

**Total Fund Monthly Update- Performance & Risk  
PUBLIC EMPLOYEES' RETIREMENT FUND (PERF)**



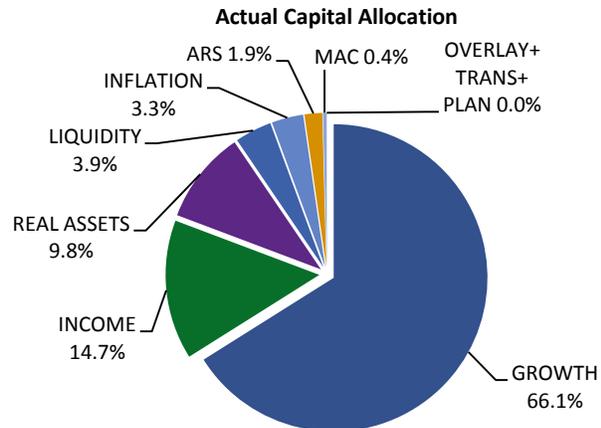
Month Ending February 28, 2014

**STRATEGIC ASSET ALLOCATION**

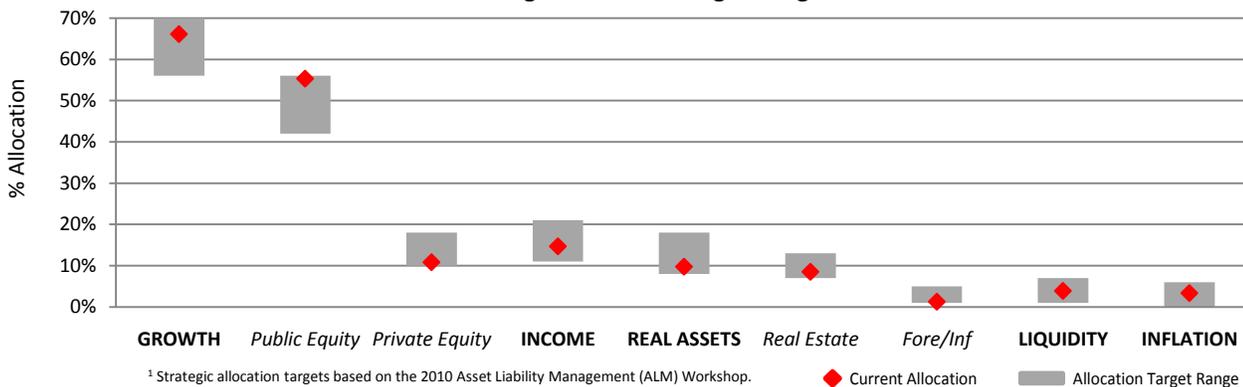
**Investment Belief 6:** Strategic asset allocation is the dominant determinant of portfolio risk and return. CalPERS strategic asset allocation process transforms the fund's targeted rate of return to the market exposures that staff will manage. CalPERS will aim to diversify its overall portfolio across distinct risk factors and return drivers.

**Total Fund Objective**

CalPERS general investment goals are broad in nature. The overall objective of CalPERS investment program is to provide members and beneficiaries with benefits as required by law. This will be accomplished through a carefully planned and executed long-term investment program that efficiently and effectively allocates and manages the assets of CalPERS. CalPERS investment policies have been designed to allow CalPERS to achieve a long-term total return. As such, prudent risk-taking is appropriate within the context of overall diversification to meet CalPERS long-term investment objectives. The assets of CalPERS will be broadly diversified to minimize the effect of short-term losses within any investment program.



**Strategic Allocation Target Range<sup>1</sup>**



<sup>1</sup> Strategic allocation targets based on the 2010 Asset Liability Management (ALM) Workshop.

