



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 2013

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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

With investors now accustomed to the accommodative “easy money” policies of the U.S. Federal Reserve, hints of an eventual end to rock-bottom borrowing rates sent interest rates jumping upward and propelled equity markets into a tailspin in late June, providing a volatile, jarring end to an otherwise fairly strong second quarter of 2013 for U.S. equities. The U.S. economy grew at a somewhat higher rate than at the end of 2012; real Gross Domestic Product increased 1.8% over the first quarter of 2013 (revised from an earlier 2.4% estimate), a notable improvement over the sluggish 0.4% rate posted for the fourth quarter of 2012. The official unemployment rate stood at 7.6% in June, the same rate as that posted in March. The Conference Board’s Consumer Confidence Index rose to 81.4 in June, its highest level since January 2008, before the Great Recession. Consumer-level inflation backed off from the accelerated rate of the first quarter; the Consumer Price Index, All Urban Consumers, rose 0.31% in the second quarter of 2013, with Food and Energy components only accounting for 6 basis points of that rise. Crude oil prices edged down -0.7% over the quarter, closing at \$96.56 per barrel on June 28. Gold tumbled -23.4% in the second quarter, ending its fall at \$1,223.80 per troy ounce. The rise in interest rates naturally sent bond prices broadly lower and helped widen the spreads on corporate paper. Outside the U.S., investors contended with feeble economic growth and/or recession in developed Europe, a Japanese stock market rally that turned into a bear run, unrest in Turkey and Brazil, evidence of an economic slowdown in China as well as a resurgent U.S. dollar eating into their asset performance.

U.S. Equity Market

The U.S. stock market, represented by the Wilshire 5000 Total Market IndexSM, posted a total return of 2.77% during the second quarter; the S&P 500 managed to slightly outperform the 5000, returning 2.91% for the quarter. The 5000’s quarterly rise was realized despite giving back -1.27% in June, its first monthly loss since October 2012. Solid gains in April and May (up 1.93% and 2.34%, respectively) propelled U.S. stocks to notch an impressive 13.97% advance through the midpoint of calendar 2013. This marked the best first half of a calendar year since 1998, when the U.S. stock market was up 15.47% through the first six months of that year. Small capitalization stocks have outperformed larger stocks (Wilshire U.S. Large-Cap, 2.74%; Wilshire U.S. Small-Cap, 2.80%) in the first half of 2013, in spite of higher market volatility in the last trading days of June. Micro-cap stocks, in fact, have enjoyed an outstanding 2013 so far (Wilshire U.S. Micro-Cap, 5.69% second quarter, 21.77% 2013 year-to-date). Among large-cap stocks, value-oriented issues outperformed growth equities (Wilshire U.S. Large-Cap Value, 3.46%; Wilshire U.S. Large-Cap Growth, 1.86%); however, the heightened interest-rate sensitivity of small-cap value stocks led to these issues underperforming small-cap growth equities (Wilshire U.S. Small-Cap Growth, 4.58%; Wilshire U.S. Small-Cap Value, 1.26%). The best-performing economic sectors of the Wilshire 5000 in the second quarter reflected stronger consumer sentiment and increased spending; Consumer Discretionary, Financial and Health Care stocks led other sectors with returns of 7.51%, 5.34% and 4.20% respectively. The weakest-performing sector was Materials, with a -2.89% return for the quarter; the Utilities sector, a rally leader in the first quarter of 2013, gave back some of its gains with a -2.15% return for the second quarter. Public-market real estate securities, like other interest rate-sensitive assets, suffered losses in the second quarter as bond yields rose, increasing investors’ borrowing costs (Wilshire U.S. Real Estate Securities Index, -1.41%).



Fixed Income Market

Bond yields drifted lower in April, with the bellwether 10-year U.S. Treasury hitting a near-term low of 1.66% on May 1. Subsequently, yields climbed sharply higher, with the 10-year Treasury closing the quarter at 2.52%, fully 65 basis points higher than its March 28 close. The overnight Fed Funds rate remains bound to its 0.0%-0.25% range, which kept very short-term rates basically static over the second quarter of 2013. However, the two-year U.S. Treasury yield managed to nudge up 11 bps to 0.36%, while thirty-year Treasury yields jumped up 42 bps to close the quarter at 3.52%; unsurprisingly, long-term bonds broadly underperformed shorter-term paper (Barclays U.S. Treasury 1-3 Years, -0.11%; Barclays U.S. Treasury Long, -5.58%). Spreads widened in non-Treasury credits, dampening performance in these sectors relative to Treasuries (Barclays U.S. Treasury, -1.93%; Barclays U.S. Government-Related, -2.88%; Barclays U.S. Corporate Investment-Grade, -3.31%; Barclays U.S. Securitized, -1.92%). Spreads widened for high yield corporate bonds as well, but they managed to outperform the broad investment-grade market as a whole in the second quarter of 2013 (Barclays U.S. High Yield Corporate, -1.44%; Barclays U.S. Aggregate, -2.32%).

Non-U.S. Markets

The second quarter of 2013 found the European Union still struggling with political uncertainty in Greece as well as lackluster economic expansion and/or recession throughout the region. The announced upcoming wind-down of the U.S. Fed's long-lived programs of accommodative lending sent markets reeling worldwide. Japan's 2013 rally plunged into a volatile bear run after the Nikkei hit a five-year high on May 22; however, Japanese stocks remain among the strongest performers this year. As the dust settled on the second quarter, Asia-Pacific region developed market stocks clearly outperformed European equities in local-currency terms (MSCI Europe, net dividends, -0.79% local; MSCI Pacific net, local, 4.94% local). However, the situation reversed itself once performance was converted to U.S. dollar terms (MSCI Europe net, -0.51% USD; MSCI Pacific net, -1.74% USD). Emerging markets stocks continued to find performance held back by concerns over China's slowing domestic economy. Political unrest in Brazil and Turkey late in the quarter also weighed on emerging markets overall, dragging down their performance relative to developed markets (MSCI EAFE net, 1.21% local, -0.98% USD; MSCI Emerging Markets net, -4.42% local, -8.08% USD; MSCI All-Country World ex-US net, -0.46% local, -3.11% USD). Higher bond yields worldwide led to generally weak fixed income results in developed and emerging non-dollar markets (Barclays Global Aggregate ex-U.S.: -1.24% dollar-hedged, -3.08% unhedged USD terms; Barclays Emerging Markets Local Currency Government Universal: -1.22% dollar-hedged, -3.81% unhedged USD terms).

CalPERS
Performance Analysis
June 30, 2013



Summary of Index Returns

For Periods Ended June 30, 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 | 2.92% | 20.60% | 18.45% | 7.00% | 7.30% |
| Wilshire 5000 | 2.77 | 21.10 | 18.45 | 7.19 | 7.95 |
| Wilshire 4500 | 2.21 | 25.22 | 19.26 | 8.74 | 10.47 |
| Wilshire Large Cap | 2.74 | 20.55 | 18.27 | 6.77 | 7.58 |
| Wilshire Small Cap | 2.80 | 26.06 | 20.22 | 10.86 | 11.23 |
| Wilshire Micro Cap | 5.69 | 27.96 | 17.65 | 9.58 | 8.79 |
| Domestic Equity | | | | | |
| Wilshire Large Value | 3.46% | 23.44% | 18.76% | 6.95% | 7.58% |
| Wilshire Large Growth | 1.86 | 17.28 | 17.60 | 6.55 | 7.43 |
| Wilshire Mid Value | 0.51 | 26.16 | 19.27 | 9.92 | 9.71 |
| Wilshire Mid Growth | 3.33 | 27.80 | 19.88 | 9.16 | 11.91 |
| Wilshire Small Value | 1.26 | 25.29 | 19.07 | 11.25 | 10.72 |
| Wilshire Small Growth | 4.58 | 26.94 | 21.24 | 10.47 | 11.69 |
| International Equity | | | | | |
| MSCI All World ex U.S. (USD) | -3.11% | 13.63% | 7.99% | -0.80% | 8.63% |
| MSCI All World ex U.S. (local currency) | -0.16 | 20.06 | 8.53 | 1.54 | 7.41 |
| MSCI EAFE | -0.98 | 18.62 | 10.04 | -0.63 | 7.67 |
| MSCI Europe | -0.51 | 18.86 | 10.53 | -1.35 | 7.50 |
| MSCI Pacific | -1.74 | 18.45 | 9.50 | 1.07 | 8.16 |
| MSCI Emerging Markets Index | -8.08 | 2.87 | 3.38 | -0.43 | 13.66 |
| Domestic Fixed Income | | | | | |
| Barclays Aggregate Bond | -2.32% | -0.69% | 3.51% | 5.19% | 4.52% |
| Barclays Credit | -3.44 | 0.84 | 5.47 | 6.96 | 5.10 |
| Barclays Mortgage | -1.96 | -1.10 | 2.51 | 4.84 | 4.70 |
| Barclays Treasury | -1.93 | -1.64 | 3.12 | 4.49 | 4.14 |
| Citigroup High Yield Cash Pay | -1.31 | 9.02 | 10.59 | 10.45 | 8.53 |
| Barclays US TIPS | -7.05 | -4.78 | 4.63 | 4.41 | 5.19 |
| 91-Day Treasury Bill | 0.02 | 0.11 | 0.11 | 0.29 | 1.72 |
| International Fixed Income | | | | | |
| Citigroup Non-U.S. Gov. Bond | -3.44% | -5.72% | 2.57% | 2.55% | 4.78% |
| Citigroup World Gov. Bond | -2.97 | -4.50 | 2.72 | 3.04 | 4.70 |
| Citigroup Hedged Non-U.S. Gov. | -1.29 | 2.99 | 3.08 | 4.52 | 4.02 |
| Currency* | | | | | |
| Euro vs. \$ | 1.23% | 2.43% | 2.00% | -3.77% | 1.25% |
| Yen vs. \$ | -5.35 | -19.68 | -3.78 | 1.31 | 1.91 |
| Pound vs. \$ | -0.12 | -3.30 | 0.46 | -5.29 | -0.84 |
| Real Estate | | | | | |
| Wilshire REIT Index | -1.39% | 8.41% | 18.50% | 7.20% | 10.80% |
| Wilshire RESI | -1.41 | 8.38 | 18.30 | 7.03 | 10.88 |

CalPERS
Performance Analysis
June 30, 2013



Summary Review of Plans Periods Ended 6/30/2013

| | <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 | \$257.9 bil | 0.5% | 12.5% | 11.1% | 3.1% | 7.0% |
| <i>Total Fund Policy Benchmark ¹</i> | | 0.4% | 11.1% | 10.7% | 5.3% | 7.8% |
| <i>Actuarial Rate</i> | | 1.8% | 7.5% | 7.7% | 7.7% | 7.7% |
| Affiliate Fund | | | | | | |
| Judges II | \$781.6 mil | -1.7% | 12.1% | 11.6% | 5.4% | 6.9% |
| <i>Weighted Policy Benchmark</i> | | -1.8% | 11.6% | 11.7% | 5.6% | 6.9% |
| Long-Term Care ("LTC") | \$3,713.3 mil | -4.0% | 3.5% | 8.8% | 4.7% | 6.5% |
| <i>Weighted Policy Benchmark</i> | | -4.0% | 3.0% | 8.6% | 4.6% | 6.4% |
| CERBT Strategy 1 | \$2,196.3 mil | -1.8% | 11.8% | 11.8% | 4.5% | -.% |
| <i>Weighted Policy Benchmark</i> | | -1.9% | 11.6% | 11.9% | 4.6% | -.% |
| CERBT Strategy 2 | \$413.4 mil | -2.6% | 8.9% | -.% | -.% | -.% |
| <i>Weighted Policy Benchmark</i> | | -2.8% | 8.5% | -.% | -.% | -.% |
| CERBT Strategy 3 | \$58.2 mil | -3.3% | 5.2% | -.% | -.% | -.% |
| <i>Weighted Policy Benchmark</i> | | -3.5% | 4.7% | -.% | -.% | -.% |
| Legislators' Fund | | | | | | |
| LRS | \$121.5 mil | -3.2% | 5.6% | 9.3% | 6.4% | 6.5% |
| <i>Weighted Policy Benchmark</i> | | -3.4% | 4.8% | 9.1% | 6.0% | 6.4% |

