LITIGATION REPORT

OPEN CASES

Plaintiff	Defendant	Other Parties	Date Received	Potential* Monetary Impact on the Fund**	Atty & Program Contact	Issues/Status
CalPERS	UnitedHealth Group	Shareholders of UnitedHealth Group who bought or sold stock during the class period	7/06	Unknown at this time (PERF)	Attys: Peter H. Mixon; Coughlin Stoia Geller Rudman & Robbins LLP Program: Anne Stausboll (INVO	CalPERS has been appointed lead plaintiff in the federal securities class action filed against UnitedHealth Group, Inc. and certain of its officers and directors. The primary allegations revolve around UnitedHealth's manipulative practices relating to the timing of stock option grants. From 1997 through 2002 UnitedHealth "backdated" and "spring loaded" options by, respectively, picking an option grant date earlier than the date the option was actually granted and granting stock options in advance of positive company news. On March 7, 2007, the Company announced that the restatement will be in excess of $1.1 billion. On June 4, 2007, Judge Rosenbaum issued an Order denying defendants' motions to dismiss. In July 2008, the case against the company settled for $895 million. In September 2008 the case against the former CEO settled for $30 million in cash and the cancellation of 3.675 million options. The settlement must be approved by the court.
CalPERS	Wachovia Capital Markets, Wachovia Securities, Ernst &	Le Nature's	April 2008	Seeking to recoup $4.5 million in losses (PERF)	Attys: Peter H. Mixon; Quinn Emanuel Urquhart Oliver & Hedges, LLP	In April 2008 CalPERS joined with 73 other plaintiffs in filing a securities litigation lawsuit against an investment bank and auditors

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	Young and BDO Seidman				Program: Curtis Ishii (INVO)	related to their actions at Le Nature's Inc. Neither the CEO nor Le Nature's is a defendant due to the bankruptcy proceedings involving the company. Rather, this lawsuit is filed against the auditors and investment banks who failed to protect investors and were allegedly complicit in the fraud perpetrated by the former CEO. The case has been filed in state court in Los Angeles, CA. Defendants are attempting to remove the case to Pennsylvania.
CalPERS	New York Stock Exchange and seven specialist firms	None	12/03	Unknown at this time (PERF)	Attys: Peter H. Mixon; Coughlin Stoia Geller Rudman & Robbins LLP Program: Eric Baggesen (INVO)	A securities class action against the New York Stock Exchange (NYSE) and its seven trading specialist firms for violation of federal securities laws. In June 2004, CalPERS was named co-lead plaintiff along with Empire Programs, Inc. NYSE was dismissed from the suit by the trial court. On September 18, 2007, the Second Circuit issued an opinion reviving CalPERS' claims against the NYSE for alleged misstatements it made regarding the integrity of the market it operated. With regard to the other defendants, discovery has begun and the case is ongoing. A class certification decision has been under

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						consideration by the judge for several months.
CalPERS	Weaverville Sanitary District		6/08	Unknown at this time (PERF)	Atty: Marguerite Seabourn; Reed Smith	Weaverville negotiated a contract with CalPERS in 2000, which was signed on Jan. 9, 2001, and which incorporated G.C. §21031. Under this section, an employee may purchase service credit for the time that he/she worked for the employer before the employer began its participation in CalPERS. However, on Jan. 1, 2001, amendments to §21031 had gone into effect which increased the cost to employers of employee service credit purchases under that section. As a result, Weaverville's actuarially required contribution rate ("ARC") substantially increased. In 2005, Weaverville stopped paying the increased cost of purchases under §21031, alleging that it had been mislead by CalPERS staff into believing that adding §21031 to its contract would not entail any additional employer costs. In order to expedite the resolution of this dispute, the parties agreed to resolve their dispute in court. In June 2008, CalPERS filed a Complaint for Declaratory Relief and Petition for Writ of Mandate, seeking an order that Weaverville pay all past due contributions and all future required contributions, including those arising from

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						service credit purchases under §21031. Weaverville answered and filed a cross-complaint, to which CalPERS has demurred. The hearing on the demurrer is set for November 14, 2008. Discovery is progressing, in the meantime.