◆ Current Allocation

■ Allocation Target Range

TOTAL FUND ASSET ALLOCATION	Current Allocation(%)	Interim Strategic Target (%) <sup>1</sup>	Variance(%)	Current Allocation (billions)	Interim Strategic Target (billions)	Variance (billions)
<b>GROWTH</b>	66.1%	64%	2.1%	\$ 188.5	\$ 182.5	\$ 6.0
PUBLIC EQUITY	55.3%	50%	5.3%	\$ 157.8	\$ 142.6	\$ 15.2
PRIVATE EQUITY	10.8%	14%	(3.2%)	\$ 30.7	\$ 39.9	\$ (9.2)
<b>INCOME</b>	14.7%	17%	(2.3%)	\$ 41.9	\$ 48.5	\$ (6.6)
<b>REAL ASSETS</b>	9.8%	11%	(1.2%)	\$ 27.8	\$ 31.4	\$ (3.5)
REAL ESTATE	8.5%	9%	(0.5%)	\$ 24.2	\$ 25.7	\$ (1.4)
FORESTLAND (FORE)	0.8%	1%	(0.2%)	\$ 2.2	\$ 2.9	\$ (0.6)
INFRASTRUCTURE (INF)	0.5%	1%	(0.5%)	\$ 1.4	\$ 2.9	\$ (1.5)
<b>LIQUIDITY</b>	3.9%	4%	(0.1%)	\$ 11.1	\$ 11.4	\$ (0.3)
<b>INFLATION</b>	3.3%	4%	(0.7%)	\$ 9.5	\$ 11.4	\$ (1.9)
<b>ARS</b>	1.9%	N/A	1.9%	\$ 5.3	N/A	\$ 5.3
<b>MAC</b>	0.4%	N/A	0.4%	\$ 1.1	N/A	\$ 1.1
<b>OVERLAY+TRANS+PLAN</b>	0.0%	N/A	(0.0%)	\$ (0.1)	N/A	\$ (0.1)
<b>TOTAL FUND</b>	100.0%	100.0%	0.0%	\$ 285.2	\$ 285.2	\$ -

<sup>1</sup> Interim strategic targets adopted by the Investment Committee at the August 2011 Investment Committee meeting.

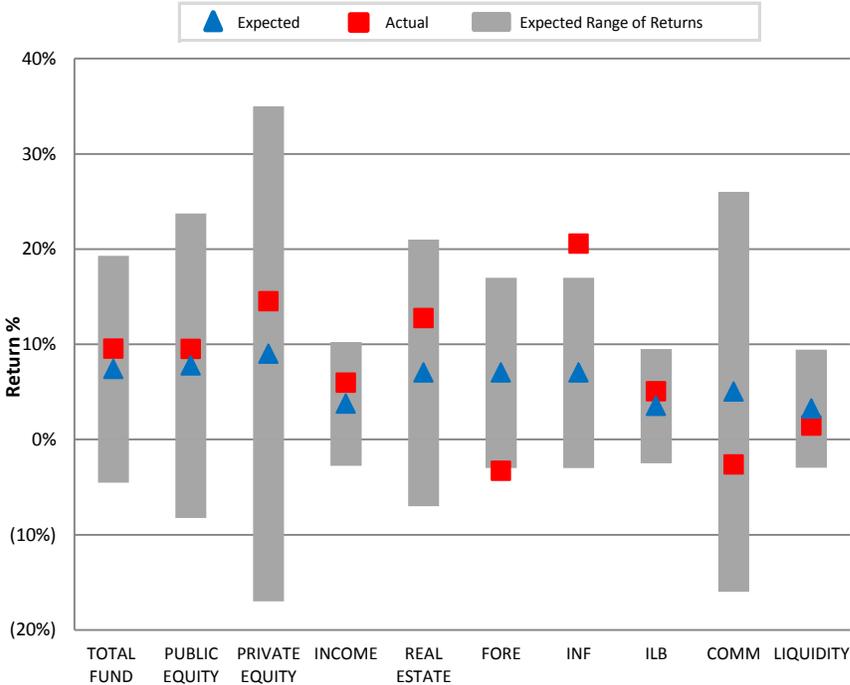
**ASSET LIABILITY MANAGEMENT EXPECTATIONS VS. ACTUAL RESULTS**

