FINANCIAL SECTION

Header Page for Section B1

Table of Contents

INDEPENDENT AUDITOR'S REPORT, PAGE 1

INDEPENDENT AUDITOR'S REPORT

To the Board of Administration
California Public Employees' Retirement System
Sacramento, California

We have audited the accompanying financial statements of the fiduciary activities and the proprietary activities of the California Public Employees' Retirement System (the System), a component unit of the State of California, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT, PAGE 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the fiduciary activities and proprietary activities of the California Public Employees' Retirement System as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 5 to the basic financial statements, actuarial data presented for the California Employers' Retirement Benefit Trust Fund was derived from actuarial valuations performed by actuarial firms engaged by participating employers. Actuarial valuations were based on the System's OPEB Assumption Model, which was revised in August 2012.

As discussed in Note 5 to the basic financial statements, actual contributions made by the State of California (State) to the closed Judges' Retirement Fund are made pursuant to State statute and were significantly less than the actuarially determined annual required contributions. State contributions were used to fund benefit payments of the current period. As such, the Judges' Retirement Fund does not retain the accumulated contributions of active members. Without the State contributions, the Judges' Retirement Fund will not be able to pay accumulated benefit payments due in fiscal year 2014. Management and legal counsel believe the State is legally required to provide the required contributions to fund the benefits.

As discussed in Note 8 to the basic financial statements, the determination of the estimated liability for future policy benefits of the Public Employees' Long-Term Care Fund is very sensitive to the underlying actuarial assumptions, including a discount rate of 5.75 percent, morbidity, and voluntary termination.

As discussed in Note 9 to the basic financial statements, based on the most recent actuarial valuations of the Public Employees' Retirement Fund and the California Employers' Retirement Benefit Trust Fund as of June 30, 2012, the actuarial accrued liability exceeded the actuarial value of assets by $57.4 billion and $15.5 billion, respectively.

Our opinions are not modified with respect to these matters.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the System's financial statements for the fiscal year ended June 30, 2012, from which such partial information was derived.

INDEPENDENT AUDITOR'S REPORT, PAGE 3

We have previously audited the System's 2012 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the fiduciary activities and the proprietary activities in our report dated December 17, 2012. In our opinion, the partial comparative information presented herein as of and for the fiscal year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedules of Funding Progress, the Schedules of Employer Contributions and the Schedule of Claims Development Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Sacramento, California
_________,2013

INTRODUCTION

This section presents Management's Discussion and Analysis of the California Public Employees' Retirement System's (CalPERS or the System) financial performance during the fiscal year ended June 30, 2013. It is a narrative overview and analysis that we present in conjunction with the Chief Executive Officer's Letter of Transmittal, included in the Introductory Section of this Comprehensive Annual Financial Report. It should also be read in conjunction with the Basic Financial Statements of CalPERS, as presented in this report.

In addition to historical information, the Management's Discussion and Analysis includes certain forward-looking statements, which involve certain risks and uncertainties. CalPERS actual results, performance, and achievements may differ from the results, performance, and achievements expressed or implied in such forward-looking statements, due to a wide range of factors, including changes in interest rates, changes in the securities markets, general economic conditions, and legislative changes, as well as other factors.

CalPERS is primarily responsible for administering retirement and health benefits. CalPERS also administers long-term care benefits, a post-employment benefit fund for retiree health and supplemental retirement savings plans.

CalPERS comprises a total of 13 funds, including 8 trust funds, 2 agency funds and 3 proprietary funds, for which the CalPERS Board of Administration exercises fiduciary responsibility to protect participants' assets. These include the Public Employees' Retirement Fund (PERF), Legislators' Retirement Fund (LRF), Judges' Retirement Fund (JRF), Judges' Retirement Fund II (JRF II), State Peace Officers' and Firefighters' Defined Contribution Plan Fund (SPOFF), Public Agency Deferred Compensation Plan (IRC 457), Supplemental Contributions Program Fund (SCPF), the California Employers' Retirement Benefit Trust Fund (CERBTF), Public Employees' Contingency Reserve Fund (CRF Agency Fund Type) and Replacement Benefit Fund (RBF). The CalPERS Board also administers three business oriented proprietary funds. These are the Public Employees' Health Care Fund (HCF), Public Employees' Contingency Reserve Fund (CRF), and the Public Employees' Long-Term Care Fund (LTCF).

FINANCIAL HIGHLIGHTS

Fiduciary Trust Funds

The following events during the fiscal year have an impact on CalPERS operations:

- Nominal gross domestic product (GDP) growth this year has slipped to just 3.0 percent versus a 25 year average of 5.0 percent. Positive economic indicators include signs of growth in jobs and personal income; gains in consumer sentiment; a surge of business expenditures for capital goods in the second quarter of 2013; strength in home and car sales; and improved delivery of central banks. Most measures of US inflation are in the low 1.0 percent range. Some negative economic indicators include the growth of real GDP (less inflation) by only 1.4 percent; the softening of retail sales in June and the peaking of housing starts in March; the falling of mortgage refinancing as interest rates rose; the slowing of credit growth to roughly 3.0 percent; and the impact of furloughs on the personal income of government workers.
- Annual investment rate of return of 13.2 percent outperformed the strategic benchmark by 1.35 percent, contributing $30.3 billion to the PERF. Equity assets, public 19.0 percent and private 13.6 percent, were strong performers. Income assets lost 1.6 percent in a low interest rate environment with rising yields in the second quarter of 2013.
- CalPERS annual investment rate of return of 13.2 percent exceeded the actuarial assumed earnings rate of 7.5 percent. In order to help employers understand the risk, CalPERS is now providing an investment return scenario analysis in all of its annual actuarial valuation reports.
- JRF II earned 12.1 percent and LRF earned 5.7 percent. JRF I is actuarially underfunded and benefits are financed on a pay-as-you-go basis resulting in little opportunity for a long-term risk adjusted investment strategy.
- CERBTF employers can choose one of three different strategies, each one with a distinctly different long-term expected rate of return and return volatility.

- The SPOFF, an employer-paid defined contribution program, earned 11.3 percent following a balanced growth investment strategy. Other CalPERS defined contribution funds (IRC 457 and SCPF) use an investment program that is participant directed.
- On October 7, 2013 the SPOFF, IRC 457, and SCPF will transition the lineup of funds available for investment.
- The California Legislature passed and the Governor signed the "Public Employees' Pension Reform Act of 2013" (PEPRA). PEPRA contained a number of provisions intended to reduce future pension obligations. PEPRA primarily affects new pension plan members who are enrolled for the first time after December 31, 2012. The financial impact will be gradually realized as total pension costs and the employer share of those costs decrease.
- Significant financial provisions of PEPRA:
    1. Reduces benefits for members enrolled effective date January 1, 2013. For each year worked, miscellaneous members are entitled to 2.0 percent of final compensation at age 62. Three safety member benefits are available to employers; 2.0 percent, 2.5 percent, and 2.7 percent of final compensation at age 57.
    2. Caps the annual compensation that can be used to calculate final compensation for all new members, excluding judges, at $113,700 for members who participate in Social Security or $136,440 for members who do not participate, adjusted after 2013 for consumer price index (CPI) increases. Additionally, final compensation for new members is calculated using the highest average of three consecutive years.
    3. For public agencies, school employers, California State Universities and judicial branch new members, the employee contribution rate is at least 50 percent of the total normal cost. For State of California new and classic members, the contribution rate is defined by statute. The contribution rate is either at least 50 percent of the total normal cost or is scheduled to reach 50 percent of total normal cost within the next one to two years.
    4. PEPRA prohibits new members from participating in the LRS. PERF membership is optional for constitutional and legislative statutory officers.
    5. The purchase of Additional Retirement Service Credit is prohibited on or after January 1, 2013.
- In April 2013, the CalPERS Board approved new actuarial policies that include a rate-smoothing method with a 30 year fixed amortization period for gains and losses. Over time, the proposed methods are designed to improve funding levels and help reduce the overall funding level risk. The proposed methods are expected to result in higher volatility in employer contribution rates in normal years but much less volatility in employer contribution rates in years where extreme events occur.
- As of June 30, 2012, the date of the most recent actuarial valuation, the PERF was funded at 83.1 percent, based on the actuarial value of assets. A better measure of benefit security is the funded status on the market value of assets basis. On that basis, as a result of the 0.14 percent investment return in 2011-12, the funded status declined from 73.6 percent at June 30, 2011, to 69.6 percent at June 30, 2012.
- The PERF paid $16.6 billion in retirement benefits to 566,975 annuitants during the Fiscal Year 2012-13, compared to $15.4 billion paid to 543,722 annuitants during the Fiscal Year 2011-12. Benefit payments increased primarily due to an increase in the number of retirees and the average benefit amount, including cost-of-living adjustments (COLA).

Proprietary Funds

- CalPERS administers the PERSCare, PERS Choice, and PERS Select self-funded health care program. Financial activity for these programs is accounted for through the Public Employees' Health Care Fund (HCF). The CalPERS self-funded health care program's unrestricted net position increased from $454.0 million in the Fiscal Year 2011-12 to $456.4 million in the Fiscal Year 2012-13.
- Effective January 1, 2013, CalPERS partnered with its Pharmacy Benefit Manager (PBM) to provide a custom Medicare Part D prescription drug program, the Employer Group Waiver Plan (EGWP). Under the EGWP, CalPERS contracts with the prescription drug

programs through the PBM as the EGWP administrator, and the PBM manages all federal interaction. EGWP subsidies are reported in HCF as Federal Government Subsidies in the Statement of Revenues, Expenses and Changes in Net Position for the proprietary funds.

- The unrestricted net position of the CalPERS Long-Term Care Program amounted to $679.1 million as of June 30, 2013. The Long-Term Care Program collected $307.8 million in premiums, and the approximate average annual premium per person was $2,124. The unrestricted net position of $679.1 million represents an increase of $838.8 million from a deficit of $159.7 million as of June 30, 2012. The increase in unrestricted net position from the prior year is attributable to the Stabilization Plan approved by CalPERS Board in October 2012 which included premium increases for certain policies and allowed policy conversions for program members to move to a suitable plan option. In the Fiscal Year 2012-13, the actual claim experience for the program met expectation. The estimated liability for future policy benefits reflects the actual and anticipated future experience of the program, including the expected lower future claim payments caused by the actual and assumed higher policy conversion to a lower benefit coverage plan in calendar years 2013, 2014, and 2015. These improvements were offset by lower than expected investment returns in the Fiscal Year 2012-13. Effective January 1, 2014, with the passage of Assembly Bill No. 373, the Board has expanded eligibility to adult children of eligible applicants by amending the Long-Term Care Act.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis provides an introduction to and overview of the CalPERS Basic Financial Statements, which comprise the following components: Fund Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and Other Supplemental Information. Collectively, this information presents the combined net position held in trust for pension benefits and other post-employment benefits, and the combined unrestricted net position for each of the other funds administered by CalPERS as of June 30, 2013. It also summarizes the combined changes in net position held in trust for pension and other post-employment benefits, the combined changes in unrestricted net position, and the cash flows of the proprietary funds for the fiscal year then ended, along with an actuarial view on the funded status of the defined benefit pension and other post-employment plans. The information available in each of these sections is briefly summarized as follows:

Fund Financial Statements

The Board has a fiduciary duty for the investments in both the fiduciary and proprietary funds. At June 30, 2013, financial statements are presented for the two types of funds administered by CalPERS: fiduciary funds, where CalPERS acts in a fiduciary capacity as a trustee or agent for others and is responsible for handling the assets placed under its control; and proprietary funds, where fees are charged for services provided and the focus is on determining financial position, operating and non-operating income, cash flows and changes in net position.

Fiduciary Funds — include pension trust funds, other post-employment benefit fund, and two agency funds. The defined benefit plans administered by CalPERS include the PERF, LRF, JRF, and JRF II. The other post-employment benefit fund is the CERBTF. The defined contribution plans administered by CalPERS include the SPOFF, IRC 457, and the SCPF. The remaining fiduciary funds are the CRF and the RBF. The fiduciary funds are used to account for resources held for the benefit of CalPERS participants. A Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position except for agency funds are presented for the fiduciary funds as of and for the fiscal year ended June 30, 2013, along with comparative total information as of and for the fiscal year ended June 30, 2012. These financial statements reflect the resources available to pay benefits to retirees and other beneficiaries as of year-end, as well as the changes in those resources during the year.

Proprietary Funds — include the following enterprise funds: the HCF, CRF, and LTCF. Proprietary funds are used to account for activities for which fees are charged to external users for service, such as administration of health care and long-term care programs, and for which the costs of providing services are recovered with fees and charges. A statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows are presented for the proprietary funds as of and for the fiscal year ended June 30, 2013, along with comparative total information as of and for the fiscal year ended June 30, 2012. Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows.

Notes to the Basic Financial Statements

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the information provided in the fund financial statements. Information available in the Notes to the Basic Financial Statements is described below.

Note 1 — provides a summary of significant accounting policies, including the basis of accounting for each of the fund types, investment accounting policies, management's use of estimates, and other significant accounting policies.

Note 2 — provides a general description of CalPERS, as well as a concise description of each of the funds administered by CalPERS. Information regarding employer and member participation in the pension plans and other post-employment benefit plans administered by CalPERS is also provided.

Note 3 — provides information on cash and cash equivalents.

Note 4 — describes investments, including investing authority, investment risk categorizations, and additional information about cash, securities lending, and derivatives.

Note 5 — provides information about employer contributions to the pension and other post-employment benefit funds and selected plan reserves administered by CalPERS.

Note 6 — provides information about the State of California's other post-employment benefits (OPEB).

Note 7 — provides detailed information on the estimated claims liability of the HCF.

Note 8 — provides information regarding the LTCF June 30, 2013 actuarial valuation.

Note 9 — provides information regarding the funded status and actuarial assumptions for the PERF, LRF, JRF, JRF II, and CERBTF.

Note 10 — provides information on commitments.

Note 11 — provides information on potential contingencies of CalPERS.

Note 12 — provides information regarding future accounting pronouncements, which include Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68, and the key changes it will have on the financial statements.

Note 13 — provides information regarding subsequent events, which include, pension reform, local government bankruptcies, State Peace Officers' and Firefighters' defined contribution plan closure and implementation of flex-funded health maintenance organization plans.

Required Supplementary Information

Because of the long-term nature of public defined benefit pension and other post-employment benefit plans, financial statements for the past year alone cannot provide sufficient information to properly reflect the funding progress of the plans. Therefore, in addition to the Basic Financial Statements, two required schedules of historical trend information related to the defined benefit pension and other post-employment benefit plans are presented as part of the Required Supplementary Information (RSI) section of the Basic Financial Statements. These two schedules are the Schedule of Funding Progress and the Schedule of Employer Contributions. These schedules are based upon contributions made by employers and others, and the actuarial valuations for the pension plans performed by CalPERS actuaries and the other post-employment benefits valuations performed by actuaries engaged by sponsoring employers. The schedules provide additional actuarial information that contributes to the understanding of the changes in the actuarial funding and the funding progress of these defined benefit pension and other post-employment benefit plans over the past six years. The actuarial information is based upon assumptions made about future events at the time the valuations were performed, and, therefore, the amounts presented are management's estimates. Also included as part of the RSI, is the Schedule of Claims Development Information for the HCF.

Other Supplemental Information

Other schedules include detailed information on administrative expenses incurred by CalPERS-administered funds, as well as investment and other professional services expenses incurred, and changes in assets and liabilities for agency funds.

FINANCIAL OVERVIEW & ANALYSIS

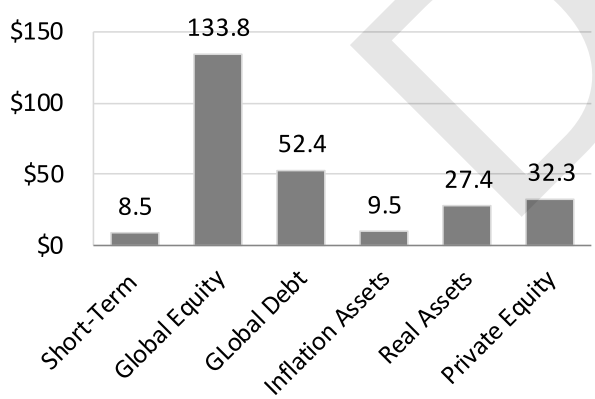
Fiduciary Funds

Collectively, the net position held in trust for all fiduciary funds was a total of $267.3 billion at June 30, 2013, an increase of $25.9 billion (10.7 percent) from $241.4 billion at June 30, 2012. Additions to net position held in trust for benefits include employer and member contributions as well as net investment income. Deductions consist primarily of retirement, death and survivor benefits, refunds, administrative expenses, participant withdrawals, and OPEB reimbursements. Fiduciary funds are categorized as defined benefit, intended to fund employer guaranteed earned employment benefits; and defined contribution, intended as participant savings for post-employment income and health benefits. Asset accumulation and prudent investment strategies are primary purposes of both types of fiduciary funds.

The following charts display asset amounts and how they are allocated.

Defined Benefit Plans — Investment Types

(Dollars in Billions)



Defined Benefit Plans — Administrative Expenses

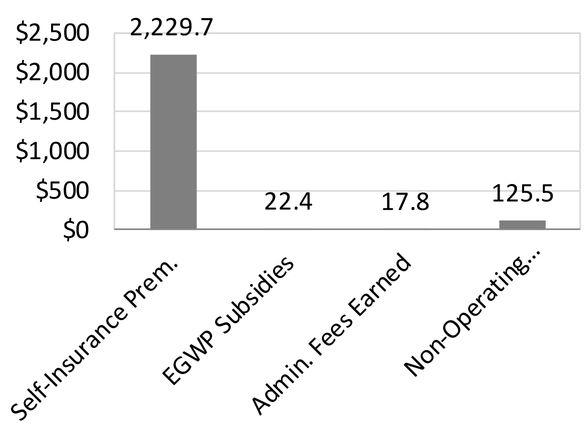
Plan	Administrative Expenses	Total Membership	Cost per Member
PERF	$426,077,000	1,671,212	$255
LRF	418,000	276	1,514
JRF	1,413,000	2,221	636
JRF II	899,000	1,404	640

Proprietary Funds

CalPERS total unrestricted net position for proprietary funds which includes HCF, CRF and LTCF was $1.1 billion at June 30, 2013. Proprietary funds are created to facilitate a business type program where the primary financial focus is on yearly sustained operating revenues and specifically directed and controlled expenses. Operating revenues of the CalPERS proprietary funds consist of self-insurance premiums, Employer Group Waiver Program (EGWP) subsidies, Federal Government reimbursements, administrative fees, and other non-operating revenues. Operating expenses consist of medical and pharmaceutical payments, long-term care claims and administrative costs.

Proprietary Funds — Revenue

(Dollars in Millions)



FINANCIAL ANALYSIS OF CALPERS FUNDS

Public Employees' Retirement Fund (PERF)

Plan Net Position

The PERF provides retirement benefits to State of California and other California public agency employees. The PERF benefits are funded by member and employer contributions and by earnings on investments. The PERF net position held in trust for benefits at June 30, 2013 was $262.0 billion, an increase of $25.0 billion (10.5 percent) from $237.0 billion at June 30, 2012. The increase is a result of investment earnings and current year contributions exceeding the amount needed to pay 2012-13 benefits.

Additions to PERF net position held in trust for benefits include employer and member contributions, and investment income. For the Fiscal Year 2012-13, employer and member contributions totaled $12.0 billion, an increase of $0.6 billion (5.3 percent) from the Fiscal Year 2011-12. The increase is attributed to increased contribution rates calculated to amortize the unfunded actuarial liability.

The PERF recognized a net investment gain of $30.3 billion for the Fiscal Year 2012-13, compared with a net investment loss of $203.1 million for the Fiscal Year 2011-12. The gain came primarily from growth of global assets. Global public equity assets returned 19.0 percent, private equity assets returned 13.6 percent and real assets contributed with a return of 11.2 percent.

Deductions from PERF net position restricted for pension for the Fiscal Year 2012-13 totaled $17.3 billion, an increase of $1.3 billion (8.1 percent) from $16.0 billion in the Fiscal Year 2011-12. The increase in deductions was attributed to an increase in benefit payments as the number of beneficiaries increased from 543,722 to 566,975 and increases in average benefits, including COLA. A long-term trend of escalating benefit payments is evolving as the membership of the plan matures and retires. This trend was anticipated and factored into prior contribution requirements during the working life of the retirees.

Net Position — PERF (Dollars in Thousands)

	2013	2012	Total Percentage Change
ASSETS			
Cash, Cash Equivalents & Receivables	$3,039,073	$3,115,452	(2.5) %
Investments	260,158,786	233,935,996	11.2
Securities Lending Collateral	17,142,084	9,325,426	83.8
Capital Assets, Net & Other Assets	710,722	715,911	(0.7)
Total Assets	**$281,050,665**	**$247,092,785**	**13.7 %**
LIABILITIES			
Retirement Benefits, Investment Settlement & Other	$2,172,123	$959,255	126.4 %
Securities Lending Obligations	16,888,638	9,151,585	84.5
Total Liabilities	**$19,060,761**	**$10,110,840**	**88.5 %**
TOTAL NET POSITION	**$261,989,904**	**$236,981,945**	**10.6 %**

Changes in Net Position — PERF (Dollars in Thousands)

	2013	2012	Total Percentage Change
ADDITIONS			
Member Contributions	$3,896,078	$3,598,437	8.3 %
Employer Contributions	8,123,833	7,772,913	4.5
Net Investment Income (Loss)	30,284,807	(203,084)	15,012.5
Other Income	7,176	7,070	1.5
Total Additions	**$42,311,894**	**$11,175,336**	**278.6 %**
DEDUCTIONS			
Retirement, Death & Survivor Benefits	$16,635,263	$15,356,696	8.3 %
Refund of Contributions	242,595	218,082	11.2
Administrative Expenses	426,077	380,404	12.0
Total Deductions	**$17,303,935**	**$15,955,182**	**8.5 %**
INCREASE (DECREASE) IN NET POSITION	**$25,007,959**	**($4,779,846)**	**623.2 %**
NET POSITION			
Beginning of Year	**$236,981,945**	**$241,761,791**	**(2.0) %**
End of Year	**$261,989,904**	**$236,981,945**	**10.6 %**

Investments

PERF investments, excluding securities lending collateral, totaled $260.2 billion at June 30, 2013, an increase of $26.3 billion (11.2 percent) from $233.9 billion at June 30, 2012. The increase was attributable to strong performance of both public and private global growth assets. At June 30, 2013, the PERF held $131.6 billion in global equity securities, an increase of $18.0 billion from $113.6 billion at the end of the Fiscal Year 2011-12.

In global debt securities, the PERF held $51.6 billion at June 30, 2013, an increase of $1.7 billion from $49.9 billion at the end of the Fiscal Year 2011-12.

At June 30, 2013 the PERF held approximately $38.2 billion in gross value real asset investments; the net value totaled $27.1 billion, which is net of $11.1 billion in real asset related debt. The real asset debt amounted to 29.1 percent of the total gross real asset fair value. On a gross basis, real asset investments increased $1.6 billion from the $36.6 billion gross real asset investments at the end of the Fiscal Year 2011-12.

Real asset investments are classified as investments in accordance with GASB Statement No. 25. Certain real asset investments are leveraged whereby partnerships have been established to purchase properties through a combination of contributions from CalPERS and other investors and through the acquisition of debt.

The $11.2 billion in real asset debt is made up of $8.8 billion in long-term debt payable and $2.4 billion in other short-term liabilities.

At June 30, 2013, the inflation assets portfolios held $1.2 billion in commodities exposure, $4.0 billion in US Treasury Inflation Protected Securities (TIPS), $1.6 billion in short term investment funds and $2.4 billion in international inflation linked bonds.

In private equity, the PERF held $32.3 billion at June 30, 2013, a decrease of $1.9 billion from $34.2 billion at the end of the Fiscal Year 2011-12.

In short-term investments, the PERF held $8.4 billion at June 30, 2013, an increase of $4.0 billion from the $4.4 billion at the end of the Fiscal Year 2011-12. The increase in short-term assets as of June 30, 2013 was due to a number of factors. Positive equity returns generated large mark-to-market cash inflows from our equity futures contracts, Private Equity partners significantly increased their cash distributions during this period, and planned cash funding for new investment strategies necessitated higher than normal balances.

Securities Lending

CalPERS earns income (intrinsic income) by lending investment securities. Qualified borrowers pay a fee for the right to borrow securities, and then provide cash and non-cash collateral at 102 percent or 105 percent of the market value of the domestic or international securities borrowed, respectively. The over-collateralization is an industry standard, which minimizes counterparty risk in the event a borrower fails to return the loaned security. CalPERS pays the borrowers a rate on cash collateral received, called a rebate. By reinvesting the cash collateral in short-term, high credit quality securities, CalPERS can earn a return above the rebate rate, which is referred to as reinvestment income. Intrinsic and reinvestment income are recognized as securities lending income on the Statement of Changes in Fiduciary Net Position, and the Statement of Revenues, Expenses and Changes in Net Position.

Securities lending collateral for all funds totaled $17.3 billion at June 30, 2013, an increase of $7.8 billion (82.1 percent) from $9.5 billion at June 30, 2012. The outstanding balances at year-end are reflective of current market demand to borrow securities and fluctuate from year to year.

For the Fiscal Year 2012-13, securities lending gross income of $184.2 million for all funds consisted of gross intrinsic income of $142.5 million, gross reinvestment income of $40.4 million and externally managed securities lending income of $1.3 million. The costs of securities lending totaled $38.6 million, which includes rebates paid to borrowers and fees paid to lending agents. At June 30, 2013, the total change in fair value of the reinvested cash collateral amounted to $78.7 million. The total change in fair value of reinvested cash collateral was reported as net appreciation (depreciation) in fair value of investments on the Statement of Changes in Fiduciary Net Position and the Statement of Revenues, Expenses and Changes in Net Position.

2013 Investments —PERF (Dollars in Billions)

Investment Class	2013 Amount	2012 Amount	Percentage Change
Short-Term Investments	$8.4	$4.4	90.9 %
Global Equity Securities	131.6	113.6	15.8
Global Debt Securities	51.6	49.9	3.4
Inflation Assets	9.2	7.1	29.6
Real Assets	27.1	24.7	9.7
Private Equity	32.3	34.2	(5.6)
TOTAL	**$260.2**	**$233.9**	**11.2 %**

Investment Class	2013 Percent of Investments
Short-Term Investments	3.2 %
Global Equity Securities	50.6
Global Debt Securities	19.9
Inflation Assets	3.5
Real Assets	10.4
Private Equity	12.4
TOTAL	**100.0 %**

OTHER DEFINED BENEFIT PENSION PLANS

Legislators' Retirement Fund (LRF)

Plan Net Position

The LRF provides retirement benefits to California Legislators elected to office before November 7, 1990, and to constitutional, legislative, and statutory officers elected or appointed prior to January 1, 2013. The Public Employees' Pension Reform Act of 2013 (PEPRA) closed the Legislators' Retirement Fund to new participants. The number of LRF members has been declining in the last decade as eligible incumbent Legislators leave office and are replaced by those ineligible to participate in the LRF. Actuarially determined contributions will continue to be made by the State of California to supplement the existing assets until all benefit obligations have been fulfilled.

The LRF net position held in trust for benefits at June 30, 2013 totaled $122.1 million, a decrease of $0.9 million from $123.0 million at June 30, 2012. Additions to LRF net position held in trust for benefits were primarily investment income. Net investment income was $7.0 million in the Fiscal Year 2012-13 compared to $7.8 million for the Fiscal Year 2011-12. The primary driver of the change in LRF investment income was the decrease in fixed income portion of the portfolio. The investment rate of return for fixed income portion for the Fiscal Year 2012-13 was negative 2.0 percent compared to 13.0 percent in the Fiscal Year 2011-12.

For the Fiscal Year 2012-13 employer and members contributed $0.1 million. These were the first contributions in many years as a result of a June 30, 2011 actuarial valuation. During that valuation the actuarial funding method was changed from the Aggregate Funding Method to the Entry Age Normal Funding Method. This funding method change, along with the Board's minimum contribution policy, resulted in an employer contribution rate effective July 1, 2012. In addition, this positive employer contribution rate resulted in the resumption of member contributions.

