



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

First Quarter 2013

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Capital Market Overview

The first quarter of 2013 found U.S. and Asia-Pacific stock markets sprinting out of the gate and posting impressive performance, while European stocks, emerging market equities and fixed income struggled to overcome economic and political headwinds. In the United States, recovery from the Great Recession continued, but at a markedly slower pace; real Gross Domestic Product expanded at a scant 0.4% annual rate in the fourth quarter of 2012, much lower than the 3.1% annual pace set in the previous quarter. Dramatic cuts in federal spending during the fourth quarter overwhelmed signs of economic recovery in the private sector. This challenging economic environment is likely to continue into 2013, as automatic cuts in government spending took effect as of March 1. The unemployment rate, however, has continued to fall, hitting 7.7% in February 2013. Consumer-level inflation picked up in the first quarter, with the CPI- All Urban Consumers rising 1.38%. Fully 0.51% of that increase was due to food and energy, especially fuel prices; crude oil prices rose 5.9% over the first quarter, closing at \$97.23 per barrel. The bellwether ten-year breakeven inflation rate closed the first quarter at 2.52%. Gold prices continued to retreat from their 2012 highs, ending the quarter at \$1,596.90 per troy ounce, down 4.7% from year-end 2012. U.S. real estate markets have experienced difficulty in sustaining positive momentum since the Great Recession ended in March 2009. In several major markets, ample supply of foreclosed properties and lively short-sale activity have served to slow down price recovery. However, with continued low interest rates spurring prime borrowing opportunities for home buyers, real estate activity has picked up and pushed home prices solidly upward since the last half of 2012. Low interest rates worldwide have driven bond investors to seek out yield wherever they can find it, and economic turmoil has not made their quest easy. Many countries have experienced significant slowdowns in their economies in recent months, raising new challenges for investors along the way.

U.S. Equity Market

The U.S. stock market got off to a terrific start in 2013, with the Wilshire 5000 Total Market IndexSM posting an impressive 10.91% total return during the first quarter, bettering the 10.61% return of the S&P 500 Index. This marked the fourth consecutive year that the stock market has delivered strong gains to start the year, rising 6.04% in Q1 2010, 6.18% in Q1 2011 and 12.76% in Q1 2012. Stocks rose in all three months of the quarter, but showed their largest gains in January when they were up 5.42%. March represented the Wilshire 5000's fifth consecutive monthly gain and its eighth advance in the last nine months. Since its recent closing low of March 2009, the market has returned a staggering 158.75% through the end of March 2013. Small capitalization stocks built off of their performance advantage established in the fourth quarter of 2012 to once again outpace larger stocks in early 2013. For the quarter, the Wilshire US Small-Cap Index returned 13.11%, eclipsing a more than respectable 10.65% gain for the Wilshire U.S. Large-Cap Index. Microcap stocks were the best performing size segment for the quarter, advancing 15.21%. Despite delivering a 9.11% return, the Wilshire U.S. Large-Cap Growth Index trailed all other style groups during the first quarter of 2013 (Wilshire U.S. Large-Cap Value, 12.04%; U.S. Small-Cap Growth, 13.36%; U.S. Small-Cap Value, 12.90%). All economic sectors of the Wilshire 5000 enjoyed positive total returns through the first quarter. Healthcare, Consumer Staples and Utilities, however, were the best performers with quarterly returns of 15.56%, 14.66% and 13.42%, respectively. The Materials and Information Technology sectors were laggards. While robust from an

absolute return perspective, these economic sectors gave investors below-market returns of 5.11% and 4.88%, respectively.

Fixed Income Market

Treasury yields rose over the first two months of the first quarter as investors rotated out of low-yielding Treasuries into equities or lower-quality, higher-yield bonds. The bellwether ten-year Treasury yield actually topped 2.0% over multiple trading days, a phenomenon not seen since late April of 2012. As the package of automatic spending cuts known as the “sequester” kicked in on March 1, investors returned to the safety of Treasuries, lowering yields over the month of March. However, Treasury yields past five years maturity ended the quarter slightly higher than comparable yields as of year-end 2012; ten-year Treasuries rose 9 basis points to 1.87%, while thirty-year Treasuries bumped up 15 bps to 3.10%. Unsurprisingly, shorter-term Treasuries outperformed longer-term issuance (Barclays U.S. Treasury 1-3 Years, 0.12%; Barclays U.S. Treasury Long, -2.26%). Corporate bonds slightly outperformed Treasuries and government-related paper thanks to a slight overall tightening of spreads (Barclays U.S. Treasury, -0.19%; Barclays U.S. Government-Related, -0.20%; Barclays U.S. Corporate Investment-Grade, -0.11%). Mortgage-backed and other securitized consumer loan instruments benefited from short durations (Barclays U.S. Securitized, -0.03%). High yield bonds picked up return from tighter spreads and strong equity markets and posted the best overall performance of the broad U.S. fixed income sectors (Barclays U.S. High Yield, 2.89%).

Non-U.S. Markets

European stock markets stumbled into 2013 trying to deal with multiple systemic challenges; local bourses performed relatively strongly, but not as well as other regions, and the resurgent U.S. dollar dampened returns on foreign investments for U.S.-based investors. The United Kingdom’s economic growth has been hobbled by fiscal instability and growing debt, and the European Union found itself fighting to maintain the solvency of yet another struggling member, in this case Cyprus (MSCI Europe, net dividends: 6.95% local currency, 2.71% U.S. dollar). The Asia-Pacific region, on the other hand, performed strongly as investors anticipated imminent action by the Bank of Japan to stimulate that nation’s stagnant economy (MSCI Pacific, net: 15.19% local, 9.74% USD). Emerging-market stocks experienced a pullback in the first quarter; the slowdown in China’s economy continued to unfold, with increased bellicose rhetoric from North Korea and the death of Hugo Chávez in Venezuela adding to investor anxiety (MSCI Emerging Markets, net: -0.49% local, -1.62% USD). Non-dollar developed market fixed income managed to post positive returns in local-currency (or fully-hedged) terms, but once again the strong U.S. dollar pulled back performance for U.S.-based investors (Barclays Global Aggregate ex-US: dollar-hedged, 1.06%, USD, -3.51%). Emerging market bonds, in contrast, benefited from the U.S. dollar’s weakness against their local currencies (Barclays Emerging Markets Local Currency Government Universal: dollar-hedged, 0.66%, USD, 1.01%).

CalPERS
Performance Analysis
March 31, 2013



Summary of Index Returns

For Periods Ended March 31, 2013

	<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Domestic Equity					
Standard & Poor's 500	10.61%	13.95%	12.67%	5.80%	8.53%
Wilshire 5000	10.91	14.15	12.82	6.27	9.32
Wilshire 4500	12.93	16.67	14.36	8.74	12.39
Wilshire Large Cap	10.65	13.67	12.59	5.82	8.84
Wilshire Small Cap	13.11	18.55	15.11	10.32	13.39
Wilshire Micro Cap	15.21	17.62	12.05	7.82	11.32
Domestic Equity					
Wilshire Large Value	12.04%	16.78%	13.40%	4.79%	8.97%
Wilshire Large Growth	9.11	10.35	11.63	6.72	8.59
Wilshire Mid Value	14.10	21.61	15.07	9.47	11.27
Wilshire Mid Growth	12.96	13.89	13.88	9.68	13.71
Wilshire Small Value	12.90	20.61	14.00	9.96	12.80
Wilshire Small Growth	13.36	16.27	16.01	10.57	13.88
International Equity					
MSCI All World ex U.S. (USD)	3.17%	8.36%	4.41%	-0.39%	10.93%
MSCI All World ex U.S. (local currency)	6.89	14.06	5.02	1.52	8.97
MSCI EAFE	5.13	11.25	5.00	-0.89	9.69
MSCI Europe	2.71	10.56	4.80	-2.08	9.72
MSCI Pacific	9.74	12.84	5.72	1.85	9.63
MSCI Emerging Markets Index	-1.62	1.95	3.27	1.09	17.05
Domestic Fixed Income					
Barclays Aggregate Bond	-0.12%	3.77%	5.52%	5.47%	5.03%
Barclays Credit	-0.17	7.00	7.85	7.52	5.96
Barclays Mortgage	-0.05	1.97	4.17	5.15	4.98
Barclays Treasury	-0.19	3.14	5.39	4.45	4.63
Citigroup High Yield Cash Pay	2.78	12.53	11.12	11.06	9.69
Barclays US TIPS	-0.36	5.68	8.57	5.89	6.32
91-Day Treasury Bill	0.02	0.12	0.11	0.34	1.75
International Fixed Income					
Citigroup Non-U.S. Gov. Bond	-3.83%	-2.16%	3.33%	2.28%	5.58%
Citigroup World Gov. Bond	-2.77	-0.67	3.86	2.77	5.42
Citigroup Hedged Non-U.S. Gov.	1.27	5.46	4.06	4.29	4.30
Currency*					
Euro vs. \$	-2.60%	-3.57%	-1.73%	-4.12%	1.64%
Yen vs. \$	-8.04	-12.47	-0.21	1.15	2.35
Pound vs. \$	-6.59	-4.96	0.03	-5.24	-0.40
Real Estate					
Wilshire REIT Index	7.43%	14.02%	17.35%	6.32%	12.23%
Wilshire RESI	7.41	13.82	17.08	6.14	12.34

CalPERS
Performance Analysis
March 31, 2013



Summary Review of Plans Periods Ended 3/31/2013

	<u>Market Value</u>	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
TOTAL FUND for PERF	\$257.4 bil	4.5%	10.9%	9.1%	2.8%	8.1%
<i>Total Fund Policy Benchmark ¹</i>		3.8%	10.6%	9.3%	5.1%	8.9%
<i>Actuarial Rate</i>		1.8%	7.6%	7.7%	7.7%	7.7%
Affiliate Fund						
Judges II	\$782.3 mil	4.9%	11.0%	10.0%	5.4%	8.3%
<i>Weighted Policy Benchmark</i>		4.8%	10.7%	10.3%	5.5%	8.2%
Long-Term Care ("LTC")	\$3,849.2 mil	1.4%	7.3%	8.5%	5.3%	8.2%
<i>Weighted Policy Benchmark</i>		1.2%	6.9%	8.5%	5.2%	7.9%
CERBT Strategy 1	\$2,127.0 mil	4.9%	11.0%	9.5%	4.6%	-.%
<i>Weighted Policy Benchmark</i>		4.8%	11.0%	9.6%	4.6%	-.%
CERBT Strategy 2	\$387.1 mil	3.7%	10.3%	-.%	-.%	-.%
<i>Weighted Policy Benchmark</i>		3.6%	10.2%	-.%	-.%	-.%
CERBT Strategy 3	\$53.0 mil	2.2%	9.1%	-.%	-.%	-.%
<i>Weighted Policy Benchmark</i>		2.3%	9.1%	-.%	-.%	-.%
Legislators' Fund						
LRS	\$127.5 mil	2.5%	9.5%	9.6%	6.8%	7.8%
<i>Weighted Policy Benchmark</i>		2.4%	9.0%	9.7%	6.5%	7.7%