*Investment Belief 7: CalPERS will take risk only where we have a strong belief we will be rewarded for it. An expectation of a return premium is required to take risk; CalPERS aims to maximize return for the risk taken.*

**Asset Liability Assumptions**

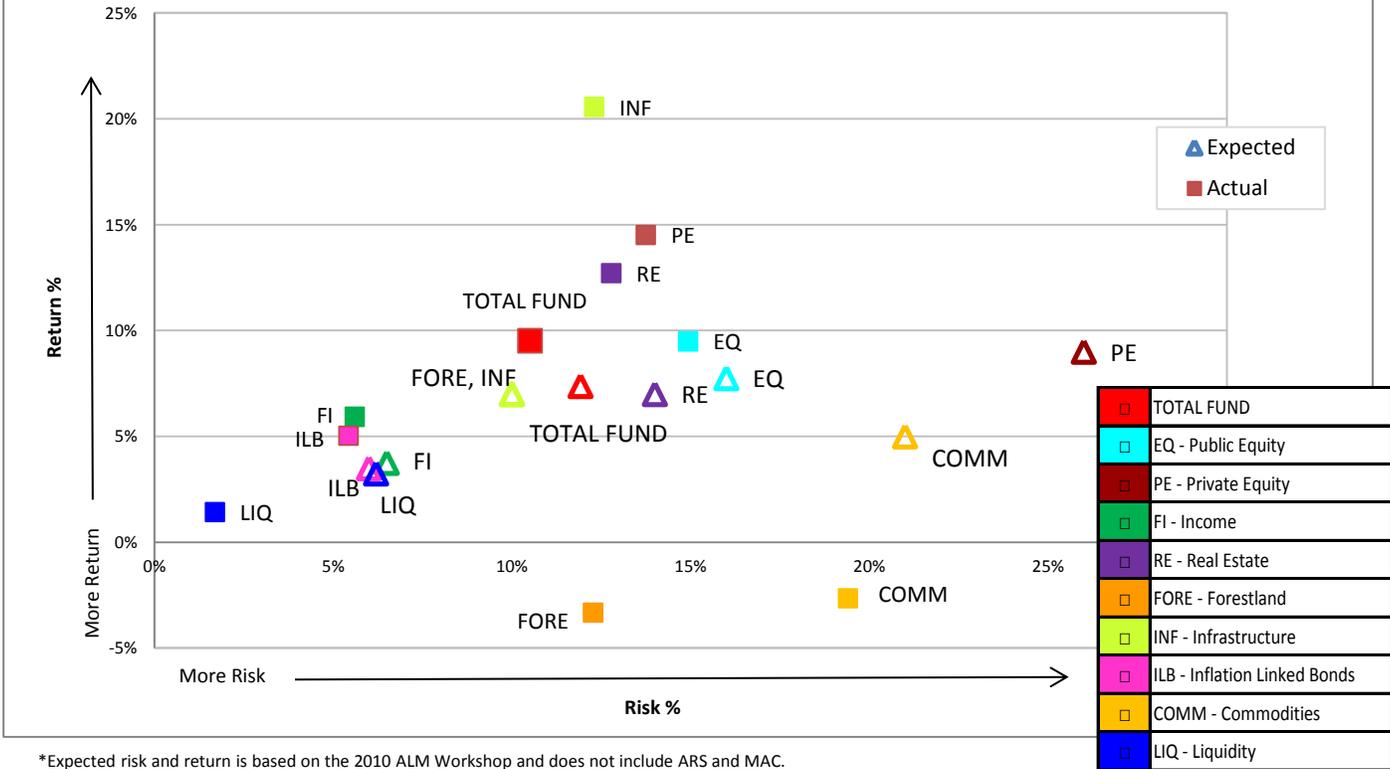
As part of the Strategic Asset Allocation process, a comprehensive strategy analysis shall be completed at least once every three years and will be presented to the Investment Committee (IC) for review and approval of policy target asset class allocations and ranges. Staff may recommend a more frequent analysis of asset class allocations and ranges if expected returns, risks or liability values have substantially changed since the prior analysis. Additionally, the strategy shall be reviewed by staff at least annually to ensure that all assumptions used in establishing the strategy continue to be reasonable. Staff may also recommend to the IC changes in the policy targets and ranges. The strategy shall reflect analyses that consider the current and expected financial condition of CalPERS including projected CalPERS liabilities. Analyses shall also encompass the expected long-term capital markets outlook, expected inflation, and CalPERS risk tolerance.