Deductions from LRF net position held in trust for benefits are primarily comprised of retirement, death and survivor benefits. For the Fiscal Year 2012-13, these benefits decreased $0.2 million (2.6 percent) to $7.5 million from $7.7 million in 2011-12. Deceased members are replaced by survivors and beneficiaries who typically receive a lower benefit amount than the member received. Survivors and beneficiaries make up more than half of the total number of recipients.

An actuarial valuation of LRF assets and benefit obligations is performed annually. At June 30, 2012, the date of the most recent actuarial valuation, the funded status based on the actuarial valuation of assets was 113.8 percent. At June 30, 2012, the actuarial value of assets exceeded the actuarial accrued liabilities by approximately $15.0 million. On a market value of assets basis, the funded status was 112.8 percent at June 30, 2012.

Investments

The LRF mainly invests in global equity, global debt and inflation assets. Total investments excluding securities lending collateral were $121.5 million at June 30, 2013, a decrease of $0.9 million (0.7 percent) from $122.4 million in total LRF investments at June 30, 2012.

At June 30, 2013, the LRF held $38.7 million in global equity securities, a decrease of $1.0 million (2.5 percent) from $39.7 million at the end of the Fiscal Year 2011-12.

The LRF held $51.1 million in global debt securities, an increase of $0.4 million (0.8 percent) from $50.7 million at the end of the Fiscal Year 2011-12.

At June 30, 2013, the LRF held $21.9 million in inflation assets, a decrease of $0.1 million from $22.0 million at June 30, 2012.

At June 30, 2013, the LRF held $9.8 million in real assets, a decrease of $0.2 million from $10.0 million at June 30, 2012.

Investments — LRF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Global Equity Securities	$38.7	31.9 %
Global Debt Securities	51.1	42.0
Inflation Assets	21.9	18.0
Real Assets	9.8	8.1
TOTAL	**$121.5**	**100.0 %**

Judges' Retirement Fund (JRF)

Plan Net Position

The JRF provides retirement benefits to California Supreme and Appellate Court Justices and Superior Court Judges appointed or elected before November 9, 1994. The JRF net position held in trust for benefits at June 30, 2013, totaled $53.8 million, a decrease of $18.9 million from $72.7 million at June 30, 2012. The decrease was primarily due to a reduction of the annual contribution from the State General Fund of $33.5 million.

Additions to JRF net position held in trust for benefits include employer and member contributions, investment income, and State "balancing contributions" (see Note 5 of the Notes to the Basic Financial Statements). For the Fiscal Year 2012-13, employer, member, and State "balancing contributions" decreased $35.3 million (17.5 percent) to $166.9 million, from $202.2 million for the Fiscal Year 2011-12, primarily due to the decrease in the State General Fund contributions. The number of active members decreased from 400 in the Fiscal Year 2011-12 to 319 in the Fiscal Year 2012-13, and, therefore, member contributions declined from$5.8 million to $4.9 million.

Deductions from JRF net position held in trust for benefits are primarily composed of retirement, death and survivor benefits. Benefit payments remained steady due to the dwindling number of new retirees in a closed plan. The number of retirees, survivors and beneficiaries increased from 1,884 in the Fiscal Year 2011-12 to 1,896 in the Fiscal Year 2012-13.

The JRF is funded on a "pay-as-you-go" basis, where short-term investments, contributions received during the year and a State General Fund augmentation are used to provide funding for benefit payments. This funding method is generally more expensive in the long-term, as the plan does not have investment returns generated by a funded plan. Without the State General Fund augmentation, the JRF will not be able to pay the accumulated benefit payments due in the Fiscal Year 2013-14.

Investments

The JRF invests only in short-term securities. Total investments were $52.6 million at June 30, 2013, a decrease of $18.2 million (25.7 percent) compared with $70.8 million in total investments at June 30, 2012. The decrease is due to a lower State General Fund augmentation.

Judges' Retirement Fund II (JRF II)

Plan Net Position

The JRF II provides retirement benefits to California Supreme and Appellate Court Justices and Superior Court Judges first appointed or elected on or after November 9, 1994. Net position held in trust for benefits at June 30, 2013 was $796.0 million, an increase of $140.6 million (21.5 percent) from $655.4 million at June 30, 2012.

Additions to JRF II net position held in trust for benefits include employer and member contributions, as well as investment income. Contributions were $72.8 million, an increase of $0.3 million from $72.5 million from the Fiscal Year 2011-12. For the Fiscal Year 2012-13, the fund had a net investment income of $79.2 million, an increase of $65.3 million, compared with $13.9 million for the Fiscal Year 2011-12. The increase was largely due to global equity growth.

Deductions from JRF II net position held in trust for benefits are composed of defined retirement benefits, survivor and death benefits and a cash balance (Monetary Credits) plan for Judges who leave the bench before becoming eligible for a defined benefit. For the Fiscal Year

2012-13, defined retirement and survivor benefits including Monetary Credits amounted to $10.5 million, an increase of $7.0 million from $3.5 million in the Fiscal Year 2011-12. An increase in Monetary Credit payments from $0.7 million to $6.4 million accounted for much of the increase. Monetary Credits are a cash plan provided as an alternative for Judges leaving the bench prior to their eligibility for a pension. The intent of Monetary Credits is to encourage well qualified candidates to serve on the bench for a limited time and then return to a private legal practice.

An actuarial valuation of the JRF II assets and benefit obligations is performed annually. At June 30, 2012, the date of the most recent actuarial valuation, the funded status based on the actuarial valuation of assets, increased to 95.0 percent from 92.1 percent at June 30, 2011. At June 30, 2012, the actuarial accrued liabilities exceeded the actuarial value of assets by approximately $35.2 million, while the amount by which the actuarial accrued liabilities exceeded the actuarial value of assets at June 30, 2011, was approximately $49.0 million. On a market value of assets basis, the funded status declined from 94.4 percent at June 30, 2011 to 93.2 percent at June 30, 2012, due to the positive 1.9 percent investment return falling short of the assumed rate of return of 7.0 percent in the Fiscal Year 2011-12.

Investments

The JRF II invests mainly in short-term investments, global equity securities, global debt securities, inflation assets and real assets. Total investments excluding securities lending collateral amounted to $789.7 million at June 30, 2013, which was $140.8 million (21.7 percent) more than the $648.9 million at June 30, 2012. The increase in investments was primarily due to positive investment returns during the Fiscal Year 2012-13. In addition, the excess of member and employer contributions over retirement, death and survivor benefits also contributed to the increase in investments. In short-term investments, the JRF II held $8.1 million at June 30, 2013, an increase of $1.6 million from $6.5 million at the end of the Fiscal Year 2011-12.

At June 30, 2013, the JRF II held $491.4 million in global equity securities, an increase of $84.9 million (20.9 percent) from $406.5 million at the end of the Fiscal Year 2011-12.

In global debt securities, the JRF II held $156.7 million at June 30, 2013, an increase of $30.9 million (24.6 percent) from $125.8 million at the end of the Fiscal Year 2011-12.

At June 30, 2013, the JRF II held $70.3 million in inflation assets, an increase of $12.4 million (21.4 percent) from $57.9 million at the end of the Fiscal Year 2011-12. In real assets, the JRF II held $63.2 million at June 30, 2013, an increase of $11.0 million (21.1 percent) from $52.2 million at the end of the Fiscal Year 2011-12.

Investments — JRF II (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$8.1	1.0 %
Global Equity Securities	491.4	62.2
Global Debt Securities	156.7	19.8
Inflation Assets	70.3	9.0
Real Assets	63.2	8.0
TOTAL	**$789.7**	**100.0** %

Net Position — Other Defined Benefit Pension Plan Funds (Dollars in Thousands)

	LRF		JRF		JRF II	
	2013	2012	2013	2012	2013	2012
ASSETS						
Cash, Cash Equivalents & Receivables	$1,379	$895	$2,008	$2,480	$5,815	$5,995
Investments	121,498	122,386	52,636	70,796	789,684	648,925
Securities Lending Collateral	9,317	4,319	—	—	72,197	40,714
Total Assets	**$132,194**	**$127,600**	**$54,644**	**$73,276**	**$867,696**	**$695,634**
LIABILITIES						
Retirement Benefits, Investment Settlement & Other	$841	$338	$824	$583	$400	$347
Securities Lending Obligations	9,205	4,233	—	—	71,330	39,904
Total Liabilities	**$10,046**	**$4,571**	**$824**	**$583**	**$71,730**	**$40,251**
TOTAL NET POSITION	**$122,148**	**$123,029**	**$53,820**	**$72,693**	**$795,966**	**$655,383**

Changes in Net Position — Other Defined Benefit Pension Plan Funds (Dollars in Thousands)

	LRF		JRF		JRF II	
	2013	2012	2013	2012	2013	2012
ADDITIONS						
Member Contributions	$31	$0	$4,909	$5,796	$18,819	$18,757
Employer Contributions	80	—	161,945	196,402	54,025	53,711
Net Investment Income	6,974	7,761	76	80	79,214	13,947
Other Income	—	—	2,694	2,877	—	—
Total Additions	**$7,085**	**$7,761**	**$169,624**	**$205,155**	**$152,058**	**$86,415**
DEDUCTIONS						
Retirement, Death & Survivor Benefits	$7,548	$7,659	$187,084	$185,428	$10,518	$3,536
Refund of Contributions	—	202	—	17	58	2,604
Administrative Expenses	418	347	1,413	1,163	899	725
Total Deductions	**$7,966**	**$8,208**	**$188,497**	**$186,608**	**$11,475**	**$6,865**
INCREASE (DECREASE) IN NET POSITION	**($881)**	**($447)**	**($18,873)**	**$18,547**	**$140,583**	**$79,550**
NET POSITION						
Beginning of Year	**$123,029**	**$123,476**	**$72,693**	**$54,146**	**$655,383**	**$575,833**
End of Year	**$122,148**	**$123,029**	**$53,820**	**$72,693**	**$795,966**	**$655,383**

DEFINED CONTRIBUTION PENSION PLANS

State Peace Officers' & Firefighters' Defined Contribution Plan Fund (SPOFF)

Plan Net Position

The SPOFF provides supplemental retirement benefits to eligible safety employees. Net position held in trust for pension benefits increased by $17.5 million (3.7 percent) to $491.3 million at June 30, 2013, from $473.8 million at June 30, 2012. The increase is the result of investment income from growth assets.

Contributions were $0.3 million for the Fiscal Year 2012-13, an increase of $0.1 million from the Fiscal Year 2011-12. The increase was due to retroactive adjustments to payrolls effective prior to the suspension of contributions by the State of California during the Fiscal Year 2010-11. Net investment gain was $53.2 million for the Fiscal Year 2012-13, compared to a loss of $25.0 thousand for the Fiscal Year 2011-12.

SPOFF participant withdrawals were $34.4 million for the Fiscal Year 2012-13, an increase of $9.8 million (39.8 percent) from $24.6 million in the Fiscal Year 2011-12. Members withdrew to purchase additional retirement service credit, which ended effective January 1, 2013, as a result of the PEPRA.

Investments

The SPOFF invests mainly in global equity and debt securities. Total investments excluding securities lending collateral were $492.0 million at June 30, 2013, which was $17.1 million (3.6 percent) more than the $474.9 million at June 30, 2012.

Investments — SPOFF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$7.4	1.5 %
Global Equity Securities	292.4	59.5
Global Debt Securities	134.4	27.3
Inflation Assets	42.9	8.7
Real Assets	14.9	3.0
TOTAL	**$492.0**	**100.0 %**

Public Agency Deferred Compensation Plan (IRC 457)

Plan Net Position

The Board is the trustee for public agency participant assets in the IRC 457 deferred compensation program. Net position held in trust for participants at June 30, 2013, was $1,086.1 million, an increase of $128.9 million (13.5 percent), from $957.2 million at June 30, 2012.

Additions to IRC 457 net position consist of member contributions of $100.0 million in the Fiscal Year 2012-13, compared to $104.3 million in the Fiscal Year 2011-12. Net investment income amounted to $114.5 million for the Fiscal Year 2012-13, compared to $4.9 million for the Fiscal Year 2011-12. The increase in net investment income was due to improved global economic growth.

Deductions from the IRC 457 net position consist primarily of participant withdrawals of $82.6 million in the Fiscal Year 2012-13, an increase of $9.6 million (13.2 percent) from $73.0 million in the Fiscal Year 2011-12. Members withdrew to purchase additional retirement service credit, which ended effective January 1, 2013, as a result of PEPRA.

Investments

The IRC 457 investments excluding securities lending collateral were $1,077.9 million at June 30, 2013, which was $104.6 million (10.7 percent) more than the $973.3 million at June 30, 2012. The IRC 457 investments are participant directed, resulting in no overall fund strategy.

Investments — IRC 457 (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$132.4	12.3 %
Global Equity Securities	678.2	62.9
Global Debt Securities	182.7	17.0
Inflation Assets	72.5	6.7
Real Assets	12.1	1.1
TOTAL	**$1,077.9**	**100.0 %**

Supplemental Contributions Program Fund (SCPF)

The SCPF was established effective January 1, 2000, to provide supplemental retirement benefits to members of CalPERS and is entirely member funded. Net position held in trust for participants at June 30, 2013 was $19.3 million, an increase of $0.7 million from $18.6 million at June 30, 2012, due to an increase in the investment assets.

Contribution revenues were $0.2 million for the Fiscal Year 2012-13, unchanged from the Fiscal Year 2011-12. Net investment income was $2.1 million for the Fiscal Year 2012-13, compared to investment income of $3.0 thousand for the Fiscal Year 2011-12. The increase in investments was primarily due to positive investment returns during the Fiscal Year 2012-13.

For the Fiscal Year 2012-13, participant withdrawals were $1.4 million, an increase of $0.2 million from the Fiscal Year 2011-12, as members withdrew to purchase additional retirement service credit, which ended effective January 1, 2013 as a result of PEPRA.

Investments — SCPF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$0.6	3.1 %
Global Equity Securities	11.4	59.1
Global Debt Securities	4.9	25.4
Inflation Assets	1.9	9.8
Real Assets	0.5	2.6
TOTAL	**$19.3**	**100.0 %**

Net Position — Defined Contribution Pension Plan Funds (Dollars in Thousands)

	SPOFF		IRC 457		SCPF	
	2013	2012	2013	2012	2013	2012
ASSETS						
Cash, Cash Equivalents & Receivables	$8	$14	$10,707	$9,361	$13	$15
Investments	492,046	474,921	1,077,851	973,320	19,311	18,616
Securities Lending Collateral	3,366	1,861	6,965	3,558	132	55
Total Assets	**$495,420**	**$476,796**	**$1,095,523**	**$986,239**	**$19,456**	**$18,686**
LIABILITIES						
Retirement Benefits, Investment Settlement & Other	$752	$1,192	$2,579	$2,335	$29	$46
Securities Lending Obligations	3,326	1,824	6,882	3,488	131	53
Total Liabilities	**$4,078**	**$3,016**	**$9,461**	**$5,823**	**$160**	**$99**
TOTAL NET POSITION	**$491,342**	**$473,780**	**$1,086,062**	**$980,416**	**$19,296**	**$18,587**

Changes in Net Position — Defined Contribution Pension Plan Funds (Dollars in Thousands)

	SPOFF		IRC 457		SCPF	
	2013	2012	2013	2012	2013	2012
ADDITIONS						
Member Contributions	$169	$69	$99,977	$104,333	$164	$208
Employer Contributions	105	92	455	80	—	—
Net Investment Income (Loss)	53,165	(25)	114,471	4,872	2,051	3
Other Income	—	—	—	225	—	—
Total Additions	**$53,439**	**$136**	**$214,903**	**$109,510**	**$2,215**	**$211**
DEDUCTIONS						
Administrative Expenses	$1,460	$1,589	$3,467	$3,131	$58	$63
Participant Withdrawals	34,417	24,640	82,587	73,025	1,448	1,219
Total Deductions	**$35,877**	**$26,229**	**$86,054**	**$76,156**	**$1,506**	**$1,282**
INCREASE (DECREASE) IN NET POSITION	**$17,562**	**($26,093)**	**$128,849**	**$33,354**	**$709**	**($1,071)**
NET POSITION						
Beginning of Year	**$473,780**	**$499,873**	**$980,416**	**$947,062**	**$18,587**	**$19,658**
Prior Period Adjustment	—	—	(23,203)	—	—	—
Net Position as Restated	**$473,780**	**$499,873**	**$957,213**	**$947,062**	**$18,587**	**$19,658**
End of Year	**$491,342**	**$473,780**	**$1,086,062**	**$980,416**	**$19,296**	**$18,587**

OTHER POST-EMPLOYMENT BENEFIT FUND

California Employers' Retiree Benefit Trust Fund (CERBTF)

Plan Net Position

The CERBTF is a trust for the pre-funding by employers of health, dental, and other non-pension benefits promised to employees when they retire. Net position held in trust for benefits on June 30, 2013 was $2.7 billion, an increase of $0.6 billion due primarily to increased employer contributions from an increasing number of participating employers from 338 in the Fiscal Year 2011-12, to 373 (representing 376 OPEB plans) at June 30, 2013.

Additions to the CERBTF net position held in trust for OPEB benefits include employer contributions, which totaled $1,031.6 million in the Fiscal Year 2012-13, an increase of $259.8 million (33.7 percent) compared to $771.8 million in the Fiscal Year 2011-12, primarily due to the increase in participating employers. During the Fiscal Year 2012-13, the fund earned a net investment income of $237.7 million, an increase of $229.6 million compared to $8.1 million in the Fiscal Year 2011-12. The increase resulted from higher investment returns from global growth assets.

Deductions for OPEB reimbursements from the CERBTF net position held in trust for benefits totaled $635.1 million in the Fiscal Year 2012-13, an increase of $68.7 million (12.1 percent) from $566.4 million in the Fiscal Year 2011-12. The increase was due to greater employer participants utilizing the trust. Deductions for administrative expenses totaled $2.1 million. The amounts reported for contributions and reimbursements include $589.9 million for benefit payments made directly by employers to providers outside of the trust, which are required to be reported in the CERBTF in accordance with Generally Accepted Accounting Principles (GAAP).

At June 30, 2012, the date of the most recent actuarial valuations, the funded status increased to 11.8 percent from 11.7 percent at June 30, 2011. At June 30, 2012, the actuarial accrued liabilities exceeded the actuarial value of assets by approximately $15.5 billion.

Investments — CERBTF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$71.9	2.7 %
Global Equity Securities	1,643.6	61.2
Global Debt Securities	507.2	18.9
Inflation Assets	251.6	9.4
Real Assets	210.2	7.8
TOTAL	**$2,684.5**	**100.0 %**

Employers can select from three strategies to invest their assets. In 2013, the conservative option earned 5.2 percent, intermediate risk earned 8.9 percent, and growth earned 11.8 percent.

Net Position — Other Post-Employment Benefit Fund

(Dollars in Thousands)

	CERBTF	
	2013	2012
ASSETS		
Cash, Cash Equivalents & Receivables	$48,249	$36,368
Investments	2,684,477	2,063,613
Securities Lending Collateral	47,457	33,601
Total Assets	**$2,780,183**	**$2,133,582**
LIABILITIES		
Other Post-Employment Benefits, Investment Settlement & Other	$22,869	$22,415
Securities Lending Obligations	46,887	32,933
Total Liabilities	**$69,756**	**$55,348**
TOTAL NET POSITION	**$2,710,427**	**$2,078,234**

Changes in Net Position — Other Post-Employment Benefit Fund (Dollars in Thousands)

	CERBTF	
	2013	2012
ADDITIONS		
Employer Contributions	$1,031,619	$771,750
Investment Income	237,710	8,066
Total Additions	**$1,269,329**	**$779,816**
DEDUCTIONS		
Administrative Expenses	$2,062	$1,910
Reimbursements	635,074	566,360
Total Deductions	**$637,136**	**$568,270**
INCREASE IN NET POSITION	**$632,193**	**$211,546**
NET POSITION		
Beginning of Year	**$2,078,234**	**$1,866,688**
End of Year	**$2,710,427**	**$2,078,234**

ENTERPRISE FUNDS

Public Employees' Health Care Fund (HCF)

Plan Activity

The HCF accounts for the activities of the CalPERS self-insured health care programs. Health premiums are collected from employers and members and used to directly pay for medical services and pharmaceutical usage.

The self-insured health care programs incurred claims expenses of $1.8 billion for the Fiscal Year 2012-13, unchanged from the Fiscal Year 2011-12. Cash & cash equivalents & receivables were $124.6 million at June 30, 2013, an increase of $24.0 million from $100.6 million at the end of the Fiscal Year 2011-12, due to a loan receivable. In August 2012, the HCF issued loans receivable totaling $36.0 million; the terms require monthly principal-only payment of $750 thousand beginning January 2013 for 48 months. This loan is accounted in short-term and long-term receivables. Premium revenues were $1.9 billion for the Fiscal Year 2012-13, an increase of $0.1 billion from $1.8 billion or 5.6 percent from the Fiscal Year 2011-12. The increase was primarily due to the overall enrollment growth and an increase in health premium rates. In addition, HCF received Employer Group Waiver Plan (EGWP) subsidies. Under the EGWP, CalPERS contracts with the federal prescription drug programs through the Pharmacy Benefit Manager (PBM) as the EGWP administrator, and the PBM manages all federal interaction. Due to health premiums received and recorded at the end of the month for the following month's coverage, the HCF is reporting unearned premium of $55.4 million at the end of the Fiscal Year 2012-13. At June 30, 2013, the HCF had $281.2 million in insurance premiums & claims payable and estimated insurance claims due, an increase of $47.8 million (20.5 percent), compared with $233.4 million at June 30, 2012.The increase was due to an increase in enrollment which resulted in spike in benefit utilization. For the Fiscal Year 2012-13, the HCF received $17.0 thousand in Federal government reimbursements, compared to $32.7 million for the Fiscal Year 2011-12, due to lack of additional federal funding for the ERRP beyond the Fiscal Year 2011-12. Non-operating revenues for the Fiscal Year 2012-13 were $4.3 million, compared with $33.5 million in Fiscal Year 2011-12, a decrease of $29.2 million. The decrease in non-operating income was due to a decrease in fixed income portion of the portfolio. The investment rate of return for fixed income investments for the Fiscal Year 2012-13 was negative 2.0 percent compared to 13.0 percent in the Fiscal Year 2011-12. Premium revenue increases offset by an increase in estimated incurred but not submitted insurance claims, resulted in the unrestricted net position to increase by a modest $2.4 million (0.5 percent) to $456.4 million at June 30, 2013.

Investments

Investments of the HCF are a non-operational use of reserves until needed for claims and include short-term and domestic debt securities.

Investments — HCF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$263.9	40.3 %
Domestic Debt Securities	390.9	59.7
TOTAL	**$654.8**	**100.0 %**

Public Employees' Contingency Reserve Fund (CRF)

The CRF was established to fund administrative costs related to the CalPERS health care programs and to provide a contingency reserve for potential increases in future health care premium rates or health care benefit costs.

Administrative fees collected and related costs are accounted for in the CRF proprietary fund type.

Administrative fees earned by the CRF were $17.8 million for the Fiscal Year 2012-13, a decrease of $7.6 million (29.9 percent) from $25.4 million in the Fiscal Year 2011-12. The reduction is attributed to the use of carry over fund reserves for the Fiscal Year 2012-13 operations. The administrative fees that are collected are a composite of three items:

- Enrollment, which increased from 1,373,606 Total Covered Lives (TCL) at July 2012 to 1,374,794 TCL at July 2013, an increase of 1,188 TCL per the Thomson Reuters Report titled "CalPERS Health Program Enrollment Report"
- Premium rates, which increased an average of 9.6 percent for basic plans and decreased 10.5 percent for Medicare Plans in 2013
- Administrative fee rate, which decreased from 0.36 percent in the Fiscal Year 2011-12 to 0.25 percent in the Fiscal Year 2012-13

Public agency health payments and remittances to contracted health care providers are reported in the CRF Agency Fund type. Public agencies remitted approximately $2.4 billion for payments to contracted health care providers in the Fiscal Year 2012-13.

Investments

Investments of the CRF proprietary fund at June 30, 2012 and 2013 included only liquid, short-term securities, as investment balances are used to fund operating cash flows. Investments of the CRF proprietary fund activities decreased $6.1 million from $15.1 million at June 30, 2012, to $9.0 million at June 30, 2013, primarily due to a decrease in administrative fees earned resulting from rate reductions.

Public Employees' Long-Term Care Fund (LTCF)

The LTCF, which provides long-term care insurance to participating members, incurred claim expenses of $198.2 million for the Fiscal Year 2012-13, an increase of $23.3 million (13.3 percent) from $174.9 million in the Fiscal Year 2011-12, due mainly to an increase in benefit use, which is expected as the participant population continues to age. Premium revenues were $307.8 million for the Fiscal Year 2012-13, a decrease of $5.7 million from $313.5 million at the end of the Fiscal Year 2011-12. The decrease is the result of the plan being closed to new members, some existing members electing reduced benefit options with reduced premiums and some members withdrawing from the program. Net investment income amounted to $119.2 million for the Fiscal Year 2012-13, an increase of $3.4 million from $115.8 million for the Fiscal Year 2011-12. The unrestricted net position of the Long-Term Care Program increased to $679.1 million during the Fiscal Year 2012-13 from a deficit of $159.7 million in the Fiscal Year 2011-12, an increase of $838.8 million. The significant funding improvement comes from a decrease in the estimated liability for future benefit payments of $631.8 million in the Fiscal Year 2012-13. The increase in unrestricted net position from the prior year is attributable to the Stabilization Plan approved by CalPERS Board in October 2012 that included premium increases to be effective in 2015 for certain policies and allowed policy conversions for program members to move to a suitable plan option. In the Fiscal Year 2012-13, the actual claim experience for the program met expectation. The estimated liability for future policy benefits reflects the actual and anticipated future experience of the program, including the expected lower future claim payments caused by the actual and assumed higher policy conversion to a lower benefit coverage plan in 2013, 2014, and 2015. The increase in premiums has been incorporated into the estimated liability.

Investments

Total LTCF investments were $3.7 billion at June 30, 2013, which was $0.2 billion more than the $3.5 billion in total investments at June 30, 2012.

Investments — LTCF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$0.1	0.0 %
Global Equity Securities	595.1	16.0
Global Debt Securities	2,260.2	60.9
Inflation Assets	429.6	11.6
Real Assets	428.4	11.5
TOTAL	**$3,713.4**	**100.0 %**

Net Position — Enterprise Funds (Dollars in Thousands)

	HCF		CRF		LTCF	
	2013	2012	2013	2012	2013	2012
ASSETS						
Cash, Cash Equivalents & Receivables	$124,614	$100,608	$2,911	$2,617	$4,383	$2,848
Investments	654,715	593,967	9,015	15,148	3,713,371	3,507,527
Securities Lending Collateral	2,479	3,495	—	—	—	42,343
Loan Receivable	22,500	—	—	—	—	—
Total Assets	**$804,308**	**$698,070**	**$11,926**	**$17,765**	**$3,717,754**	**$3,552,718**
LIABILITIES						
Insurance Premiums & Claims Payable & Estimated Insurance Claims Due	$281,248	$233,391	$0	$0	$231,763	$212,292
Unearned Premiums	55,357	52	—	—	11,775	12,511
Securities Lending Obligations	2,450	3,425	—	—	—	41,501
Other Liabilities	8,878	7,246	13,219	10,169	4,092	5,547
Estimated Liability for Future Policy Benefits	—	—	—	—	2,791,002	3,440,593
Total Liabilities	**$347,933**	**$244,114**	**$13,219**	**$10,169**	**$3,038,632**	**$3,712,444**
TOTAL UNRESTRICTED NET POSITION (DEFICIT)	**$456,375**	**$453,956**	**($1,293)**	**$7,596**	**$679,122**	**($159,726)**

Changes in Net Position — Enterprise Funds (Dollars in Thousands)

	HCF		CRF		LTCF	
	2013	2012	2013	2012	2013	2012
REVENUES						
Self-Insurance Premiums	$1,921,838	$1,846,210	$0	$0	$307,812	$313,466
Federal Government Subsidies	22,375	—	—	—	—	—
Federal Government Reimbursements	17	32,710	—	—	—	—
Non-Operating Revenues	4,301	33,522	704	874	120,516	116,571
Administrative Fees & Other	—	—	17,809	25,490	—	—
Total Revenues	**$1,948,531**	**$1,912,442**	**$18,513**	**$26,364**	**$428,328**	**$430,037**
EXPENSES						
Claims Expense	$1,824,082	$1,765,453	$0	$0	$198,185	$174,896
Increase (Decrease) in Estimated Liabilities	16,781	(37,222)	—	—	(631,804)	1,063,318
Non-Operating Expenses	95	87	—	1	1,280	814
Administrative Expenses	105,154	96,043	27,402	28,073	21,819	21,718
Total Expenses	**$1,946,112**	**$1,824,361**	**$27,402**	**$28,074**	**($410,520)**	**$1,260,746**
INCREASE (DECREASE) IN UNRESTRICTED NET POSITION	**$2,419**	**$88,081**	**($8,889)**	**($1,710)**	**$838,848**	**($830,709)**
NET POSITION (DEFICIT)						
Beginning of Year	**$453,956**	**$365,875**	**$7,596**	**$9,306**	**($159,726)**	**$670,983**
End of Year	**$456,375**	**$453,956**	**($1,293)**	**$7,596**	**$679,122**	**($159,726)**

REQUESTS FOR INFORMATION

This Financial Report is designed to provide a general overview of CalPERS finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA, 94229-2703, or by calling **888 CalPERS** (or **888**-225-7377).

