



---

## ***Executive Summary of Performance***

***Prepared For***

***California Public Employees' Retirement System***

***Judges II***

***Long-Term Care***

***Legislators' Fund***

***California Employers' Retiree Benefit Trust***

***Supplemental Income Plans***

***Second Quarter 2012***

*Wilshire Associates  
Incorporated  
1299 Ocean Avenue, Suite 700  
Santa Monica, CA 90401  
Phone: 310-451-3051  
contactconsulting@wilshire.com*

## TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
Capital Market Review	3
Summary of all Plans	6
PERF	7
Judges II/Long-Term Care	29
Legislators' Fund	36
California Employers' Retiree Benefit Trust	40
Supplemental Income Plans	45

## Capital Market Overview

The optimism that fueled the global stock market rally in the first quarter of 2012 hit a wall of bad economic news during the second quarter that sent investors to safe havens and saw stocks give back some of their year-to-date gains. The U.S. presidential election campaign consumed a great deal of media attention over the quarter, and uncertainty over the outcome of the November elections hung over global securities markets. Economic issues added to the overall pessimistic investment environment, however. In the U.S., after having accelerated through each of the past three quarters, from an annualized rate of 0.4% in the first quarter of 2011 to 3.0% in the fourth quarter, U.S. economic growth slowed in the first quarter of 2012. Real GDP grew at 1.9% during the quarter, showing signs that lackluster U.S. jobs growth and overall economic malaise worldwide were dampening economic activity. Despite notching eleven consecutive quarters of positive GDP growth, the first quarter of 2012's GDP deceleration reminded investors of the fragile U.S. recovery's vulnerability to global forces. The Federal Reserve Board announced after their June FOMC meeting that they would continue their current program of maturity extension in their Treasury holdings, known as "Operation Twist", through the end of 2012. The economic volatility in continental Europe continued to dominate headlines as well. Greece's fiscal problems led many pundits to predict its withdrawal from the euro, and Spain's banking sector entered crisis mode; although a €100 billion bailout to stabilize that nation's banks failed to calm investors' nerves, promises of increased fiscal integration among Eurozone nations spurred a dramatic rally in European stocks right at quarter-end. Meanwhile, China's economic slowdown loomed over the Asia-Pacific region and threatened to drag down markets worldwide; the Chinese government, like the U.S., promised renewed efforts to stimulate their economy and allowed Asian equities to trim their losses by quarter-end. Reflecting investor behavior typical of tumultuous times, stocks' pains were offset by safe bonds' gains in the second quarter; investors scrambled to the protection of high-quality sovereigns, especially U.S. Treasuries, driving yields down to near-historic lows yet again. Crude oil futures plunged over 17% in the second quarter, ending at \$84.96 per barrel, with the economic slowdown swelling supply and dampening demand. Thanks to markedly lower fuel prices, consumer-level inflation in the U.S. was practically flat in the second quarter (U.S. Consumer Price Index, All Urban Consumers, 0.04%).

### U.S. Equity Market

The U.S. stock market could not maintain its positive momentum from the first quarter, as investors sold equities in the face of weak economic data and deteriorating conditions in the European sovereign debt crisis. Despite jumping 2.52% on the final trading day of the quarter, the Wilshire 5000 Total Market Index<sup>SM</sup> returned -3.13% in the second quarter; however, its year-to-date total return through June was an impressive 9.22%. The S&P 500 fell -2.75% in the second quarter. Interestingly, looking at broad market cap bands of the Wilshire 5000, the Wilshire US Micro Cap<sup>SM</sup> (-2.85%) outperformed both large-cap and small-cap benchmarks (Wilshire US Large Cap<sup>SM</sup>, -3.11%; Wilshire US Small Cap<sup>SM</sup>, -3.33%). Value-oriented stocks were the clear beneficiaries of investors' desire for asset safety in this volatile quarter (Wilshire US Large Value<sup>SM</sup>, -2.11%; Wilshire US Large Growth<sup>SM</sup>, -4.16%; Wilshire US Small Value<sup>SM</sup>, -2.52%; Wilshire US Small Growth<sup>SM</sup>, -4.21%). Among sectors of the S&P 500 (GICS classification), Telecom Services was the best performing sector during the second quarter, posting a total return of 14.14%. The general fall in rates helped the interest-rate-sensitive Utilities group deliver an



impressive 6.58% return. Six of ten sectors were in the red with the Financials and Information Technology groups lagging farthest behind with returns of -6.83% and -6.69%, respectively. Real estate-related stocks, in contrast to the overall broad U.S. stock market, continued their rally in the second quarter (Wilshire U.S. Real Estate Securities Index<sup>SM</sup>, 3.54%).

### **Fixed Income Market**

Bond investors searching for yield found another challenging marketplace in the second quarter; the volatility of global stock markets yet again fueled safe-haven rotation into U.S. Treasuries, sending yields for this sector mostly lower over the quarter. With the Fed's continued lockdown of the Fed Funds rate target at 0.0-0.25%, short-term yields barely moved; the yield on two-year U.S. Treasuries held fast at 0.33% as of June 29. However, the global flight to the safety of long Treasuries, as well as the Fed's Operation Twist, pushed the yield on thirty-year Treasuries to a remarkable 2.76%, a full 59 basis points lower than the yield as of March 30, 2012. Unsurprisingly, the performance of long-term Treasuries left the returns on shorter paper in the dust (Barclays Long Treasury, 10.57%; Barclays 1-3 Year Treasury, 0.20%). Spreads on non-Treasury issuance widened over the quarter, although stronger balance sheets and attractive lending rates buoyed performance of investment-grade corporate bonds (Barclays U.S. Government, 2.63%; Barclays U.S. Credit, 2.46%; Barclays U.S. MBS, 1.08%). Option-adjusted spreads on high yield paper also widened over the second quarter, allowing investment-grade debt to outperform lower-quality bonds (Barclays U.S. Aggregate, 2.06%; Barclays U.S. High Yield, 1.83%).

### **Non-U.S. Markets**

Thanks to economic malaise and turmoil worldwide, developed non-U.S. stock markets were broadly lower in the second quarter of 2012 (MSCI EAFE, net dividends, -5.43% local currency terms; MSCI All Country World ex-US net, -5.42%). The selloff in the Asia-Pacific region's stock markets actually outpaced that of Europe in local-currency terms, while action late in the quarter staved off worse losses in both regions (MSCI Europe net, -4.00% local; MSCI Pacific net, -7.85% local). However, the U.S. dollar strengthened relative to European currencies while weakening somewhat relative to Asia-Pacific region currencies (MSCI Europe net, USD, -7.47%; MSCI Pacific net, USD, -6.38%; MSCI EAFE net, USD, -7.13%; MSCI ACWI ex-US net, -7.61%). Emerging market equities did not escape the worldwide stock market pullback (MSCI Emerging Markets net, -5.27% local, -8.90% USD). Global bond markets saw modest gains in local currency terms, but modest losses for U.S.-based investors (Barclays Global Aggregate ex-U.S., 1.11% fully-hedged, -0.38% USD unhedged; Barclays Emerging Markets Local Currency Government Universal, 1.83% fully-hedged, -1.30% USD unhedged).

## Summary of Index Returns For Periods Ended June 30, 2012

	<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
<b>Domestic Equity</b>					
Standard & Poor's 500	-2.75%	5.44%	16.39%	0.21%	5.33%
Wilshire 5000	-3.13	3.96	16.65	0.43	6.04
Wilshire 4500	-4.76	-2.53	18.77	1.47	8.57
Wilshire Large Cap	-3.12	4.63	16.23	0.31	5.69
Wilshire Small Cap	-3.33	-1.37	20.48	2.26	9.16
Wilshire Micro Cap	-2.85	-1.61	15.39	-1.70	7.99
<b>Domestic Equity</b>					
Wilshire Large Value	-2.11%	4.76%	16.11%	-1.65%	5.17%
Wilshire Large Growth	-4.16	4.38	16.29	2.18	6.10
Wilshire Mid Value	-3.12	0.01	20.56	0.82	7.04
Wilshire Mid Growth	-7.92	-8.95	18.75	2.47	9.81
Wilshire Small Value	-2.52	0.26	20.62	1.56	8.52
Wilshire Small Growth	-4.21	-3.27	20.18	2.87	9.70
<b>International Equity</b>					
MSCI All World ex U.S. (USD)	-7.61%	-14.56%	6.97%	-4.62%	6.74%
MSCI All World ex U.S. (local currency)	-5.14	-7.54	6.02	-5.23	4.04
MSCI EAFE	-7.13	-13.83	5.96	-6.10	5.14
MSCI Europe	-7.47	-16.48	6.29	-6.97	5.09
MSCI Pacific	-6.38	-8.29	5.66	-4.12	5.27
MSCI EMF Index	-8.90	-15.95	9.77	-0.09	14.08
<b>Domestic Fixed Income</b>					
Barclays Aggregate Bond	2.06%	7.48%	6.93%	5.80%	5.63%
Barclays Credit	2.46	9.54	10.09	7.59	6.54
Barclays Mortgage	1.08	4.97	5.40	6.67	5.40
Barclays Treasury	2.83	9.05	5.95	6.92	5.50
Citigroup High Yield Cash Pay	1.87	7.76	15.70	8.14	10.00
Barclays US TIPS	3.15	11.66	9.63	8.44	7.23
91-Day Treasury Bill	0.03	0.05	0.12	0.98	1.86
<b>International Fixed Income</b>					
Citigroup Non-U.S. Gov. Bond	0.20%	0.44%	5.13%	7.39%	7.15%
Citigroup World Gov. Bond	0.92	2.68	5.35	7.31	6.81
Citigroup Hedged Non-U.S. Gov.	1.08	6.15	3.72	4.84	4.49
<b>Currency*</b>					
Euro vs. \$	-4.70%	-12.47%	-3.28%	-1.24%	2.54%
Yen vs. \$	3.14	1.22	6.54	9.13	4.15
Pound vs. \$	-1.83	-2.30	-1.61	-4.81	0.29
<b>Real Estate</b>					
Wilshire REIT Index	3.71%	13.21%	33.62%	2.05%	10.31%
Wilshire RESI	3.54	12.56	33.59	1.85	10.32

CalPERS  
Performance Analysis  
June 30, 2012



### Summary Review of Plans Periods Ended 6/30/2012

	<u>Market Value</u>	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
<b>TOTAL FUND for PERF</b>	<b>\$233.4 bil</b>	<b>-0.9%</b>	<b>1.0%</b>	<b>10.6%</b>	<b>0.1%</b>	<b>6.1%</b>
<i>Total Fund Policy Benchmark <sup>1</sup></i>		<b>0.0%</b>	<b>1.7%</b>	<b>12.0%</b>	<b>2.7%</b>	<b>7.1%</b>
<i>Actuarial Rate</i>		1.8%	7.7%	7.7%	7.7%	7.8%
<b>Affiliate Fund</b>						
<b>Judges II</b>	<b>\$642.4 mil</b>	<b>-2.6%</b>	<b>1.9%</b>	<b>13.1%</b>	<b>2.1%</b>	<b>6.2%</b>
<i>Weighted Policy Benchmark</i>		-2.6%	2.7%	12.7%	2.2%	6.2%
<b>Long-Term Care ("LTC")</b>	<b>\$3,507.5 mil</b>	<b>-0.5%</b>	<b>3.4%</b>	<b>13.2%</b>	<b>3.3%</b>	<b>6.7%</b>
<i>Weighted Policy Benchmark</i>		-0.4%	3.9%	12.6%	3.4%	6.5%
<b>CERBT Strategy 1</b>	<b>\$1,750.3 mil</b>	<b>-2.5%</b>	<b>0.2%</b>	<b>13.2%</b>	<b>1.2%</b>	<b>-.%</b>
<i>Weighted Policy Benchmark</i>		-2.4%	0.5%	12.9%	0.9%	-.%
<b>CERBT Strategy 2</b>	<b>\$297.0 mil</b>	<b>-1.4%</b>	<b>-.%</b>	<b>-.%</b>	<b>-.%</b>	<b>-.%</b>
<i>Weighted Policy Benchmark</i>		-1.3%	-.%	-.%	-.%	-.%
<b>CERBT Strategy 3</b>	<b>\$6.2 mil</b>	<b>0.2%</b>	<b>-.%</b>	<b>-.%</b>	<b>-.%</b>	<b>-.%</b>
<i>Weighted Policy Benchmark</i>		0.5%	-.%	-.%	-.%	-.%
<b>Legislators' Fund</b>						
<b>LRS</b>	<b>\$122.4 mil</b>	<b>0.3%</b>	<b>6.5%</b>	<b>12.8%</b>	<b>5.2%</b>	<b>6.8%</b>
<i>Weighted Policy Benchmark</i>		0.4%	7.4%	11.9%	5.1%	6.8%

<sup>1</sup> The Total Fund Policy Benchmark return equals the return for each asset class benchmark weighted at the current target asset allocation.