**Expected Return vs. 3-Year Actual Return**



Note: The expected range of returns is based on the expected volatility of returns (standard deviation) from the 2010 ALM Workshop.

**Expected Risk and Return\* vs. Current Projected Risk and 3-Year Return**



\*Expected risk and return is based on the 2010 ALM Workshop and does not include ARS and MAC.

**PERFORMANCE SUMMARY**

*Investment Belief 5: CalPERS must articulate its investments goals and performance measures and ensure clear accountability for their execution.*

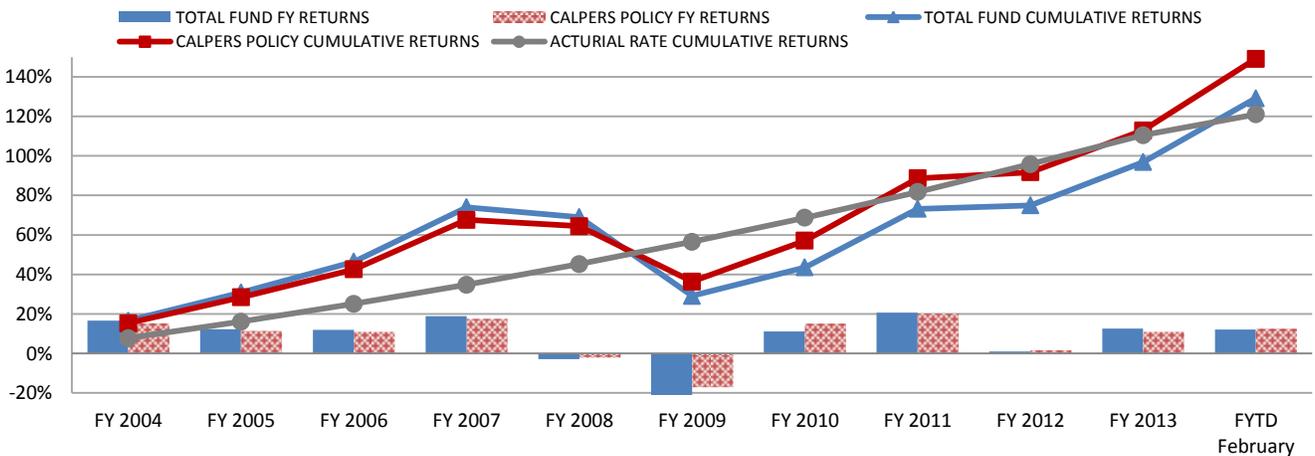
As of 2/28/14	FYTD		3-YR		5-YR		10-YR		20-YR	
	Net Return	Excess BPS	Net Return	Excess BPS	Net Return	Excess BPS	Net Return	Excess BPS	Net Return	Excess BPS
<b>GROWTH</b>	17.0%	(103)	10.7%	(71)	18.7%	(180)	7.7%	(90)	9.0%	22
PUBLIC EQUITY	18.1%	28	9.5%	26	20.9%	9	7.0%	(31)	8.7%	42
PRIVATE EQUITY	11.8%	(589)	14.5%	(347)	12.8%	(712)	13.2%	(212)	12.2%	71
<b>INCOME</b>	4.3%	108	5.9%	43	10.7%	348	6.4%	78	7.3%	60
<b>REAL ASSETS</b>	2.7%	(355)	11.2%	(38)	(5.5%)	(973)	3.5%	(554)	6.7%	(269)
REAL ESTATE	2.8%	(423)	12.7%	(18)	(6.3%)	(1,287)	2.9%	(680)	6.4%	(333)
FORE	(1.3%)	(333)	(3.3%)	(731)	(1.5%)	(352)	N/A	N/A	N/A	N/A
INF	7.0%	419	20.6%	1,408	16.2%	944	N/A	N/A	N/A	N/A
<b>LIQUIDITY</b>	0.4%	(49)	1.4%	(37)	1.0%	(21)	2.3%	(3)	3.6%	17
<b>INFLATION</b>	4.1%	(2)	1.8%	(80)	8.2%	83	N/A	N/A	N/A	N/A
<b>ARS</b>	6.0%	252	3.3%	(206)	6.4%	76	4.6%	(251)	N/A	N/A
<b>MAC</b>	6.4%	145	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>TOTAL FUND</b>	<b>12.2%</b>	<b>(45)</b>	<b>9.5%</b>	<b>(4)</b>	<b>13.3%</b>	<b>(228)</b>	<b>6.7%</b>	<b>(94)</b>	<b>7.9%</b>	<b>(33)</b>