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 6/30/2013

| | Market Value | Five-Year Ratios | | | | | | | |
|--|--------------|------------------|--------|--------|--------|---------|-------------------|----------------------|--------------------|
| | | Qtr | 1-Year | 3-Year | 5-Year | 10-Year | VaR ¹² | Sharpe ¹³ | Info ¹⁴ |
| TOTAL FUND | \$257.9 bil | 0.5% | 12.5% | 11.1% | 3.1% | 7.0% | \$34.0 bil | 0.3 | -0.7 |
| <i>Total Fund Policy Benchmark</i> ² | | 0.4% | 11.1% | 10.7% | 5.3% | 7.8% | | 0.4 | 0.0 |
| <i>Actuarial Rate</i> | | 1.8% | 7.5% | 7.7% | 7.7% | 7.7% | | | |
| GROWTH | 165.0 | 1.1% | 17.7% | 13.5% | 3.6% | 8.2% | \$33.8 bil | 0.2 | -0.6 |
| <i>Growth Policy Benchmark</i> ³ | | 2.0% | 18.0% | 13.2% | 5.6% | 9.0% | | 0.3 | 0.0 |
| PUBLIC EQUITY | | 0.2% | 19.0% | 13.2% | 3.3% | 7.5% | \$26.2 bil | 0.1 | -0.3 |
| <i>Public Equity Policy Benchmark</i> ⁴ | 0.0% | 18.3% | 12.7% | 3.9% | 7.9% | | 0.2 | 0.0 | |
| PRIVATE EQUITY | 31.4 | 4.8% | 13.6% | 14.5% | 6.1% | 12.5% | \$9.9 bil | 0.6 | -0.4 |
| <i>Private Equity Policy Benchmark</i> ⁵ | | 9.3% | 16.0% | 13.7% | 12.7% | 14.1% | | 0.8 | 0.0 |
| INCOME | | 40.2 | -4.1% | -1.6% | 5.9% | 7.7% | 6.4% | \$4.7 bil | 1.0 |
| <i>Income Policy Benchmark</i> ⁶ | -4.5% | -3.1% | 5.1% | 6.7% | 5.6% | | 0.9 | 0.0 | |
| REAL ASSETS ⁷ | 25.8 | 6.9% | 11.2% | 11.0% | -9.5% | 3.7% | \$3.0 bil | -0.6 | -1.0 |
| <i>Real Assets Policy Benchmark</i> ⁸ | | 2.4% | 9.7% | 12.4% | 3.2% | 8.9% | | 0.5 | 0.0 |
| INFLATION | | 9.2 | -5.6% | 0.2% | 6.8% | -3.2% | -.% | \$0.6 bil | -0.3 |
| <i>Inflation Policy Benchmark</i> ⁹ | -6.1% | -0.9% | 5.3% | -1.2% | -.% | | -0.1 | 0.0 | |
| LIQUIDITY | 10.4 | -1.2% | -0.8% | 1.3% | 1.2% | 2.3% | \$0.4 bil | 0.7 | -0.4 |
| <i>Liquidity Policy Benchmark</i> ¹⁰ | | -1.5% | -0.8% | 1.5% | 1.3% | 2.3% | | 0.7 | 0.0 |
| ABSOLUTE RETURN STRATEGIES ¹¹ | | 5.2 | 0.6% | 7.3% | 3.8% | 1.4% | 5.0% | | 0.2 |
| <i>Absolute Return Strategies Policy Benchmark</i> ¹¹ | 1.3% | 5.3% | 5.4% | 6.1% | 8.0% | | 11.3 | 0.0 | |
| MULTI-ASSET CLASS COMPOSITE | 0.5 | -0.3% | -.% | -.% | -.% | -.% | | N/A | N/A |
| <i>Absolute 7.5%</i> | | 1.8% | -.% | -.% | -.% | -.% | | N/A | N/A |
| CURRENCY + ASSET ALLOCATION TRANSITION | | 1.5 | -.% | -.% | -.% | -.% | -.% | | |

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.

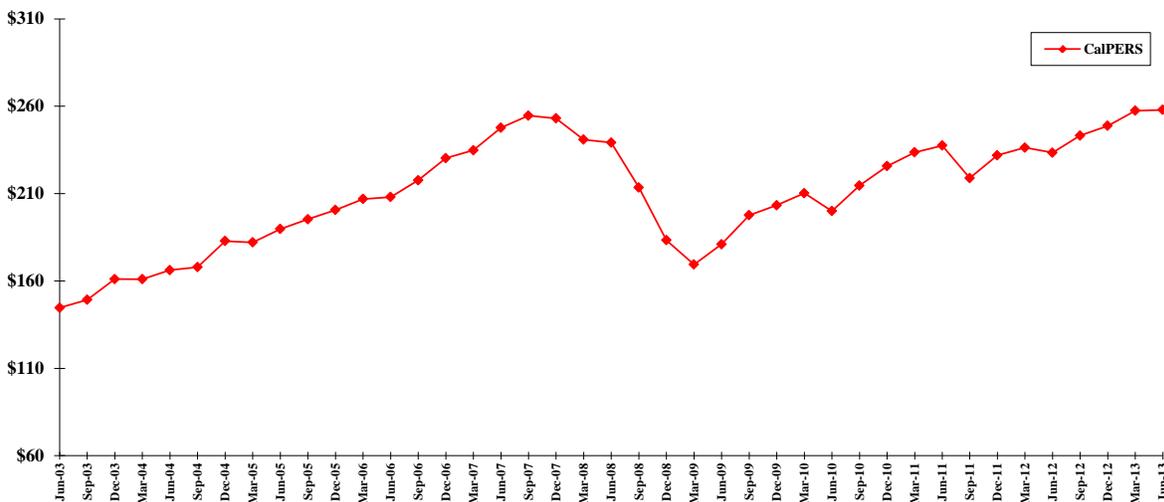
¹⁴ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.

Total Fund Review for PERF (continued) Periods Ended 6/30/2013

Total Fund Flow

| | <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>2012</u> | <u>1Q12</u> | <u>2Q13</u> |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Market Value (\$bil) | 134.1 | 161.1 | 182.8 | 200.6 | 230.3 | 253.0 | 183.3 | 203.3 | 225.7 | 225.0 | 248.8 | 257.4 | 257.9 |

Total Fund Market Value



Asset Allocation

Asset Allocation: Actual versus Target Weights*

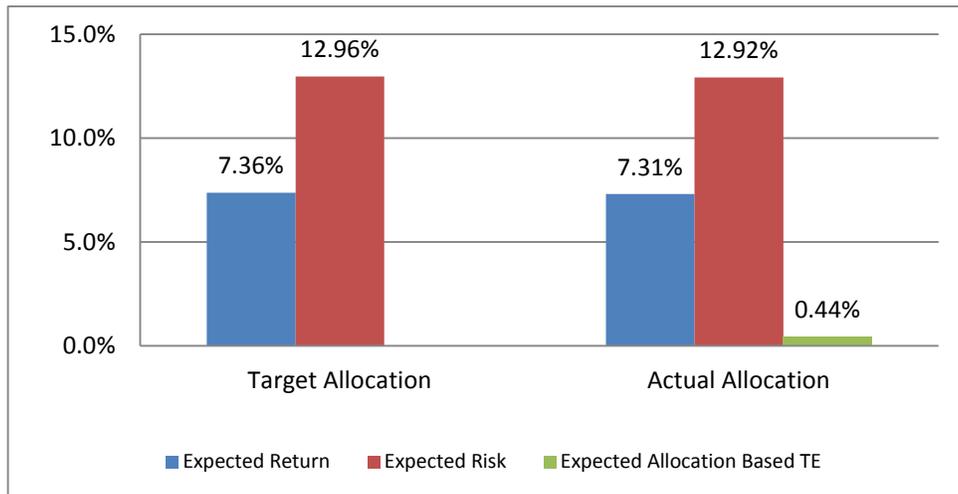
| Asset Class | Actual Asset Allocation | Target Asset Allocation | Difference |
|-------------|-------------------------|-------------------------|------------|
| Growth | 64.6% | 64.0% | 0.6% |
| Income | 15.6% | 17.0% | -1.4% |
| Real Assets | 10.0% | 11.0% | -1.0% |
| Inflation | 3.6% | 4.0% | -0.4% |
| ARS | 2.0% | 0.0% | 2.0% |
| Liquidity | 4.0% | 4.0% | 0.0% |
| 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.

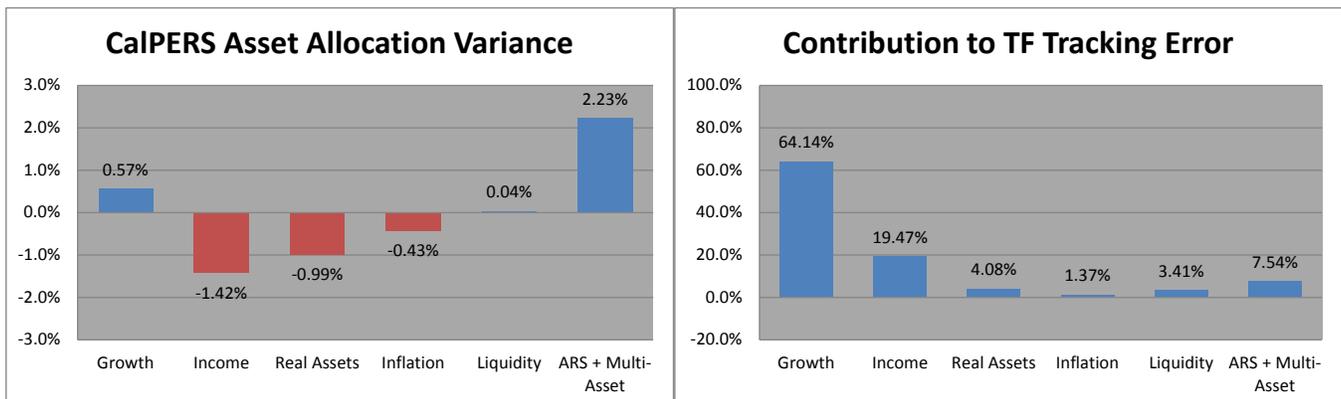
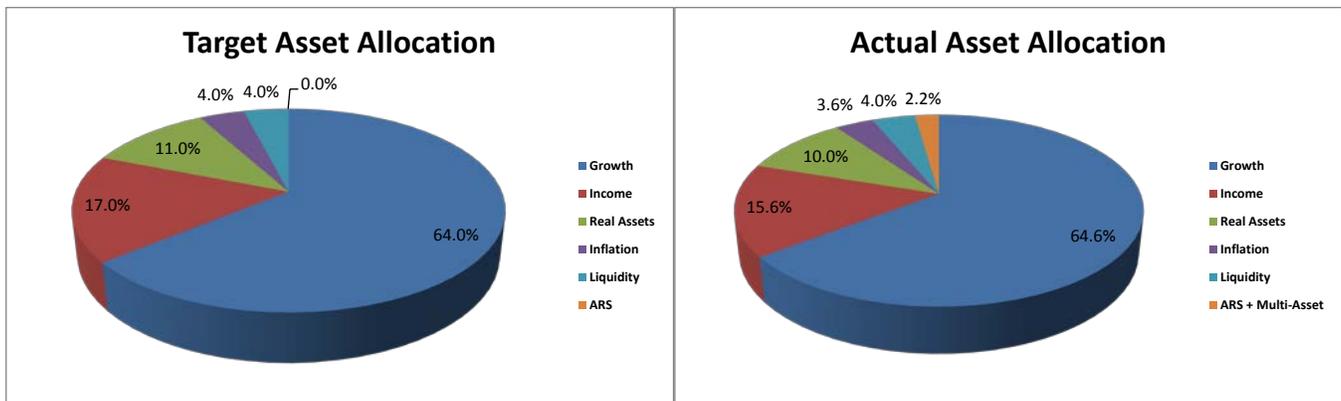


Total Fund Review for PERF (continued)
Periods Ended 6/30/2013

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



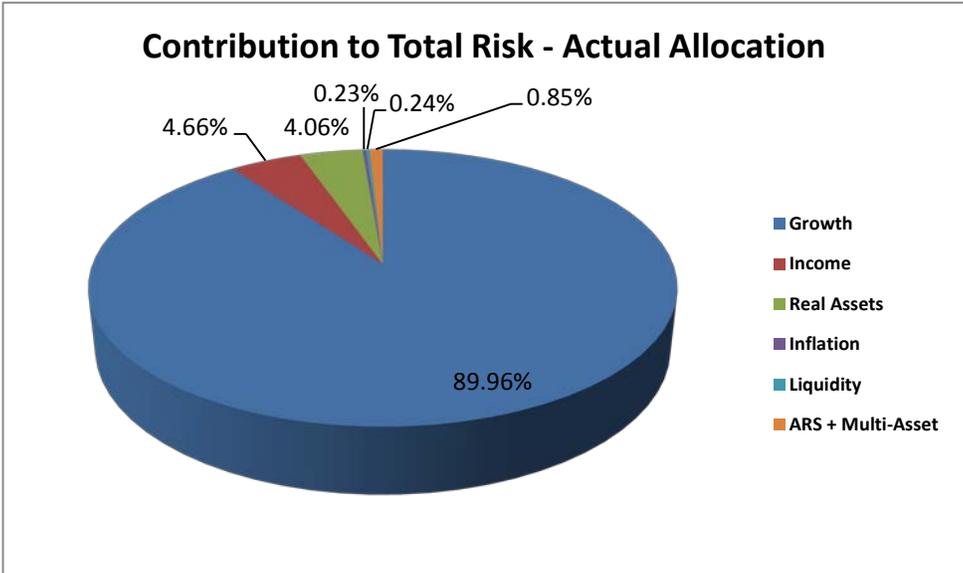
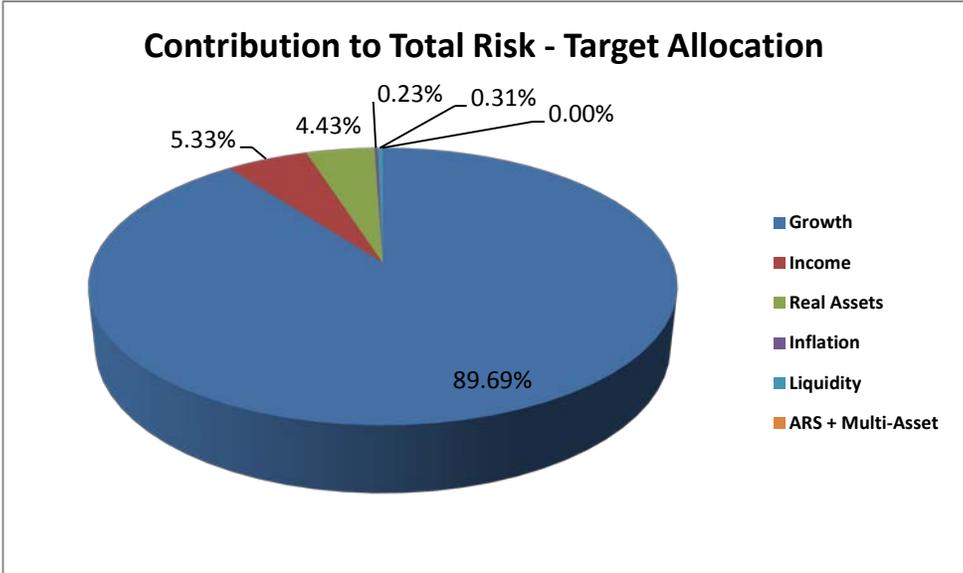
Total Fund Asset Allocation