FINANCIAL STATEMENTS

Section B2

Table of Contents

Statement of Fiduciary Net Position – Fiduciary Funds

As of June 30, 2013, with Comparative Totals as of June 30, 2012 (Dollars in Thousands)

	Pension Trust Funds						
	PERF	LRF	JRF	JRF II	SPOFF	IRC 457	SCPF
ASSETS							
Cash & Cash Equivalents	**$722,575**	**$1,301**	**$113**	**$1**	**$1**	**$706**	**$1**
Receivables							
Members, Public Agencies, State & Schools	$1,763,965	$53	$1,790	$5,698	$2	$3,469	$12
Investment Sales & Other	346,274	6	—	62	5	11	—
Interest & Dividends	168,524	—	8	4	—	—	—
Due from Other Funds	5,913	14	37	28	—	—	—
Due from Federal Government	—	—	—	—	—	—	—
Other Program	31,822	5	60	22	—	6,521	—
Total Receivables	**$2,316,498**	**$78**	**$1,895**	**$5,814**	**$7**	**$10,001**	**$12**
Investments, at Fair Value							
Short-Term Investments	$8,358,000	$5	$52,636	$8,068	$7,433	$132,424	$642
Securities Lending Collateral	17,142,084	9,317	—	72,197	3,366	6,965	132
Global Equity Securities	131,631,222	38,734	—	491,388	292,401	678,197	11,389
Global Debt Securities	51,645,943	51,110	—	156,734	134,353	182,682	4,901
Inflation Assets	9,172,236	21,853	—	70,338	42,926	72,484	1,902
Real Assets	38,247,122	9,796	—	63,156	14,933	12,064	477
Debt on Real Assets	(11,167,883)	—	—	—	—	—	—
Private Equity	32,272,146	—	—	—	—	—	—
Total Investments	**$277,300,870**	**$130,815**	**$52,636**	**$861,881**	**$495,412**	**$1,084,816**	**$19,443**
Capital Assets, Net & Other Assets	**$710,722**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
TOTAL ASSETS	**$281,050,665**	**$132,194**	**$54,644**	**$867,696**	**$495,420**	**$1,095,523**	**$19,456**
LIABILITIES							
Retirement & Other Benefits	$1,416,951	$623	$10	$0	$0	$0	$0
Due to Health Carriers	—	—	—	—	—	—	—
Investment Purchases & Other	495,877	1	—	11	1	2	—
Due to Members, Public Agencies, State & Schools	3,195	2	24	—	—	—	—
Securities Lending Obligations	16,888,638	9,205	—	71,330	3,326	6,882	131
Due to Other Funds	6,334	47	128	140	155	340	6
Management Fees	—	—	—	—	459	1,746	23
Other Program	249,766	168	662	249	137	491	—
TOTAL LIABILITIES	**$19,060,761**	**$10,046**	**$824**	**$71,730**	**$4,078**	**$9,461**	**$160**
NET POSITION - RESTRICTED FOR PENSION & OTHER POST-EMPLOYMENT BENEFITS	**$261,989,904**	**$122,148**	**$53,820**	**$795,966**	**$491,342**	**$1,086,062**	**$19,296**

The accompanying notes are an integral part of these financial statements.

Statement of Fiduciary Net Position – Fiduciary Funds (continued)

Other Post-Employment Benefit Trust Fund	Agency Funds	Totals	
CERBTF	RBF & CRF	2013	2012
$20,626	**$1**	**$745,325**	**$898,708**
$25,947	$14,689	$1,815,625	$1,860,807
888	—	347,246	260,552
4	46	168,586	154,866
784	1	6,777	9,382
—	11,406	11,406	12,633
—	—	38,430	31,357
$27,623	**26,142**	**$2,388,070**	**$2,329,597**
$71,905	$359,367	$8,990,480	$5,066,958
47,457	—	17,281,518	9,409,534
1,643,576	—	134,786,907	116,204,316
507,200	—	52,682,923	50,765,556
251,627	—	9,633,366	7,477,166
210,169	—	38,557,717	36,843,528
—	—	(11,167,883)	(11,917,617)
—	—	32,272,146	34,176,146
$2,731,934	**$359,367**	**$283,037,174**	**$248,025,587**
$0	**$0**	**$710,722**	**$715,911**
$2,780,183	**$385,510**	**$286,881,291**	**$251,969,803**
$21,114	$0	$1,438,698	$300,805
—	220,767	220,767	199,087
6	—	495,898	432,867
—	69,322	72,543	83,252
46,887	—	17,026,399	9,234,020
391	81,288	88,829	73,718
958	—	3,186	2,906
400	14,133	266,006	259,081
$69,756	**$385,510**	**$19,612,326**	**$10,585,736**
$2,710,427		**$267,268,965**	**$241,384,067**

Statement of Changes in Fiduciary Net Position – Fiduciary Funds

For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year Ended June 30, 2012 (Dollars in Thousands)

	Pension Trust Funds						
	PERF	LRF	JRF	JRF II	SPOFF	IRC 457	SCPF
ADDITIONS							
Retirement and OPEB Contributions							
Members	$3,896,078	$31	$4,909	$18,819	$169	$99,977	$164
Employers	8,123,833	80	6,894	54,025	105	455	—
State of California General Fund	—	—	155,051	—	—	—	—
Employer Contributions Direct — OPEB	—	—	—	—	—	—	—
Employer Contributions Outside of Trust — OPEB	—	—	—	—	—	—	—
Total Retirement and OPEB Contributions	**$12,019,911**	**$111**	**$166,854**	**$72,844**	**$274**	**$100,432**	**$164**
Investment Income (Loss)							
Net Appreciation (Depreciation) in Fair Value of Investments	$28,011,736	$6,934	$0	$78,733	$54,018	$113,275	$2,077
Interest	174,414	—	81	21	4	341	4
Dividends	1,038,143	—	—	—	—	—	—
Real Assets	2,860,993	—	—	—	—	—	—
Private Equity	667,673	—	—	—	—	—	—
Other Income	25,002	—	—	—	—	1,910	—
Securities Lending Income	180,849	84	—	759	50	103	2
Less Investment Expenses:							
Costs of Lending Securities	(38,118)	(20)	—	(164)	(11)	(22)	(1)
Real Assets	(1,925,953)	—	—	—	—	—	—
Other	(709,932)	(24)	(5)	(135)	(896)	(1,136)	(31)
Net Investment Income (Loss)	**$30,284,807**	**$6,974**	**$76**	**$79,214**	**$53,165**	**$114,471**	**$2,051**
Other Income	**$7,176**	**$0**	**$2,694**	**$0**	**$0**	**$0**	**$0**
TOTAL ADDITIONS	**$42,311,894**	**$7,085**	**$169,624**	**$152,058**	**$53,439**	**$214,903**	**$2,215**
DEDUCTIONS							
Retirement, Death & Survivor Benefits	$16,635,263	$7,548	$187,084	$10,518	$0	$0	$0
Refund of Contributions	242,595	—	—	58	—	—	—
Administrative Expenses	426,077	418	1,413	899	1,460	3,467	58
Participant Withdrawals	—	—	—	—	34,417	82,587	1,448
OPEB Reimbursements Direct	—	—	—	—	—	—	—
OPEB Reimbursements — Outside of Trust	—	—	—	—	—	—	—
TOTAL DEDUCTIONS	**$17,303,935**	**$7,966**	**$188,497**	**$11,475**	**$35,877**	**$86,054**	**$1,506**
INCREASE (DECREASE) IN NET POSITION	**$25,007,959**	**($881)**	**($18,873)**	**$140,583**	**$17,562**	**$128,849**	**$709**
Net Position-Restricted for Pension and Other Post-Employment Benefits Beginning of Year	**$236,981,945**	**$123,029**	**$72,693**	**$655,383**	**$473,780**	**$980,416**	**$18,587**
Prior Period Adjustment	$0	$0	$0	$0	$0	($23,203)	$0
Net Position Beginning of Year as Restated	**$236,981,945**	**$123,029**	**$72,693**	**$655,383**	**$473,780**	**$957,213**	**$18,587**
End of Year	**$261,989,904**	**$122,148**	**$53,820**	**$795,966**	**$491,342**	**$1,086,062**	**$19,296**

The accompanying notes are an integral part of these financial statements.

Statement of Changes Fiduciary Net Position – Fiduciary Funds (continued)

Other Post-Employment Benefit Trust Fund	Totals	
CERBTF	2013	2012
$0	$4,020,147	$3,727,600
—	8,185,392	7,834,616
—	155,051	188,582
441,708	441,708	258,896
589,911	589,911	512,854
$1,031,619	**$13,392,209**	**$12,522,548**
$237,153	$28,503,926	($1,561,314)
19	174,884	370,431
—	1,038,143	1,006,676
—	2,860,993	2,117,138
—	667,673	467,321
—	26,912	42,779
1,390	183,237	181,183
(123)	(38,459)	(28,135)
—	(1,925,953)	(2,242,977)
(729)	(712,888)	(521,257)
$237,710	**$30,778,468**	**($168,155)**
$0	**$9,870**	**$9,947**
$1,269,329	**$44,180,547**	**$12,364,340**
$0	$16,840,413	$15,553,319
—	242,653	220,905
2,062	435,854	389,332
—	118,452	98,884
44,706	44,706	50,592
590,368	590,368	515,768
$637,136	**$18,272,446**	**$16,828,800**
$632,193	**$25,908,101**	**($4,464,460)**
$2,078,234	**$241,384,067**	**$245,848,527**
$0	($23,203)	$0
$2,078,234	**$241,360,864**	**$245,848,527**
$2,710,427	**$267,268,965**	**$241,384,067**

Statement of Net Position – Proprietary Funds

As of June 30, 2013, with Comparative Totals as of June 30, 2012 (Dollars in Thousands)

	Enterprise Funds			Totals	
	HCF	CRF	LTCF	2013	2012
ASSETS					
Current Assets					
Cash & Cash Equivalents	$521	$0	$3,398	$3,919	$2,218
Receivables					
Members, Public Agencies, State & Schools	$28,701	$589	$599	$29,889	$32,944
Interest & Dividends	155	144	—	299	364
Due from Other Funds	85,464	1,293	—	86,757	69,188
Investment Sales and Other	6	—	386	392	134
Loan	9,750	—	—	9,750	—
Other	17	885	—	902	1,225
Total Receivables	**$124,093**	**$2,911**	**$985**	**$127,989**	**$103,855**
Subtotal Current Assets	**$124,614**	**$2,911**	**$4,383**	**$131,908**	**$106,073**
Investments, at Fair Value					
Short-Term Investments	$263,865	$9,015	$104	$272,984	$121,809
Securities Lending Collateral	2,479	—	—	2,479	45,838
Global Equity Securities	—	—	595,126	595,126	1,558,410
Domestic Debt Securities	390,850	—	2,260,207	2,651,057	1,522,116
Inflation Assets	—	—	429,624	429,624	627,871
Real Assets	—	—	428,310	428,310	286,436
Total Investments	**$657,194**	**$9,015**	**$3,713,371**	**$4,379,580**	**$4,162,480**
Long-Term Loan Receivable	$22,500	—	—	$22,500	—
TOTAL ASSETS	**$804,308**	**$11,926**	**$3,717,754**	**$4,533,988**	**$4,268,553**
LIABILITIES					
Current Liabilities					
Insurance Premiums & Claims Payable	$65,366	$0	$15,251	$80,617	$47,857
Unearned Premiums	55,357	—	11,775	67,132	12,563
Estimated Insurance Claims Due	215,882	—	216,512	432,394	397,826
Securities Lending Obligations	2,450	—	—	2,450	44,926
Due to Other Funds	1,828	2,064	812	4,704	4,852
Management Fees	—	—	789	789	—
Other	1,414	—	2,491	3,905	4,752
Total Current Liabilities	**$342,297**	**$2,064**	**$247,630**	**$591,991**	**$512,776**
Long-Term Liabilities					
Estimated Liability for Future Policy Benefits	$0	$0	$2,791,002	$2,791,002	$3,440,593
OPEB Obligation	5,636	11,155	—	16,791	13,358
Total Long-Term Liabilities	**$5,636**	**$11,155**	**$2,791,002**	**$2,807,793**	**$3,453,951**
TOTAL LIABILITIES	**$347,933**	**$13,219**	**$3,038,632**	**$3,399,784**	**$3,966,727**
TOTAL UNRESTRICTED NET POSITION (DEFICIT)	**$456,375**	**($1,293)**	**$679,122**	**$1,134,204**	**$301,826**

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds

For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year Ended June 30, 2012 (Dollars in Thousands)

	Enterprise Funds			Totals	
	HCF	CRF	LTCF	2013	2012
Operating Revenues					
Self-Insurance Premiums	$1,921,838	$0	$307,812	$2,229,650	$2,159,676
Federal Government Subsidies	22,375	—	—	22,375	—
Federal Government Reimbursements	17	—	—	17	32,710
Administrative Fees Earned	—	17,799	—	17,799	25,390
Other	—	10	—	10	100
Total Operating Revenues	**$1,944,230**	**$17,809**	**$307,812**	**$2,269,851**	**$2,217,876**
Operating Expenses					
Claims Expense	$1,824,082	$0	$198,185	$2,022,267	$1,940,349
Increase (Decrease) in Estimated Liabilities	16,781	—	(631,804)	(615,023)	1,026,096
Administrative Expenses	105,154	27,402	21,819	154,375	145,834
Total Operating Expenses	**$1,946,017**	**$27,402**	**($411,800)**	**$1,561,619**	**$3,112,279**
OPERATING INCOME (LOSS)	**($1,787)**	**($9,593)**	**$719,612**	**$708,232**	**($894,403)**
Non-Operating Revenues					
Net Appreciation in Fair Value of Investments	$3,572	$0	$119,605	$123,177	$147,807
Interest, Dividends, & Other Investment Income	688	704	2	1,394	1,482
Securities Lending Income	41	—	909	950	1,678
Total Non-Operating Revenues	**$4,301**	**$704**	**$120,516**	**$125,521**	**$150,967**
Non-Operating Expenses					
Costs of Lending Securities	$8	$0	$120	$128	$286
Other Investment Expenses	87	—	1,160	1,247	616
Total Non-Operating Expenses	**$95**	**$0**	**$1,280**	**$1,375**	**$902**
NON-OPERATING INCOME	**$4,206**	**$704**	**$119,236**	**$124,146**	**$150,065**
CHANGE IN UNRESTRICTED NET POSITION (DEFICIT)	**$2,419**	**($8,889)**	**$838,848**	**$832,378**	**($744,338)**
TOTAL UNRESTRICTED NET POSITION (DEFICIT)					
Beginning of Year	**$453,956**	**$7,596**	**($159,726)**	**$301,826**	**$1,046,164**
End of Year	**$456,375**	**($1,293)**	**$679,122**	**$1,134,204**	**$301,826**

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2013, with Comparative Totals for the Fiscal Year Ended June 30, 2012 (Dollars in Thousands)

	Enterprise Funds			Totals	
	HCF	CRF	LTCF	2013	2012
Cash Flows From Operating Activities					
Self-Insurance Premiums Collected	$1,924,768	$0	$307,001	$2,231,769	$2,148,020
Federal Government Subsidies	22,375	—	—	22,375	—
Federal Government Reimbursements	17	—	—	17	32,710
Claims Paid	(1,793,005)	—	(196,501)	(1,989,506)	(1,957,665)
Other (Payments) Receipts, Net	(97,149)	(6,908)	(23,255)	(127,312)	(160,903)
Net Cash Provided by (Used for) Operating Activities	**$57,006**	**($6,908)**	**$87,245**	**$137,343**	**$62,162**
Cash Flows From Investing Activities					
Net Sales (Purchases) of Investments	$100,055	$0	($86,162)	$13,893	($116,484)
Net Change in Short-Term Investments	(157,231)	6,133	(77)	(151,175)	54,107
Net Proceeds from Securities Lending	(3)	—	816	813	365
Interest & Dividends Received	682	775	2	1,459	1,599
Other Investment (Payments) Receipts, Net	(12)	—	(620)	(632)	(616)
Net Cash Provided by (Used for) Investing Activities	**($56,509)**	**$6,908**	**($86,041)**	**($135,642)**	**($61,029)**
NET INCREASE IN CASH & CASH EQUIVALENTS	**$497**	**$0**	**$1,204**	**$1,701**	**$1,133**
Cash & Cash Equivalents, Beginning of Year	**$24**	**$0**	**$2,194**	**$2,218**	**$1,085**
Cash & Cash Equivalents, End of Year	**$521**	**$0**	**$3,398**	**$3,919**	**$2,218**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	($1,787)	($9,593)	$719,612	$708,232	($894,403)
Changes in Assets & Liabilities:					
Receivables:					
Members, Public Agencies, State & Schools	2,930	200	(75)	3,055	(11,667)
Due from Other Funds	(16,682)	(887)	—	(17,569)	(2,589)
Loans	(32,250)	—	—	(32,250)	—
Other	1	322	—	323	(825)
Insurance Premiums & Claims Payable	31,076	—	1,684	32,760	(27,463)
Unearned Premiums	55,305	—	(736)	54,569	(12,563)
Estimated Insurance Claims Due	16,782	—	17,786	34,568	(24,233)
Estimated Liability for Future Policy Benefits	—	—	(649,591)	(649,591)	1,050,329
Due to Other Funds	131	711	(990)	(148)	1,936
Management Fees	—	—	789	789	—
OPEB Obligation	1,094	2,339	—	3,433	(10,940)
Other	406	—	(1,234)	(828)	(5,420)
Net Cash Provided by (Used for) Operating Activities	**$57,006**	**($6,908)**	**$87,245**	**$137,343**	**$62,162**
Noncash Investing, Capital & Financing Activities					
Noncash Change in Fair Value of Investments	($23,922)	$0	($119,605)	($143,527)	($30,886)

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting & Basis of Presentation

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). In doing so, the California Public Employees' Retirement System (CalPERS), or the "System," adheres to guidelines established by the Governmental Accounting Standards Board (GASB).

The accounts of CalPERS are organized and operated on the basis of funds. CalPERS Board of Administration (Board) has a fiduciary responsibility for the investments within both the Fiduciary and Proprietary Funds. CalPERS has the following fund types at June 30, 2013:

Fiduciary funds — including pension trust, other post-employment trust, and agency funds, account for assets held by CalPERS in a trustee capacity or as an agent on behalf of others. The pension trust funds, the Public Employees' Retirement Fund (PERF), the Legislators' Retirement Fund (LRF), the Judges' Retirement Fund (JRF), the Judges' Retirement Fund II (JRF II), the State Peace Officers' and Firefighters' Defined Contribution Plan Fund (SPOFF), the Public Agency Deferred Compensation Program (IRC 457), the Supplemental Contributions Program Fund (SCPF) and the other post-employment health care fund, the California Employers' Retiree Benefit Trust Fund (CERBTF), are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Member contributions for the pension trust funds are recognized in the period in which the contributions are due. Employer contributions for defined benefit pension and Other Post-Employment Benefits (OPEB) Obligation plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds in the defined benefit plans are recognized when due and payable in accordance with the terms of each plan. The agency funds, the Replacement Benefit Fund (RBF) and the Public Employees' Contingency Reserve Agency Fund (CRF) are custodial in nature and do not measure the results of operations. Assets and liabilities are recorded using the accrual basis of accounting.

Proprietary funds — including enterprise funds, the Public Employees' Health Care Fund (HCF), the Public Employees' Contingency Reserve Proprietary Fund (CRF), and the Public Employees' Long-Term Care Fund (LTCF), are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. CalPERS applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations, and follows Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board Opinions, Accounting Research Bulletins and AICPA Accounting Interpretations, issued prior to December 1, 1989, insofar as those standards do not conflict with or contradict guidance of the GASB. Operating revenues and expenses are distinguished from non-operating items and generally result from providing services in connection with ongoing operations. The principal operating revenues of the HCF, CRF, and LTCF are derived from self-insurance premiums, Federal Employer Group Waiver Plan (EGWP) subsidies, and administrative services fees. Operating expenses include the cost of claims and related administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

New GASB Pronouncements

GASB Statement No. 62

Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedures which do not conflict with or contradict other GASB pronouncements. The provisions of this statement are effective for financial statement periods beginning after December 15, 2011. The implementation of this statement does not have an impact on the System's financial statements.

GASB Statement No. 63

Effective July 1, 2012, CalPERS implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*. Certain defined transactions that do not qualify for treatment as either assets or liabilities are accounted for and reported as either deferred outflows of resources or deferred inflows of resources and are defined as consumption and/or acquisition of the net assets that are applicable to a future reporting period.

With the provision of GASB No. 63, the Statement of Net Assets became the Statement of Net Position. The new standard clarifies where these elements are to be reported in the statement of financial position. GASB Statement Nos. 53 and 60 previously identified certain transactions requiring the use of deferred outflows and deferred inflows of resources. Based on the review and analysis of GASB Nos. 53 and No. 60, it was determined that CalPERS does not have these types of transactions.

Reporting Entity

The basic financial statements of CalPERS include fund financial statements reporting the financial activities of all of the above funds and assets under trust. The Board has plenary authority and fiduciary responsibility for the investment of monies and the administration of the System pursuant to the State Constitution, Article XVI, Section 17. CalPERS is classified as a component unit of the State of California for financial reporting purposes, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 61. CalPERS financial statements are included in fiduciary and proprietary funds in the State of California Comprehensive Annual Financial Report.

Investments

The majority of the investments held at June 30, 2013, are in the custody of or controlled by State Street Bank, CalPERS master custodian. State statutes and Board policies allow investments consisting of government, domestic and international debt, domestic and international equities, mutual funds, private equity, real assets, inflation assets, and other investments.

Investments are reported at fair value. The diversity of the investment types in which CalPERS invests requires a wide range of techniques to determine fair value. CalPERS has established internal unitized investment pools whereby multiple funds (e.g., PERF, LRF, JRF II, CERBTF, etc.) can participate in the unitized pools. These internal investment pools are valued at net asset value (NAV), which includes investment receivables, payables, interest, and dividend income. For financial reporting purposes, in accordance with GASB Statement No. 31, each fund participating in the unitized pool reports the fund's pro rata share of participation in the pool. As such, certain funds with 100 percent of their investments invested in the unitized pools do not report interest and dividends income on the statement of changes in fiduciary net position or the statement of revenues, expenses and changes in net position. This is because they are included in the calculation of the unit price of the unitized pools and ultimately flow through the net appreciation and depreciation of fair value of investments. Due to the short-term nature of investments held by the JRF and CRF proprietary fund, there was no net appreciation in the fair value of investments in Fiscal Year 2012-13. The determination of realized gains and losses is independent of the calculation of the change in the fair value of investments.

CalPERS presents, in the statement of changes in fiduciary net position, the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains and losses and the unrealized appreciation and depreciation on those investments. Realized gains and losses on investments that have been held in more than one fiscal year and sold in the current fiscal year were included as a component of net appreciation (depreciation) in the fair value of investments in the prior year and the current year. Purchases and sales are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The overall valuation processes and information sources by major asset classification are as follows:

Short-Term

Short-term investments can consist of U.S. Treasury and Government Sponsored Securities, Money Market Funds, Commercial Paper, Certificates of Deposit, Delivery Versus Payment (DVP) Repurchase Agreements, Asset Backed Securities, Notes and Bonds issued by U.S. corporations, and other allowable instruments that meet short-term maturity or average life, diversification, and credit quality restrictions. This approach allows for a high level of liquidity and diversification. Assets are reported at fair value or cost or amortized cost that approximates fair value. Fair value is determined based upon quoted market prices. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, has determined the fair values for the individual investments.

Global Equity Securities

The majority of domestic and international equity securities held by CalPERS is actively traded on major stock exchanges or over-the-counter. These exchanges make information on trades of identical securities available daily on a last trade or official close basis. If such information is not available, other pre-established means are used to determine a price.

In addition, CalPERS holds limited partner positions in corporate governance funds, organized to invest strategically in publicly traded equity securities of companies on major stock exchanges to achieve long-term capital appreciation. These limited partnerships have been valued using the NAV of the entity, with the most significant input into the NAV being the value of its investment holdings. The general partners obtain prices for their holdings in a manner similar to that described above for CalPERS equity holdings.

CalPERS also invests in limited partner positions in Absolute Return Strategy (ARS) funds. The most common strategies for these funds include, but are not limited to Directional Trading, Event Driven, Fund of Hedge Funds, Multi-Process, Security Selection, and Specialist Credit strategies. Investments in commingled funds have the potential to become illiquid under stressed market conditions, and, in certain circumstances, investors may be subject to redemption restrictions, which can impede the timely return of capital. These partnerships are valued using their respective NAV, and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued on a monthly basis by each fund's independent administrator and for certain illiquid investments, where no market exists, the General Partner may provide pricing input. The pricing assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type, but are predominantly derived from observed market prices.

Global Debt Securities

Debt securities consist primarily of negotiable obligations of the U.S. Government and U.S. Government sponsored agencies, foreign governments, corporations, and securitized offerings backed by residential and commercial mortgages, credit cards, auto and student loans, and direct loans for the asset-based lending program. Certain debt securities, such as U.S. Government bonds, have an active market. These securities can typically be valued using the close or last traded price on a specific date. The majority of other debt securities is not as actively traded and is thus valued by pricing vendors, which use modeling techniques that include market observable inputs required to develop a fair value. Typical inputs include recent trades, yields, price quotes, cash flows, maturity, credit ratings and other assumptions based upon the specifics of the asset type.

Inflation Assets

In December 2007, the Board approved an investment asset allocation that included a five-percent allocation in an inflation-linked asset class (ILAC). The ILAC included commodities, inflation-linked bonds, infrastructure, and forestland. In May 2011, the Board approved the inflation assets program to be comprised of commodities and inflation-linked bonds. As mentioned in the real assets note, the infrastructure and forestland investments were reported as real assets as of July 1, 2011. Commodities investments are valued in the same manner as described in the Global Equity Securities section, and inflation-linked bonds are valued in the same manner as described in the Global Debt Securities section.

Real Assets

In December 2010, the Board approved an alternative asset classification as part of the overall Strategic Asset Allocation process. The approved classification called for the creation of the new real assets class comprised of real estate, infrastructure and forestland investments. The real assets program was approved in May 2011 and its policy was adopted as of July 1, 2011.