TOTAL FUND SINCE INCEPTION DATE NET RATE OF RETURN (07/01/1988) 8.77%

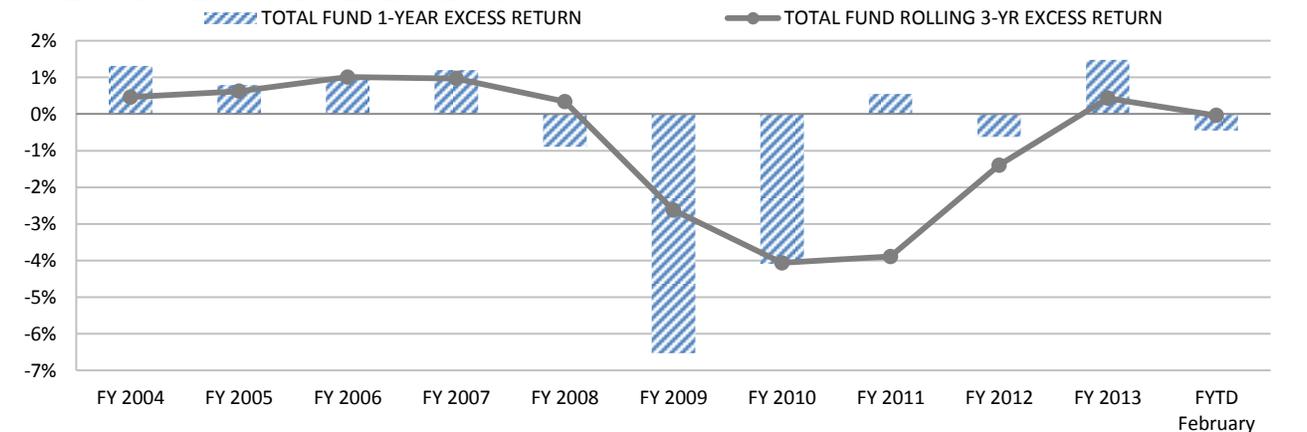
	FYTD		3-YR		5-YR		10-YR		20-YR	
	Net Return	Excess BPS	Net Return	Excess BPS	Net Return	Excess BPS	Net Return	Excess BPS	Net Return	Excess BPS
TOTAL FUND (TF)	12.2%	(45)	9.5%	(4)	13.3%	(228)	6.7%	(94)	7.9%	(33)
TAP <sup>1</sup>	0.3%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>TF PLUS TAP</b>	<b>12.2%</b>	<b>N/A</b>	<b>9.5%</b>	<b>N/A</b>	<b>13.3%</b>	<b>N/A</b>	<b>6.7%</b>	<b>N/A</b>	<b>7.9%</b>	<b>N/A</b>

<sup>1</sup> Terminated Agency Pool (TAP) funded in July 2013 and exists to provide benefit payments to members who are employees of agencies that have terminated their contract with CalPERS.

