. of Service:	4.00%	35	1.31%
5 th Yr. of Service:	3.50%	40	1.50%	5 th Yr. of Service:	3.50%	40	0.81%
		45	0.75%			45	0.41%
		50	0.50%			50	-
		55	-			55	-
		60	-			60	-

Actuarial Section

Summary of Actuarial Assumptions and Methods

(As of June 30, 2007)

13. **Rates of Disablement:** KRS provides disability benefits for those individuals meeting specific qualifications established by state law. This assumption provides the probability, or likelihood, that a member will become disabled during the course of employment for various age levels. For non-hazardous members, the assumptions are set using three quarters of the Old-Age Survivors and Disability Insurance (OASDI) rates. For hazardous members, the assumptions are set using one times the Old-Age Survivors and Disability Insurance (OASDI) rates. These assumptions were adopted in 2006.

<i>Non-Hazardous</i>		<i>Hazardous</i>	
Age	Probability	Age	Probability
20 - 24	0.0531%	20 - 24	0.0708%
25 - 29	0.0711%	25 - 29	0.0948%
30 - 34	0.0918%	30 - 34	0.1224%
35 - 39	0.1280%	35 - 39	0.1707%
40 - 44	0.1994%	40 - 44	0.2658%
45 - 49	0.3320%	45 - 49	0.4426%
50 - 54	0.5590%	50 - 54	0.7453%
55 - 59	0.9200%	55 - 59	1.2267%
60 - 64	1.4618%	60 - 64	1.9490%

Actuarial Section

Summary of Actuarial Valuation Results (As of June 30, 2007)

	<i>KERS Non- Hazardous</i>	<i>KERS Hazardous</i>	<i>CERS Non- Hazardous</i>	<i>CERS Hazardous</i>	<i>SPRS</i>
Recommended Contribution Rate (Fiscal Year 2006-2007)					
Pension Fund Contribution	16.54%	10.84%	7.76%	15.04%	32.39%
Insurance Fund Contribution	20.38%	23.94%	12.75%	27.62%	59.54%
Recommended Employer Contribution	36.92%	34.78%	20.51%	42.66%	91.93%
Funded Status as of Valuation Date					
Pension Fund					
Actuarial Liability	\$9,485,939,277	\$558,992,329	\$6,659,446,126	\$2,208,736,179	\$547,955,286
Actuarial Value of Assets	\$5,396,782,459	\$467,287,809	\$5,467,824,480	\$1,639,288,924	\$348,806,508
Unfunded Liability on Actuarial Value of Assets	\$4,089,156,818	\$91,704,520	\$1,191,621,646	\$569,447,255	\$199,148,778
Funding Ratio on Actuarial Value of Assets	56.89%	83.59%	82.11%	74.22%	63.66%
Market Value of Assets	\$5,773,156,838	\$510,775,499	\$5,812,935,251	\$1,754,934,764	\$376,381,488
Unfunded Liability on Market Value of Assets	\$3,712,782,439	\$48,216,830	\$846,510,875	\$453,801,415	\$171,573,798
Funding Ratio on Market Value of Assets	60.86%	91.37%	87.29%	79.45%	68.69%
Insurance Fund					
Actuarially Accrued Liability	\$5,201,355,055	\$504,842,981	\$3,333,966,070	\$1,646,460,011	\$432,763,229
Actuarial Value of Assets	\$621,171,658	\$251,536,756	\$960,285,900	\$512,926,549	\$115,215,912
Unfunded Liability on Actuarial Value of Assets	\$4,580,183,397	\$253,306,225	\$2,373,680,170	\$1,133,533,462	\$317,547,317
Funding Ratio on Actuarial Value of Assets	11.94%	49.82%	28.80%	31.15%	26.62%
Market Value of Assets	\$663,558,360	\$280,885,910	\$1,084,042,781	\$570,155,702	\$132,573,898
Unfunded Liability on Market Value of Assets	\$4,537,796,695	\$223,957,071	\$2,249,923,289	\$1,076,304,309	\$300,189,331
Funding Ratio on Market Value of Assets	12.76%	55.64%	32.52%	34.63%	30.63%
Member Data					
Number of Active Members	47,913	4,349	84,920	10,063	957
Total Annual Payroll (Active Members) ¹	\$1,780,223,493	\$144,838,020	\$2,076,848,328	\$458,998,956	\$49,247,580
Average Annual Pay (Active Members)	\$37,155	\$33,304	\$24,457	\$45,613	\$51,460
Number of Retired Members & Beneficiaries	33,849	2,202	35,564	5,159	1,105
Average Annual Retirement Allowance	\$18,477	\$12,502	\$9,805	\$22,046	\$33,673
Number of Vested Inactive Members	5,298	278	8,093	436	47
Number of Inactive Members Due a Refund	25,606	2,460	45,808	1,761	239

¹ Annual payroll included in the Summary of Actuarial Valuation Results is based upon the annualized monthly payroll for active members as of the valuation date. The annual payroll recorded in the financial section is based upon the sum of the monthly payroll for active members recorded for each month of fiscal year ending June 30, 2007.

Actuarial Section

Recommended Employer Contribution Rates (As of June 30, 2007)

Kentucky Employees Retirement System (Non-Hazardous Employers)

Valuation Date	Applicable Fiscal Year	Pension Fund: Normal Cost	Pension Fund: Payment on Unfunded Liability	Pension Fund Contribution	Insurance Fund Contribution	Recommended Employer Contribution
6/30/02	2003-2004	5.00%	(2.14%)	2.86%	4.67%	7.53%
6/30/03	2004-2005	4.82%	0.29%	5.11%	5.18%	10.29%
6/30/04	2005-2006	4.89%	2.96%	7.85%	5.77%	13.62%
6/30/05	2006-2007	4.81%	5.87%	10.68%	6.45%	17.13%
6/30/06	2007-2008	3.72%	11.83%	15.55%	32.82%	48.37%
6/30/07	2008-2009	3.62%	12.92%	16.54%	20.38%	36.92%

Kentucky Employees Retirement System (Hazardous Employers)

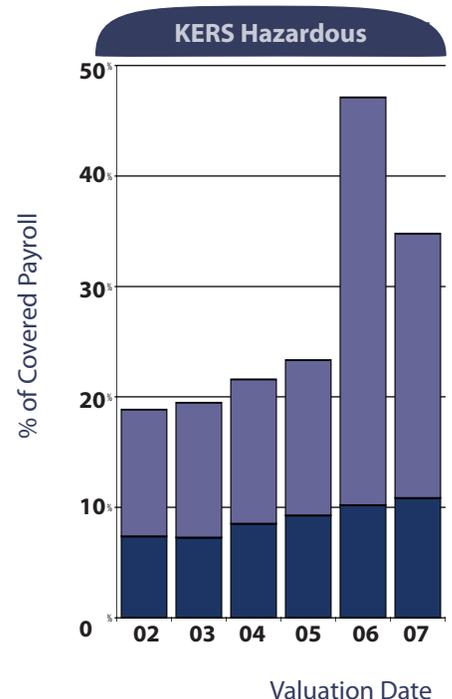
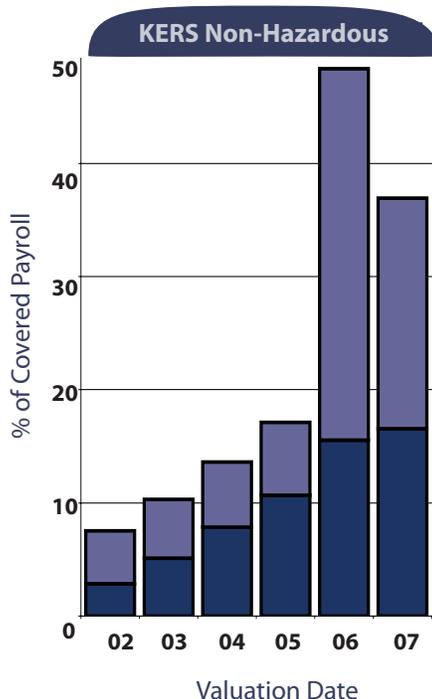
Valuation Date	Applicable Fiscal Year	Pension Fund: Normal Cost	Pension Fund: Payment on Unfunded Liability	Pension Fund Contribution	Insurance Fund Contribution	Recommended Employer Contribution
6/30/02	2003-2004	9.77%	(2.40%)	7.37%	11.47%	18.84%
6/30/03	2004-2005	8.68%	(1.42%)	7.26%	12.21%	19.47%
6/30/04	2005-2006	8.62%	(0.10%)	8.52%	13.07%	21.59%
6/30/05	2006-2007	8.37%	0.91%	9.28%	14.04%	23.32%
6/30/06	2007-2008	7.27%	2.93%	10.20%	36.91%	47.11%
6/30/07	2008-2009	7.28%	3.56%	10.84%	23.94%	34.78%

KERS

Employer Contribution Rates

The total employer contribution rate is comprised of a contribution to the pension fund and to the insurance fund. The contribution to the pension fund and the insurance fund consist of the normal cost and an amortization payment on the unfunded actuarial liability (UAL).

- Pension
- Insurance



Actuarial Section

Recommended Employer Contribution Rates

(As of June 30, 2007)

County Employees Retirement System (Non-Hazardous Employers)

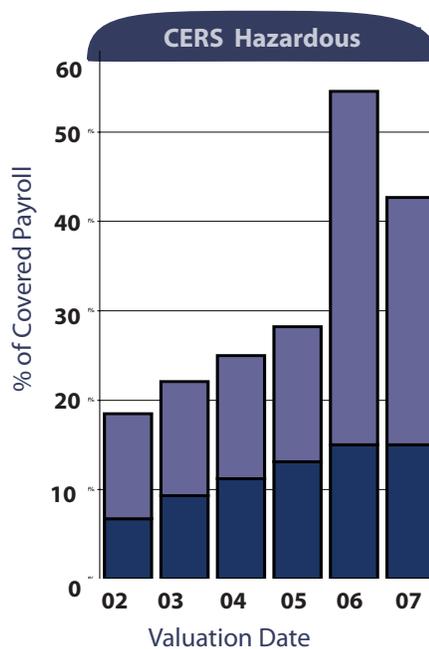
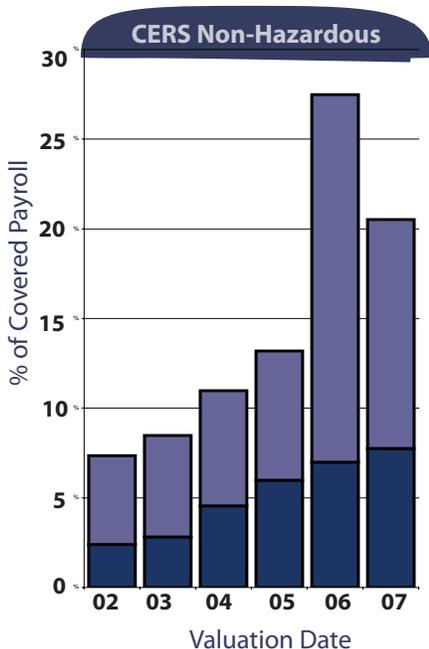
Valuation Date	Applicable Fiscal Year	Pension Fund Normal Cost	Pension Fund: Payment on Unfunded Liability	Pension Fund Contribution	Insurance Fund Contribution	Recommended Employer Contribution
6/30/2002	2003-2004	6.42%	(4.03%)	2.39%	4.95%	7.34%
6/30/2003	2004-2005	5.71%	(2.89%)	2.82%	5.66%	8.48%
6/30/2004	2005-2006	5.80%	(1.25%)	4.55%	6.43%	10.98%
6/30/2005	2006-2007	5.72%	0.25%	5.97%	7.22%	13.19%
6/30/2006	2007-2008	4.69%	2.29%	6.98%	20.51%	27.49%
6/30/2007	2008-2009	4.53%	3.23%	7.76%	12.75%	20.51%

County Employees Retirement System (Hazardous Employers)

Valuation Date	Applicable Fiscal Year	Pension Fund Normal Cost	Pension Fund: Payment on Unfunded Liability	Pension Fund Contribution	Insurance Fund Contribution	Recommended Employer Contribution
6/30/2002	2003-2004	8.93%	(2.17%)	6.76%	11.75%	18.51%
6/30/2003	2004-2005	8.80%	0.51%	9.31%	12.77%	22.08%
6/30/2004	2005-2006	8.80%	2.42%	11.22%	13.79%	25.01%
6/30/2005	2006-2007	8.79%	4.32%	13.11%	15.10%	28.21%
6/30/2006	2007-2008	8.12%	6.89%	15.01%	39.52%	54.53%
6/30/2007	2008-2009	8.06%	6.98%	15.04%	27.62%	42.66%

CERS

Employer Contribution Rates



The total employer contribution rate is comprised of a contribution to the pension fund and to the insurance fund. The contribution to the pension fund and the insurance fund consist of the normal cost and an amortization payment on the unfunded actuarial liability (UAL).

- Pension
- Insurance

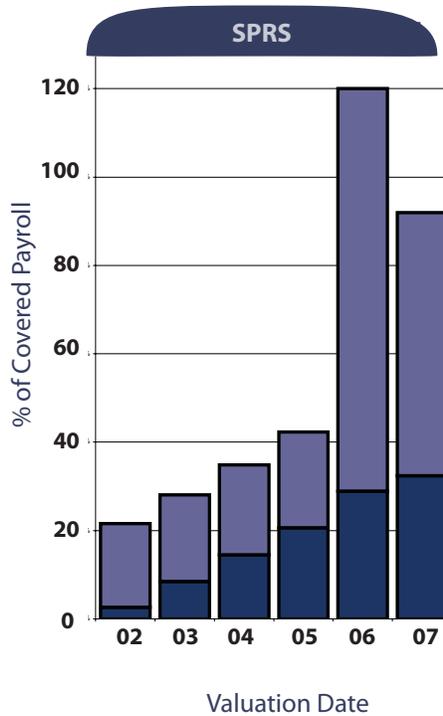
The insurance fund contribution rates and the employer contribution rates for CERS Non-Hazardous and CERS Hazardous shown in the above tables are the full funding rates presented by the actuary in the 2007 annual valuation. However, in the case of CERS Non-Hazardous and CERS Hazardous, in 2006, the actuary recommended a five-year phase-in of the rate which requires the payment of the insurance benefit normal cost with a five-year phase-in of the unfunded accrued liability (UAL) associated with the insurance funds. As a result, the CERS Non-Hazardous insurance fund contribution rate actually recommended by the actuary and adopted by the Board for 2008-2009 is 9.19% and the employer contribution rate is 16.17%. The CERS Hazardous insurance fund contribution rate actually recommended by the actuary and adopted by the Board for 2008-2009 is 18.86% and the employer contribution rate is 33.87%.

Recommended Employer Contribution Rates (As of June 30, 2007)

State Police Retirement System

Valuation Date	Applicable Fiscal Year	Pension Fund Normal Cost	Pension Fund: Payment on Unfunded Liability	Pension Fund Contribution	Insurance Fund Contribution	Recommended Employer Contribution
6/30/2002	2003-2004	9.85%	(7.21%)	2.64%	18.94%	21.58%
6/30/2003	2004-2005	9.07%	(0.58%)	8.49%	19.59%	28.08%
6/30/2004	2005-2006	9.37%	5.12%	14.49%	20.34%	34.83%
6/30/2005	2006-2007	9.43%	11.21%	20.64%	21.66%	42.30%
6/30/2006	2007-2008	9.20%	19.75%	28.95%	91.05%	120.00%
6/30/2007	2008-2009	9.64%	22.75%	32.39%	59.54%	91.93%

**SPRS
Employer Contribution Rate**



The total employer contribution rate is comprised of a contribution to the pension fund and to the insurance fund. The contribution to the pension fund and the insurance fund consist of the normal cost and an amortization payment on the unfunded actuarial liability (UAL).

● Pension
● Insurance

Actuarial Section

Summary of Actuarially Unfunded Liabilities (As of June 30, 2007)

Kentucky Employees Retirement System (Non-Hazardous Pension Fund)

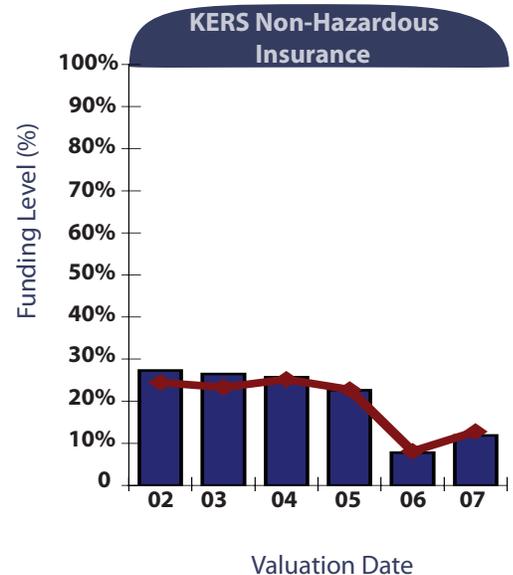
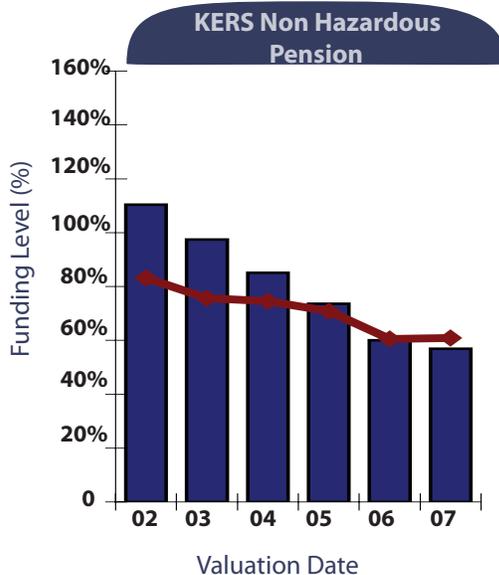
Valuation Date	Actuarial Liability	Value of Assets		Unfunded Actuarial Liabilities		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
6/30/02	\$6,026,094,764	\$6,654,084,196	\$5,005,190,948	(\$627,989,432)	\$1,020,903,816	110.4%	83.1%
6/30/03	\$6,520,463,188	\$6,351,318,832	\$4,929,443,185	\$169,144,356	\$1,591,020,003	97.4%	75.6%
6/30/04	\$7,049,613,171	\$6,000,513,743	\$5,258,994,145	\$1,049,099,428	\$1,790,619,026	85.1%	74.6%
6/30/05	\$7,579,074,839	\$5,578,685,746	\$5,362,630,697	\$2,000,389,093	\$2,216,444,142	73.6%	70.8%
6/30/06	\$8,994,826,247	\$5,394,086,323	\$5,440,132,708	\$3,600,739,924	\$3,554,693,539	60.0%	60.5%
6/30/07	\$9,485,939,277	\$5,396,782,459	\$5,773,156,838	\$4,089,156,818	\$3,712,782,439	56.9%	60.9%

Kentucky Employees Retirement System (Non-Hazardous Insurance Fund)

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Actuarial Liabilities		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
6/30/02	\$1,907,683,881	\$521,250,455	\$465,664,515	\$1,386,433,426	\$1,442,019,366	27.3%	24.4%
6/30/03	\$2,093,210,321	\$553,885,082	\$487,274,973	\$1,539,325,239	\$1,605,935,348	26.5%	23.3%
6/30/04	\$2,335,905,365	\$600,586,961	\$587,680,647	\$1,735,318,404	\$1,748,224,718	25.7%	25.2%
6/30/05	\$2,680,559,188	\$607,068,351	\$610,901,623	\$2,073,490,837	\$2,069,657,565	22.7%	22.8%
6/30/06	\$7,815,480,774	\$611,350,765	\$632,642,846	\$7,204,130,009	\$7,182,837,928	7.8%	8.1%
6/30/07	\$5,201,355,055	\$621,171,658	\$663,558,360	\$4,580,183,397	\$4,537,796,695	11.9%	12.8%

■ Actuarial
— Market

The funding level is the % of actuarial liabilities, or benefits earned to date, covered by current assets. The value provides a measure of the plan's financial soundness. An increasing (decreasing) trend in the funding level indicates the system is becoming financially stronger (weaker).