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Cargill, DeWayne	Metropolitan Water District of Southern California	CalPERS)	6/05	Unknown at this time (PERF)	Atty: Marguerite Seabourn; Steptoe & Johnson Program: Lori McGartland (AESB)	Class action – names of 100 people who are undisputed were submitted in July 2005. Names of 2 pilot cases (disputed) submitted on September 6, 2005. The pilot cases will be reviewed and determinations of their status issued, for various included plaintiffs. Case has been settled and parties are now engaged in determining which plaintiffs should be enrolled in CalPERS.
Cook, David; Christian Sanders; David Williams	CalPERS and City of Torrance		4/07	Unknown at this time (PERF)	Atty: Marguerite Seabourn; Paul, Hastings, Jankofsky and Walker Program: Lori McGartland (AESD)	The plaintiffs are retired employees of the City of Torrance who claim that, since 1992, when Proposition 162 was passed, CalPERS has been improperly administering the Employees' Pension Fund of the City in a manner that gave precedence to minimizing the city employer's contributions rather than fulfilling its "constitutionally-required duty to give precedence to participants and beneficiaries of the Fund". The Plaintiffs further allege that using the Employees' Pension Fund assets to substitute for the City employer's contributions has harmed participants and beneficiaries by withholding available benefits. Proponents of this theory have presented these arguments to the Board for the last ten years. CalPERS filed a successful motion for judgment on the pleadings in October 2007.

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						Motion was granted and plaintiffs appealed. Appeal subsequently withdrawn.
Estate of Guillermo Florez (Deceased)	CalPERS		6/06	Minimal (PERF)	Atty: Rory J. Coffey Program: Donna Lum (BNSD)	Deceased member's estate requests payment of benefits to the estate rather than to the surviving spouse. Payment of benefits modified to reflect true beneficiaries. Matter resolved 9/06.
Fontana Police Officer Association, Fred Flores, Charles Wideen, Mathew Tyson	City of Fontana, CalPERS	None	6/07	Minimal (PERF)	Atty: Wesley Kennedy Program: Lori McGartland (AESB)	Petitioners, three former (retired) non-management peace officers with the City of Fontana and their bargaining unit association, the Fontana Peace Officers Association (FPOA), challenge CalPERS' calculation of their retirement allowances. CalPERS has filed a demurrer in September 2007 on the basis that the plaintiffs had not exhausted their administrative remedy. Fontana Police Officer Association agreed to dismiss CalPERS from the case.
General Motors Corporation (In re Amcast Automotive of Indiana, Inc., Debtor)	Highland Capital Management, L.P.; Nexbank, SSB f/k/a Heritage Bank, SSB; Highland Legacy Limited; Highland Crusader Offshore Partners, L.P.; Pamco Cayman, LTD.; Pam Capital	Amcast Automotive of Indiana, Inc. (Chapter 11 debtor)	4/06	Loss of approximately $ 5.1 million (PERF)	Attys: Gina Ratto Program: Curtis Ishii (INVO)	CalPERS was an investor (6.33% equity investment) in and lender ($3.2 million term loan) to Amcast Automotive of Indiana, Inc. The investments were made through CalPERS' investment manager, Highland Capital. Amcast filed for Chapter 11 bankruptcy protection and General Motors (GM) sued CalPERS and other lenders to Amcast ("Lenders"), in an

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	Funding L.P.; California Public Employees' Retirement System; Citigroup Financial Products, Inc.; Citigroup Global Markets, Inc.; Steel Partners II, L.P.; Longacre Master Fund, LTD.; Longacre Capital Partners LP; Loan Fundign VII, LLC; and SouthFork CLO, LTD					adversary proceeding within the bankruptcy case. GM sought to subordinate CalPERS' secured loan to the claims of the unsecured creditors and to have CalPERS' security interest set aside, effectively resulting in no recovery on the loan. GM also alleged that the Lenders intentionally interfered with GM's contract with Amcast and used their control over Amcast to force it to repudiate the contract. GM sought damages from the Lenders resulting from such conduct. CalPERS obtained an agreement for defense and indemnity from Highland Capital, under its contractual arrangement with Highland, to the extent the court awarded any damages to GM on its cause of action for intentional interference with contract. In March 2007, GM's adversary proceeding was settled through payment to GM by the bankruptcy debtors from the Lenders' cash collateral (collection of Amcast's accounts receivable in which the lenders have a security interest). Amcast ended with a liquidating plan that paid all secured creditors including CalPERS ($420,00). No distributions were made to the equity holders.
Gordnier, John	CalPERS		7/07	Minimal	Atty: Wesley	Sought to overturn the Board's