**TOTAL FUND CUMULATIVE RETURN**



**TOTAL FUND ROLLING 3-YEAR EXCESS RETURN**



**TOTAL FUND RISK**

**Investment Belief 9:** Risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error. CalPERS shall develop a broad set of investment and actuarial risk measures and clear processes for managing risk. The path of returns matters, because highly volatile returns can have unexpected impacts on contribution rates and funding status.

**Overview**

Risk management is central to managing the assets of CalPERS and to achieving the strategic objectives. A framework for risk management is established through the adoption of investment policies for total fund strategic asset allocation, individual asset classes and portfolios with appropriate benchmarks and reasonable risk limits for the implementation of the risk program. The level of risk assumed will be monitored and reported using selected risk metrics as required in the Risk Management Policy.

Risk Measure	1/31/2014	6/30/2013	Explanation of Risk Measures:
<b>Forecast Total Risk</b>			
Portfolio	10.5%	11.9%	The total (gross) risk of the Total Fund expressed in the standard deviation (1 yr) of the funds total return distribution, expressed in percent. The forecast expected return of the Total Fund from the previous Asset Liability Management process was 7.38%. There is two-thirds probability that the Total Fund return over the next year will be between -3.13% and 17.89%, and a 95% probability that the fund will return between -13.64% and 28.40%.
Benchmark	10.2%	11.2%	
<b>Forecast Tracking Error</b>			
Portfolio	0.8%	1.1%	Forecast tracking error is the difference in risk between a managed portfolio and benchmark, measured as the standard deviation (1-yr) of the differential return between the portfolio and an equal investment in the benchmark. There is a two-thirds probability that the Total Fund excess return will fall within 0.82% above or below the policy benchmark return, and 95% probability the return of the Total Fund will fall within 1.64% above or below the policy benchmark return.
<b>Value at Risk (10 day, 95%)</b>			
Portfolio	\$10.25 B	\$10.07 B	Value at Risk (VaR) characterizes the potential loss in a portfolio over a given period for a chosen probability level. There is a 1 in 20 chance that the Total Fund will experience a drawdown greater than \$10.25 Billion over a 10-day period.
<b>Expected Shortfall (10 day, 95%)</b>			
Portfolio	\$12.6B	\$12.4 B	Expected shortfall measures the magnitude of loss in an event outside of a specified VaR confidence level and mathematically it is the mean of the tail distribution. The expected shortfall of the portfolio over a 10-day horizon and 95% confidence level is \$12.6 Billion.

Risk and Return Summary								
Asset Class	Portfolio Risk			Active Risk				Realized Info Ratio
	3-Year Realized Return(%)	3-Year Realized Risk(%)	Projected Total Risk(%)	3-Year Active Return(%)	3-Year Active Risk(%)	Policy Risk Budget(%)	Projected Active Risk(%)	
<b>GROWTH</b>	10.0%	11.2%	14.6%	(0.6%)	2.9%		1.0%	(0.9)
Public Equity	8.8%	14.7%	14.9%	0.4%	0.3%		0.3%	2.3
Private Equity	14.2%	5.4%	13.8%	(3.2%)	12.7%		5.5%	(1.1)
<b>INCOME</b>	5.8%	5.0%	5.6%	0.4%	0.9%		1.2%	1.4
<b>REAL ASSETS</b>	13.0%	7.1%	12.4%	1.4%	5.1%		4.5%	0.4
Real Estate	14.7%	8.1%	12.8%	1.6%	5.9%		4.8%	0.3
Forestland	(1.0%)	7.4%	12.3%	(6.6%)	7.5%		7.5%	(0.5)
Infrastructure	25.2%	30.6%	12.3%	18.5%	30.4%		12.3%	0.7
<b>LIQUIDITY</b>	1.4%	1.7%	1.7%	-	0.4%		0.4%	-
<b>INFLATION</b>	2.1%	8.7%	7.5%	(0.5%)	2.6%		1.2%	0.2
<b>ARS</b>	3.4%	3.2%	3.4%	(1.9%)	3.2%		3.5%	0.8
<b>TOTAL FUND</b>	9.3%	7.1%	10.5%	0.2%	1.9%	1.5%	0.8%	-