Total Fund Review for PERF (continued)
Periods Ended 6/30/2013

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



California Public Employees' Retirement System
Total Fund Attribution - Quarter
As of 6/30/2013

| Asset Class | Actual (%) | | Policy (%) | | Difference (%) | | Total Fund Return Contribution (%) | | | |
|------------------------------|---------------|-------------|---------------|-------------|----------------|--------------|------------------------------------|--------------|-------------------|--------------|
| | Weight | Return | Weight | Return | Weight | Return | Actual Allocation | Interaction | Active Management | Total |
| Growth | 64.32 | 1.08 | 64.00 | 1.97 | 0.32 | -0.89 | 0.00 | -0.01 | -0.56 | -0.57 |
| Public Equity | 52.07 | 0.23 | 50.00 | -0.04 | 2.07 | 0.27 | -0.02 | 0.01 | 0.14 | 0.12 |
| Private Equity | 12.25 | 4.83 | 14.00 | 9.26 | -1.75 | -4.43 | -0.15 | 0.07 | -0.59 | -0.68 |
| Income | 16.62 | -4.14 | 17.00 | -4.46 | -0.38 | 0.32 | 0.02 | 0.00 | 0.06 | 0.07 |
| Real Assets | 9.37 | 6.86 | 11.00 | 2.36 | -1.63 | 4.50 | -0.04 | -0.08 | 0.51 | 0.39 |
| Inflation | 3.71 | -5.65 | 4.00 | -6.05 | -0.29 | 0.40 | 0.02 | 0.00 | 0.02 | 0.03 |
| Absolute Return | 2.23 | 0.58 | 0.00 | 1.27 | 2.23 | -0.69 | 0.02 | -0.02 | 0.00 | 0.00 |
| Liquidity | 3.75 | -1.20 | 4.00 | -1.47 | -0.25 | 0.26 | 0.01 | 0.00 | 0.01 | 0.02 |
| Monthly Linked Return | 100.00 | 0.40 | 100.00 | 0.45 | | -0.05 | 0.02 | -0.10 | 0.03 | -0.05 |
| Trading/Hedging/Other | | 0.14 | | -0.02 | | 0.15 | | | | 0.15 |
| Total | | 0.53 | | 0.43 | | 0.10 | | | | 0.10 |

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 6/30/2013

| Asset Class | Actual (%) | | Policy (%) | | Difference (%) | | Total Fund Return Contribution (%) | | | |
|------------------------------|---------------|-------------|---------------|-------------|----------------|-------------|------------------------------------|--------------|-------------------|-------------|
| | Weight | Return | Weight | Return | Weight | Return | Actual Allocation | Interaction | Active Management | Total |
| Growth | 63.88 | 7.70 | 64.00 | 8.25 | -0.12 | -0.55 | -0.02 | -0.01 | -0.34 | -0.37 |
| Public Equity | 51.45 | 7.47 | 50.00 | 7.02 | 1.45 | 0.45 | -0.02 | 0.01 | 0.22 | 0.21 |
| Private Equity | 12.43 | 8.99 | 14.00 | 12.43 | -1.57 | -3.44 | -0.15 | 0.06 | -0.48 | -0.57 |
| Income | 16.75 | -4.86 | 17.00 | -5.47 | -0.25 | 0.61 | -0.01 | 0.00 | 0.11 | 0.11 |
| Real Assets | 9.54 | 8.19 | 11.00 | 4.79 | -1.46 | 3.40 | -0.02 | -0.06 | 0.40 | 0.32 |
| Inflation | 3.65 | -6.18 | 4.00 | -6.33 | -0.35 | 0.15 | 0.03 | 0.00 | 0.01 | 0.04 |
| Absolute Return | 2.23 | 4.37 | 0.00 | 2.59 | 2.23 | 1.78 | -0.04 | 0.04 | 0.00 | 0.00 |
| Liquidity | 3.95 | -1.17 | 4.00 | -1.34 | -0.05 | 0.18 | 0.00 | 0.00 | 0.01 | 0.01 |
| Monthly Linked Return | 100.00 | 4.57 | 100.00 | 4.47 | | 0.10 | -0.06 | -0.04 | 0.19 | 0.10 |
| Trading/Hedging | | 0.52 | | -0.24 | | 0.76 | | | | 0.76 |
| Total | | 5.09 | | 4.23 | | 0.86 | | | | 0.86 |

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 6/30/2013

| Asset Class | Actual (%) | | Policy (%) | | Difference (%) | | Total Fund Return Contribution (%) | | | |
|------------------------------|---------------|--------------|---------------|--------------|----------------|-------------|------------------------------------|--------------|-------------------|-------------|
| | Weight | Return | Weight | Return | Weight | Return | Actual Allocation | Interaction | Active Management | Total |
| Growth | 63.20 | 17.69 | 64.00 | 17.99 | -0.80 | -0.30 | -0.05 | -0.02 | -0.19 | -0.26 |
| Public Equity | 50.03 | 19.03 | 50.00 | 18.30 | 0.03 | 0.73 | -0.08 | 0.00 | 0.35 | 0.27 |
| Private Equity | 13.17 | 13.59 | 14.00 | 16.03 | -0.83 | -2.44 | -0.25 | 0.13 | -0.42 | -0.54 |
| Income | 17.48 | -1.62 | 17.00 | -3.12 | 0.48 | 1.50 | -0.07 | 0.01 | 0.29 | 0.23 |
| Real Assets | 9.84 | 11.15 | 11.00 | 9.74 | -1.16 | 1.41 | 0.00 | -0.05 | 0.19 | 0.14 |
| Inflation | 3.37 | 0.20 | 4.00 | -0.94 | -0.63 | 1.14 | 0.04 | -0.01 | 0.05 | 0.08 |
| Absolute Return | 2.17 | 7.35 | 0.00 | 5.33 | 2.17 | 2.02 | -0.14 | 0.05 | 0.00 | -0.09 |
| Liquidity | 3.93 | -0.79 | 4.00 | -0.78 | -0.07 | -0.01 | 0.02 | 0.00 | 0.00 | 0.02 |
| Monthly Linked Return | 100.00 | 11.84 | 100.00 | 11.72 | | 0.12 | -0.20 | -0.02 | 0.34 | 0.12 |
| Trading/Hedging | | 0.70 | | -0.66 | | 1.36 | | | | 1.36 |
| Total | | 12.54 | | 11.06 | | 1.48 | | | | 1.48 |

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 6/30/2013

- ◆ The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of 0.5%, for the quarter ended June 30, 2013. CalPERS' return can be attributed as follows:

| | |
|--------------|----------------------------------|
| 0.43% | Strategic Policy Allocation |
| 0.02% | Actual/Tactical Asset Allocation |
| 0.03% | Active Management |
| -0.10% | Interaction |
| <u>0.15%</u> | Trading/Currency Hedging |
| 0.53% | 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 return nudged a small gain of 0.5% that was marginally better compared to its strategic policy benchmark's 0.4%. From a pure asset allocation standpoint, the System's net allocation variance had a small positive impact thanks to its underweight to Income and Inflation, the two asset classes that experienced the steepest decline during Q2. PERS' overall active management impact was also small positive, with weakness from the Growth asset class (driven by the less liquid private equity investments) being offset by outperformance from the Real Assets (450 bps), Income (32 bps), and Inflation (40 bps) segments.
- ◆ The Total Fund composite's 0.5% return came in below its actuarial rate this quarter (1.8%). However, its longer-term track record over the one-, three- and five-year marks has topped the actuarial rate, while continues to trail modestly at the ten-year mark.

Total Fund Review for PERF (continued) Periods Ended 6/30/2013

Relative to the Total Fund Policy Benchmark:

- ◆ **Growth Exposure:** The Growth composite endured increased volatilities in the second quarter but was able to finish with a small positive gain of 1.1% that was better than the total fund policy benchmark (0.4%). Public equity, which is the Growth composite's main component, contributed little this quarter as it finished nearly flat with 0.2% return, as fear of Fed tapering as well as concerns of China growth slowdown ignited a late-quarter selloff that erased most of the gains. Instead, it was private equity that boosted the Growth Composite's performance during Q2. Reported on a 1-quarter lagged basis, PERS' private equity investments recorded a solid gain of 4.8%, reflecting the broad valuation advance that was already experienced by the public market in the previous quarter.
- ◆ **Income Exposure:** Fixed income markets in general struggled during the second quarter and CalPERS' portfolios were no exception. The overall Income composite fell -4.1%, while better than its own policy benchmark (-4.5%), it was behind the total fund policy benchmark. Faced with several hurdles, from the fear of sooner-than-expected quantitative easing withdrawal that dominated the U.S. bond market, to the elevated unemployment rate in the Eurozone and surprised further slowing of Chinese economy occupying international headlines, global investors reacted negatively and drove yields higher. As a result, both of PERS' U.S. fixed income composite and international fixed income composite registered decline of similar magnitude, returning -4.1% and -4.4%, respectively.
- ◆ **Real Assets Exposure:** Real Assets was the best performing major segment this quarter on both absolute and relative terms, as it rose 6.9% and finished above the total fund policy benchmark by a margin of 450 bps. This favorable performance was solely driven by the largest component, real estate, which advanced 7.9% this quarter after the pace of real estate valuation recovery accelerated.
- ◆ **Inflation Exposure:** The CalPERS Inflation composite finished below the total fund policy benchmark for the third consecutive quarter, as it posted a decline of -5.6%. Unfavorable macro developments weighed heavily on the performance of this asset class this quarter, as the expectation of slowing QE3 mortgage bonds purchase quickly drove up yields and strengthened the dollar, causing both of the composite's inflation linked bonds and inflation portfolios to incur notable losses.
- ◆ **Liquidity:** CalPERS' Liquidity/short-term asset class ended the second quarter of 2013 in the negative territory, trailing the total fund policy benchmark. The Liquidity composite's return this quarter (-1.2%) was dragged down by its Treasury exposure, whose value dropped due to the same reasons mentioned above that negatively affected other fixed income securities.
- ◆ **Absolute Return Strategy:** Similar to most of CalPERS' major asset classes, the Absolute Return Strategy (ARS) program saw its Q2 performance come down from prior quarter's level. The program earned a total net of fee return of 0.6%, marginally better than the total fund policy benchmark.