**Total Fund Review PERF**  
**Periods Ended 6/30/2012**

	Market Value	Five-Year Ratios							
		Qtr	1-Year	3-Year	5-Year	10-Year	VaR <sup>12</sup>	Sharpe <sup>13</sup>	Info <sup>14</sup>
<b>TOTAL FUND</b>	<b>\$233.4 bil</b>	<b>-0.9%</b>	<b>1.0%</b>	<b>10.6%</b>	<b>0.1%</b>	<b>6.1%</b>	<b>\$30.6 bil</b>	<b>-0.1</b>	<b>-0.8</b>
<i>Total Fund Policy Benchmark</i> <sup>2</sup>		<b>0.0%</b>	<b>1.7%</b>	<b>12.0%</b>	<b>2.7%</b>	<b>7.1%</b>		<b>0.1</b>	<b>0.0</b>
<i>Actuarial Rate</i>		<b>1.8%</b>	<b>7.7%</b>	<b>7.7%</b>	<b>7.7%</b>	<b>7.8%</b>			
<b>GROWTH</b>	<b>147.0</b>	<b>-3.4%</b>	<b>-4.4%</b>	<b>13.5%</b>	<b>-1.2%</b>	<b>6.2%</b>	<b>\$29.4 bil</b>	<b>-0.1</b>	<b>-0.6</b>
<i>Growth Policy Benchmark</i> <sup>3</sup>		<b>-1.5%</b>	<b>-3.9%</b>	<b>14.3%</b>	<b>0.7%</b>	<b>7.0%</b>		<b>0.0</b>	<b>0.0</b>
<b>PUBLIC EQUITY</b>	<b>112.7</b>	<b>-5.7%</b>	<b>-7.2%</b>	<b>11.6%</b>	<b>-2.6%</b>	<b>5.6%</b>	<b>\$21.3 bil</b>	<b>-0.2</b>	<b>-0.7</b>
<i>Public Equity Policy Benchmark</i> <sup>4</sup>		<b>-5.6%</b>	<b>-7.0%</b>	<b>11.2%</b>	<b>-1.7%</b>	<b>6.0%</b>		<b>-0.1</b>	<b>0.0</b>
<b>PRIVATE EQUITY</b>	<b>34.2</b>	<b>5.0%</b>	<b>5.4%</b>	<b>20.0%</b>	<b>7.2%</b>	<b>9.9%</b>	<b>\$10.9 bil</b>	<b>0.6</b>	<b>-0.3</b>
<i>Private Equity Policy Benchmark</i> <sup>5</sup>		<b>13.3%</b>	<b>5.0%</b>	<b>25.6%</b>	<b>12.4%</b>	<b>10.9%</b>		<b>0.8</b>	<b>0.0</b>
<b>INCOME</b>	<b>41.9</b>	<b>4.0%</b>	<b>12.7%</b>	<b>13.2%</b>	<b>9.6%</b>	<b>8.3%</b>	<b>\$5.5 bil</b>	<b>1.2</b>	<b>0.1</b>
<i>Income Policy Benchmark</i> <sup>6</sup>		<b>4.2%</b>	<b>13.9%</b>	<b>10.6%</b>	<b>9.3%</b>	<b>7.5%</b>		<b>1.3</b>	<b>0.0</b>
<b>REAL ASSETS</b> <sup>7</sup>	<b>24.2</b>	<b>7.7%</b>	<b>12.6%</b>	<b>-6.2%</b>	<b>-10.8%</b>	<b>3.1%</b>	<b>\$2.7 bil</b>	<b>-0.7</b>	<b>-1.1</b>
<i>Real Assets Policy Benchmark</i> <sup>8</sup>		<b>2.4%</b>	<b>11.0%</b>	<b>6.5%</b>	<b>3.7%</b>	<b>8.6%</b>		<b>0.5</b>	<b>0.0</b>
<b>INFLATION</b>	<b>7.1</b>	<b>-5.1%</b>	<b>0.1%</b>	<b>7.6%</b>	<b>-0%</b>	<b>-0%</b>	<b>\$0.5 bil</b>	<b>N/A</b>	<b>N/A</b>
<i>Inflation Policy Benchmark</i> <sup>9</sup>		<b>-2.3%</b>	<b>2.1%</b>	<b>6.7%</b>	<b>-0%</b>	<b>-0%</b>		<b>N/A</b>	<b>N/A</b>
<b>LIQUIDITY</b>	<b>7.5</b>	<b>1.2%</b>	<b>4.6%</b>	<b>1.7%</b>	<b>2.2%</b>	<b>2.6%</b>	<b>\$0.4 bil</b>	<b>N/A</b>	<b>N/A</b>
<i>Liquidity Policy Benchmark</i> <sup>10</sup>		<b>1.5%</b>	<b>5.3%</b>	<b>1.9%</b>	<b>2.2%</b>	<b>2.5%</b>		<b>N/A</b>	<b>N/A</b>
<b>ABSOLUTE RETURN STRATEGIES</b> <sup>11</sup>	<b>5.1</b>	<b>-0.8%</b>	<b>-2.0%</b>	<b>4.7%</b>	<b>-0.2%</b>	<b>5.0%</b>		<b>-0.2</b>	<b>-1.1</b>
<i>Absolute Return Strategies Policy Benchmark</i> <sup>11</sup>		<b>1.3%</b>	<b>5.3%</b>	<b>5.7%</b>	<b>7.2%</b>	<b>8.1%</b>		<b>6.5</b>	<b>0.0</b>
<b>CURRENCY + ASSET ALLOCATION TRANSITION</b>	<b>0.6</b>	<b>-0%</b>	<b>-0%</b>	<b>-0%</b>	<b>-0%</b>	<b>-0%</b>			

<sup>2</sup> The Total Fund Policy Benchmark return equals the return for each asset class benchmark weighted at the current target asset allocations.

<sup>3</sup> Growth Policy Benchmark equals the benchmark returns of public equity and private equity weighted at policy allocation target percentages.

<sup>4</sup> The Public Equity Policy Benchmark is a custom global benchmark maintained by FTSE.

<sup>5</sup> The Private Equity Policy Benchmark is currently 1-quarter lagged (67% FTSE US TMI + 33% FTSE AW x-US TMI) with a hurdle of + 3%.

<sup>6</sup> The Income Policy Benchmark equals the benchmark returns of domestic and international fixed income components weighted at policy allocation target percentages.

<sup>7</sup> Real Assets include real estate, whose returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

<sup>8</sup> The Real Assets Policy Benchmark equals the benchmark returns of real estate, timber, and infrastructure weighted at policy allocation target percentages.

<sup>9</sup> The Inflation Policy Benchmark equals the benchmark returns of commodities and TIPS weighted at policy allocation target percentages.

<sup>10</sup> The Liquidity Policy Benchmark is a custom index maintained by State Street Bank.

<sup>11</sup> The Absolute Return Strategies program was excluded from Public Equity on July 1, 2011. Public Equity history does not include Absolute Return Strategies performance. The Absolute Return Strategies Policy Benchmark is currently Merrill Lynch Treasury 1-Year Note + 5%.

<sup>12</sup> VaR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

<sup>13</sup> The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the total risk taken. The 5-year period was selected to provide sufficient data points for a meaningful calculation, but is still short enough to reflect the changes to the investment programs over the last few years.

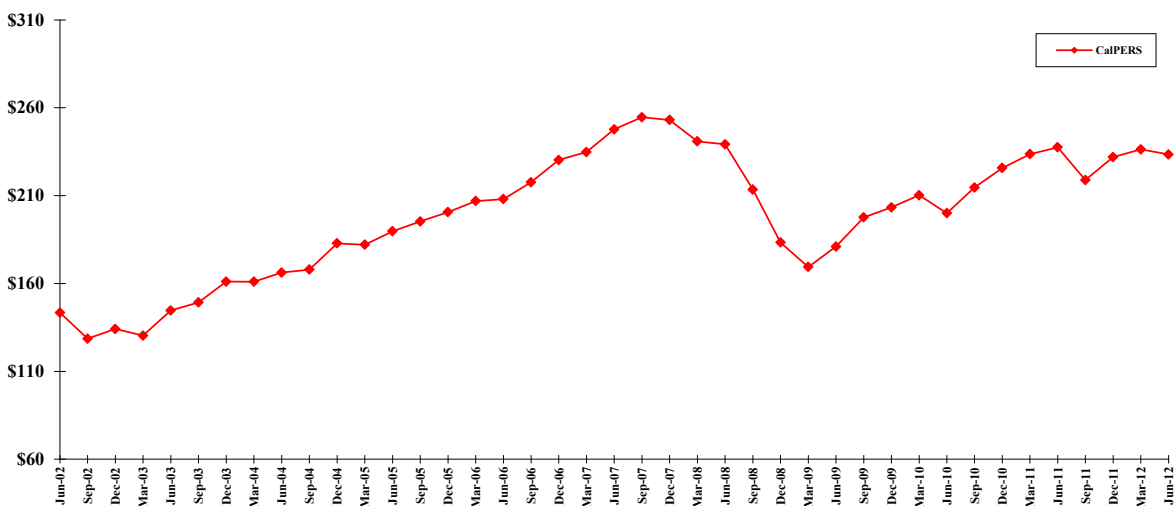
<sup>14</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.

## Total Fund Review for PERF (continued) Periods Ended 6/30/2012

### Total Fund Flow

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>1Q12</u>	<u>2Q12</u>
Market Value (\$bil)	151.7	134.1	161.1	182.8	200.6	230.3	253.0	183.3	203.3	225.7	225.0	236.3	233.4

### Total Fund Market Value



### Asset Allocation

#### Asset Allocation: Actual versus Target Weights\*

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Growth	63.2%	64.0%	-0.8%
Income	18.0%	17.0%	1.0%
Real Assets	10.4%	11.0%	-0.6%
Inflation	3.0%	4.0%	-1.0%
ARS	2.2%	0.0%	2.2%
Liquidity	3.2%	4.0%	-0.8%

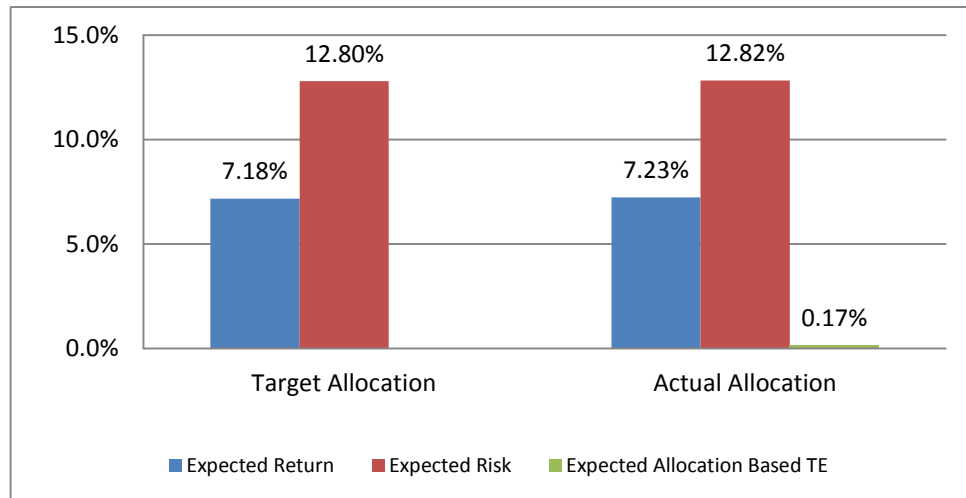
\* Asset allocation targets are in the process of shifting to the new targets adopted by the Investment Committee in January 2008. Transitions accounts are included with their respective asset classes. The 6/30 cash allocation included transition assets that have been recaptured elsewhere since the adoption of a new asset allocation policy in July



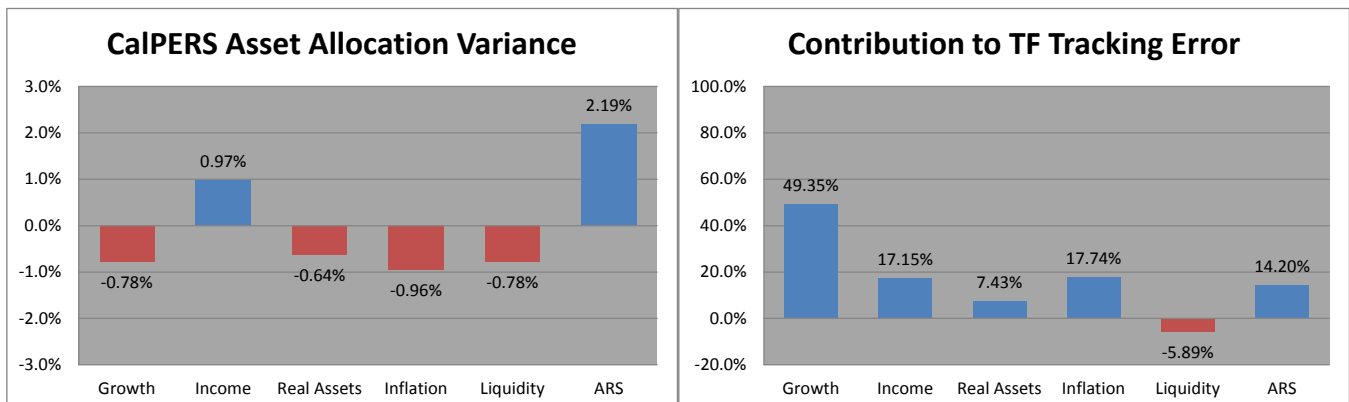
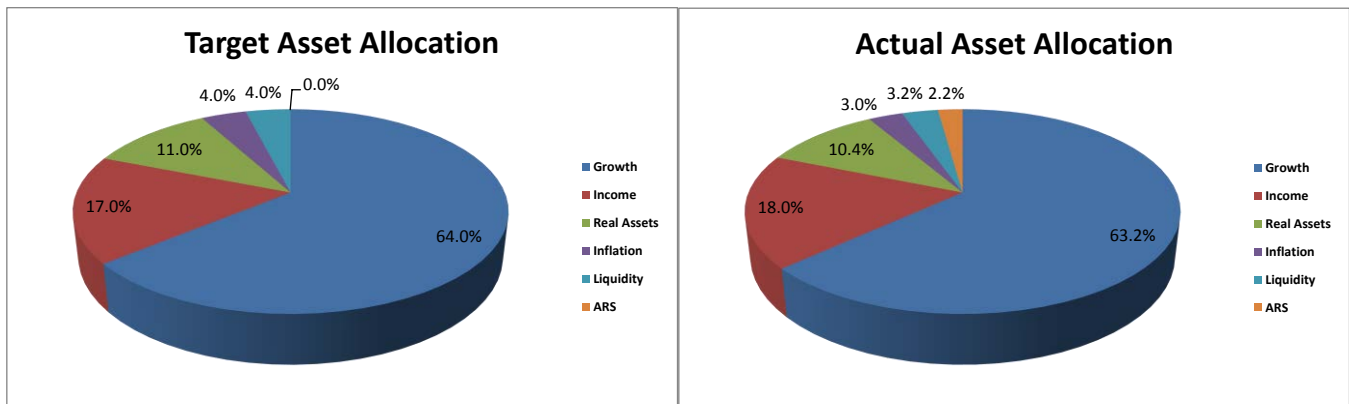