Real estate investments consist primarily of private commercial real estate equity in separate accounts and commingled funds. Real estate is held either directly, in separate accounts, as a limited partner or in a joint venture or commingled fund. Properties owned directly, held in a separate account or in a joint venture structure are subject to independent third-party appraisals performed in accordance with the Uniform Standards of Professional Appraisal Practice once every year, as directed by CalPERS. Real estate investments in a commingled fund are long-term and illiquid in nature. As a result, investors are subject to redemption restrictions, which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. Limited partner interests in joint venture and commingled funds are valued by CalPERS using the NAV of the partnership. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general partners on a continuous basis, audited annually and may be periodically appraised by an independent third party, as directed by the general partners. The valuation assumptions are based upon both market and property specific inputs, which are not observable and involve a certain degree of expert judgment. Real estate investments also include real estate investment trust securities, which are valued in the same manner as described in the Global Equity Securities section of this footnote. Real estate investment income includes all rental and other property revenues, joint venture income and losses, interest income for CalPERS' minority investments, interest and dividends, credit enhancement fee income, foreign currency gains and losses, and other investment income from partnerships.

Infrastructure and forestland investments are valued in the same manner as described in the Private Equity section. These investments play a strategic role within the total fund by providing steady returns and cash yields, defensive growth, inflation protection and diversification benefits.

Private Equity

CalPERS has invested as a limited partner in various funds, in customized investment accounts, and in co-investments, employing specific strategies. The most common investment strategies include leveraged buyouts, credit related, expansion capital, venture capital, and opportunistic capital. The strategies are long-term and illiquid in nature. As a result, the ability of limited partners to exit a partnership investment prior to its dissolution is limited.

Private equity partnerships are valued using their respective NAV, and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly basis, in accordance with financial reporting standards: US GAAP, International Financial Reporting Standards (IFRS), etc.

The objective of private equity investments is to generate capital gains, including interest, dividends and other income. The CalPERS Private Equity Program's primary objective is to achieve the highest possible risk-adjusted return for the System while minimizing the risk of loss.

Investment Expenses

Investment expenses presented within the statement of changes in fiduciary net position and the statement of revenues, expenses and changes in net position include expenses arising from the securities lending program, the allocation of consolidated costs arising from the underlying real asset partnership investments and other expenses incurred to manage the comprehensive investment portfolio. These portfolio expenses include management and performance fees, audit, appraisal, consulting, legal, technology, dividend tax and other miscellaneous fees. All of these fees are disclosed within the Other Supplemental Information section in the Investment Expenses Schedule.

Real asset management and incentive fees are included in the Other Investment Expenses financial statement line item and detailed in the Investment Expenses Schedule in the Other Supplemental Information Section. All other real asset expenses are comprised of partner insurance premiums, property management fees, leasing costs, bad debt expenses, repairs and maintenance, utilities, promotion and marketing, and general administrative expenses.

The Investment Expenses do not include fees and costs for the private equity and ARS programs, nor do they contain the commissions and fees paid to transact public securities. Partnership management fees for the private equity program are drawn from the committed capital and reported as an increase in the cost basis. ARS program investments may include investments in equity, fixed income, commodities, currencies, and other investments. The investment fees and costs are presented, for information, within the unaudited Investment Section of the System's Comprehensive Annual Financial Report in the following schedules: Schedule of Fees and Costs for Private Equity Partners, Schedule of Fees and Costs for Absolute Return Strategies Program and The Schedule of Commissions and Fees. These costs are captured within the respective net asset values as reported in the statement of net position for fiduciary and proprietary funds.

Capital Assets

Capital assets are defined by CalPERS as assets with an initial individual cost of $5,000 or more, or $1 million or more for intangible assets, and an estimated useful life in excess of one year. Capital assets held by the PERF, consisting of buildings, furniture, equipment, and intangible assets are recorded at cost or, if donated, at their estimated fair value at the date of donation. Capital assets are depreciated over their estimated useful lives, ranging from one to five years for furniture and equipment, 40 years for buildings, and determined on an asset by asset basis for intangible assets, using the straight-line method of depreciation. Capital assets totaled $710.7 million, net of accumulated depreciation of $166.3 million at June 30, 2013.

Loans Receivable

In August 2012, the HCF incurred loan receivables totaling $36 million; the terms require monthly principal-only payment totaling $750 thousand beginning January 2013 for 48 months.

Use of Estimates in the Preparation of Financial Statements

The preparation of the System's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain financial statement amounts and disclosures. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the comparative totals as of and for the year ended June 30, 2012, to conform to the presentation as of June 30, 2013.

Comparative Totals

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CalPERS financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Prior Period Adjustment

Plan net position restricted for pension benefits in the IRC 457 fund has been reduced by $23.2 million as of June 30, 2012 to remove the net position of the Placer County 401K plan, as CalPERS does not hold the assets in a trustee capacity.

2. GENERAL DESCRIPTION OF THE PLANS

The State Employees' Retirement System, the predecessor to CalPERS, was created after voters approved a constitutional amendment authorizing legislation to establish a pension system for State employees pursuant to the Statutes of 1931. Such legislation became effective January 1, 1932. CalPERS has expanded to include, among others, employees of local agencies that elect to participate in the System.

At June 30, 2013, the Board administers a total of 12 funds, including four defined benefit retirement plans: the PERF, LRF, JRF, and the JRF II; three defined contribution retirement plans: the SPOFF, IRC 457, and the SCPF; one defined benefit post-employment benefit plan, the CERBTF; one health care plan: the HCF; and three other plans: the LTCF, the CRF, and RBF.

Defined Benefit Plans

The PERF was established in 1932, the LRF in 1947, the JRF in 1937, and JRF II in 1994. The PERF, LRF, JRF, and JRF II are defined benefit pension plans, which provide benefits based on members' years of service, age, final compensation, and benefit formula. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries.

At June 30, 2013, the State of California and 1,581 public agencies and schools (representing more than 2,500 entities) contribute to the PERF, which is an agent multiple-employer and cost-sharing defined benefit pension plan. The LRF, JRF, and JRF II are single-employer defined benefit pension plans for the State of California. CalPERS acts as the common investment and administrative agent for the member agencies, including schools (for classified employees).

Members of the PERF, LRF, JRF, and JRF II become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

As of June 30, 2013, the number of affiliated employers for the PERF, LRF, JRF, and JRF II are as follows:

Affiliated Employers for the PERF, LRF, JRF, and JRF II

	2013
PERF	
State	1
Schools	61
Public Agencies	1,520
Total PERF	**1,582**
LRF	**1**
JRF	**1**
JRF II	**1**

As of June 30, 2013, benefit recipients and members in the PERF, LRF, JRF and JRF II consisted of the following:

Benefit Recipients and Members in the PERF, LRF, JRF and JRF II

Fund	Retirees	Survivors & Beneficiaries	Members Active	Members Inactive	TOTAL
PERF					
State	175,851	28,785	243,620	90,463	538,719
Schools	161,024	22,338	280,738	150,127	614,227
Public Agencies	158,834	20,143	235,151	104,138	518,266
Total PERF	**495,709**	**71,266**	**759,509**	**344,728**	**1,671,212**
LRF	**123**	**125**	**11**	**17**	**276**
JRF	**1,329**	**567**	**319**	**6**	**2,221**
JRF II	**41**	**11**	**1,352**	**—**	**1,404**
TOTAL	**497,202**	**71,969**	**761,191**	**344,751**	**1,675,113**

The membership consists of the following categories:

PERF

- **Safety** — includes California Highway Patrol, peace officers, firefighters and other employees whose principal duties are in active law enforcement or fire prevention and suppression work, or who occupy positions designated by law as safety member positions.
- **Schools** — includes non-teaching, non-certificated school employees.
- **State Industrial** — includes all employees of the California Department of Corrections & Rehabilitation who are not safety members.
- **General** — includes all other members, defined by statute as "miscellaneous" members.

LRF

- State Legislators
- Constitutional Officers
- Legislative Statutory Officers

JRF

- **Judges** — includes California Supreme Court, Courts of Appeal, and Superior Courts appointed or elected before November 9, 1994.

JRF II

- **Judges** — includes California Supreme Court, Courts of Appeal and Superior Courts appointed or elected on or after November 9, 1994.

Financing

The benefits for the PERF, LRF, JRF and JRF II are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by State statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the Public Employees' Retirement Fund, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from $0 to $863 monthly. For the fiscal year ended June 30, 2013, the required contribution rates for active plan members are as follows:

Required Contribution Rates for Active Plan Members

	Required Contribution Rates
PERF	
State Employees:	
Miscellaneous & Industrial	5% to 11%
Miscellaneous & Industrial — Second Tier	0%
Safety	9% to 11%
Peace Officers & Firefighters	8% to 11%
California Highway Patrol	10%
Classified School Employees	6% or 7%
Public Agency Employees	4% to 15.25%
LRF	4% or 8%
JRF	8%
JRF II	8% or 14.25%

These contributions are deposited in a fund or cost sharing risk pool for the purpose of building actuarial reserves for future benefits.

All employees in a covered class of employment who work on a half-time basis or more are eligible to participate in the retirement plans. CalPERS administers several different retirement plans, each providing a monthly allowance based on age, years of credited service, the benefit formula, and highest average compensation over an established period of one year or three years. All plans provide death and disability benefits. In addition, post-retirement cost of living increases are also provided. Within the PERF, the benefit provisions for the State and school employees are established by statute. The benefits for the public agencies are established by contract with the System, in accordance with the provisions of the Public Employees' Retirement Law.

The benefits for the LRF are established in accordance with the provisions of the Legislators' Retirement Law. The benefits for the JRF are established in accordance with the provisions of the Judges' Retirement Law. The benefits for the JRF II are established in accordance with the provisions of the Judges' Retirement System II Law.

In November 1990, Article IV, Section 4.5 was added to the State Constitution, pursuant to the adoption of Proposition 140. This section effectively prohibited future Legislators from earning State retirement benefits for service in the Legislature on or after November 7, 1990, though it recognized vested pension benefits that had accrued before that date.

Due to the effects of Proposition 140, there are two legislators eligible to participate in the Legislators' Retirement Fund. The only active members in the fund are Constitutional Officers (including the Insurance Commissioner and members of the Board of Equalization) and Legislative Statutory Officers. The Public Employees Pension Reform Act of 2013 (PEPRA) closed the Legislators Retirement System to new participants effective January 1, 2013.

Costs of administering the funds are financed through contributions and investment earnings of the funds.

Termination

Upon permanent separation from the retirement plans, accumulated member contributions are refundable, with interest credited through the date of refund, as required by applicable laws. Withdrawal of such accumulated contributions results in forfeiture of the related vested benefits.

In the event that public agencies elect to terminate their contracts with the retirement plans, accumulated member and employer contributions, interest, and the related liability for benefits may be transferred to the employers. If amounts are not transferred to the employers, sufficient assets required to cover the related liability for benefits are retained in the retirement plans. Excess assets above those required, if any, are returned to the employer, while the employer is billed for any deficiency in assets.

OASI

The Old Age & Survivors' Insurance Revolving Fund (OASI) was established to consolidate the collection and payment for California public agencies of employee and employer contributions under the provisions of the Federal Social Security regulations.

Federal legislation was enacted on October 21, 1986, which required direct remittance of Social Security contributions by individual public agencies and eliminates the intermediary collection and remittance of such contributions by individual public agencies and by State Social Security agencies, such as the OASI. As such, effective January 1, 1987, the OASI stopped receiving contributions from public agencies. Subsequently, CalPERS, the Social Security Administration, and participating local agencies reached agreement on the proper amount of contributions, payments, and refunds. Since then the OASI fund has been utilized to reimburse the PERF for OASI contract management and related services, as provided in Government Code Section 22601. The residual balances are now being reported in the PERF for accounting and financial reporting purposes.

CERBTF

The California Employers' Retiree Benefit Trust Fund (CERBTF) was established by Chapter 331 of the 1988 Statutes and initially funded in 2007. At June 30, 2013, 373 employers had elected to participate in the fund. The purpose of the fund is to receive contributions from participating employers and establish separate employer prefunding accounts to pay for health care or other post-employment benefits in accordance with the terms of the participating employers' plans. Contributions are voluntarily determined by the employer's own funding schedule, and there are no long-term contracts for contributions to the plan. The CERBTF is an agent multiple-employer plan as defined in GASB Statement No. 43 with pooled administrative and investment functions.

Participating employers may receive disbursements from the fund not to exceed the annual premium and other costs of eligible post-employment benefits. If the employer's participation in the fund terminates, all assets in the employer's prefunding account shall remain in the fund except as otherwise provided. Allowable termination disbursements are to a trustee or as a trustee transfer of assets upon satisfactorily demonstrating to the Board the transfer will satisfy applicable requirements of the Internal Revenue Code and the Board's fiduciary duties, or the employer substantiates to the Board that all of the employer's obligations for the payment of post-employment benefits have been satisfied. At June 30, 2013, there were 121,442 active or inactive members and 56,632 retirees for the miscellaneous plan and 27,901 active or inactive members and 21,075 retirees for the safety plan.

Costs to administer the plan are determined through the Board-approved cost allocation plan, where actual direct and indirect costs of administering the System are assessed to each fund.

Defined Contribution Plans

SPOFF

The State Peace Officers' and Firefighters' Supplemental Plan (SPOFF) is a defined contribution retirement plan established by Chapter 820 of the 1998 Statutes. The plan is a qualified money purchase pension plan under Section 401(a) of Title 26 of the Internal Revenue Code and is intended to supplement the retirement benefits provided by the PERF to eligible peace officers and firefighters employed by the State of California. Plan provisions are established and may be amended by statute.

SPOFF is administered by CalPERS and a third-party administrator, ING, who provides record keeping and plan administration services. Contributions to the plan are funded entirely by the employer. Contribution requirements are established and may be amended through a Memorandum of Understanding from the California Department of Human Resources. Effective April 2011, the State suspended contributing on behalf of rank and file positions, and effective May 2011, the State suspended contributing on behalf of supervisors, management, and exempt positions. As of June 30, 2013, the duration of the suspension is unknown.

The benefits paid to participants will depend on the amount contributed and the earnings/losses attributed to participants' accounts. Contributions are invested in the CalPERS Moderate Asset Allocation Fund, which includes short-term, equity and fixed income securities, inflation assets and real estate investment trusts. Distributions are allowed only at retirement or permanent separation from all State employment.

At June 30, 2013, there were 35,820 active and inactive participants.

IRC 457

The CalPERS Supplemental Income 457 Plan (457 Deferred Compensation Plan) is available to public agencies and school districts within the State of California, and is governed by Government Code Section 21670 through 21685 authorizing the Board to establish a deferred compensation plan qualified under Section 457 of Title 26 of the United States Internal Revenue Code.

The CalPERS IRC 457 Plan is administered by CalPERS and a third-party administrator, ING, who provides record keeping and plan administration services. Plan participation is voluntary to employees of contracting public agencies and school districts.

Members may contribute up to the limit established under the Internal Revenue Code and are allowed to change their contribution amount, transfer account balances among 24 investment options, or change the contribution percentages designated to each option on a daily basis. The 24 investment options are:

- CalPERS Target Retirement Income Fund
- CalPERS Target Retirement 2005 Fund
- CalPERS Target Retirement 2010 Fund
- CalPERS Target Retirement 2015 Fund
- CalPERS Target Retirement 2020 Fund
- CalPERS Target Retirement 2025 Fund
- CalPERS Target Retirement 2030 Fund
- CalPERS Target Retirement 2035 Fund
- CalPERS Target Retirement 2040 Fund
- CalPERS Target Retirement 2045 Fund
- CalPERS Target Retirement 2050 Fund
- CalPERS Conservative Asset Allocation Fund
- CalPERS Moderate Asset Allocation Fund
- CalPERS Aggressive Asset Allocation Fund
- Short-Term Investment Fund
- PIMCO Short-Term Bond Fund
- CalPERS Total Return Bond Fund
- CalPERS Treasury Inflation Protected Securities Fund
- CalPERS S&P 500 Equity Index Fund
- CalPERS Small & Mid Cap Equity Index Fund
- The Boston Company Small/Mid Value Fund
- The Boston Company Small/Mid Growth Fund
- CalPERS International Index Fund
- Pyramis Select International Fund

In addition, a Self-Managed Brokerage Account (SMA) is available as an optional provision. Members may access their funds upon retirement, separation from employment, or other distributable events as allowed under the Internal Revenue Code. The Board has authorization under the Government Code of the State of California to establish plan provisions.

At June 30, 2013, there were 25,665 active and inactive participants with account balances.

SCPF

The Supplemental Contribution Plan (SCP) was established January 1, 2000, by Chapter 307 of the 1999 Statutes. The plan is a qualified plan under Section 401(a) of Title 26 of the United States Internal Revenue Code. It is administered by CalPERS and a third-party administrator, ING, who provides record keeping and plan administration services. After-tax contributions are intended to supplement the retirement benefits provided by the PERF.

Currently, the Plan is available only to State of California employees who are members of CalPERS. The program is entirely member-funded and participation is voluntary. Participant contributions are made on an after-tax basis and are separate from defined benefit contributions. Participants may contribute to a deferred compensation plan in conjunction with SCP, subject to Internal Revenue Code Section 415(c) limits. The same investment options as in the IRC 457 plan are available in SCP.

Distributions are allowed only at retirement or permanent separation from employment. The Board has authorization under the Government Code of the State of California to establish plan provisions. At June 30, 2013, there were 549 active and inactive participants in the program.

RBF

The Replacement Benefit Fund (RBF) was established as a custodial fund by Chapter 938 of the 1995 Statutes. Initially funded in 1998, it provides benefits to members of the PERF, LFR, JRF and JRF II whose retirement allowance, based on the member's choice of retirement option, exceeds the Internal Revenue Code Section 415(b) limits. IRC Section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan.

The RBF is funded on a "pay-as-you-go" basis. That is, the employer is invoiced for amounts payable to its former employees in the calendar year and upon receipt of payment by the employers, CalPERS remits the replacement benefit to the retirees. Employer contributions must be in amounts equivalent to the benefits not paid from the PERF as a result of the limitations of IRC Section 415(b) plus, if applicable, employer FICA taxes. CalPERS is responsible for calculating the applicable dollar limit under IRC Section 415(b) and setting the employer rates. At June 30, 2013, there were 396 retirees receiving replacement benefits.

Government Code Section 7522.43 provides that a public retirement system may continue to administer a plan of replacement benefits for employees first hired prior to January 1, 2013 only. Section 7522.43 prohibits any employer from offering a plan of replacement benefits for employees hired on or after January 1, 2013.

HCF

The Public Employees' Health Care Fund (HCF) was established under the Public Employees' Medical and Hospital Care Act (PEMHCA) as of July 1, 1988. The self-funded plans, PERS Choice, PERSCare, and PERS Select (the Plans) are risk pools available to all entities that contract for health insurance coverage under PEMHCA. Having all members in a single risk pool spreads catastrophic claims over a large base and minimizes administrative expenses. The Plans retain all the risk of loss of allowable health claims. Fund members are not subject to a supplemental assessment in the event of deficiencies. Premium rates are set by the Board based on a trend analysis of the historic cost, utilization, demographics, and administrative expenses of the HCF to provide for the claims incurred and the actuarially determined required level of reserves.

The Plans rely on operating cash flows and investment income to fund health benefit payments. During the fiscal year 2012-13, the Board increased member premiums to mitigate the impact of increasing costs associated with enrollment growth, increases in provider pricing, and increased benefit utilization. Management believes that the current sources of funding will be adequate to provide for benefits of the Plans.

Public agencies participating in the Plans are required to make monthly premium payments based on rates established annually by CalPERS. Employers' shares of premiums are determined by the public agency through benefit negotiations, subject to minimum share of premium levels established through PEMHCA. Public agency employee members pay the difference between the premium rate and the employers' share of premium.

Effective January 1, 2013, CalPERS partnered with its Pharmacy Benefit Manager (PBM) to provide a custom Medicare Part D prescription drug plan, Employer Group Waiver Plan (EGWP). Under the EGWP, CalPERS contracts for the prescription drug program through a PBM as the EGWP administrator, and the PBM manages all federal interaction. CalPERS made this change in an effort to provide prescription drug benefits in the most cost efficient manner for CalPERS members. EGWP subsidies are comprised of direct subsidies, low income cost sharing subsidies, low income premium subsidies, reinsurance subsidies, and coverage gap discounts. EGWP premium subsidies are reported as Federal government subsidies; rebates and coverage gap discounts are reported as an offset to claims expense; and administrative fees are reported as administrative expenses.

CRF

The Public Employees' Contingency Reserve Fund (CRF) was established in 1962, with the passage of PEMHCA, to fund administrative costs related to the PEMHCA program, and as a contingency reserve for such items as increases in future rates or in future benefits. PEMHCA was expanded to include local public agency employees on a contract basis in 1967. The CRF is reimbursed by the State and contracting public agencies for costs incurred for administering the program.

Activity in the CRF is reported in two separate fund types. Administrative fees collected and related costs are accounted for in the CRF enterprise fund. Public agency health payments and remittances to contracted health care providers are reported in the CRF Agency Fund.

PEMHCA establishes eligibility rules for the following:

- Retirees and beneficiaries receiving health care benefits,
- Terminated plan members entitled to but not yet receiving benefits, and
- Active plan members.

Administrative costs include direct costs of the program and a proportionate share of indirect costs allocated to the CRF enterprise fund by the PERF. The administrative fee is determined as a percentage of insurance premiums paid by the employers. The percentage of the insurance premiums paid for the fiscal year ended June 30, 2013, was 0.25. Administrative rates are reviewed annually and are adjusted, if needed, to cover budgeted administrative costs.

Public agency employers submit the provider-determined, Board-approved premiums to the CRF Agency Fund, which in turn remits the premiums to the respective health care provider, which includes the Self-Funded Health Program – PERSCare, PERS Choice, and PERS Select.

At June 30, 2013, 1,225 public agencies participated in health insurance coverage under PEMHCA.

LTCF

The Public Employees' Long-Term Care Fund (LTCF) began providing self-insured long-term care plans in 1995. The

LTCF operates by providing long-term care coverage to enrolled policyholders under the Public Employees' Long-Term Care Act (PERL, Chapter 15). The fund contracts with a third-party service provider to administer the program. The LTCF is a voluntary member-paid program and is not funded or subsidized by the employers. Premium rates are recommended to the Board by the CalPERS Actuarial Office, Long-Term Care actuary and are set by the Board. The Fiscal Year 2012-13 Annual Actuarial Valuation Report was completed by CalPERS Actuarial Office.

As of June, 30, 2013, there are 144,933 active policyholders, of which 5,358 are receiving benefits. In October 2012, the Board approved implementation of a rate increase of 85 percent for some policies with built-in inflation protection to be applied over a two-year period, beginning in 2015. Also approved was a new 10-year benefit plan with Retained Inflation (RI) option to provide additional alternatives to policyholders to avoid the scheduled premium pricing for new generation of the product offerings and a continuous open application beginning in December 2013.

3. CASH & CASH EQUIVALENTS

Cash and cash equivalents of approximately $0.7 billion at June 30, 2013 represent amounts held in the CalPERS general operating accounts with the State Treasury. The underlying investments are not individually identifiable by fund, as CalPERS monies are pooled with the monies of other State agencies and invested by the State Treasurer's Office.

4. INVESTMENTS

As of June 30, 2013, State Street Bank & Trust Company was the master custodian for all significant public market securities; however, certain securities are held by private equity, absolute return strategies and corporate governance partners. Real estate deeds of trust are held in the name of Limited Liability Corporations and Partnerships. The investments held by the LRF, JRF II, SPOFF, SCPF, IRC 457, HCF and a portion of the PERF and CERBTF investments are co-invested and held in internally managed unitized investment pools. The investments are held in domestic and international equity pools and global debt securities pools. The PERF, LRF, JRF, JRF II, CERBTF, and HCF have a different asset allocation based on Board-approved policy.

The investments of the SCPF and IRC 457 are participant directed within the investment options listed in Note 2. The LTCF investments are no longer co-invested and held in internally managed unitized investment pools. The investments of LTCF and a portion of the CERBTF investments are being held in the State Street Global Advisors (SSgA) commingled funds. The LTCF and CERBT's investments in SSgA funds are based on Board-approved asset allocation policy.

Securities Lending

The State Constitution and the Board policies permit CalPERS to enter into securities lending transactions, collateralized loans of securities to broker-dealers and other entities with a simultaneous agreement to return collateral for the same securities in the future.

CalPERS has contracted with eSecLending LLC (eSec) and State Street Bank & Trust (SSB), as third-party securities lending agents to loan domestic and international equity and debt securities. CalPERS receives both cash and non-cash (i.e., securities) collateral. Domestic and international securities are collateralized for cash at 102 percent and 105 percent, respectively, of the loaned securities market value. CalPERS cannot pledge or sell the collateral security without the borrower defaults; as such, the collateral security or non-cash collateral is not reported in CalPERS' financial statements in accordance with GASB Statement No. 28. Management believes CalPERS has minimized credit risk exposure to borrowers by requiring the borrower to provide collateralization greater than 100 percent of the market value of the securities loaned. The securities loaned are priced daily by third party sources and margins are paid/received daily to maintain over-collateralized levels. In the event that a borrower defaults while the securities are on loan, the lending agents are required to indemnify CalPERS for the loss. Securities on loan can be recalled on demand by CalPERS or the borrower can return the loaned securities at any time. Since loans are terminable at will, loan durations do not generally match the duration of the investments made with the cash collateral. CalPERS may enter into term loan agreements, which are evaluated on an individual basis. On June 30, 2013, the fair value of the securities on loan was approximately $16.6 billion. The securities on loan remain on CalPERS' statement of fiduciary net position and the statement of net position in their respective investment categories. At June 30, 2013, cash collateral received totaling $17.0 billion is reported as securities lending obligation, and the fair value of re-invested cash collateral totaling $17.3 billion is reported as securities lending collateral on the statement of fiduciary net position and the statement of net position. The changes in fair value of the re-invested cash collateral are reported as net appreciation/depreciation in fair value of investments on the statement of changes in fiduciary net position and the statement of revenues, expenses and changes in net position.

The CalPERS Fixed Income unit manages the securities lending activity. Because the domestic and international debt and equity securities in the unitized pools are also used in the securities lending program, in accordance with GASB Statement No. 28, the securities lending collateral, obligation, and the related income and costs are allocated to the pool owners (respective reporting funds) based on the funds' pro rata share of the pools' investments.

The LTCF is no longer part of the CalPERS internally managed unitized pools. As such, CalPERS securities lending transactions are not being allocated to the LTCF as of and for the year ended June 30, 2013. Effective in fiscal year 2012-13, the LTCF and a portion of the CERBT's investments are invested in commingled funds managed by SSgA that participate in State Street Bank's securities lending program. The CERBT and LTCF, as beneficial owners in the commingled funds, own an undivided interest or a pro rata allocation of the net asset values of the commingled funds. State Street Bank as the lending agent lends the commingled funds' securities and invests the cash collateral posted by the borrowers of those loaned securities in collateral pools managed by State Street Bank. In the instance that the fair value of the reinvested cash collateral declines, the commingled funds bear the risk of loss with respect to the invested cash collateral and are responsible for funding any shortfall on the collateral assets. Due to the fact that the CERBT and LTCF do not directly bear the risk of loss on the collateral assets; securities lending collateral and obligations from SSgA's securities lending program are not reported in the CERBT and LTCF. However, the value of the CERBTF and LTCF investments in the commingled funds would be negatively impacted by a decline in the fair value of reinvested collateral. In addition, because SSgA and State Street Bank, as the lending agent, receive a portion of the securities lending revenue earned from the investments held in the collateral pools as well as a management fee based on the assets invested in each of the collateral pools, but do not share in the investment losses, the lending agent may have an incentive to invest in securities that have greater potential for return but that also have greater investment risks.

CalPERS securities lending reinvestment collateral guidelines prescribe that cash collateral received needs to be invested in short-term, high-credit quality securities. Currently, SSB, eSec, and CalPERS manage the collateral. For the fiscal year ended June 30, 2013, the collateral invested in CalPERS High Quality Libor, CalPERS Short Duration, CalPERS Sec Lending Collateral Re-invest and CalPERS Internal Short-Term Pools had an aggregate weighted average maturity (to final maturity) of 400 days and duration of 10 days. SSB and eSec had weighted average maturity (to final maturity) of 33 and 205 days, respectively.