Growth Review for PERF Periods Ended 6/30/2013

Growth Allocation

Asset Allocation: Actual versus Target Weights

| Asset Class | Actual Asset Allocation | Target Asset Allocation | Difference |
|----------------|----------------------------|----------------------------|--------------|
| Growth | 64.6% | 64.0% | +0.6% |
| Public Equity | 52.4% | 50.0% | +2.4% |
| Private Equity | 12.2% | 14.0% | -1.8% |

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 | 165.0 | 1.1% | 17.7% | 13.5% | 3.6% | 8.2% | \$33.8 bil | 0.2 | -0.6 |
| <i>Growth Policy Benchmark</i> | | 2.0% | 18.0% | 13.2% | 5.6% | 9.0% | | 0.3 | 0.0 |
| <i>Value Added</i> | | -0.9% | -0.3% | 0.3% | -2.0% | -0.8% | | | |
| PUBLIC EQUITY¹⁵ | 133.6 | 0.2% | 19.0% | 13.2% | 3.3% | 7.5% | \$26.2 bil | 0.1 | -0.3 |
| <i>Public Equity Policy Benchmark¹⁶</i> | | 0.0% | 18.3% | 12.7% | 3.9% | 7.9% | | 0.2 | 0.0 |
| <i>Value Added</i> | | 0.2% | 0.7% | 0.5% | -0.6% | -0.4% | | | |
| US Equity Composite (ex ARS) | 65.4 | 3.1% | 23.2% | 18.6% | 7.3% | 7.8% | | 0.4 | 0.3 |
| <i>Custom US Equity Benchmark¹⁷</i> | | 2.9% | 21.9% | 18.4% | 7.1% | 7.8% | | 0.4 | 0.0 |
| <i>Value Added</i> | | 0.2% | 1.3% | 0.2% | 0.2% | 0.0% | | | |
| Total Int'l Equity (ex ARS) | 66.7 | -2.5% | 15.3% | 8.7% | -0.1% | 8.9% | | 0.0 | 0.2 |
| <i>Custom Int'l Equity Benchmark¹⁸</i> | | -2.0% | 16.4% | 9.0% | -0.3% | 8.7% | | 0.0 | 0.0 |
| <i>Value Added</i> | | -0.5% | -1.1% | -0.3% | 0.2% | 0.2% | | | |
| Global Equity Equitization | 0.9 | 0.0% | 17.3% | 14.2% | -.-% | -.-% | | | |
| <i>Custom Benchmark¹⁹</i> | | 0.0% | 18.3% | 12.7% | -.-% | -.-% | | | |
| <i>Value Added</i> | | 0.0% | -1.0% | 1.5% | -.-% | -.-% | | | |
| PRIVATE EQUITY (AIM)²⁰ | 31.4 | 4.8% | 13.6% | 14.5% | 6.1% | 12.5% | \$9.9 bil | 0.6 | -0.4 |
| <i>AIM Policy Benchmark²¹</i> | | 9.3% | 16.0% | 13.7% | 12.7% | 14.1% | | 0.8 | 0.0 |
| <i>Value Added</i> | | -4.5% | -2.4% | 0.8% | -6.6% | -1.6% | | | |
| Private Equity Partnership Investments | 31.4 | 4.8% | 13.7% | 14.6% | 6.2% | 12.7% | | | |
| Private Equity Distribution Stock | 0.0 | 3.6% | -26.3% | -15.1% | 2.2% | 3.5% | | | |

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:** The U.S. equity market reached new highs during the second quarter on the back of strengthening economic data, but did give back some of the gains in June after news broke that the Federal Reserve is considering tapering QE III effort sooner than originally planned. CalPERS' internal and external U.S. equity composites were the best performers among its public equity portfolios as they ended the quarter with modest gains; their respective returns of 3.0% and 3.7% both finished ahead of their respective benchmarks and outperformed the 2.0% return of the Growth policy benchmark.

Impeded Performance:

- ◆ **International Equity Exposure:** Relative to domestic equities, international equities' performance remain challenged during the second quarter as the market faced stiffer headwinds. In addition to the shock stemming from Fed policy speculation, concerns over a slowdown in China and the policy effectiveness in reviving growth in Japan all had broad negative impact on international stock valuation. The System's two main international equity portfolios both recorded losses in the quarter, with the internally managed composite down -2.4% while the externally managed composite down a bit further at -3.1%. Both measures trailed relative to the Growth asset class policy benchmark's 2.0% return by a good margin.
- ◆ **Corporate Governance:** CalPERS' Corporate Governance portfolios earned mixed results during the volatile quarter, with the entire program netting an overall gain of 1.2%. This result, however, modestly trailed the Growth policy benchmark.
- ◆ **MDP:** The Manager Development Program registered a marginal gain of 0.9%, which was better than the 0.6% of its own benchmark, but underperformed the Growth policy benchmark.
- ◆ **FoF:** Similar to the MDP portfolios, the Total Fund of Funds composite earned a small positive return of 1.4% that was better than its own benchmark (1.0%), but did not match the pace of the Growth policy benchmark.
- ◆ **Private Equity Exposure:** The private equity composite, represented by the AIM investments, continued to record steady rise in valuations as it was up 4.8% during the second quarter (following its gain of 4.0% in Q1). However, on relative terms the AIM investments did not perform that well given that it trailed its own policy benchmark by a margin of 443 bps. Therefore even though the private equity composite finished above the Growth policy benchmark, overall speaking it was a net performance detractor during Q2.



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) | 65.4 | 3.1% | 23.2% | 18.6% | 7.3% | 7.8% | 12/79 |
| <i>Custom US Equity Benchmark</i> ²⁵ | | 2.9% | 21.9% | 18.4% | 7.1% | 7.8% | |
| <i>Value Added</i> | | 0.2% | 1.3% | 0.2% | 0.2% | 0.0% | |
| Total Internal US Equity | 56.8 | 3.0% | 22.8% | 18.8% | 7.5% | 8.0% | 6/88 |
| <i>Custom Internal US Equity Benchmark</i> ²⁶ | | 2.9% | 21.9% | 18.4% | 7.1% | 7.8% | |
| <i>Value Added</i> | | 0.1% | 0.9% | 0.4% | 0.4% | 0.2% | |
| Total External US Equity | 8.3 | 3.7% | 25.6% | 17.2% | 6.2% | 7.3% | 12/98 |
| <i>Custom External US Equity Benchmark</i> ²⁷ | | 2.8% | 21.9% | 18.1% | 7.3% | 8.2% | |
| <i>Value Added</i> | | 0.9% | 3.7% | -0.9% | -1.1% | -0.9% | |

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) | 66.7 | -2.5% | 15.3% | 8.7% | -0.1% | 8.9% | 12/02 |
| <i>Custom Int'l Equity Benchmark</i> ²⁸ | | -2.0% | 16.4% | 9.0% | -0.3% | 8.7% | |
| <i>Value Added</i> | | -0.5% | -1.1% | -0.3% | 0.2% | 0.2% | |
| Total Internal Int'l Equity | 52.6 | -2.4% | 15.6% | 8.8% | 0.2% | -.% | 3/05 |
| <i>Custom Internal Int'l Equity Benchmark</i> ²⁹ | | -1.7% | 17.3% | 9.6% | -0.4% | -.% | |
| <i>Value Added</i> | | -0.7% | -1.7% | -0.8% | 0.6% | -.% | |
| Total External Int'l Equity | 14.0 | -3.1% | 13.8% | 8.2% | 0.4% | 10.0% | 6/89 |
| <i>Custom External Int'l Equity Benchmark</i> ³⁰ | | -3.1% | 13.1% | 7.0% | -0.4% | 9.7% | |
| <i>Value Added</i> | | 0.0% | 0.7% | 1.2% | 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 | 4.5 | 1.2% | 23.6% | 11.3% | 2.8% | 7.9% | 12/98 |
| <i>Policy Benchmark</i> | | 2.2% | 22.6% | 13.1% | 2.9% | 7.1% | |
| <i>Value Added</i> | | -1.0% | 1.0% | -1.8% | -0.1% | 0.8% | |
| Total MDP | 1.5 | 0.9% | 17.6% | 13.7% | 3.7% | 7.0% | 6/00 |
| <i>Policy Benchmark</i> | | 0.6% | 18.4% | 13.6% | 5.2% | 8.2% | |
| <i>Value Added</i> | | 0.3% | -0.8% | 0.1% | -1.5% | -1.2% | |
| Total FoF | 1.0 | 1.4% | 20.0% | 16.0% | 6.0% | -.% | 3/08 |
| <i>Policy Benchmark</i> | | 1.0% | 19.5% | 15.3% | 6.6% | -.% | |
| <i>Value Added</i> | | 0.4% | 0.5% | 0.7% | -0.6% | -.% | |

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 6/30/2013

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 | 0.6% | 7.3% | 3.8% | 1.4% | 5.0% | -0.8 | 0.2 | 0.2 | 0.2 |
| ARS Policy Benchmark ³¹ | | 1.3% | 5.3% | 5.4% | 6.1% | 8.0% | | | | |
| Value Added | | -0.7% | 2.0% | -1.6% | -4.7% | -3.0% | | | | |
| Total Direct Investments | 3.6 | 0.0% | 6.4% | 4.3% | 1.9% | 5.4% | | | | |
| Total Funds of Funds | 1.6 | 1.9% | 9.5% | 2.5% | 0.4% | | | | | |
| HFRI Fund of Funds Index | | 0.0% | 7.2% | 3.0% | -0.6% | 3.4% | | | | |

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 | -0.2 | 0.4 |

- ◆ 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.

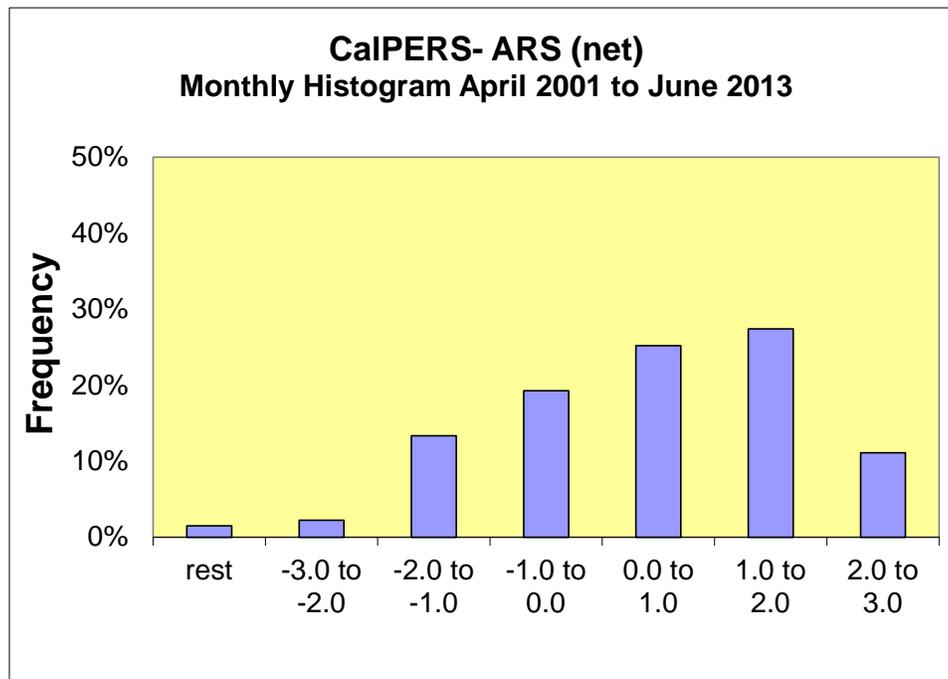
³¹ The ARS Policy Benchmark consists of the Merrill Lynch 1-Year Treasury Note + 5% and is linked historically to its prior benchmark.

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 6/30/2013



- ◆ 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 6/30/2013

Income Allocation

Asset Allocation: Actual versus Target Weights

| Asset Class | Actual Asset Allocation | Target Asset Allocation | Difference |
|-------------|----------------------------|----------------------------|------------|
| Income | 15.6% | 17.0% | -1.4% |

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 | 40.2 | -4.1% | -1.6% | 5.9% | 7.7% | 6.4% | \$4.7 bil | 1.0 | 0.3 |
| <i>Income Policy Benchmark</i> ³⁵ | | -4.5% | -3.1% | 5.1% | 6.7% | 5.6% | | 0.9 | 0.0 |
| <i>Value Added</i> | | 0.4% | 1.5% | 0.8% | 1.0% | 0.8% | | | |
| U.S. Income | 37.2 | -4.1% | -1.2% | 6.1% | 8.1% | 6.5% | | 1.1 | 0.3 |
| <i>U.S. Income Policy Benchmark</i> ³⁶ | | -4.6% | -2.8% | 5.5% | 7.1% | 5.7% | | 1.0 | 0.0 |
| <i>Value Added</i> | | 0.5% | 1.6% | 0.6% | 1.0% | 0.8% | | | |
| Non-U.S. Income | 3.0 | -4.4% | -6.1% | 3.7% | 4.0% | 5.5% | | 0.4 | 0.7 |
| <i>Non-US Income Policy Benchmark</i> ³⁷ | | -3.6% | -6.2% | 2.5% | 2.6% | 4.8% | | 0.3 | 0.0 |
| <i>Value Added</i> | | -0.8% | 0.1% | 1.2% | 1.4% | 0.7% | | | |

Comments Regarding Income Segment Performance

Helped Performance:

- ◆ **Mortgage Bonds:** Most interest rate-sensitive assets fell during the second quarter, after investors grew more concerned that the Fed's easy money policy is nearing an end. CalPERS' mortgage portfolios were not immune during the fixed income selloff in May and June, but they fared modestly better than Treasuries and Credits. Both the internal mortgages portfolio (-2.0%) and the long duration mortgage portfolio (-3.7%) reported smaller losses than 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.



- ◆ **High Yield Bonds:** Insulated by higher income, high yield securities in general were the least hurt fixed income segment in the second quarter. CalPERS' high yield portfolios all did better when compared to the Income policy benchmark during this period, with the internal high yield bond portfolio falling -3.7% while the external high yield portfolio eking out a gain of 0.2%. The overall program was further supported by the high yield mortgage portfolio, whose 7.3% return was the sole bright spot for the quarter.