¹ 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 3/31/2013

	Market Value	Five-Year Ratios							
		Qtr	1-Year	3-Year	5-Year	10-Year	VaR ¹²	Sharpe ¹³	Info ¹⁴
TOTAL FUND	\$257.4 bil	4.5%	10.9%	9.1%	2.8%	8.1%	\$33.9 bil	0.2	-0.7
<i>Total Fund Policy Benchmark</i> ²		3.8%	10.6%	9.3%	5.1%	8.9%		0.4	0.0
<i>Actuarial Rate</i>		1.8%	7.6%	7.7%	7.7%	7.7%			
GROWTH	165.3	6.6%	12.5%	9.9%	3.3%	9.6%	\$33.5 bil	0.2	-0.5
<i>Growth Policy Benchmark</i> ³		6.2%	13.9%	9.6%	5.0%	10.3%		0.3	0.0
PUBLIC EQUITY	133.3	7.2%	12.0%	8.6%	3.0%	9.2%	\$25.8 bil	0.1	-0.3
<i>Public Equity Policy Benchmark</i> ⁴		7.1%	11.7%	8.4%	3.6%	9.6%		0.1	0.0
PRIVATE EQUITY	32.0	4.0%	13.8%	14.3%	5.5%	11.9%	\$10.1 bil	0.5	-0.4
<i>Private Equity Policy Benchmark</i> ⁵		2.9%	20.3%	12.8%	11.2%	12.9%		0.7	0.0
INCOME	41.2	-0.8%	6.7%	8.9%	8.2%	7.4%	\$5.1 bil	1.1	0.2
<i>Income Policy Benchmark</i> ⁶		-1.1%	5.5%	8.6%	7.4%	6.5%		1.1	0.0
REAL ASSETS ⁷	24.5	1.2%	12.0%	7.1%	-11.1%	3.3%	\$2.7 bil	-0.7	-1.1
<i>Real Assets Policy Benchmark</i> ⁸		2.4%	9.7%	11.7%	3.0%	8.8%		0.5	0.0
INFLATION	9.8	-0.6%	0.8%	7.9%	0.6%	-.%	\$0.6 bil	0.0	-0.2
<i>Inflation Policy Benchmark</i> ⁹		-0.3%	3.0%	6.8%	1.3%	-.%		0.1	0.0
LIQUIDITY	9.3	0.0%	1.7%	1.8%	1.5%	2.5%	\$0.4 bil	N/A	N/A
<i>Liquidity Policy Benchmark</i> ¹⁰		0.1%	2.2%	2.1%	1.7%	2.5%		N/A	N/A
ABSOLUTE RETURN STRATEGIES ¹¹	5.2	3.8%	5.6%	3.3%	1.7%	5.5%		0.2	-0.7
<i>Absolute Return Strategies Policy Benchmark</i> ¹¹		1.3%	5.3%	5.5%	6.1%	8.8%		10.8	0.0
MULTI-ASSET CLASS COMPOSITE	0.5	3.5%	-.%	-.%	-.%	-.%		N/A	N/A
<i>Absolute 7.5%</i>		1.8%	-.%	-.%	-.%	-.%		N/A	N/A
CURRENCY + ASSET ALLOCATION TRANSITION	1.6	-.%	-.%	-.%	-.%	-.%			

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

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

⁴ The Public Equity Policy Benchmark is a custom global benchmark maintained by FTSE.

⁵ 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%.

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

⁷ 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.

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

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

¹⁰ The Liquidity Policy Benchmark is a custom index maintained by State Street Bank.

¹¹ 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%.

¹² 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).

¹³ 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.

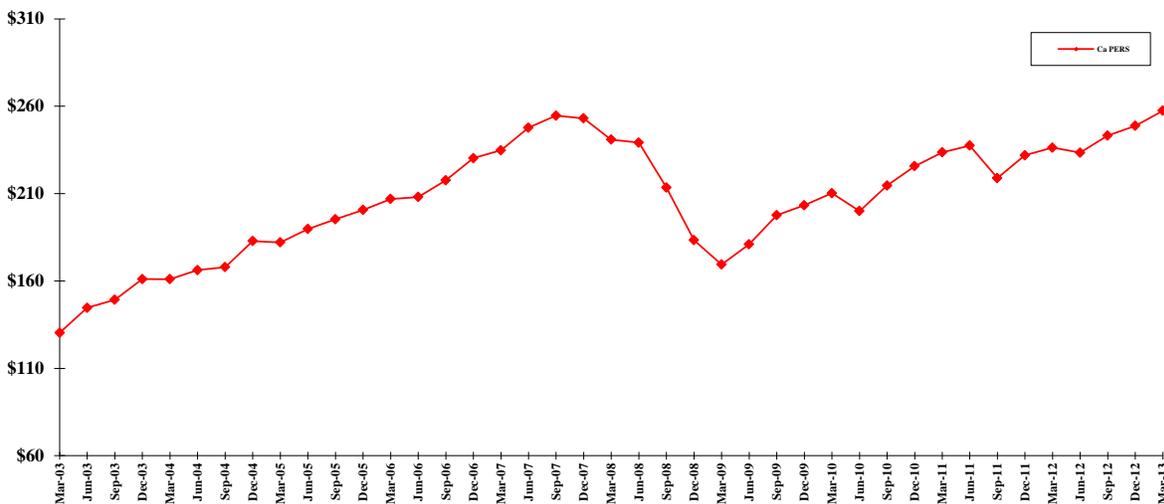
¹⁴ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.

Total Fund Review for PERF (continued) Periods Ended 3/31/2013

Total Fund Flow

	<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>	<u>3Q12</u>	<u>4Q12</u>	<u>1Q13</u>
Market Value (\$bil)	182.8	200.6	230.3	253.0	183.3	203.3	225.7	225.0	236.3	233.4	243.2	248.8	257.4

Total Fund Market Value



Asset Allocation

Asset Allocation: Actual versus Target Weights*

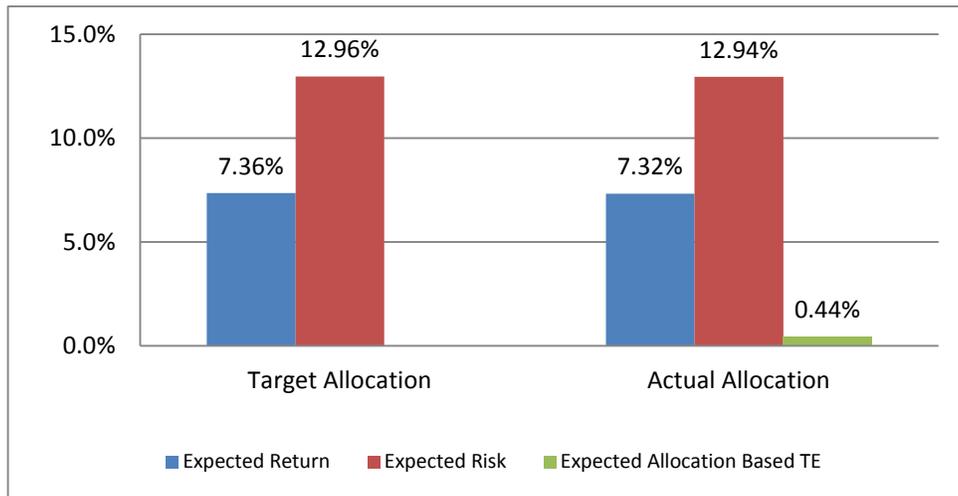
Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Growth	64.8%	64.0%	0.8%
Income	16.0%	17.0%	-1.0%
Real Assets	9.5%	11.0%	-1.5%
Inflation	3.8%	4.0%	-0.2%
ARS	2.0%	0.0%	2.0%
Liquidity	3.6%	4.0%	-0.4%
Multi-Asset	0.2%	0.0%	0.2%

* 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 3/31 cash allocation included transition assets that have been recaptured elsewhere since the adoption of a new asset allocation policy in July 2012.

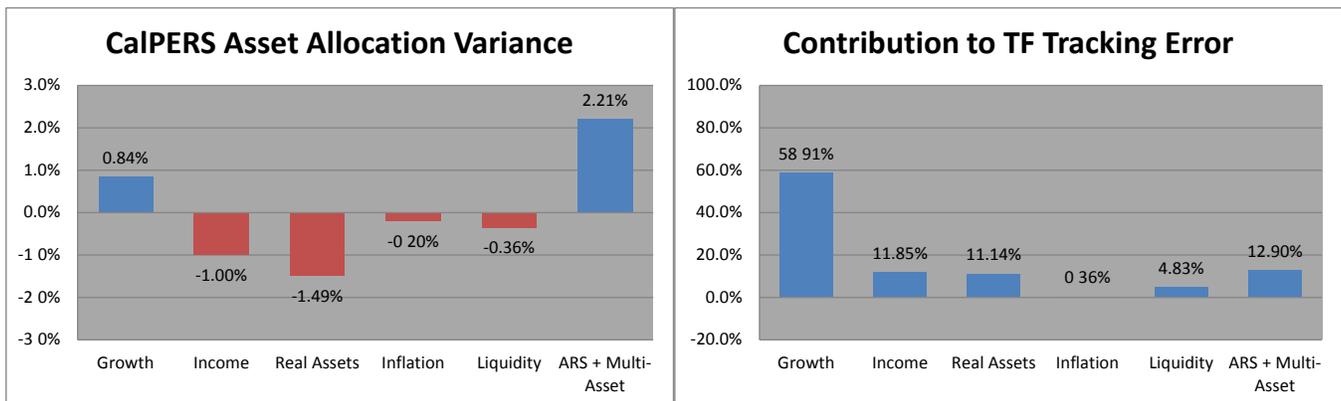
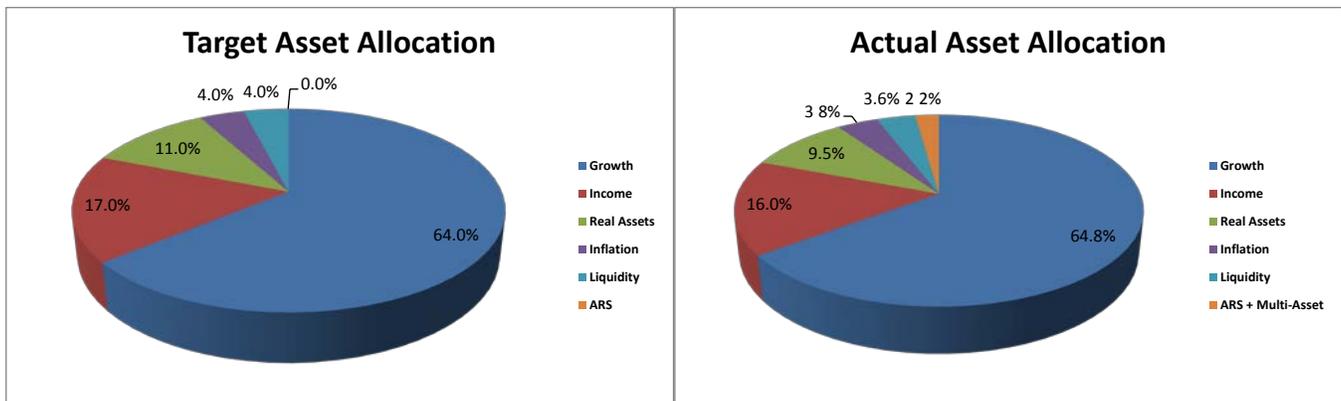