The weighted average maturity (to final maturity) in the eSec collateral pool is attributed to two Structured Investment Vehicles (SIVs) within the portfolio. The SIVs were purchased as medium-term notes between April 2006 and March 2007 (with April 2009 and March 2010 maturity dates) and at the time of purchase met all Cash Collateral Re-investment Policy guidelines. In 2007 and 2008, both SIVs went into enforcement, defaulted and eventually re-structured. After the re-structure, SIVs do not accrue nor pay interest at a pre-determined fixed nor variable rate. Cash flows are passed through performance from underlying collateral in each SIV trust. The weighted average maturity (to final maturity) on the underlying collateral is substantially longer than the original medium-term notes and is considered long-term.

Investment Risk Disclosures

The CalPERS hedge fund program's investment risks are designed to be uncorrelated with the other investment programs in the PERF. In addition to the unique investment risks posed by hedge fund strategies, the hedge fund program also faces illiquidity and leverage risk. Hedge funds can be illiquid, either by virtue of illiquidity of underlying assets or due to manager actions to limit investor withdrawals. However, CalPERS has taken steps to minimize this risk by investing in hedge funds in more liquid asset classes and by structuring its investments to minimize an investment manager's ability to limit withdrawals. Hedge funds also use leverage to varying degrees, and while a hedge fund can lose all its capital, CalPERS has limited its liability to the amount it invests, which is the same as with an equity or bond investment. Hedge funds are reported as equities in the statement of fiduciary net position.

In accordance with GASB Statement No. 40, CalPERS discloses investments of all CalPERS managed funds that are subject to certain risks: custodial credit risk, concentration of credit risk, interest rate risk, credit risk and foreign currency risk.

Custodial Credit Risk

Custodial credit risk is the risk that in the event a depository institution or counterparty fails, the System would not be able to recover the value of its deposits, investments, or collateral securities. As of June 30, 2013, a portion of the System's investments, other than posted collateral for Futures and Over the Counter (OTC) instruments, is held in the System's name and is not exposed to custodial credit risk. Where CalPERS trusts invest in commingled funds, the assets within the fund are held in the name of the trustee of the fund and not in CalPERS name. There are no general policies relating to the custodial credit risk.

Concentration of Credit Risk

In compliance with GASB No. 25 and GASB No. 40, CalPERS does not have investments greater than or equal to five percent of total net position and total investments in a single issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolios using the effective duration or option-adjusted methodology. The System's investment policies require the option-adjusted duration of the total fixed income portfolio to stay within 10 percent of the option-adjusted duration of its benchmark. All individual portfolios are required to maintain a specified level of risk relative to their benchmark.

The System invests in securities with contractual cash flows, such as asset-backed securities, collateralized mortgage obligations and commercial mortgage-backed securities, including securities backed by residential and commercial mortgage loans. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

Debt Securities Highly Sensitive to Interest Rate Changes

As of June 30, 2013, CalPERS investments included securities highly sensitive to interest rate fluctuations in that they are subject to early payment in a period of declining interest rates (i.e. Collateralized and Mortgage Pass-Through etc.). The resulting reduction in expected total cash flows affects the fair value of these securities.

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policies establish general as well as specific risk measures for the fixed income portfolio. From the most general perspective, 89 percent of the total fixed income portfolio must be invested in investment-grade securities.

Investment-grade securities are those fixed income securities with a Moody's rating of Aaa to Baa or a Standard & Poor's rating of AAA to BBB. Each portfolio is required to maintain a specified risk level.

Foreign Currency Risk

Foreign currency risk is defined as any deposits or investments that are denominated in foreign currencies, which bear a potential risk of loss arising from changes in currency exchange rates. The System's asset allocation and investment policies allow for active and passive investments in international securities. The System's policy for total global equity specifies investment in international equities be based on market capitalization. For the global debt securities, 10 percent is targeted for investment in international securities. Real assets and private equity do not have a target allocation for international investments. The System uses a currency overlay program to reduce risk by hedging approximately 15 percent of the total exposure to international currencies.

CalPERS – Debt Security Investments Subject to Interest Rate Risk (Dollars in Thousands)

Debt Security Type	Portfolio Weighted Average Effective Duration (Years)	Fair Value June 30, 2013	Percent of Debt Securities
U.S. Treasuries & Agencies	9.13	$24,270,732	39.0 %
Mortgages	4.77	11,743,141	18.9
Commercial Paper	0.02	1,250,974	2.0
Corporate	9.73	10,816,633	17.4
International	9.94	6,240,593	10.0
Asset Backed	9.12	6,478,243	10.4
Municipal	8.58	15,622	0.0
SWAPS	1.12	(43,972)	(0.1)
Private Placement	2.61	2,917	0.0
No Effective Duration:			
Asset Backed	N/A	363,634	0.6
Commingled	N/A	868,215	1.4
Corporate	N/A	35,577	0.1
International	N/A	93,334	0.2
Mortgages	N/A	879	0.0
SWAPS	N/A	41,594	0.1
TOTAL [1]		**$62,178,116**	**100.0 %**

Notes:
1 This table represents the fair value of investments in the fixed income portfolios. The global debt securities investments in the statement of fiduciary net position and the statement of proprietary net position are reported at fair value for non-unitized investments and at net asset value for investments in the unitized pools, which includes accruals in the unitized portfolios. In addition, certain debt securities are classified as inflation assets in the statement of fiduciary net position and the statement of proprietary net position.

CalPERS – Securities Lending Collateral Subject to Interest Rate Risk (Dollars in Thousands)

Security Type	Portfolio Weighted Average Effective Duration (Years)	Fair Value June 30, 2013	Percent of Securities Lending Collateral
Asset Backed Securities	0.09	$495,143	7.4 %
Mortgage Backed Securities	0.19	45,588	0.7
No Effective Duration:			
Structured Investment Vehicles [1]	N/A	199,995	3.0
Cash	N/A	2,541,662	38.2
Money Market Fund [2]	N/A	3,371,574	50.7
TOTAL [3]		**$6,653,962**	**100.0 %**

Notes:
1 Structured Investment Vehicles have a weighted average maturity (to final maturity) of 197 days.
2 Money Market Fund is invested in US Treasury securities with a weighted average maturity (to final maturity) of 2 days.
3 This figure does not include $10,630,035 in repurchase agreements since they are not subject to GASB Statement No. 40 disclosure. The fair value of the investments in the securities lending collateral portfolio is $17,283,997 for both fiduciary and proprietary fund types.

CalPERS – Securities Lending Collateral Subject to Credit Risk (Dollars in Thousands)

Moody's Quality Rating	Fair Value	Fair Value as a Percent of Securities Lending Collateral
Aaa	$504,013	7.6 %
Aa3	36,718	0.5
P-1	44,800	0.7
NA [1]	999,986	15.0
NR [2,3]	5,068,445	76.2
TOTAL [4]	**$6,653,962**	**100.0 %**

Notes:
1 NA represents US Government Securities that are not applicable to the GASB No. 40 disclosure requirements.
2 NR represents those securities that are not rated.
3 This figure includes $3,371,574 invested in money market fund.
4 This figure does not include $10,630,035 in repurchase agreements since they are not subject to GASB Statement No. 40 disclosure. The fair value of the investments in the securities lending collateral portfolio is $17,283,997 for both fiduciary and proprietary fund types.

CalPERS – Debt Security Investments Subject to Credit Risk (Dollars in Thousands)

Moody's Quality Rating	Fair Value	Fair Value as a Percent of Debt Security Investments
Aaa	$7,197,340	11.6 %
Aa1	2,181,617	3.5
Aa2	616,731	1.0
Aa3	1,235,000	2.0
A1	552,695	0.9
A2	562,071	0.9
A3	1,669,699	2.7
Baa1	1,809,267	2.9
Baa2	3,114,131	5.0
Baa3	2,361,789	3.8
Ba1	667,215	1.1
Ba2	188,260	0.3
Ba3	308,317	0.5
B1	352,730	0.6
B2	157,240	0.2
B3	227,902	0.4
Caa	116,470	0.2
Caa1	213,091	0.3
Caa2	373	0.0
Caa3	42,228	0.1
Ca	32,704	0.0
C	7,233	0.0
NA [1]	23,943,029	38.5
NR [2]	5,516,060	8.9
NR [2,3]	9,104,924	14.6
TOTAL [4]	**$62,178,116**	**100.0 %**

Notes:

1 NA represents US Government Securities that are not applicable to the GASB No. 40 disclosure requirements.
2 NR represents those securities that are not rated.
3 Although the financial markets have a perception that FNMA and FHLMC mortgage backed securities have an implicit guarantee, the credit agencies do not rate these securities.
4 This table represents the fair value of investments in the fixed income portfolios. The global debt securities investments in the statement of fiduciary net position and the statement of proprietary net position are reported at fair value for non-unitized investments and at net asset value for investments in the unitized pools, which includes accruals in the unitized portfolios. In addition, certain debt securities are classified as inflation assets in the statement of fiduciary net position and the statement of proprietary net position.

CalPERS – SSgA Weighted Average Maturity and Credit Risk (Dollars in Thousands)

Security Type	Fair Value June 30, 2013	Credit Rating	Weighted Average Maturity
SSgA Long U.S. Agency Index SL QP CTF	$31,953	NR	18.68
SSgA U.S. High Yield Bond Index NL QP CTF	86,850	NR	6.96
SSgA U.S. TIPS Index NL QP CTF	211,336	NR	8.67
SSgA 3-10 Year U.S. Treasury Index SL QP CTF	224,232	NR	5.54
SSgA Long U.S. Treasury Index SL QP CTF	413,415	NR	24.40
SSgA U.S. Mortgage Backed Index SL QP CTF	645,402	NR	7.10
SSgA U.S. Asset Backed/Comm Mort Backed Index NL QP CTF	47,996	NR	3.41
SSgA 3-10 Year U.S. Credit Index SL QP CTF	191,329	NR	6.08
SSgA Long U.S. Credit Corporate Index SL QP CTF	304,979	NR	24.17
SSgA Long U.S. Credit Non-Corporate Index SL QP CTF	92,836	NR	23.23
SSgA 3-10 Year U.S. Agency Index SL QP CTF	8,745	NR	4.84
TOTAL [1]	**$2,259,073**		

Notes:

1 Investments are held by the LTCF.

Interest and Credit Risks for Short-Term Investments

CalPERS invested in the State Treasury pool and State Street Bank Global Advisors' (SSgA) US Government Short-Term Investment Fund (GSTIF). These investments are included as part of the short-term investments in the financial statements. At June 30, 2013, the pooled money investment account with the State Treasury totaled approximately $2.5 billion and the US Government Short-Term Investment Fund with SSgA totaled approximately $7.6 billion. As of June 30, 2013, the weighted average maturity is 278 days for the State Treasury pool and 37 days for the SSgA US Government Short-Term Investment Fund. These pools are not rated.

Derivatives

CalPERS holds investments in swaps, options, futures, rights and warrants and enters into forward foreign currency exchange contracts. The fair value of options, futures, rights and warrants are determined based upon quoted market prices. The fair value of derivative investments that are not exchange-traded, such as swaps, is determined by an external pricing service using various proprietary methods, based upon the type of derivative instrument. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated as the difference between the contract exchange rate and the exchange rate at the end of the reporting period.

Futures contracts are marked-to-market at the end of each trading day, and the settlement of gains or losses occur on the following business day through the movement of variation margins. Over the counter derivatives, such as swaps, generally reset monthly and the settlement of gains or losses occur the following business day. Currency forward contracts roll quarterly updating the contract exchange rate.

With all over the counter derivatives, such as swaps and currency forwards, CalPERS is exposed to counterparty risk. CalPERS investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, posting collateral exposure and monitoring procedures.

CalPERS – Derivative Instruments Summary (Dollars and Units in Thousands)

Investment	Net Appreciation/ (Depreciation) in Fair Value For the Fiscal Year Ended June 30, 2013	Fair Value at June 30, 2013			
Derivatives (by type)	**Amount**	**Classification**	**Amount**	**Notional (Dollars)**	**Notional (Units)**
Commodity Futures Long	($23,856)	Equity Securities	$0	$0	—
Comodity Futures Short	(10,501)	Equity Securities	—	—	—
Credit Default Swaps	400	Debt Securities	—	—	—
Credit Default Swaps Bought	(1,265)	Debt Securities	(29)	12,800	—
Credit Default Swaps Written	706	Debt Securities	(104)	14,043	—
Fixed Income Futures Long	(7,963)	Equity Securities	—	—	490,578
Fixed Income Futures Short	18,011	Equity Securities	—	—	(522,652)
Fixed Income Options Bought	568	Equity Securities	—	—	—
Fixed Income Options Written	(25,892)	Equity Securities	(8,164)	—	(289,244)
Foreign Currency Options Bought	413	Equity Securities	—	—	—
Foreign Currency Options Written	66	Equity Securities	(59)	—	(3,424)
Futures Options Bought	(27,431)	Equity Securities	877	—	4,600
Futures Options Written	25,358	Equity Securities	(2,380)	—	(15,300)
Foreign Exchange Forwards	382,233	Investment Sales/Purchases	129,070	23,450,446	—
Index Futures Long	2,338,736	Equity Securities	—	—	71,240
Index Options Bought	(15,939)	Equity Securities	—	—	150,000
Index Options Written	68,372	Equity Securities	(1)	—	(150,000)
Pay Fixed Interest Rate Swaps	379	Debt Securities	3,206	100,800	—
Receive Fixed Interest Rate Swaps	(1,724)	Debt Securities	(1,796)	72,953	—
Rights	(10,953)	Equity Securities	3,074	—	14,990
Total Return Bond Swaps	(37,338)	Debt Securities	(3,655)	4,156,814	—
Warrants	11,517	Equity Securities	13,494	—	9,398
TOTAL	**$2,683,897**		**$133,533**	**$27,807,856**	**(239,814)**

The information presented in this table is derived from CalPERS June 30, 2013 accounting records and in some instances may reflect trades on a one-day lag basis.

CalPERS – Derivative Instruments Subject To Interest Rate Risk (Dollars in Thousands)

Investment Maturities

		Investment Maturities (in years)			
Investment Type	Fair Value at June 30, 2013	Under-1	1-5	6-10	10+
Credit Default Swaps Bought	($29)	($2)	($27)	$0	$0
Credit Default Swaps Written	(104)	—	(104)	—	—
Fixed Income Options Written	(8,164)	(8,164)	—	—	—
Pay Fixed Interest Rate Swaps	3,206	—	955	2,251	—
Receive Fixed Interest Rate Swaps	(1,796)	—	(5)	(1,966)	175
Total Return Bond Swaps	(3,655)	(3,655)	—	—	—
TOTAL	**($10,542)**	**($11,821)**	**$819**	**$285**	**$175**

Derivative Instruments Highly Sensitive to Interest Rate Changes (Dollars in Thousands)

Investment Type	Reference Rate	Fair Value at June 30, 2013	Notional
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.694%	$2,251	$29,720
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 0.764%	290	13,260
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.400%	73	30,600
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 0.985%	592	27,220
Interest Rate Swaps	Receive Fixed 2.0000%, Pay Variable 6-month LIBOR	175	10,872
Interest Rate Swaps	Receive Fixed 5.5000%, Pay Variable 1-month TIIE	3	1,559
Interest Rate Swaps	Receive Fixed 1.0000%, Pay Variable 6-month LIBOR	3	9,765
Interest Rate Swaps	Receive Fixed 0.4300%, Pay Variable 3-month LIBOR	(9)	16,370
Interest Rate Swaps	Receive Fixed 2.0425%, Pay Variable 3-month LIBOR	(581)	10,850
Interest Rate Swaps	Receive Fixed 3.7950%, Pay Variable 3-month BKBM	(144)	2,471
Interest Rate Swaps	Receive Fixed 5.7500%, Pay Variable 1-month TIIE	(897)	15,201
Interest Rate Swaps	Receive Fixed 5.7500%, Pay Variable 1-month TIIE	(346)	5,865
Subtotal — Interest Rate Swaps		**$1,410**	**$173,753**
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .07%	$910	$389,015
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .07%	417	178,149
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .00%	324	138,584
Total Return Bond Swaps	Receive Fixed 0.07%, Pay Fixed .00%	(291)	124,344
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .07%	334	142,709
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .08%	560	239,420
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .07%	1,035	442,073
Total Return Bond Swaps	Receive Fixed 0.07%, Pay Fixed .00%	(537)	229,650
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .08%	471	201,113
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .07%	1,110	474,332
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .07%	677	289,117
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .08%	751	320,739
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .08%	517	221,025
Total Return Bond Swaps	Receive Fixed 0.08%, Pay Fixed .00%	(624)	266,544
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .08%	(4,008)	250,000
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .07%	(2,446)	125,000
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .07%	(2,855)	125,000
Subtotal — Total Return Bond Swaps		**($3,655)**	**$4,156,814**
TOTAL		**($2,245)**	**$4,330,567**

CalPERS – Derivative Instruments Subject To Counterparty Credit Risk

Counterparty	Percentage of Net Exposure	S&P Ratings	Fitch Ratings	Moody's Ratings
Bank of America, N.A.	22.42%	A	A	A3
JP Morgan Chase Bank, N.A. New York	15.66%	A+	A+	Aa3
HSBC Bank USA	8.67%	AA-	AA-	A1
Goldman Sachs International	8.60%	A-	A	A3
Commonwealth Bank of Australia Sydney	7.23%	AA-	AA-	Aa2
Bank of New York	4.67%	A+	AA-	Aa3
Barclays Bank PLC Wholesale	4.66%	A+	A	A2
Royal Bank of Canada	3.88%	AA-	AA	Aa3
Citibank, N.A.	3.85%	A	A	A3
BNP Paribas SA	3.17%	A+	A+	A2
Morgan Stanley Capital Services Inc.	2.38%	A-	A	Baa1
Royal Bank of Scotland PLC	2.36%	A	A	A3
UBS AG	1.95%	A	A	A2
Societe Generale	1.94%	A	A+	A2
Standard Chartered Bank	1.91%	AA-	AA-	A1
Deutsche Bank AG London	1.66%	A+	A+	A2
JP Morgan Securities Inc.	1.13%	A	A+	A2
Credit Suisse International	1.06%	A+	A	A1
Goldman Sachs + CO	0.74%	A-	A	A3
Credit Suisse London Branch (GFX)	0.42%	A+	A	A1
UBS AG London	0.33%	A	A	A2
Credit Suisse Securities (USA) LLC	0.28%	A+	A	A1
JP Morgan	0.28%	A	A+	A2
Canadian Imperial Bank of Commerce	0.16%	A+	AA-	Aa3
Deutsche Bank Securities	0.15%	A+	A+	A2
Citigroup	0.13%	A-	A	Baa2
Westpac Banking Corporation	0.12%	AA-	AA-	Aa2
BNP Finance	0.10%	A+	A+	A2
Barclays Capital	0.03%	A+	A	A2
Goldman Sachs Capital Markets LP	0.03%	A-	A	A3
JP Morgan Chase Bank, N.A. London	0.02%	A+	A+	Aa3
JP Morgan Chase Bank	0.01%	A+	A+	Aa3
Barclays Bank CME	0.00% [1]	A+	A	A2
	100.00%			

Notes:

1 The Percentage of Net Exposure for Counterparty Barclays Bank CME is less than 0.01%.

CalPERS — International Investment Securities | Fair Value at June 30, 2013 (U.S. Dollars in Thousands)

The following table presents investment securities of all CalPERS managed funds, including derivative instruments that are subject to foreign currency risk.

Currency	Cash	Equity	Debt Securities	Real Assets	Private Equity	Forward Contracts	Total
Australian Dollar	$9,488	$3,386,143	$110,531	$209,224	$0	$49,359	$3,764,745
Brazilian Real	3,997	1,334,169	106	1,145,374	—	(1,734)	2,481,912
British Pound Sterling	35,819	9,208,196	1,382,113	274,143	1,031	25,392	10,926,694
Canadian Dollar	13,793	4,253,430	218,777	597,809	185,759	32,024	5,301,592
Chilean Peso	214	233,204	987	—	—	(21)	234,384
Chinese Renminbi	—	—	—	679,066	—	—	679,066
Colombian Peso	20	63,584	—	—	—	—	63,604
Czech Koruna	189	52,134	9,498	—	—	243	62,064
Danish Krone	1,146	584,298	10,544	—	—	(3,183)	592,805
Egyptian Pound	11,773	46,706	—	—	—	—	58,479
Euro Currency	185,331	13,948,640	2,433,363	738,749	3,351,690	30,171	20,687,944
Guatemala Quetzal	—	—	—	72,029	—	—	72,029
Hong Kong Dollar	14,142	3,295,360	—	415,541	—	(115)	3,724,928
Hungarian Forint	353	96,833	—	—	—	—	97,186
Indian Rupee	3,569	885,406	68	383,684	—	—	1,272,727
Indonesian Rupiah	459	393,696	—	—	—	—	394,155
Israeli Shekel	929	244,283	—	—	—	(596)	244,616
Japanese Yen	89,484	12,283,114	903,462	279,406	84,710	(18,585)	13,621,591
Malaysian Ringgit	876	418,679	—	22,221	—	—	441,776
Mexican Peso	4,400	436,975	70,530	179,333	—	(1,586)	689,652
Moroccan Dirham	18	4,060	—	—	—	—	4,078
New Taiwan Dollar	1,825	1,542,956	—	—	—	(47)	1,544,734
New Turkish Lira	114	214,762	—	—	—	—	214,876
New Zealand Dollar	339	85,520	61,343	—	—	(400)	146,802
Norwegian Krone	1,733	510,631	33,929	2,530	—	5,843	554,666
Pakistan Rupee	172	39,905	—	—	—	—	40,077
Peruvian Noveau Sol	49	6,310	—	—	—	—	6,359
Philippine Peso	194	179,624	—	—	—	—	179,818
Polish Zloty	156	193,430	50,175	—	—	686	244,447
Russian Ruble	—	—	—	225,238	—	—	225,238
Singapore Dollar	1,987	772,669	5,560	8,888	—	3,310	792,414
South African Rand	2,063	1,092,817	5,719	—	—	210	1,100,809
South Korean Won	2,677	1,939,828	—	—	—	—	1,942,505
Sri Lanka Rupee	3	—	—	123,069	—	—	123,072
Swedish Krona	2,108	1,403,950	46,066	—	—	11,790	1,463,914
Swiss Franc	845	3,574,483	—	—	—	(3,665)	3,571,663
Thailand Baht	4,782	518,302	—	—	—	(26)	523,058
Turkish Lira	1,339	284,260	—	—	—	—	285,599
UAE Dirham	740	45,088	—	—	—	—	45,828
TOTAL	**$397,126**	**$63,573,445**	**$5,342,771**	**$5,356,304**	**$3,623,190**	**$129,070**	**$78,421,906**

The fair value of derivative instruments is included in the amounts reported under equities, debt securities, investment sales and other and investment purchases and other.

Real Assets

Real assets, which include real estate, infrastructure and forestland investments, are classified as investments in accordance with GASB Statement No. 25. Certain real asset investments are leveraged in that partnerships have been established to purchase properties through a combination of contributions from CalPERS and other investors and through the acquisition of debt. At June 30, 2013, real asset investments of approximately $39.0 billion are reported at estimated fair value. Of this amount, $0.7 billion is real estate investments trusts (REITS) and $38.3 billion is the fair value of real asset investments, offset by $8.8 billion of long-term debt payables and $2.4 billion of other short-term liabilities.

Required repayment of real asset debt, which includes both recourse ($255 million) and non-recourse ($8.6 billion) debt, is as follows:

Required Repayment of Real Assets Debt

(Dollars in Thousands)

Debt Matures Year Ending June 30	Principal	Interest	Total Amount
2014	$1,065,724	$352,227	$1,417,951
2015	1,026,394	307,308	1,333,702
2016	1,012,704	263,786	1,276,490
2017	1,440,049	223,369	1,663,418
2018	1,033,059	167,100	1,200,159
2019-2023	1,930,216	475,173	2,405,389
2024-2028	748,838	181,203	930,041
2029-2033	165,133	64,331	229,464
2034-2038	84,089	40,138	124,227
2039-2043	276,889	20,899	297,788
2044+	40,089	1,079	41,168
TOTAL	**$8,823,184**	**$2,096,613**	**$10,919,797**

5. CONTRIBUTIONS & RESERVES

Employer Contributions Actuarially Determined & Contributions Made

Employer contributions are calculated as a percentage of employer payrolls. OPEB plan employer contributions are voluntarily determined by the employer and there are no long-term contracts for contributions. The payroll for employees covered by the PERF, LRF, JRF, and JRF II in Fiscal Year 2012-13 was approximately $43.0 billion, $1.5 million, $64.7 million, and $237.8 million, respectively.

Actuarial Valuations

Actuarial valuations are used to determine the cost of pension benefits payable to the members of CalPERS who participate in the PERF, LRF, JRF, and JRF II as well as the related required contribution rates. The actuarial valuations include a number of significant assumptions, including the actuarial cost method used, the asset valuation method, the rate of return on the investment portfolio, rate of inflation, projected salary increases, post-retirement benefit increases, and the life expectancy of members and beneficiaries.

The actuarial cost method used for the PERF, LRF, JRF, and JRF II is the Individual Entry Age Normal cost method. The CERBTF actuarial accrued liability as of June 30, 2012 was based on the OPEB assumption model, which allowed only the Entry Age Normal or Projected Unit Credit actuarial cost method. In August 2012, the CalPERS Board removed requirements of specific assumption values and methods. For any OPEB valuation report with a measurement date after August 15, 2012, the OPEB assumption model allows the use of any actuarial cost method that complies with Actuarial Standards of Practice and with Governmental Accounting Standards. These methods are projected benefit cost methods that take into account those benefits that are expected to be earned in the future, as well as those already accrued.

In March 2011, the Board approved increasing the number of CERBTF asset allocation strategies from one to three. A nominal discount rate assumption was established for each asset allocation strategy. The discount rate assumption of the CERBTF Assumptions Model was modified further to allow the application of a Margin for Adverse Deviation to the nominal discount rate. These changes were incorporated into all OPEB valuations and Alternative Measurement Methods (AMM) cost reports dated after June 15, 2011.

To amortize any unfunded actuarial liabilities, the PERF, LRF, and JRF II use the level percentage of payroll method, while the JRF uses a level dollar method. Employers participating in the CERBTF have the option of either using a level dollar or level percentage of payroll method to amortize their unfunded actuarial liabilities.

For the PERF, the 2011 and 2010 actuarial valuations were used to set the actuarially determined contribution requirements for the 2012-13 Fiscal Year for the State and School employers, and public agencies, respectively. For JRF, JRF II and LRF, the 2011 actuarial valuations were used to set the actuarially determined contribution requirements for the 2012-13 Fiscal Year.

The 2012 actuarial valuations were used to set the actuarially determined contribution requirements for different fiscal years. For the PERF, the 2012 actuarial valuations were used to set the actuarially determined contribution requirements for the 2013-14 Fiscal Year for the State and School employers, while the 2012 valuations were used to set the actuarially determined contribution requirements for the 2014-15 Fiscal Year for public agencies. For LRF, JRF and JRF II, the 2012 actuarial valuations were used to set the actuarially determined contribution requirements for the 2013-14 Fiscal Year. The CERBTF uses demographic assumptions similar to the pension plans with the addition of the Health Cost Trend Rate assumption.

In April 2013, the CalPERS Board approved new actuarial policies that are aimed at returning the System to fully funded status within 30 years. Over time, the proposed methods are designed to improve funding levels and help reduce the overall funding level risk. The proposed methods are expected to result in higher volatility in employer contribution rates in normal years but much less volatility in employer contribution rates in years where extreme events occur.

At the March 14, 2012 meeting, the Board approved a recommendation to lower the CalPERS discount rate assumption, or the rate of investment return the pension fund assumes, from 7.75 to 7.50 percent. The price inflation assumption was also lowered from 3.00 to 2.75 percent, which lowers the overall payroll growth assumption to 3.00.