Impeded Performance:

- ◆ **Treasury Bonds:** The growing speculation that the Fed will soon start tapering its QE3 program quickly drove up Treasury yields during the second quarter. With 10-year Treasury yields snapping from the low of 1.6% reached in late May to 2.5% at the end of June, Treasuries suffered heavy losses and so did PERS' government portfolio. The portfolio's return of -6.1% underperformed the Income policy benchmark's -4.5% return.
- ◆ **Corporate Bonds:** Investment grade credit was also one of the hardest hit fixed income segments during Q2. CalPERS' corporate bond portfolio reported a loss of -4.5% and finished below the Income policy benchmark by 9 bps.
- ◆ **International Fixed Income:** Non-U.S. fixed income securities mostly performed on par with U.S.-based bonds for the quarter, and CalPERS saw its international fixed income portfolio finish with a drop of -4.4% that was marginally better than the Income policy benchmark's -4.5%. However, the international fixed income portfolio did notably trail its own custom benchmark by 80 bps, and because of this underperformance it was still considered a detractor to the overall Income asset class.
- ◆ **Sovereign Bonds:** CalPERS' sovereign bonds portfolio recorded a decline of -7.2% that underperformed the overall Income policy benchmark for the quarter.



Income Review for PERF (Continued)

| | <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> |
|--|---------------------|--------------|---------------|---------------|---------------|----------------|--------------|
| INCOME | 40.2 | -4.1% | -1.6% | 5.9% | 7.7% | 6.4% | 6/88 |
| <i>Income Policy Benchmark</i> ⁴¹ | | -4.5% | -3.1% | 5.1% | 6.7% | 5.6% | |
| <i>Value Added</i> | | 0.4% | 1.5% | 0.8% | 1.0% | 0.8% | |
| Internal US Income + Opportunistic | 37.2 | -4.1% | -1.2% | 6.1% | 8.1% | 6.5% | 12/95 |
| Mortgage Bonds* | 9.3 | -2.0% | -0.5% | 3.2% | 5.5% | 5.0% | 12/82 |
| Long Duration Mortgages* | 2.7 | -3.7% | -1.0% | 6.5% | 8.7% | -.% | 6/05 |
| Corporate Bonds* | 9.0 | -4.5% | 3.4% | 8.7% | 9.7% | 7.1% | 3/02 |
| U.S. Government* | 12.5 | -6.1% | -6.3% | 5.6% | 6.6% | 4.9% | 12/99 |
| Sovereign Bonds* ⁴² | 1.2 | -7.2% | -4.7% | 6.3% | 6.4% | 6.1% | 6/96 |
| Long Duration Corporates* | 1.0 | -0.3% | 10.7% | 14.5% | 13.5% | -.% | 9/05 |
| <i>Custom Benchmark</i> ⁴³ | | -4.6% | -2.8% | 5.5% | 7.1% | 5.7% | |
| Opportunistic ⁴⁴ | 2.3 | 0.4% | 8.4% | 7.5% | 4.5% | 9.6% | 6/00 |
| Internal High Yield Bonds* | 0.6 | -3.4% | 6.4% | 5.8% | 10.7% | 13.7% | 9/99 |
| External High Yield* | 1.1 | 0.2% | 12.7% | 12.2% | 6.8% | 7.7% | 3/02 |
| High Yield Mortgage* | 0.2 | 7.3% | 31.0% | 14.5% | 9.1% | -.% | 3/08 |
| <i>Citigroup High Yield Cash Pay</i> | | -1.3% | 9.1% | 10.4% | 10.2% | 8.5% | |
| Special Investments | 0.0 | 1.9% | 11.7% | 4.9% | 6.6% | 5.6% | 3/91 |
| Total International Fixed Income | 3.0 | -4.4% | -6.1% | 3.7% | 4.0% | 5.5% | 3/89 |
| <i>Custom Benchmark</i> ⁴⁵ | | -3.6% | -6.2% | 2.5% | 2.6% | 4.8% | |
| <i>Value Added</i> | | -0.8% | 0.1% | 1.2% | 1.4% | 0.7% | |
| Currency overlay ⁴⁶ | | | | | | | |
| Active Currency Overlay - Internally Managed | 0.0 | 0.4% | 0.2% | 0.0% | 0.0% | -.% | 3/07 |
| <i>Custom Benchmark</i> | | -0.1% | -0.2% | -0.4% | -0.3% | -.% | |
| <i>Value Added</i> | | 0.5% | 0.4% | 0.4% | 0.3% | -.% | |

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.

CalPERS
Performance Analysis
June 30, 2013



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* | 17.3 | 0.1% | 0.9% | 1.3% | 0.8% | 2.0% | 8/00 |
| <i>Custom Benchmark</i> | | 0.0% | 0.1% | 0.1% | 0.2% | 1.8% | |
| <i>Value Added</i> | | 0.1% | 0.8% | 1.2% | 0.6% | 0.2% | |
| High Quality LIBOR** | 0.6 | 0.0% | 0.7% | 0.7% | 0.4% | 1.8% | 9/00 |
| <i>Custom Benchmark</i> | | 0.0% | 0.1% | 0.1% | 0.3% | 1.8% | |
| <i>Value Added</i> | | 0.0% | 0.6% | 0.6% | 0.1% | 0.0% | |
| Short Duration LIBOR** | 0.4 | 0.1% | 2.5% | 3.2% | 3.2% | -.-% | 9/02 |
| <i>Custom Benchmark</i> | | 0.0% | 0.1% | 0.1% | 0.3% | -.-% | |
| <i>Value Added</i> | | 0.1% | 2.4% | 3.1% | 2.9% | -.-% | |
| Sec Lending Internal Collateral Reinvest** | 0.1 | -0.2% | 0.4% | 1.0% | -.-% | -.-% | 9/09 |
| <i>Custom Benchmark</i> | | 0.0% | 0.1% | 0.1% | -.-% | -.-% | |
| <i>Value Added</i> | | -0.2% | 0.3% | 0.9% | -.-% | -.-% | |
| 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** | 14.2 | 0.0% | 0.2% | 0.2% | -.-% | -.-% | 6/10 |
| <i>Custom Benchmark</i> | | 0.0% | 0.1% | 0.1% | -.-% | -.-% | |
| <i>Value Added</i> | | 0.0% | 0.1% | 0.1% | -.-% | -.-% | |
| External Collateral Portfolio*** | 0.4 | 3.0% | 31.0% | -.-% | -.-% | -.-% | 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 6/30/2013

Inflation Allocation

Asset Allocation: Actual versus Target Weights

| Asset Class | Actual Asset Allocation | Target Asset Allocation | Difference |
|-------------|----------------------------|----------------------------|------------|
| Inflation | 3.6% | 4.0% | -0.4% |

Inflation Performance

| | Market Value | | | | | | 5-year Sharpe Ratio ⁵⁰ | 5-year Info Ratio ⁵¹ | |
|---|-----------------|--------------|---------------|---------------|---------------|----------------|---|---------------------------------------|-------------|
| | | <u>Qtr</u> | <u>1-Year</u> | <u>3-Year</u> | <u>5-Year</u> | <u>10-Year</u> | VaR ⁴⁹ | | |
| INFLATION | 9.2 | -5.6% | 0.2% | 6.8% | -3.2% | -.-% | \$0.6 bil | -0.3 | -0.5 |
| <i>Inflation Policy Benchmark</i> ⁴⁷ | | -6.1% | -0.9% | 5.3% | -1.2% | -.-% | | -0.1 | 0.0 |
| <i>Value Added</i> | | 0.5% | 1.1% | 1.5% | -2.0% | -.-% | | | |
| Internal Commodities ⁴⁸ | 1.2 | -6.0% | 1.6% | 4.7% | -15.1% | -.-% | | | |
| <i>GSCI Total Return Index</i> | | -5.9% | 2.0% | 4.7% | -15.3% | -.-% | | | |
| <i>Value Added</i> | | -0.1% | -0.4% | 0.0% | 0.2% | -.-% | | | |
| Core Inflation Linked Bonds | 5.8 | -5.6% | -1.8% | 5.9% | 3.8% | -.-% | | | |
| <i>Custom Benchmark</i> | | -6.0% | -2.2% | 5.6% | 3.6% | -.-% | | | |
| <i>Value Added</i> | | 0.4% | 0.4% | 0.3% | 0.2% | -.-% | | | |
| Tactical Commodities | 1.6 | -5.9% | -.-% | -.-% | -.-% | -.-% | | | |
| <i>GSCI Total Return Index</i> | | -5.9% | -.-% | -.-% | -.-% | -.-% | | | |
| <i>Value Added</i> | | 0.0% | -.-% | -.-% | -.-% | -.-% | | | |
| Tactical TIPS | 0.6 | -5.9% | -.-% | -.-% | -.-% | -.-% | | | |
| <i>CalPERS TIPS</i> | | -7.1% | -.-% | -.-% | -.-% | -.-% | | | |
| <i>Value Added</i> | | 1.2% | -.-% | -.-% | -.-% | -.-% | | | |

- ◆ The Inflation asset class posted the lowest return among CalPERS' seven major asset class buckets during the second quarter as it declined -5.6%. On the bright side, however, the asset class did fare modestly better than its policy benchmark, by approximately 50 bps. Both of the Inflation Program's inflation-linked bonds and commodities components fell hard during Q2: the scare of the Fed reducing its pace of QE purchase drove up nominal and real yields sharply in the latter part of the quarter, causing huge headwind for TIPS securities (core inflation linked bonds portfolio, -5.6% return), while the same tapering move would yield a stronger dollar, which generally has the opposite impact on commodity valuations (internal commodities portfolio, -6.0% return). The Inflation asset class has done well against its policy benchmark over the one- and three-year periods, but its five-year return of -3.2% continues to trail 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 6/30/2013

Real Assets Allocation

Asset Allocation: Actual versus Target Weights

| Asset Class | Actual Asset Allocation | Target Asset Allocation | Difference |
|-------------|-------------------------|-------------------------|------------|
| Real Assets | 10.0% | 11.0% | -1.0% |

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 | 25.8 | 6.9% | 11.2% | 11.0% | -9.5% | 3.7% | \$3.0 bil | -0.6 | -1.0 |
| <i>Real Assets Policy Benchmark</i> ⁵² | | 2.4% | 9.7% | 12.4% | 3.2% | 8.9% | | 0.5 | 0.0 |
| <i>Value Added</i> | | 4.5% | 1.5% | -1.4% | -12.7% | -5.2% | | | |
| Real Estate ⁵³ | 22.4 | 7.9% | 11.9% | 12.6% | -10.6% | 3.0% | \$3.1 bil | -0.6 | -0.9 |
| <i>Real Estate Policy Benchmark</i> ⁵⁴ | | 2.4% | 10.3% | 14.2% | 3.9% | 9.4% | | 0.5 | 0.0 |
| <i>Value Added</i> | | 5.5% | 1.6% | -1.6% | -14.5% | -6.4% | | | |
| Forestland ⁵⁵ | 2.2 | -0.4% | 6.5% | -2.5% | -1.1% | -.-% | | | |
| <i>NCREIF Timberland Index</i> | | 1.5% | 9.0% | 3.6% | 2.1% | -.-% | | | |
| <i>Value Added</i> | | -1.9% | -2.5% | -6.1% | -3.2% | -.-% | | | |
| Infrastructure ⁵⁵ | 1.1 | 1.0% | 5.7% | 17.6% | 13.9% | -.-% | | | |
| <i>CPI + 400 BPS 1Qtr Lag</i> | | 2.4% | 5.5% | 7.0% | 6.3% | -.-% | | | |
| <i>Value Added</i> | | -1.4% | 0.2% | 10.6% | 7.6% | -.-% | | | |

- ◆ CalPERS' Real Assets asset class rose 6.9% in the second quarter, handily beating its policy benchmark's 2.4% gain and was the highest returning major segment for the quarter. This favorable performance was solely driven by Real Assets' largest component, the real estate portfolio, which was up 7.9% in Q2. Mostly consisting of private real estate investments, this composite was a beneficiary of the continued real estate market recovery as valuation rebound started to pick up momentum since the beginning of the year. Real Assets' two other smaller components were relatively quiet and did not contribute during this quarter, with forestland returning -0.4% and infrastructure returning 1.0%. The Real Assets composite has generated solid near-to-mid-term performance, but its longer-term track record remains behind its policy benchmark.