**Total Fund Review for PERF (continued)**  
Periods Ended 6/30/2012

**Expected Return/Risk and Tracking Error based on Wilshire's Asset Class Assumptions**



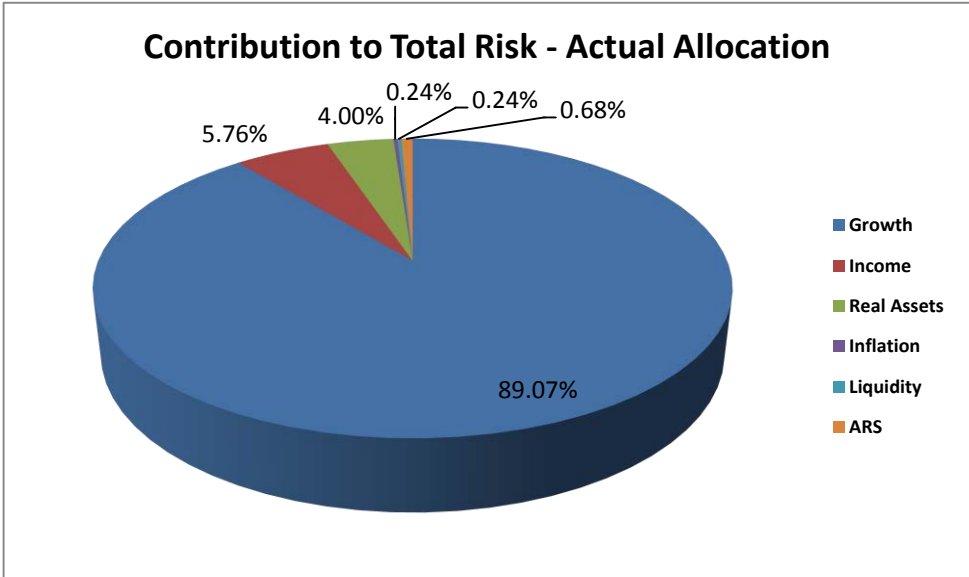
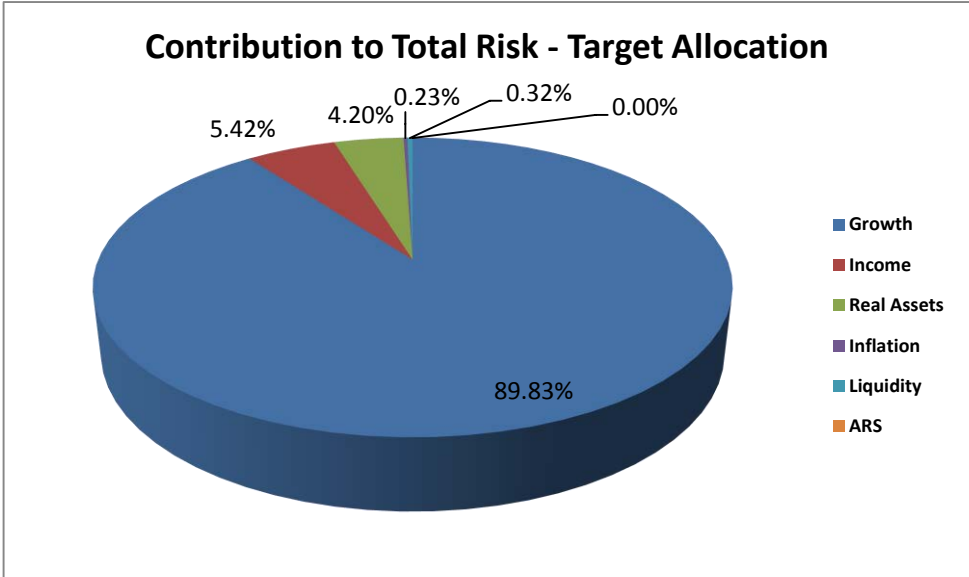
**Total Fund Asset Allocation**





**Total Fund Review for PERF (continued)**  
Periods Ended 6/30/2012

**Contribution to Total Risk based on Wilshire's Asset Class Assumptions**



**California Public Employees' Retirement System**  
**Total Fund Attribution - Quarter**  
**As of 6/30/2012**

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
<b>Growth</b>	63.77	-3.38	64.00	-1.54	-0.23	-1.85	-0.02	0.00	-1.19	-1.22
<b>Public Equity</b>	49.33	-5.71	50.00	-5.63	-0.67	-0.09	-0.05	0.00	-0.04	-0.10
<b>Private Equity</b>	14.44	4.99	14.00	13.26	0.44	-8.28	0.00	-0.02	-1.09	-1.11
<b>Income</b>	17.86	3.97	17.00	4.15	0.86	-0.19	-0.02	0.00	-0.03	-0.05
<b>Real Assets</b>	9.35	7.72	11.00	2.36	-1.65	5.36	-0.04	-0.07	0.57	0.45
<b>Inflation</b>	3.15	-5.06	4.00	-2.29	-0.85	-2.77	0.02	0.02	-0.11	-0.07
<b>Absolute Return</b>	2.20	-0.79	0.00	1.27	2.20	-2.05	0.03	-0.05	0.00	-0.02
<b>Liquidity</b>	3.66	1.23	4.00	1.53	-0.34	-0.30	0.01	0.00	-0.01	0.00
<b>Monthly Linked Return</b>	<b>100.00</b>	<b>-0.91</b>	<b>100.00</b>	<b>0.00</b>		<b>-0.90</b>	<b>-0.02</b>	<b>-0.10</b>	<b>-0.79</b>	<b>-0.90</b>
<b>Trading/Hedging</b>		0.01		0.00		0.01				<b>0.01</b>
<b>Total</b>		<b>-0.90</b>		<b>0.00</b>		<b>-0.90</b>				<b>-0.90</b>

The Total Fund Attribution displays the return contribution of each asset class to the total fund. This is done by monthly linking each program's allocation at the beginning of the month with each month's returns to determine if tactical allocation and active management within asset classes helped or hurt performance. The interaction effect is a cross-factor, used to help further explain the combined impact of a portfolio's selection and allocation decisions within a segment.

**California Public Employees' Retirement System**  
**Total Fund Attribution - Calendar Year-to-Date**  
**As of 6/30/2012**

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
<b>Growth</b>	63.42	6.27	64.00	10.06	-0.58	-3.78	-0.07	0.03	-2.40	-2.43
<b>Public Equity</b>	49.23	5.79	50.00	5.91	-0.77	-0.12	-0.10	0.00	-0.06	-0.16
<b>Private Equity</b>	14.19	7.71	14.00	24.47	0.19	-16.76	0.03	-0.07	-2.22	-2.26
<b>Income</b>	17.83	4.11	17.00	3.69	0.83	0.43	-0.09	0.01	0.07	-0.02
<b>Real Assets</b>	9.41	9.79	11.00	5.28	-1.59	4.51	0.01	-0.06	0.50	0.45
<b>Inflation</b>	3.18	-1.67	4.00	0.65	-0.82	-2.32	0.06	0.02	-0.10	-0.02
<b>Absolute Return</b>	2.22	0.68	0.00	2.51	2.22	-1.83	-0.12	-0.04	0.00	-0.17
<b>Liquidity</b>	3.94	0.82	4.00	1.06	-0.06	-0.24	-0.01	0.00	-0.01	-0.02
<b>Monthly Linked Return</b>	<b>100.00</b>	<b>5.60</b>	<b>100.00</b>	<b>7.81</b>		<b>-2.20</b>	<b>-0.22</b>	<b>-0.04</b>	<b>-1.94</b>	<b>-2.20</b>
<b>Trading/Hedging</b>		0.16		-0.42		0.58				<b>0.58</b>
<b>Total</b>		<b>5.77</b>		<b>7.39</b>		<b>-1.62</b>				<b>-1.62</b>

The Total Fund Attribution displays the return contribution of each asset class to the total fund. This is done by monthly linking each program's allocation at the beginning of the month with each month's returns to determine if tactical allocation and active management within asset classes helped or hurt performance. The interaction effect is a cross-factor, used to help further explain the combined impact of a portfolio's selection and allocation decisions within a segment.

**California Public Employees' Retirement System**  
**Total Fund Attribution - Fiscal Year-to-Date**  
**As of 6/30/2012**

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
<b>Growth</b>	63.29	-4.42	64.00	-3.90	-0.71	-0.52	-0.08	0.02	-0.42	-0.48
<b>Public Equity</b>	48.84	-7.25	50.00	-7.02	-1.16	-0.23	-0.20	0.00	-0.12	-0.32
<b>Private Equity</b>	14.44	5.37	14.00	5.03	0.44	0.35	-0.14	0.05	-0.07	-0.16
<b>Income</b>	18.01	12.74	17.75	13.89	0.26	-1.15	-0.30	0.02	-0.22	-0.50
<b>Real Assets</b>	9.46	12.59	10.50	11.00	-1.04	1.60	-0.07	-0.05	0.19	0.07
<b>Inflation</b>	3.10	0.05	3.75	2.09	-0.65	-2.04	0.02	0.02	-0.08	-0.04
<b>Absolute Return</b>	2.27	-1.97	0.00	5.27	2.27	-7.24	0.08	-0.17	0.00	-0.08
<b>Liquidity</b>	3.88	4.63	4.00	5.27	-0.12	-0.64	-0.04	0.00	-0.03	-0.07
<b>Monthly Linked Return</b>	<b>100.00</b>	<b>0.59</b>	<b>100.00</b>	<b>1.69</b>		<b>-1.10</b>	<b>-0.39</b>	<b>-0.16</b>	<b>-0.56</b>	<b>-1.11</b>
<b>Trading/Hedging</b>		0.42		-0.02		0.44				<b>0.45</b>
<b>Total</b>		<b>1.01</b>		<b>1.68</b>		<b>-0.66</b>				<b>-0.66</b>

The Total Fund Attribution displays the return contribution of each asset class to the total fund. This is done by monthly linking each program's allocation at the beginning of the month with each month's returns to determine if tactical allocation and active management within asset classes helped or hurt performance. The interaction effect is a cross-factor, used to help further explain the combined impact of a portfolio's selection and allocation decisions within a segment.



### Total Fund Review for PERF (continued) Periods Ended 6/30/2012

- ◆ The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of -0.9%, for the quarter ended June 30, 2012. CalPERS' return can be attributed as follows:

0.00%	Strategic Policy Allocation
-0.02%	Actual/Tactical Asset Allocation
-0.79%	Active Management
-0.10%	Interaction
<u>0.01%</u>	Trading/Currency Hedging
<b>-0.90%</b>	<b>Total Return</b>

- ◆ The total fund attribution table on the previous page displays the return contribution of each asset class to the total fund. This table will allow the Board to see if tactical allocation and active management within asset classes helped or hurt performance during the quarter.
  - Strategic Policy: The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the benchmark for that asset class.
  - Actual Allocation: The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e. the actual allocation to total equity was higher than the policy allocation). A positive number would indicate an overweight benefited performance and vice versa.
  - Active Management: The return contribution from active management. The number would be positive if the asset class outperformed the designated policy index and vice versa (i.e. the US fixed income segment outperformed its custom benchmark during the quarter and contributed positively to active management).
  - Interaction: Captures the interaction of managers' performance and asset class weighting differences.
  - Actual Return: The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.
- ◆ CalPERS' Total Fund return of -0.9% for the quarter underperformed its strategic policy benchmark primarily due to a negative active management impact. Of the six major asset classes employed by the System, Growth was the biggest detractor: its performance was weighed down by Private Equity, which produced a positive return of 4.99% during the second quarter but lagged behind its policy benchmark by a large margin of 828 basis points. Asset allocation variance also had a very small but negative impact, as the System had a lower-than-target allocation to some of the better performing segments (in relative terms) such as Public Equity and Real Assets throughout the quarter.
- ◆ The Total Fund composite's -0.9% return was lower than its actuarial rate (1.9%) this quarter. Its longer-term track record over the one-year, five-year and ten-year marks has also continued to trail the actuarial rate.

## Total Fund Review for PERF (continued) Periods Ended 6/30/2012

### *Relative to the Total Fund Policy Benchmark:*

- ◆ **Growth Exposure:** In a reversing situation from the prior quarter, the System's Growth composite was the second lowest performing segment for the three-month period ending June 30, with a return of -3.4% that lagged the total fund policy benchmark (0.0%). Public equities saw a selloff that intensified in May, after concerns with the future of Eurozone flared up again and mounting signs pointed to fading growth momentum in both developing and developed worlds. Private equity posted positive return but its gain was at less than half the level reported by the private equity benchmark (5.0% vs. 13.3%), therefore also contributing to the Growth composite's overall underperformance.
- ◆ **Income Exposure:** CalPERS' overall Income composite did well for the quarter with a return of 4.0%, beating the total fund policy benchmark while narrowly missing its own policy benchmark (4.2%). Fear of a widespread political and economic contagion created by Southern Europe's deteriorating bank and debt crisis drove investors to seek safety in U.S. Treasury securities. This capital flight made Treasuries the highest returning bond portfolios in Q2 and helped boost the U.S. fixed income composite's second quarter return to 4.2%. The international fixed income composite reported a modest gain of 1.1% that was a small drag on the overall Income composite performance.
- ◆ **Real Assets Exposure:** The System's Real Assets segment produced the highest gain during the second quarter, with a return of 7.7% that beat its own custom policy benchmark (2.4%) as well as the total fund policy benchmark. The segment's real estate portfolio was a big contributing factor this quarter after reporting solid gains of 8.7%.
- ◆ **Inflation Exposure:** The CalPERS Inflation composite was the lowest returning major asset class for the quarter with a decline of -5.1%, trailing both of its own custom policy benchmark (-2.3%) and the total fund policy benchmark. Similar to the past few quarters, the composite's results continued to be largely driven by the commodities exposure, which collectively experienced a sharp drop in valuation this quarter due to reduced growth expectations in global economies.
- ◆ **Liquidity:** CalPERS' Liquidity/short-term asset class reported a second quarter return of 1.2%, performing better than the total fund policy benchmark but missed its custom policy benchmark's 1.5% return.
- ◆ **Absolute Return Strategy:** The Absolute Return Strategy (ARS) program was modestly down during the second quarter with a return of -0.8. This performance trailed relative to the total fund policy benchmark and ARS' own custom policy benchmark (1.3%)

## Growth Review for PERF Periods Ended 6/30/2012

### Growth Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
<b>Growth</b>	<b>63.2%</b>	<b>64.0%</b>	<b>-0.8%</b>
Public Equity	48.5%	50.0%	-1.5%
Private Equity	14.7%	14.0%	+0.7%