Total Fund Review for PERF (continued)
Periods Ended 3/31/2013

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



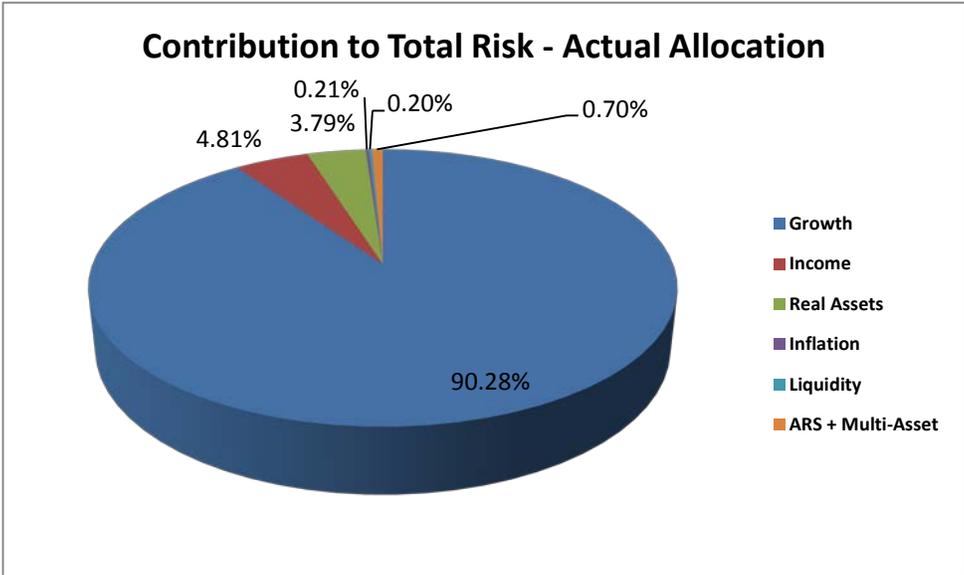
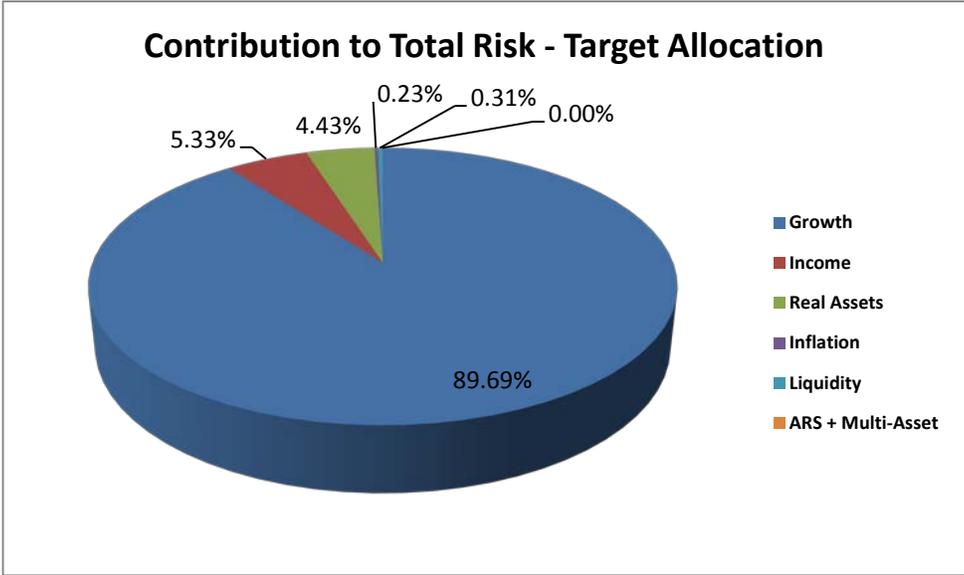
Total Fund Asset Allocation





Total Fund Review for PERF (continued)
Periods Ended 3/31/2013

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



California Public Employees' Retirement System
Total Fund Attribution - Quarter
As of 3/31/2013

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
Growth	63.43	6.56	64.00	6.16	-0.57	0.39	-0.02	-0.01	0.25	0.23
Public Equity	50.82	7.22	50.00	7.06	0.82	0.16	0.00	0.00	0.08	0.08
Private Equity	12.61	3.97	14.00	2.90	-1.39	1.07	0.00	-0.01	0.15	0.14
Income	16.88	-0.75	17.00	-1.06	-0.12	0.31	-0.02	0.00	0.05	0.03
Real Assets	9.71	1.25	11.00	2.38	-1.29	-1.13	0.02	0.02	-0.13	-0.09
Inflation	3.58	-0.56	4.00	-0.30	-0.42	-0.26	0.01	0.00	-0.01	0.00
Absolute Return	2.24	3.76	0.00	1.30	2.24	2.46	-0.06	0.06	0.00	-0.01
Liquidity	4.15	0.04	4.00	0.12	0.15	-0.09	-0.01	0.00	0.00	-0.01
Monthly Linked Return	100.00	4.15	100.00	4.00		0.15	-0.08	0.07	0.16	0.15
Trading/Hedging/Other		0.37		-0.22		0.60				0.60
Total		4.53		3.78		0.75				0.75

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 3/31/2013

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
Growth	63.43	6.56	64.00	6.16	-0.57	0.39	-0.02	-0.01	0.25	0.23
Public Equity	50.82	7.22	50.00	7.06	0.82	0.16	0.00	0.00	0.08	0.08
Private Equity	12.61	3.97	14.00	2.90	-1.39	1.07	0.00	-0.01	0.15	0.14
Income	16.88	-0.75	17.00	-1.06	-0.12	0.31	-0.02	0.00	0.05	0.03
Real Assets	9.71	1.25	11.00	2.38	-1.29	-1.13	0.02	0.02	-0.13	-0.09
Inflation	3.58	-0.56	4.00	-0.30	-0.42	-0.26	0.01	0.00	-0.01	0.00
Absolute Return	2.24	3.76	0.00	1.30	2.24	2.46	-0.06	0.06	0.00	-0.01
Liquidity	4.15	0.04	4.00	0.12	0.15	-0.09	-0.01	0.00	0.00	-0.01
Monthly Linked Return	100.00	4.15	100.00	4.00		0.15	-0.08	0.07	0.16	0.15
Trading/Hedging/Other		0.37		-0.22		0.60				0.60
Total		4.53		3.78		0.75				0.75

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 3/31/2013

Asset Class	Actual (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
Growth	62.83	16.43	64.00	15.71	-1.17	0.72	-0.05	-0.02	0.44	0.37
Public Equity	49.35	18.76	50.00	18.35	-0.65	0.41	-0.06	0.00	0.20	0.13
Private Equity	13.47	8.36	14.00	6.20	-0.53	2.16	-0.08	0.05	0.25	0.22
Income	17.77	2.62	17.00	1.40	0.77	1.23	-0.08	0.01	0.22	0.15
Real Assets	10.00	4.01	11.00	7.22	-1.00	-3.20	0.04	0.04	-0.37	-0.30
Inflation	3.26	6.20	4.00	5.44	-0.74	0.75	0.02	-0.01	0.03	0.04
Absolute Return	2.16	6.73	0.00	4.01	2.16	2.72	-0.16	0.06	0.00	-0.10
Liquidity	3.99	0.42	4.00	0.70	-0.01	-0.28	0.01	0.00	-0.01	0.00
Monthly Linked Return	100.00	11.40	100.00	11.22		0.18	-0.23	0.09	0.31	0.17
Trading/Hedging		0.54		-0.64		1.18				1.18
Total		11.94		10.58		1.36				1.36

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 3/31/2013

- ◆ The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of 4.5%, for the quarter ended March 31, 2013. CalPERS' return can be attributed as follows:

3.78%	Strategic Policy Allocation
-0.08%	Actual/Tactical Asset Allocation
0.16%	Active Management
0.07%	Interaction
<u>0.60%</u>	Trading/Currency Hedging
4.53%	Total Return

- ◆ 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 finished the first quarter on solid terms, earning a total return of 4.5% that outperformed its strategic policy benchmark's 3.8%. From an asset allocation variance standpoint, Wilshire's attribution indicated that the System's underweight in Growth, the highest returning major asset class bucket, as well as its Absolute Return exposure, which has no official allocation target in the policy, were deemed a small negative detractor. On the other hand, the active management impact this quarter was quite favorable. The largest contributor came from PERS' Growth segment, which beat its policy benchmark by a margin of 39 bps largely due to private equity's strong performance. To a smaller extent, the Absolute Return program also added value on relative terms this quarter, as it produced the biggest margin of outperformance (246 bps) among all major asset class buckets and contributed to Total Fund's overall success.
- ◆ The Total Fund composite's 4.5% return was higher than its actuarial rate this quarter (1.8%). Its longer-term track record over the one-, three- and ten-year marks also topped the actuarial rate, but continues to trail at the five-year mark.

Total Fund Review for PERF (continued) Periods Ended 3/31/2013

Relative to the Total Fund Policy Benchmark:

- ◆ **Growth Exposure:** The Growth composite turned in a solid first quarter of 2013; its 6.6% return lead all of CalPERS' major asset class performance and was ahead of the total fund policy benchmark (3.8%) by a notable margin. This positive outcome was led by the Growth composite's main component, public equity, which saw a 7.2% gain in Q1 on the backs of strong global stock markets, driven by better economic data and rising investor confidence. Private equity, which is reported on a 1-quarter lagged basis, also turned in a respectable performance of 4.0% and contributed to the Growth composite's return in absolute terms.
- ◆ **Income Exposure:** CalPERS' fixed income performance experienced continued pressure during the first quarter, under the influence of Federal Reserve's continued pledge of a low-rate environment and the clear resolution of fiscal cliff that no longer held back investors in search for higher yield through riskier assets. Following last quarter's 0.4% gain, the Income composite fell -0.8% in Q1. While this performance was better than its own policy benchmark (-1.1%), it was behind the total fund policy benchmark (3.8%). The U.S. fixed income composite finished the quarter with a modest decline of -0.5%, echoing the same theme from prior quarter where better performance from higher-yielding credit portfolios helped offset some of Treasury's losses. The international fixed income composite did not do well and lost -3.8%, making it a bigger detractor to the overall Income composite.
- ◆ **Real Assets Exposure:** The System's Real Assets segment return of 1.2% underperformed relative to the total fund policy benchmark (3.8%) in the first quarter. While the forestland and infrastructure components produced respectable gains of 6.8% and 2.9%, respectively, they were not enough to offset the negative impact from Real Assets' largest component, real estate, which ended Q1 with a meager 0.6% return.
- ◆ **Inflation Exposure:** For the second quarter in a row, the CalPERS Inflation composite finished below the total fund policy benchmark, with a return of -0.6%. Both of the composite's commodities and inflation linked bonds portfolios had a muted quarter and their aggregated performance resulted in Inflation finishing as just one of the two major PERS composites in the negative territory this quarter.
- ◆ **Liquidity:** CalPERS' Liquidity/short-term asset class was flat in the first quarter as it reported a return of 0.0%, mirroring its custom policy benchmark but trailed when comparing to the total fund policy benchmark.
- ◆ **Absolute Return Strategy:** The Absolute Return Strategy (ARS) program continued to produce modest but positive returns and this quarter was no exception. The program earned a total net of fee return of 3.8% in Q1, matching the total fund policy benchmark while outperforming its own custom policy benchmark (1.3%).