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 6/30/2013

Real Estate Segment Performance

| | <u>Market Value</u> | <u>Qtr</u> | <u>1-Year</u> | <u>3-Year</u> | <u>5-Year</u> | <u>10-Year</u> | <u>YaR⁶¹</u> | <u>5-year Sharpe Ratio⁶²</u> | <u>5-year Info Ratio⁶³</u> |
|--|---------------------|--------------|---------------|---------------|---------------|----------------|-------------------------|---|---------------------------------------|
| Real Estate⁵⁹ | 22.4 | 7.9% | 11.9% | 12.6% | -10.6% | 3.0% | \$3.1 bil | -0.6 | -0.9 |
| <i>Real Estate Policy Benchmark⁶⁰</i> | | 2.4% | 10.3% | 14.2% | 3.9% | 9.4% | | 0.5 | 0.0 |
| <i>Value Added</i> | | 5.5% | 1.6% | -1.6% | -14.5% | -6.4% | | | |
| Strategic Real Estate | 15.8 | 10.9% | 13.6% | 17.4% | 2.8% | 15.3% | | | |
| <i>Wt. NCREIF ODCE+FTSE EPRA NAREIT</i> | | 2.4% | 10.3% | 14.2% | 3.9% | 9.4% | | | |
| <i>Value Added</i> | | 8.5% | 3.3% | 3.2% | -1.1% | 5.9% | | | |
| Legacy Real Estate ex Public | 6.6 | 1.5% | 5.8% | 6.4% | -17.3% | -1.6% | | | |
| <i>Wt. NCREIF ODCE+FTSE EPRA NAREIT</i> | | 2.4% | 10.3% | 14.2% | 3.9% | 9.4% | | | |
| <i>Value Added</i> | | -0.9% | -4.5% | -7.8% | -21.2% | -11.0% | | | |

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 6/30/2013

Liquidity Allocation

Asset Allocation: Actual versus Target Weights

| Asset Class | Actual Asset Allocation | Target Asset Allocation | Difference |
|-------------|-------------------------|-------------------------|------------|
| Liquidity | 4.0% | 4.0% | 0.0% |

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 | 10.4 | -1.2% | -0.8% | 1.3% | 1.2% | 2.3% | \$0.4 bil | N/A | N/A |
| <i>Liquidity Policy Benchmark</i> ⁶⁴ | | -1.5% | -0.8% | 1.5% | 1.3% | 2.3% | | | |
| <i>Value Added</i> | | 0.3% | 0.0% | -0.2% | -0.1% | 0.0% | | | |
| US 2-10 Year | 6.4 | -1.8% | -1.0% | --% | --% | --% | | | |
| <i>Barclays Gov Liquidity 2-10 Yr Idx</i> | | -2.0% | -1.1% | --% | --% | --% | | | |
| <i>Value Added</i> | | 0.2% | 0.1% | --% | --% | --% | | | |
| Cash Composite | 4.0 | 0.0% | 0.1% | 0.2% | 0.4% | 2.0% | | | |
| <i>Csutom STIF</i> ⁶⁵ | | 0.0% | 0.0% | 0.1% | 0.4% | 1.8% | | | |
| <i>Value Added</i> | | 0.0% | 0.1% | 0.1% | 0.0% | 0.2% | | | |

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.

*CalPERS
Performance Analysis
June 30, 2013*

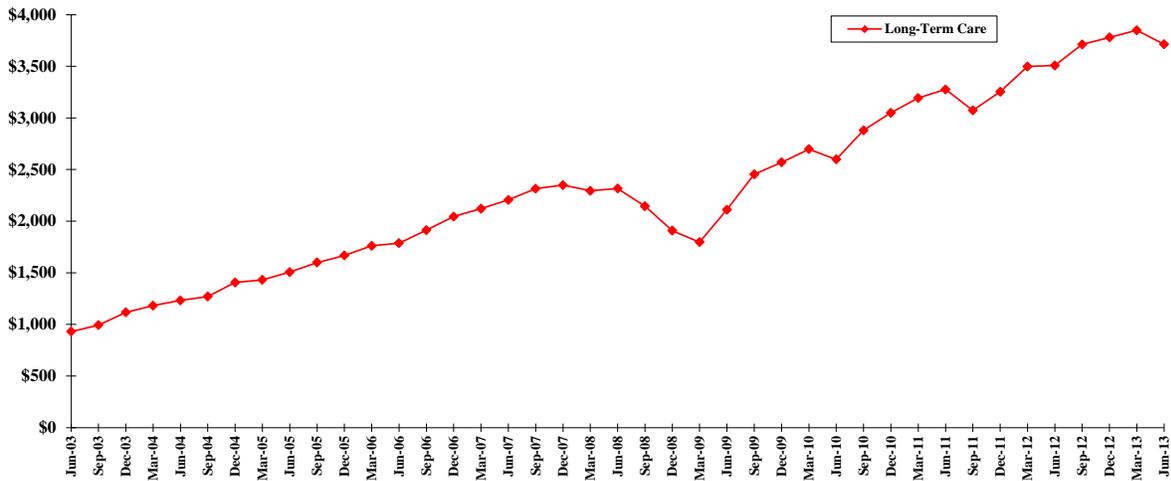
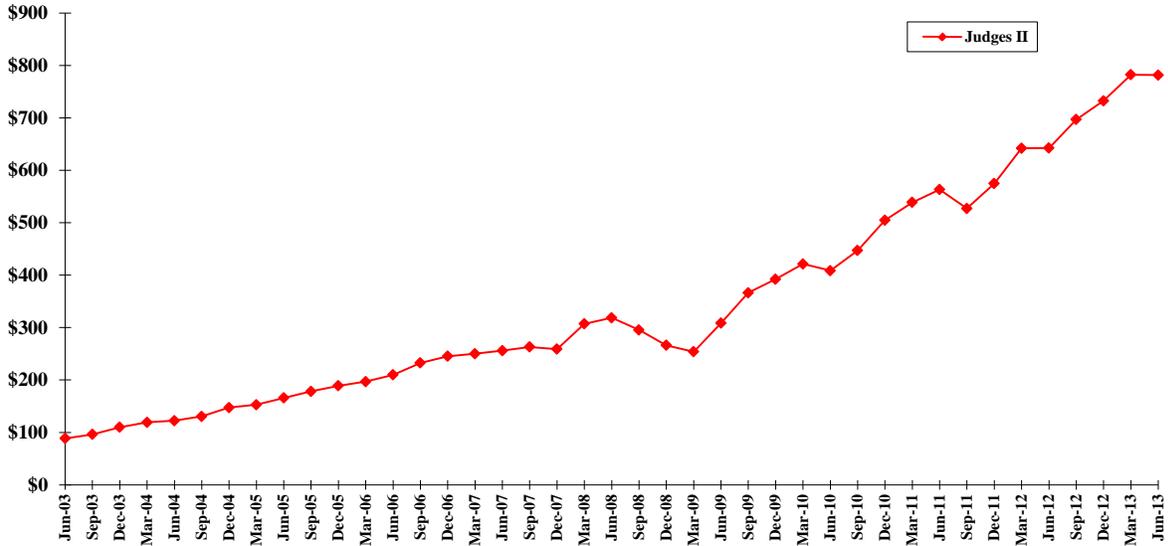


Affiliate Fund Information



Affiliate Fund Performance Period Ended June 30, 2013

Growth in Assets (in \$Millions)





Total Fund Performance Results

Total Fund Performance Periods Ended June 30, 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 | \$781.6 mil | -1.7% | 12.1% | 11.6% | 5.4% | 6.9% |
| <i>Weighted Policy Benchmark</i> ⁶⁹ | | -1.8 | 11.6 | 11.7 | 5.6 | 6.9 |
| Long-Term Care ("LTC") | \$3,713.3 mil | -4.0 | 3.5 | 8.8 | 4.7 | 6.5 |
| <i>Weighted Policy Benchmark</i> ⁶⁹ | | -4.0 | 3.0 | 8.6 | 4.6 | 6.4 |

Total Fund Asset Allocation

Judges II Asset Allocation: Actual versus Target Weights

| <u>Asset Class</u> | <u>Actual Asset Allocation (%)</u> | <u>Target Asset Allocation (%)</u> | <u>Difference</u> |
|--------------------|------------------------------------|------------------------------------|-------------------|
| Global Equity | 62.9 | 63.0 | -0.1 |
| US Fixed Income | 20.1 | 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

| <u>Asset Class</u> | <u>Actual Asset Allocation (%)</u> | <u>Target Asset Allocation (%)</u> | <u>Difference</u> |
|--------------------|------------------------------------|------------------------------------|-------------------|
| Global Equity | 16.0 | 15.0 | 1.0 |
| US Fixed Income | 60.9 | 61.0 | -0.1 |
| TIPS | 5.7 | 6.0 | -0.3 |
| REITs | 11.5 | 12.0 | -0.5 |
| Commodities | 5.9 | 6.0 | -0.1 |
| 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.



Commentary – Total Fund

- ◆ For the quarter ended June 30, 2013, the Judges II (JRS II) finished with a small overall loss of -1.7% that was slightly better than its weighted policy benchmark, which was down -1.8%. For longer-term periods one-year and beyond, JRS II's track record has matched well against its policy benchmark.
- ◆ Due to higher allocation to fixed income investments, which experienced extended losses during the second half of the second quarter, the Long-Term Care Program (LTC) saw a steeper overall loss than Judges II by finishing down -4.0%, matching the pace of its weighted policy benchmark. LTC's longer-term track record remains stable, and has stayed ahead of its policy benchmark over the one-, three-, five- and ten-year periods.
- ◆ At the end of the quarter, Judges II was slightly overweight in domestic fixed income and REITs while underweight in global equity.
- ◆ The LTC was overweight in global equity while underweight in all other asset classes.

Asset Class Performance Results – Judges II

Judges II Asset Class Performance Periods Ended June 30, 2013

| | Market Value | Qtr | One Year | Three Year | Five Year | Ten Year |
|--|-------------------------|-------------|---------------------|-----------------------|----------------------|---------------------|
| JRS II Global Equity | \$491.4 mil | 0.0% | 18.5% | 13.3% | 3.2% | 7.0% |
| <i>Global Equity Benchmark ⁷⁰</i> | | 0.0 | 18.3 | 13.3 | 3.2 | 7.0 |
| JRS II US Fixed Income | \$156.7 mil | -4.1 | -1.2 | 6.2 | 7.8 | 5.6 |
| <i>Custom Benchmark ⁷¹</i> | | -4.6 | -2.8 | 5.5 | 7.1 | 5.3 |
| JRS II TIPS | \$46.9 mil | -6.8 | -4.6 | -. | -. | -. |
| <i>Custom Benchmark ⁷²</i> | | -7.1 | -4.8 | -. | -. | -. |
| JRS II REITs | \$63.2 mil | -3.7 | 14.2 | 15.9 | 2.2 | -. |
| <i>Custom Benchmark ⁷³</i> | | -3.6 | 14.3 | 16.0 | 2.1 | -. |
| JRS II Commodities | \$23.5 mil | -6.0 | 1.6 | -. | -. | -. |

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.

| | | | | | |
|--------------------------------|------|-----|-----|-----|-----|
| <i>GSCI Total Return Index</i> | -5.9 | 2.0 | -.- | -.- | -.- |
|--------------------------------|------|-----|-----|-----|-----|

Commentary – Judges II

- ◆ JRS II's global equity portfolio finished the second quarter flat at 0.0%, as global stocks' carried-over positive momentum from Q1 snapped in late May after comments emerged from the U.S. Federal Reserve meeting minutes about tapering quantitative easing activities. This performance did match the return of the custom benchmark, and the global equity portfolio has continued to track closely to the custom benchmark over longer-term periods.
- ◆ The Judges II's domestic fixed income portfolio suffered losses in the second half of the quarter, after rising payroll gains and the sooner-than-expected QE tapering possibilities took investors by surprise and sparked a wave of bond selloff. When the quarter concluded, the domestic fixed income portfolio was down -4.1%, its worst return in nearly five years, but fared better than its custom benchmark, the Barclays Long Liability Index (down -4.6%). Over the one-year and longer time horizon, the fixed income portfolio's track record continues to do very well versus the custom benchmark.
- ◆ Real yields surged during the quarter on the strengths of economic data and the surprising Fed comment on earlier-than-planned tapering of its money-pumping program, making TIPS a big loser in Q2. The TIPS portfolio fell sharply and was the worst performing asset class for Judges II, although its -6.8% return compared slightly better than the Barclays U.S. TIPS Index's -7.1% drop.
- ◆ The Plan's REIT portfolio saw similar momentum swings experienced by the equity markets, but at a much bigger magnitude. It ended the second quarter down -3.7%, mirroring the FTSE EPRA/NAREIT Developed Index return of -3.6%. The REIT portfolio's one-year and three-year performance remain strong at 14.2% and 15.9%, and they continue to mimic the stated benchmark.
- ◆ The commodities portfolio suffered similar fate as the TIPS portfolio did, given that the prospect of rising yields in the post-QE era had a negative implication on the valuation of inflation-hedging instruments. Overall, the portfolio lost -6.0% in Q2, which was comparable to the GSCI Total Return Index's fall of -5.9%. The commodities portfolio has a one-year return of 1.6% that trailed its benchmark.