### Growth Segment Performance

	Market Value						VaR <sup>22</sup>	5-year Sharpe Ratio <sup>23</sup>	5-year Info Ratio <sup>24</sup>
		Qtr	1-Year	3-Year	5-Year	10-Year			
<b>GROWTH</b>	<b>147.0</b>	<b>-3.4%</b>	<b>-4.4%</b>	<b>13.5%</b>	<b>-1.2%</b>	<b>6.2%</b>	<b>\$29.4 bil</b>	<b>-0.1</b>	<b>-0.6</b>
<i>Growth Policy Benchmark</i>		-1.5%	-3.9%	14.3%	0.7%	7.0%		<b>0.0</b>	<b>0.0</b>
<i>Value Added</i>		-1.9%	-0.5%	-0.8%	-1.9%	-0.8%			
<b>PUBLIC EQUITY<sup>15</sup></b>	<b>112.7</b>	<b>-5.7%</b>	<b>-7.2%</b>	<b>11.6%</b>	<b>-2.6%</b>	<b>5.6%</b>	<b>\$21.3 bil</b>	<b>-0.2</b>	<b>-0.7</b>
<i>Public Equity Policy Benchmark<sup>16</sup></i>		-5.6%	-7.0%	11.2%	-1.7%	6.0%		<b>-0.1</b>	<b>0.0</b>
<i>Value Added</i>		-0.1%	-0.2%	0.4%	-0.9%	-0.4%			
<b>US Equity Composite (ex ARS)</b>	<b>53.9</b>	<b>-3.6%</b>	<b>2.4%</b>	<b>16.5%</b>	<b>0.1%</b>	<b>5.7%</b>		<b>0.0</b>	<b>-0.4</b>
<i>Custom US Equity Benchmark<sup>17</sup></i>		-3.3%	3.2%	16.4%	0.3%	5.8%		<b>0.0</b>	<b>0.0</b>
<i>Value Added</i>		-0.3%	-0.8%	0.1%	-0.2%	-0.1%			
<b>Total Int'l Equity (ex ARS)</b>	<b>57.7</b>	<b>-7.6%</b>	<b>-14.8%</b>	<b>7.9%</b>	<b>-4.5%</b>	<b>6.7%</b>		<b>-0.2</b>	<b>0.2</b>
<i>Custom Int'l Equity Benchmark<sup>18</sup></i>		-7.4%	-14.6%	6.6%	-4.8%	6.6%		<b>-0.2</b>	<b>0.0</b>
<i>Value Added</i>		-0.2%	-0.2%	1.3%	0.3%	0.1%			
<b>Global Equity Equitization</b>	<b>0.6</b>	<b>-3.1%</b>	<b>-3.0%</b>	<b>11.7%</b>	<b>-.%</b>	<b>-.%</b>			
<i>Custom Benchmark<sup>19</sup></i>		-5.6%	-7.0%	11.2%	-.%	-.%			
<i>Value Added</i>		2.5%	4.0%	0.5%	-.%	-.%			
<b>PRIVATE EQUITY (AIM)<sup>20</sup></b>	<b>34.2</b>	<b>5.0%</b>	<b>5.4%</b>	<b>20.0%</b>	<b>7.2%</b>	<b>9.9%</b>	<b>\$10.9 bil</b>	<b>0.6</b>	<b>-0.3</b>
<i>AIM Policy Benchmark<sup>21</sup></i>		13.3%	5.0%	25.6%	12.4%	10.9%		<b>0.8</b>	<b>0.0</b>
<i>Value Added</i>		-8.3%	0.4%	-5.6%	-5.2%	-1.0%			
Private Equity Partnership Investments	34.2	5.1%	5.6%	20.1%	7.3%	9.9%			
Private Equity Distribution Stock	0.1	-16.9%	-35.7%	-2.4%	-0.5%	8.9%			

<sup>15</sup> Includes domestic equity, international equity, corporate governance, and MDP ventures. It does not include asset allocation transition accounts; those accounts are reflected in total fund but are not included in any composite.

<sup>16</sup> The Public Equity Policy Benchmark is a custom global benchmark maintained by FTSE.

<sup>17</sup> The Custom US Equity Benchmark currently represents the FTSE Total Market Index. It is linked historically to its prior benchmarks.

<sup>18</sup> The Custom Int'l Equity Benchmark currently represents the FTSE All World ex US Index. It is linked historically to its prior benchmarks.

<sup>19</sup> The Custom Global Equity Equitization Benchmark is currently the same as the Public Equity Policy Benchmark.

<sup>20</sup> The performance of CalPERS' private equity (AIM) investments is 1-quarter lagged.

<sup>21</sup> The AIM Policy Benchmark currently equals 3% + 1-quarter lagged (67% FTSE US TMI + 33% FTSE AW x-US TMI), and is linked historically to its prior benchmarks.

<sup>22</sup> VaR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

<sup>23</sup> The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

<sup>24</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.



## Growth Review for PERF (continued)

### Comments Regarding Growth Segment Performance

#### *Helped Performance:*

- ◆ None.

#### *Impeded Performance:*

- ◆ **U.S. Equity Exposure:** CalPERS' internal and external U.S. equity composites generated a 2Q return of -3.2% and -5.7%, respectively, and both underperformed the -1.5% return of the Growth policy benchmark.
- ◆ **International Equity Exposure:** The System's international equity portfolios suffered notable decline during the second quarter. The internal international equity composite saw a drop of -7.6% while the externally managed international equity composite was down -7.1%, both of which underperformed the Growth benchmark by a large margin.
- ◆ **Private Equity Exposure:** The private equity composite, represented by the AIM investments, was the only equity program finishing in the positive territory this quarter; it reported a gain of 5.0%. However, while this performance was higher than the Growth benchmark's -1.5%, it trailed its own policy benchmark's 13.3% return by a wide margin of 828 bps and contributed to the Growth composite's overall underperformance.
- ◆ **MDP:** The Manager Development Program generated an overall return of -5.3% for the quarter, nearly mirroring its custom policy benchmark (-5.2%) but was behind the Growth policy benchmark.
- ◆ **FoF:** The Total Fund of Funds composite performed similar to other equity programs and was down -5.8% in Q2, underperforming relative to the Growth policy benchmark.
- ◆ **Corporate Governance:** The corporate governance program's 2Q return of -7.3% underperformed its own policy benchmark as well as the Growth policy benchmark.

CalPERS  
Performance Analysis  
June 30, 2012



### Public Equity Review for PERF - U.S. Equity

	<u>Market Value</u>	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>Date</u>
<b>US Equity Composite (ex ARS)</b>	<b>53.9</b>	<b>-3.6%</b>	<b>2.4%</b>	<b>16.5%</b>	<b>0.1%</b>	<b>5.7%</b>	<b>12/79</b>
<i>Custom US Equity Benchmark</i> <sup>25</sup>		-3.3%	3.2%	16.4%	0.3%	5.8%	
<i>Value Added</i>		-0.3%	-0.8%	0.1%	-0.2%	-0.1%	
<b>Total Internal US Equity</b>	<b>46.8</b>	<b>-3.2%</b>	<b>3.3%</b>	<b>16.9%</b>	<b>0.6%</b>	<b>6.0%</b>	<b>6/88</b>
<i>Custom Internal US Equity Benchmark</i> <sup>26</sup>		-3.3%	3.2%	16.4%	0.3%	5.8%	
<i>Value Added</i>		0.1%	0.1%	0.5%	0.3%	0.2%	
<b>Total External US Equity</b>	<b>7.0</b>	<b>-5.7%</b>	<b>-2.8%</b>	<b>14.0%</b>	<b>-1.6%</b>	<b>4.9%</b>	<b>12/98</b>
<i>Custom External US Equity Benchmark</i> <sup>27</sup>		-3.0%	4.0%	15.9%	0.5%	6.2%	
<i>Value Added</i>		-2.7%	-6.8%	-1.9%	-2.1%	-1.3%	

### Public Equity Review for PERF - International Equity

	<u>Market Value</u>	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>Date</u>
<b>Total Int'l Equity (ex ARS)</b>	<b>57.7</b>	<b>-7.6%</b>	<b>-14.8%</b>	<b>7.9%</b>	<b>-4.5%</b>	<b>6.7%</b>	<b>12/02</b>
<i>Custom Int'l Equity Benchmark</i> <sup>28</sup>		-7.4%	-14.6%	6.6%	-4.8%	6.6%	
<i>Value Added</i>		-0.2%	-0.2%	1.3%	0.3%	0.1%	
<b>Total Internal Int'l Equity</b>	<b>45.8</b>	<b>-7.6%</b>	<b>-15.2%</b>	<b>7.4%</b>	<b>-4.5%</b>	<b>-.%</b>	<b>3/05</b>
<i>Custom Internal Int'l Equity Benchmark</i> <sup>29</sup>		-7.3%	-14.7%	6.5%	-5.2%	-.%	
<i>Value Added</i>		-0.3%	-0.5%	0.9%	0.7%	-.%	
<b>Total External Int'l Equity</b>	<b>11.9</b>	<b>-7.1%</b>	<b>-13.3%</b>	<b>9.5%</b>	<b>-3.7%</b>	<b>7.8%</b>	<b>6/89</b>
<i>Custom External Int'l Equity Benchmark</i> <sup>30</sup>		-8.0%	-14.5%	7.1%	-4.1%	7.9%	
<i>Value Added</i>		0.9%	1.2%	2.4%	0.4%	-0.1%	

### Public Equity Review for PERF - Corporate Governance/MDP/FoF

	<u>Market Value</u>	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>Date</u>
<b>Total Corporate Governance</b>	<b>4.0</b>	<b>-7.3%</b>	<b>-12.3%</b>	<b>8.5%</b>	<b>-6.0%</b>	<b>4.5%</b>	<b>12/98</b>
<i>Policy Benchmark</i>		-5.4%	-4.3%	8.4%	-4.1%	4.9%	
<i>Value Added</i>		-1.9%	-8.0%	0.1%	-1.9%	-0.4%	
<b>Total MDP</b>	<b>1.3</b>	<b>-5.3%</b>	<b>-3.2%</b>	<b>12.2%</b>	<b>-1.1%</b>	<b>5.2%</b>	<b>6/00</b>
<i>Policy Benchmark</i>		-5.2%	-2.8%	12.1%	-0.1%	6.6%	
<i>Value Added</i>		-0.1%	-0.4%	0.1%	-1.0%	-1.4%	
<b>Total FoF</b>	<b>0.9</b>	<b>-5.8%</b>	<b>-5.5%</b>	<b>15.2%</b>	<b>-.%</b>	<b>-.%</b>	<b>3/08</b>
<i>Policy Benchmark</i>		-4.9%	-4.5%	14.9%	-.%	-.%	
<i>Value Added</i>		-0.9%	-1.0%	0.3%	-.%	-.%	

<sup>25</sup> The Custom US Equity Benchmark currently represents the FTSE Total Market Index. It is linked historically to its prior benchmarks.

<sup>26</sup> The Custom Internal US Equity Benchmark currently represents the FTSE Total Market Index. It is linked historically to its prior benchmarks.

<sup>27</sup> The Custom External US Equity Benchmark return equals the return for each manager's benchmark weighted at the current target asset allocation.

<sup>28</sup> The Custom Int'l Equity Benchmark currently represents the FTSE All World ex US Index. It is linked historically to its prior benchmarks.

<sup>29</sup> The Custom Internal Int'l Equity Benchmark currently represents the FTSE Developed World ex US/Tobacco Index. This benchmark is linked historically to its prior benchmarks.

<sup>30</sup> The Custom External Int'l Equity Benchmark return equals the return for each manager's benchmark weighted at the current target asset allocation.

## Absolute Return Strategies Review for PERF Period Ended 6/30/2012

### ARS Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
ARS	2.2%	0.0%	+2.2%

### ARS Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	5-Year Info Ratio <sup>32</sup>	5-Year Up Capture Ratio	5-Year Sharpe Ratio <sup>33</sup>	5-Year Sortino Ratio <sup>34</sup>
<b>Absolute Return Strategies</b>	5.1	-0.8%	-2.0%	4.7%	-0.2%	-1.1	0.0	-0.2	-0.2
<i>ARS Policy Benchmark<sup>31</sup></i>		1.3%	5.3%	5.7%	7.2%				
<i>Value Added</i>		-2.1%	-7.3%	-1.0%	-7.4%				
<b>Total Direct Investments</b>	3.6	-0.5%	-1.1%	6.3%	0.4%				
<b>Total Emerging Fund of Hedge Funds</b>	1.5	-1.6%	-4.1%	0.5%	-1.4%				
HFRI Fund of Funds Index		-2.3%	-4.5%	2.2%	-2.1%				

### ARS Characteristics

Percentage of positive Months	Beta vs. S&P 500	<u>Rolling Correlations vs. Index</u>			
		<u>PERS</u>	<u>Domestic</u>	<u>MSCI AW</u>	
		<u>W5000</u>	<u>2500</u>	<u>Fixed Index</u>	<u>X US</u>
63%	0.2	0.6	0.6	-0.1	0.6

- ◆ Beta vs. S&P 500: This measures the amount of stock market risk in the portfolio. A beta of 1.0 would indicate that the portfolio's performance should closely track the stock market, while a beta higher than 1.0 implies greater-than-market risk and possibly leverage. The portfolio's beta is 0.2 which implies a weak relationship to stock market return, which is appropriate for this program.
- ◆ Correlation vs. various indices: We have calculated the historical correlation between the ARS and CalPERS' other main asset classes. Over a market cycle, the ARS has shown positive correlation to the equity markets while exhibiting a negative correlation with fixed income markets.

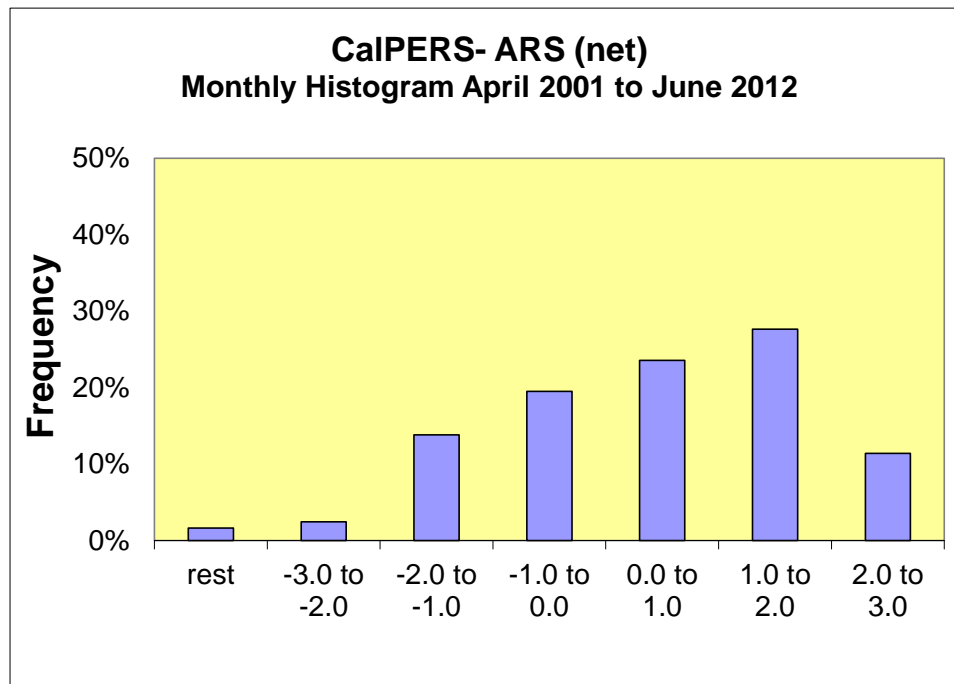
<sup>31</sup> The ARS Policy Benchmark consists of the Merrill Lynch 1-Year Treasury Note + 5% and is linked historically to its prior benchmark.