Actuarial Section

Summary of Actuarially Unfunded Liabilities

(As of June 30, 2007)

Kentucky Employees Retirement System (Hazardous Pension Fund)

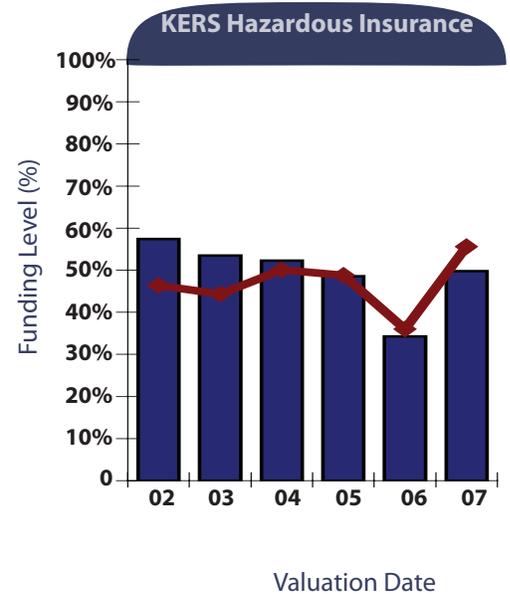
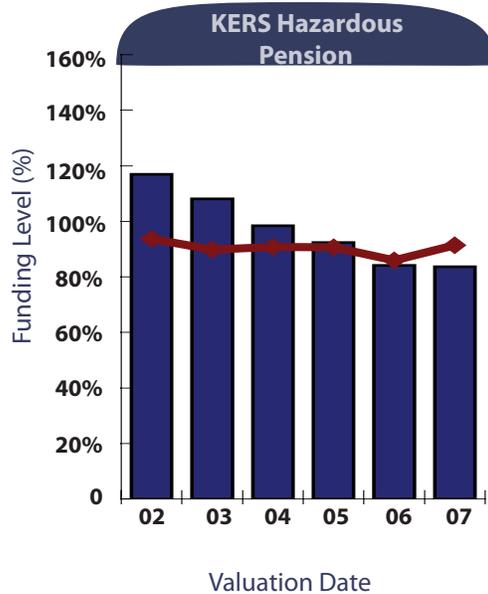
Valuation Date	Actuarial Liability	Value of Assets		Unfunded Liability		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
6/30/02	\$322,069,164	\$376,384,302	\$301,799,829	(\$54,315,138)	\$20,269,335	116.9%	93.7%
6/30/03	\$356,879,133	\$385,925,722	\$320,524,691	(\$29,046,589)	\$36,354,442	108.1%	89.8%
6/30/04	\$403,578,036	\$397,212,763	\$366,569,507	\$6,365,273	\$37,008,529	98.4%	90.8%
6/30/05	\$438,994,257	\$405,288,662	\$398,308,897	\$33,705,595	\$40,685,360	92.3%	90.7%
6/30/06	\$508,655,903	\$427,984,192	\$437,029,583	\$80,671,711	\$71,626,320	84.1%	85.9%
6/30/07	\$558,992,329	\$467,287,809	\$510,775,499	\$91,704,520	\$48,216,830	83.6%	91.4%

Kentucky Employees Retirement System (Hazardous Insurance Fund)

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Liability		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
6/30/02	\$236,819,050	\$135,874,582	\$109,769,410	\$100,944,468	\$127,049,640	57.4%	46.4%
6/30/03	\$283,178,335	\$151,459,500	\$125,533,413	\$131,718,835	\$157,644,922	53.5%	44.3%
6/30/04	\$323,503,563	\$169,158,879	\$162,127,373	\$154,344,684	\$161,376,190	52.3%	50.1%
6/30/05	\$386,844,695	\$187,947,644	\$188,871,226	\$198,897,051	\$197,973,469	48.6%	48.8%
6/30/06	\$621,237,856	\$212,833,318	\$223,523,081	\$408,404,538	\$397,714,775	34.3%	36.0%
6/30/07	\$504,842,981	\$251,536,756	\$280,885,910	\$253,306,225	\$223,957,071	49.8%	55.6%

■ Actuarial
◆ Market

The funding level is the % of actuarial liabilities, or benefits earned to date, covered by current assets. The value provides a measure of the plan's financial soundness. An increasing (decreasing) trend in the funding level indicates the system is becoming financially stronger (weaker).



Actuarial Section

Summary of Actuarially Unfunded Liabilities

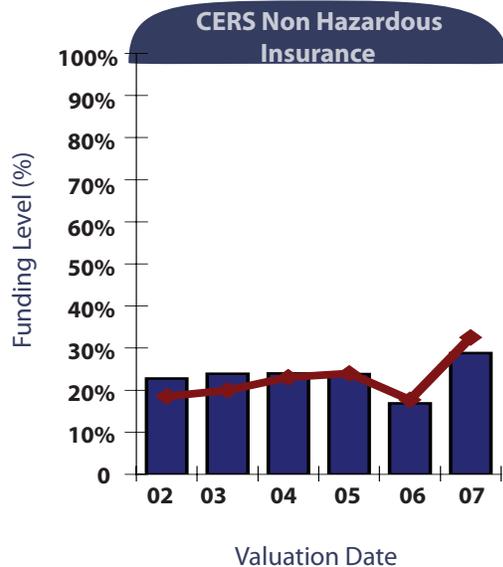
(As of June 30, 2007)

County Employees Retirement System (Non-Hazardous Pension Fund)

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Liability		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
6/30/02	\$4,165,355,149	\$5,397,787,158	\$4,126,756,301	(\$1,232,432,009)	\$38,598,848	129.6%	99.1%
6/30/03	\$4,417,597,802	\$5,286,580,047	\$4,174,881,117	(\$868,982,245)	\$242,716,685	119.7%	94.5%
6/30/04	\$4,936,459,488	\$5,187,851,530	\$4,613,335,957	(\$251,392,042)	\$323,123,531	105.1%	93.5%
6/30/05	\$5,385,156,690	\$5,059,208,687	\$4,893,599,997	\$325,948,003	\$491,556,693	94.0%	90.9%
6/30/06	\$6,179,569,267	\$5,162,894,136	\$5,191,376,948	\$1,016,675,131	\$988,192,319	83.6%	84.0%
6/30/07	\$6,659,446,126	\$5,467,824,480	\$5,812,935,251	\$1,191,621,646	\$846,510,875	82.1%	87.3%

County Employees Retirement System (Non-Hazardous Insurance Fund)

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Liability		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
6/30/02	\$1,977,577,038	\$450,497,307	\$365,332,585	\$1,527,079,731	\$1,612,244,453	22.8%	18.5%
6/30/03	\$2,176,963,259	\$520,060,105	\$435,667,125	\$1,656,903,154	\$1,741,296,134	23.9%	20.0%
6/30/04	\$2,438,734,696	\$585,399,072	\$563,877,594	\$1,853,335,624	\$1,874,857,102	24.0%	23.1%
6/30/05	\$2,788,754,654	\$663,941,949	\$668,485,367	\$2,124,812,705	\$2,120,269,287	23.8%	24.0%
6/30/06	\$4,607,223,639	\$777,726,590	\$813,250,744	\$3,829,497,049	\$3,793,972,895	16.9%	17.7%
6/30/07	\$3,333,966,070	\$960,285,900	\$1,084,042,781	\$2,373,680,170	\$2,249,923,289	28.8%	32.5%



The funding level is the % of actuarial liabilities, or benefits earned to date, covered by current assets. The value provides a measure of the plan's financial soundness. An increasing (decreasing) trend in the funding level indicates the system is becoming financially stronger (weaker).

Actuarial Section

Summary of Actuarially Unfunded Liabilities

(As of June 30, 2007)

County Employees Retirement System (Hazardous Pension Fund)

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Liability		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
6/30/02	\$1,327,291,273	\$1,485,511,793	\$1,144,349,093	(\$158,220,520)	\$182,942,180	111.9%	86.2%
6/30/03	\$1,499,628,782	\$1,467,004,856	\$1,168,794,472	\$32,623,926	\$330,834,310	97.8%	77.9%
6/30/04	\$1,640,830,120	\$1,457,612,042	\$1,305,011,472	\$183,218,078	\$335,818,648	88.8%	79.5%
6/30/05	\$1,795,617,335	\$1,452,353,023	\$1,411,245,719	\$343,264,312	\$384,371,616	80.9%	78.6%
6/30/06	\$2,020,142,770	\$1,515,075,017	\$1,528,845,357	\$505,067,753	\$491,297,413	75.0%	75.7%
6/30/07	\$2,208,736,179	\$1,639,288,924	\$1,754,934,764	\$569,447,255	\$453,801,415	74.2%	79.5%

County Employees Retirement System (Hazardous Insurance Fund)

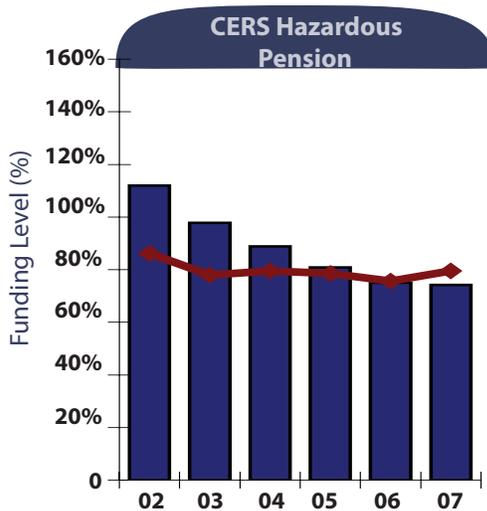
Valuation Date	Actuarial Liability	Value of Assets		Unfunded Liability		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
6/30/02	\$781,184,974	\$234,683,878	\$187,533,847	\$546,501,096	\$593,651,127	30.0%	24.0%
6/30/03	\$935,650,662	\$269,190,080	\$223,212,339	\$666,460,582	\$712,438,323	28.8%	23.9%
6/30/04	\$1,025,684,477	\$310,578,162	\$297,734,286	\$715,106,315	\$727,950,191	30.3%	29.0%
6/30/05	\$1,283,299,092	\$359,180,461	\$360,938,669	\$924,118,631	\$922,360,423	28.0%	28.1%
6/30/06	\$1,928,481,371	\$422,785,042	\$441,278,796	\$1,505,696,329	\$1,487,202,575	21.9%	22.9%
6/30/07	\$1,646,460,011	\$512,926,549	\$570,155,702	\$1,133,533,462	\$1,076,304,309	31.2%	34.6%

■ Actuarial

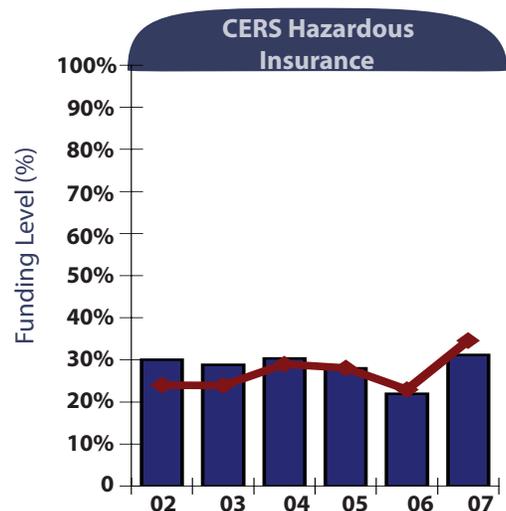
◆ Market

The funding level is the % of actuarial liabilities, or benefits earned to date, covered by current assets.

The value provides a measure of the plan's financial soundness. An increasing (decreasing) trend in the funding level indicates the system is becoming financially stronger (weaker).



Valuation Date



Valuation Date

Actuarial Section

Summary of Actuarially Unfunded Liabilities

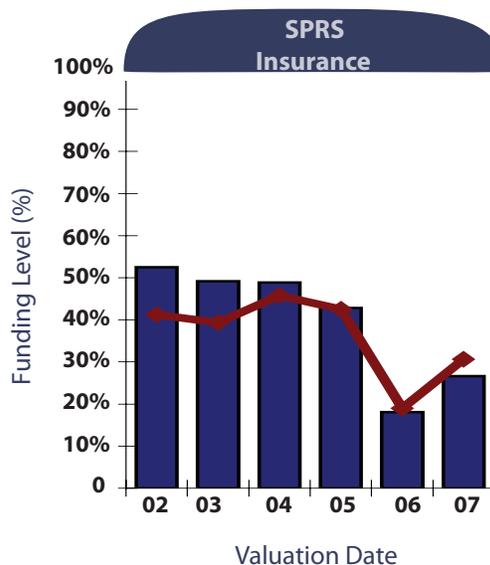
(As of June 30, 2007)

State Police Retirement System (Pension)

Valuation Date	Value of Assets			Unfunded Liability		Funding Level	
	Actuarial Liability	Actuarial	Market	Actuarial	Market	Actuarial	Market
6/30/02	\$380,790,346	\$438,955,465	\$328,744,331	(\$58,165,119)	\$52,046,015	115.3%	86.3%
6/30/03	\$414,881,459	\$413,063,576	\$319,116,232	\$1,817,883	\$95,765,227	99.6%	76.9%
6/30/04	\$437,482,425	\$385,077,195	\$335,720,408	\$52,405,230	\$101,762,017	88.0%	76.7%
6/30/05	\$458,593,576	\$353,511,622	\$339,405,873	\$105,081,954	\$119,187,703	77.1%	74.0%
6/30/06	\$516,482,298	\$344,016,197	\$352,841,486	\$172,466,101	\$163,640,812	66.6%	68.3%
6/30/07	\$547,955,286	\$348,806,508	\$376,381,488	\$199,148,778	\$171,573,798	63.7%	68.7%

State Police Retirement System (Insurance)

Valuation Date	Value of Assets			Unfunded Liability		Funding Level	
	Actuarial Liability	Actuarial	Market	Actuarial	Market	Actuarial	Market
6/30/02	\$165,445,412	\$86,867,391	\$68,074,444	\$78,578,021	\$97,370,968	52.5%	41.2%
6/30/03	\$184,501,205	\$90,747,967	\$72,533,617	\$93,753,238	\$111,967,588	49.2%	39.3%
6/30/04	\$197,604,301	\$96,622,908	\$90,422,080	\$100,981,393	\$107,182,221	48.9%	45.8%
6/30/05	\$234,159,510	\$100,207,082	\$99,408,106	\$133,952,428	\$134,751,404	42.8%	42.5%
6/30/06	\$582,580,867	\$105,580,269	\$110,491,075	\$477,000,598	\$472,089,792	18.1%	19.0%
6/30/07	\$432,763,229	\$115,215,912	\$132,573,898	\$317,547,317	\$300,189,331	26.6%	30.6%



The funding level is the % of actuarial liabilities, or benefits earned to date, covered by current assets. The value provides a measure of the plan's financial soundness. An increasing (decreasing) trend in the funding level indicates the system is becoming financially stronger (weaker).

Actuarial Section

Analysis of Financial Experience KERS Non-Hazardous

(As of June 30, 2007)

Gains & Losses in Accrued Liabilities
Resulting from Difference Between
Assumed Experience & Actual Experience
(\$ Millions)

Type of Activity	Retirement \$ Gain (or Loss) For Year Ending 6/30/2007	Insurance \$ Gain (or Loss) For Year Ending 6/30/2007
Age & Service Retirements. If members retire at older ages, there is a gain. If younger ages, a loss.	\$ (72.6)	(63.1)
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	3.8	3.3
Death-In Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	(3.9)	(3.4)
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	7.5	6.5
Pay or Claims Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss. For insurance, smaller claims increases than assumed generates a gain; larger, a loss.	(8.0)	339.4
New Members. Additional unfunded accrued liability will produce a loss.	(10.1)	(8.8)
Investment Income. If there is a greater investment income than assumed, there is a gain. If less income, a loss.	54.5	9.9
Death After Retirement. If retired members live longer than assumed, there is a loss. If not as long, a gain.	(0.4)	(0.3)
Other. Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.	(397.2)	(11.0)
Gain (or Loss) During Year From Financial Experience	\$ (426.4)	272.5
Non-Recurring Items. Adjustments for plan amendments, assumption changes, method changes or contribution timing.	0.0	2,388.1
Composite Gain (or Loss) During Year	\$ (426.4)	2,660.6

Actuarial Section

Analysis of Financial Experience

KERS Hazardous

(As of June 30, 2007)

Gains & Losses in Accrued Liabilities
Resulting from Difference Between
Assumed Experience & Actual Experience
(\$ Millions)

Type of Activity	Retirement \$ Gain (or Loss) For Year Ending 6/30/2007	Insurance \$ Gain (or Loss) For Year Ending 6/30/2007
Age & Service Retirements. If members retire at older ages, there is a gain. If younger ages, a loss.	\$ (8.8)	(10.7)
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	1.1	1.3
Death-In Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	(0.2)	(0.2)
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	2.0	2.4
Pay or Claims Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss. For insurance, smaller claims increases than assumed generates a gain; larger, a loss.	(1.4)	25.4
New Members. Additional unfunded accrued liability will produce a loss.	(1.8)	(2.2)
Investment Income. If there is a greater investment income than assumed, there is a gain. If less income, a loss.	10.6	8.0
Death After Retirement. If retired members live longer than assumed, there is a loss. If not as long, a gain.	0.6	0.7
Other. Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.	(11.3)	(79.1)
Gain (or Loss) During Year From Financial Experience	\$ (9.2)	(54.4)
Non-Recurring Items. Adjustments for plan amendments, assumption changes, method changes or contribution shortfall	0.0	216.4
Composite Gain (or Loss) During Year	\$ (9.2)	162.0

Actuarial Section

Analysis of Financial Experience CERS Non-Hazardous

(As of June 30, 2007)

Gains & Losses in Accrued Liabilities
Resulting from Difference Between
Assumed Experience & Actual Experience
(\$ Millions)

Type of Activity	Retirement \$ Gain (or Loss) For Year Ending 6/30/2007	Insurance \$ Gain (or Loss) For Year Ending 6/30/2007
Age & Service Retirements. If members retire at older ages, there is a gain. If younger ages, a loss.	\$ (65.0)	(48.5)
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	1.9	1.4
Death-In Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	(5.8)	(4.3)
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	16.8	12.5
Pay or Claims Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss. For insurance, smaller claims increases than assumed generates a gain; larger, a loss.	(1.3)	203.6
New Members. Additional unfunded accrued liability will produce a loss.	(12.1)	(9.0)
Investment Income. If there is a greater investment income than assumed, there is a gain. If less income, a loss.	53.4	33.3
Death After Retirement. If retired members live longer than assumed, there is a loss. If not as long, a gain.	5.8	4.3
Other. Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.	(138.7)	(27.2)
Gain (or Loss) During Year From Financial Experience	\$ (145.0)	166.1
Non-Recurring Items. Adjustments for plan amendments, assumption changes, method changes or contribution shortfall	0.0	1,354.3
Composite Gain (or Loss) During Year	\$ (145.0)	1,520.4

Actuarial Section

Analysis of Financial Experience CERS Hazardous

(As of June 30, 2007)

Gains & Losses in Accrued Liabilities
Resulting from Difference Between
Assumed Experience & Actual Experience
(\$ Millions)