At the April 18, 2012 meeting, the Board approved a recommendation to phase-in the employer contribution rate increases over a period of two years. The phase-in resulted in amortizing over a 20-year period the increase in actuarial liabilities resulting from the change in assumptions, with the payment in year one equal to one-third of the payment that would have been required without the phase-in and the unpaid balance amortized over the remaining 19 years.

Restrictions on Net Position Available for Benefits

Included in the Net Position Held in Trust for Pension Benefits is a restricted reserve that, by law, is retained in the PERF and LRF as a reserve against deficiencies in interest earned, potential losses under investments, court-mandated costs, and actuarial losses resulting from terminations, mergers, or dissolutions of contracting agencies. This reserve cannot exceed 0.2 percent of total assets of the PERF, excluding the OASI, and the LRF, and totaled approximately $528.3 million and $246.0 thousand as of June 30, 2013, for the PERF and LRF, respectively.

PERF

Actuarial valuations of the PERF are performed annually. The last valuation was performed as of June 30, 2012, for the State, schools, and public agencies.

The total Fiscal Year 2012-13 net retirement contributions for the PERF amounted to approximately $12.0 billion, of which $8.1 billion (the actuarially determined annual required contribution) came from 1,582 employers and approximately $3.9 billion came from over 759,000 members. The contributions to the PERF were for the retirement program, the 1959 Survivor Program, and the Group Term Life Insurance Program. For the retirement program, the average employer normal cost is 10.317 percent of covered payroll, and amortization of the unfunded liabilities is 8.135 percent of covered payroll for Fiscal Year 2012-13. These figures are averages for all employers. The actual figures vary by each employer's plan.

LRF

Actuarial valuations of the LRF are required to be carried out at least annually. The legislated State contribution rate will be adjusted periodically as part of the annual Budget Act in order to maintain or restore the actuarial soundness of the fund. The last actuarial valuation was performed as of June 30, 2012. For the fiscal year ended June 30, 2013, the statutory employer contribution rate was 5.380 percent based on the June 30, 2011 actuarial valuation. Therefore, for the year ended June 30, 2013, the contributions made by the State to the fund were approximately $80 thousand, which is less than the actuarially determined required contributions of approximately $0.1 million. Due to PEPRA, the minimum employer contribution rate is the normal cost. Accordingly, the employer contribution rate for the coming fiscal year of July 1, 2013 to June 30, 2014 is 38.381 percent.

JRF

Contributions made by the State of California to the JRF are made pursuant to State statute and are not actuarially determined; however, an actuarial valuation of the JRF assets and liabilities is performed every year and is used by CalPERS to make recommendations for financing the JRF. The California law, effective January 1, 2004, eliminated the requirement that the JRF be funded and actuarially sound. Recommendations to achieve the necessary level of contributions have been submitted by the Board to the Legislature.

As of June 30, 2013, funding was provided from the following sources to meet benefit payment requirements:

- **Member Contributions** — 8 percent of applicable member compensation
- **Employer Contributions** — 8 percent of applicable member compensation (contributions of 8 percent are also made for retired judges who return to court)
- **Filing Fees** — Varying amounts depending on fee rate and number of filings
- **Investments** — Current yield on short-term investments
- **State of California "Balancing Contributions"** — An amount required by the Judges' Retirement Law, at least equal to the estimated benefits payable during the ensuing fiscal year less the sum of 1) the estimated member contributions during the ensuing fiscal year and; 2) net position available for benefits at the beginning of the fiscal year

Under the "pay-as-you-go" basis, short-term investments, as well as contributions received during the year and a State General Fund augmentation, are used to provide funding for benefit payments. This funding method is generally more expensive in the long-term, as the fund does not have investment returns generated by a funded plan. Without the State General Fund augmentation, the JRF will not be able to pay the accumulated benefit payments due in 2014. Management and legal counsel believe the State of California is legally required to provide these required contributions to fund the benefits.

For the fiscal year ended June 30, 2013, the actual contributions made by the State to the JRF were approximately $161.9 million, which is significantly less than the actuarially determined annual required contribution of approximately $1.5 billion.

Because current contributions are used to make benefit payments, the fund does not retain the accumulated contributions of active members. The cumulative contributions for all currently active members since inception were approximately $99.9 million at June 30, 2013, which exceeded Net Position Held in Trust for Pension Benefits by approximately $46.1 million at June 30, 2013.

JRF II

Actuarial valuations for the JRF II are required to be carried out annually. The legislated State contribution rate will be adjusted periodically as part of the annual Budget Act in order to maintain or restore the actuarial soundness of the fund. The last actuarial valuation was performed as of June 30, 2012.

For the fiscal year ended June 30, 2013, the statutory employer contribution rate was 22.837 percent based on the June 30, 2011 actuarial valuation. Therefore, for the fiscal year ended June 30, 2013, the contributions made by the State to the fund were approximately $54 million, which is less than the actuarially determined required contributions of approximately $55.6 million.

CERBTF

Actuarially determined contributions for the CERBTF are based on actuarial valuations that are conducted at least biennially by outside actuarial firms engaged by participating employers. Contributions to the CERBTF are elective and not required. OPEB valuations are prepared using actuarial assumptions and methods that comply with Actuarial Standards of Practice and with Governmental Accounting Standards and include an assumption for health care cost trend rate. The actuarial valuation estimates the cost of future health and other post-employment benefit insurance premiums for current and retired participating employees. Employers with less than 100 plan members may use the alternative measurement method as permitted by GASB Statement No. 57.

The total Fiscal Year 2012-13 actual net OPEB employer contributions from 373 participating employers representing 376 OPEB plans was $1.03 billion, compared to the actuarially determined annual required contribution of 12.7 percent of covered payroll, or $1.3 billion. This amount includes the $441.7 million in contributions made to the CERBTF, plus an additional $589.9 million in retiree health care premiums paid by employers directly to providers, implicit rate subsidies, and other GASB Statement No. 45 compliant costs recognized by employers as contributions toward the Annual Required Contribution (ARC). CERBTF actuarial valuations are based upon plan benefits in effect at the time of the valuations, either defined by the employer or by the Public Employees Hospital Care Act (PEMHCA), for employers participating in that program. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of future employer and employee cost sharing.

6. OTHER POST-EMPLOYMENT BENEFITS (OPEB) OBLIGATION

The State of California (the State), as an employer, provides retired State employees with certain post-employment benefits, such as health care and dental benefits, under a single-employer defined benefit plan. As a state agency, CalPERS provides funding for the State's OPEB benefits. CalPERS funding is based on the amount determined by the State on a pay-as-you-go basis. The State does not issue a stand-alone financial report for the OPEB plan.

To be eligible for these benefits, a first-tier plan State employee must retire on or after age 50 with at least five years of service, and second-tier plan employee must retire on or after attaining age 55 with at least 10 years of service. In addition, an employee must retire within 120 days of separation from employment to be eligible to receive these benefits. CalPERS recognizes the cost of providing these benefits to State retirees on a pay-as-you-go basis during the year, and at year-end CalPERS records its share of the net OPEB obligation as determined by the most recent State of California actuarial valuation report as of June 30, 2012 based on the pay-as-you-go funding scenario.

CalPERS recognizes the cost of providing these benefits to State retirees on a pay-as-you-go basis during the year, and at year-end CalPERS records its share of the net OPEB obligation as determined by the most recent State of California actuarial valuation report as of June 30, 2012 based on the pay-as-you-go funding scenario.

The costs of these benefits on a pay-as-you-go basis are reported in the administrative expense line item in the statement of changes in fiduciary net position and statement of revenues, expenses, and changes in net position.

For the fiscal year ended June 30, 2013, the costs of these benefits were as follows for the respective funds:

OPEB Costs (Dollars in Thousands)

Fund	Amount
PERF	$38,573
LRF	54
JRF	157
JRF II	94
CERBTF	238
HCF	1,683
CRF - Proprietary Fund	3,596
TOTAL	**$44,395**

The State's most recent actuarial valuation report as of June 30, 2012 reported, based upon a pay-as-you-go scenario, the State's actuarial accrued liabilities associated with the State employees' post-employment benefits of $ 63.9 billion as of June 30, 2012, an annual OPEB cost of $5.0 billion, estimated net employer contributions of $1.8 billion, and an expected Net OPEB Obligation of $16.1 billion as of and for the fiscal year ended June 30, 2013. CalPERS is a component unit of the State and CalPERS participates in the State's plan as a single-employer plan. CalPERS allocated shares of the Net OPEB Obligation as of June 30, 2013 were as follows for the respective funds:

Net OPEB Obligations (Dollars in Thousands)

Fund	Amount
PERF	$113,174
LRF	158
JRF	422
JRF II	247
CERBTF	400
HCF	5,636
CRF - Proprietary Fund	11,155
TOTAL	**$131,192**

The Net OPEB Obligation is reported as other program liability in the statement of fiduciary net position, and is reported as OPEB Obligation in the statement of net position–proprietary funds.

The actuarial report for OPEB, including a description of benefits, may be obtained by writing to the Office of State Controller, P.O. Box 942850, Sacramento, CA 94250-5872, or by visiting the State Controller's web site at www.sco.ca.gov.

7. HEALTH CARE FUND

Estimated Liabilities

The Public Employees' Health Care Fund (HCF) establishes claim liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been "incurred but not reported" (IBNR). The estimated medical claims liability was calculated by Anthem Blue Cross, the HCF's third-party administrator, at June 30, 2013, using a variety of actuarial and statistical techniques and adjusted for actual experience to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The estimated claims liability of $215.9 million is carried at its face amount, and no interest discount is assumed. The IBNR portion represents an estimate for claims that have been incurred prior to June 30, 2013, but have not been reported to the HCF. The total estimated claims at the end of the 2012-13 Fiscal Year also includes $65.4 million, which is reported as insurance premiums and claims payable liability in the statement of net position.

Anticipated Investment Income and Reinsurance

Anticipated investment income is included in the annual premium requirement for HCF members. Also, the HCF has not entered into any reinsurance or excess insurance agreements.

The following schedule represents changes in the aggregate estimated claims liabilities of the HCF for the fiscal years ended June 30, 2013 and 2012.

Changes in the Aggregate Estimated Claims Liabilities of the HCF for PERSCare, PERS Choice and PERS Select

(Dollars in Thousands)

For the Year Ended June 30	2013	2012
TOTAL ESTIMATED CLAIMS AT BEGINNING OF FISCAL YEAR	**$233,390**	**$279,160**
INCURRED CLAIMS & CLAIM ADJUSTMENT EXPENSES		
Provision for Insured Events of Current Fiscal Year	$1,921,957	$1,816,245
Decrease in Provision for Insured Events of Prior Years	(81,094)	(88,014)
Total Incurred Claims & Claim Adjustment Expenses	**$1,840,863**	**$1,728,231**
PAYMENTS		
Claims & Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	$1,640,709	$1,625,692
Claims & Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Year	152,296	148,308
Total Payments	**$1,793,005**	**$1,774,000**
TOTAL ESTIMATED CLAIMS AT END OF FISCAL YEAR	**$281,248**	**$233,390**

8. LONG-TERM CARE FUND

The Public Employees' Long-Term Care Fund (LTCF) estimate of the funding level to provide for the payment of future claim benefits is projected based on actual membership levels.

The LTCF establishes the liability for future policy benefits based on the present value of future benefits and expenses less the present value of future premiums. The liability for future policy benefits was calculated by CalPERS Actuarial Office, LTC actuary, using a variety of actuarial and statistical techniques as part of the actuarial review as of June 30, 2013. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 5.75 percent, morbidity, and voluntary termination. In Fiscal Year 2012-13, the morbidity experience was similar to what was estimated, the policy termination was higher than anticipated, and the actual investment return was lower than expected.

The total estimated liability for future policy benefits as of June 30, 2013 was $3.0 billion. Of that amount, $216.5 million is expected to be paid in Fiscal Year 2013-14.

9. PERF, LRF, JRF, JRF II, AND CERBTF FUNDED STATUS

The following represents the funded status of the CalPERS pension trust funds and the post-employment health care fund as of June 30, 2012. These actuarial valuations involve estimates of the value and probability assumptions of events far into the future, and these amounts and assumptions are subject to continual revision as actual results are compared to past expectations. Calculations are based on the benefits provided under the terms of the plan in effect and the pattern of cost sharing between employees and the employer. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing. These actuarial calculations reflect long-term perspectives and use techniques that are designed to reduce short-term volatility.

Funded Status[1] of the PERF, LRF, JRF, JRF II, and CERBTF (Dollars in Millions)

Fund	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL) - (Funding Excess)	Funded Ratio	Annual Covered Payroll	UAAL/(Funding Excess) as a % of Covered Payroll
		(1)	(2)	(3) = (2) - (1)	(1) ÷ (2)	(4)	(3) ÷ (4)
PERF [2]	6/30/12	$282,991	$340,429	$57,438	83.1 %	$42,599	134.8 %
LRF	6/30/12	124	109	(15)	113.8	2	(750.0)
JRF	6/30/12	73	3,172	3,099	2.3	69	4,491.3
JRF II	6/30/12	668	703	35	95.0	231	15.2
CERBTF [4]	6/30/12 [3]	2,072	17,612	15,540	11.8	11,175	139.1

Notes:

1 The Schedule of Funding Progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time. Market value of asset information is included in the Schedule of Funding Progress as part of the Required Supplementary Information on page 80-81.

2 These figures are not final, however the final numbers are not expected to be materially different.

3 The June 30, 2012 data represents the rolled forward and backward data based on the actuarial information from 366 OPEB valuations with the measurement date as of June 30, 2011 or later and 10 OPEB valuations with an earlier measurement date, applying methods allowed under Actuarial Standards of Practice and under Generally Accepted Accounting Principles.

4 CERBTF actuarial accrued liability as of June 30, 2012 was based on the OPEB assumption model, which allowed only the Entry Age Normal or Projected Unit Credit actuarial cost method. In August 2012, the CalPERS Board removed requirements of specific assumption values and methods. For any OPEB valuation report with a measurement date after August 15, 2012, the OPEB assumption model allows the use of any actuarial cost method that complies with Actuarial Standards of Practice and with Governmental Accounting Standards. The Actuarial Accrued Liability (AAL) reported for the CERBTF represents aggregated liabilities calculated under any allowable cost method.

Actuarial Information | Assumptions and Methods Used in the Most Recent Actuarial Valuations

	PERF	LRF	JRF	JRF II	CERBTF
Funded Status Valuation Date	June 30, 2012 [2]	June 30, 2012 [2]	June 30, 2012 [2]	June 30, 2012 [2]	June 30, 2012
Adoption Date	Various	Various	Various	Various	—
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Entry Age Normal or Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar	Level Percentage of Payroll	Varies [3]
Amortization Approach	Closed (Open for Gains and Losses) [9]	Closed	Closed	Closed (Open for Gains and Losses)	Varies [4]
Remaining Amortization Period	Schools 20 years; Public Agencies, average 21 years; State plans 18 to 23 years	30 Years	Average of 2 Years	Average of 16 Years	30 Years [5]
Asset Valuation Method	Smoothing of Market Value	Smoothing of Market Value	Market Value	Smoothing of Market Value	Varies [6]
ACTUARIAL ASSUMPTIONS					
Net Investment Rate of Return	7.50%	5.75%	4.25%	7.00%	6.39% – 7.61% [7]
Projected Salary Increases [1]	Varies, based on duration of service	3.00%	3.00%	3.00%	3.25% [8]
Post Retirement Benefit Increase	For State and Schools, 2% or 3% compounded annually For Public Agencies, 2.00% or 2.75% compounded annually, depending on the agency plan provisions	2.75%	3.00%	2.75%	—
HEALTH CARE COST TREND RATES:					
Select Period	—	—	—	—	0 – 10 Years
Initial Rate	—	—	—	—	4.00 – 12.00%
Ultimate Rate	—	—	—	—	4.00 – 6.00%

Notes:

1 Please refer to *Exhibit C: Sample Pay Increase Assumptions for Individual Members* in the Actuarial Section.
2 The June 30, 2012 actuarial valuations for the LRF, JRF, JRF II, State and Schools were used to set the ARC for the Fiscal Year 2013-14, while the June 30, 2012 actuarial valuations for the public agencies set the ARC for Fiscal Year 2014-15.
3 The employers used either a level dollar or level percentage of payroll for their amortization method.
4 The employers were able to use both open and closed amortization approaches.
5 For a significant majority of the valuations, the unfunded liability was amortized over 30 years; the remainder used periods that ranged between one year and 29 years.
6 Most valuations used the current market value of assets and a few used the smoothing market value of assets.
7 The net investment rate of return shown in the table above reflects the expected returns of the three portfolios. Employers who expect to not fully fund the ARC in future years use a weighted rate of return that is blended with the employer's expected return on general unrestricted assets.
8 While the significant majority of valuations utilized a 3.25 percent projected salary increase assumption, some valuations used a somewhat lower rate.
9 Gains and Losses are amortized over a rolling 30 years, except for Fiscal Years 2008-09 through 2010-11. Gains and Losses for Fiscal Years 2008-09 through 2010-11 are amortized over a fixed 30 year period.

Actuarial Information | Assumptions and Methods Used in the Actuarial Valuations in Development of the Fiscal Year 2013 ARC

	PERF	LRF	JRF	JRF II	CERBTF
ARC Valuation Date	June 30, 2011: State and Schools June 30, 2010: Public Agencies	June 30, 2011	June 30, 2011	June 30, 2011	June 30, 2011 [8]
Adoption Date	Various	Various	Various	Various	—
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Entry Age Normal or Projected Unit Credit
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar	Level Percentage of Payroll	Varies [2]
Amortization Approach	Closed (Open for Gains and Losses) [9]	Closed	Closed	Closed (Open for Gains and Losses)	Varies [3]
Remaining Amortization Period	Schools 29 years; Public Agencies, average 21 years; State plans 23 to 28 years	30 Years	Average of 2 years	Average of 19 years	30 Years [4]
Asset Valuation Method	Smoothing of Market Value	Smoothing of Market Value	Market Value	Smoothing of Market Value	Varies [5]
ACTUARIAL ASSUMPTIONS					
Net Investment Rate of Return	Public Agencies 7.75% State and Schools 7.50%	5.75%	4.25%	7.00%	6.39% – 7.61% [6]
Projected Salary Increases[1]	Varies, based on duration of service	3.00%	3.00%	3.00%	3.25% [7]
Post Retirement Benefit Increase	For State and Schools, 2% or 3% compounded annually For Public Agencies, 2% or 3% compounded annually, depending on the agency plan provisions	2.75%	3.00%	2.75%	—
HEALTH CARE COST TREND RATES:					
Select Period	—	—	—	—	0 – 10 Years
Initial Rate	—	—	—	—	4.00 – 12.00%
Ultimate Rate	—	—	—	—	4.00 – 6.00%

Refer to page 74 for corresponding footnote explanations.

Refer to the table on page 73 for corresponding footnotes.

Notes:

1 Includes inflation at 2.75 percent for State and Schools and 3.00 percent for Public Agencies.

2 The employers used either a level dollar or level percentage of payroll for their amortization method.

3 The employers were able to use both open and closed amortization approaches.

4 For a significant majority of the valuations, the unfunded liability was amortized over 30 years; the remainder used periods that ranged between one year and 29 years.

5 Most valuations used the current market value of assets and a few used the smoothing market value of assets.

6 In March 2011, the Board increased the number of CERBTF investment portfolios from one to three, and allowed a Margin for Adverse Deviation in the associated discount rate for OPEB valuations dated after June 15, 2011. The net investment rate of return shown in the table above reflects the expected returns of the three portfolios. Employers who expect to not fully fund the ARC in future years use a weighted rate of return that is blended with that employer's expected return on general unrestricted assets.

7 While the significant majority of valuations utilized a 3.25 percent projected salary increase assumption, some valuations used a somewhat lower rate.

8 The CERBTF ARC for the fiscal year ended June 30, 2013 was primarily derived from OPEB valuations as of June 30, 2011.

9 Gains and Losses are amortized over a rolling 30 years, except for Fiscal Years 2008-09 through 2010-11. Gains and Losses for Fiscal Years 2008-09 through 2010-11 are amortized over a fixed 30 year period.

10. COMMITMENTS TO FUND PARTNERSHIPS

At June 30, 2013, CalPERS total capital commitments to fund partnerships was $93.7 billion. Of this amount, $20.5 billion remained unfunded and is not recorded on the CalPERS statement of fiduciary net position. Certain unfunded commitments for real assets are subjected to annual approval. The following table depicts the total commitments and unfunded commitments, respectively, by asset class.

Total Commitments and Unfunded Commitments to Fund Partnerships by Asset Class (Dollars in Thousands)

Asset Class	Total Commitments	Unfunded Commitments
Equity (Corporate Governance)	$4,042,710	$15,176
Real Assets	31,444,431	8,043,312
Private Equity	58,179,979	12,396,698
TOTAL	**$93,667,120**	**$20,455,186**

11. CONTINGENCIES

CalPERS has entered into agreements with a number of issuers of non-taxable debt to provide payment of principal and interest in the event of issuer non-payment. CalPERS is paid an annual fee over the term of the agreement for each transaction. The majority of the transactions are secured, with additional support from letters of credit from banks or bond insurers for repayment. As of June 30, 2013, the credit enhancement program had contingent liabilities of approximately $1.5 billion and net fee income of approximately $9.3 million.

CalPERS participates, as lender, in asset-based lending transactions, which is secured debt that is loaned primarily to non-investment grade borrowers for mostly working capital, acquisitions, turnarounds, growth financing, debtor-in-possession financing, exit financing, and corporate recapitalization/reorganizations. Collateral consists primarily of accounts receivable and/or inventory. Although borrowers are not required to borrow (draw down) the total committed loan amount they must pay fees (unused fees) based on the unfunded amounts, interest on any funded amounts, and fees on any letter of credits that are issued. Usually the terms of these loans are no greater than five years. In exchange for providing these loans, CalPERS receives interest and fees from the borrowers. Interest is based on Prime or LIBOR plus a margin. For the 2012-13 Fiscal Year, interest and fee income earned was roughly $5.3 million, and as of June 30, 2013, $236 million was committed by CalPERS and the total outstanding loan balance was zero.

CalPERS is a defendant in litigation involving individual pension and health benefit payments and participant eligibility issues arising from its normal activities. In the event of an adverse decision, any payments awarded by the courts would be recovered by CalPERS through prospective adjustments to the employer contribution rate. CalPERS is involved in litigation relating to various matters. During the fiscal year, two specific cases arose that could potentially impact the future financial health of funds administered by CalPERS.

In the case of *Sanchez, Elma et_al. v. CalPERS*, plaintiffs claim that CalPERS breached its contract with the long-term care purchases by allegedly promising that long-term care premiums would never increase during the lifetime of the purchase, but then increasing the premiums and failing to continue the Inflation Pretention Benefit without an increase in premiums. The case was brought as a class action. CalPERS filed a demurrer to the Complaint on October 2013. The hearing date on this will not be set until after the first case management conference is held. The LTCF could be negatively impacted depending on the outcome of this litigation.

In the case of *Staniforth, et_al. v. Judges Retirement System (JRS)*, plaintiffs claim that the retired judges have not been paid correctly under the holding in the California Supreme Court case of *Olson v. Cory 27 Cal. 3d 738* (1980). This case was brought as a petition for Writ of Mandate and Complaint for Declaratory Relief. The JRS' demurrer was sustained without leave to amend and judgment was entered in the JRS' favor in April 2013. The *Olson v. Cory* claims are now on appeal, with a decision from the Fourth District Court of Appeal likely to be issued with the next three to six months. The judges retired from the closed JRF. Any additional funds to be paid out as a result of this litigation would need to be appropriated by the Legislature and come from the State's General Fund.

The amount of potential loss or range of loss on either of these cases is not estimable at this time due to the many unknowns and complexities.

12. FUTURE ACCOUNTING PRONOUNCEMENTS

Statements No. 67 and No. 68 of the Governmental Accounting Standards Board

In June 2012, GASB approved Statement No. 67, *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. GASB Statement No. 67 addresses reporting by pension plans that administer benefits for governments, and is effective for financial statements for periods beginning after June 15, 2013. GASB Statement No. 68, which primarily relates to reporting by governments that provide pensions to their employees is effective for fiscal years beginning after June 15, 2014. These standards were subsequently published in August 2012.

Key changes include:

- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies to: (a) the expected long-term rate of return on pension plan investments to projected benefit payments for which plan assets are expected to be available to make projected benefit payments; and (b) the interest rate on a tax-exempt 20-year AA/Aa-or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Requiring more extensive note disclosures and required supplementary information.

The System will be subject to the provisions of GASB Statement No. 67 beginning with the fiscal year ending June 30, 2014. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. In addition, it requires the presentation of new information about the annual money-weighted rates of return on pension plan investments in the notes to the financial statements and in 10-year required supplementary information schedules.

CalPERS is evaluating the impact of new GASB standards and expects that related communications with participating employers will require significant effort.

13. SUBSEQUENT EVENTS

A. California Public Employees' Pension Reform

Pension Reform Act Clarifications. In October 2013, Senate Bill No. 13 was signed into law by the Governor. This legislation amends the Public Employees' Pension Reform Act of 2013 (PEPRA) to correct or clarify several provisions, including those related to new judges' retirement benefits. It requires that new judges are subject to an employee contribution rate of at least 50 percent of the normal cost. It corrected a requirement that new judges are not subject to the PEPRA retirement formulas. It clarifies that accumulated additional contributions will be used to calculate one of the benefit options for CalPERS safety members eligible for industrial disability retirement benefits and who retire on or after January 1, 2013.

PEPRA Exceptions: Transit Employees. In October 2013, Assembly Bill No. 1222 was signed into law by the Governor. This legislation exempts California transit employees of public employers from all of the provisions of the Public Employees' Pension Reform Action of 2013 (PEPRA), until January 1, 2015, or until a court determines that the PEPRA does not violate specified federal transit labor laws, whichever is sooner. If a court determines that PEPRA does violate federal transit labor laws, this exemption would continue indefinitely.

B. Local Government Bankruptcies

As of September 30, 2013, the cities of San Bernardino and Stockton filed for financial relief under Chapter 9 of the Federal Bankruptcy Code in the prior year and are still seeking relief. The city of Mammoth Lakes has resolved their bankruptcy issues. Both local governments provide retirement benefits through CalPERS. As such, these entities are obligated by the state and federal constitution to make contributions to CalPERS for the pension benefits of their employees. One of these governments met its pension obligations and remitted annual contributions during the fiscal year 2012-2013, whereas the other local government ceased paying their annual contributions for a period of time during the year and was approximately $14 million in arrears as of June 30, 2013. Both local governments have been found to be eligible to be debtors under Chapter 9. The rulings granting bankruptcy protection occurred on April 1, 2013, and as of August 28, 2013, the latter is under appeal. These local governments have yet to obtain bankruptcy confirmation of their final bankruptcy plans, and therefore the outcome and impact of the bankruptcy proceedings at these stages of the cases are unknown.

C. State Peace Officers' and Firefighters' Defined Contribution Plan Closure

In October 2013, Senate Bill No. 277 was signed by the Governor. This legislation terminates the State Peace Officers' and Firefighters' Defined Contribution Plan (Plan) on January 1, 2014 or upon specified Internal Revenue Service (IRS) approvals, whichever is later. It prohibits new participants in the Plan, requires the cessation of all contributions into the Plan, allows rollovers into the CalPERS Supplemental Contributions Program and other specified means of asset distribution, and discharges the CalPERS Board from liability and responsibility upon Plan assets distribution.

D. Implementation of Flex-Funded Health Maintenance Organization Plans

Health Maintenance Organization plans (HMOs) must obtain a license by the Department of Managed Health Care (DMHC), which oversees and regulates HMOs by means of the Knox-Keene Health Care Service Plan Act of 1975 (Knox-Keene Act). Regardless of how CalPERS may fund an HMO, an HMO ultimately bears the risk for paying monthly provider costs under the Knox-Keene Act for DMHC purposes.