<sup>32</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

<sup>33</sup> The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

<sup>34</sup> The Sortino Ratio is measure of a risk-adjusted return of an investment asset. It is an extension of the Sharpe Ratio. While the Sharpe ratio takes into account any volatility, in return of an asset, Sortino ratio differentiates volatility due to up and down movements. The up movements are considered desirable and not accounted in the volatility.

**Absolute Return Strategies Review for PERF (Continued)**  
Period Ended 6/30/2012



- ◆ Histogram: The ARS is designed to generate small amounts of return on a consistent basis. This chart shows the frequency of monthly performance results. A significant number of outlying monthly performance returns would indicate insufficient risk controls. We believe that the distribution of monthly returns is as expected.



## Income Review for PERF Periods Ended 6/30/2012

### Income Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Income	18.0%	17.0%	+1.0%

### Income Segment Performance

	Market Value						VaR <sup>38</sup>	5-year Sharpe Ratio <sup>39</sup>	5-year Info Ratio <sup>40</sup>
		Qtr	1-Year	3-Year	5-Year	10-Year		Ratio <sup>39</sup>	Ratio <sup>40</sup>
<b>INCOME</b>	41.9	4.0%	12.7%	13.2%	9.6%	8.3%	\$5.5 bil	1.2	0.1
<i>Income Policy Benchmark</i> <sup>35</sup>		4.2%	13.9%	10.6%	9.3%	7.5%		1.3	0.0
<i>Value Added</i>		-0.2%	-1.2%	2.6%	0.3%	0.8%			
<b>U.S. Income</b>	38.3	4.2%	13.8%	13.8%	9.7%	8.2%		1.3	0.1
<i>U.S. Income Policy Benchmark</i> <sup>36</sup>		4.5%	15.1%	11.0%	9.4%	7.5%		1.3	0.0
<i>Value Added</i>		-0.3%	-1.3%	2.8%	0.3%	0.7%			
<b>Non-U.S. Income</b>	3.6	1.1%	2.4%	8.4%	8.8%	8.0%		0.8	0.7
<i>Non-US Income Policy Benchmark</i> <sup>37</sup>		0.4%	0.8%	5.5%	7.3%	7.2%		0.7	0.0
<i>Value Added</i>		0.7%	1.6%	2.9%	1.5%	0.8%			

### Comments Regarding Income Segment Performance

#### *Helped Performance:*

- ◆ **Treasury Bonds:** The treasuries portfolio reversed prior quarter's decline and posted a strong gain of 7.3% during the second quarter, after weak economic growth data in the U.S. and concern over Greece's potential departure from Euro between April and May pushed investors back towards the safety of U.S. government bonds. Treasury bonds outperformed all other fixed income portfolios as well as the Income policy benchmark.
- ◆ **Sovereign Bonds:** The sovereign bonds portfolio continue to do well by returning 4.8% during the second quarter and was a small but positive contributor to the Income composite's overall performance.

<sup>35</sup> The Income Policy Benchmark return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

<sup>36</sup> The US Fixed Income Policy Benchmark consists of the Barclays Long Liability Index and is linked historically to its prior benchmark.

<sup>37</sup> The Non-US Fixed Income Policy Benchmark consists of the Barclays International Fixed Income and is linked historically to its prior benchmark.

<sup>38</sup> VaR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

<sup>39</sup> The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

<sup>40</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

***Impeded Performance:***

- ◆ **Mortgage Bonds:** CalPERS' mortgage portfolio reported a small return of 1.3% that underperformed the overall income policy benchmark for the quarter.
- ◆ **Corporate Bonds:** With the backdrop of a stable U.S. corporate financial metrics that include continued decline of balance sheet leverage and improving profit, CalPERS' investment grade corporate bonds portfolio reported another quarter of solid gain, returning 3.7%. This performance, however, did not quite keep pace with the overall Income policy benchmark's 4.2% return.
- ◆ **High Yield Bonds:** High yield bonds generated a modest 2Q return of 1.4%. Both of the System's internal and external high yield portfolios reported positive gains (2.5% and 1.5%, respectively) but fell short of the Income policy benchmark.
- ◆ **International Fixed Income:** The System's external international bond segment bounced back into the positive territory in the second quarter with a return of 1.1%, but underperformed the Income policy benchmark.

### Income Review for PERF (Continued)

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	Date
<b>INCOME</b>	<b>41.9</b>	<b>4.0%</b>	<b>12.7%</b>	<b>13.2%</b>	<b>9.6%</b>	<b>8.3%</b>	<b>6/88</b>
<i>Income Policy Benchmark</i> <sup>41</sup>		4.2%	13.9%	10.6%	9.3%	7.5%	
<i>Value Added</i>		-0.2%	-1.2%	2.6%	0.3%	0.8%	
<b>Internal US Income + Opportunistic</b>	<b>38.3</b>	<b>4.2%</b>	<b>13.8%</b>	<b>13.8%</b>	<b>9.7%</b>	<b>8.2%</b>	<b>12/95</b>
Mortgage Bonds*	9.5	1.3%	5.7%	9.4%	6.9%	5.7%	12/82
Long Duration Mortgages*	3.6	2.7%	10.8%	15.9%	10.2%	-.-%	6/05
Corporate Bonds*	9.1	3.7%	14.2%	14.6%	9.7%	8.8%	3/02
U.S. Government*	13.9	7.3%	22.3%	11.3%	10.5%	7.6%	12/99
Sovereign Bonds* <sup>42</sup>	1.3	4.8%	15.7%	13.8%	9.8%	8.8%	6/96
Long Duration Corporates*	0.2	4.7%	17.4%	20.6%	11.7%	-.-%	9/05
<i>Custom Benchmark</i> <sup>43</sup>		4.5%	15.1%	11.0%	9.4%	7.5%	
<b>Opportunistic</b> <sup>44</sup>	<b>2.2</b>	<b>1.4%</b>	<b>-1.1%</b>	<b>21.5%</b>	<b>0.0%</b>	<b>10.7%</b>	<b>6/00</b>
Internal High Yield Bonds*	0.6	2.5%	1.0%	12.1%	11.9%	15.2%	9/99
External High Yield*	1.1	1.5%	5.3%	14.9%	2.5%	7.8%	3/02
High Yield Mortgage*	0.3	4.1%	1.3%	16.7%	-.-%	-.-%	3/08
<i>Citigroup High Yield Cash Pay</i>		1.6%	7.2%	15.7%	8.0%	9.9%	
<b>Special Investments</b>	<b>0.3</b>	<b>4.2%</b>	<b>8.6%</b>	<b>4.7%</b>	<b>5.7%</b>	<b>5.7%</b>	<b>3/91</b>
<b>External International Income</b>	<b>3.6</b>	<b>1.1%</b>	<b>2.4%</b>	<b>8.4%</b>	<b>8.8%</b>	<b>8.0%</b>	<b>3/89</b>
<i>Custom Benchmark</i> <sup>45</sup>		0.4%	0.8%	5.5%	7.3%	7.2%	
<i>Value Added</i>		0.7%	1.6%	2.9%	1.5%	0.8%	
<b>Currency overlay</b> <sup>46</sup>							
Pareto	0.1	-0.8%	-2.8%	-1.2%	-0.8%	0.2%	6/02
<i>Custom Benchmark</i>		-0.1%	-0.4%	-0.4%	-0.2%	0.1%	
<i>Value Added</i>		-0.7%	-2.4%	-0.8%	-0.6%	0.1%	
SSgA	0.0	-0.3%	-1.2%	-0.1%	0.1%	0.4%	12/96
<i>Custom Benchmark</i>		-0.1%	-0.4%	-0.4%	-0.2%	0.1%	
<i>Value Added</i>		-0.2%	-0.8%	0.3%	0.3%	0.3%	

<sup>41</sup> The Income Policy Benchmark return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

<sup>42</sup> The Internal Sovereign Bond market value is also included in the Internal Treasury Bond market value.

<sup>43</sup> The custom benchmark consists of the Barclays Long Liability Index. Prior of 3Q 2004 the benchmark was Citigroup LPF.

<sup>44</sup> Opportunistic includes internal and external high yield. Internal High Yield's market value is included in both the Total Internal Bonds and the Opportunistic Market Values.

<sup>45</sup> The custom benchmark consists of the Barclays International Fixed Income Index and is linked historically to its prior benchmark.

<sup>46</sup> The Currency Overlay program is rolled directly into total fund but it is managed by the fixed income managers. The market value is the gain or loss.

\* These portfolios and/or composites are unitized and are included across multiple plans.

\*\* These portfolios hold the collateral for the security lending program.

CalPERS  
Performance Analysis  
June 30, 2012



### Income Review for PERF (Continued)

	Market						
	<u>Value</u>	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>Date</u>
<b>Securities Lending*</b>	<b>8.9</b>	<b>0.3%</b>	<b>0.6%</b>	<b>3.1%</b>	<b>1.0%</b>	<b>2.0%</b>	<b>8/00</b>
Custom Benchmark		0.0%	0.1%	0.1%	0.9%	1.9%	
Value Added		0.3%	0.5%	3.0%	0.1%	0.1%	
High Quality LIBOR**	1.4	0.2%	0.7%	1.1%	0.7%	1.9%	9/00
Custom Benchmark		0.0%	0.1%	0.1%	0.9%	1.9%	
Value Added		0.2%	0.6%	1.0%	-0.2%	0.0%	
Short Duration LIBOR**	0.8	0.7%	2.5%	6.6%	2.1%	-.-%	9/02
Custom Benchmark		0.0%	0.1%	0.1%	0.9%	-.-%	
Value Added		0.7%	2.4%	6.5%	1.2%	-.-%	
Sec Lending Internal Collateral Reinvest**	0.2	0.7%	1.0%	-.-%	-.-%	-.-%	9/09
Custom Benchmark		0.0%	0.1%	-.-%	-.-%	-.-%	
Value Added		0.7%	0.9%	-.-%	-.-%	-.-%	
Internal Active Short Term**	0.6	0.1%	0.2%	-.-%	-.-%	-.-%	3/11
Custom Benchmark		0.0%	-0.1%	-.-%	-.-%	-.-%	
Value Added		0.1%	0.3%	-.-%	-.-%	-.-%	
CalPERS ESEC Cash Collateral**	5.6	0.0%	0.2%	-.-%	-.-%	-.-%	6/10
Custom Benchmark		0.0%	0.1%	-.-%	-.-%	-.-%	
Value Added		0.0%	0.1%	-.-%	-.-%	-.-%	
External Collateral Portfolio***	0.2	5.8%	-.-%	-.-%	-.-%	-.-%	11/00

\* The Securities Lending composite is a non-PERF composite. The composite includes the Structure Investment Vehicles performance.

\*\* These portfolios hold the collateral for the securities lending program.

\*\*\* This is a structure investment vehicle.





## Inflation Performance for PERF Period Ended 6/30/2012

### Inflation Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Inflation	3.0%	4.0%	-1.0%

### Inflation Performance

	Market Value						VaR <sup>49</sup>	5-year Sharpe Ratio <sup>50</sup>	5-year Info Ratio <sup>51</sup>
		Qtr	1-Year	3-Year	5-Year	10-Year		N/A	N/A
<b>INFLATION</b>	7.1	-5.1%	0.1%	7.6%	--%	--%	\$0.5 bil	N/A	N/A
<i>Inflation Policy Benchmark</i> <sup>47</sup>		-2.3%	2.1%	6.7%	--%	--%		N/A	N/A
<i>Value Added</i>		-2.8%	-2.0%	0.9%	--%	--%			
<b>Commodities</b> <sup>48</sup>	3.1	-12.1%	-11.0%	2.8%	--%	--%			
<i>GSCI Total Return Index</i>		-12.4%	-10.7%	2.1%	--%	--%			
<i>Value Added</i>		0.3%	-0.3%	0.7%	--%	--%			
<b>Inflation Linked Bonds</b>	4.0	1.3%	8.2%	8.6%	--%	--%			
<i>Custom Benchmark</i>		1.1%	7.8%	8.3%	--%	--%			
<i>Value Added</i>		0.2%	0.4%	0.3%	--%	--%			

- ◆ The CalPERS Inflation asset class declined -5.1% in the second quarter, notably underperforming its policy benchmark and was among the worst performing major asset classes. Most of this can be attributed to the poor performance of the commodities portfolio, as on-going Eurozone crisis as well as fear of slowing global growth momentum led to a sharp selloff in May. On the other hand, however, the commodities' portfolio's 2Q return of -12.1% was marginally better than the GSCI Total Return Index's decline of -12.4%, and it has stayed slightly ahead of the benchmark over the three- and five-year periods. The inflation linked fixed income portfolio finished in the positive territory with a return of 1.3% for the quarter and outpaced its custom benchmark. The Inflation asset class' one-year and three-year returns have now also outperformed the custom benchmark.

<sup>47</sup> The Inflation Policy Benchmark equals the benchmark returns of commodities and TIPS weighted at policy allocation target percentages.

<sup>48</sup> The commodities overlay portfolio is a derivatives portfolio which has no market value but a notional value approximately equal to the size of the commodities collateral.

<sup>49</sup> VaR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

<sup>50</sup> The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

<sup>51</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.



## Real Assets Review for PERF Period Ended 6/30/2012

### Real Assets Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Real Assets	10.4%	11.0%	-0.6%

### Real Assets Segment Performance

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR <sup>56</sup>	5-year Sharpe Ratio <sup>57</sup>	5-year Info Ratio <sup>58</sup>
<b>REAL ASSETS</b>	<b>24.2</b>	<b>7.7%</b>	<b>12.6%</b>	<b>-6.2%</b>	<b>-10.8%</b>	<b>3.1%</b>	<b>\$2.7 bil</b>	<b>-0.7</b>	<b>-1.1</b>
<i>Real Assets Policy Benchmark</i> <sup>52</sup>		2.4%	11.0%	6.5%	3.7%	8.6%		0.5	0.0
<i>Value Added</i>		5.3%	1.6%	-12.7%	-14.5%	-5.5%			
<b>Real Estate</b> <sup>53</sup>	<b>21.0</b>	<b>8.7%</b>	<b>15.9%</b>	<b>-7.0%</b>	<b>-12.1%</b>	<b>2.4%</b>	<b>\$2.8 bil</b>	<b>-0.7</b>	<b>-1.1</b>
<i>Real Estate Policy Benchmark</i> <sup>54</sup>		2.5%	12.7%	8.8%	4.6%	9.1%		0.5	0.0
<i>Value Added</i>		6.2%	3.2%	-15.8%	-16.7%	-6.7%			
<b>Forestland</b> <sup>55</sup>	<b>2.1</b>	<b>0.0%</b>	<b>-11.0%</b>	<b>-4.1%</b>	<b>-.%</b>	<b>-.%</b>			
<i>NCREIF Timberland Index</i>		0.4%	1.2%	-1.3%	-.%	-.%			
<i>Value Added</i>		-0.4%	-12.2%	-2.8%	-.%	-.%			
<b>Infrastructure</b> <sup>55</sup>	<b>1.0</b>	<b>4.5%</b>	<b>8.4%</b>	<b>30.0%</b>	<b>-.%</b>	<b>-.%</b>			
<i>CPI + 400 BPS 1Qtr Lag</i>		2.6%	6.7%	7.5%	-.%	-.%			
<i>Value Added</i>		1.9%	1.7%	22.5%	-.%	-.%			

- ◆ CalPERS' Real Assets composite was the highest returning segment for the quarter, gaining 7.7% and outperformed its policy benchmark by a large margin. The System's real estate portfolios, which mostly consist of private real estate investments and currently represent 87% of the Real Assets composite, continued to do well and reported solid 2Q gain of 8.7% that handily beat its policy benchmark's 2.5% return. The composite's infrastructure portfolio also contributed positively this quarter with a return 4.5% while outperforming its own policy benchmark. Over the one-year and longer periods, the Real Assets composite's track record has continued to lag behind its policy benchmark.