Type of Activity	Retirement \$ Gain (or Loss) For Year Ending 6/30/2007	Insurance \$ Gain (or Loss) For Year Ending 6/30/2007
Age & Service Retirements. If members retire at older ages, there is a gain. If younger ages, a loss.	\$ (17.2)	(16.4)
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	1.4	1.3
Death-In Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	(1.5)	(1.4)
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	5.4	5.2
Pay or Claims Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss. For insurance, smaller claims increases than assumed generates a gain; larger, a loss.	(7.1)	81.2
New Members. Additional unfunded accrued liability will produce a loss.	(4.3)	(4.1)
Investment Income. If there is a greater investment income than assumed, there is a gain. If less income, a loss.	21.4	15.4
Death After Retirement. If retired members live longer than assumed, there is a loss. If not as long, a gain.	1.9	1.8
Other. Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.	(56.9)	(347.6)
Gain (or Loss) During Year From Financial Experience	\$ (56.9)	(264.6)
Non-Recurring Items. Adjustments for plan amendments, assumption changes, method changes or contribution shortfall	0.0	662.2
Composite Gain (or Loss) During Year	\$ (56.9)	397.6

Actuarial Section

Analysis of Financial Experience

SPRS

(As of June 30, 2007)

Gains & Losses in Accrued Liabilities
Resulting from Difference Between
Assumed Experience & Actual Experience
(\$ Millions)

Type of Activity	Retirement \$ Gain (or Loss) For Year Ending 6/30/2007	Insurance \$ Gain (or Loss) For Year Ending 6/30/2007
Age & Service Retirements. If members retire at older ages, there is a gain. If younger ages, a loss.	\$ (3.6)	(4.1)
Disability Retirements. If disability claims are less than assumed, there is a gain. If more claims, a loss.	0.2	0.2
Death-In Service Benefits. If survivor claims are less than assumed, there is a gain. If more claims, there is a loss.	0.0	0.0
Withdrawal From Employment. If more liabilities are released by withdrawals than assumed, there is a gain. If smaller releases, a loss.	0.0	0.0
Pay or Claims Increases. If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss. For insurance, smaller claims increases than assumed generates a gain; larger, a loss.	(4.8)	24.0
New Members. Additional unfunded accrued liability will produce a loss.	(0.1)	(0.1)
Investment Income. If there is a greater investment income than assumed, there is a gain. If less income, a loss.	5.2	4.4
Death After Retirement. If retired members live longer than assumed, there is a loss. If not as long, a gain.	(0.1)	(0.1)
Other. Miscellaneous gains and losses resulting from changes in valuation software, data adjustments, timing of financial transactions, etc.	(20.3)	(80.7)
Gain (or Loss) During Year From Financial Experience	\$ (23.5)	(56.4)
Non-Recurring Items. Adjustments for plan amendments, assumption changes, method changes or contribution shortfall	0.0	218.3
Composite Gain (or Loss) During Year	\$ (23.5)	161.9

Actuarial Section

Solvency Test (As of June 30, 2007)

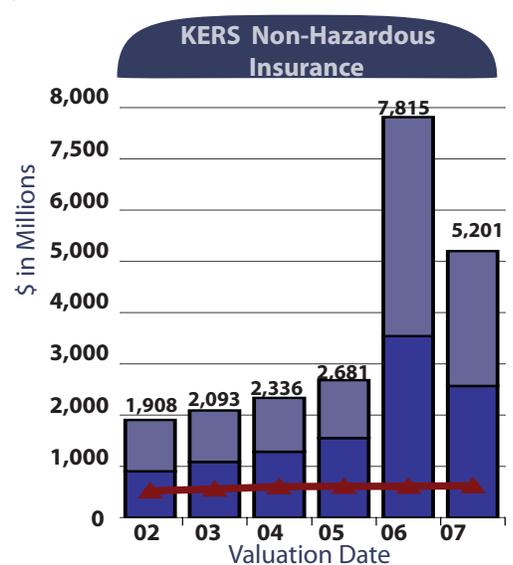
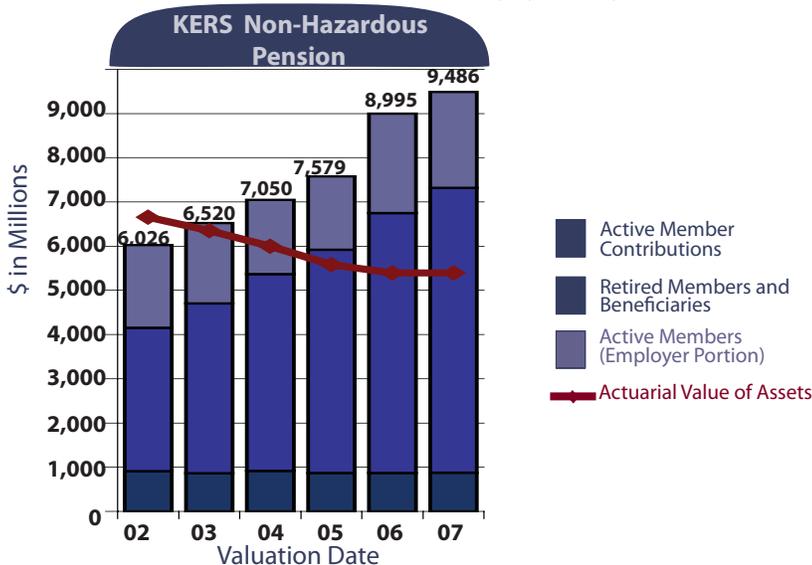
Kentucky Employees Retirement System (Non-Hazardous Pension Fund)

Valuation Date	Actuarial Liabilities			Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets for		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retired Members & Beneficiaries	Active Members (Employer Portion)				
6/30/02	\$910,956,664	\$3,242,343,193	\$1,872,794,907	\$6,654,084,196	100.0%	100.0%	133.5%
6/30/03	\$859,895,312	\$3,844,696,149	\$1,815,871,727	\$6,351,318,832	100.0%	100.0%	90.7%
6/30/04	\$915,105,103	\$4,452,864,748	\$1,681,643,320	\$6,000,513,743	100.0%	100.0%	37.6%
6/30/05	\$866,044,474	\$5,056,247,608	\$1,656,782,757	\$5,578,685,746	100.0%	93.2%	--
6/30/06	\$866,050,799	\$5,881,990,853	\$2,246,784,595	\$5,394,086,323	100.0%	77.0%	--
6/30/07	\$878,842,180	\$6,437,235,593	\$2,169,861,504	\$5,396,782,459	100.0%	70.2%	--

Kentucky Employees Retirement System (Non-Hazardous Insurance Fund)¹

Valuation Date	Actuarial Liabilities			Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets for		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retired Members & Beneficiaries	Active Members (Employer Portion)				
6/30/02	\$0	\$900,313,022	\$1,007,370,859	\$521,250,455	100.0%	57.9%	--
6/30/03	\$0	\$1,089,606,122	\$1,003,604,199	\$553,885,082	100.0%	50.8%	--
6/30/04	\$0	\$1,282,214,660	\$1,053,690,705	\$600,586,961	100.0%	46.8%	--
6/30/05	\$0	\$1,550,619,458	\$1,129,939,730	\$607,068,351	100.0%	39.2%	--
6/30/06	\$0	\$3,543,125,375	\$4,272,355,400	\$611,350,765	100.0%	17.3%	---
6/30/07	\$0	\$2,569,197,567	\$2,632,157,488	\$621,171,658	100.0%	24.2%	--

¹ Retiree insurance benefits are funded exclusively by employer contributions and any subsequent return on investments.



A solvency test provides measures of the plans ability to pay all promised benefits (actuarial liabilities) when due. Column 1 represents the value of active member contributions. Column 2 represents the amount necessary to pay retired member and beneficiary benefits. Column 3 represents the employer's portion of active member benefits accrued to date that will be paid in the future. In a system receiving the actuarially recommended employer contribution, the total actuarial liabilities in Column 1 and 2 should be fully covered by actuarial assets, and the portion of the actuarial liabilities in Column 3 covered by actuarial assets over time.

Actuarial Section

Solvency Test (As of June 30, 2007)

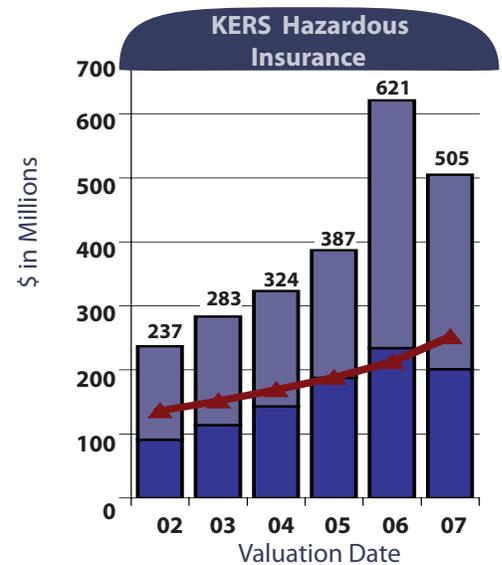
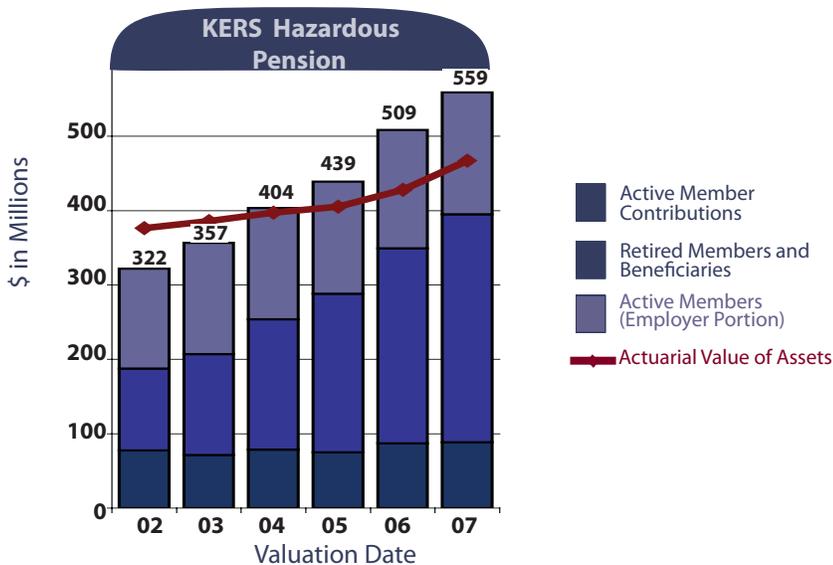
Kentucky Employees Retirement System (Hazardous Pension Fund)

Valuation Date	Actuarial Liabilities			Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets for		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retired Members & Beneficiaries	Active Members (Employer Portion)				
6/30/02	\$77,700,666	\$110,048,474	\$134,320,024	\$376,384,302	100.0%	100.0%	140.4%
6/30/03	\$71,414,721	\$135,622,333	\$149,842,079	\$385,925,722	100.0%	100.0%	119.4%
6/30/04	\$78,817,575	\$175,102,848	\$149,657,613	\$397,212,763	100.0%	100.0%	95.7%
6/30/05	\$75,098,321	\$213,310,550	\$150,585,386	\$405,288,662	100.0%	100.0%	77.6%
6/30/06	\$87,092,538	\$262,446,606	\$159,116,759	\$427,984,172	100.0%	100.0%	49.3%
6/30/07	\$88,670,847	\$306,492,350	\$163,829,132	\$467,287,809	100.0%	100.0%	44.0%

Kentucky Employees Retirement System (Hazardous Insurance Fund)¹

Valuation Date	Actuarial Liabilities			Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets for		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retired Members & Beneficiaries	Active Members (Employer Portion)				
6/30/02	\$0	\$90,978,506	\$145,840,544	\$135,874,582	100.0%	100.0%	30.8%
6/30/03	\$0	\$113,979,451	\$169,198,884	\$151,459,500	100.0%	100.0%	22.2%
6/30/04	\$0	\$142,872,557	\$180,631,006	\$169,158,879	100.0%	100.0%	14.6%
6/30/05	\$0	\$187,883,650	\$198,961,045	\$187,947,644	100.0%	100.0%	--
6/30/06	\$0	\$234,058,715	\$387,179,141	\$212,833,318	100.0%	90.9%	--
6/30/07	\$0	\$201,189,546	\$303,653,435	\$251,536,756	100.0%	100.0%	16.6%

¹Retiree insurance benefits are funded exclusively by employer contributions and any subsequent return on investments.



A solvency test provides measures of the plans ability to pay all promised benefits (actuarial liabilities) when due. Column 1 represents the value of active member contributions. Column 2 represents the amount necessary to pay retired member and beneficiary benefits. Column 3 represents the employer's portion of active member benefits accrued to date that will be paid in the future. In a system receiving the actuarially recommended employer contribution, the total actuarial liabilities in Column 1 and 2 should be fully covered by actuarial assets, and the portion of the actuarial liabilities in Column 3 covered by actuarial assets over time.

Actuarial Section

Solvency Test (As of June 30, 2006)

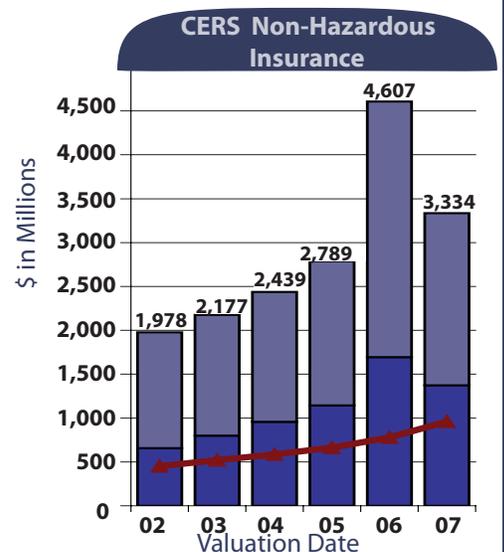
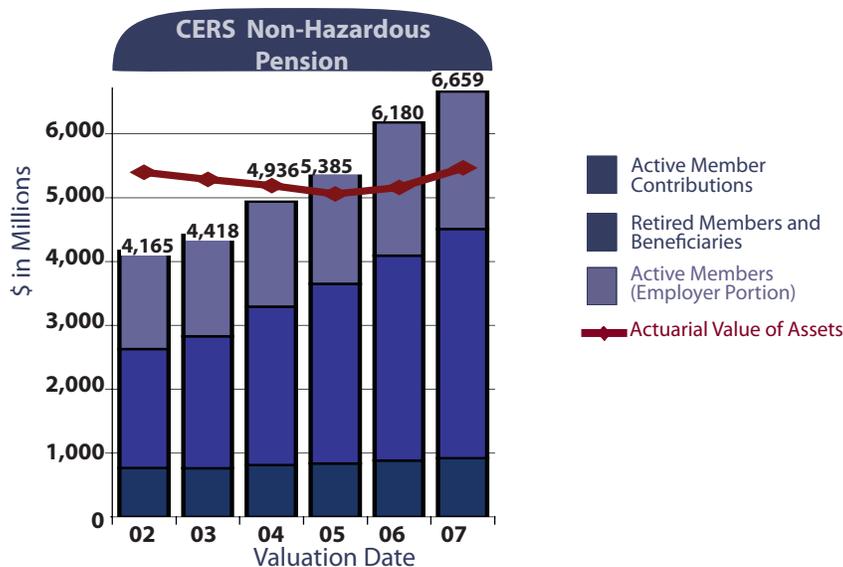
County Employees Retirement System (Non-Hazardous Pension Fund)

Valuation Date	Actuarial Liabilities			Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets for		
	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Portion)		(1)	(2)	(3)
6/30/02	\$768,656,315	\$1,861,419,517	\$1,535,279,317	\$5,397,787,158	100.0%	100.0%	180.3%
6/30/03	\$759,938,261	\$2,068,481,586	\$1,589,177,955	\$5,286,580,047	100.0%	100.0%	154.7%
6/30/04	\$814,908,627	\$2,478,195,080	\$1,643,355,781	\$5,187,851,530	100.0%	100.0%	115.3%
6/30/05	\$837,513,907	\$2,814,210,355	\$1,733,432,428	\$5,059,208,687	100.0%	100.0%	81.2%
6/30/06	\$883,946,564	\$3,210,095,023	\$2,085,527,680	\$5,162,894,136	100.0%	100.0%	51.3%
6/30/07	\$920,126,096	\$3,589,512,063	\$2,149,807,967	\$5,467,824,480	100.0%	100.0%	44.6%

County Employees Retirement System (Non-Hazardous Insurance Fund)¹

Valuation Date	Actuarial Liabilities			Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets for		
	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Portion)		(1)	(2)	(3)
6/30/02	\$0	\$656,812,900	\$1,320,764,138	\$450,497,307	100.0%	68.6%	--
6/30/03	\$0	\$799,777,264	\$1,377,185,995	\$520,060,105	100.0%	65.0%	--
6/30/04	\$0	\$955,930,091	\$1,482,804,605	\$585,399,072	100.0%	61.2%	--
6/30/05	\$0	\$1,144,219,107	\$1,644,535,547	\$663,941,949	100.0%	58.0%	--
6/30/06	\$0	\$1,694,600,143	\$2,912,623,496	\$777,726,590	100.0%	45.9%	--
6/30/07	\$0	\$1,372,128,406	\$1,961,837,664	\$960,285,900	100.0%	70.0%	--

¹ Retiree insurance benefits are funded exclusively by employer contributions and any subsequent return on investments.



A solvency test provides measures of the plans ability to pay all promised benefits (actuarial liabilities) when due. Column 1 represents the value of active member contributions. Column 2 represents the amount necessary to pay retired member and beneficiary benefits. Column 3 represents the employer's portion of active member benefits accrued to date that will be paid in the future. In a system receiving the actuarially recommended employer contribution, the total actuarial liabilities in Column 1 and 2 should be fully covered by actuarial assets, and the portion of the actuarial liabilities in Column 3 covered by actuarial assets over time.

Actuarial Section

Solvency Test (As of June 30, 2007)

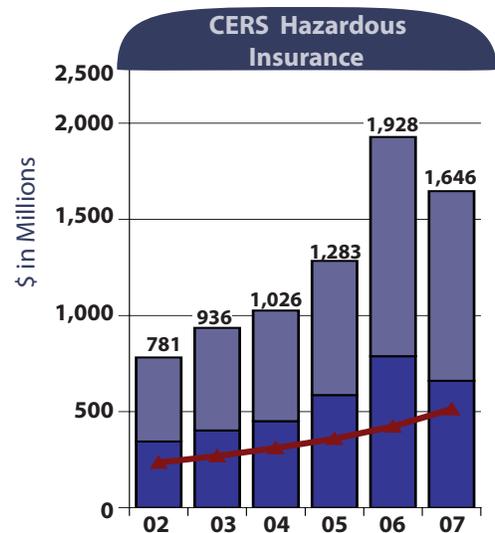
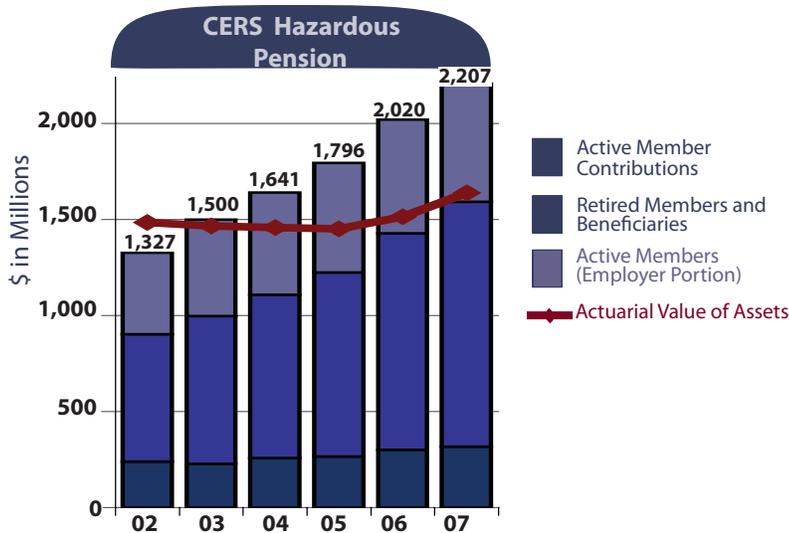
County Employees Retirement System (Hazardous Pension Fund)

Valuation Date	Actuarial Liabilities			Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets for		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retired Members & Beneficiaries	Active Members (Employer Portion)				
6/30/02	\$238,363,024	\$664,188,862	\$424,739,387	\$1,485,511,793	100.0%	100.0%	137.3%
6/30/03	\$227,629,402	\$769,804,746	\$502,194,634	\$1,467,004,856	100.0%	100.0%	93.5%
6/30/04	\$256,366,204	\$851,354,443	\$533,109,473	\$1,457,612,042	100.0%	100.0%	65.6%
6/30/05	\$264,913,465	\$960,052,305	\$570,651,565	\$1,452,353,023	100.0%	100.0%	39.8%
6/30/06	\$300,200,800	\$1,128,164,618	\$591,777,352	\$1,515,075,017	100.0%	100.0%	14.7%
6/30/07	\$317,007,367	\$1,275,221,775	\$616,507,037	\$1,639,288,924	100.0%	100.0%	7.6%

County Employees Retirement System (Hazardous Insurance Fund)¹

Valuation Date	Actuarial Liabilities			Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets for		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retired Members & Beneficiaries	Active Members (Employer Portion)				
6/30/02	\$0	\$343,821,677	\$437,363,297	\$234,683,878	100.0%	68.3%	--
6/30/03	\$0	\$401,276,347	\$534,374,315	\$269,190,080	100.0%	67.1%	--
6/30/04	\$0	\$450,288,687	\$575,395,790	\$310,578,162	100.0%	69.0%	--
6/30/05	\$0	\$586,104,126	\$697,194,966	\$359,180,461	100.0%	61.3%	--
6/30/06	\$0	\$787,671,273	\$1,140,810,098	\$422,785,042	100.0%	53.7%	--
6/30/07	\$0	\$659,752,978	\$986,707,033	\$512,926,549	100.0%	77.7%	--

¹ Retiree insurance benefits are funded exclusively by employer contributions and any subsequent return on investments.