Growth Review for PERF Periods Ended 3/31/2013

Growth Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Growth	64.8%	64.0%	+0.8%
Public Equity	52.4%	50.0%	+2.4%
Private Equity	12.4%	14.0%	-1.6%

Growth Segment Performance

	Market Value						VaR ²²	5-year Sharpe Ratio ²³	5-year Info Ratio ²⁴
		Qtr	1-Year	3-Year	5-Year	10-Year		Ratio ²³	Ratio ²⁴
GROWTH	165.3	6.6%	12.5%	9.9%	3.3%	9.6%	\$33.5 bil	0.2	-0.5
<i>Growth Policy Benchmark</i>		6.2%	13.9%	9.6%	5.0%	10.3%		0.3	0.0
<i>Value Added</i>		0.4%	-1.4%	0.3%	-1.7%	-0.7%			
PUBLIC EQUITY¹⁵	133.3	7.2%	12.0%	8.6%	3.0%	9.2%	\$25.8 bil	0.1	-0.3
<i>Public Equity Policy Benchmark¹⁶</i>		7.1%	11.7%	8.4%	3.6%	9.6%		0.1	0.0
<i>Value Added</i>		0.1%	0.3%	0.2%	-0.6%	-0.4%			
US Equity Composite (ex ARS)	63.0	11.7%	15.1%	12.9%	6.4%	9.1%		0.3	0.3
<i>Custom US Equity Benchmark¹⁷</i>		11.2%	14.5%	12.7%	6.1%	9.1%		0.3	0.0
<i>Value Added</i>		0.5%	0.6%	0.2%	0.3%	0.0%			
Total Int'l Equity (ex ARS)	68.3	3.4%	9.2%	5.2%	0.2%	11.2%		0.0	0.3
<i>Custom Int'l Equity Benchmark¹⁸</i>		4.0%	9.9%	4.9%	-0.2%	10.9%		0.0	0.0
<i>Value Added</i>		-0.6%	-0.7%	0.3%	0.4%	0.3%			
Global Equity Equitization	1.4	6.5%	13.7%	8.9%	-.%	-.%			
<i>Custom Benchmark¹⁹</i>		7.1%	11.7%	8.4%	-.%	-.%			
<i>Value Added</i>		-0.6%	2.0%	0.5%	-.%	-.%			
PRIVATE EQUITY (AIM)²⁰	32.0	4.0%	13.8%	14.3%	5.5%	11.9%	\$10.1 bil	0.5	-0.4
<i>AIM Policy Benchmark²¹</i>		2.9%	20.3%	12.8%	11.2%	12.9%		0.7	0.0
<i>Value Added</i>		1.1%	-6.5%	1.5%	-5.7%	-1.0%			
Private Equity Partnership Investments	32.0	4.0%	13.9%	14.4%	5.7%	12.0%			
Private Equity Distribution Stock	0.0	7.6%	-40.9%	-17.0%	2.4%	5.2%			

¹⁵ 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.

¹⁶ The Public Equity Policy Benchmark is a custom global benchmark maintained by FTSE.

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

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

¹⁹ The Custom Global Equity Equitization Benchmark is currently the same as the Public Equity Policy Benchmark.

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

²¹ 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.

²² 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.

²³ 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.

²⁴ 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:

- ◆ **U.S. Equity Exposure:** U.S. equity markets recorded broad-based gains in the first quarter of 2013 on the back of the removal of most fiscal cliff overhangs as well as the increasingly positive data pointing towards a sustainable economic recovery. CalPERS' internal and external U.S. equity composites finished the first quarter strong and were among the highest returning Growth components; their respective returns of 11.5% and 13.0% both outperformed the 6.2% return of the Growth policy benchmark.
- ◆ **Corporate Governance:** The Corporate Governance Program's recent performance recovery continued into Q1, as it finished the quarter up 11.7% and topped the Growth policy benchmark.
- ◆ **MDP:** The Manager Development Program also enjoyed a solid quarter with a total return of 7.6%, outperforming the Growth policy benchmark.
- ◆ **FoF:** Similar to other domestic equity portfolios, which the Total Fund of Funds composite is mostly comprised of, first quarter performance was very strong. The FoF composite saw an overall gain of 8.7% and compared favorably to the Growth Policy benchmark.

Impeded Performance:

- ◆ **International Equity Exposure:** International equities started out the year on a strong note too, but notably tapered off after January as growth concerns from the Eurozone and emerging markets countries weighed down the markets. The System's international equity portfolios finished in the positive territory but with modest gains: the internally managed international equity composite was up 3.4%, closely followed by the external international equity composite's 3.3%. Both measures trailed relative to the Growth asset class policy benchmark's 6.2% return by a good margin.
- ◆ **Private Equity Exposure:** The private equity composite, represented by the AIM investments, had a near-repeat of its performance from the prior quarter (when it gained 4.4%) by earning 4.0% in the first quarter of 2013. Although this compared well relative to its own policy benchmark (+2.9%), the composite finished behind the Growth policy benchmark by 107 bps and therefore was still considered net detractor for the quarter.

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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>
US Equity Composite (ex ARS)	63.0	11.7%	15.1%	12.9%	6.4%	9.1%	12/79
<i>Custom US Equity Benchmark</i> ²⁵		11.2%	14.5%	12.7%	6.1%	9.1%	
<i>Value Added</i>		0.5%	0.6%	0.2%	0.3%	0.0%	
Total Internal US Equity	54.7	11.5%	15.3%	13.2%	6.7%	9.3%	6/88
<i>Custom Internal US Equity Benchmark</i> ²⁶		11.2%	14.5%	12.7%	6.1%	9.1%	
<i>Value Added</i>		0.3%	0.8%	0.5%	0.6%	0.2%	
Total External US Equity	8.1	13.0%	14.2%	11.3%	5.4%	8.6%	12/98
<i>Custom External US Equity Benchmark</i> ²⁷		11.2%	15.1%	12.8%	6.3%	9.7%	
<i>Value Added</i>		1.8%	-0.9%	-1.5%	-0.9%	-1.1%	

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>
Total Int'l Equity (ex ARS)	68.3	3.4%	9.2%	5.2%	0.2%	11.2%	12/02
<i>Custom Int'l Equity Benchmark</i> ²⁸		4.0%	9.9%	4.9%	-0.2%	10.9%	
<i>Value Added</i>		-0.6%	-0.7%	0.3%	0.4%	0.3%	
Total Internal Int'l Equity	54.0	3.4%	9.4%	5.0%	0.1%	--%	3/05
<i>Custom Internal Int'l Equity Benchmark</i> ²⁹		4.3%	10.6%	5.1%	-0.3%	--%	
<i>Value Added</i>		-0.9%	-1.2%	-0.1%	0.4%	--%	
Total External Int'l Equity	14.3	3.3%	9.1%	5.7%	0.9%	12.4%	6/89
<i>Custom External Int'l Equity Benchmark</i> ³⁰		2.8%	7.5%	4.1%	0.1%	12.1%	
<i>Value Added</i>		0.5%	1.6%	1.6%	0.8%	0.3%	

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>
Total Corporate Governance	4.6	11.7%	13.2%	7.3%	2.4%	9.4%	12/98
<i>Policy Benchmark</i>		9.7%	13.5%	8.2%	2.5%	8.7%	
<i>Value Added</i>		2.0%	-0.3%	-0.9%	-0.1%	0.7%	
Total MDP	1.5	7.6%	10.3%	9.4%	3.7%	8.5%	6/00
<i>Policy Benchmark</i>		6.8%	11.5%	9.4%	4.9%	9.9%	
<i>Value Added</i>		0.8%	-1.2%	0.0%	-1.2%	-1.4%	
Total FoF	1.0	8.7%	11.4%	11.6%	6.5%	--%	3/08
<i>Policy Benchmark</i>		8.5%	12.5%	10.8%	6.4%	--%	
<i>Value Added</i>		0.2%	-1.1%	0.8%	0.1%	--%	

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

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

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

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

²⁹ 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.

³⁰ 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 3/31/2013

ARS Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
ARS	2.0%	0.0%	+2.0%

ARS Segment Performance

	<u>Market</u>		<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>5-Year</u>	<u>5-Year Up</u>	<u>5-Year</u>	<u>5-Year</u>
	<u>Value</u>	<u>Qtr</u>					<u>Info</u>	<u>Capture</u>	<u>Sharpe</u>	<u>Sortino</u>
Absolute Return Strategies	5.2	3.8%	5.6%	3.3%	1.7%	5.5%	-0.7	0.3	0.2	0.3
ARS Policy Benchmark ³¹		1.3%	5.3%	5.5%	6.1%	8.8%				
Value Added		2.5%	0.3%	-2.2%	-4.4%	-3.3%				
Total Direct Investments	3.6	3.6%	5.6%	4.1%	2.3%	6.0%				
Total Funds of Funds	1.6	4.1%	5.4%	1.3%	0.3%					
HFRI Fund of Funds Index		3.9%	5.3%	2.3%	-0.2%	3.9%				

ARS Characteristics

Percentage of positive <u>Months</u>	<u>Beta vs.</u> <u>S&P 500</u>	<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>
64%	0.2	0.5	0.5	-0.3	0.5

- ◆ **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.

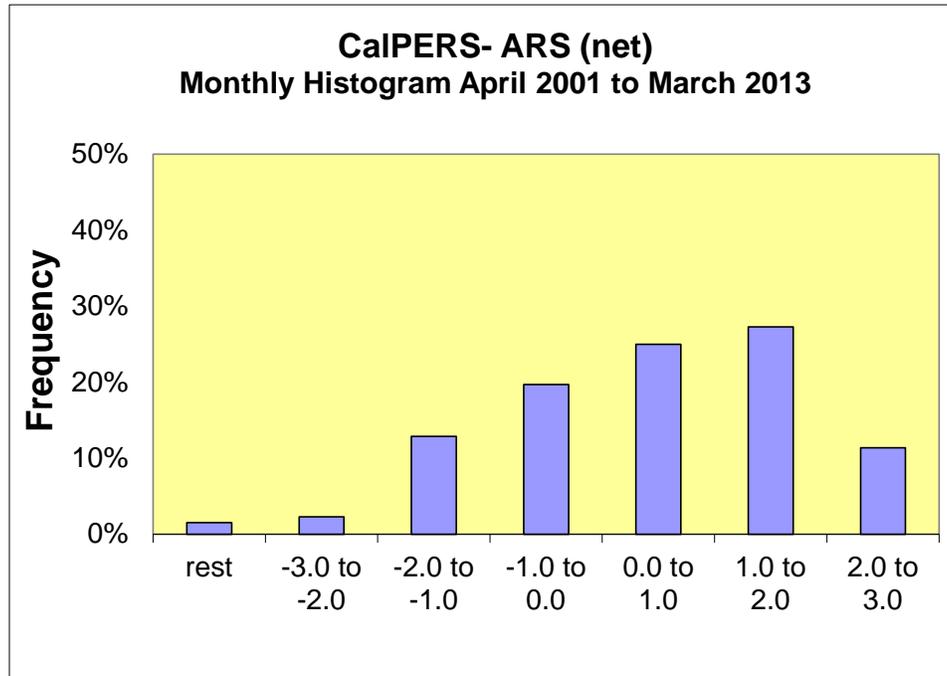
³¹ The ARS Policy Benchmark consists of the Merrill Lynch 1-Year Treasury Note + 5% and is linked historically to its prior benchmark.

³² 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.

³³ 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.

³⁴ 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 3/31/2013



- ◆ 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 3/31/2013

Income Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Income	16.0%	17.0%	-1.0%

Income Segment Performance

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR ³⁸	5-year	5-year
								Sharpe Ratio ³⁹	Info Ratio ⁴⁰
INCOME	41.2	-0.8%	6.7%	8.9%	8.2%	7.4%	\$5.1 bil	1.1	0.2
<i>Income Policy Benchmark³⁵</i>		-1.1%	5.5%	8.6%	7.4%	6.5%		1.1	0.0
<i>Value Added</i>		0.3%	1.2%	0.3%	0.8%	0.9%			
U.S. Income	38.0	-0.5%	7.4%	9.3%	8.7%	7.5%		1.2	0.2
<i>U.S. Income Policy Benchmark³⁶</i>		-0.7%	6.4%	9.2%	7.9%	6.6%		1.2	0.0
<i>Value Added</i>		0.2%	1.0%	0.1%	0.8%	0.9%			
Non-U.S. Income	3.2	-3.8%	-0.7%	5.1%	4.0%	6.5%		0.4	0.9
<i>Non-US Income Policy Benchmark³⁷</i>		-4.0%	-2.3%	3.4%	2.4%	5.6%		0.2	0.0
<i>Value Added</i>		0.2%	1.6%	1.7%	1.6%	0.9%			

Comments Regarding Income Segment Performance

Helped Performance:

- ◆ **Mortgage Bonds:** Despite support from the Federal Reserve through its continued QE3 mortgage purchase program, the overall MBS market struggled to hold on to gains during the first quarter as investors started to worry that the recent strong economic growth pace may drive rates higher soon. CalPERS' mortgage portfolio finished the quarter flat, but did perform better when compared to the overall Income policy benchmark.