<sup>52</sup> The Real Assets Policy Benchmark equals the benchmark returns of real estate, timber, and infrastructure weighted at policy allocation target percentages.

<sup>53</sup> The Real Estate performance is reported on a 1-quarter lagged basis. The Real Estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

<sup>54</sup> The Real Estate Policy Benchmark consists of the NCREIF ODCE Index (1-quarter lagged) and the FTSE EPRA/NAREIT Developed Index weighted at their policy allocation target percentages. It is historically linked to its prior benchmarks.

<sup>55</sup> These investments are reported on a 1-quarter lagged basis.

<sup>56</sup> VaR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

<sup>57</sup> The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

<sup>58</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.

## Real Assets Review for PERF (Continued) Period Ended 6/30/2012

### Real Estate Segment Performance

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR <sup>61</sup>	5-year Sharpe Ratio <sup>62</sup>	5-year Info Ratio <sup>63</sup>
<b>Real Estate</b> <sup>59</sup>	<b>21.0</b>	<b>8.7%</b>	<b>15.9%</b>	<b>-7.0%</b>	<b>-12.1%</b>	<b>2.4%</b>	<b>\$2.8 bil</b>	<b>-0.7</b>	<b>-1.1</b>
<i>Real Estate Policy Benchmark</i> <sup>60</sup>		2.5%	12.7%	8.8%	4.6%	9.1%		<b>0.5</b>	<b>0.0</b>
<i>Value Added</i>		6.2%	3.2%	-15.8%	-16.7%	-6.7%			
<b>Strategic Real Estate</b>	<b>12.9</b>	<b>12.7%</b>	<b>22.3%</b>	<b>6.4%</b>	<b>7.4%</b>	<b>14.2%</b>			
<i>Wt. NCREIF ODCE+FTSE EPRA NAREIT</i>		2.5%	12.7%	8.8%	4.6%	9.1%			
<i>Value Added</i>		10.2%	9.6%	-2.4%	2.8%	5.1%			
<b>Legacy Real Estate ex Public</b>	<b>6.8</b>	<b>3.4%</b>	<b>9.5%</b>	<b>-15.2%</b>	<b>-18.2%</b>	<b>-1.6%</b>			
<i>Wt. NCREIF ODCE+FTSE EPRA NAREIT</i>		2.5%	12.7%	8.8%	4.6%	9.1%			
<i>Value Added</i>		0.9%	-3.2%	-24.0%	-22.8%	-10.7%			
<b>Public REITs</b>	<b>1.3</b>	<b>2.0%</b>	<b>2.2%</b>	<b>18.1%</b>	<b>-3.8%</b>	<b>8.6%</b>			
<i>FTSE EPRA/NAREIT DE Index</i>		2.1%	2.4%	19.5%	-2.5%	10.0%			
<i>Value Added</i>		-0.1%	-0.2%	-1.4%	-1.3%	-.%			

<sup>59</sup> The Real Estate performance is reported on a 1-quarter lagged basis. The Real Estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

<sup>60</sup> The Real Estate Policy Benchmark consists of the NCREIF ODCE Index (1-quarter lagged) and the FTSE EPRA/NAREIT Developed Index weighted at their policy allocation target percentages. It is historically linked to its prior benchmarks.

<sup>61</sup> VaR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

<sup>62</sup> The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

<sup>63</sup> The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.



## Liquidity Review for PERF Period Ended 6/30/2012

### Liquidity Allocation

#### Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Liquidity	3.2%	4.0%	-0.8%

### Liquidity Segment Performance

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR <sup>66</sup>	5-year Sharpe Ratio <sup>67</sup>	5-year Info Ratio <sup>68</sup>
<b>LIQUIDITY</b>	<b>7.5</b>	<b>1.2%</b>	<b>4.6%</b>	<b>1.7%</b>	<b>2.2%</b>	<b>2.6%</b>	<b>\$0.4 bil</b>	<b>N/A</b>	<b>N/A</b>
<i>Liquidity Policy Benchmark</i> <sup>64</sup>		1.5%	5.3%	1.9%	2.2%	2.5%			
<i>Value Added</i>		-0.3%	-0.7%	-0.2%	0.0%	0.1%			
<b>US 2-10 Year</b>	<b>5.3</b>	<b>2.0%</b>	<b>6.8%</b>	<b>--%</b>	<b>--%</b>	<b>--%</b>			
<i>Barclays Gov Liquidity 2-10 Yr Idx</i>		2.0%	7.1%	--%	--%	--%			
<i>Value Added</i>		0.0%	-0.3%	--%	--%	--%			
<b>Cash Composite</b>	<b>2.3</b>	<b>0.0%</b>	<b>0.1%</b>	<b>0.2%</b>	<b>1.3%</b>	<b>2.1%</b>			
<i>Csutom STIF</i> <sup>65</sup>		0.0%	-0.1%	0.2%	1.2%	2.0%			
<i>Value Added</i>		0.0%	0.2%	0.0%	0.1%	0.1%			

<sup>64</sup>The Liquidity Policy Benchmark is a custom index maintained by State Street Bank.

<sup>65</sup>The Custom STIF Policy Benchmark is a custom index maintained by State Street Bank.

<sup>66</sup>VaR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

<sup>67</sup>The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

<sup>68</sup>The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.

*CalPERS  
Performance Analysis  
June 30, 2012*

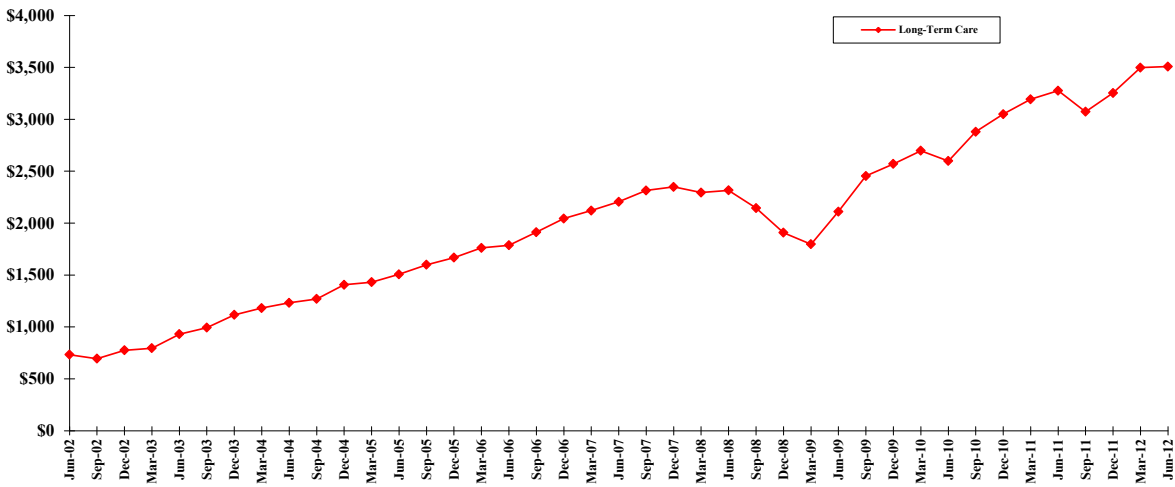
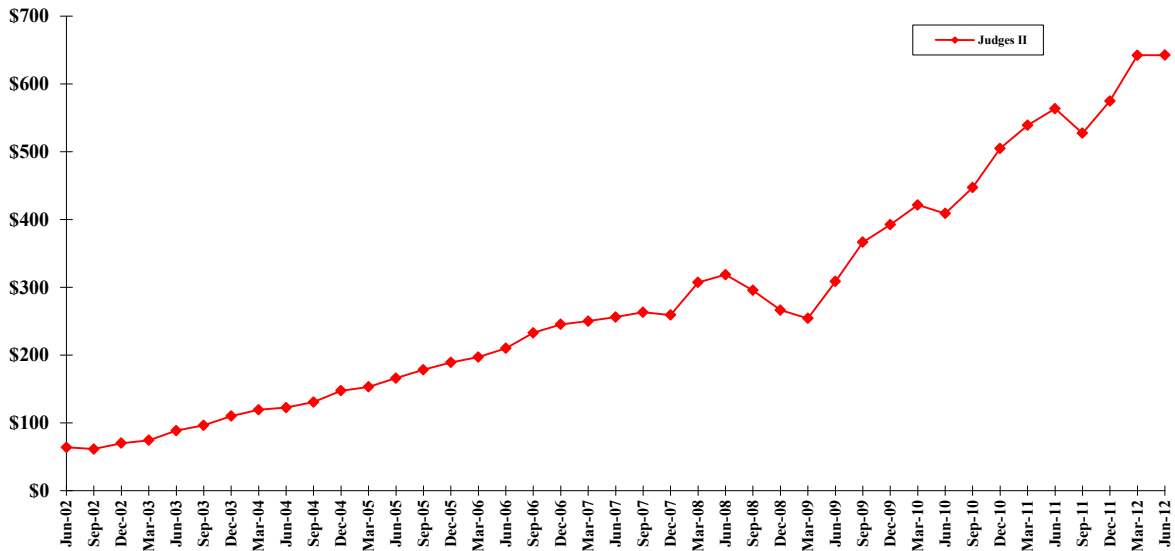


## **Affiliate Fund Information**



### Affiliate Fund Performance Period Ended June 30, 2012

#### Growth in Assets (in \$Millions)



## Total Fund Performance Results

### Total Fund Performance Periods Ended June 30, 2012

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>Judges II</b>	\$642.4 mil	-2.6%	1.9%	13.1%	2.1%	6.2%
<i>Weighted Policy Benchmark</i> <sup>69</sup>		-2.6	2.7	12.7	2.2	6.2
<b>Long-Term Care ("LTC")</b>	\$3,507.5 mil	-0.5	3.4	13.2	3.3	6.7
<i>Weighted Policy Benchmark</i> <sup>69</sup>		-0.4	3.9	12.6	3.4	6.5

## Total Fund Asset Allocation

### Judges II Asset Allocation: Actual versus Target Weights\*

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation (%)	Difference
Global Equity	63.3	63.0	0.3
US Fixed Income	19.6	20.0	-0.4
TIPS	5.9	6.0	-0.1
REITs	8.1	8.0	0.1
Commodities	3.1	3.0	0.1
Total	100.0	100.0	0.0

### LTC Asset Allocation: Actual versus Target Weights\*

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation (%)	Difference
US Equity	25.3	25.0	0.3
Int'l Equity	19.1	19.0	0.1
US Fixed Income	29.5	30.0	-0.5
TIPS	14.7	15.0	-0.3
REITs	8.2	8.0	0.2
Commodities	3.2	3.0	0.2
Total	100.0	100.0	0.0

<sup>69</sup> The weighted policy benchmark returns for Judges II and LTC are based on asset class index returns weighted by asset class policy targets.

\* The policy allocation targets shown for Judges II are as of 10/1/2011 and for LTC are as of 12/31/2011. The LTC fund is currently transitioning towards a different asset allocation mix. The process was initiated in September 2011 and is expected to be completed in summer of 2012.



## Commentary – Total Fund

- ◆ For the quarter ended June 30, 2012, the Judges II (JRS II) reported a total return of -2.6%, mirroring its weighted policy benchmark's return. The Plan's long-term performance matched well against its policy benchmark and has outperformed over the three-year mark.
- ◆ The Long-Term Care Program (LTC) generated a second quarter return of -0.5% and marginally trailed its weighted policy benchmark's return of -0.4%. The LTC's longer term record has also done well, outpacing its policy benchmark over the three-year and ten-year periods.
- ◆ At the end of the quarter, Judges II was overweight in global equity, public real estate securities and commodities while underweight in U.S. fixed income and TIPS.
- ◆ The LTC was overweight in equities, public real estate securities and commodities while underweight in U.S. fixed income and TIPS.

## Asset Class Performance Results – Judges II

### Judges II Asset Class Performance Periods Ended June 30, 2012

	<b>Market Value</b>	<b>Qtr</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Ten Year</b>
<b>JRS II Global Equity</b>	<b>\$406.5 mil</b>	<b>-5.6%</b>	<b>-6.3%</b>	<b>11.2%</b>	<b>-2.7%</b>	<b>5.0%</b>
<i>Global Equity Benchmark</i> <sup>70</sup>		-5.6	-6.2	11.2	-2.6	5.0
<b>JRS II US Fixed Income</b>	<b>\$125.8 mil</b>	<b>4.2</b>	<b>13.8</b>	<b>13.0</b>	<b>9.6</b>	<b>7.3</b>
<i>Custom Benchmark</i> <sup>71</sup>		4.5	15.1	11.0	9.4	6.7
<b>JRS II TIPS</b>	<b>\$37.7 mil</b>	<b>3.2</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<i>Custom Benchmark</i> <sup>72</sup>		3.2	--	--	--	--
<b>JRS II REITs</b>	<b>\$52.2 mil</b>	<b>2.0</b>	<b>2.2</b>	<b>21.3</b>	<b>-3.3</b>	<b>--</b>
<i>Custom Benchmark</i> <sup>73</sup>		2.1	2.4	21.4	-3.8	--
<b>JRS II Commodities</b>	<b>\$20.2 mil</b>	<b>-12.1</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<i>GSCI Total Return Index</i>		-12.4	--	--	--	--

<sup>70</sup> The JRS II Global Equity Benchmark is a custom global benchmark maintained by FTSE starting on 9/8/2011. Prior of that it is calculated as an asset weighted benchmark of its underlying domestic and international funds.

<sup>71</sup> The current US Fixed Income Custom Benchmark is the Barclays Long Liability Index. Barclays Long Liability ex TIPS was used as the benchmark between June 2005 and May 2007. Prior of that the benchmark was Citigroup LPF.