A solvency test provides measures of the plans ability to pay all promised benefits (actuarial liabilities) when due. Column 1 represents the value of active member contributions. Column 2 represents the amount necessary to pay retired member and beneficiary benefits. Column 3 represents the employer's portion of active member benefits accrued to date that will be paid in the future. In a system receiving the actuarially recommended employer contribution, the total actuarial liabilities in Column 1 and 2 should be fully covered by actuarial assets, and the portion of the actuarial liabilities in Column 3 covered by actuarial assets over time.

Actuarial Section

Solvency Test (As of June 30, 2007)

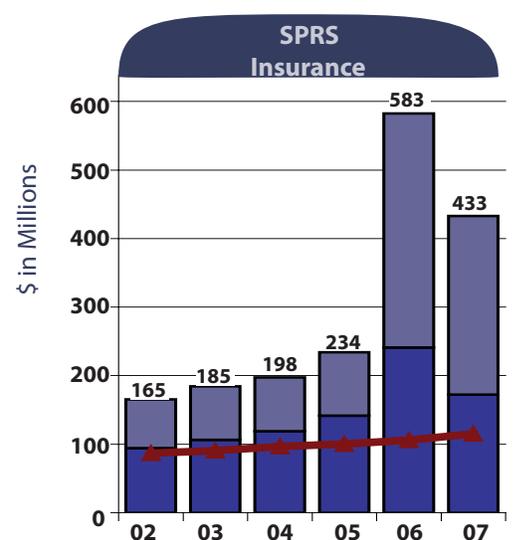
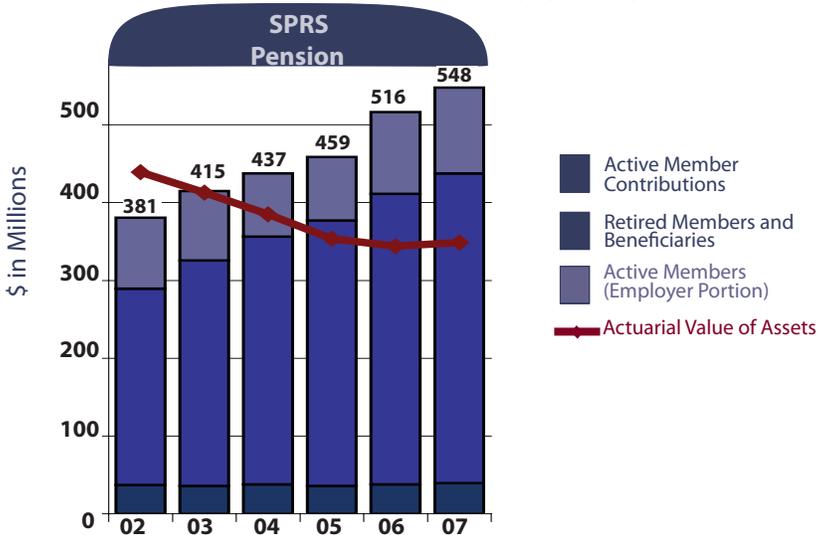
State Police Retirement System (Pension Fund)

Valuation Date	Actuarial Liabilities			Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets for		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retired Members & Beneficiaries	Active Members (Employer Portion)				
6/30/02	\$36,886,477	\$252,498,613	\$91,405,256	\$438,955,613	100.0%	100.0%	163.6%
6/30/03	\$35,832,095	\$290,012,792	\$89,036,572	\$413,063,576	100.0%	100.0%	98.0%
6/30/04	\$37,658,106	\$318,664,694	\$81,159,625	\$385,077,195	100.0%	100.0%	35.4%
6/30/05	\$35,670,717	\$341,398,363	\$81,524,496	\$353,511,622	100.0%	93.1%	--
6/30/06	\$37,866,774	\$373,588,145	\$105,027,379	\$344,016,197	100.0%	81.9%	--
6/30/07	\$39,505,285	\$397,863,520	\$110,586,481	\$348,806,508	100.0%	77.7%	--

State Police Retirement System (Insurance Fund)

Valuation Date	Actuarial Liabilities			Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets for		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retired Members & Beneficiaries	Active Members (Employer Portion)				
6/30/02	\$0	\$94,205,237	\$71,240,175	\$86,867,391	100.0%	92.2%	--
6/30/03	\$0	\$106,317,750	\$78,183,455	\$90,747,967	100.0%	85.4%	--
6/30/04	\$0	\$119,104,851	\$78,499,450	\$96,622,908	100.0%	81.1%	--
6/30/05	\$0	\$141,585,694	\$92,573,816	\$100,207,082	100.0%	70.8%	--
6/30/06	\$0	\$240,913,868	\$341,666,999	\$105,580,269	100.0%	43.8%	--
6/30/07	\$0	\$172,291,142	\$260,472,087	\$115,215,912	100.0%	66.9%	--

¹ Retiree insurance benefits are funded exclusively by employer contributions and any subsequent return on investments.



A solvency test provides measures of the plans ability to pay all promised benefits (actuarial liabilities) when due. Column 1 represents the value of active member contributions. Column 2 represents the amount necessary to pay retired member and beneficiary benefits. Column 3 represents the employer's portion of active member benefits accrued to date that will be paid in the future. In a system receiving the actuarially recommended employer contribution, the total actuarial liabilities in Column 1 and 2 should be fully covered by actuarial assets, and the portion of the actuarial liabilities in Column 3 covered by actuarial assets over time.

Actuarial Section

Summary of Active Member Valuation Data

(As of June 30, 2007)

Kentucky Employees Retirement System (Non-Hazardous)

Schedule of Active Member Valuation Data

Valuation Date	Number of Employers	Total Active Members	Annual Payroll ¹	Annual Average Pay	% Increase In Average Pay	Average Age	Average Years of Service Credit
6/30/02	N/A	48,555	\$1,597,447,963	\$32,900	3.1%	41.5	10.1
6/30/03	N/A	49,158	\$1,658,604,696	\$33,740	2.6%	42.5	10.0
6/30/04	N/A	47,599	\$1,645,412,496	\$34,568	2.5%	42.9	10.0
6/30/05	324	47,118	\$1,655,907,288	\$35,144	1.7%	42.9	9.8
6/30/06	338	46,707	\$1,702,230,777	\$36,445	3.7%	43.0	9.7
6/30/07	317	47,913	\$1,780,223,493	\$37,155	1.9%	43.3	9.3

Kentucky Employees Retirement System (Hazardous)

Schedule of Active Member Valuation Data

Valuation Date	Number of Employers	Total Active Members	Annual Payroll ¹	Annual Average Pay	% Increase In Average Pay	Average Age	Average Years of Service Credit
6/30/22	N/A	4,211	\$125,371,604	\$29,772	1.8%	41.8	6.9
6/30/03	N/A	4,189	\$129,088,956	\$30,816	3.5%	41.6	7.2
6/30/04	N/A	4,014	\$126,664,812	\$31,556	2.4%	42.7	7.6
6/30/05	26	4,274	\$131,687,088	\$30,811	(2.4%)	41.9	7.1
6/30/06	15	4,320	\$138,747,320	\$32,117	4.2%	41.6	7.0
6/30/07	15	4,349	\$144,838,020	\$33,304	3.7%	41.7	7.0

County Employees Retirement System (Non-Hazardous)

Schedule of Active Member Valuation Data

Valuation Date	Number of Employers	Total Active Members	Annual Payroll ²	Annual Average Pay	% Increase In Average Pay	Average Age	Average Years of Service Credit
6/30/02	N/A	79,850	\$1,688,460,789	\$21,145	4.3%	43.0	7.6
6/30/03	N/A	82,288	\$1,796,451,180	\$21,831	3.2%	43.8	7.6
6/30/24	N/A	80,922	\$1,826,870,880	\$22,576	3.4%	44.8	7.9
6/30/05	1,116	81,240	\$1,885,275,000	\$23,206	2.8%	45.0	8.1
6/30/06	1,099	83,694	\$1,982,437,473	\$23,687	2.1%	45.1	8.1
6/30/07	1,112	84,920	\$2,076,848,328	\$24,457	3.3%	45.9	8.1

¹Annual payroll included in the Schedule of Active Member Valuation Data is based upon the annualized monthly payroll for active members as of the valuation date. The annual payroll recorded in the financial section is based upon the sum of the monthly payroll for active members recorded for each month of fiscal year ending June 30, 2007.

N/A Not Available

Summary of Active Member Valuation Data (As of June 30, 2007)

County Employees Retirement System (Hazardous)

Schedule of Active Member Valuation Data

Valuation Date	Number of Employers	Total Active Members	Annual Payroll ¹	Annual Average Pay	% Increase In Average Pay	Average Age	Average Years of Service Credit
6/30/02	N/A	8,949	\$346,319,146	\$38,699	2.9%	36.3	7.8
6/30/03	N/A	9,286	\$374,700,732	\$40,351	4.3%	37.3	7.8
6/30/04	N/A	9,349	\$392,562,624	\$41,990	4.1%	38.1	8.1
6/30/05	284	9,464	\$411,121,728	\$43,441	3.5%	38.0	8.2
6/30/06	292	9,635	\$426,927,550	\$44,310	2.0%	37.8	8.3
6/30/07	294	10,063	\$458,998,956	\$45,613	2.9%	38.6	8.1

State Police Retirement System

Schedule of Active Member Valuation Data

Valuation Date	Number of Employers	Total Active Members	Annual Payroll ¹	Annual Average Pay	% Increase In Average Pay	Average Age	Average Years of Service Credit
6/30/02	1	1,002	\$43,961,844	\$43,874	0.8%	35.7	11.4
6/30/03	1	1,019	\$43,760,832	\$42,945	(2.1%)	35.9	10.9
6/30/04	1	999	\$43,835,208	\$43,879	2.2%	36.4	10.7
6/30/05	1	987	\$43,720,092	\$44,296	1.0%	36.5	10.6
6/30/06	1	1,028	\$47,743,865	\$46,443	4.8%	36.5	10.5
6/30/07	1	957	\$49,247,580	\$51,460	10.8%	37.3	11.1

¹Annual payroll included in the Schedule of Active Member Valuation Data is based upon the annualized monthly payroll for active members as of the valuation date. The annual payroll recorded in the financial section is based upon the sum of the monthly payroll for active members recorded for each month of fiscal year ending June 30, 2007.

N/A Not Available

Actuarial Section

Summary of Retired Member Valuation Data (As of June 30, 2007)

Kentucky Employees Retirement System (Non-Hazardous)

Valuation Date	Number Added	Number Removed	Total Retirees & Beneficiaries	Annualized Retirement Allowances ¹	% Increase in Allowances	Average Annual Allowance
6/30/02	N/A	N/A	N/A	N/A	N/A	N/A
6/30/03	2,148	1,618	27,233	\$393,048,800	N/A	\$14,433
6/30/04	2,473	814	28,892	\$449,410,400	14.34	\$15,555
6/30/05	2,481	603	30,770	\$509,347,800	13.34	\$16,553
6/30/06	2,481	1,111	32,140	\$566,167,003	11.31	\$17,611
6/30/07	2,440	731	33,849	\$625,435,416	10.47	\$18,477

Kentucky Employees Retirement System (Hazardous)

Valuation Date	Number Added	Number Removed	Total Retirees & Beneficiaries	Annualized Retirement Allowances	% Increase in Allowances	Average Annual Allowance
6/30/02	N/A	N/A	N/A	N/A	N/A	N/A
6/30/03	170	21	1,357	\$12,974,700	N/A	\$9,561
6/30/04	227	35	1,549	\$16,099,000	24.08	\$10,393
6/30/05	234	31	1,752	\$19,640,700	22.00	\$11,210
6/30/06	256	28	1,980	\$23,381,537	19.25	\$11,809
6/30/07	241	19	2,202	\$27,528,789	17.74	\$12,502

County Employees Retirement System (Non-Hazardous)

Valuation Date	Number Added	Number Removed	Total Retirees & Beneficiaries	Annualized Retirement Allowances	% Increase in Allowances	Average Annual Allowance
6/30/2002	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2003	2,411	1,466	27,092	\$219,848,200	N/A	\$8,115
6/30/2004	2,805	768	29,129	\$247,534,300	12.59	\$8,498
6/30/2005	2,808	590	31,347	\$279,590,300	12.95	\$8,919
6/30/06	2,782	1,027	33,102	\$308,269,651	10.26	\$9,313
6/30/07	3,244	782	35,564	\$348,712,020	13.12	\$9,805

The Annualized Retirement Allowance is the annualized value of the monthly retirement allowance for retired members and beneficiaries as of the valuation date. Consequently, the values will not match the fiscal year total benefit payments recorded in the financial section.

N/A Not Available

Actuarial Section

Summary of Retired Member Valuation Data

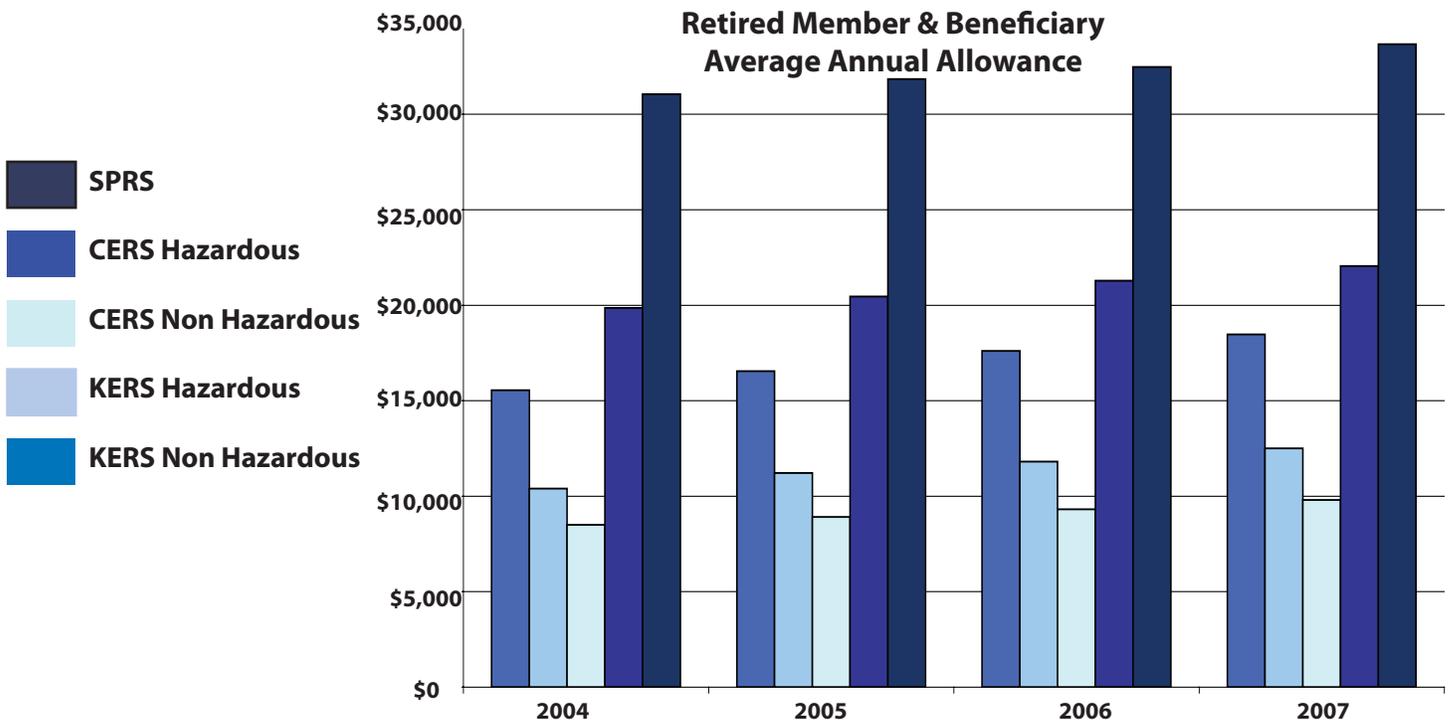
(As of June 30, 2007)

County Employees Retirement System (Hazardous)

Valuation Date	Number Added	Number Removed	Total Retirees & Beneficiaries	Annualized Retirement Allowances	% Increase in Allowances	Average Annual Allowance
6/30/02	N/A	N/A	N/A	N/A	N/A	N/A
6/30/03	293	39	3,737	\$72,322,200	N/A	\$19,353
6/30/04	343	75	4,005	\$79,559,200	10.01	\$19,865
6/30/05	403	47	4,361	\$89,224,700	12.15	\$20,460
6/30/06	427	76	4,712	\$100,290,052	12.40	\$21,284
6/30/07	500	53	5,159	\$113,735,850	13.41	\$22,046

State Police Retirement System

Valuation Date	Number Added	Number Removed	Total Retirees & Beneficiaries	Annualized Retirement Allowances	% Increase in Allowances	Average Annual Allowance
6/30/02	N/A	N/A	N/A	N/A	N/A	N/A
6/30/03	53	9	941	\$28,115,500	N/A	\$29,878
6/30/04	62	11	992	\$30,805,600	9.57	\$31,054
6/30/05	50	6	1,036	\$32,983,900	7.07	\$31,838
6/30/06	43	10	1,067	\$34,651,251	5.06	\$32,475
6/30/07	49	11	1,105	\$37,208,377	7.38	\$33,673



Actuarial Section

Summary of Benefit Provisions KERS & CERS Non Hazardous Plans

Plan Funding

State statute requires active members to contribute 5% of creditable compensation. Employers contribute at the rate determined by the Board to be necessary for the actuarial soundness of the systems, as required by KRS 61.565 and KRS 61.752. KERS rates are subject to state budget approval.

Membership Eligibility

For non-school board employers, all regular full-time positions that average 100 or more hours of work per month over a fiscal or calendar year. For school board employers, all regular full-time positions that average 80 hours of work per month over the actual days worked during the school year.

Retirement Eligibility

Age	Years of Service	Allowance Reduction
65	4	None
Any	27	None
55	5	5% per year for five years before age 65 or 27 years of service. 4% for each year thereafter.
Any	25	5% each year for five years before age 65 or 27 years of service.