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				(PERF)	Kennedy Program: Donna Lum (BNSD)	decision regarding calculation of service credit and retirement allowance following community property separation of account. CalPERS successfully demurred based on failure to exhaust administrative remedies in February 2008. No appeal.
Hagene, Lisa; Sharika Bryant; Howard Clayton; Waridi Heard; Peggy Sandstoe and Class	County of Riverside	CalPERS as intervenor (to be filed)	7/02	Unknown at this time, depends upon size of the class [If members of the class are entitled to membership, the employer and its employees will be liable for payment of past contributions.] (PERF)	Atty: Marguerite Seabourn; Steptoe & Johnson Program: Lori McGartland (AESB)	Plaintiffs in this class action suit seek admission to CalPERS as employees of the County of Riverside, a CalPERS contracting agency. The County contends that these individuals are not employees because most worked less than 1,000 hours and are therefore not eligible to participate in the system. CalPERS has completed an audit of the County's program using temporary workers, and an exit interview. The court set a hearing for September 6, 2007 in order to consider dismissing the entire case for failing to prosecute within the five-year maximum statute of limitations. Plaintiffs filed request for dismissal of case in September 2007 and case was dismissed.

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Krishna Kirpalani	Redwood City Schools		2/28/08		Atty: Patricia Miles Program: Carlous Johnson (AESD)	Complaint filed in Superior Court against employer and CalPERS re: Final Compensation and Settlement Pay. CalPERS prepared Demurrer based on failure to Exhaust Administrative Remedies. Plaintiff then agreed to Stipulation to stay Superior Court case pending OAH hearing. OAH hearing was held in September. Further hearing set in October to examine documents.
LandSource: Chapter 11 bankruptcy, Souther District of New York	CalPERS is a partner in an LLP, a member of an LLC that owns an equity interest in the debtor LandSource	The LLP is MacFarlane-Weyerhauser LLP (MWHP), which is disbanding. The other members of the LLC are developers Lennard and LNR. Morgan Stanley, IHP and LePlastrier are consultants for the staff; PCA Real Estate Advisors is Board's consultant.	Filed on 6/8/08	Possible loss of up to $1.2 billion, depending on the appraised value of the real estate securing some of the debt. (PERF)	Steve Felderstein for the bankruptcy; Fred Minnes of Pillsbury for the real estate matters. Pat Pechtel and Javier Plasencia for the Legal Office. Ted Eliopoulos, Randy Pottle and Bob Langhi (INVO Real Estate Unit).	The GP of MWHP made large investments in undeveloped/underdeveloped residential real estate right before the housing market downturn. Despite extensive negotiations, LandSource's lenders would not agree to modify the terms of the loans and LandSource filed a petition under chapter 11 of the Bankruptcy Code. The Debtor's exclusivity period expired 10/06/08. Bankruptcy court will now hear plan proposals from any party.

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Leonard Chaidez, City of Hawaiian Gardens	CalPERS		9/18/07		Atty: Wesly Kennedy; Paul, Hastings, Janofsky & Walker Program: Darryl Watson (MBSD)	Former employee and current Council Member of City of Hawaiian Gardens filed a petition for writ of mandamus alleging that CalPERS has violated its fiduciary duties to "fully inform their members." CalPERS outside counsel prepared and filed an answer. Writ action stayed pending OAH hearing in December 2007. OAH found for CalPERS and Board adopted the Decisions on 6/19/08. Chaidez filed petition for writ of mandamus to overturn Board decision and moved to lift stay on prior writ. Chaidez filed third amended complaint and CalPERS demurred. Demurrer heard in Sacramento Superior Court on 10/24/2008. Many causes of action dismissed; leave given to file new complaint.
Litvin, Ted and Ulrich, James, individually and on the behalf of the class of all retired employees of the City of Torrance and their beneficianes who are entitled to receive any benefits from the City of Employees' Pension Fund administered by CalPERS.	Board of Administration of CalPERS		6/18/08	Unknown at this time (PERF)	Atty: Margeurite Seabourn; Paul, Hasting, Janofsky & Walker Program: Nancy Campbell	This case is essentially the same as the Cook action which is currently being appealed by the plaintiffs. Plaintiffs allege that for at least five years, from 1999-2004, CalPERS used the actuarial surplus of the City of Torrance's Employees' Pension fund to entirely offset the City's annual normal contribution which amounted to a "windfall" to the City of $16,429,834. They further allege that, as a result of these years of "skipped" contributions,

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						the City's Pension fund has become underfunded by $129 million. Plaintiffs further allege that CalPERS and its trustees breached their fiduciary duties to the plaintiffs in various ways. Proponents of this theory presented these arguments to the Board for the last ten years. CalPERS is currently responding to Discovery and has filed a Demurrer set for hearing on October 31, 2008. Under submission.
Mapes, Sally	CalPERS	None	1/06	Minimal (PERF)	Atty: Rory J. Coffey Program: Donna Lum (BNSD)	Seeks to overturn the Board's decision denying disability retirement. CalPERS' answer has been filed. Hearing is scheduled for January, 2009.