Up through this calendar year, all CalPERS HMOs have been funded by an upfront, pre-paid set amount corresponding to all health care services covered by the HMO. Accordingly, these HMOs have been able to retain and potentially earn interest on any part of the premium dollar in excess of the cost of covered services provided during a given year.

On April 17, 2013, the Board approved flex-funded HMOs for the 2014 plan year. Starting January 1, 2014, all CalPERS HMO plans, except the Kaiser Permanente HMO, will be flex-funded. Flex-funded plans generally have a capitation component, i.e., an upfront, pre-paid set amount, for a corresponding set of services; and a self-funded component for a corresponding set of services, sometimes referred to as fee-for-service. Capitated payments are generally paid to primary care physicians, medical groups and in some instances, hospitals for providing a delineated set of services required by the Knox-Keene Act. The self-funded fee-for-service payments are generally paid to hospitals and specialists.

In 2014 and beyond, CalPERS will be able retain any excess premium dollar set aside for fee-for-service payments remaining after all fee-for-services payments are remitted. This excess premium and any earned interest may be used to help lower future health benefit plan premiums. Other potential benefits of flex-funding are the expected ease of risk-adjusting premiums; management and investment of claims reserves; improved transparency; consolidation of pharmacy benefits for several plans; and possible mitigation of health care cost inflation for the State of California.

CalPERS will pay the capitated fixed payments component of the premium for public agencies from the Contingency Reserve Agency Fund (CRF) in accordance with Government Code section 22910, and the fee-for-service payments component of the premium from the Health Care Fund (HCF), in accordance with Government Code section 22911. The capitated fixed payments component of the premium for the State will be paid from a Special Deposit Fund and the fee-for-service payments from the HCF.

This page intentionally left blank

FINANCIAL SECTION

Required Supplementary Information

Header Page for Section C

Table of Contents

Schedule of Funding Progress — Pension and OPEB Trust Funds (Unaudited)

(Dollars in Millions)

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) – Entry Age (2)	Unfunded AAL(UAAL) (AVA Basis) (2) - (1)	Funded Ratio - Actuarial Value of Assets Basis (1) ÷ (2)
PERF				
6/30/07	$216,484	$248,224	$31,740	87.2 %
6/30/08	233,272	268,324	35,052	86.9
6/30/09	244,964	294,042	49,078	83.3
6/30/10	257,070	308,343	51,273	83.4
6/30/11 [8]	271,389	328,567	57,178	82.6
6/30/12	282,991	340,429	57,438 [2]	83.1
LRF [3, 7]				
6/30/07	$142	$102	($40)	139.2 %
6/30/08	142	103	(39)	137.9
6/30/09	134	112	(22)	119.6
6/30/10	127	112	(15)	113.4
6/30/11 [8]	126	109	(17)	115.6
6/30/12	124	109	(15)	113.8
JRF [3,4]				
6/30/07	$12	$2,714	$2,702	0.4 %
6/30/08	19	3,607	3,588	0.5
6/30/09	41	3,583	3,542	1.1
6/30/10	64	3,429	3,365	1.9
6/30/11 [8]	54	3,297	3,243	1.6
6/30/12	73	3,172	3,099	2.3
JRF II				
6/30/07	$268	$295	$27	90.8 %
6/30/08	335	367	32	91.3
6/30/09	379	451	72	84.0
6/30/10	461	521	60	88.5
6/30/11 [8]	561	610	49	92.0
6/30/12	668	703	35	95.0
CERBTF [9]				
6/30/07	$11	$24	$13	45.8 %
6/30/08	48	4,845	4,797	1.0
6/30/09 [5]	873	10,462	9,589	8.3
6/30/10 [6]	1,287	14,288	13,001	9.0
6/30/11	1,818	15,522	13,704	11.7
6/30/12	2,072	17,612	15,540	11.8

Refer to page 82 for corresponding footnote explanations.

Schedule of Funding Progress – Pension and OPEB Trust Funds (Unaudited) (continued)

Annual Covered Payroll (3)	UAAL as a % of Covered Payroll [(2)-(1)] ÷ (3)	Market Value of Assets (4)	Unfunded AAL (UAAL) (MVA Basis) (2) - (4)	Funded Ratio – Market Value of Assets Basis[1] (4) ÷ (2)
$40,864	77.7 %	$251,162	($2,938)	101.2 %
44,236	79.2	238,041	30,283	88.7
45,100	108.8	178,860	115,182	60.8
44,984	114.0	201,632	106,711	65.4
43,901	130.2	241,740	86,827	73.6
42,599	134.8	236,800	103,629	69.6
$2	(2,000.0) %	$142	($40)	139.2 %
2	(1,950.0)	134	(31)	130.1
2	(1,100.0)	112	—	100.0
2	(750.0)	114	(2)	101.8
2	(850.0)	124	(15)	113.8
2	(750.0)	123	(14)	112.8
$119	2,270.6 %	$12	$2,702	0.4 %
111	3,232.4	19	3,588	0.5
97	3,651.5	41	3,542	1.1
86	3,912.8	64	3,365	1.9
76	4,267.1	54	3,243	1.6
69	4,491.3	73	3,099	2.3
$156	17.3 %	$291	$4	98.6 %
175	18.3	325	42	88.6
199	36.2	316	135	70.1
213	28.2	422	99	81.0
230	21.3	576	34	94.4
231	15.2	655	48	93.2
$37	35.1 %	$11	$13	45.8 %
5,092	94.2	48	4,797	1.0
9,307	103.0	845	9,617	8.1
10,435	124.6	1,287	13,001	9.0
10,374	132.1	1,864	13,658	12.0
11,175	139.1	2,077	15,535	11.8

Refer to the table on pages 80-81 for corresponding footnotes.

Notes:

1 The funded status on a market value of assets basis is reported since it represents the true measure of the plan's ability to pay benefits at a given point in time. The actuarial value of assets is used only for purposes of setting the employer contribution rates and keeping them as smooth as possible from year to year. The unfunded liability and funded status on an actuarial value of assets basis represent the unfunded liability/(surplus) that was taken into account when establishing employer rates.

2 The Unfunded Actuarial Accrued Liability (the total Actuarial Liability in excess of Actuarial Value of Assets) of the PERF by the major employer group from the June 30, 2012 valuation is as follows, in billions: 1) $28,200 for the State of California, 2) $5,600 for schools, and 3) $23,638 for public agencies.

3 Beginning with the June 30, 2007 actuarial valuation, CalPERS is complying with GASB Statement No. 50, which requires the funding progress to be disclosed using the Entry Age Actuarial Cost Method. The actuarial funding method was changed from the Aggregate Funding Method to the Entry Age Normal Funding Method for the LRF and JRF as of June 30, 2011 and June 30, 2010, respectively.

4 The actuarial assumption for the investment rate of return was reduced from 7.0 percent in the June 30, 2007 valuation to 4.5 percent in the June 30, 2008 valuation to reflect the funding of the JRF on a pay-as-you-go basis.

5 The amounts previously reported as of June 30, 2009 in the Fiscal Year 2008-09 financial statements were revised to reflect the valuation results for new plan participants and to align the valuation dates of all plan participants. The revised data reflects the individual actuarial valuations of 258 employers participating in the CERBTF as of June 30, 2010, aligned to a measurement date of June 30, 2009 in compliance with GASB Statement No. 57.

6 Beginning with reporting for the 2010-11 fiscal year, valuation results from CERBTF participating employers are aligned as of a single measurement date to comply with GASB Statement No. 57. Data is rolled forward or backwards to that date by CalPERS staff, using methods allowed under Actuarial Standards of Practice and under Generally Accepted Accounting Principles.

7 The investment return assumption for the LRF was reduced from 7 percent to 6 percent for the June 30, 2010 valuation to reflect the change in the asset allocation strategy adopted by the Board in April 2011.

8 At the March 2012 meeting, the Board approved a recommendation to lower the inflation assumption from 3.00 percent to 2.75 percent. Consequently, the CalPERS discount rate assumption, or the rate of investment return, was lowered by 0.25 percent. The rates of investment return for the PERF, LRF, JRF, and JRF II are now 7.50 percent, 5.75 percent, 4.25 percent, and 7.00 percent, respectively. At the April 2012 meeting, the Board approved a recommendation to phase-in the employer contribution rate increases for the PERF over a period of two years.

9 Actuarial Accrued Liabilities (AAL) with a measurement date prior to August 2012 were based on the OPEB assumption model, which allowed only the Entry Age Normal or Projected Unit Credit actuarial cost method. In August 2012, the CalPERS Board removed requirements of specific assumption values and methods so that liabilities can be measured using any actuarial cost method that complies with Actuarial Standards of Practice and with Governmental Accounting Standards.

Schedule of Employer Contributions — Pension and OPEB Trust Funds (Unaudited)

	PERF Employer Contributions		LRF Employer Contributions	
Year Ended June 30	Annual Required Contribution	% of Required Contributions Made	Annual Required Contribution	% of Required Contributions Made
2008	$7,242,802,002	100.0	$0 [2]	0
2009	6,912,376,563	100.0	— [2]	—
2010	6,955,049,078	100.0	— [2]	—
2011	7,465,397,498	100.0	— [2]	—
2012	7,772,912,572	100.0	— [2]	—
2013	7,988,036,866 [1]	101.7	129,524 [3]	61.6

Notes:

1 The 2011 actuarial valuation was used to set the Fiscal Year 2012-13 PERF Annual Required Contributions for the State and Schools. The 2010 actuarial valuations were used to set the Fiscal Year 2012-13 Annual Required Contributions for Public Agencies. The State contributed more than the ARC in Fiscal Year 2012-13 because it did not use the phase-in schedule that the Board adopted for the June 30, 2011 assumption changes.

2 Based on the June 30, 2010, 2009, 2008, 2007, and 2006 actuarial valuations, the annual required contributions for the years ended June 30, 2012, 2011, 2010, 2009, and 2008 were $0.

3 In the June 30, 2011 actuarial valuation, the actuarial funding method was changed from the Aggregate Funding Method to the Entry Age Normal Funding Method. This funding method change along with the Board's minimum contribution policy resulted in an employer contribution rate effective July 1, 2012 for the first time in many years. In addition, this positive employer contribution rate resulted in the resumption of member contributions.

	JRF Employer Contributions		JRF II Employer Contributions		CERBTF Employer Contributions	
Year Ended June 30	Annual Required Contribution	% of Required Contributions Made	Annual Required Contribution	% of Required Contributions Made	Annual Required Contribution	% of Required Contributions Made [3]
2008	$623,532,045	26.2	$31,673,544	116.1	$450,827,057 [2]	174.5
2009	790,911,681	24.1	42,944,106	92.0	611,607,510 [2]	95.7
2010	1,167,007,021	15.9	44,758,633	95.2	870,842,132 [2]	76.9
2011	1,262,446,956	13.3	50,949,124	105.7	1,141,450,654 [2,5]	65.6
2012	1,366,702,281 [1]	14.4	53,144,136	101.1	1,221,939,827 [5]	63.2
2013	1,467,053,208 [4]	11.0	55,638,700 [4]	97.1	1,342,067,800 [5]	73.1

Notes:

1 Starting with Fiscal Year 2011-12, the ARC is determined using the Individual Entry Age Normal Method. Prior to Fiscal Year 2011-12, the Aggregate Cost Method was used to determine the ARC.

2 The Fiscal Years 2007-08, 2008-09, 2009-10 and 2010-11 contributions made toward the ARC excludes $48.9 million, $10.4 million, $4.4 million, and $9.9 million, respectively, that were contributed to the CERBTF, but were treated as pre-existing assets for purposes of calculating the ARC.

3 The required contributions made include retiree health premiums paid directly to health carriers, OPEB related administrative costs paid outside the CERBTF, and implicit rate subsidy.

4 The 2011 valuation was used to determine the Fiscal Year 2012-13 Annual Required Contributions for the JRF and JRF II.

5 The CERBT for the 2010-11, 2011-12 and 2012-13 Fiscal Years includes amounts from some employers who had not yet begun making contributions to the trust at the time of the respective reporting periods. Had they been excluded, the reported ARCs would have been $916.9 million, $969.9 million and $1.1 billion, respectively, and the contributions made toward the ARCs would represent 73.0 percent, 70.3 percent and 80.5 percent of the respective ARCs.

Schedule of Claims Development Information (Unaudited)

The table on the next page presents the Health Care Fund's (HCF) earned revenues and investment income, as well as losses and other expenses over the last 10 years. Rows one through six contain the following information:

1. This line shows the total earned premium revenues and investment revenues for each fiscal year.
2. This line shows other HCF operating costs, including overhead and claims expense not allocable to individual claims, for each fiscal year.
3. This line shows the HCF's incurred claims and allocated claim adjustment expenses (both paid and accrued) as reported at the end of the policy year. The policy year is the first year in which the triggering event under the contract occurred.
4. This section shows the cumulative amounts paid as of the end of each policy year and years succeeding the policy year.
5. This section shows re-estimated incurred claims as of the end of each policy year and years succeeding the policy year. Re-estimates are based on new information received on known claims, as well as information on new claims not previously reported.
6. This line compares the amount of the re-estimated incurred claims to the amount initially established (line 3), and shows whether the re-estimate is greater or less than projected. As data mature for individual policy years, the correlation between initial estimates and re-estimates is used to evaluate the accuracy of incurred claims currently recognized.

Public Employees' Health Care Fund — June 30, 2013 (Dollars in Thousands)

	Fiscal and Policy Year Ended									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1) Net Earned Required Premium & Investment Revenues	$1,048,042	$1,115,172	$1,229,239	$1,410,888	$1,543,643	$1,608,738	$1,409,621	$1,775,005	$1,912,355	$1,948,531
2) Unallocated Expenses	$58,182	$65,902	$67,679	$74,771	$78,607	$85,511	$90,292	$88,392	$96,043	$105,154
3) Estimated Incurred Claims & Expenses, End of Policy Year	$940,503	$1,083,011	$1,202,409	$1,268,239	$1,385,438	$1,530,264	$1,654,214	$1,792,599	$1,816,245	$1,921,957
4) Paid (Cumulative) as of:										
End of Policy Year	$807,627	$923,608	$1,043,346	$1,094,818	$1,197,390	$1,313,680	$1,444,509	$1,550,306	$1,635,839	$1,640,709
One Year Later	883,550	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	1,698,615	$1,788,135	—
Two Years Later	883,550	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	1,698,615	—	—
Three Years Later	883,550	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	—	—	—
Four Years Later	883,550	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	—	—	—	—
Five Years Later	883,550	1,012,021	1,146,876	1,197,334	1,316,774	—	—	—	—	—
Six Years Later	883,550	1,012,021	1,146,876	1,197,334	—	—	—	—	—	—
Seven Years Later	883,550	1,012,021	1,146,876	—	—	—	—	—	—	—
Eight Years Later	883,550	1,012,021	—	—	—	—	—	—	—	—
Nine Years Later	883,550	—	—	—	—	—	—	—	—	—
5) Re-estimated Incurred Claims Expenses:										
End of Policy Year	$940,503	$1,083,011	$1,202,409	$1,268,239	$1,385,438	$1,530,264	$1,654,214	$1,792,599	$1,816,245	$1,921,957
One Year Later	883,550	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	1,698,615	$1,788,135	—
Two Years Later	883,550	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	1,698,615	—	—
Three Years Later	883,550	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	—	—	—
Four Years Later	883,550	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	—	—	—	—
Five Years Later	883,550	1,012,021	1,146,876	1,197,334	1,316,774	—	—	—	—	—
Six Years Later	883,550	1,012,021	1,146,876	1,197,334	—	—	—	—	—	—
Seven Years Later	883,550	1,012,021	1,146,876	—	—	—	—	—	—	—
Eight Years Later	883,550	1,012,021	—	—	—	—	—	—	—	—
Nine Years Later	883,550	—	—	—	—	—	—	—	—	—
6) Decrease in Estimated Incurred Claims & Expenses From End of Policy Year	($56,953)	($70,990)	($55,533)	($70,906)	($68,664)	($82,130)	($64,443)	($93,984)	($28,110)	$0

This page intentionally leave blank

FINANCIAL SECTION

Other Supplemental Information

Header Page for Section D

Table of Contents

Administrative Expenses — All Funds

For the Fiscal Year Ended June 30, 2013

(Dollars in Thousands)

PERSONNEL SERVICES	
Salaries & Wages	$176,819
Employee Benefits	68,131
Total Personnel Services	**$244,950**
CONSULTANT & PROFESSIONAL SERVICES	
State of California Agencies	$5,931
External Consultants	106,535
Deferred Compensation Management/Custody Fees	3,587
Health Plan Administrator Fees	89,471
Long-Term Care Administrator Fees	19,837
Total Consultant & Professional Services	**$225,361**
OPERATING EXPENSES & EQUIPMENT	
General Expense	$5,536
Software	5,445
Printing	1,342
Postage	3,040
Communications	2,163
Data Processing Services	20,876
Travel	1,815
Training	977
Medical Examiners	1,094
Facilities Operation	3,789
Central Administrative Services	43,116
CSUS Foundation — Students	814
Administrative Hearings	518
Consolidated Data Center	68
Equipment	2,220
Total Operating Expenses & Equipment	**$92,813**
OTHER EXPENSES & ADJUSTMENTS	
Depreciation Expense	$16,347
Increase in Paid Absence Obligation	3,041
Amortization	1,528
Reimbursements	(2,706)
Prior Year & Other Adjustments	8,895
Total Other Expenses & Adjustments	**$27,105**
TOTAL ADMINISTRATIVE EXPENSES — ALL FUNDS	**$590,229**

Investment Expenses – All Funds

For the Fiscal Year Ended June 30, 2013

Investment Management Fees (Dollars in Thousands)

	Net Assets Managed at Fair Value	Fees
DOMESTIC EQUITY MANAGERS		
First Quadrant, LP	$1,226,748	$550
FIS Group, Inc.	—	1,690
JP Morgan Chase Bank	961,204	522
Leading Edge Investment Advisors, LLC	360,561	2,579
Legato Capital Management, LLC	—	1,120
Piedmont Investment Advisors, LLC	248,259	231
Progress Investment Management	—	1,057
Pzena Investment Management, LLC	571,961	948
Quotient Investors, LLC	330,959	1,406
Redwood Investments, LLC	246,363	898
Relational Investors, LLC	849,246	1,019
Relational Investors Mid-Cap Fund I, LP	766,663	975
Research Affiliates, LLC	4,884,297	500
Strategic Investment Management, LP	—	1,340
Stux Capital Management, LLC	607,134	1,288
T. Rowe Price Associates, Inc.	1,320,121	2,459
The Boston Company Asset Management, LLC	674,900	287
Total Domestic Equity Managers	**$13,048,416**	**$18,869**
DOMESTIC FIXED INCOME MANAGERS		
Columbia Management Investment	—	403
Total Domestic Fixed Income Managers	**$0**	**$403**

	Net Assets Managed at Fair Value	Fees
GLOBAL EQUITY MANAGERS		
Alliance Bernstein, LP	$695,102	$766
Arrowstreet Capital, LP	2,970,513	1,405
Baillie Gifford Overseas Ltd.	1,956,566	898
Cartica Corporate Governance Fund, LP	416,733	5,264
Dimensional Fund Advisors, LP	902,384	2,476
Genesis Asset Managers, LLP	1,249,518	2,275
Grantham, Mayo, Van Otterloo & Co., LLC	626,811	423
Hermes Sourecap Limited	396,827	1,646
Knight Vinke Institutional Partners I, LP	2,639	22
Lazard Asset Management, LLC	973,763	2,500
Leading Edge Investment Advisors, LLC	987,738	380
Nomura Asset Mgt. USA, Inc.	512,504	257
Pictet Asset Management Limited	—	206
Pyramis Global Advisors Trust Company	891,672	1,720
QS Investors, LLC	1,927,547	27
Research Affiliates, LLC	5,881,223	1,028
Tobam SAS	164,905	694
Victoria 1522 Investments, LP	134,051	922
Total Global Equity Managers	**$20,690,496**	**$22,909**
GLOBAL FIXED INCOME MANAGERS		
Alliance Bernstein, LP	$525,435	$442
Baring Intl Invest	517,895	430
Pacific Investment Management Co., LLC	981,928	752
Pareto Investment Management Limited	—	291
Rogge Global Partners	507,906	382
State Street Bank & Trust Company	—	981
Total Global Fixed Income Managers	**$2,533,164**	**$3,278**

Investment Management Fees (continued) (Dollars in Thousands)

	Net Assets Managed at Fair Value	Fees
REAL ASSET MANAGERS		
301 Capitol Mall, LP	$14,199	$120
Aetos Capital Asia TE II, Ltd.	142,046	2,105
Aetos Capital Asia TE, LP	5,842	82
AEW Senior Housing Company, LLC	87,146	786
AEW-SHP Managed Portfolio	113,385	2,400
AGI-TMG Housing Partners I, LLC	68,016	(318)
Alinda Infrastructure Fund I, LP	96,065	1,453
Alinda Infrastructure Fund II, LP	190,141	3,381
American Value Partners Fund I, LP	47,067	664
Apollo Real Estate Finance Corporation	49,075	773
ARA Asia Dragon Fund	444,412	5,011
ARA Asia Dragon Fund II	27,165	749
ARA China Long Term Hold	285,995	2,181
AREA Real Estate Investment Fund V, LP	39,162	707
BRIDGE Urban Infill Land Development, LLC	25,312	163
CalEast Canada Limited Partnership	141,141	730
CalEast Industrial Investors, LLC	342,260	2,691
CalEast Solstice, LLC	2,482,259	14,502
California Smart Growth Fund IV, LP	61,396	866
CalSmart, LLC (Canyon)	17,535	446
CalWest - CalPERS	418,444	447
CalWest Industrial Properties, LLC	—	1,572
Canyon Catalyst Fund, LLC	17,413	633
Canyon Johnson Urban Fund, III	176,349	2,801
Carlyle Infrastructure Partners, LP	69,609	841
CBRE Strategic Partners Europe Fund III	39,171	609
CBRE Strategic Partners UK Fund II	(24,702)	212
CBRE Strategic Partners UK Fund III	18,716	467
Centerline Urban Capital I, LLC	185,893	999
CIM Fund III, LP	866,775	7,123
CIM Infrastructure Fund, LP	313,988	1,709
CIM Urban Real Estate Fund, LP	430,848	3,426
CIM Urban REIT, LLC	492,459	5,328
CityView LA Urban Fund I, LP	25,873	406
CUIP Properties, LLC	(1,377)	542
European Property Investors, LP	16,160	218
Fifth Street Properties	5,269	29
Fillmore East Fund, LP	8,012	261
Fortress Holiday Investment Fund, LP	112,362	927
Fortress Investment Fund IV (Fund A), LP	108,427	838
Fortress Residential Investment Deutschland (Fund A)	71,991	844
Fortress RIC CoInvestment Fund, LP	17,267	164
FSP - Base	469,868	1,247
FSP - DT 2011	500,500	3,829
GI Partners Fund II, LP	486,954	1,819
GI Partners Fund III, LP	526,680	3,932

	Net Assets Managed at Fair Value	Fees
REAL ASSET MANAGERS		
Global Infrastructure Partners II, LP (GIP II)	$96,107	$4,581
Global Retail Investors, LLC	1,087,262	5,454
GRI - Base	93,475	298
GRI - DT 2011	86,157	344
Guggenheim Structured Real Estate III, LP	26,197	315
Hampshire Partners Fund VI, LP	16,815	283
Harbert European Real Estate Fund II, LP	56,752	516
HC Green Development Fund, LP	68,122	476
HC NOP Holdings, LP	735	118
HCB Interests II, LP	373,406	5,440
HCB Interests, LP	109	102
HCB LTH	553,759	2,281
HCC Interests, LP	54,817	616
HCM Holdings II, LP	45,845	630
HCM Holdings, LP	50,443	520
Hearthstone Housing Partners II, LLC	69,011	3,463
Hearthstone Housing Partners III, LLC	24,410	371
Hearthstone Multi-State Residential Value-Added III	(7,555)	(1)
Hearthstone Path-of-Growth Fund, LLC	63,774	118
Hines CalPERS Russia Long Term Hold	225,238	483
Hines European Development Fund II, LP	(1,631)	209
Hines European Development Fund, LP	(2,326)	314
IHP Investment Fund I, LP	157,448	670
IHP Investment Fund II, LP	54,971	761
IHP Investment Fund III, LP	216,035	4,563
IL&FS India Realty Fund II, LLC	201,048	1,969
IL&FS India Realty Fund, LLC	99,862	1,500
IMI - Base	2,774,623	6,103
IMI - DT 2011	282,412	1,184
IMP - Base	220,909	233
IMP - DT 2011	445,241	2,039
Institutional Core Multifamily Investors	105,599	53
Institutional Logistics Partners, LLC	68,241	85
Institutional Mall Investors, LLC	—	5,670
Institutional Multifamily Partners	1,777,891	6,121
JER Europe Fund III, LP	11,855	414
JER US Debt Co-Investment Vehicle, LP	50,349	614
KAREC California Development Program, LLC	247,617	1,039
KC 2011, LLC	179,206	2,922
KSC Affordable Housing Investment Fund, LLC	68,025	958
LaSalle Asia Opportunity Fund III, LP	87,354	1,366
LaSalle French Fund II, LP	29,837	505
LaSalle Japan Logistics Fund II, LP	27,420	336
Lincoln Timber, LP	1,741,197	6,911
Market Street Capital Partners, LP	98,321	1,077
Meriwether Farms, LLC	63,526	1,195

Investment Management Fees (Continued)(Dollars in Thousands)

	Net Assets Managed at Fair Value	Fees
REAL ASSET MANAGERS		
MGPA Asia Fund II, LP	$74,957	$899
MGPA Europe Parallel Fund II, LP	45,313	1,053
National Office Partners, LLC (CWP)	1,048,544	4,806
Niam Nordic Investment Fund III	33,468	325
Niam Nordic Investment Fund IV	89,601	1,025
ORA Multifamily Investments I, LLC	187,004	1,979
ORA Residential Investments I, LP	211,606	5,522
Pacific Vineyard Partners, LLC	31,478	1,405
PLA Retail Fund I, LP	82,419	1,108
PRECO Account Partnership III, LP	52,711	496
PRECO III Co-invest (Senior Housing UK Investment II)	269	7
Rockpoint Real Estate Fund II, LP	19,096	296
Rockpoint Real Estate Fund III, LP	109,537	1,795
RREEF Global Opportunities Fund II, LLC	101,893	(306)
Savanna Real Estate Fund I, LP	42,873	608
SDL Hospitality Co-Invest Fund, LP	163,479	303
Secured Capital Japan Real Estate Partners Asia, LP	202,431	2,792
Secured Capital Japan Real Estate Partners II, LP	49,555	739
Shea Capital I, LLC	85,414	3,804
Shea Mountain House, LLC	113,553	1,548
Starwood Capital Hospitality Fund I-2, LP	187,600	1,587
Starwood Capital Hospitality Fund II Global, LP	237,047	1,243
Stockbridge Hollywood Park Co-Investors, LP	101,162	749
Stockbridge Real Estate Fund II -B, LP	20,137	442
Strategic Partners Value Enhancement Fund, LP	38,440	575
Sun-Apollo India Real Estate Fund, LLC	23,431	475
Sylvanus, LLC	486,690	2,616
TechCore, LLC	149,334	679
TPG Hospitality Investments IV, LLC	129,216	1,986
UrbanAmerica, LP II	44,458	1,059
Windsor Realty Fund VII, LP	21,291	414
Xander Co-Investment	42,563	3,506
Xander JV Fund I (India Realty)	16,780	475
Total Real Asset Managers	**$26,265,827**	**$201,944**
SIP INVESTMENT MANAGEMENT FEES		
Alliance Bernstein, LP	$0	$83
Pacific Investment Management Company, LLC	—	115
Pyramis Global Advisors Trust Company	—	625
The Boston Company Asset Management, Inc.	—	731
State Street Global Advisors	—	1,139
Turner Investments, LP	—	149
Total SIP Investment Management Fees	**$0**	**$2,842**
TOTAL INVESTMENT MANAGEMENT FEES		**$250,245**

Performance Fees (Dollars in Thousands)