<sup>72</sup> The TIPS benchmark is the Barclays U.S. TIPS Index.

<sup>73</sup> The REIT Custom Benchmark is the FTSE EPRA/NAREIT Developed Index. Historically, it has been the Wilshire RESI and REIT Indices.



## Commentary – Judges II

- ◆ JRS II's global equity portfolio fell -5.6% during Q2, performing on par with its custom benchmark. Over the one-year and longer periods, the portfolio continues to track very closely to its custom benchmark.
- ◆ The Judges II's US fixed income portfolio generated the highest return among all segments this quarter, returning 4.2%, but slightly trailed its custom benchmark, the Barclays Long Liability Index. Over the long-term, the fixed income portfolio's track record has also done well versus the benchmark.
- ◆ The recently funded TIPS portfolio appreciated 3.2% during this quarter and matched the Barclays U.S. TIPS Index.
- ◆ The plan's REIT portfolio posted a small but positive gain of 2.0% in the second quarter, nearly matching its custom benchmark, currently the FTSE EPRA/NAREIT Developed Index. In absolute terms, the REIT portfolio's track record has done well over the one-year and three-year periods, but it still lags the custom benchmark by a small margin.
- ◆ The relatively new commodities portfolio was the worst performing segment during the second quarter, declining -12.1%, but it fared slightly better than the -12.4% return of the GSCI Total Return Index.



## Asset Class Performance Results – Long-Term Care

### Long-Term Care Asset Class Performance Periods Ended June 30, 2012

	<b>Market Value</b>	<b>Qtr</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Ten Year</b>
<b>LTC US Equity</b>	<b>\$888.7 mil</b>	<b>-2.9%</b>	<b>5.0%</b>	<b>16.1%</b>	<b>0.0%</b>	<b>5.1%</b>
<i>Custom Benchmark <sup>74</sup></i>		-2.9	4.9	16.1	-0.1	5.1
<b>LTC Int'l Equity</b>	<b>\$669.7 mil</b>	<b>-7.2</b>	<b>-14.5</b>	<b>6.6</b>	<b>-5.2</b>	<b>5.8</b>
<i>Custom Benchmark <sup>75</sup></i>		-7.3	-14.7	6.5	-5.2	5.7
<b>LTC US Fixed Income</b>	<b>\$1,034.7mil</b>	<b>4.2</b>	<b>13.8</b>	<b>13.0</b>	<b>9.6</b>	<b>7.4</b>
<i>Custom Benchmark <sup>76</sup></i>		4.5	15.1	11.0	9.4	6.7
<b>LTC TIPS</b>	<b>\$517.1 mil</b>	<b>3.2</b>	<b>11.6</b>	<b>9.5</b>	<b>8.6</b>	<b>--</b>
<i>Barclays U.S. TIPS Index</i>		3.2	11.7	9.6	8.4	--
<b>LTC REITs</b>	<b>\$286.4 mil</b>	<b>2.0</b>	<b>2.2</b>	<b>21.3</b>	<b>-3.7</b>	<b>--</b>
<i>Custom Benchmark <sup>77</sup></i>		2.1	2.4	21.4	-3.8	--
<b>LTC Commodities</b>	<b>\$110.8 mil</b>	<b>-12.1</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<i>GSCI Total Return Index</i>		-12.4	--	--	--	--

## Commentary – Long-Term Care

- ◆ The LTC US equity fund, which is invested in the Custom S&P 500 ex-Tobacco Index Fund, was down -2.9% for the quarter and matched the return of its custom benchmark. The US equity fund has continued to track very closely to the S&P 500 ex-Tobacco Index over longer-term periods.
- ◆ The LTC international equity fund was also down for the quarter, with a return of -7.2% that was close to the -7.3% reported by its custom benchmark, the FTSE Developed World ex-US & Tobacco Index. Over the long term, the fund continues to track closely to the benchmark.

<sup>74</sup> The LTC US Equity Custom Benchmark is a custom tobacco-free S&P 500 since February 2001 performance. Prior of that the benchmark was the S&P 500 Index.

<sup>75</sup> Effective October 1, 2006, the LTC Int'l Custom Benchmark is the FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was the MSCI EAFE Index (Net).

<sup>76</sup> The LTC US Fixed Income Custom Benchmark is the Barclays Long Liability Index. Barclays Long Liability ex TIPS ex High Yield was the benchmark between June 2007 and July 2005. Prior of that the benchmark was the Barclays Aggregate Bond Index.

<sup>77</sup> The REIT Custom Benchmark is the FTSE EPRA/NAREIT Developed Index. Historically, it has been the Wilshire RESI and REIT Indices.

## Commentary – Long-Term Care

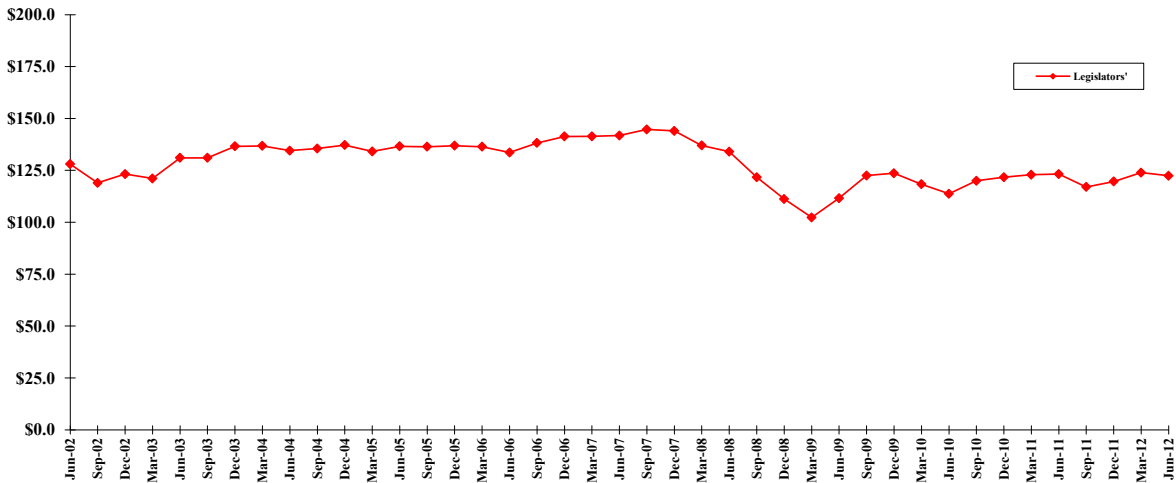
- ◆ The LTC U.S. fixed income portfolio became the highest returning segment during 2Q with a 4.2% gain, just modestly trailing its custom benchmark, the Barclays Long Liability Index by 23 bps. Over the long-term, the fixed income portfolio's track record also fared well relative to the benchmark.
- ◆ The LTC TIPS portfolio matched its custom benchmark, currently the Barclays U.S. TIPS Index, for the quarter with a solid gain of 3.2%. The TIPS portfolio is performing in line with expectations and has added value over the five-year period.
- ◆ The REIT portfolio finished the second quarter in the positive territory, with a return of 2.0% that nearly matched its custom benchmark, currently the FTSE EPRA/NAREIT Developed Index. The REIT portfolio's longer-term track record has done well and continues to track relatively close to its benchmark.
- ◆ The relatively new commodities portfolio (funded just 7 months ago) saw a steep decline and finished the quarter down -12.1%, although this performance fared slightly better than its benchmark, the GSCI Total Return Index, which was down -12.4%.



## **Legislators' Information**

## California Legislators' Retirement System

### Growth in Assets



### Total Fund Performance Results

#### Total Fund Performance Periods Ended June 30, 2012

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>LRS</b>	\$122.4 mil	0.3%	6.5%	12.8%	5.2%	6.8%
<i>Weighted Policy Benchmark</i> <sup>78</sup>		0.4	7.4	11.9	5.1	6.8

### Asset Allocation

Asset Class	Actual	Policy	Difference
Global Equity	32.4%	32.0%	+0.4%
US Fixed Income	41.4	42.0	-0.6
TIPS	14.8	15.0	-0.2
REITs	8.2	8.0	+0.2
Commodities	<u>3.2</u>	<u>3.0</u>	<u>+0.2</u>
	100.0	100.0	0.0

<sup>78</sup> The weighted policy benchmark returns are calculated based on asset class index returns weighted by asset class policy targets.



## Commentary

- ◆ The California Legislators' Retirement System ("LRS, the System") generated a small positive return of 0.3% for the second quarter of 2012 that just marginally trailed its weighted policy benchmark, which returned 0.4%. While the System's one-year return was behind the policy benchmark by a notable margin, its longer-term track record has otherwise performed relatively well, beating its policy benchmark over the three- and five-year marks.
- ◆ As of June 30, the System was slightly overweight in global equity, REITs and commodities while underweight in U.S. fixed income and TIPS.

## Asset Classes Performance Results

### Asset Class Performance Periods Ended June 30, 2012

	<b>Market Value</b>	<b>Qtr</b>	<b>One Year</b>	<b>Three Year</b>	<b>Five Year</b>	<b>Ten Year</b>
<b>LRS Global Equity</b>	<b>\$39.7 mil</b>	<b>-5.6%</b>	<b>-5.6%</b>	<b>11.6%</b>	<b>-2.4%</b>	<b>4.8%</b>
<i>Global Equity Benchmark</i> <sup>79</sup>		-5.6	-5.5	11.7	-2.4	4.8
<b>LRS US Fixed Income</b>	<b>\$50.7 mil</b>	<b>4.2</b>	<b>13.8</b>	<b>13.0</b>	<b>9.5</b>	<b>7.3</b>
<i>Custom Benchmark</i> <sup>80</sup>		4.5	15.1	11.0	9.4	7.5
<b>LRS TIPS</b>	<b>\$18.1 mil</b>	<b>3.2</b>	<b>11.6</b>	<b>9.5</b>	<b>8.6</b>	<b>--</b>
<i>Custom Benchmark</i> <sup>81</sup>		3.2	11.7	9.6	8.4	--
<b>LRS REITs</b>	<b>\$10.0 mil</b>	<b>2.0</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<i>Custom Benchmark</i> <sup>82</sup>		2.1	--	--	--	--
<b>LRS Commodities</b>	<b>\$3.9 mil</b>	<b>-12.1</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<i>GSCI Total Return Index</i>		-12.4	--	--	--	--

<sup>79</sup> The LRS Global Equity Benchmark is a custom global benchmark maintained by FTSE starting on 9/8/2011. Prior of that it is calculated as an asset weighted benchmark of its underlying domestic and international funds.

<sup>80</sup> The current benchmark is the Barclays Long Liability Index. Barclays Long Liability ex TIPS was used as the benchmark between June 2005 and May 2007. Prior of that the benchmark was Citigroup LPF.

<sup>81</sup> The current benchmark is the Barclays U.S. TIPS Index. Prior of July 2007 the benchmark was the Barclays Long Liability TIPS Index.

<sup>82</sup> The REIT Custom Benchmark is the FTSE EPRA/NAREIT Developed Index.

## Commentary

- ◆ The System's global equity portfolio fell -5.6% during the second quarter of 2012, but matched the performance of its custom benchmark.
- ◆ LRS' U.S. fixed income portfolio earned a solid gain of 4.2% for the quarter that was 23 bps behind its custom benchmark, the Barclays Long Liability Index. Over the long-term, the portfolio's track record has done well relative to the benchmark.
- ◆ The LRS TIPS portfolio's 2Q return of 3.2% matched its custom benchmark, currently the Barclays U.S. TIPS Index. The TIPS portfolio is performing in line with expectations and has added value over the five-year period.
- ◆ The LRS REIT portfolio, which was funded in late 2011, finished the second quarter of 2012 with a small gain of 2.0%, mirroring its custom benchmark.
- ◆ The LRS commodities portfolio, funded together with the REITs allocation, was down -12.1% for the quarter but performed slightly better than the GSCI Total Return Index's -12.4% return.

*CalPERS  
Performance Analysis  
June 30, 2012*



## **California Employers' Retiree Benefit Trust**





## California Employers' Retiree Benefit Trust Strategy 1

### Asset Allocation

Asset Class	Actual	Policy*	Difference
US Equity	34.5%	35.0%	-0.5%
International Equity	30.2	31.0	-0.8
US Bonds	17.2	18.0	-0.8
High Yield	0.0	0.0	0.0
TIPS	4.8	5.0	-0.2
REITS	7.9	8.0	-0.1
Commodities	3.1	3.0	+0.1
Cash Equivalents	<u>2.3</u>	<u>0.0</u>	<u>+2.3</u>
	100.0	100.0	0.0

### Total Fund Performance Results

#### Total Fund Performance Periods Ended June 30, 2012

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
<b>Total Fund</b>	\$1,750.3 mil	-2.5%	0.2%	13.2%	1.2%	--%
<i>Benchmark</i>		-2.4	0.5	12.9	0.9	--
<b>Domestic Equity</b>	603.0 mil	-2.9	5.0	16.1	-0.2	--
<i>Benchmark</i>		-2.9	4.9	16.1	-0.1	--
<b>International Equity</b>	529.3 mil	-7.2	-14.5	6.6	-5.1	--
<i>Benchmark</i>		-7.3	-14.7	6.5	-5.2	--
<b>Fixed Income</b>	300.8 mil	4.2	13.8	13.0	9.5	--
<i>Benchmark</i>		4.5	15.1	11.0	9.4	--
<b>High Yield</b>	0.03 mil	1.4	-2.7	13.7	--	--
<i>Benchmark</i>		1.6	7.2	15.7	--	--
<b>REITs</b>	138.7 mil	2.0	2.2	21.2	-3.0	--
<i>Benchmark</i>		2.1	2.4	21.4	-3.8	--
<b>TIPS</b>	83.5 mil	3.2	--	--	--	--
<i>Benchmark</i>		3.2	--	--	--	--
<b>Commodities</b>	53.7 mil	-12.1	--	--	--	--
<i>Benchmark</i>		-12.4	--	--	--	--
<b>Cash</b>	41.2 mil	0.0	0.0	0.2	1.2	--

\* The policy asset allocation targets shown are interim targets as of 1/1/2012. The CERBT Strategy 1 is currently transitioning towards a different asset allocation mix. The process was initiated in September 2011 and is expected to be completed in summer of 2012.