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

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

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

³⁸ 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.

³⁹ 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.

⁴⁰ 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.

- ◆ **Corporate Bonds:** Although the investment grade markets experienced a selloff during January's equity rally, corporate bonds did see decent recovery during the rest of the first quarter as investor demand stay unchanged and credit fundamentals remained strong. CalPERS' corporate bonds portfolio gave back some of its Q4 gains and finished this quarter modestly down -0.5%, although this performance was still better relative to the Income policy benchmark's -1.1% return.
- ◆ **High Yield Bonds:** Supported by generally better-than-expected corporate earnings and robust investor risk appetite for more yields, high yield securities performed very well during the first quarter. Both CalPERS' internal and external high yield finished as the highest returning fixed income portfolios, rising 2.8% and 4.3%, respectively, and outperformed the Income policy benchmark for the quarter.

Impeded Performance:

- ◆ **Treasury Bonds:** Treasuries continued to underperform the higher-yielding credit counterpart with similar maturities in the first quarter, in large part due to Congress successfully averting the fiscal cliff in early January and investors' ever-increasing demand for riskier assets. The PERS treasuries portfolio lost -1.2% this quarter and was a detractor to the Income composite.
- ◆ **International Fixed Income:** As the U.S. dollar appreciated against most of its major currency counterparts (including the euro, British pound, Japanese yen, as well as EM currencies such as Brazilian real and South African rand), the international fixed income portfolio finished Q1 with an overall loss, dropping -3.8% and weighed on the Income composite's overall performance.
- ◆ **Sovereign Bonds:** CalPERS' sovereign bonds recorded a decline of -3.6% that underperformed the overall Income policy benchmark for the quarter.

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Income Review for PERF (Continued)

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	Date
INCOME	41.2	-0.8%	6.7%	8.9%	8.2%	7.4%	6/88
Income Policy Benchmark ⁴¹		-1.1%	5.5%	8.6%	7.4%	6.5%	
Value Added		0.3%	1.2%	0.3%	0.8%	0.9%	
Internal US Income + Opportunistic	38.0	-0.5%	7.4%	9.3%	8.7%	7.5%	12/95
Mortgage Bonds*	9.6	0.0%	2.8%	5.0%	5.8%	5.3%	12/82
Long Duration Mortgages*	2.6	-0.8%	5.5%	9.2%	9.2%	-.%	6/05
Corporate Bonds*	9.1	-0.5%	12.4%	11.9%	10.6%	8.4%	3/02
U.S. Government*	13.5	-1.2%	7.1%	10.5%	7.5%	6.1%	12/99
Sovereign Bonds* ⁴²	1.3	-3.6%	7.6%	10.5%	7.7%	7.6%	6/96
Long Duration Corporates*	0.6	-0.7%	16.2%	16.0%	13.7%	-.%	9/05
Custom Benchmark ⁴³		-0.7%	6.4%	9.2%	7.9%	6.6%	
Opportunistic ⁴⁴	2.3	3.6%	9.5%	8.0%	3.4%	10.9%	6/00
Internal High Yield Bonds*	0.6	2.8%	12.8%	7.0%	13.0%	15.9%	9/99
External High Yield*	1.1	4.3%	14.2%	12.1%	7.3%	8.4%	3/02
High Yield Mortgage*	0.2	4.0%	27.2%	13.2%	7.8%	-.%	3/08
Citigroup High Yield Cash Pay		2.9%	12.3%	10.9%	11.0%	9.6%	
Special Investments	0.0	5.5%	14.2%	5.3%	6.1%	5.7%	3/91
Total International Fixed Income	3.2	-3.8%	-0.7%	5.1%	4.0%	6.5%	3/89
Custom Benchmark ⁴⁵		-4.0%	-2.3%	3.4%	2.4%	5.6%	
Value Added		0.2%	1.6%	1.7%	1.6%	0.9%	
Currency overlay ⁴⁶							
SSgA	0.0	-0.2%	-0.4%	0.3%	-0.4%	0.4%	12/96
Custom Benchmark		0.0%	-0.2%	-0.4%	-0.3%	0.2%	
Value Added		-0.2%	-0.2%	0.7%	-0.1%	0.2%	

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

⁴² The Internal Sovereign Bond market value is also included in the Internal Treasury Bond market value.

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

⁴⁴ 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.

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

⁴⁶ 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.

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Income Review for PERF (Continued)

	<u>Market</u>	<u>Qtr</u>	<u>1-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>	<u>Date</u>
Securities Lending*	14.1	0.2%	1.1%	1.2%	1.1%	2.0%	8/00
<i>Custom Benchmark</i>		0.0%	0.1%	0.1%	0.3%	1.8%	
<i>Value Added</i>		0.2%	1.0%	1.1%	0.8%	0.2%	
High Quality LIBOR**	0.6	0.1%	0.9%	0.7%	0.7%	1.8%	9/00
<i>Custom Benchmark</i>		0.0%	0.2%	0.1%	0.3%	1.8%	
<i>Value Added</i>		0.1%	0.7%	0.6%	0.4%	0.0%	
Short Duration LIBOR**	0.4	0.6%	3.1%	3.6%	3.0%	-.-%	9/02
<i>Custom Benchmark</i>		0.0%	0.2%	0.1%	0.3%	-.-%	
<i>Value Added</i>		0.6%	2.9%	3.5%	2.7%	-.-%	
Sec Lending Internal Collateral Reinvest**	0.1	0.3%	1.4%	-.-%	-.-%	-.-%	9/09
<i>Custom Benchmark</i>		0.0%	0.2%	-.-%	-.-%	-.-%	
<i>Value Added</i>		0.3%	1.2%	-.-%	-.-%	-.-%	
Internal Active Short Term**	1.5	0.0%	0.2%	-.-%	-.-%	-.-%	3/11
<i>Custom Benchmark</i>		0.0%	0.0%	-.-%	-.-%	-.-%	
<i>Value Added</i>		0.0%	0.2%	-.-%	-.-%	-.-%	
CalPERS ESEC Cash Collateral**	10.7	0.0%	0.2%	-.-%	-.-%	-.-%	6/10
<i>Custom Benchmark</i>		0.0%	0.2%	-.-%	-.-%	-.-%	
<i>Value Added</i>		0.0%	0.0%	-.-%	-.-%	-.-%	
External Collateral Portfolio***	0.7	7.7%	34.5%	-.-%	-.-%	-.-%	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 3/31/2013

Inflation Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Inflation	3.8%	4.0%	-0.2%

Inflation Performance

	Market Value						5-year Sharpe Ratio ⁵⁰	5-year Info Ratio ⁵¹	
		Qtr	1-Year	3-Year	5-Year	10-Year	VaR ⁴⁹		
INFLATION	9.8	-0.6%	0.8%	7.9%	0.6%	-.-%	\$0.6 bil	0.0	-0.2
<i>Inflation Policy Benchmark</i> ⁴⁷		-0.3%	3.0%	6.8%	1.3%	-.-%		0.1	0.0
<i>Value Added</i>		-0.3%	-2.2%	1.1%	-0.7%	-.-%			
Internal Commodities ⁴⁸	1.3	0.9%	-5.0%	3.3%	-9.4%	-.-%			
<i>GSCI Total Return Index</i>		0.5%	-5.0%	3.0%	-9.8%	-.-%			
<i>Value Added</i>		0.4%	0.0%	0.3%	0.4%	-.-%			
Core Inflation Linked Bonds	6.1	-1.1%	5.3%	8.4%	4.9%	-.-%			
<i>Custom Benchmark</i>		1.0%	7.2%	8.8%	5.2%	-.-%			
<i>Value Added</i>		-2.1%	-1.9%	-0.4%	-0.3%	-.-%			
Tactical Commodities	1.2	-.-%	-.-%	-.-%	-.-%	-.-%			
<i>GSCI Total Return Index</i>		-.-%	-.-%	-.-%	-.-%	-.-%			
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%			
Tactical TIPS	1.2	-.-%	-.-%	-.-%	-.-%	-.-%			
<i>CalPERS TIPS</i>		-.-%	-.-%	-.-%	-.-%	-.-%			
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	-.-%			

- ◆ The CalPERS Inflation asset class finished the first quarter modestly down; its -0.6% return trailed its policy benchmark by a small margin of 26 bps. This quarter's relative performance was primarily dragged down by the core inflation linked bonds portfolio, which was the largest component within the Inflation Program (with a weight of approx. 62%) and notably underperformed its custom benchmark, -1.1% vs. 1.0%. The internal commodities portfolio fared reasonably well against the GSCI Total return Index during the volatile Q1 (0.9% vs. 0.5%, respectively), benefiting from a strong rebound in crude prices that more than offset the continued slump in precious and base metals. The Inflation asset class continues to produce good performance over the long-term with a three-year return of 7.9% that remains ahead of its policy benchmark, although the five-year return of 0.6% trails by a modest margin.

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

⁴⁸ The internal 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.

⁴⁹ 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.

⁵⁰ 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.

⁵¹ 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 3/31/2013

Real Assets Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Real Assets	9.5%	11.0%	-1.5%

Real Assets Segment Performance

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR ⁵⁶	5-year Sharpe Ratio ⁵⁷	5-year Info Ratio ⁵⁸
REAL ASSETS	24.5	1.2%	12.0%	7.1%	-11.1%	3.3%	\$2.7 bil	-0.7	-1.1
<i>Real Assets Policy Benchmark</i> ⁵²		2.4%	9.7%	11.7%	3.0%	8.8%		0.5	0.0
<i>Value Added</i>		-1.2%	2.3%	-4.6%	-14.1%	-5.5%			
Real Estate ⁵³	21.1	0.6%	12.7%	7.9%	-12.4%	2.5%	\$2.8 bil	-0.7	-1.1
<i>Real Estate Policy Benchmark</i> ⁵⁴		2.2%	10.4%	13.4%	3.8%	9.3%		0.5	0.0
<i>Value Added</i>		-1.6%	2.3%	-5.5%	-16.2%	-6.8%			
Forestland ⁵⁵	2.3	6.8%	6.9%	-2.3%	0.0%	-.%			
<i>NCREIF Timberland Index</i>		5.9%	7.8%	3.0%	2.7%	-.%			
<i>Value Added</i>		0.9%	-0.9%	-5.3%	-2.7%	-.%			
Infrastructure ⁵⁵	1.1	2.9%	9.3%	20.1%	13.3%	-.%			
<i>CPI + 400 BPS 1Qtr Lag</i>		0.2%	5.8%	6.8%	6.6%	-.%			
<i>Value Added</i>		2.7%	3.5%	13.3%	6.7%	-.%			

- ◆ CalPERS' Real Assets composite continues to generate small but steady positive returns, earning a total return of 1.2% in the first quarter, but did not quite keep pace with its policy benchmark's 2.4% gain. The System's real estate portfolio, which mostly consists of private real estate investments and currently represents 86% of the Real Assets composite, underperformed its policy benchmark for the quarter and was the primary detractor of this asset class. Real Assets' two other smaller components both did well in Q1, with forestland's 6.8% return beating out the NCREIF Timberland Index and the infrastructure portfolio's 2.9% gain also topping its performance objective. The Real Assets composite has generated solid near-to-mid-term performance, but its longer-term track record remains behind its policy benchmark over the measured time periods shown.