Benefit Formula

<u>Final Compensation</u>	x	<u>Benefit Factor</u>	x	<u>Years of Service</u>
Average of the five highest, or if eligible, three highest fiscal year earnings. To be eligible for three-high final compensation, member must have 27 years of service, age and service of 75 years, and retire prior to 1/09.		KERS 1.97% if: Member <u>does not have</u> 13 months credit from 1/98- 1/99.		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
		KERS 2.00% if: Member <u>has</u> 13 months credit from 1/98- 1/99.		
		KERS 2.20% if: 20 or more years of service, and retires by 1/09.		
		CERS 2.20% if: Member begins participating prior to 8/1/04.		
		CERS 2.00% if: Member begins participating on or after 8/1/04.		

Post-Retirement Death Benefits

If the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

Disability Benefits

Members participating before 8/1/04 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula.

Members participating on or after 8/1/04 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the higher of 20% Final Rate of Pay or the amount calculated under the Benefit Formula based upon actual service.

Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

Pre-Retirement Death Benefits

The beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

Cost of Living Adjustment

Monthly retirement allowances are increased July 1 each year by the percentage increase in the annual average of the CPI-U for the most recent calendar year, not to exceed five percent (5%). The Kentucky General Assembly has the authority to suspend or reduce Cost of Living Adjustments.

Insurance Benefits

For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003 or after are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased annually by the CPI-U.

Refunds

Upon termination of employment, a refund of member contributions and accumulated interest is available to the member.

Interest on Accounts

Active member accounts have been credited with interest on July 1 of each year at 3% compounded annually through June 30, 1980; 6% thereafter through June 30, 1986; 4% thereafter through June 30, 2003, and 2.5% thereafter.

Summary of Benefit Provisions KERS & CERS Hazardous Plans & SPRS

Plan Funding

State statute requires active members to contribute 8% of creditable compensation. Employers contribute at the rate determined by the Board to be necessary for the actuarial soundness of the systems, as required by KRS 61.565 and KRS 61.752. KERS & SPRS rates are subject to state budget approval.

Membership Eligibility

All regular full-time hazardous duty positions approved by the Board that average 100 or more hours of work per month over a fiscal or calendar year.

Retirement Eligibility

Age	Years of Service	Allowance Reduction
55	5	None
Any	20	None
50	15	5.5% per year for five years before age 55 or 20 years of service.

Benefit Formula

<i>Final Compensation</i>	X	<i>Benefit Factor</i>	X	<i>Years of Service</i>
Average of the three highest fiscal year earnings.		KERS 2.49% CERS 2.50% SPRS 2.50%		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).

Disability Benefits

Members hired before 8/1/04 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the formula noted above.

Members hired on or after 8/1/04 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the higher of 25% Final Rate of Pay or the amount calculated under the Benefit Formula noted above based upon actual service.

Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

Pre-Retirement Death Benefits

The beneficiary of a deceased active member will be *eligible for a monthly* benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

Post-Retirement Death Benefits

If the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

Cost of Living Adjustment

Monthly retirement allowances are increased July 1 each year by the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed five percent (5%). The Kentucky General Assembly has the authority to suspend or reduce Cost of Living Adjustments.

Insurance Benefits

For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Hazardous duty members are also eligible for an additional contribution for dependents based upon hazardous service only. Members participating on or after July 1, 2003 or after are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$15 for each year of earned service increased annually by the CPI-U.

Refunds

Upon termination of employment, a refund of member contributions and accumulated interest is available to the member.

Interest on Accounts

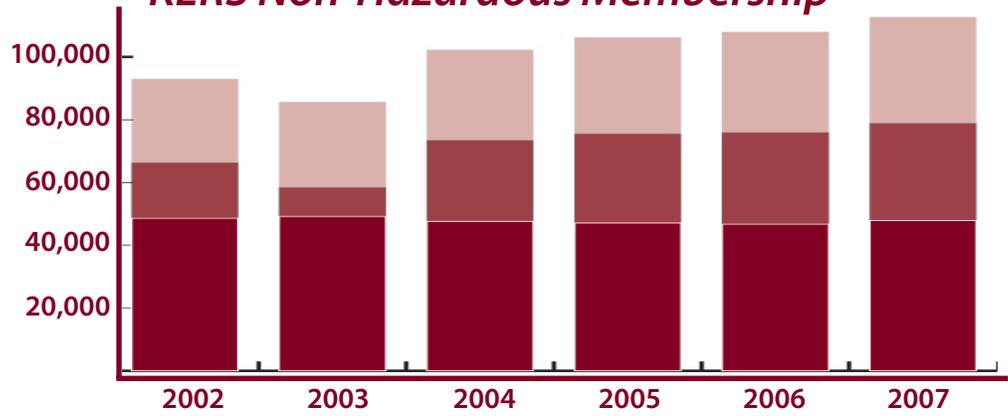
Active member accounts have been credited with interest on July 1 of each year at 3% compounded annually through June 30, 1980; 6% thereafter through June 30, 1986; 4% thereafter through June 30, 2003, and 2.5% thereafter.



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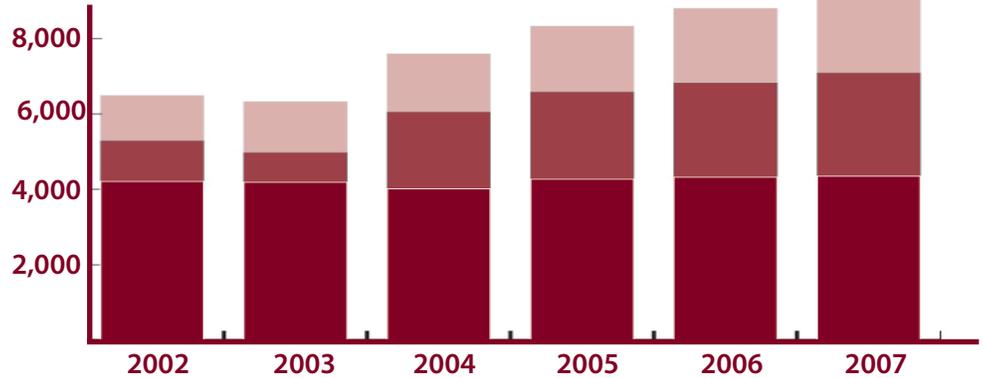
KERS Non-Hazardous Membership



Retired	26,703	27,233	28,892	30,770	32,140	33,849
Inactive	17,714	18,522	25,775	28,345	29,143	30,904
Active	48,555	49,158	47,599	47,118	46,707	47,913
Total	92,972	85,632	102,266	106,233	107,990	112,666

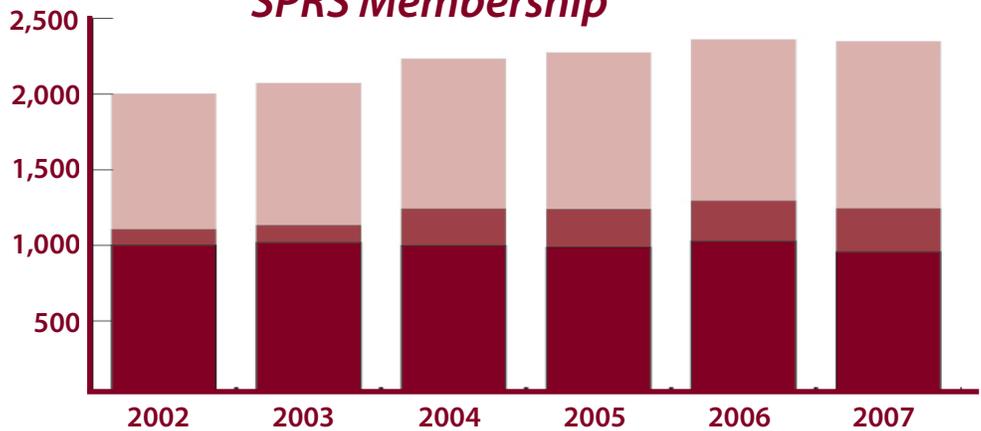
Active members are those members who are currently employed by a participating agency and contributing to the Systems as a condition of employment. Inactive members are those members who are no longer employed with a participating agency but have not yet retired or taken a refund of contributions. Retired members include both members and beneficiaries who are receiving a monthly benefit from the Systems.

KERS Hazardous Membership



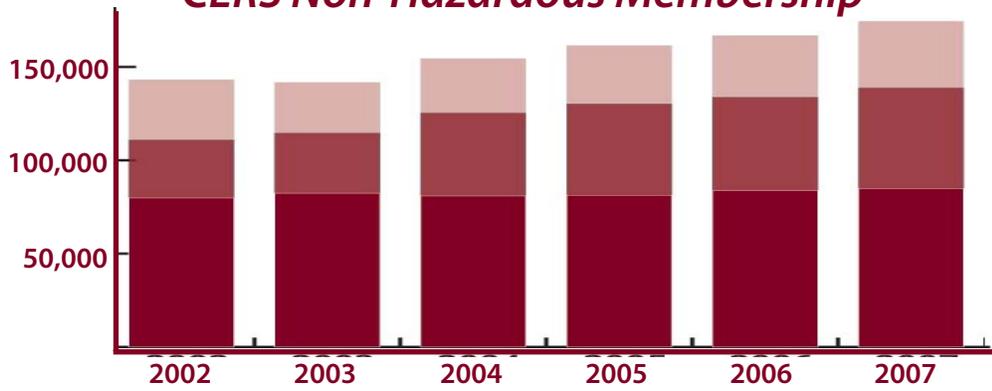
Retired	1,208	1,357	1,549	1,752	1,981	2,202
Inactive	1,073	782	2,032	2,304	2,501	2,738
Active	4,211	4,189	4,014	4,274	4,320	4,349
Total	6,492	6,328	7,595	8,330	8,802	9,289

SPRS Membership



Retired	897	941	992	1,036	1,067	1,105
Inactive	103	113	243	252	266	286
Active	1,002	1,019	999	987	1,028	957
Total	2,002	2,073	2,234	2,275	2,361	2,348

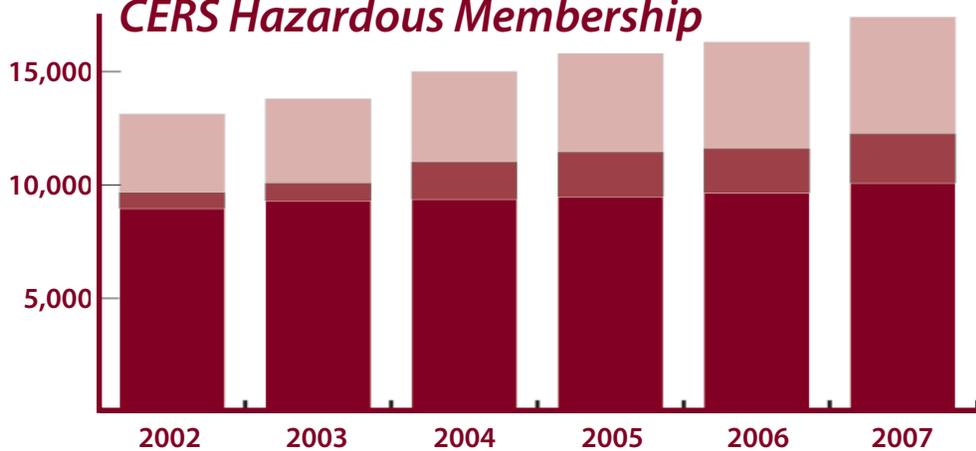
CERS Non-Hazardous Membership



	2002	2003	2004	2005	2006	2007
Retired	32,326	27,092	29,129	31,347	33,102	35,564
Inactive	30,978	32,326	44,419	48,869	50,046	53,901
Active	79,850	82,288	80,922	81,240	83,694	84,920
Total	143,154	141,706	154,470	161,456	165,786	174,385

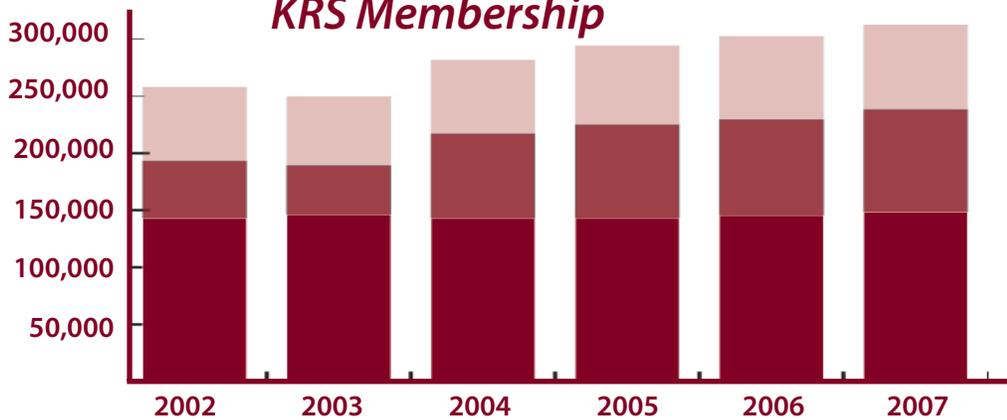
Active members are those members who are currently employed by a participating agency and contributing to the Systems as a condition of employment. Inactive members are those members who are no longer employed with a participating agency but have not yet retired or taken a refund of contributions. Retired members include both members and beneficiaries who are receiving a monthly benefit from the Systems.

CERS Hazardous Membership



	2002	2003	2004	2005	2006	2007
Retired	3,483	3,737	4,005	4,361	4,712	5,159
Inactive	700	781	1,648	1,971	1,955	2,197
Active	8,949	9,286	9,349	9,464	9,635	10,063
Total	13,132	13,804	15,002	15,796	16,302	17,419

KRS Membership



	2002	2003	2004	2005	2006	2007
Retired	64,617	60,360	64,567	69,266	73,002	77,879
Inactive	50,568	43,243	74,117	81,741	83,911	90,026
Active	142,567	145,940	142,883	143,083	145,384	148,202
Total	257,752	249,543	281,567	294,090	302,297	316,107

Schedule of Participating Employers

Kentucky Employees Retirement System

Agency Classification	Number of Agencies	Number of Employees
Agencies Reporting Through State Payroll	148	34,786
Other Agencies (universities, mental health boards, health departments)	143	16,190
Special Districts and Boards	4	509
Child Support Offices (county attorneys)	59	177
Other State-Administered Retirement Systems	3	285
TOTAL	356	51,947

County Employees Retirement System

Agency Classification	Number of Agencies	Number of Employees
Area Development Districts	13	569
Boards of Education	175	49,711
Cities	215	6,465
County Attorneys	60	576
County Clerks	13	564
County Government Agencies	262	21,604
Fire Departments	68	858
Hospitals	3	315
Jailers	9	441
Libraries	83	1,017
Planning Commissions	10	181
Police Departments	97	728
Police & Fire Departments (combined)	61	3,413
Sanitation Districts	5	68
Sheriff Departments	53	1,132
Special Districts and Boards	168	3,072
Utility Boards	104	3,362
Urban County Government Agencies	4	2,065
TOTAL	1,403	96,141

State Police Retirement System

Agency Classification	Number of Agencies	Number of Employees
Kentucky State Police-Uniformed Officers	1	972

Principal Participating Employers

Kentucky Employees Retirement System

Participating Employer	Rank	Covered Employees	% of Total System
Health & Family Services Cabinet: Department for Community Based Services	1	4,551	8.76%
Transportation: Department of Highways	2	4,073	7.84%
Justice & Public Safety Cabinet: Department of Corrections	3	3,893	7.49%
Bluegrass Regional Mental Health/Mental Retardation Board	4	2,327	4.48%
Justice & Public Safety Cabinet: Department of Juvenile Justice	5	1,475	2.84%
Administrative Office of the Courts	6	1,413	2.72%
Seven County Services Inc.	7	1,144	2.20%
United Prosecutorial System (Child Support Offices)	8	1,081	2.08%
Kentucky Department of Parks	9	1,049	2.02%
Office of Human Resource Management	10	1,038	2.00%
All Others		29,903	57.56%
TOTAL		51,947	100.00%

County Employees Retirement System

Participating Employer	Rank	Covered Employees	% of Total System
Jefferson County Board of Education	1	6,846	7.12%
Louisville/Jefferson County Metro	2	3,259	3.39%
Louisville/Jeferson County Metro (Police, Fire, EMS)	3	2,288	2.38%
Fayette County Board of Education	4	1,796	1.87%
Circuit Clerks	5	1,785	1.86%
Lexington/Fayette Urban County Government	6	1,604	1.67%
Hardin County Board of Education	7	1,109	1.15%
Boone County Board of Education	8	1,035	1.08%
Daviess County Board of Education	9	905	0.94%
Pike County Board of Education	10	882	0.94%
All Others		74,632	77.63%
TOTAL		96,141	100.00%

Net Plan Assets by System

Kentucky Employees Retirement System

(Dollars in Thousands)

	<i>Non-Hazardous</i>			<i>Hazardous</i>		
	<i>Pension</i>	<i>Insurance</i>	<i>Total</i>	<i>Pension</i>	<i>Insurance</i>	<i>Total</i>
June 30 2002	5,005,191	465,665	5,470,856	301,800	109,769	411,569
June 30 2003	4,929,319	487,071	5,416,390	320,513	125,522	446,035
June 30 2004	5,258,995	587,681	5,846,676	366,568	162,127	528,695
June 30 2005	5,362,631	610,901	5,973,532	398,308	188,871	587,179
June 30 2006	5,440,133	612,643	6,052,776	437,030	223,523	660,553
June 30 2007	5,773,157	663,558	6,436,715	510,775	280,886	791,661

County Employees Retirement System

(Dollars in Thousands)

	<i>Non-Hazardous</i>			<i>Hazardous</i>		
	<i>Pension</i>	<i>Insurance</i>	<i>Total</i>	<i>Pension</i>	<i>Insurance</i>	<i>Total</i>
June 30 2002	4,126,756	365,333	4,492,089	1,144,349	187,534	1,331,883
June 30 2003	4,175,825	435,500	4,611,325	1,168,776	223,168	1,391,944
June 30 2004	4,613,335	563,877	5,177,212	1,305,012	297,737	1,602,749
June 30 2005	4,893,600	668,485	5,562,085	1,411,246	360,940	1,772,186
June 30 2006	5,191,377	813,251	6,004,628	1,528,845	441,279	1,970,124
June 30 2007	5,812,936	1,084,043	6,896,979	1,754,935	570,156	2,325,091

State Police Retirement System

(Dollars in Thousands)

	<i>Pension</i>	<i>Insurance</i>	<i>Total</i>
June 30 2002	328,744	68,074	396,818
June 30 2003	319,115	72,538	391,653
June 30 2004	335,721	90,420	426,141
June 30 2005	339,406	99,408	438,814
June 30 2006	352,841	110,491	463,332
June 30 2007	376,381	132,574	508,955

Kentucky Retirement Systems Total

(Dollars in Thousands)

	<i>Pension</i>	<i>Insurance</i>	<i>Total</i>
June 30 2002	10,906,841	1,196,375	12,103,216
June 30 2003	10,913,548	1,343,799	12,257,347
June 30 2004	11,879,631	1,701,842	13,581,473
June 30 2005	12,405,191	1,928,605	14,333,796
June 30 2006	12,950,226	2,201,187	15,151,413
June 30 2007	14,228,184	2,731,217	16,959,401

Statistical Section

Changes in Net Plan Assets by System

Kentucky Employees Retirement System Non-Hazardous Pension Fund

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Additions						
Member Contributions	\$111,992	\$137,124	\$129,077	\$127,801	\$107,607	\$116,254
Employer Contributions	\$1,760	\$7,597	\$21,697	\$50,333	\$60,681	\$88,249
Net Investment Income	-\$236,405	\$196,106	\$651,532	\$462,638	\$504,361	\$784,652
Total Additions	-\$122,653	\$340,827	\$802,306	\$640,772	\$672,649	\$989,155
Deductions						
Benefit Payments	\$345,666	\$404,896	\$459,367	\$522,396	\$577,947	\$640,201
Refunds	\$6,657	\$7,258	\$8,001	\$8,824	\$9,632	\$9,489
Administrative Expenses	\$4,399	\$4,959	\$5,262	\$5,916	\$7,568	\$7,070
Other Expenses	-\$2	\$0	\$0	\$0	\$0	\$13
Total Deductions	\$356,720	\$417,113	\$472,630	\$537,136	\$595,147	\$656,773
Change in Net Assets	-\$479,373	-\$76,286	\$329,676	\$103,636	\$77,502	\$332,382