Asset Class Performance Results – Long-Term Care

Long-Term Care Asset Class Performance Periods Ended June 30, 2013

| | Market Value | Qtr | One Year | Three Year | Five Year | Ten Year |
|---------------------------------------|-------------------------|--------------|---------------------|-----------------------|----------------------|---------------------|
| LTC Global Equity | \$595.1 mil | -0.4% | 17.1% | 13.9% | 3.5% | 7.2% |
| <i>Custom Benchmark ⁷⁴</i> | | -0.5 | 17.3 | 14.0 | 3.5 | 7.2 |
| LTC US Fixed Income | \$2,260.2mil | -4.6 | -1.9 | 5.9 | 7.7 | 5.7 |
| <i>Custom Benchmark ⁷⁵</i> | | -4.6 | -2.8 | 5.5 | 7.1 | 5.3 |
| LTC TIPS | \$211.3 mil | -7.0 | -4.9 | 4.6 | 4.6 | -. |
| <i>Barclays U.S. TIPS Index</i> | | -7.1 | -4.8 | 4.6 | 4.4 | -. |
| LTC REITs | \$428.3 mil | -3.3 | 13.6 | 15.7 | 2.0 | -. |
| <i>Custom Benchmark ⁷⁶</i> | | -3.3 | 13.4 | 15.7 | 2.0 | -. |
| LTC Commodities | \$218.3 mil | -6.0 | 2.6 | -. | -. | -. |
| <i>GSCI Total Return Index</i> | | -5.9 | 2.0 | -. | -. | -. |

Commentary – Long-Term Care

- ◆ The LTC global equity fund reported a small negative return of -0.4% in Q2, faring slightly better than its custom benchmark's return of -0.5%. This was actually the highest return among LTC investments, given that all of the Program's portfolios fell during the volatile quarter. The fund has a 10+ year track record and has tracked its custom benchmark closely over all measured periods shown.
- ◆ Same as the JRS II's fixed income investments, the LTC domestic fixed income portfolio incurred larger-than-usual losses during the second quarter; it registered a -4.6% return that was on par with 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.
- ◆ TIPS was the biggest loser during second quarter's yield surge, as the LTC TIPS portfolio lost -7.0% while its custom benchmark, currently the Barclays U.S. TIPS Index, was down -7.1%. However, since inception, the TIPS portfolio has performed in line with expectations and 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

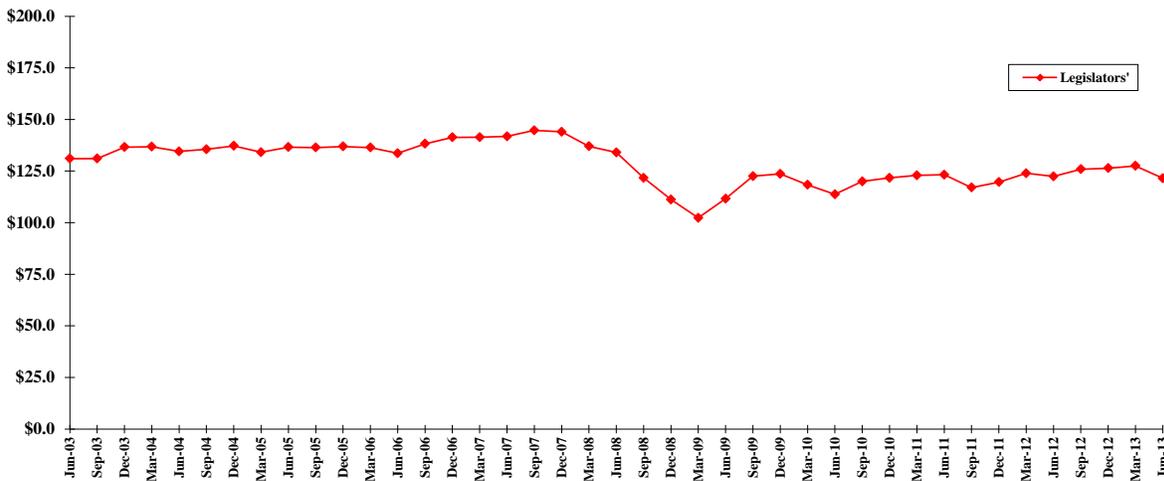
- ◆ The REIT portfolio saw its strong gains in April offset by the equity market selloff in May and June, as it finished Q2 down -3.3% that matched its custom benchmark, currently the FTSE EPRA/NAREIT Developed Liquid Index (net). The portfolio's one-year and three-year track record remain very strong and continue to track relatively close to the custom benchmark.
- ◆ The commodities portfolio was the second worst performer among all LTC investments, as investors fled this space amid speculation that the Fed will soon slow its pace of pumping the nation's monetary base. The portfolio dropped -6.0%, mirroring the GSCI Total Return Index's -5.9% slide.



Legislators' Information

California Legislators' Retirement System

Growth in Assets



Total Fund Performance Results

Total Fund Performance Periods Ended June 30, 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 | \$121.5 mil | -3.2% | 5.6% | 9.3% | 6.4% | 6.5% |
| <i>Weighted Policy Benchmark</i> ⁷⁷ | | -3.4 | 4.8 | 9.1 | 6.0 | 6.4 |

Asset Allocation

| Asset Class | Actual | Policy | Difference |
|-----------------|------------|------------|------------|
| Global Equity | 31.9% | 32.0% | -0.1% |
| US Fixed Income | 42.1 | 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") ended the second quarter of 2013 down -3.2%, and performed better relative to its weighted policy benchmark by 22 bps. The System's longer-term track record also remains solid, having outperformed its policy benchmark over all measured periods shown.
- ◆ As of June 30, the System was marginally overweight in domestic fixed income and REITs while underweight in global equity.

Asset Classes Performance Results

Asset Class Performance Periods Ended June 30, 2013

| | Market Value | Qtr | One Year | Three Year | Five Year | Ten Year |
|--|-------------------------|-------------|---------------------|-----------------------|----------------------|---------------------|
| LRS Global Equity | \$38.7 mil | 0.0% | 18.5% | 13.5% | 3.6% | 6.7% |
| <i>Global Equity Benchmark ⁷⁸</i> | | 0.0 | 18.3 | 13.5 | 3.6 | 6.7 |
| LRS US Fixed Income | \$51.1 mil | -4.1 | -1.2 | 6.2 | 7.8 | 5.7 |
| <i>Custom Benchmark ⁷⁹</i> | | -4.6 | -2.8 | 5.5 | 7.1 | 5.7 |
| LRS TIPS | \$18.2 mil | -6.8 | -4.6 | 4.7 | 4.6 | -. |
| <i>Custom Benchmark ⁸⁰</i> | | -7.1 | -4.8 | 4.6 | 4.4 | -. |
| LRS REITs | \$9.8 mil | -3.8 | 14.2 | -. | -. | -. |
| <i>Custom Benchmark ⁸¹</i> | | -3.6 | 14.3 | -. | -. | -. |
| LRS Commodities | \$3.6 mil | -6.0 | 1.6 | -. | -. | -. |
| <i>GSCI Total Return Index</i> | | -5.9 | 2.0 | -. | -. | -. |

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

- ◆ The LRS' global equity portfolio finished the second quarter flat at 0.0%, as global stocks' carried-over positive momentum from Q1 snapped in late May after comments emerged from the U.S. Federal Reserve meeting minutes about tapering quantitative easing activities. This performance did match the return of the custom benchmark, and the global equity portfolio has continued to track closely to the custom benchmark over longer-term periods.
- ◆ Fixed income encountered strong headwind in the second quarter, after yields rose sharply following the sooner-than-expected QE tapering comments from Fed released in late May. The LRS' domestic fixed income portfolio concluded the quarter down -4.1%, which was its worst return in nearly five years, but fared better than its custom benchmark, the Barclays Long Liability Index (-4.6%). Over the one-year and longer time horizon, the fixed income portfolio has done very well against its benchmark.
- ◆ Real yields surged during the quarter on the strengths of economic data and the surprising Fed comment on earlier-than-planned tapering of its money-pumping program, making TIPS a big loser in Q2. The TIPS portfolio fell sharply and was the worst performing asset class for the System, although its -6.8% return compared slightly better than the Barclays U.S. TIPS Index's -7.1% drop.
- ◆ The LRS REIT portfolio saw similar momentum swings experienced by the equity markets, but at a much larger magnitude. It ended the second quarter down -3.8%, which marginally trailed relative to its custom benchmark (the FTSE EPRA/NAREIT Developed Index) return of -3.6%. The portfolio has a one-year return of 14.2% that currently mirrors its custom benchmark.
- ◆ For the same reasons that weighed on fixed income and TIPS returns during the second quarter, investors preparing for a rising yield environment with tamed inflation outlook sold off on commodities. As a result, the LRS commodities portfolio reported a loss of -6.0% this quarter, compared to the GSCI Total Return Index's fall of -5.9%. The commodities portfolio has a one-year return of 1.6% that trailed its benchmark.

*CalPERS
Performance Analysis
June 30, 2013*



California Employers' Retiree Benefit Trust



California Employers' Retiree Benefit Trust Strategy 1

Asset Allocation

| Asset Class | Actual | Policy | Difference |
|------------------|------------|------------|-------------|
| Global Equity | 64.5% | 66.0% | -1.5% |
| US Bonds | 17.6 | 18.0 | -0.4 |
| TIPS | 4.9 | 5.0 | -0.1 |
| REITS | 7.9 | 8.0 | -0.1 |
| Commodities | 2.9 | 3.0 | -0.1 |
| Cash Equivalents | <u>2.1</u> | <u>0.0</u> | <u>+2.1</u> |
| | 100.0 | 100.0 | 0.0 |

Total Fund Performance Results

Total Fund Performance Periods Ended June 30, 2013

| | Market Value | Qtr | One Year | Three Year | Five Year | Ten Year |
|-------------------------|-----------------|-------|-------------|---------------|--------------|-------------|
| Total Fund | \$2,196.3 mil | -1.8% | 11.8% | 11.8% | 4.5% | -.-% |
| <i>Benchmark</i> | | -1.9 | 11.6 | 11.9 | 4.6 | -.- |
| Global Equity | 1,417.4 mil | -0.4 | 17.2 | 13.7 | 3.2 | -.- |
| <i>Benchmark</i> | | -0.5 | 17.3 | 13.6 | 3.2 | -.- |
| Fixed Income | 387.4 mil | -4.1 | -1.2 | 6.2 | 7.8 | -.- |
| <i>Benchmark</i> | | -4.6 | -2.8 | 5.5 | 7.1 | -.- |
| REITs | 173.6 mil | -3.3 | 13.6 | 15.7 | 2.3 | -.- |
| <i>Benchmark</i> | | -3.3 | 13.4 | 15.7 | 2.0 | -.- |
| TIPS | 107.1 mil | -6.8 | -4.6 | -.- | -.- | -.- |
| <i>Benchmark</i> | | -7.1 | -4.8 | -.- | -.- | -.- |
| Commodities | 64.4 mil | -6.0 | 1.6 | -.- | -.- | -.- |
| <i>Benchmark</i> | | -5.9 | 2.0 | -.- | -.- | -.- |
| Cash[±] | 23.8 mil | 0.0 | 0.0 | 0.1 | 0.4 | -.- |

[±] The cash component may contain residual trade balance that has yet to be settled during the periodic rebalancing process as of June 30.



California Employers' Retiree Benefit Trust Strategy 2

Asset Allocation

| Asset Class | Actual | Policy | Difference |
|------------------|------------|------------|-------------|
| Global Equity | 50.3% | 50.0% | +0.3% |
| US Bonds | 23.1 | 24.0 | -0.9 |
| TIPS | 14.1 | 15.0 | -0.9 |
| REITS | 7.8 | 8.0 | -0.2 |
| Commodities | 2.8 | 3.0 | -0.2 |
| Cash Equivalents | <u>1.8</u> | <u>0.0</u> | <u>+1.8</u> |
| | 100.0 | 100.0 | 0.0 |

Total Fund Performance Results

Total Fund Performance Periods Ended June 30, 2013

| | Market Value | Qtr | One Year | Three Year | Five Year | Ten Year |
|-------------------------|--------------|-------|----------|------------|-----------|----------|
| Total Fund | \$413.4 mil | -2.6% | 8.9% | -.-% | -.-% | -.-% |
| <i>Benchmark</i> | | -2.8 | 8.5 | -.-% | -.-% | -.-% |
| Global Equity | 208.0 mil | -0.3 | 18.2 | -.-% | -.-% | -.-% |
| <i>Benchmark</i> | | -0.5 | 18.2 | -.-% | -.-% | -.-% |
| Fixed Income | 95.6 mil | -4.1 | -1.2 | -.-% | -.-% | -.-% |
| <i>Benchmark</i> | | -4.6 | -2.8 | -.-% | -.-% | -.-% |
| TIPS | 58.3 mil | -6.8 | -4.6 | -.-% | -.-% | -.-% |
| <i>Benchmark</i> | | -7.1 | -4.8 | -.-% | -.-% | -.-% |
| REITs | 32.2 mil | -3.3 | 13.6 | -.-% | -.-% | -.-% |
| <i>Benchmark</i> | | -3.3 | 13.4 | -.-% | -.-% | -.-% |
| Commodities | 11.7 mil | -6.0 | 1.6 | -.-% | -.-% | -.-% |
| <i>Benchmark</i> | | -5.9 | 2.0 | -.-% | -.-% | -.-% |
| Cash[±] | 9.1 mil | 0.0 | 0.0 | -.-% | -.-% | -.-% |

[±] The cash component may contain residual trade balance that has yet to be settled during the periodic rebalancing process as of June 30.