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

⁵³ 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.

⁵⁴ 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.

⁵⁵ These investments are reported on a 1-quarter lagged basis.

⁵⁶ 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.

⁵⁷ 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.

⁵⁸ 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 3/31/2013

Real Estate Segment Performance

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR ⁶¹	5-year Sharpe Ratio ⁶²	5-year Info Ratio ⁶³
Real Estate ⁵⁹	21.1	0.6%	12.7%	7.9%	-12.4%	2.5%	\$2.8 bil	-0.7	-1.1
<i>Real Estate Policy Benchmark</i> ⁶⁰		2.2%	10.4%	13.4%	3.8%	9.3%		0.5	0.0
<i>Value Added</i>		-1.6%	2.3%	-5.5%	-16.2%	-6.8%			
Strategic Real Estate	14.4	0.7%	15.4%	13.3%	0.7%	14.3%			
<i>Wt. NCREIF ODCE+FTSE EPRA NAREIT</i>		2.2%	10.4%	13.4%	3.8%	9.3%			
<i>Value Added</i>		-1.5%	5.0%	-0.1%	-3.1%	5.0%			
Legacy Real Estate ex Public	6.7	-0.1%	7.8%	3.3%	-17.2%	-1.5%			
<i>Wt. NCREIF ODCE+FTSE EPRA NAREIT</i>		2.2%	10.4%	13.4%	3.8%	9.3%			
<i>Value Added</i>		-2.3%	-2.6%	-10.1%	-21.0%	-10.8%			

⁵⁹ 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.

⁶⁰ 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.

⁶¹ 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.

⁶² 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.

⁶³ 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 3/31/2013

Liquidity Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Liquidity	3.6%	4.0%	-0.4%

Liquidity Segment Performance

	Market Value	Qtr	1-Year	3-Year	5-Year	10-Year	VaR ⁶⁶	5-year Sharpe Ratio ⁶⁷	5-year Info Ratio ⁶⁸
LIQUIDITY	9.3	0.0%	1.7%	1.8%	1.5%	2.5%	\$0.4 bil	N/A	N/A
<i>Liquidity Policy Benchmark</i> ⁶⁴		0.1%	2.2%	2.1%	1.7%	2.5%			
<i>Value Added</i>		-0.1%	-0.5%	-0.3%	-0.2%	0.0%			
US 2-10 Year	5.3	0.1%	2.8%	--%	--%	--%			
<i>Barclays Gov Liquidity 2-10 Yr Idx</i>		0.2%	3.0%	--%	--%	--%			
<i>Value Added</i>		-0.1%	-0.2%	--%	--%	--%			
Cash Composite	4.1	0.0%	0.1%	0.2%	0.6%	2.0%			
<i>Custom STIF</i> ⁶⁵		0.0%	0.0%	0.1%	0.5%	1.9%			
<i>Value Added</i>		0.0%	0.1%	0.1%	0.1%	0.1%			

⁶⁴The Liquidity Policy Benchmark is a custom index maintained by State Street Bank.

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

⁶⁶VaR (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.

⁶⁷The 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.

⁶⁸The "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.

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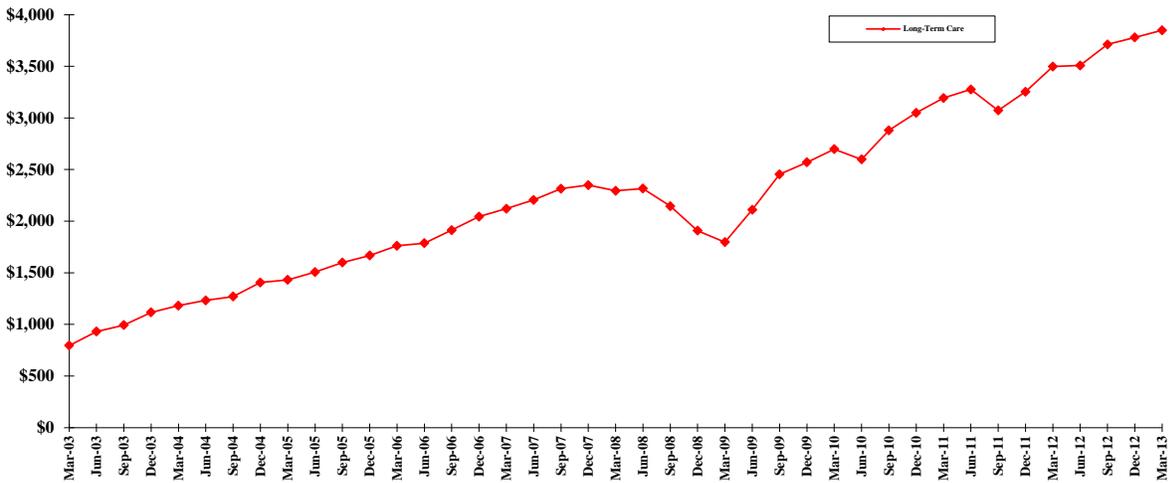
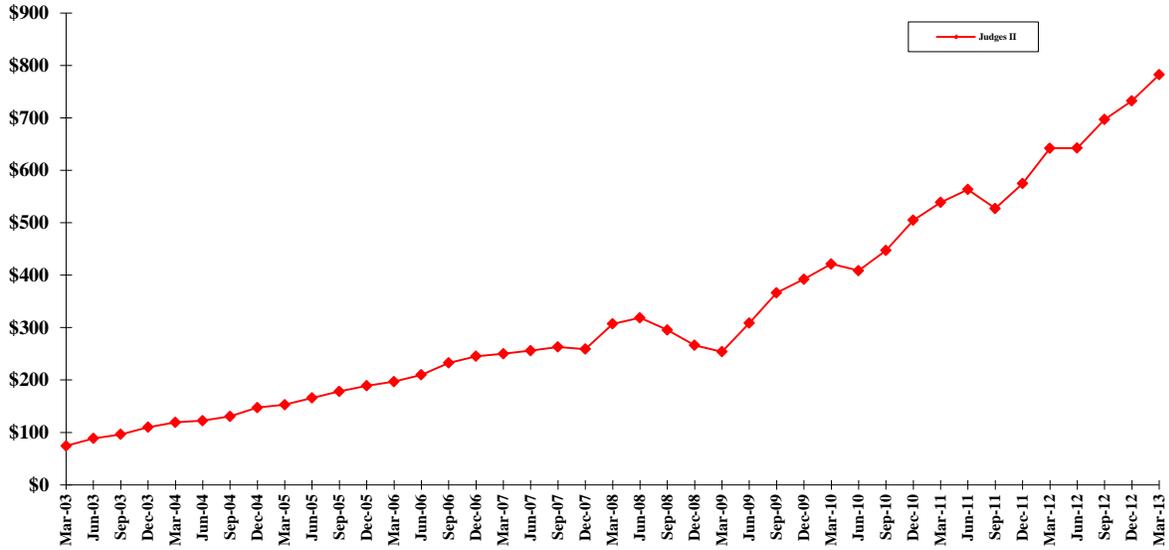


Affiliate Fund Information



Affiliate Fund Performance Period Ended March 31, 2013

Growth in Assets (in \$Millions)





Total Fund Performance Results

Total Fund Performance Periods Ended March 31, 2013

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II	\$782.3 mil	4.9%	11.0%	10.0%	5.4%	8.3%
<i>Weighted Policy Benchmark</i> ⁶⁹		4.8	10.7	10.3	5.5	8.2
Long-Term Care ("LTC")	\$3,849.2 mil	1.4	7.3	8.5	5.3	8.2
<i>Weighted Policy Benchmark</i> ⁶⁹		1.2	6.9	8.5	5.2	7.9

Total Fund Asset Allocation

Judges II Asset Allocation: Actual versus Target Weights*

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation (%)	Difference
Global Equity	63.0	63.0	0.0
US Fixed Income	19.9	20.0	-0.1
TIPS	6.0	6.0	0.0
REITs	8.1	8.0	0.1
Commodities	3.0	3.0	0.0
Total	100.0	100.0	0.0

LTC Asset Allocation: Actual versus Target Weights*

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation (%)	Difference
Global Equity	15.5	15.0	0.5
US Fixed Income	60.5	61.0	-0.5
TIPS	5.7	6.0	-0.3
REITs	12.2	12.0	0.2
Commodities	6.0	6.0	0.0
Total	100.0	100.0	0.0

⁶⁹ 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 1/1/2013. The LTC fund was transitioning towards a global equity asset allocation mix. The process started in September 2011 and was completed in December 2012.



Commentary – Total Fund

- ◆ For the quarter ended March 31, 2013, the Judges II (JRS II) produced an overall return of 4.9% that finished ahead of its weighted policy benchmark's 4.8% gain. The Plan's long-term performance matched well against its policy benchmark and has outperformed over the one- and ten-year marks.
- ◆ Due to higher fixed income exposure, the Long-Term Care Program (LTC) generated a smaller total return of 1.4% in Q1, but also beat its weighted policy benchmark's gain of 1.2%. The LTC's longer term record has done well, too, beating its policy benchmark over the one-, five- and ten-year periods.
- ◆ At the end of the quarter, Judges II was slightly overweight in REITs while underweight in U.S. fixed income.
- ◆ The LTC was overweight in global equity and REITs while underweight in U.S. fixed income as well as TIPS.

Asset Class Performance Results – Judges II

Judges II Asset Class Performance Periods Ended March 31, 2013

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
JRS II Global Equity	\$493.0 mil	7.1%	11.9%	8.5%	2.7%	8.7%
<i>Global Equity Benchmark</i> ⁷⁰		7.1	11.7	8.5	2.7	8.6
JRS II US Fixed Income	\$155.6 mil	-0.5	7.4	9.3	8.5	6.6
<i>Custom Benchmark</i> ⁷¹		-0.7	6.4	9.2	7.9	6.1
JRS II TIPS	\$46.7 mil	-0.5	5.6	--	--	--
<i>Custom Benchmark</i> ⁷²		-0.4	5.7	--	--	--
JRS II REITs	\$63.4 mil	6.2	20.9	14.2	1.9	--
<i>Custom Benchmark</i> ⁷³		6.3	21.1	14.2	1.7	--
JRS II Commodities	\$23.7 mil	0.9	-5.0	--	--	--
<i>GSCI Total Return Index</i>		0.5	-5.0	--	--	--

⁷⁰ 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.

⁷¹ 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.

⁷² The TIPS benchmark is the Barclays U.S. TIPS Index.