Kentucky Employees Retirement System Non-Hazardous Insurance Fund

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Additions						
Employer Contributions	\$65,335	\$65,335	\$78,017	\$51,432	\$47,635	\$64,014
Net Investment Income	\$19,582	\$8,050	\$83,064	\$47,823	\$65,839	\$78,877
Member Drug Reimbursement	\$0	\$0	\$0	\$0	\$0	\$10,744
Insurance Appropriation	\$0	\$0	\$0	\$0	\$11,852	\$0
Other Income	\$0	\$0	\$0	\$0	\$5,770	\$12,196
Total Additions	\$84,917	\$73,385	\$161,081	\$99,255	\$131,096	\$165,831
Deductions						
Benefit Payments	\$43,738	\$51,586	\$59,987	\$75,571	\$95,823	\$111,659
Administrative Expenses	\$345	\$393	\$484	\$464	\$1,679	\$3,199
Insurance Appropriation	\$0	\$0	\$0	\$0	\$20,000	\$0
Total Deductions	\$44,083	\$51,979	\$60,471	\$76,035	\$117,502	\$114,858
Change in Net Assets	\$69,410	\$21,406	\$100,610	\$23,220	\$1,742	\$50,973

Changes in Net Plan Assets by System

***Kentucky Employees Retirement System
Hazardous Pension Fund***

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Additions						
Member Contributions	\$10,807	\$11,553	\$11,548	\$11,625	\$12,056	\$13,245
Employer Contributions	\$7,934	\$7,322	\$9,769	\$9,758	\$10,803	\$13,237
Net Investment Income	-\$10,786	\$14,742	\$43,403	\$33,123	\$41,680	\$77,996
Total Additions	\$7,954	\$33,617	\$64,720	\$54,506	\$64,539	\$104,478
Deductions						
Benefit Payments	\$10,203	\$13,373	\$16,863	\$20,495	\$23,736	\$28,514
Refunds	\$1,141	\$1,160	\$1,410	\$1,760	\$1,436	\$1,662
Administrative Expenses	\$354	\$404	\$392	\$511	\$645	\$611
Other Expenses	-\$1	\$0	\$0	\$0	\$0	\$1
Total Deductions	\$11,698	\$14,937	\$18,665	\$22,766	\$25,817	\$38,788
Change in Net Assets	-\$3,744	\$18,680	\$46,055	\$31,740	\$38,722	\$73,690

***Kentucky Employees Retirement System
Hazardous Insurance Fund***

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Additions						
Employer Contributions	\$15,887	\$15,883	\$14,959	\$15,653	\$17,012	\$19,535
Net Investment Income	-\$11,229	\$2,835	\$25,206	\$15,999	\$24,128	\$44,541
Member Drug Reimbursement	\$0	\$0	\$0	\$0	\$0	\$309
Insurance Appropriation	\$0	\$0	\$0	\$0	\$88	\$0
Total Additions	\$4,658	\$18,718	\$ 40,165	\$31,652	\$41,228	\$64,385
Deductions						
Benefit Payments	\$2,453	\$2,938	\$3,539	\$4,853	\$6,513	\$6,874
Administrative Expenses	\$29	\$27	\$21	\$55	\$63	\$83
Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Total Deductions	\$2,482	\$2,965	\$3,560	\$4,908	\$6,576	\$6,957
Change in Net Assets	\$2,177	\$15,753	\$36,605	\$26,744	\$34,652	\$57,428

Changes in Net Plan Assets by System

**County Employees Retirement System
Non-Hazardous Pension Fund**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Additions						
Member Contributions	\$122,428	\$125,301	\$122,484	\$127,637	\$112,372	\$121,979
Employer Contributions	\$5,528	\$11,856	\$44,028	\$54,617	\$90,834	\$124,261
Net Investment Income	-\$186,375	\$160,110	\$551,669	\$413,672	\$444,092	\$760,541
Total Additions	-\$58,419	\$297,267	\$718,181	\$595,926	\$647,298	\$1,009,736
Deductions						
Benefit Payments	\$196,659	\$230,317	\$260,643	\$294,590	\$325,135	\$356,648
Refunds	\$8,325	\$10,213	\$11,334	\$11,042	\$11,589	\$11,396
Administrative Expenses	\$7,187	\$8,244	\$8,694	\$10,029	\$12,797	\$12,197
Other Expenses	\$0	\$0	\$0	\$0	\$0	\$22
Total Deductions	\$212,171	\$248,774	\$280,671	\$315,661	\$349,521	\$389,263
Change in Net Assets	-\$270,590	\$48,493	\$437,510	\$280,265	\$297,777	\$620,473

**County Employees Retirement System
Non-Hazardous Insurance Fund**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Additions						
Employer Contributions	\$102,151	\$99,235	\$89,344	\$107,632	\$128,868	\$147,609
Net Investment Income	-\$34,899	\$10,625	\$86,080	\$55,723	\$83,991	\$188,055
Member Drug Reimbursement	\$0	\$0	\$0	\$0	\$0	\$23,620
Insurance Appropriation	\$0	\$0	\$0	\$0	\$6,365	\$0
Total Additions	\$67,252	\$109,860	\$175,424	\$163,355	\$219,224	\$359,284
Deductions						
Benefit Payments	\$32,726	\$39,387	\$46,654	\$58,262	\$72,919	\$85,199
Administrative Expenses	\$260	\$306	\$393	\$485	\$1,539	3,040
Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Total Deductions	\$32,986	\$39,693	\$47,047	\$58,747	\$74,458	\$88,239
Change in Net Assets	\$34,265	\$70,167	\$128,377	\$104,608	\$144,766	\$271,045

Changes in Net Plan Assets by System

**County Employees Retirement System
Hazardous Pension Fund**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Additions						
Member Contributions	\$37,096	\$36,203	\$38,668	\$39,515	\$39,055	\$43,650
Employer Contributions	\$11,055	\$16,906	\$27,641	\$39,948	\$49,976	\$61,553
Net Investment Income	-\$49,057	\$46,212	\$154,628	\$119,901	\$132,915	\$240,035
Total Additions	-\$906	\$99,321	\$220,937	\$199,364	\$221,946	\$345,238
Deductions						
Benefit Payments	\$63,494	\$72,532	\$81,422	\$90,119	\$101,087	\$115,604
Refunds	\$1,770	\$1,794	\$2,520	\$2,139	\$2,147	\$2,563
Administrative Expenses	\$635	\$737	\$759	\$872	\$1,113	\$1,073
Other Expenses	\$0	\$0	\$0	\$0	\$0	\$2
Total Deductions	\$65,900	\$75,063	\$84,701	\$93,130	\$104,347	\$119,242
Change in Net Assets	-\$66,806	\$24,258	\$136,236	\$106,234	\$117,599	\$225,996

**County Employees Retirement System
Hazardous Insurance Fund**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Additions						
Employer Contributions	\$45,730	\$45,244	\$47,037	\$55,552	\$64,854	\$70,073
Net Investment Income	-\$18,551	\$5,361	\$44,337	\$29,819	\$98	\$90,041
Member Drug Reimbursement	\$0	\$0	\$0	\$0	\$0	\$848
Insurance Appropriation	\$0	\$0	\$0	\$0	\$45,317	\$0
Total Additions	\$27,179	\$50,605	\$91,374	\$85,371	\$110,269	\$160,962
Deductions						
Benefit Payments	\$13,166	\$14,866	\$16,700	\$21,985	\$29,717	\$31,607
Administrative Expenses	\$115	\$105	\$105	\$183	\$213	\$320
Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Total Deductions	\$13,281	\$14,971	\$16,805	\$22,168	\$29,930	\$31,927
Change in Net Assets	\$13,898	\$35,634	\$74,569	\$63,203	\$80,339	\$129,035

Changes in Net Plan Assets by System

**State Police Retirement System
Pension Fund**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Additions						
Member Contributions	\$4,499	\$4,674	\$4,875	\$4,228	\$4,814	\$5,152
Employer Contributions	-\$18	-\$20	\$1,153	\$2,852	\$4,244	\$6,142
Net Investment Income	-\$15,388	\$13,755	\$41,642	\$29,761	\$39,347	\$49,595
Total Additions	-\$10,906	\$18,409	\$47,670	\$36,841	\$48,405	60,889
Deductions						
Benefit Payments	\$24,839	\$27,862	\$30,877	\$32,921	\$34,703	\$37,187
Refunds	\$25	\$97	\$96	\$131	\$133	\$47
Administrative Expenses	\$76	\$86	\$91	\$104	\$134	\$126
Other Expenses	\$1	\$0	\$0	\$0	\$0	\$0
Total Deductions	\$24,941	\$28,045	\$31,064	\$33,156	\$34,970	\$37,360
Change in Net Assets	-\$35,848	-\$9,636	\$16,606	\$3,685	\$13,435	\$23,529

**State Police Retirement System
Insurance Fund**

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Additions						
Employer Contributions	\$9,580	\$7,654	\$8,456	\$6,974	\$6,880	\$6,489
Net Investment Income	-\$7,382	\$1,360	\$14,449	\$8,279	\$12,082	\$21,876
Member Drug Reimbursement	\$0	\$0	\$0	\$0	\$0	\$369
Insurance Appropriation	\$0	\$0	\$0	\$0	\$5	\$0
Total Additions	\$2,198	\$9,014	\$22,905	\$15,253	\$18,967	\$28,734
Deductions						
Benefit Payments	\$4,020	\$4,519	\$4,992	\$6,221	\$7,816	\$6,515
Administrative Expenses	\$29	\$31	\$31	\$44	\$68	\$105
Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Total Deductions	\$4,049	\$4,550	\$5,023	\$6,265	\$7,884	\$6,620
Change in Net Assets	-\$1,851	\$4,464	\$17,882	\$8,988	\$11,083	\$22,114

Schedule of Benefit Expenses by Type

KERS Non-Hazardous

	Normal Retirement	Early Retirement	Disability Retirement	Beneficiary Payments	Total
FY 2001-02					
Average Benefit	\$784	\$1,314	\$783	\$650	\$1,104
Number	3,714	16,561	1,913	3,659	25,847
Total Monthly Benefits	\$2,912,068	\$21,755,957	\$1,498,690	\$2,377,149	\$28,543,863
% of Total Monthly Benefits	10.2%	76.2%	5.3%	8.3%	100.0%
FY 2002-03					
Average Benefit	\$822	\$1,430	\$809	\$688	\$1,203
Number	3,706	17,917	1,922	3,708	27,253
Total Monthly Benefits	\$3,045,409	\$25,626,447	\$1,555,628	\$2,551,366	\$32,778,849
% of Total Monthly Benefits	9.3%	78.2%	4.7%	7.8%	100.0%
FY 2003-04					
Average Benefit	\$859	\$1,537	\$825	\$721	\$1,296
Number	3,768	19,477	1,925	3,740	28,910
Total Monthly Benefits	3,237,300	29,941,376	1,587,565	2,697,409	37,463,650
% of Total Monthly Benefits	8.6%	79.9%	4.2%	7.2%	100.0%
FY 2004-05					
Average Benefit	\$910	\$1,632	\$850	\$739	\$1,379
Number	3,866	21,092	1,910	3,902	30,770
Total Monthly Benefits	\$3,516,148	\$34,423,089	1,623,500	2,882,916	42,445,653
% of Total Monthly Benefits	8.3%	81.1%	3.8%	6.8%	100.0%
FY 2005-06					
Average Benefit	\$888	\$1,670	\$834	\$868	\$1,469
Number	4,616	24,056	2,628	849	32,149
Total Monthly Benefits	\$4,099,896	\$40,184,892	\$2,190,812	\$737,173	\$47,212,773
% of Total Monthly Benefits	8.7%	85.1%	4.6%	1.6%	100.0%
FY 2006-07					
Average Benefit	\$936	\$1,745	\$865	\$869	\$1,541
Number	4,767	25,605	2,597	843	33,812
Total Monthly Benefits	\$4,463,823	\$44,672,320	\$2,245,823	\$732,470	\$52,114,436
% of Total Monthly Benefits	8.6%	85.7%	4.3%	1.4%	100.00%

The information in the above table includes only individuals receiving a monthly benefit as of June 30 in the indicated fiscal year. Retired reemployed members and individuals deceased prior to June are not included. As a result, the information for the current year will differ from the benefit payment totals listed in the Deductions by Source.

Schedule of Benefit Expenses by Type

KERS Hazardous

	Normal Retirement	Early Retirement	Disability Retirement	Beneficiary Payments	Total
FY 2001-02					
Average Benefit	\$574	\$1,110	\$407	\$520	\$726
Number	559	394	116	143	1,212
Total Monthly Benefits	\$321,056	\$437,318	\$47,180	\$74,411	\$879,965
% of Total Monthly Benefits	36.5%	49.7%	5.4%	8.5%	100.0%
FY 2002-03					
Average Benefit	\$645	\$1,173	\$435	\$576	\$799
Number	626	464	115	157	1,362
Total Monthly Benefits	\$403,467	\$544,066	\$50,058	\$90,368	\$1,087,959
% of Total Monthly Benefits	37.1%	50.0%	4.6%	8.3%	100.0%
FY 2003-04					
Average Benefit	\$711	\$1,221	\$481	\$613	\$864
Number	718	554	129	157	1,558
Total Monthly Benefits	\$510,827	\$676,463	\$62,112	\$96,194	\$1,345,596
% of Total Monthly Benefits	38.0%	50.3%	4.6%	7.1%	100.0%
FY 2004-05					
Average Benefit	\$775	\$1,292	\$568	\$600	\$934
Number	808	647	117	180	1,752
Total Monthly Benefits	\$626,082	\$836,193	\$66,456	\$107,998	\$1,636,729
% of Total Monthly Benefits	38.3%	51.1%	4.1%	6.6%	100.0%
FY 2005-06					
Average Benefit	\$802	\$1,333	\$521	\$749	\$980
Number	1,002	760	163	67	1,992
Total Monthly Benefits	\$803,581	\$1,013,373	\$84,975	\$50,201	\$1,952,130
% of Total Monthly Benefits	41.1%	51.9%	4.4%	2.6%	100.0%
FY 2006-07					
Average Benefit	\$862	\$1,391	\$540	\$731	\$1,038
Number	1,116	854	167	76	2,213
Total Monthly Benefits	\$962,085	\$1,188,289	\$90,109	\$55,536	\$2,296,019
% of Total Monthly Benefits	41.9%	51.8%	3.9%	2.4%	100.0%

The information in the above table includes only individuals receiving a monthly benefit as of June 30 in the indicated fiscal year. Retired reemployed members and individuals deceased prior to June are not included. As a result, the information for the current year will differ from the benefit payment totals listed in the Deductions by Source.

Schedule of Benefit Expenses by Type

CERS Non-Hazardous

	Normal Retirement	Early Retirement	Disability Retirement	Beneficiary Payments	Total
FY 2001-02					
Average Monthly Benefit	\$430	\$743	\$657	\$438	\$635
Number	5,280	14,669	2,634	2,793	25,376
Total Monthly Benefits	\$2,269,733	\$10,897,474	\$1,731,392	\$1,222,866	\$16,121,465
% of Total Monthly Benefits	14.1%	67.6%	10.7%	7.6%	100.0%
FY 2002-03					
Average Monthly Benefit	\$456	\$792	\$681	\$461	\$676
Number	5,583	15,902	2,711	2,923	27,119
Total Monthly Benefits	\$2,544,101	\$12,598,502	\$1,845,513	\$1,347,107	\$18,335,223
% of Total Monthly Benefits	13.9%	68.7%	10.1%	7.3%	100.0%
FY 2003-04					
Average Monthly Benefit	\$463	\$829	\$697	\$491	\$708
Number	5,848	17,463	2,814	3,025	29,150
Total Monthly Benefits	\$2,708,649	\$14,483,996	\$1,961,590	\$1,486,749	\$20,640,984
% of Total Monthly Benefits	13.1%	70.2%	9.5%	7.2%	100.0%
FY 2004-05					
Average Monthly Benefit	\$475	\$873	\$720	\$512	\$743
Number	6,131	19,075	2,854	3,287	31,347
Total Monthly Benefits	\$2,915,109	\$16,644,747	\$2,054,880	1,684,459	\$23,299,195
% of Total Monthly Benefits	12.5%	71.4%	8.8%	7.2%	100.0%
FY 2005-06					
Average Monthly Benefit	\$484	\$889	\$715	\$534	\$774
Number	7,207	21,655	3,582	861	33,305
Total Monthly Benefits	\$3,487,493	\$19,256,550	\$2,560,722	\$460,095	\$25,764,859
% of Total Monthly Benefits	13.6%	74.7%	9.9%	1.8%	100.0%
FY 2006-07					
Average Monthly Benefit	\$509	\$938	\$747	\$540	\$817
Number	7,694	23,460	3,612	864	35,630
Total Monthly Benefits	\$3,919,356	\$21,999,359	\$2,696,721	\$484,037	\$29,099,472
% of Total Monthly Benefits	13.5%	75.6%	9.2%	1.7%	100.0%

Schedule of Benefit Expenses by Type

CERS Hazardous

	Normal Retirement	Early Retirement	Disability Retirement	Beneficiary Payments	Total
FY 2001-02					
Average Monthly Benefit	\$1,360	\$1,817	\$782	\$1,126	\$1,552
Number	642	2,154	447	245	3,488
Total Monthly Benefits	\$873,325	\$3,913,768	\$349,511	\$275,876	\$5,412,480
% of Total Monthly Benefits	16.1%	72.3%	6.5%	5.1%	100.0%
FY 2002-03					
Average Monthly Benefit	\$1,371	\$1,905	\$814	\$1,142	\$1,615
Number	705	2,307	457	273	3,742
Total Monthly Benefits	\$966,828	\$4,394,088	\$371,773	\$311,827	\$6,044,517
% of Total Monthly Benefits	16.0%	72.7%	6.2%	5.2%	100.0%
FY 2003-04					
Average Monthly Benefit	\$1,371	\$1,942	\$824	\$1,177	\$1,643
Number	785	2,489	481	299	4,054
Total Monthly Benefits	\$1,076,329	\$4,834,845	\$396,302	\$351,804	\$6,659,280
% of Total Monthly Benefits	16.2%	72.6%	6.0%	5.3%	100.0%
FY 2004-05					
Average Monthly Benefit	\$1,399	\$2,031	\$1,159	\$910	\$1,705
Number	865	2,642	332	522	4,361
Total Monthly Benefits	\$1,209,803	\$5,365,822	\$384,788	\$474,975	\$7,435,388
% of Total Monthly Benefits	16.3%	72.2%	5.2%	6.4%	100.0%
FY 2005-06					
Average Monthly Benefit	\$1,369	\$2,059	\$899	\$974	\$1,743
Number	1,079	3,062	580	96	4,817
Total Monthly Benefits	\$1,477,504	\$6,304,523	\$521,285	\$93,535	\$8,396,847
% of Total Monthly Benefits	17.6%	75.1%	6.2%	1.1%	100.0%
FY 2006-07					
Average Monthly Benefit	\$1,398	\$2,147	\$937	\$944	\$1,815
Number	1,212	3,329	592	95	5,228
Total Monthly Benefits	\$1,693,771	\$7,148,184	\$554,911	\$89,712	\$7,486,579
% of Total Monthly Benefits	17.8%	75.3%	5.9%	1.0%	100.0%