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Matus, Karen, individually and in various representative capacities as Trustee, Executor, and Personal Representative, ALEXANDER FAMILY TRUST, et al.	Board of Administration of CalPERS; CalPERS itself and as administrator of Legislators Retirement System	None	12/06	$6 million potential loss (LRF)	Atty: Marguerite Seabourn; Steptoe & Johnson Program: Darryl Watson (MBSD)	The Board of Administration, at its meeting on June 21, 2006, considered the proposed decision of the administrative law judge and decided to hear the matter itself on the record after affording the parties an opportunity for argument at a subsequent meeting. The full hearing was scheduled to be held at the Board's February 22, 2007 meeting. Petitioner filed a Mandamus Petition alleging that the Board had lost jurisdiction over the case, and that the ALJ's decision should be "deemed adopted." The Sacramento Superior Court ruled in favor of the plaintiffs. On July 27, 2007, CalPERS appealed to the Third District Court of Appeal. All briefs have been filed and CalPERS awaiting notification of oral argument.
Renee Petroff	CalPERS		5/21/08		Atty: Marguerite Seaborn	Complaint to Office of Civil Rights for unlawful release of health information, violation of HIPPA. No activity since complaint filed.

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Reyes, Katherine R.	County of Riverside; CalPERS; and Ronald W. Komers, In His Capacity as Asst. CEO/Human Resources Director, County of Riverside	None	9/01	Minimal (PERF)	Atty: Litigation Team Program: Donna Lum (BNSD)	Local safety member seeks to overturn the County's decision denying disability retirement. CalPERS has filed its answer. There has been no court activity since 2001.
Richard Martinez, Hortense Peffer & Daniel Rose	City of Union City		3/24/08		Atty: Warren Astleford Program: HBSD	Richard Martinez, Hortense Peffer & Daniel Rose filed suit against City of Union City seeking additional contributions toward health benefits based on AB 2544.
Sager, Sharon	County of Yuba, CalPERS, Does 1 through 10	None	12/04	Minimal (PERF)	Atty: Rory Coffey Program: Donna Lum (BNSD)	Local safety member seeks to overturn the County's decision regarding disability retirement. No hearing date set yet.

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Scott & Robitalle	CalPERS		5/27/08	Unknown at this time. (PERF)	Atty: Marguerite Seabourn	This case has been filed by retirees of CalPERS whose social security number were allegedly printed on the outside of a CalPERS brochure mailed to all retirees in August 2007. In May 2008, retirees Scott and Robitaille filed a Complaint in Los Angeles Superior Court, seeking to represent all retirees as a class. In this complaint they pleaded a single cause of action against CalPERS and other defendants for violation of the California Unfair Competition Law ("UCL"). CalPERS demurred to this first Complaint on the ground that governmental entities are not covered by the provisions of the UCL. Scott and Robitaille conceded and amended their Complaint to bring the UCL claim only against the private vendors who printed and mailed the brochures. The case has now entered the discovery and pre-trial motion stage.
Travis, John	Board of Trustees of the California State University, et al.	CalPERS	11/06	Unknown at this time. (PERF)	Atty: Marguerite Seabourn; Paul, Hastings, Janofsky and Walker Program: Lori McGartland (AESB)	This is a Complaint for Injunctive and Declaratory Relief and Damages in a "taxpayer" case. The suit challenges the Executive Transition Program of California State University (CSU), under which a chancellor, senior vice chancellor, vice chancellor, general counsel or president of CSU is entitled to a paid year of

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						leave upon leaving his/her executive office. The plaintiff alleges that the salary paid during the year of leave is either an illegal gift of public funds or the payments are precluded as benefits from an additional public retirement plan in violation of Government Code section 20303(a). There are no allegations of wrongdoing against CalPERS. At hearing on February 8, 2008, Court determined that Executive Transition Program was not an alternate retirement system so as to preclude membership in CalPERS. No appeal was filed and the case is now closed.