California Employers' Retiree Benefit Trust Strategy 3

Asset Allocation

| Asset Class | Actual | Policy | Difference |
|------------------|------------|------------|-------------|
| Global Equity | 31.1% | 32.0% | -0.9% |
| US Bonds | 41.5 | 42.0 | -0.5 |
| TIPS | 14.5 | 15.0 | -0.5 |
| REITS | 7.5 | 8.0 | -0.5 |
| Commodities | 3.0 | 3.0 | 0.0 |
| Cash Equivalents | <u>2.4</u> | <u>0.0</u> | <u>+2.4</u> |
| | 100.0 | 100.0 | 0.0 |

Total Fund Performance Results

Total Fund Performance Periods Ended June 30, 2013

| | Market Value | Qtr | One Year | Three Year | Five Year | Ten Year |
|-------------------------|-----------------|-------|-------------|---------------|--------------|-------------|
| Total Fund | \$58.2 mil | -3.3% | 5.2% | -.-% | -.-% | -.-% |
| <i>Benchmark</i> | | -3.5 | 4.7 | -- | -- | -- |
| Global Equity | 18.1 mil | -0.4 | 18.0 | -- | -- | -- |
| <i>Benchmark</i> | | -0.5 | 18.2 | -- | -- | -- |
| Fixed Income | 24.2 mil | -4.1 | -1.2 | -- | -- | -- |
| <i>Benchmark</i> | | -4.6 | -2.8 | -- | -- | -- |
| TIPS | 8.4 mil | -6.8 | -4.6 | -- | -- | -- |
| <i>Benchmark</i> | | -7.1 | -4.8 | -- | -- | -- |
| REITs | 4.4 mil | -3.3 | 13.4 | -- | -- | -- |
| <i>Benchmark</i> | | -3.3 | 13.4 | -- | -- | -- |
| Commodities | 1.7 mil | -6.0 | 1.6 | -- | -- | -- |
| <i>Benchmark</i> | | -5.9 | 2.0 | -- | -- | -- |
| Cash[±] | 1.8 mil | 0.0 | 0.0 | -- | -- | -- |

[±] The cash component may contain residual trade balance that has yet to be settled during the periodic rebalancing process as of June 30.

Health Care Bond Fund

Total Fund Performance Results

Total Fund Performance Periods Ended June 30, 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 | \$390.9 mil | -2.3% | 0.7% | 4.3% | 5.6% | 4.6% |
| <i>Benchmark</i> | | -2.3 | -0.7 | 3.5 | 5.2 | 4.5 |

*CalPERS
Performance Analysis
June 30, 2013*



Supplemental Income Plans

CalPERS
Performance Analysis
June 30, 2013



Supplemental Income Plan Performance

Net Fund Performance Results – Supplemental Contribution Plan

Periods Ended June 30, 2013

| | <u>Market Value</u> | <u>Qtr</u> | <u>One Year</u> | <u>Three Year</u> | <u>Five Year</u> |
|---|---------------------|------------|-----------------|-------------------|------------------|
| CalPERS International Index <i>FTSE Dev. World Index Ex-US</i> | \$144.4 thous | -1.7 | 17.3 | 9.7 | -0.5 |
| | | -1.7 | 17.3 | 9.7 | -0.3 |
| CalPERS Small/Mid Equity Index <i>Russell 2500</i> | \$470.1 thous | 2.2 | 25.5 | 19.7 | 9.3 |
| | | 2.3 | 25.6 | 19.6 | 9.2 |
| CalPERS Target 2010 <i>SIP 2010 Index</i> | \$106.4 thous | -1.1 | 7.6 | 8.6 | -- |
| | | -1.1 | 7.9 | 9.5 | -- |
| CalPERS Target 2015 <i>SIP 2015 Index</i> | \$262.7 thous | -0.9 | 8.8 | 9.3 | -- |
| | | -0.9 | 9.2 | 10.3 | -- |
| CalPERS Target 2020 <i>SIP 2020 Index</i> | \$92.6 thous | -0.6 | 10.3 | 10.1 | -- |
| | | -0.6 | 10.8 | 11.1 | -- |
| CalPERS Target 2025 <i>SIP 2020 Index</i> | \$70.7 thous | -0.3 | 12.2 | -- | -- |
| | | -0.4 | 12.8 | -- | -- |
| CalPERS Target 2030 <i>SIP 2030 Index</i> | \$9.8 thous | 0.0 | 13.9 | 12.0 | -- |
| | | 0.0 | 14.8 | 13.2 | -- |
| CalPERS Target 2040 <i>SIP 2035 Index</i> | \$86.2 thous | 0.2 | 15.9 | 13.0 | -- |
| | | 0.1 | 16.9 | 14.3 | -- |
| CalPERS Target Income <i>SIP Income Policy</i> | \$156.8 thous | -1.4 | 4.9 | 6.7 | -- |
| | | -1.4 | 5.0 | 7.3 | -- |
| CalPERS Aggressive Asset Allocation Fund <i>SIP Aggressive Policy</i> | \$23.6 thous | 0.2 | 15.9 | 13.0 | -- |
| | | 0.1 | 16.9 | 14.3 | -- |
| CalPERS Moderate Asset Allocation Fund <i>SIP Moderate Policy</i> | \$14.8 mil | -0.4 | 11.2 | 10.5 | -- |
| | | -0.4 | 11.7 | 11.4 | -- |
| CalPERS Conservative Asset Allocation <i>SIP Conservative Policy</i> | \$291.2 thous | -1.4 | 4.9 | 6.7 | -- |
| | | -1.4 | 5.0 | 7.3 | -- |
| CalPERS Total Return Bond Fund <i>Barclays Aggregate Bond Index</i> | \$158.4 thous | -2.4 | 0.3 | 3.9 | 5.2 |
| | | -2.3 | -0.7 | 3.5 | 5.2 |
| CalPERS TIPS Securities <i>Barclays U.S. TIP Index</i> | \$440.4 thous | -6.9 | -5.0 | 4.3 | 4.3 |
| | | -7.1 | -4.8 | 4.6 | 4.4 |
| PIMCO Short Term Bond Fund <i>CalPERS ML 6-month T-Bill</i> | \$235.0 thous | -0.3 | 0.9 | -- | -- |
| | | 0.1 | 0.2 | -- | -- |

CalPERS
Performance Analysis
June 30, 2013



| | <u>Market Value</u> | <u>Qtr</u> | <u>One Year</u> | <u>Three Year</u> | <u>Five Year</u> |
|---|---------------------|------------|-----------------|-------------------|------------------|
| CalPERS S&P 500 Equity Index | \$1.2 mil | 2.8 | 20.5 | 18.4 | 7.1 |
| <i>S&P 500 Index</i> | | 2.9 | 20.6 | 18.5 | 7.0 |
| Pyramis Select International | \$94.0 thous | -1.2 | 16.9 | 10.5 | -- |
| <i>CalPERS FTSE Dev World x-US</i> | | -1.7 | 17.1 | 9.8 | -- |
| The Boston Company SMID Growth | \$20.9 thous | 4.2 | 19.4 | -- | -- |
| <i>Russell 2500 Growth</i> | | 3.2 | 24.0 | -- | -- |
| The Boston Company SMID Value | \$44.2 thous | 0.8 | 22.2 | -- | -- |
| <i>Russell 2500 Value</i> | | 1.5 | 26.9 | -- | -- |
| SSgA STIF | \$651.1 thous | -0.1 | -0.2 | -- | -- |
| <i>BofAML 3-month US T-Bill</i> | | 0.0 | 0.1 | -- | -- |

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

Periods Ended June 30, 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) | \$484.6 mil | -0.4% | 11.3% | 10.4% | 4.4% | 5.5% |
| <i>SIP Moderate Policy</i> | | -0.4 | 11.7 | 11.4 | 5.3 | 6.4 |

CalPERS
Performance Analysis
June 30, 2013



CalPERS 457 Program Net Funds
Periods Ended June 30, 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 | \$232.4 mil | 2.8 | 20.2 | 18.1 | 6.8 | 7.0 |
| <i>S&P 500 Index</i> | | 2.9 | 20.6 | 18.5 | 7.0 | 7.3 |
| CalPERS Small/Mid Equity Index | \$143.0 mil | 2.2 | 25.2 | 19.4 | 9.0 | -- |
| <i>Russell 2500 Index</i> | | 2.3 | 25.6 | 19.6 | 9.2 | -- |
| CalPERS Total Return Bond Fund | \$62.2 mil | -2.4 | 0.2 | 3.7 | 5.0 | -- |
| <i>Barclays Aggregate</i> | | -2.3 | -0.7 | 3.5 | 5.2 | -- |
| CalPERS TIPS Securities | \$35.7 mil | -6.9 | -5.1 | 4.1 | 4.1 | -- |
| <i>Barclays U.S. TIPS Index</i> | | -7.1 | -4.8 | 4.6 | 4.4 | -- |
| CalPERS International Index | \$17.4 mil | -1.7 | 17.0 | 9.4 | -0.7 | -- |
| <i>FTSE Dev. World Index Ex-US</i> | | -1.7 | 17.3 | 9.7 | -0.3 | -- |
| Boston Company SMID Growth | \$7.4 mil | 4.2 | 19.4 | 21.0 | -- | -- |
| <i>Russell 2500 Growth Index</i> | | 3.2 | 24.0 | 20.2 | -- | -- |
| Boston Company SMID Value | \$3.6 mil | 0.8 | 22.2 | 14.5 | -- | -- |
| <i>Russell 2500 Value Index</i> | | 1.5 | 26.9 | 18.9 | -- | -- |
| Pyramis Select International | \$34.7 mil | -1.2 | 16.7 | 10.3 | -- | -- |
| <i>CalPERS FTSE Dev World x-US</i> | | -1.7 | 17.1 | 9.8 | -- | -- |
| CalPERS Conservative Asset Allocation | \$39.7 mil | -1.4 | 4.9 | 6.6 | -- | -- |
| <i>SIP Conservative Index</i> | | -1.4 | 5.0 | 7.3 | -- | -- |
| CalPERS Moderate Asset Allocation Fund | \$120.0 mil | -0.4 | 11.1 | 10.4 | -- | -- |
| <i>SIP Moderate Policy</i> | | -0.4 | 11.7 | 11.4 | -- | -- |
| CalPERS Aggressive Asset Allocation | \$58.5 mil | 0.2 | 15.9 | 12.9 | -- | -- |
| <i>SIP Aggressive Policy</i> | | 0.1 | 16.9 | 14.3 | -- | -- |
| CalPERS Target Income Fund | \$13.0 mil | -1.4 | 4.9 | 6.6 | -- | -- |
| <i>SIP Income Policy</i> | | -1.4 | 5.0 | 7.3 | -- | -- |

CalPERS
Performance Analysis
June 30, 2013



CalPERS 457 Program Net Funds
Periods Ended June 30, 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 | \$2.1 mil | -1.3 | 5.8 | 7.5 | -- | -- |
| <i>SIP 2005 Policy</i> | | -1.3 | 6.0 | 8.3 | -- | -- |
| CalPERS Target 2010 Fund | \$17.3 mil | -1.1 | 7.5 | 8.5 | -- | -- |
| <i>SIP 2010 Policy</i> | | -1.1 | 7.9 | 9.5 | -- | -- |
| CalPERS Target 2015 Fund | \$29.6 mil | -0.9 | 8.7 | 9.3 | -- | -- |
| <i>SIP 2015 Policy</i> | | -0.9 | 9.2 | 10.3 | -- | -- |
| CalPERS Target 2020 Fund | \$39.4 mil | -0.6 | 10.2 | 10.0 | -- | -- |
| <i>SIP 2020 Policy</i> | | -0.6 | 10.8 | 11.1 | -- | -- |
| CalPERS Target 2025 Fund | \$18.0 mil | -0.3 | 12.1 | 11.0 | -- | -- |
| <i>SIP 2025 Policy</i> | | -0.4 | 12.8 | 12.2 | -- | -- |
| CalPERS Target 2030 Fund | \$24.1 mil | 0.0 | 13.9 | 12.1 | -- | -- |
| <i>SIP 2030 Policy</i> | | 0.0 | 14.8 | 13.2 | -- | -- |
| CalPERS Target 2035 Fund | \$7.1 mil | 0.1 | 15.3 | 12.8 | -- | -- |
| <i>SIP 2035 Policy</i> | | 0.1 | 16.3 | 14.1 | -- | -- |
| CalPERS Target 2040 Fund | \$13.4 mil | 0.2 | 15.9 | 12.9 | -- | -- |
| <i>SIP 2040 Policy</i> | | 0.1 | 16.9 | 14.3 | -- | -- |
| CalPERS Target 2045 Fund | \$2.3 mil | 0.2 | 15.9 | 12.9 | -- | -- |
| <i>SIP 2045 Policy</i> | | 0.1 | 16.9 | 14.3 | -- | -- |
| CalPERS Target 2050 Fund | \$1.0 mil | 0.2 | 15.9 | 12.9 | -- | -- |
| <i>SIP 2050 Policy</i> | | 0.1 | 16.9 | 14.3 | -- | -- |
| SSgA STIF | \$133.0 mil | -0.1 | -0.4 | -- | -- | -- |
| <i>BofAML 3-month US T-Bill</i> | | 0.0 | 0.1 | -- | -- | -- |
| PIMCO Short-Term Bond Fund | \$21.7 mil | -0.3 | 0.8 | -- | -- | -- |
| <i>ML 6-month T-Bill</i> | | 0.1 | 0.2 | -- | -- | -- |