Schedule of Benefit Expenses by Type

SPRS

	Normal Retirement	Early Retirement	Disability Retirement	Beneficiary Payments	Total
FY 2001-02					
Average Monthly Benefit	\$3,008	\$2,430	\$984	\$2,006	\$2,383
Number	103	668	47	79	897
Total Monthly Benefits	\$309,836	\$1,623,011	\$46,243	\$158,466	\$2,137,556
% of Total Monthly Benefits	14.5%	75.9%	2.2%	7.4%	100.0%
FY 2002-03					
Average Monthly Benefit	\$3,117	\$2,543	\$1,056	\$2,064	\$2,492
Number	110	699	48	84	941
Total Monthly Benefits	\$342,894	\$1,777,880	\$50,705	\$173,412	\$2,344,891
% of Total Monthly Benefits	14.6%	75.8%	2.2%	7.4%	100.0%
FY 2003-04					
Average Monthly Benefit	\$3,199	\$2,637	\$1,067	\$2,108	\$2,576
Number	112	748	49	88	997
Total Monthly Benefits	\$358,290	\$1,972,675	\$52,259	\$185,517	\$2,568,741
% of Total Monthly Benefits	13.9%	76.8%	2.0%	7.2%	100.0%
FY 2004-05					
Average Monthly Benefit	\$3,321	\$2,741	\$1,364	\$1,862	\$2,653
Number	107	775	35	119	1,036
Total Monthly Benefits	\$355,361	\$2,123,941	\$47,740	\$221,615	\$2,748,657
% of Total Monthly Benefits	12.9%	77.3%	1.7%	8.1%	100.0%
FY 2004-05					
Average Monthly Benefit	\$3,109	\$2,698	\$1,213	\$1,643	\$2,650
Number	145	864	56	28	1,093
Total Monthly Benefits	\$450,794	\$2,331,404	\$67,950	\$45,997	\$2,896,146
% of Total Monthly Benefits	15.5%	80.4%	2.2%	1.9%	100.0%
FY 2006-07					
Average Monthly Benefit	\$3,178	\$2,797	\$1,258	\$1,761	\$2,743
Number	146	900	57	27	1,130
Total Monthly Benefits	\$464,053	\$2,517,382	\$71,724	\$47,540	\$3,100,699
% of Total Monthly Benefits	15.0%	81.2%	2.3%	1.5%	100.0%

Average Monthly Benefit by Length of Service

Service Credit Range	KERS Non-Hazardous		CERS Non-Hazardous	
	Number	Average Monthly Benefit	Number	Average Monthly Benefit
Under 5 Years	2,807	\$143.95	3,272	\$127.96
5 or more but less than 10	3,923	\$330.67	7,073	\$248.65
10 or more but less than 15	3,842	\$545.84	6,858	\$435.42
15 or more but less than 20	3,538	\$821.23	5,100	\$656.27
20 or more but less than 25	3,907	\$1,116.44	4,995	\$871.42
25 or more but less than 30	8,036	\$2,005.85	6,122	\$1,727.03
30 or more but less than 35	5,562	\$2,848.05	1,701	\$2,406.15
35 or more	2,297	\$4,005.40	509	\$3,085.43
Total	33,812	\$1,541.30	35,630	\$816.71

The information in the table includes only individuals receiving a monthly benefit as of June 30 in the indicated fiscal year. Retired reemployed members and individuals deceased prior to June are not included.

Service Credit Range	KERS Hazardous		CERS Hazardous	
	Number	Average Monthly Benefit	Number	Average Monthly Benefit
Under 5 Years	111	\$205.82	392	\$380.54
5 or more but less than 10	247	\$411.25	301	\$540.20
10 or more but less than 15	286	\$563.16	327	\$898.72
15 or more but less than 20	294	\$852.70	364	\$1,073.70
20 or more but less than 25	520	\$1,194.53	1,959	\$1,757.76
25 or more but less than 30	481	\$1,294.38	1,267	\$2,344.55
30 or more but less than 35	218	\$1,749.10	503	\$3,225.95
35 or more	56	\$2,406.81	115	\$3,942.89
Total	2,213	\$1,037.51	5,228	\$1,814.57

Service Credit Range	SPRS	
	Number	Average Monthly Benefit
Under 5 Years	76	\$498.16
5 or more but less than 10	32	\$776.90
10 or more but less than 15	35	\$1,063.23
15 or more but less than 20	64	\$1,731.60
20 or more but less than 25	303	\$2,178.71
25 or more but less than 30	352	\$3,075.80
30 or more but less than 35	205	\$4,113.25
35 or more	63	\$4,823.77
Total	1,130	\$2,743.98

Analysis of Initial Retirees

	KERS Non- Hazardous	KERS Hazardous	CERS Non- Hazardous	CERS Hazardous	SPRS
FY 2001-02					
Number	2,137	162	2,090	281	59
Average Service Credit (months)	289	271	214	267	313
Average Final Compensation	\$44,565	\$42,196	\$28,799	\$45,076	\$62,779
Average Monthly Benefit	\$2,018	\$1,104	\$913	\$1,801	\$3,279
FY 2002-03					
Number	2,148	170	2,411	293	62
Average Service Credit (months)	277	264	206	274	313
Average Final Compensation	\$45,479	\$45,559	\$28,883	\$49,996	\$65,079
Average Monthly Benefit	\$1,873	\$1,144	\$859	\$1,780	\$3,208
FY 2003-04					
Number	2,473	227	2,805	343	53
Average Service Credit (months)	280	255	209	262	320
Average Final Compensation	\$47,872	\$43,778	\$29,172	\$48,607	\$68,533
Average Monthly Benefit	\$1,932	\$1,127	\$837	\$1,631	\$3,468
FY 2004-05					
Number	2,481	234	2,808	403	50
Average Service Credit (months)	276	257	210	248	290
Average Final Compensation	\$46,452	\$45,654	\$29,784	\$49,920	\$62,395
Average Monthly Benefit	\$1,897	\$1,216	\$902	\$1,765	\$3,022
FY 2005-06					
Number	2,295	236	2,543	377	39
Average Service Credit (months)	267	239	197	260	259
Average Final Compensation	\$46,746	\$43,845	\$29,794	\$54,358	\$62,049
Average Monthly Benefit	\$246	\$1,185	\$851	\$2,047	\$2,614
Average System Payment for Health Insurance	\$246	\$381	\$180	\$543	\$407
FY 2006-07					
Number	2,284	228	2,902	433	48
Average Service Credit (months)	246	238	206	255	274
Average Final Compensation	\$46,800	\$45,142	\$32,183	\$55,038	\$65,826
Average Monthly Benefit	\$1,713	\$1,289	\$962	\$1,987	\$2,962
Average System Payment for Health Insurance	\$225	\$342	\$194	\$599	\$ 497

**Insurance Benefits Paid to All Retirees and Beneficiaries
Fiscal Year 2006-2007**

Service Credit Range	KERS Non-Hazardous		CERS Non-Hazardous	
	Number	Average Monthly Benefit	Number	Average Monthly Benefit
Under 5 Years	285	\$162.00	292	\$130.65
5 or more but less than 10	1,252	\$330.32	2,078	\$248.26
10 or more but less than 15	2,081	\$536.42	3,658	\$432.82
15 or more but less than 20	2,510	\$825.15	3,644	\$661.43
20 or more	17,597	\$2,355.06	11,744	\$1,562.39
Total	23,725	\$1,900.49	21,416	\$1069.12

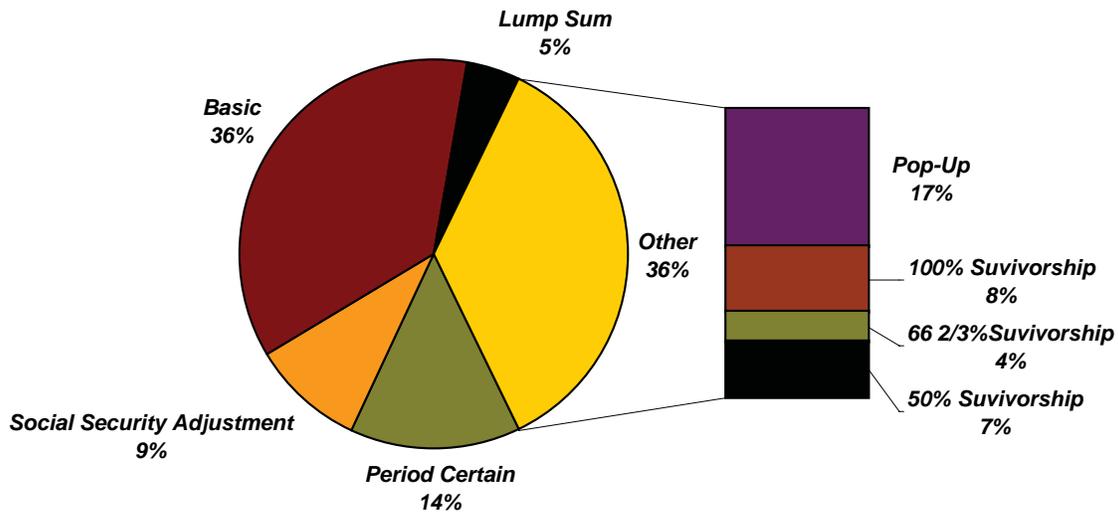
Service Credit Range	KERS Hazardous		CERS Hazardous	
	Number	Average Monthly Benefit	Number	Average Monthly Benefit
Under 5 Years	22	\$409.53	40	\$418.82
5 or more but less than 10	64	\$556.68	112	\$739.78
10 or more but less than 15	181	\$785.11	196	\$1,075.72
15 or more but less than 20	202	\$1,161.26	271	\$1,337.92
20 or more but less than 25	1,164	\$2,304.96	3,523	\$2,446.22
Total	1,633	\$1,900.97	4,142	\$2,243.13

Service Credit Range	SPRS	
	Number	Average Monthly Benefit
Under 5 Years	3	\$275.21
5 or more but less than 10	10	\$927.55
10 or more but less than 15	17	\$1,135.63
15 or more but less than 20	30	\$1,642.01
20 or more but less than 25	744	\$3,158.97
Total	804	\$2,243.13

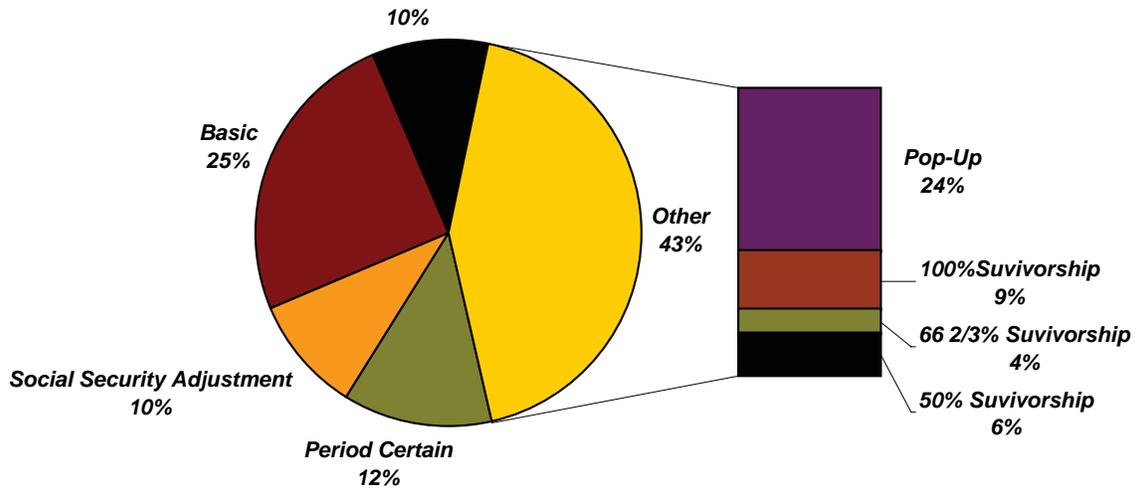
	KERS Non-Hazardous	KERS Hazardous	CERS Non-Hazardous	CERS Hazardous	SPRS
Number	23,725	1,633	21,416	4,142	804
Average Service Credit	298	270	240	282	322
Average Monthly System Payment for Health Insurance	\$343.51	\$506.99	\$296.74	\$713.06	\$715.77
Total Monthly Payments for Health Insurance	\$10,304,889.22	\$930,822.08	\$8,625,104.24	\$2,953,503.47	\$588,695.26

Payment Options by Type

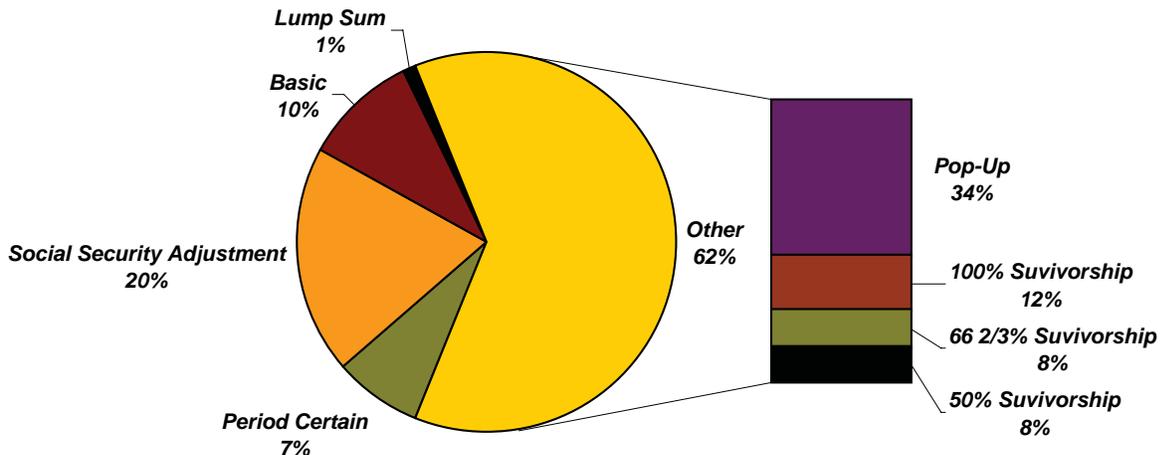
KERS Non-Hazardous



KERS Hazardous

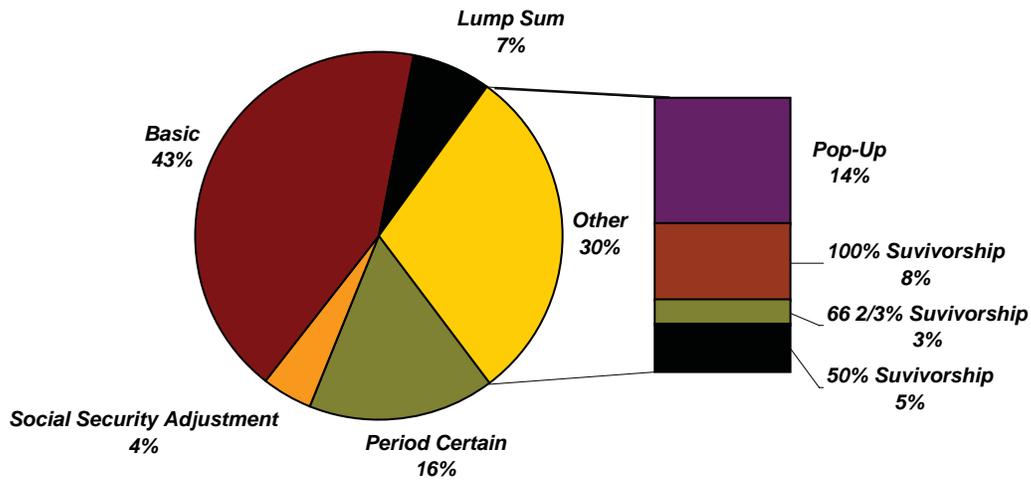


SPRS

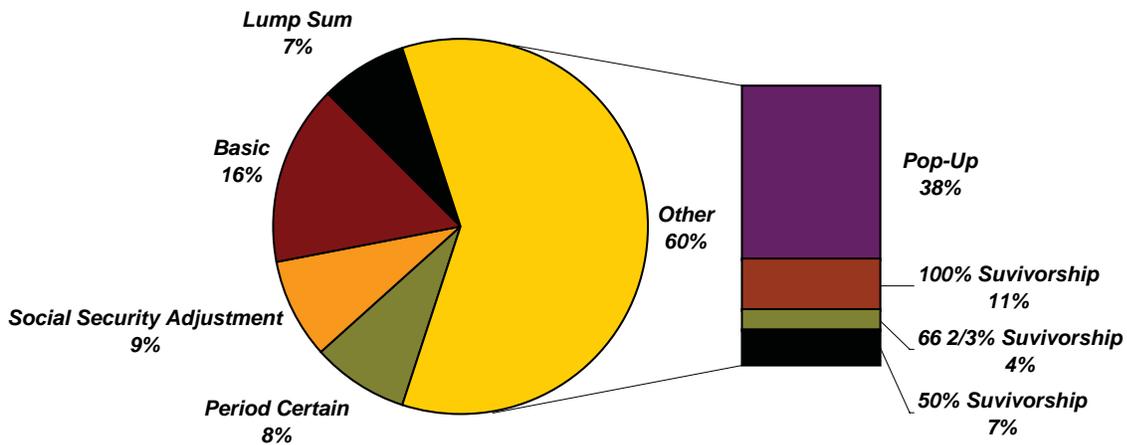


Payment Options by Type

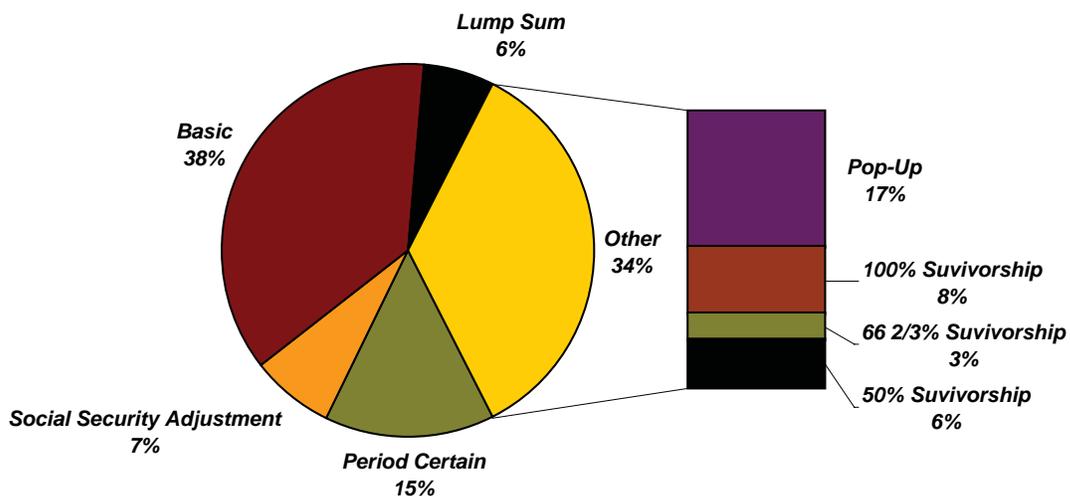
CERS Non-Hazardous



CERS Hazardous



Total



Employer Contribution Rates by System

In KERS, CERS, and SPRS both the employee and the employer contribute a percent of creditable compensation to the Systems. The employee contribution rate is set by state statute. Non-hazardous employees contribute 5% while hazardous duty members contribute 8%. Employers contribute at the rate determined by the Board of Trustees to be necessary for the actuarial soundness of the systems, as required by Kentucky Revised Statute 61.565 and 61.752. KERS and SPRS employer rates are subject to approval by the State Legislature through the adoption of the biennial Executive Branch Budget. In recent years, the State Legislature has routinely suspended KRS 61.565 in the budget in order to provide an employer contribution rate that is less than the amount recommended by the KRS Board of Trustees and its' consulting actuary. The following tables provide the employer contribution rate recommended by the Board and its' consulting actuary and the rate specified by the Executive Branch budget if applicable.