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CLOSED CASES

Plaintiff	Defendant	Other Parties	Date Received	Potential* Monetary Impact on the Fund**	Atty & Program Contact	Issues/Status
Akintimoye, Samuel	Board of Administration, CalPERS	None	11/03	Minimal (PERF)	Atty: Rory J. Coffey Program: Donna Lum (BNSD)	Seeks to overturn Board's decision denying disability retirement. Hearing was held on June 30, 2004. The court upheld the Board's position. Member appealed. Court of Appeal granted appeal and ordered matter remanded to trial court for review and decision. On July 3, 2006, the Board's position was again upheld by the the superior court. On August 18, 2006, the member appealed to the Court of Appeal. Court of Appeal denied member's appeal. Matter is resolved and case is closed.

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Barroga, Lucio	Board of Administration, CalPERS	None	7/03	Minimal (PERF)	Attys: Patricia Miles; Deputy Attorney General Sanders Program: Donna Lum (BNSD)	Former member filed complaint in federal court seeking to re-deposit member contributions withdrawn many years ago in order to apply for a disability retirement. The complaint was improperly served. Rather than properly re-serving the complaint, member filed a notice of appeal with the federal court. On August 17, 2007, the district court's judgment was affirmed. The member is now barred from both the state and federal courts from filing any future actions against CalPERS without a prefiling order from the courts. Case is closed.
CalPERS	AOL Time Warner current and former directors, investment banks and others	None	7/03	Seeking to recoup portion of estimated loss in excess of $250 million (PERF)	Attys: Peter H. Mixon; Kaplan, Fox Kilsheimer Program: Anne Stausboll (INVO)	CalPERS brought suit for violations of the Securities Act of 1933 (the "Securities Act"), California state law and the common law to redress the large losses it has suffered as a result of the defendants alleged fraudulent scheme to materially inflate advertising revenue reported in the companies' publicly disclosed financial statements and, in turn, the value of AOL and AOL Time Warner securities. Specifically, defendants overstated AOL's reported advertising revenue by at least $1.7 billion through the use of sham transactions and improper accounting practices in order to ensure the

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						consummation of the $200 billion merger between AOL and Time Warner, Inc. announced in January 2000. CalPERS settled against Time Warner for $119.8 (before fees and expenses) in 2007.
CalPERS	Qwest Corporation	Qwest Corporation Officers and Directors	Dec. 2002	Seeking to recoup losses in excess of $100 million.	Attys: Peter H. Mixon; Labaton Sucharow LLP Program: Anne Stausboll (INVO)	In 2002 the Investment Committee directed the Legal Office to participate in the securities fraud class action against Qwest while preserving excluded claims through a tolling agreement with defendants with the goal to obtain value for the excluded claims when the class action settled. Since 2002, the CalPERS Legal Office actively monitored the class litigation. In March 2006, the CalPERS Investment Committee decided to opt out of the announced $400 million class settlement After opting out of the class settlement, CalPERS extended the tolling agreement with Qwest to allow CalPERS and Qwest to continue negotiations without subjecting either side to the cost and expense of litigation. In October 2007 the case was settled for $57 million.
Chu, Susan	CalPERS	Annie Chu	6/1/07	Minimal (LTCF)	Atty: Rory J. Coffey Program: Beverly	Seeks to overturn Board's decision denying request to increase Long-Term Care plan

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					Craig (LTC)	coverage to include home and community care option. Member did not file a petition for writ of mandate in a timely manner or in the correct court. Matter is resolved and case is closed.
Lane, Richard	CalPERS	None	7/06	Minimal (PERF	Atty: Rory J. Coffey Program: Lori McGartland (AESB)	Seeks to overturn the Board's decision regarding the calculation of the member's retirement allowance. A hearing was held on October 16, 2006 and the Board's decision was upheld. The member filed an appeal. Court of Appeal denied member's appeal.
Lowrey, Gary	CalPERS and City of Bakersfield	None	4/05	Minimal (PERF)	Atty: Rory Coffey Program: Lori McGartland (AESB)	Seeks to overturn Board's decision denying member's request to change from miscellaneous to safety membership classification. The Board's decision was upheld at hearing on September 8, 2006. The member appealed. Court of Appeal rejected member's appeal. Matter is resolved and case is closed.
Prentice, Glenn	Board of Administration, California Public Employees' Retirement System	None	5/05	Minimal (PERF)	Atty: Wesley Kennedy Program: Lori McGartland (AESB)	Seeks to overturn the Board's decision regarding final compensation. A hearing was held on May 12, 2006 and the court upheld the Board's decision. On August 25, 2006, the member filed an appeal. Published opinion 12/07/07 in favor of CalPERS on all issues. No further appeal.

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