⁷³ 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' global equity portfolio benefited from the continued rally of most developed equity markets during the first quarter and finished as the highest returning asset class, gaining 7.1% that matched its custom benchmark. The global equity portfolio has a one-year return of 11.9% and continues to track very closely to its custom benchmark over longer-term periods.
- ◆ The Judges II's U.S. fixed income portfolio gave back some of its prior quarter gains and finished the first quarter of 2013 down -0.5%, faring better than its custom benchmark, the Barclays Long Liability Index's decline of -0.7%. Over the one-year and longer time horizon, the fixed income portfolio's track record continues to do very well versus the custom benchmark.
- ◆ The TIPS portfolio also posted a small decline of -0.5% this quarter, marginally trailing the Barclays U.S. TIPS Index's return of -0.4%.
- ◆ The Plan's REIT portfolio was the second highest returning asset class in the first quarter, rising 6.2% and essentially mirrored the pace of its custom benchmark, the FTSE EPRA/NAREIT Developed Index. The REIT portfolio's one-year and three-year performance remains very strong at 20.9% and 14.2%, respectively, and they continue to match well against the stated benchmark.
- ◆ The commodities portfolio reversed prior quarter's slide by edging out a small gain of 0.9% during Q1, and outpaced the GSCI Total Return Index's return of 0.5% for the same period. The portfolio has a one-year return of -5.0% that equaled its benchmark.



Asset Class Performance Results – Long-Term Care

Long-Term Care Asset Class Performance Periods Ended March 31, 2013

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LTC Global Equity	\$597.5 mil	6.9%	12.0%	9.2%	3.1%	8.9%
<i>Custom Benchmark ⁷⁴</i>		6.9	12.0	9.3	3.1	8.9
LTC US Fixed Income	\$2,329.5mil	-0.6	7.2	9.2	8.5	6.8
<i>Custom Benchmark ⁷⁵</i>		-0.7	6.4	9.2	7.9	6.1
LTC TIPS	\$220.4 mil	-0.4	5.6	8.5	6.0	--
<i>Barclays U.S. TIPS Index</i>		-0.4	5.7	8.6	5.9	--
LTC REITs	\$469.6 mil	5.4	19.9	13.8	1.7	--
<i>Custom Benchmark ⁷⁶</i>		5.2	19.8	13.8	1.5	--
LTC Commodities	\$232.2 mil	0.5	-4.0	--	--	--
<i>GSCI Total Return Index</i>		0.5	-5.0	--	--	--

Commentary – Long-Term Care

- ◆ The LTC global equity fund did very well and was the Program's highest returning portfolio in Q1, gaining 6.9% that matched the pace of its custom benchmark. The fund has also tracked its custom benchmark closely over all longer-term time periods shown.
- ◆ The LTC U.S. fixed income portfolio experienced a pull back during the first quarter, finishing down -0.6% but fared slightly better than its custom benchmark, the Barclays Long Liability Index. Over the long-term, the fixed income portfolio's track record has done very well relative to its benchmark.
- ◆ The LTC TIPS portfolio mirrored its custom benchmark, currently the Barclays U.S. TIPS Index, for the quarter with a small decline of -0.4%. Since its inception, the TIPS portfolio has performed in line with expectations and has added value over time.

⁷⁴ Effective 12/12/2012 the domestic and international equity asset classes were aggregated into a single global equity asset class, benchmarked against the MSCI ACWI IMI (net).

⁷⁵ 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.

⁷⁶ Effective 12/12/2012, the REIT Custom Benchmark changed to the FTSE EPRA/NAREIT Developed Liquid (net) Index.

Commentary – Long-Term Care

- ◆ The REIT portfolio was LTC's second highest returning segment during Q1; its 5.4% return outperformed its custom benchmark, currently the FTSE EPRA/NAREIT Developed Liquid (net) by 27 bps. The REIT portfolio's one-year and three-year track record remains very strong and continues to track relatively close to the custom benchmark.
- ◆ The commodities portfolio reported a small gain of 0.5% in the first quarter of 2013 and matched the GSCI Total Return Index. The portfolio has a one-year return of -4.0% that compared better than the benchmark's return of -5.0%.

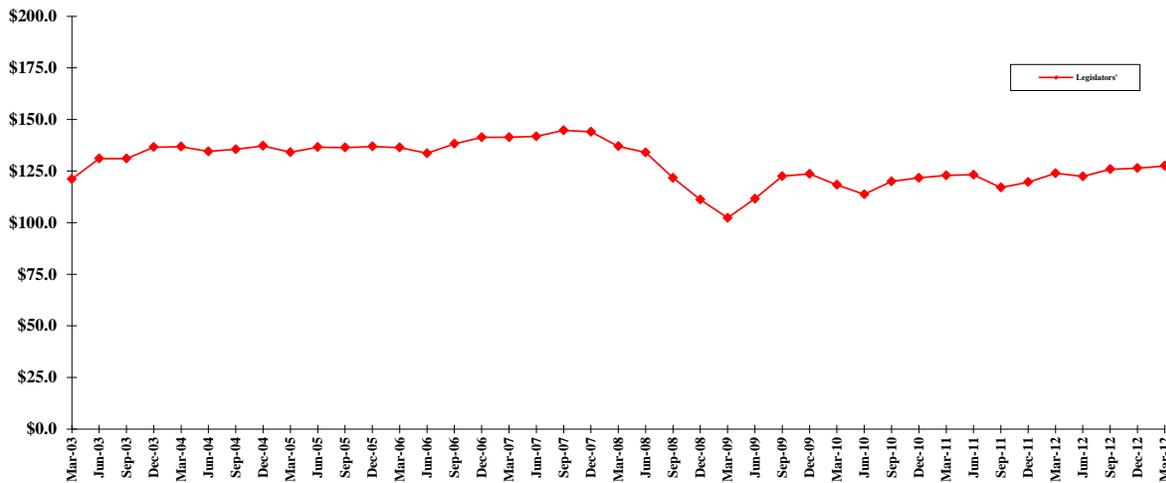
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Legislators' Information

California Legislators' Retirement System

Growth in Assets



Total Fund Performance Results

Total Fund Performance Periods Ended March 31, 2013

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
LRS	\$127.5 mil	2.5%	9.5%	9.6%	6.8%	7.8%
<i>Weighted Policy Benchmark</i> ⁷⁷		2.4	9.0	9.7	6.5	7.7

Asset Allocation

Asset Class	Actual	Policy	Difference
Global Equity	32.0%	32.0%	0.0%
US Fixed Income	41.9	42.0	-0.1
TIPS	15.0	15.0	0.0
REITs	8.1	8.0	+0.1
Commodities	<u>3.0</u>	<u>3.0</u>	<u>0.0</u>
	100.0	100.0	0.0

⁷⁷ 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") finished the first quarter of 2013 on a solid note, gaining 2.5% that bettered its weighted policy benchmark by 13 bps. The System's longer-term track record also remains solid, having outperformed its policy benchmark over most measured periods shown.
- ◆ As of March 31, the System was marginally overweight in REITs while underweight in U.S. fixed income.

Asset Classes Performance Results

Asset Class Performance Periods Ended March 31, 2013

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS Global Equity	\$40.9 mil	7.1%	11.9%	8.8%	3.1%	8.4%
<i>Global Equity Benchmark ⁷⁸</i>		7.1	11.7	8.8	3.1	8.3
LRS US Fixed Income	\$53.4 mil	-0.5	7.4	9.3	8.5	6.7
<i>Custom Benchmark ⁷⁹</i>		-0.7	6.4	9.2	7.9	6.6
LRS TIPS	\$19.1 mil	-0.5	5.6	8.5	6.0	-.
<i>Custom Benchmark ⁸⁰</i>		-0.4	5.7	8.6	5.9	-.
LRS REITs	\$10.4 mil	6.4	21.1	-.	-.	-.
<i>Custom Benchmark ⁸¹</i>		6.3	21.1	-.	-.	-.
LRS Commodities	\$3.8 mil	0.9	-5.0	-.	-.	-.
<i>GSCI Total Return Index</i>		0.6	-5.0	-.	-.	-.

⁷⁸ 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.

⁷⁹ 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.

⁸⁰ The current benchmark is the Barclays U.S. TIPS Index. Prior of July 2007 the benchmark was the Barclays Long Liability TIPS Index.

⁸¹ The REIT Custom Benchmark is the FTSE EPRA/NAREIT Developed Index.

Commentary

- ◆ Following the global equity rally that carried well into February (March for the U.S. equity market), the System's global equity portfolio posted a very strong performance for the first quarter of 2013, rising 7.1% that was on par with its custom benchmark's pace. The equity portfolio is also performing in line with expectations over the longer-term time periods shown.
- ◆ Facing the risk-on headwind as investors rotated back into equities, LRS' U.S. fixed income portfolio fell during the first quarter, finishing down -0.5% but was better when compared to the Barclays Long Liability Index's -0.7%. Over time periods one-year and beyond, the fixed income portfolio has done very well against its benchmark.
- ◆ Similar to the fixed income portfolio, the LRS TIPS portfolio also declined during the quarter, falling -0.5% compared to the Barclays U.S. TIPS Index's -0.4%. The TIPS portfolio's long-term performance continues to fare well relative to the benchmark, and has added value over the five-year period.
- ◆ The LRS REIT portfolio benefited from the equity rally and finished the first quarter strong, registering a gain of 6.4% that outpaced its custom benchmark, the FTSE EPRA/NAREIT Developed Index. The portfolio has a one-year return of 21.1% that currently mirrors its custom benchmark.
- ◆ The LRS commodities portfolio gained 0.9% in Q1 and finished ahead of the GSCI Total Return Index's gain of 0.6%; its one-year return of -5.0% has matched the benchmark.

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California Employers' Retiree Benefit Trust



California Employers' Retiree Benefit Trust Strategy 1

Asset Allocation

Asset Class	Actual	Policy*	Difference
Global Equity	65.9%	66.0%	-0.1%
US Bonds	18.0	18.0	0.0
TIPS	5.0	5.0	0.0
REITS	8.1	8.0	+0.1
Commodities	3.0	3.0	0.0
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 March 31, 2013

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Total Fund	\$2,127.0 mil	4.9%	11.0%	9.5%	4.6%	-.%
<i>Benchmark</i>		4.8	11.0	9.7	4.6	-.
Global Equity	1,404.1 mil	6.9	11.9	8.9	2.9	-.
<i>Benchmark</i>		6.9	11.8	9.6	3.4	-.
Fixed Income	377.1 mil	-0.5	7.4	9.3	8.5	-.
<i>Benchmark</i>		-0.7	6.4	9.2	7.9	-.
REITs	170.6 mil	5.4	19.9	13.8	2.1	-.
<i>Benchmark</i>		5.2	19.8	13.8	1.5	-.
TIPS	99.4 mil	-0.5	5.6	-.	-.	-.
<i>Benchmark</i>		-0.4	5.7	-.	-.	-.
Commodities	60.3 mil	0.9	-5.0	-.	-.	-.
<i>Benchmark</i>		0.6	-5.0	-.	-.	-.
Cash[±]	7.5 mil	0.0	0.0	0.1	0.5	-.

* The policy asset allocation targets shown are final targets as of 1/1/2013. The CERBT Strategy 1 was transitioning towards a global asset allocation mix. The process started in September 2011 and was completed in December 2012.

[±] The cash component may contain residual trade balance that has yet to be settled during the March 31 rebalancing process.