<i>Fiscal Year</i>	KERS Non-Hazardous		KERS Hazardous	
	<i>Budgeted Rate</i>	<i>Recommended Rate</i>	<i>Budgeted Rate</i>	<i>Recommended Rate</i>
2002-2003	3.76%	5.89%	17.60%	18.84%
2003-2004	5.89%	7.53%	18.84%	18.84%
2004-2005	5.89%	10.29%	18.84%	19.47%
2005-2006	5.89%	13.62%	18.84%	21.59%
2006-2007	7.75%	17.13%	22.00%	23.32%
2007-2008	8.50%	48.37%	24.25%	47.11%

<i>Fiscal Year</i>	CERS Non-Hazardous	CERS Hazardous	SPRS	
	<i>Recommended Rate</i>	<i>Recommended Rate</i>	<i>Budgeted Rate</i>	<i>Recommended Rate</i>
2002-2003	6.34%	16.28%	17.37%	21.58%
2003-2004	7.34%	18.51%	21.58%	21.58%
2004-2005	8.48%	22.08%	21.58%	28.08%
2005-2006	10.98%	25.01%	21.58%	34.83%
2006-2007	13.19%	28.21%	25.50%	42.30%
2007-2008	16.17%	33.87%	28.00%	120.00%

Retirement Windows

Two separate “retirement windows” have been established in past legislative sessions for non-hazardous employees participating in the Kentucky Employees Retirement System (KERS) and the County Employees Retirement System (CERS). The first window, established by SB 142 during the 1998 regular session of the General Assembly, provides for an increased benefit factor for non-hazardous KERS employees (up to 2.2%) if certain service requirements are met and if the employee retires on or before January 1, 2009. The second window, established by HB 278 during the 2001 regular session of the General Assembly, provides for a final compensation based upon a non-hazardous employee’s highest three years (3-High) of salary rather than the employee’s highest five years (5-high) of salary. In order to qualify for 3-high final compensation a non-hazardous KERS or CERS employee must meet certain age and service requirements and retire on or before January 1, 2009.

Each of these two windows influences how retirement benefits are determined for non-hazardous employees participating in KERS and CERS. Consequently, employees who are eligible for one or both of the windows have a strong financial incentive to retire before the windows sunset in 2009. The following information describes the number of employees eligible to retire with and without increased benefits as of January 1, 2008 and when the window expires on January 1, 2009.

Kentucky Retirement Systems (KRS)

KERS & CERS Non-Hazardous Employees Eligible To Retire

Summary	KERS (state government, regional universities, health departments)		CERS (City, county, and classified school board employees)	
	1/2008	1/2009	1/2008	1/2009
	Employees Eligible to Retire With An Unreduced or Reduced Benefit	10,402	12,096	19,202
Breakdown By Eligibility				
Employees with 27 or more Years of Service*	2,286	2,906	1,447	2,089
Employees with 25 But Not More Than 27 Years of Service**	1,250	1,159	1,172	1,280
Employees Age 55 or greater with 20 But Not More Than 25 Years of Service**	1,085	1,347	1,941	2,623
Employees Age 55-65 with 5 But Less than 20 Years of Service**	4,829	5,537	10,946	12,385
Employees Age 65 with 4 But Less Than 20 Years of Service**	754	970	2,579	3,337
Breakdown By Retirement Window				
Employees Eligible for 2.2% Benefit Factor Window Only***	4,503	5,253	N/A	N/A
Employees Eligible for Both 2.2% Benefit Factor & High-3 Final Compensation Window***	2,059	2,674	1,403	2,000

*Employee is eligible for an unreduced benefit upon earning 27 years of service or upon reaching age 65.

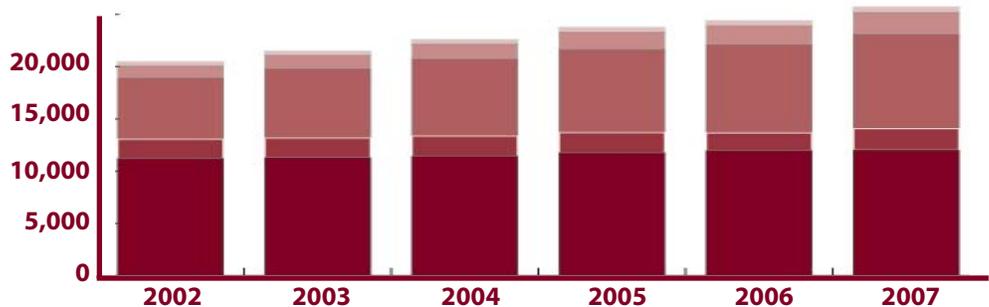
**Employees are eligible for a reduced benefit upon reaching 25 years of service or having a combined age of 55 with 5 years of service.

***KERS Employees are eligible for a 2.2% benefit factor if the employee has 13 months credit from 1/1/1998 to 1/1/1999, 20 years of service credit at retirement, and retires between 2/1/1999 and 1/1/2009. KERS and CERS employees are eligible for High-3 Final Compensation if the Employee has 27 or more years of service, their age and service equals at least 75 years, and they retire between 8/1/2001 and January 1, 2009.

Insurance Contracts by Type

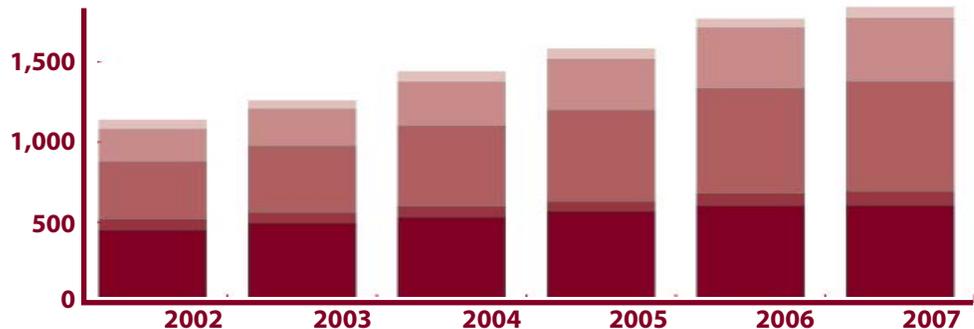
The Systems provides group rates on medical insurance and other managed care coverage for retired members. Participation in the insurance program is optional and requires the completion of the proper forms at the time of retirement in order to obtain the insurance coverage. The Systems provides access to health insurance coverage through the Kentucky Employees Group Health Plan (KEHP) for recipients until they reach age 65 and/or become Medicare eligible. After a retired member becomes eligible for Medicare, coverage is available through a Medicare eligible plan offered by the Systems. A retired member's spouse and/or dependents may also be covered on health insurance through the Systems. Provided below are the contracts for the KEHP plan and the KRS Medicare Plans.

KERS Non-Hazardous



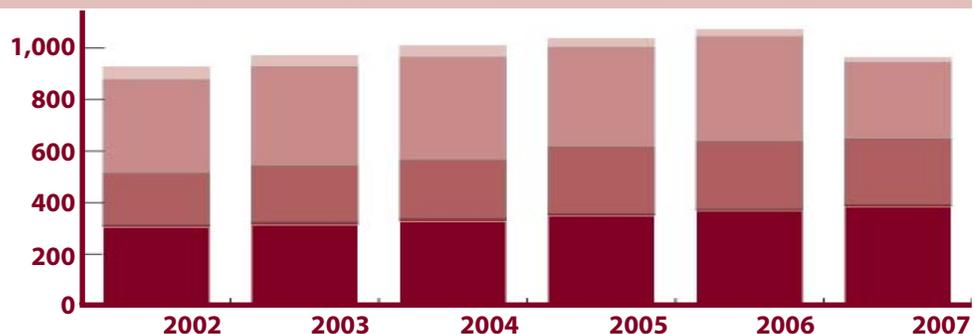
Medicare With Prescription	11,229	11,311	11,437	11,764	12,000	12,007
Medicare Without Prescription	1,838	1,855	1,932	1,915	1,672	2,056
KEHP Single	5,822	6,602	7,313	7,928	8,393	8,996
KEHP Couple/Family	1,182	1,298	1,462	1,679	1,826	2,131
KEHP Parent Plus	396	428	443	461	490	525

KERS Hazardous



Medicare With Prescription	451	494	531	567	603	606
Medicare Without Prescription	66	62	65	61	74	82
KEHP Single	359	417	502	570	656	686
KEHP Couple/Family	205	234	276	319	378	398
KEHP Parent Plus	57	53	65	65	58	70

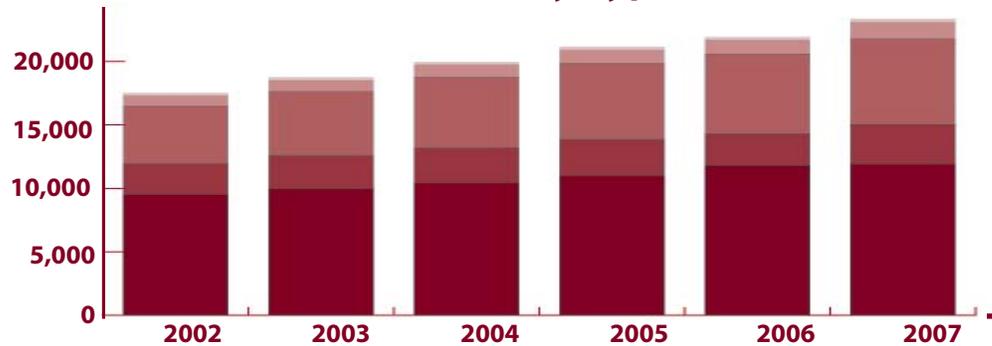
SPRS



Medicare With Prescription	303	312	326	348	368	384
Medicare Without Prescription	11	13	13	10	9	9
KEHP Single	199	218	226	257	260	254
KEHP Couple/Family	364	384	400	388	406	297
KEHP Parent Plus	50	44	45	34	29	19

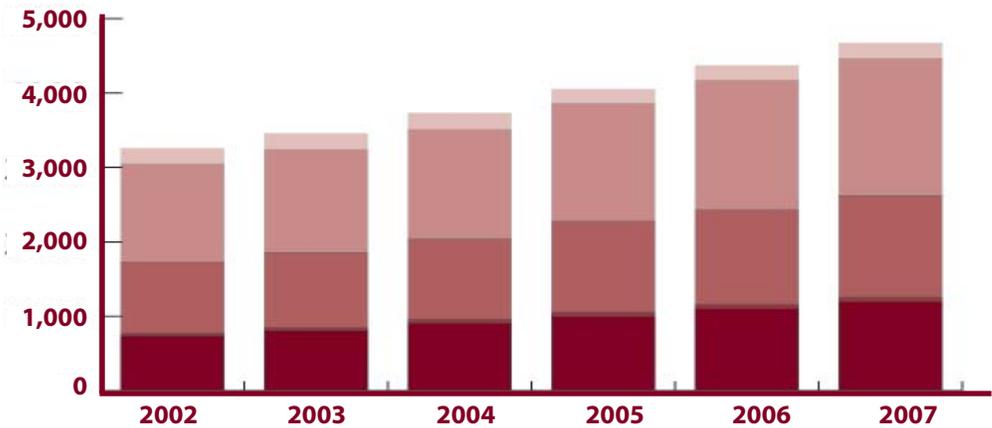
Insurance Contracts by Type

CERS
Non-Hazardous



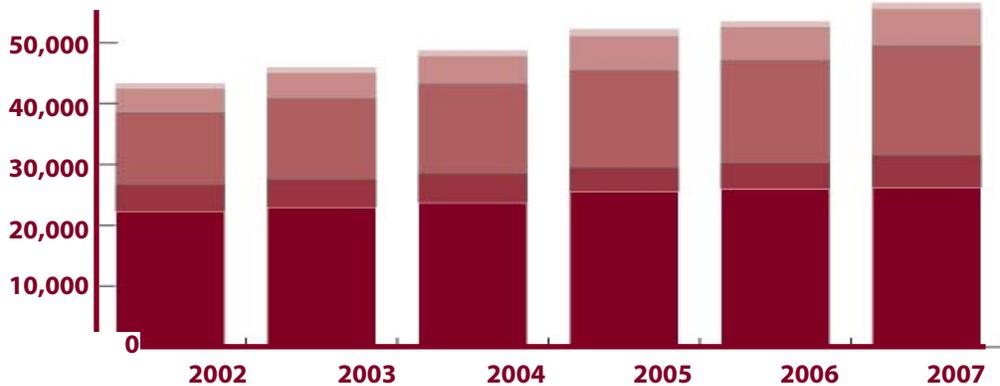
	2002	2003	2004	2005	2006	2007
Medicare With Prescription	9,517	9,958	10,424	11,005	11,803	11,908
Medicare Without Prescription	2,446	2,630	2,756	2,853	2,502	3,134
KEHP Single	4,530	5,054	5,598	6,014	6,298	6,767
KEHP Couple/Family	800	855	946	1,022	1,058	1,274
KEHP Parent Plus	224	244	246	255	249	284

CERS
Hazardous



	2002	2003	2004	2005	2006	2007
Medicare With Prescription	734	808	913	1,004	1,105	1,197
Medicare Without Prescription	38	40	45	55	52	64
KEHP Single	956	1,010	1,087	1,220	1,275	1,363
KEHP Couple/Family	1,321	1,379	1,463	1,579	1,739	1,836
KEHP Parent Plus	210	223	223	195	198	210

Total



	2002	2003	2004	2005	2006	2007
Medicare With Prescription	22,234	22,883	23,631	24,688	25,879	26,102
Medicare Without Prescription	4,399	4,600	4,811	4,894	4,309	5,345
KEHP Single	11,866	13,301	14,726	15,989	16,882	18,066
KEHP Couple/Family	3,872	4,150	4,547	4,987	5,407	5,936
KEHP Parent Plus	937	992	1,022	1,010	1,024	1,108

Retired Reemployed

Since August 1, 1998, state law has allowed retired members to return to work in the same system from which they retired and contribute to a new account provided the appropriate separation of service is observed. The following table provides information on the number of retired members currently drawing a monthly benefit who have subsequently returned to work and are contributing to a new account in the same retirement system.

Retirees Who Have Been Reemployed In Full-time Positions Covered By The Same Retirement System

Data as of June 30, 2007

Reemployed Retirees In KRS	KERS			CERS			SPRS
	Non-Hazardous	Hazardous	Total	Non-Hazardous	Hazardous	Total	Total
Total Active Employees	47,913	4,349	52,262	84,920	10,063	94,983	957
Total Retirees	33,849	2,202	36,051	35,564	5,159	40,723	1,105
Reemployed Retirees	807	64	871	1,838	812	2,650	1
% of Reemployed Retirees to Total Actives	1.68%	1.47%	1.66%	2.16%	8.06%	2.78%	.10%
% of Reemployed Retirees to Total Retirees	2.38%	2.9%	2.41%	5.16%	15.73%	6.50%	.09%
Reemployed Retiree Data*							
Average Age at Initial Retirement	53	51	53	57	48	54	41
Months of Service Credit at Initial Retirement	310	269	307	254	282	263	284
Final Compensation At Initial Retirement	\$50,692	\$46,633	\$50,394	\$31,195	\$51,002	\$37,264	\$41,847
Reemployed Retirees Avg. Annualized Salary Earned in Fiscal Year 2006-2007 (Second Retirement Account)	\$40,586	\$36,019	\$40,250	\$28,172	\$40,942	\$32,085	\$70,149
Retirees Returning to Work for the Same Employer	370	23	393	1,538	212	1,750	1
% Retirees Returning to Work For Same Employer	45%	35%	45%	83%	26%	66%	100%

N/A: Not Applicable

**Analysis of age at retirement, service credit, final compensation, etc. only includes those retirees who have returned to work with a participating agency.*

Note: An additional 1,222 retirees have been reemployed in full-time positions covered by a different retirement system. Of this total, 637 KERS retirees have returned to work with an agency participating in CERS, 345 CERS retirees have returned to work with an agency participating in KERS, 110 SPRS retirees have returned to work with an agency participating in KERS, and 130 SPRS retirees have returned to work with an agency participating in CERS.

**Total Fiscal Year Retirement Payments
By County**

Adair	\$3,933,447	Grant	\$5,706,491	Mason	\$3,447,429
Allen	\$2,854,547	Graves	\$7,434,009	Meade	\$3,358,135
Anderson	\$19,153,191	Grayson	\$5,544,582	Menifee	\$1,605,458
Ballard	\$1,427,534	Green	\$2,431,392	Mercer	\$7,677,610
Barren	\$8,584,670	Greenup	\$4,400,374	Metcalfe	\$2,163,376
Bath	\$3,271,164	Hancock	\$1,375,330	Monroe	\$1,695,423
Bell	\$6,145,319	Hardin	\$17,255,315	Montgomery	\$4,762,308
Boone	\$14,922,409	Harlan	\$5,438,112	Morgan	\$4,598,291
Bourbon	\$5,151,632	Harrison	\$3,685,460	Muhlenberg	\$3,934,455
Boyd	\$10,233,934	Hart	\$2,742,885	Nelson	\$8,132,666
Boyle	\$9,181,855	Henderson	\$9,860,947	Nicholas	\$1,667,369
Bracken	\$1,643,994	Henry	\$12,335,710	Ohio	\$3,468,686
Breathitt	\$4,888,230	Hickman	\$777,963	Oldham	\$14,318,501
Breckinridge	\$3,798,757	Hopkins	\$9,612,115	Owen	\$7,247,714
Bullitt	\$12,022,901	Jackson	\$2,158,579	Owsley	\$1,737,057
Butler	\$2,486,059	Jefferson	\$202,050,280	Pendleton	\$3,302,385
Caldwell	\$4,438,803	Jessamine	\$8,668,594	Perry	\$5,778,395
Calloway	\$8,581,613	Johnson	\$5,139,308	Pike	\$9,932,352
Campbell	\$13,830,731	Kenton	\$24,418,906	Powell	\$2,851,183
Carlisle	\$1,131,437	Knott	\$3,835,405	Pulaski	\$21,862,131
Carroll	\$2,850,723	Knox	\$4,678,119	Robertson	\$725,949
Carter	\$6,112,511	Larue	\$3,336,504	Rockcastle	\$2,837,200
Casey	\$2,803,522	Laurel	\$10,547,472	Rowan	\$8,153,565
Christian	\$17,945,188	Lawrence	\$2,209,479	Russell	\$4,297,210
Clark	\$7,401,175	Lee	\$2,159,223	Scott	\$12,168,995
Clay	\$4,760,609	Leslie	\$1,962,541	Shelby	\$23,189,665
Clinton	\$1,611,972	Letcher	\$4,117,982	Simpson	\$1,574,656
Crittenden	\$1,687,982	Lewis	\$2,215,748	Spencer	\$4,606,096
Cumberland	\$1,648,855	Lincoln	\$4,013,382	Taylor	\$4,708,267
Daviess	\$24,070,990	Livingston	\$2,331,548	Todd	\$2,209,874
Edmonson	\$1,507,328	Logan	\$4,767,552	Trigg	\$4,582,163
Elliott	\$1,342,208	Lyon	\$3,502,371	Trimble	\$2,454,170
Estill	\$2,722,377	McCracken	\$17,138,065	Union	\$2,359,461
Fayette	\$65,869,049	McCreary	\$2,124,438	Warren	\$26,718,987
Fleming	\$4,567,257	McClellan	\$2,145,697	Washington	\$2,881,716
Floyd	\$8,699,500	Madison	\$18,499,606	Wayne	\$4,049,314
Franklin	\$141,994,040	Magoffin	\$2,621,754	Webster	\$2,624,048
Fulton	\$1,520,150	Marion	\$3,815,321	Whitley	\$8,467,732
Gallatin	\$953,120	Marshall	\$7,374,823	Wolfe	\$2,734,139
Garrard	\$3,234,894	Martin	\$1,399,825	Woodford	\$12,701,117

Payments to Recipients Living in Kentucky

\$1,124,404,135

Payments to Recipients Living in Other States

\$55,956,154

Total Payments

\$1,180,360,288