## California Employers' Retiree Benefit Trust Strategy 2

### Asset Allocation

Asset Class	Actual	Policy*	Difference
US Equity	20.2%	20.0%	+0.2%
International Equity	30.1	30.0	+0.1
US Bonds	23.5	24.0	-0.5
TIPS	14.7	15.0	-0.3
REITS	8.1	8.0	+0.1
Commodities	3.2	3.0	+0.2
Cash Equivalents	<u>0.2</u>	<u>0.0</u>	<u>+0.2</u>
	100.0	100.0	0.0

### Total Fund Performance Results

#### Total Fund Performance Periods Ended June 30, 2012

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
<b>Total Fund</b>	\$297.0 mil	-1.4%	--	--%	--%	--%
<i>Benchmark</i>		-1.3	--	--	--	--
<b>Domestic Equity</b>	60.0 mil	-2.9	--	--	--	--
<i>Benchmark</i>		-2.9	--	--	--	--
<b>International Equity</b>	89.2 mil	-7.2	--	--	--	--
<i>Benchmark</i>		-7.3	--	--	--	--
<b>Fixed Income</b>	69.9 mil	4.2	--	--	--	--
<i>Benchmark</i>		4.5	--	--	--	--
<b>TIPS</b>	43.7 mil	3.2	--	--	--	--
<i>Benchmark</i>		3.2	--	--	--	--
<b>REITs</b>	24.2 mil	2.0	--	--	--	--
<i>Benchmark</i>		2.1	--	--	--	--
<b>Commodities</b>	9.3 mil	-12.1	--	--	--	--
<i>Benchmark</i>		-12.4	--	--	--	--
<b>Cash</b>	0.7 mil	0.0	--	--	--	--

\* The policy asset allocation targets shown are interim targets as of 10/1/2011. The CERBT Strategy 2 is currently transitioning towards a different asset allocation mix. The process was initiated in September 2011 and is expected to be completed in summer of 2012.



## California Employers' Retiree Benefit Trust Strategy 3

### Asset Allocation

Asset Class	Actual	Policy*	Difference
US Equity	13.0%	12.8%	+0.2%
International Equity	19.4	19.2	+0.2
US Bonds	41.4	42.0	-0.6
TIPS	14.8	15.0	-0.2
REITS	8.2	8.0	+0.2
Commodities	3.2	3.0	+0.2
Cash Equivalents	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	100.0	100.0	0.0

### Total Fund Performance Results

#### Total Fund Performance Periods Ended June 30, 2012

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
<b>Total Fund</b>	\$6.2 mil	0.2%	-.%	-.%	-.%	-.%
<i>Benchmark</i>		0.5	--	--	--	--
<b>Domestic Equity</b>	0.8 mil	-2.9	--	--	--	--
<i>Benchmark</i>		-2.9	--	--	--	--
<b>International Equity</b>	1.2 mil	-7.2	--	--	--	--
<i>Benchmark</i>		-7.3	--	--	--	--
<b>Fixed Income</b>	2.5 mil	4.2	--	--	--	--
<i>Benchmark</i>		4.5	--	--	--	--
<b>TIPS</b>	0.9 mil	3.2	--	--	--	--
<i>Benchmark</i>		3.2	--	--	--	--
<b>REITs</b>	0.5 mil	2.0	--	--	--	--
<i>Benchmark</i>		2.1	--	--	--	--
<b>Commodities</b>	0.2 mil	-12.1	--	--	--	--
<i>Benchmark</i>		-12.4	--	--	--	--
<b>Cash</b>	0.0 mil	0.0	--	--	--	--

\* The policy asset allocation targets shown are interim targets as of 10/1/2011. The CERBT Strategy 3 is currently transitioning towards a different asset allocation mix. The process is expected to be completed in summer of 2012.

CalPERS  
Performance Analysis  
June 30, 2012



## Health Care Bond Fund

### Total Fund Performance Results

#### Total Fund Performance Periods Ended June 30, 2012

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>Health Care Bond Fund</b>	\$487.3 mil	2.1%	7.2%	8.0%	6.7%	--%
<i>Benchmark</i>		2.1	7.5	6.9	6.8	--



## **Supplemental Income Plans**

CalPERS  
Performance Analysis  
June 30, 2012



## Supplemental Income Plan Performance

### Net Fund Performance Results – Supplemental Contribution Plan

Periods Ended June 30, 2012

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>
<b>CalPERS International Index</b>	\$191.1 thous	-7.2	-14.6	6.5	--
<i>FTSE Dev. World Index Ex-US</i>		-7.3	-14.7	6.6	--
<b>CalPERS Small/Mid Equity Index</b>	\$383.9 thous	-3.8	-1.8	19.2	--
<i>Russell 2500</i>		-4.1	-2.3	19.1	--
<b>CalPERS Target 2010</b>	\$102.6 thous	-1.6	2.0	9.5	--
<i>SIP 2010 Index</i>		-1.0	3.2	10.9	--
<b>CalPERS Target 2015</b>	\$14.5 thous	-2.3	0.8	10.1	--
<i>SIP 2015 Index</i>		-1.5	2.3	11.3	--
<b>CalPERS Target 2020</b>	\$81.3 thous	-2.9	-0.3	10.6	--
<i>SIP 2020 Index</i>		-2.2	1.2	11.8	--
<b>CalPERS Target 2025</b>	\$62.4 thous	-3.8	-1.8	--	--
<i>SIP 2020 Index</i>		-3.0	-0.1	--	--
<b>CalPERS Target 2030</b>	\$0.4 thous	-4.5	-2.6	11.7	--
<i>SIP 2030 Index</i>		-3.5	-0.8	12.8	--
<b>CalPERS Target 2035</b>	\$8.3 thous	-5.0	-3.4	--	--
<i>SIP 2035 Index</i>		-4.0	-1.6	--	--
<b>CalPERS Target 2040</b>	\$86.6 thous	-5.3	-3.7	12.1	--
<i>SIP 2040 Index</i>		-4.3	-1.9	13.3	--
<b>CalPERS Target 2045</b>	\$39.2 thous	-5.3	-3.7	--	--
<i>SIP 2045 Policy</i>		-4.3	-1.9	--	--
<b>CalPERS Total Return Bond Fund</b>	\$456.0 thous	2.0	6.9	7.6	--
<i>Barclays Aggregate Bond Index</i>		2.1	7.5	6.9	--
<b>CalPERS Target Income</b>	\$183.8 thous	-0.7	3.3	8.0	--
<i>SIP Income Policy</i>		-0.2	4.4	9.2	--
<b>CalPERS TIPS Securities</b>	\$601.5 thous	3.1	11.3	9.2	--
<i>Barclays U.S. TIP Index</i>		3.1	11.7	9.6	--
<b>PIMCO Short Term Bond Fund</b>	\$28.0 thous	0.3	0.5	--	--
<i>CalPERS ML 6-month T-Bill</i>		0.1	0.2	--	--

CalPERS  
Performance Analysis  
June 30, 2012



	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>
<b>CalPERS Aggressive Asset Allocation Fund</b> <i>SIP Aggressive Policy</i>	\$20.5 thous	-5.3 -4.3	-3.7 -1.9	12.1 13.3	-- --
<b>CalPERS Moderate Asset Allocation Fund</b> <i>SIP Moderate Policy</i>	\$14.5 mil	-3.1 -2.4	-0.2 1.2	10.4 11.6	-- --
<b>CalPERS Conservative Asset Allocation</b> <i>SIP Conservative Policy</i>	\$212.9 thous	-0.7 -0.2	3.3 4.4	7.9 9.2	-- --
<b>CalPERS S&amp;P 500 Equity Index</b> <i>S&amp;P 500 Index</i>	\$858.2 thous	-2.7 -2.7	5.4 5.4	16.4 16.4	-- --
<b>AllianceBernstein Large Cap Value</b> <i>Russell 1000 Value</i>	\$8.3 thous	-7.2 -2.2	-6.6 3.0	10.6 15.8	-- --
<b>Pyramis Select International</b> <i>CalPERS FTSE Dev World x-US</i>	\$18.7 thous	-6.5 -7.2	-13.3 -14.3	6.9 6.5	-- --
<b>Turner Large Cap Growth</b> <i>Russell 1000 Growth</i>	\$58.2 thous	-8.0 -4.0	-2.8 5.8	12.3 17.5	-- --
<b>The Boston Company SMID Growth</b> <i>Russell 2500 Growth</i>	\$15.0 thous	-3.6 -5.4	5.2 -3.2	-- --	-- --
<b>The Boston Company SMID Value</b> <i>Russell 2500 Value</i>	\$4.6 thous	-6.0 -3.0	-- --	-- --	-- --
<b>SSgA STIF</b> <i>BofAML 3-month US T-Bill</i>	\$713.1 thous	0.0 0.0	-0.1 0.0	-- --	-- --
<b>SCP Aggregate</b> <i>CalPERS Custom SCP Plan</i>	\$18.6 mil	-2.8 -2.1	0.0 1.3	10.0 11.2	-- --

### Net Fund Performance Results – State Peace Officers' & Firefighters' (POFF) Defined Contribution Plan

Periods Ended June 30, 2012

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>State Peace Officers' &amp; Firefighters Plan (POFF)</b> <i>SIP Moderate Policy</i>	\$467.1 mil	-3.1% -2.4	-0.2% 1.2	10.4% 11.6	0.8% 2.0	4.6% 5.7

CalPERS  
Performance Analysis  
June 30, 2012



### CalPERS 457 Program Net Funds Periods Ended June 30, 2012

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>CalPERS S&amp;P 500 Equity Index</b>	\$152.0 mil	-2.8	5.1	16.1	0.0	5.1
<i>S&amp;P 500 Index</i>		-2.7	5.4	16.4	0.2	5.3
<b>AllianceBernstein Large Cap Value</b>	\$4.6 mil	-7.2	-6.8	10.4	-4.3	--
<i>Russell 1000 Value</i>		-2.2	3.0	15.8	-2.2	--
<b>Turner Large Cap Growth</b>	\$43.4 mil	-8.1	-3.1	12.1	-1.8	--
<i>Russell 1000 Growth</i>		-4.0	5.8	17.5	2.9	--
<b>CalPERS Small/Mid Equity Index</b>	\$119.3 mil	-3.9	-2.1	18.9	0.9	--
<i>Russell 2500 Index</i>		-4.1	-2.3	19.1	1.2	--
<b>CalPERS Total Return Bond Fund</b>	\$61.9 mil	2.0	6.7	7.4	6.1	--
<i>Barclays Aggregate</i>		2.1	7.5	6.9	6.8	--
<b>CalPERS TIPS Securities</b>	\$42.3 mil	3.1	11.0	9.0	8.1	--
<i>Barclays U.S. TIPS Index</i>		3.2	11.7	9.6	8.4	--
<b>CalPERS International Index</b>	\$14.6 mil	-7.3	-14.8	6.2	-5.6	--
<i>FTSE Dev. World Index Ex-US</i>		-7.3	-14.7	6.6	-5.0	--
<b>Boston Company SMID Growth</b>	\$5.5 mil	-3.6	5.2	20.2	--	--
<i>Russell 2500 Growth Index</i>		-5.4	-3.2	19.4	--	--
<b>Boston Company SMID Value</b>	\$2.3 mil	-6.0	-3.4	14.2	--	--
<i>Russell 2500 Value Index</i>		-3.0	-1.5	18.8	--	--
<b>Pyramis Select International</b>	\$29.7 mil	-6.5	-13.5	6.8	--	--
<i>CalPERS FTSE Dev World x-US</i>		-7.2	-14.3	6.5	--	--
<b>CalPERS Conservative Asset Allocation</b>	\$36.1 mil	-0.7	3.2	7.9	--	--
<i>SIP Conservative Index</i>		-0.2	4.4	9.2	--	--
<b>CalPERS Moderate Asset Allocation Fund</b>	\$106.9 mil	-3.2	-0.3	10.4	--	--
<i>SIP Moderate Policy</i>		-2.4	1.2	11.6	--	--
<b>CalPERS Aggressive Asset Allocation</b>	\$50.1 mil	-5.3	-3.8	12.0	--	--
<i>SIP Aggressive Policy</i>		-4.3	-1.9	13.3	--	--
<b>CalPERS Target Income Fund</b>	\$12.6 mil	-0.7	3.2	7.9	--	--
<i>SIP Income Policy</i>		-0.2	4.4	9.2	--	--



CalPERS  
Performance Analysis  
June 30, 2012



**CalPERS 457 Program Net Funds**  
**Periods Ended June 30, 2012**

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
<b>CalPERS Target 2005 Fund</b>	\$2.0 mil	-1.2	2.3	8.7	--	--
<i>SIP 2005 Policy</i>		-0.6	3.5	10.2	--	--
<b>CalPERS Target 2010 Fund</b>	\$15.7 mil	-1.7	1.9	9.4	--	--
<i>SIP 2010 Policy</i>		-1.0	3.2	10.9	--	--
<b>CalPERS Target 2015 Fund</b>	\$22.5 mil	-2.3	0.8	10.0	--	--
<i>SIP 2015 Policy</i>		-1.5	2.3	11.3	--	--
<b>CalPERS Target 2020 Fund</b>	\$29.5 mil	-3.0	-0.4	10.5	--	--
<i>SIP 2020 Policy</i>		-2.2	1.2	11.8	--	--
<b>CalPERS Target 2025 Fund</b>	\$11.7 mil	-3.9	-1.9	11.0	--	--
<i>SIP 2025 Policy</i>		-2.9	-0.1	12.2	--	--
<b>CalPERS Target 2030 Fund</b>	\$17.1 mil	-4.4	-2.5	11.7	--	--
<i>SIP 2030 Policy</i>		-3.5	-0.8	12.8	--	--
<b>CalPERS Target 2035 Fund</b>	\$4.7 mil	-5.0	-3.5	12.0	--	--
<i>SIP 2035 Policy</i>		-4.0	-1.6	13.3	--	--
<b>CalPERS Target 2040 Fund</b>	\$9.4 mil	-5.3	-3.8	12.0	--	--
<i>SIP 2040 Policy</i>		-4.3	-1.9	13.3	--	--
<b>CalPERS Target 2045 Fund</b>	\$1.0 mil	-5.3	-3.8	12.0	--	--
<i>SIP 2045 Policy</i>		-4.3	-1.9	13.3	--	--
<b>CalPERS Target 2050 Fund</b>	\$0.5 mil	-5.3	-3.8	12.0	--	--
<i>SIP 2050 Policy</i>		-4.3	-1.9	13.3	--	--
<b>SSgA STIF</b>	\$145.4 mil	-0.1	-0.4	--	--	--
<i>BofAML 3-month US T-Bill</i>		0.0	0.0	--	--	--
<b>PIMCO Short-Term Bond Fund</b>	\$8.5 mil	0.2	0.3	--	--	--
<i>ML 6-month T-Bill</i>		0.0	0.2	--	--	--
<b>457 Aggregate</b>	\$949.4 mil	-2.6	0.0	9.2	0.9	4.2
<i>CalPERS Custom 457 Plan Index</i>		-2.1	1.1	9.8	1.4	4.5