California Employers' Retiree Benefit Trust Strategy 2

Asset Allocation

Asset Class	Actual	Policy*	Difference
Global Equity	49.8%	50.0%	-0.2%
US Bonds	24.0	24.0	0.0
TIPS	15.0	15.0	0.0
REITS	7.9	8.0	-0.1
Commodities	3.0	3.0	0.0
Cash Equivalents	<u>0.3</u>	<u>0.0</u>	<u>+0.3</u>
	100.0	100.0	0.0

Total Fund Performance Results

Total Fund Performance Periods Ended March 31, 2013

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Total Fund	\$387.1 mil	3.7%	10.3%	--%	--%	--%
<i>Benchmark</i>		3.6	10.2	--	--	--
Global Equity	193.7 mil	6.9	12.1	--	--	--
<i>Benchmark</i>		6.9	12.2	--	--	--
Fixed Income	91.2 mil	-0.5	7.4	--	--	--
<i>Benchmark</i>		-0.7	6.4	--	--	--
TIPS	57.0 mil	-0.5	5.6	--	--	--
<i>Benchmark</i>		-0.4	5.7	--	--	--
REITs	31.1 mil	5.4	19.8	--	--	--
<i>Benchmark</i>		5.2	19.8	--	--	--
Commodities	11.0 mil	0.9	-5.0	--	--	--
<i>Benchmark</i>		0.6	-5.0	--	--	--
Cash[±]	1.0 mil	0.0	0.0	--	--	--

* The policy asset allocation targets shown are final targets as of 1/1/2013. The CERBT Strategy 2 was transitioning towards a global asset allocation mix. The process started in September 2011 and was completed in December 2012.

[±] The cash component may contain residual trade balance that has yet to be settled during the March 31 rebalancing process.



California Employers' Retiree Benefit Trust Strategy 3

Asset Allocation

Asset Class	Actual	Policy*	Difference
Global Equity	31.1%	32.0%	-0.9%
US Bonds	42.4	42.0	+0.4
TIPS	15.1	15.0	+0.1
REITS	8.0	8.0	0.0
Commodities	3.0	3.0	0.0
Cash Equivalents	0.4	0.0	+0.4
	100.0	100.0	0.0

Total Fund Performance Results

Total Fund Performance Periods Ended March 31, 2013

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Total Fund	\$53.0 mil	2.2%	9.1%	--%	--%	--%
<i>Benchmark</i>		2.3	9.1	--	--	--
Global Equity	17.0 mil	6.8	12.0	--	--	--
<i>Benchmark</i>		6.9	12.2	--	--	--
Fixed Income	21.6 mil	-0.5	7.4	--	--	--
<i>Benchmark</i>		-0.7	6.4	--	--	--
TIPS	7.7 mil	-0.5	5.6	--	--	--
<i>Benchmark</i>		-0.4	5.7	--	--	--
REITs	4.3 mil	5.2	19.6	--	--	--
<i>Benchmark</i>		5.2	19.8	--	--	--
Commodities	1.6 mil	0.9	-5.0	--	--	--
<i>Benchmark</i>		0.6	-5.0	--	--	--
Cash[±]	0.2 mil	0.0	0.0	--	--	--

* The policy asset allocation targets shown are final targets as of 1/1/2013. The CERBT Strategy 3 was transitioning towards a global asset allocation mix. The process started in September 2011 and was completed in December 2012.

[±] The cash component may contain residual trade balance that has yet to be settled during the March 31 rebalancing process.

Health Care Bond Fund

Total Fund Performance Results

Total Fund Performance Periods Ended March 31, 2013

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Health Care Bond Fund	\$400.0 mil	0.4%	5.2%	6.0%	5.8%	--%
<i>Benchmark</i>		-0.1	3.8	5.5	5.5	--

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Supplemental Income Plans

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Supplemental Income Plan Performance

Net Fund Performance Results – Supplemental Contribution Plan

Periods Ended March 31, 2013

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>
CalPERS International Index	\$165.5 thous	4.2	10.7	5.1	-0.4
<i>FTSE Dev. World Index Ex-US</i>		4.3	10.6	5.2	-0.2
CalPERS Small/Mid Equity Index	\$504.5 thous	12.8	18.2	14.8	9.1
<i>Russell 2500</i>		12.9	17.7	14.6	9.0
CalPERS Target 2010	\$107.7 thous	4.0	7.0	7.1	--
<i>SIP 2010 Index</i>		4.1	8.0	8.3	--
CalPERS Target 2015	\$51.4 thous	4.5	7.3	7.4	--
<i>SIP 2015 Index</i>		4.5	8.6	8.6	--
CalPERS Target 2020	\$93.1 thous	5.1	7.7	7.5	--
<i>SIP 2020 Index</i>		5.1	9.0	8.7	--
CalPERS Target 2025	\$70.8 thous	5.8	8.2	--	--
<i>SIP 2020 Index</i>		5.8	9.9	--	--
CalPERS Target 2030	\$0.7 thous	6.6	8.8	8.2	--
<i>SIP 2030 Index</i>		6.6	10.8	9.5	--
CalPERS Target 2035	\$9.5 thous	7.1	9.4	--	--
<i>SIP 2035 Index</i>		7.2	11.5	--	--
CalPERS Target 2040	\$123.8 thous	7.4	9.6	8.7	--
<i>SIP 2040 Index</i>		7.5	11.8	10.1	--
CalPERS Target 2045	\$45.3 thous	7.4	9.6	--	--
<i>SIP 2045 Policy</i>		7.5	11.8	--	--
CalPERS Total Return Bond Fund	\$189.8 thous	0.3	4.9	5.6	5.5
<i>Barclays Aggregate Bond Index</i>		-0.1	3.8	5.5	5.5
CalPERS Target Income	\$163.2 thous	2.8	5.7	6.3	--
<i>SIP Income Policy</i>		2.8	6.3	7.3	--
CalPERS TIPS Securities	\$530.8 thous	-0.6	5.3	8.2	5.7
<i>Barclays U.S. TIP Index</i>		-0.4	5.7	8.6	5.9
PIMCO Short Term Bond Fund	\$261.5 thous	0.2	1.5	--	--
<i>CalPERS ML 6-month T-Bill</i>		0.0	0.2	--	--

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	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>
CalPERS Aggressive Asset Allocation Fund <i>SIP Aggressive Policy</i>	\$22.4 thous	7.4	9.6	8.7	--
		7.5	11.8	10.1	--
CalPERS Moderate Asset Allocation Fund <i>SIP Moderate Policy</i>	\$15.1 mil	5.4	8.1	7.9	--
		5.5	9.5	9.1	--
CalPERS Conservative Asset Allocation <i>SIP Conservative Policy</i>	\$294.6 thous	2.8	5.7	6.2	--
		2.8	6.3	7.3	--
CalPERS S&P 500 Equity Index <i>S&P 500 Index</i>	\$1.3 mil	10.6	13.9	12.6	5.9
		10.6	14.0	12.7	5.8
Pyramis Select International <i>CalPERS FTSE Dev World x-US</i>	\$102.3 thous	3.7	10.7	6.1	--
		4.3	10.5	5.3	--
The Boston Company SMID Growth <i>Russell 2500 Growth</i>	\$20.0 thous	11.3	10.5	--	--
		12.2	13.7	--	--
The Boston Company SMID Value <i>Russell 2500 Value</i>	\$21.5 thous	13.0	13.9	--	--
		13.4	21.2	--	--
SSgA STIF <i>BofAML 3-month US T-Bill</i>	\$481.4 thous	-0.1	-0.1	--	--
		0.0	0.1	--	--

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

Periods Ended March 31, 2013

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
State Peace Officers' & Firefighters Plan (POFF) <i>SIP Moderate Policy</i>	\$495.7 mil	5.4%	8.1%	7.8%	4.1%	6.7%
		5.5	9.5	9.1	5.1	7.5

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CalPERS 457 Program Net Funds
Periods Ended March 31, 2013

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
CalPERS S&P 500 Equity Index	\$228.2 mil	10.5	13.6	12.4	5.6	8.3
<i>S&P 500 Index</i>		10.6	14.0	12.7	5.8	8.5
CalPERS Small/Mid Equity Index	\$141.0 mil	12.8	17.8	14.4	8.8	--
<i>Russell 2500 Index</i>		12.9	17.7	14.6	9.0	--
CalPERS Total Return Bond Fund	\$64.5 mil	0.2	4.6	5.4	5.3	--
<i>Barclays Aggregate</i>		-0.1	3.8	5.5	5.5	--
CalPERS TIPS Securities	\$43.3 mil	-0.6	5.1	7.9	5.5	--
<i>Barclays U.S. TIPS Index</i>		-0.4	5.7	8.6	5.9	--
CalPERS International Index	\$17.5 mil	4.2	10.4	4.9	-0.7	--
<i>FTSE Dev. World Index Ex-US</i>		4.3	10.6	5.2	-0.2	--
Boston Company SMID Growth	\$6.9 mil	11.3	10.5	15.3	--	--
<i>Russell 2500 Growth Index</i>		12.2	13.7	15.0	--	--
Boston Company SMID Value	\$3.0 mil	13.0	13.9	10.3	--	--
<i>Russell 2500 Value Index</i>		13.4	21.2	14.2	--	--
Pyramis Select International	\$35.5 mil	3.7	10.4	6.0	--	--
<i>CalPERS FTSE Dev World x-US</i>		4.3	10.5	5.3	--	--
CalPERS Conservative Asset Allocation	\$39.8 mil	2.8	5.7	6.2	--	--
<i>SIP Conservative Index</i>		2.8	6.3	7.3	--	--
CalPERS Moderate Asset Allocation Fund	\$118.9 mil	5.4	8.0	7.8	--	--
<i>SIP Moderate Policy</i>		5.5	9.5	9.1	--	--
CalPERS Aggressive Asset Allocation	\$58.4 mil	7.4	9.5	8.7	--	--
<i>SIP Aggressive Policy</i>		7.5	11.8	10.1	--	--
CalPERS Target Income Fund	\$13.8 mil	2.8	5.7	6.2	--	--
<i>SIP Income Policy</i>		2.8	6.3	7.3	--	--

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CalPERS 457 Program Net Funds
Periods Ended March 31, 2013

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
CalPERS Target 2005 Fund	\$2.0 mil	3.2	5.9	6.4	--	--
<i>SIP 2005 Policy</i>		3.2	6.8	7.6	--	--
CalPERS Target 2010 Fund	\$17.7 mil	4.0	6.9	7.1	--	--
<i>SIP 2010 Policy</i>		4.1	8.0	8.3	--	--
CalPERS Target 2015 Fund	\$28.1 mil	4.5	7.2	7.3	--	--
<i>SIP 2015 Policy</i>		4.5	8.6	8.6	--	--
CalPERS Target 2020 Fund	\$38.6 mil	5.1	7.6	7.5	--	--
<i>SIP 2020 Policy</i>		5.1	9.0	8.7	--	--
CalPERS Target 2025 Fund	\$16.5 mil	5.8	8.1	7.8	--	--
<i>SIP 2025 Policy</i>		5.8	9.9	9.1	--	--
CalPERS Target 2030 Fund	\$22.5 mil	6.6	8.9	8.3	--	--
<i>SIP 2030 Policy</i>		6.6	10.8	9.5	--	--
CalPERS Target 2035 Fund	\$6.6 mil	7.1	9.3	8.6	--	--
<i>SIP 2035 Policy</i>		7.2	11.5	9.9	--	--
CalPERS Target 2040 Fund	\$12.7 mil	7.4	9.5	8.7	--	--
<i>SIP 2040 Policy</i>		7.5	11.8	10.1	--	--
CalPERS Target 2045 Fund	\$2.0 mil	7.4	9.5	8.7	--	--
<i>SIP 2045 Policy</i>		7.5	11.8	10.1	--	--
CalPERS Target 2050 Fund	\$0.8 mil	7.3	9.5	8.7	--	--
<i>SIP 2050 Policy</i>		7.5	11.8	10.1	--	--
SSgA STIF	\$134.3 mil	-0.1	-0.4	--	--	--
<i>BofAML 3-month US T-Bill</i>		0.0	0.1	--	--	--
PIMCO Short-Term Bond Fund	\$21.0 mil	0.2	1.3	--	--	--
<i>ML 6-month T-Bill</i>		0.0	0.2	--	--	--