	Fees
DOMESTIC EQUITY MANAGERS	
First Quadrant, LP	$1,008
FIS Group, Inc.	42
JP Morgan Chase Bank	1,428
Leading Edge Investment Advisors, LLC	362
Legato Capital Management, LLC	879
Progress Investment Management	423
Research Affiliates, LLC	3,861
T. Rowe Price Associates, Inc.	792
Total Domestic Equity Managers	**$8,795**
GLOBAL EQUITY MANAGERS	
Arrowstreet Capital, LP	$11,564
Baillie Gifford Overseas Ltd.	7,954
Genesis Asset Managers, LLP	9,184
Lazard Asset Management, LLC	6,980
Nomura Asset Mgt. USA, Inc.	974
Pyramis Global Advisors Trust Company	766
Total Global Equity Managers	**$37,422**
GLOBAL FIXED INCOME MANAGERS	
Alliance Bernstein, LP	$1,779
Baring Intl Invest	745
Pacific Investment Management Co., LLC	2,552
Rogge Global Partners	622
Total Global Fixed Income Managers	**$5,698**

Performance Fees (Continued) (Dollars in Thousands)

	Fees
REAL ASSET MANAGERS	
Aetos Capital Asia TE, LP	$63
AEW Senior Housing Company, LLC	(33)
CalEast Canada Limited Partnership	(150)
CalEast Solstice, LLC	(206)
CIM Infrastructure Fund, LP	5,728
DB Real Estate Global Opportunities IA, LP	(85)
DB Real Estate Global Opportunities IB, LP	(1,707)
FSP - Base	2,030
GRI - Base	198
HC Green Development Fund, LP	15,453
HCB Interests II, LP	11,357
HCC Interests, LP	(1,339)
Hearthstone Housing Partners, LP	2,127
Hearthstone Multi-State Residential Value-Added III	(240)
Hearthstone-MSII Homebuilding Investors, LLC	(39)
IHP Investment Fund III	79,750
IMP - Base	61
Institutional Mall Investors, LLC	119,545
Ivy Investment Vehicle LDC (SWPM)	5,703
ORA Residential Investments I, LP	33,723
SDL Hospitality Co-Invest Fund, LP	(1,390)
Secured Capital Japan Real Estate Partners I, LP	75
Total Real Asset Managers	**$270,624**
TOTAL PERFORMANCE FEES	**$322,539**
TOTAL INVESTMENT MANAGEMENT AND PERFORMANCE FEES	**$572,784**

Other Investment Expenses (Dollars in Thousands)

	Fees
AUDITOR FEES	
Carolyn Sangil David, CPA & Assoc.	$56
Conrad, LLP	308
KNL Support Services	46
KPM & Associates	366
Total Auditor Fees	**$776**
APPRAISAL FEES	
Altus Group US, Inc.	$5,317
Colliers International Valuation and Advisory Services	369
Cushman Wakefield Western, Inc.	32
Duff & Phelps, LLC	541
Poyry Management Consulting	88
Weiser Realty Advisors, LLC	280
Total Appraisal Fees	**$6,627**
COMPANY EXPENSE	
Legato Capital Management, LLC	$159
Strategic Investment Management, LP	82
Total Company Expense	**$241**
CONSULTANT FEES	
Altius Associates Limited	$90
Apco Worldwide, Inc.	35
ATV Video Center, Inc.	40
Bard Consulting, LLC	1,208
Brock Capital Group, LLC	61
Business Advantage Consulting	55
Callan Associates, Inc.	917
Cambridge Associates	293
Courtland Partners, Ltd	192
Crosswater Realty Advisors, LLC	668
Cutter Associates, Inc.	189
Duff & Phelps, LLC	120
FTI Consulting, Inc.	457
Garland Associates, Inc.	78
Hamilton Lane Advisors, LLC	235
Heidricks & Struggles, Inc.	200
Highlands Consulting Group	11
Korn/Ferry	164
Le Plastrier Consulting Group, Inc.	2,094
Loop Capital Markets, LLC	140
LP Capital Advisors	301
McLagan Partners, Inc.	3
Meketa Investment Group	181
Mercer Investment Consulting	552

Other Investment Expenses (Continued) (Dollars in Thousands)

	Fees
CONSULTANT FEES	
Mosaic Investment Advisors, Inc.	$349
Navigant Consulting, Inc.	510
Nichols Consulting	442
Pacific Alternative Asset Mgmt Co., LLC	250
Pacific Community Ventures	355
Pension Consulting Alliance, Inc.	1,856
RBC Capital Markets Corp	179
RG & Associates	162
Ridgeway Partners, LLC	403
RSR Partners	46
R.V. Kuhns & Associates, Inc.	75
Schaffer Consulting, LLC	7
Senn-Delaney Leadership	92
SL Capital Partners, LLP	70
Starting Point	55
Stockbridge Capital Group, LLC	47
Strategic Investment Solutions, Inc.	40
Townsend Group, The	190
UBS Alternative and Quantitative Inv., LLC	6,750
Wilcox Miller & Nelson/Scientific Digital	66
Wilshire Associates, Inc.	3,160
Total Consultant Fees	**$23,388**
SYSTEM CONSULTANT FEES	
Cambria Solutions, Inc.	$698
Capio Group	83
Cutter Associates, Inc.	419
MK Partners, Inc.	8
Performance Technology Partners, LLC	2
Propoint Technology, Inc	1,449
Pyramid Technical Consultants, LLC	256
SAS International, Inc.	182
Stanfield Systems, Inc.	91
Trinity Technology Group, Inc.	211
Total System Consultant Fees	**$3,399**
LEGAL FEES	
AES Asset Sales - Reimbursement	($155)
AlvaradoSmith	11
Berman Devalerio Pease Tabacco Burt & P	34
Chapman and Cutler, LLP	75
Covington & Burling	154
Cox, Castle & Nicholson, LLP	882
Felderstein, Willoughby & Pascuzzi, LLP	28
Foster, Pepper & Shefelman PLLC	130
Glaser Weil Fink Jacobs Howard & Shapiro	55

	Fees
LEGAL FEES	
Hawkins Delafied & Wood, LLP	$10
Institutional Multifamily Partners, LLC	3,852
K & L Gates, LLP	1,827
Katten Muchin Rosenman, LLP	301
Kirkpatrick & Lockhart Preston Gates	817
Mennemeier Glassman & Stroud, LLP	18
Morgan, Lewis & Bockius, LLP	922
Nixon Peabody, LLP	253
Nolan Armstrong & Barton, LLP	6
Pillsbury Winthrop Shaw Pittman, LLP	6,441
Polsinelli Shughart, LLP	28
Potter Anderson & Corroon, LLP	98
Soltman, Levitt, Flaherty & Wattles, LLP	9
Total Legal Fees	**$15,796**
MASTER CUSTODIAN FEES	
State Street Bank & Trust Company	$7,528
Total Master Custodian Fees	**$7,528**
TAX ADVISORY FEES	
Ernst & Young US, LLP	$44
KPMG Limited Taiwan	313
S.R. Batliboi & Co	182
Total Tax Advisory Fees	**$539**
TECHNOLOGY EXPENSES	
13D Research, Inc.	$50
Adobe Government at Carahsoft	108
Alternativesoft Ag	10
Altura Capital Group, LLC	25
Argus Financial Software	1
Axioma, Inc.	156
Barclays Capital	100
Barra, Inc.	932
BCA Research	215
Blackrock Financial Management, Inc.	4,822
Bloomberg, LP	2,402
Cambridge Associates	192
Candeal, Inc.	9
CB Richard Ellis Investors	158
Charles River Development	3,489
Cost Effectiveness Measurement, Inc.	60
Covenant Review, LLC	45
Credit Suisse Securities (USA), LLC	100
Creditsights	90
Dow Jones & Company, Inc.	15

Other Investment Expenses (Continued) (Dollars in Thousands)

	Fees
TECHNOLOGY EXPENSES	
Edgar Online, Inc.	$9
Emap Limited	14
Embs, Inc.	9
Empirical Research Partners, LLC	60
Equilar, Inc.	8
Ermitage Asset Management Jersey Limited	78
Etrali North America, LLC	236
Eurasia Group	68
Eurekahedge Pte. Ltd.	10
Evestment Alliance	87
Factset Research Systems, Inc.	1,935
Fan Asset Management, LLC	91
Farient Advisers, LLC	19
Firstrain, Inc.	10
Fitch, Inc.	60
FTSE	904
FX Alliance, Inc.	17
Glass, Lewis & Co., LLC	490
Global Investor Collaboration Svcs., LLC	5
GMI	154
Governance Metrics International	80
GP Analytics	120
Green Street Advisors	58
Hedge Fund Research, Inc.	5
High Frequency Economics, Ltd.	26
IHS Global, Inc.	31
Institutional Shareholder Service	452
Intex Solutions, Inc.	194
London Stock Exchange Plc	10
Macroeconomic Adviser, LLC	17
Markit North America, Ltd.	140
Mcube Investment Technologies, LLC	73
Mercer Investment Consulting	5
Moody's Analytics, Inc.	316
Moody's Investors Service, Inc.	87
MRI Software, LLC	245
MSCI, Inc	33
NCREIF	2
New York Stock Exchange	31
Northfield Info. Svcs., Inc.	120
Nyse Market, Inc.	7
Omgeo	135
Options Price Reporting Authority	1
Oxford Analytica, Inc.	39
Preqin Limited	20

	Fees
TECHNOLOGY EXPENSES	
Principal Life Insurance Company	$245
Property & Portfolio Research, Inc.	50
Quantal International, Inc.	45
RBSs Smart Productions, Inc.	100
Roubini Global Economics	10
Russell Investment Group	106
SNL Financial, LLC	76
Standard & Poor's Corporation	664
State Street Bank & Trust Company	316
Strategic Economic Decisions, Inc.	15
Style Research, Inc.	79
Sustainalytics U.S. Inc.	20
The Depository Trust & Clearing Corp.	6
The Mathworks, Inc.	193
Thomson Reuters	633
Toronto Stock Exchange	5
Trade Web	53
William O'Neil & Company	26
World Markets Company Plc, The	36
Yardeni Research, Inc.	15
Yield Book, Inc.	83
Zeno Consulting Group, LLC	48
Zephyr Associates, Inc.	37
Total Technology Expenses	**$22,351**
TOTAL OTHER INVESTMENT EXPENSES	**$80,645**
MISCELLANEOUS EXPENSES	
Miscellaneous Investment Fees	$507
Mortgage Servicing Fees	2,513
Transaction Fees	59,023
Prior Year & Other Adjustments	(1,337)
TOTAL MISCELLANEOUS EXPENSES	**$60,706**
TOTAL INVESTMENT EXPENSES - ALL FUNDS	**$714,135**

Consultant and Professional Services Expenses

For the Fiscal Year Ended June 30, 2013

(Dollars in Thousands)

Individual or Firm	Fees	Nature of Service
22nd Century Technologies, Inc.	$78	Desktop Services, Project Management Services, Application Development & Wintel Platform
Accenture, LLP	43,095	Consulting services for Pension System Resumption (PSR) project
ACS Learning Services	213	Course Design & Development, Corporate Culture Training, General Business Skills & Desktop Computing Skills
ADSI, Inc.	631	Project Management Services, Architecture, Data Services, Application Development & Management Support Services
Advanced Systems Group, LLC	30	Production Equipment Maintenance Services
Ambire Consulting, Inc.	181	Project Management Services, Application Development & Specialized IT Support Services for Investment Systems/Business
Anthem Blue Cross	72,239	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation & Development, Wellness, Prevention & Disease Management Services
ATV Video Center, Inc.	134	Audiovisual Support & Live Event Presentation Services
Ballard Group, The	187	Information Technology (IT) Consultant Services
Base 3 Consulting	1,891	Application Development & Management Support Services
Belmonte Enterprises, LLC	1,149	Project Management Services, Architecture, Data Services & Application Development
Blackstone Technology Group	198	Management Support Services, Release Management/Quality Assurance/Configuration Management, Application Development, Data Services, Architecture & Project Management Services
Booz Allen Hamilton, Inc.	70	Media Training, Writing, Editorial, Marketing, Survey & Research Services
Business Advantage Consulting	358	Project Oversight & Management Services, Application Development & Content Management
California Department of Health Care Services	20	Annual Fee For Long-term Care Policy & Partnership Services
Capio Group	919	Database Administration, Management Support Services, Business Process Reengineering, Business Transformation/Transition & IT Security
Capital Technology Associates	152	Management Support Services, Project Management & Oversight Services
Chisoft Consultant Services, LLC	54	Architecture & Application Development
Compliance 11, Inc.	92	Personal Trading Software Services
Cornerstone Fitness, Inc.	86	Organizational Development & Readiness. Employee Training & Development
CVS Caremark	9,793	Pharmacy Claims Administration, Account Management, Eligibility, Retail & Other Reporting Services
Dee Hansford Consulting	69	Writing, Editorial, Education, Marketing & Outreach Campaigns Services
Delegata	1,364	Data Services, Application Development, Architecture, Database Administration, Management Support Services & Business Process Reengineering
Department of General Services/RR Donnelly	317	Open Enrollment Printing, Mail Processing & Postage
Department of Human Resources	91	Election Forms for the Alternate Retirement Program (ARP) Processing Services
Department of Justice	133	Conduct & Provide External Investigative Services
Diamond Marketing Solutions	185	Statement Generation & Mailing Services, Data Transmission & Customer Acceptance Testing Services, Production Quality Assurance Services & Project Management Services
Dolamont Consulting, Inc.	1,186	Business Transformation/Transition, Specialized IT Support Services for Investment Systems/Business & Management Support Services
Downey, Brand, Seymour & Rohwer, LLP	21	Legal Opinions & Advice. Analyze Employee Benefit, Federal & State Tax Laws
DSS Research, Inc.	104	Project Management, Design & Development, Database Preparation, Printing & Survey Tracking
Eagle Management Group	173	Coordinate Conference/Event Participation Services & Display Exhibit Shipping & Set-Up
Eaton Interpreting Services	60	Professional Sign Language Interpreter Services
Enclipse Corporation	709	Application Development & Database Administration, Network & Backup Management
Enterprise Networking Solutions	46	Technical Writing, Business Process Reengineering, Project Management Services & Data Services
Equanim Technologies	1,286	Project Oversight & Management Services, Management Support Services & Release Management/Quality Assurance/Configuration Management
Experis IT Services Us, LLC	251	Contract Support & Recruiting Services

Consultant and Professional Services Expenses— (continued)

(Dollars in Thousands)

Individual or Firm	Fees	Nature of Service
Ferenczy & Paul, LLP	$22	Legal Opinions & Advice. Analyze Federal & State Tax Laws
Gordon & Silver, LLP	231	Legal Services on Litigation Matters
GovernmentJobs.com, Inc.	34	Publicize, Post CalPERS Recruitments, Collect & Retain Applications
Group One Consultants, Inc.	61	Develop Comprehensive Candidate Profile, Screen Candidate, Conduct Face-To-Face Interviews & Prepare written In-Depth Profiles on the Candidate
H&B Joint Venture	65	Consulting Services on Pension System Resumption (PSR) Project
Hewitt Consulting	48	Actuarial Consulting for the Health Program & Benefits, Medical Management, Utilization Management & Pharmaceutical Benefit Management Consulting & Leveraging Health Care Information System
Hewlett Packard	1,083	Mission Critical Advisory Service & Software Support
Highlands Consulting Group	1,815	Survey & Research Services
HP Enterprise Services, LLC	221	Project Management Services, Architecture, Data Services & Database Administration
Information Technology Software Professional	584	Data Services, Project Management Services, Architecture, Application Development & Content Management
Informatix, Inc.	215	Business Process Reengineering, Business Transformation/Transition, Management Support Services, Technical Writing, Data Network & Services
ING U.S.	3,587	Third Party Member Record-keeper
Innovative Software Technologies, Inc.	282	Exadata Transition & Annual Valuation Refresh
J & K Court Reporting, LLC	70	Transcribe Administrative Hearings & Appeals, Protest Proceedings & Full Hearing
J. A. Frasca and Associates	222	Release Management/Quality Assurance/Configuration Management, Application Development, Project Management & Management Support Services
Jay Gaines & Company, Inc.	93	Comprehensive Candidate Profile Development & Timeline Search for Specified Vacant Position(s)
JLynnconsulting, Inc.	975	Database Administration & Services, Application Development, Technical Writing, Business Process Reengineering & Training Services
K & L Gates, LLP	6,627	Legal & Advice Services. Monitor & Report on State & Federal Judicial Proceedings, including Municipal Bankruptcies
Katrina Kennedy Training	30	Organizational Development & Readiness. Employee Training & Development & Leadership Development
Kearnford Application Systems Design	1,453	Project Management Services, Architecture, Data Services, Application Development, Management Support Services & Business Process Reengineering
Kenera Consulting, Inc.	268	Business Transformation/Transition, Management Support Services, Application Development & Project Management Services
Kiefer Consulting, Inc.	507	Content Management, Management Support Services, Database Administration, Application Development, Architecture & Project Management Services
Knowledge Structures, Inc.	44	Employee Training & Development
Kong Consulting, Inc.	527	PeopleSoft Financials Functional Support Services
KPMG, LLP	2,238	Organizational & Leadership Development, Strategic & Operational Business Planning, Performance Management, Program Evaluation & Management Analysis
Landor	110	Writing, Editorial, Marketing, Survey & Research Services
LCS Technologies, Inc.	1,634	Application Development & Database Administration
Lincoln Crow, LLC	209	Writing, Editorial & Marketing Services
Linsonic, LLC	214	Architecture, Data Services, Application Development & Database Administration
Lussier, Vienna, Gregor & Associates	786	Identify & Monitor Proposed Legislations, Regulations & Issues of Interest or Concern to CalPERS
M Corp	588	Project Management Services, Data Services, Application Development, Release Management/Quality Assurance/Configuration Management, Management Support Services & Business Process Reengineering
Macias Gini & O'Connell LLP	643	Independent Audit in Accordance with Generally Accepted Auditing Standards (GAAS) and Agreed-Upon Procedures
Maximus Federal Services, Inc.	43	Independent Medical Review of Appeal Cases & Research of Various Benefit Issues
McKinsey & Company, Inc.	72	Organizational & Structural Analysis & Specialty Consulting
McLagan Partners, Inc.	58	Biennial Salary Surveys & Consultation on the Structure & Administration of the Compensation Program

Consultant and Professional Services Expenses— (continued)

(Dollars in Thousands)

Individual or Firm	Fees	Nature of Service
Mellon Bank	$320	Banking Services
Mercer Health And Benefits	1,229	Actuarial Consulting of Health Program & Benefits, Medical & Utilization Management Consulting, Pharmaceutical Benefit Management Consulting & Leveraging Health Care Information System, Long-term Care Pricing Support Project, PBM Post-Implementation Audit Project
Metavista Consulting Group	41	Project Oversight & Management Services, Technical Writing, Management Support Services, Business Process Reengineering & Business Transformation/Transition
Mindstorm	36	Video & Multimedia Production Services & Post Production Services
Modis, Inc.	116	System Support, Database Administration, Data Services, Project Oversight & Management Services, IT Security & Specialized IT Support Services
Monarch Enterprises, Inc.	156	Application Development
Moore Wallace North America, Inc.	509	Provide Production & Fulfillment of the Open Enrollment Communication Dissemination Materials
Netresult, LLC	92	Project Management Services, Architecture, Data Services, Application Development, Database Administration, Content Management & Business Process Reengineering
North Highland Company	486	Business Process Reengineering, Business Transformation/Transition, Management Support Services, Architecture, Project Management & Oversight Services
Nossaman, Guther, Knox & Elliott	30	Legal Services on Bankruptcy Cases
Online Video Service, Inc.	232	Media Training, Web Event & Webinar Services
Pacific Business Group on Health	43	Maintenance of the Existing Customized Internet Based Health Plan Chooser Tool, Annual Update to Accommodate New Plan & Benefit Design Changes
Pasanna Consulting Group, LLC	865	Architecture & Application Development
Performance Technology Partners, LLC	2,268	Telecommunications, Release Management/Quality Assurance/Configuration Management, Management Support Services, Business Process Reengineering & IT Security
Pillsbury Winthrop Shaw Pittman, LLP	619	Legal Services
Princeton Solutions Group, Inc.	287	Project Oversight & Management Services, Architecture, Application Development & Release Management/Quality Assurance/Configuration Management
Propoint Technology, Inc	182	Project Management Services, Application Development, Technical Writing, Management Support Services, Business Process Reengineering, Business Transformation/Transition & Specialized IT Support Services for Investment Systems/Business
Pyramid Technical Consultants, LLC	252	Project Management Services & Specialized IT Support Services for Investment Systems/Business
R & G Associates	219	Project Oversight & Management Support Services
Reed Smith, LLP	495	Legal & Litigation Services
Regents of the University of California	278	Evaluation Study on the Impact of the CalPERS Reference Pricing Benefit on the Use of & Expenditures for Hip & Knee Replacement Surgery
Rosenberg & Kaplan, A Law Corporation	200	Legal Services, Advice & Representation in Negotiations of Agreements with Different Health Care Insurance Companies
Saba Software, Inc.	67	Business & Technical Consulting & Development
Safeguard Web and Graphics	166	Typesetting, Printing, Packaging & Mailing Services for Board of Administration Elections & Possible Run-Off Elections
Sage 2.0	127	Project Management & Data Services & Application Development
Sall Law Firm	100	Legal Services in Ethics & Conflict of Interest Matters
SAS International, Inc.	497	Application Servers, Desktop Services, Unix/Linux Platform & Data Network
Shah & Associates, LLP	74	Legal Services & Representation of the Board in State, Federal & Quasi-Judicial Proceeding
Shaw Valenza, LLP	63	Litigation & Advisory Legal Services. Labor Negotiations
Shooting Star Solutions, LLC	377	Project Oversight & Management Services, Management Support Services, Business Process Reengineering & IT Security
Sign Language Interpreting Service Agency	55	Professional Sign Language Interpreter Services
Softsol Resources, Inc.	91	MyICalPERS Health Application Development & Support

Consultant and Professional Services Expenses— (continued)

(Dollars in Thousands)

Individual or Firm	Fees	Nature of Service
Softsol Technologies, Inc.	$869	Data Network & Backup Management, Database Administration, Mainframe, Application Servers, & Disaster Recovery
Sophus Consulting	21	CalPERS ProLaw Implementation
SRI Infotech, Inc.	541	Architecture, Data Services, Application Development, Database Administration & Application Servers
Staff Tech, Inc.	127	Wintel Platform, Unix/Linux Platform, Mainframe, Application Servers, Desktop Services, Technical Writing & IT Security
Stanfield Systems, Inc.	624	Database Administration, Content Management, Mainframe, Disaster Recovery & Specialized IT Support Services for Investment Systems/Business
State Controller's Office	11,228	Interest Earning Computation Services & Claims Schedule Processing Services, Information Technology, Other Post Employment Benefits & General Administrative Services
Steptoe & Johnson, LLP	2,421	Legal Services; Federal Tax Advice
Stoel Rives, LLP	140	Legal Services & Assistance with the Negotiation of Contracts Between CalPERS & Health Plans & Third Party Administrators of Health Programs
T5 Consulting	601	Application Development
Take 1 Productions	52	Video & Multimedia Production Services, Post Production Services & Captioning Services
Technisource, Inc.	28	Application Servers, Desktop Services, Technical Writing, Data Backup Management, Database Administration, Wintel Platform, Application Development & Project Management Services
Technology Crest Corporation	186	Architecture, Application Development, Systems Support & Application Servers
Trinity Technology Group, Inc.	1,070	Project Management Services, Architecture, Data Services, Application Development, Release Management/Quality Assurance/Configuration Management, Technical Writing, Management Support Services, Business Process Reengineering & Specialized IT Support Services for Investment Systems/Business
Truven Health Analytics Inc.	2,477	Advantage Application Service Provider Services & Advantage Suite Data Consulting Services, Health Member Data Set Up, Storage & ERRP Closeout Submission Services
Two Shea Consulting, Inc.	132	Administrative Support
United Health Services	466	Actuarial Services
University of California, San Francsisco	24	Identify the Rates of Potentially Avoidable Complications (PAC)
University of California, Berkeley	95	Evaluation of the Impact of the CalPERS Reference Pricing Benefit Design on Use & Expenditures for Hip & Knee Replacement Surgery
Univita	18,780	Billing, Banking, Claims Administration, Underwriting, Care Advisory, Enrollment, Customer & Specialist, Reporting, Data Feed Services
Unleashing Leaders, Inc.	52	Executive Reporting & Communication. Oversight & Assessment. Mentoring & Organization Change Management
Vantage Consulting Group, Inc.	857	Production Support, Sub-System Production Support, Pension Reform/ Health Reform Analysis & Support
Vanwrite	88	Employee Training & Development
Veaco Group	26	Self-Assessment Process
Viaspire	60	User Experience Design, Strategy & Research
Virtcom Consulting	28	Diversity & Inclusion Assessment & Strategic Planning Training
Visionary Integration, LLC (VIP)	590	IT Security, Business Process Reengineering, Management Support Services, Application Servers, Data Services & Network & Database Administration
Zuber Lawler & Del Duca, LLP	201	Legal Services on State Contracts for Goods & Services or Claims Involving Banking & Finance
Various	338	
TOTAL CONSULTANT & PROFESSIONAL SERVICES EXPENSES	**$215,918**	

Statement of Changes in Assets and Liabilities — Agency Funds

For the Fiscal Year Ended June 30, 2013 (Dollars in Thousands)

RBF	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
ASSETS				
Cash & Cash Equivalents	$0	$20,689	$20,688	$1
Member, Public Agencies, State & Schools Receivables	—	15,146	14,934	212
Interests & Dividends Receivables	5	4	5	4
Due from PERF	—	1	—	1
Short Term Investments	4,167	10,940	9,728	5,379
TOTAL ASSETS	**$4,172**	**$46,780**	**$45,355**	**$5,597**
LIABILITIES				
Due to Other Funds	$0	$8	$8	$0
Other Program	4,172	15,171	13,746	5,597
TOTAL LIABILITIES	**$4,172**	**$15,179**	**$13,754**	**$5,597**

CRF	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
ASSETS				
Cash & Cash Equivalents	$21,262	$117,938	$139,200	$0
Member, Public Agencies, State & Schools Receivables	23,751	2,171,479	2,180,754	14,476
Interest & Dividends Receivables	74	42	74	42
Due From Federal Government	12,633	33,745	34,972	11,406
Short Term Investments	303,313	2,621,003	2,570,328	353,988
TOTAL ASSETS	**$361,033**	**$4,944,207**	**$4,925,328**	**$379,912**
LIABILITIES				
Due to Health Carriers	$199,087	$4,794,397	$4,772,717	$220,767
Due to Member, Public Agencies, State & Schools	81,326	99,272	111,276	69,322
Due to Other Funds	68,353	868,228	855,293	81,288
Other Program	12,267	43,616	47,348	8,535
TOTAL LIABILITIES	**$361,033**	**$5,805,513**	**$5,786,634**	**$379,912**

Statement of Changes in Assets and Liabilities — Agency Funds (continued)

For the Fiscal Year Ended June 30, 2013 (Dollars in Thousands)

	RBF & CRF Totals			
	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
ASSETS				
Cash & Cash Equivalents	$21,262	$138,627	$159,888	$1
Member, Public Agencies, State & Schools Receivables	23,751	2,186,625	2,195,687	14,689
Interests & Dividends Receivables	79	46	79	46
Due From Other Funds	—	1	—	1
Due From Federal Government	12,633	33,745	34,972	11,406
Short Term Investments	307,480	2,631,944	2,580,057	359,367
TOTAL ASSETS	**$365,205**	**$4,990,988**	**$4,970,683**	**$385,510**
LIABILITIES				
Due to Health Carriers	$199,087	$4,794,397	$4,772,717	$220,767
Due to Member, Public Agencies, State & Schools	81,326	99,272	111,276	69,322
Due to Other Funds	68,353	868,236	855,301	81,288
Other Program	16,439	58,787	61,093	14,133
TOTAL LIABILITIES	**$365,205**	**$5,820,692**	**$5,800,387**	**$385,510**