NOTE: Due to reporting constraints, all risk statistics are as of January 31, 2014

# Total Fund Monthly Update- Performance & Risk

## AFFILIATE AND OTHER FUNDS



Month Ending February 28, 2014

### PERFORMANCE SUMMARY

Defined Benefit Plans	FYTD		3-YR		5-YR		10-YR	
	Net Return	Excess BPS						
JUDGES' RETIREMENT FUND	0.0%	(4)	0.1%	(4)	0.2%	4	1.8%	12
JUDGES' RETIREMENT SYSTEM II FUND	12.8%	19	9.2%	(12)	17.4%	58	6.7%	(12)
LEGISLATORS' RETIREMENT SYSTEM FUND	8.2%	42	7.5%	5	13.8%	124	6.3%	(4)
CERBT STRATEGY 1 FUND	12.8%	26	8.4%	(0)	18.1%	30	N/A	N/A
CERBT STRATEGY 2	10.3%	27	N/A	N/A	N/A	N/A	N/A	N/A
CERBT STRATEGY 3	8.0%	49	N/A	N/A	N/A	N/A	N/A	N/A
CALPERS HEALTH CARE BOND FUND	3.1%	61	4.4%	57	6.4%	127	4.8%	22
LONG-TERM CARE FUND	5.9%	30	4.7%	4	14.0%	68	5.6%	4

Defined Contribution Plan	FYTD		3-YR		5-YR		10-YR	
	Net Return	Excess BPS						
BALANCED GROWTH - POFF	10.6%	(18)	7.2%	(90)	14.7%	(118)	5.2%	(87)

457 Deferred Compensation Plan*	FYTD		3-YR		5-YR		10-YR	
	Net Return	Excess BPS						
CALPERS TARGET 2015 FUND	6.8%	(29)	5.6%	(95)	12.8%	(118)	N/A	N/A
CALPERS TARGET 2020 FUND	8.4%	(26)	6.2%	(98)	14.4%	(121)	N/A	N/A
CALPERS TARGET 2025 FUND	10.1%	(19)	6.7%	(109)	15.8%	(125)	N/A	N/A
CALPERS TARGET 2030 FUND	11.6%	(17)	7.5%	(111)	17.5%	(124)	N/A	N/A
CALPERS TARGET 2035 FUND	13.1%	(20)	7.9%	(125)	18.7%	(139)	N/A	N/A
CALPERS TARGET 2040 FUND	14.3%	(15)	8.4%	(126)	19.1%	(136)	N/A	N/A
CALPERS TARGET 2045 FUND	14.5%	(14)	8.5%	(125)	19.0%	(145)	N/A	N/A
CALPERS TARGET 2050 FUND	14.5%	(15)	8.5%	(126)	19.1%	(141)	N/A	N/A
CALPERS TARGET INCOME FUND	5.2%	(19)	4.8%	(60)	8.9%	(104)	N/A	N/A
SSgA STIF	-0.3%	(33)	-0.4%	(47)	N/A	N/A	N/A	N/A

\*Funds that transitioned to SSgA on October 7, 2013 will not be reported until FYTD returns are available.

## PERFORMANCE SUMMARY- continued

Supplemental Contributions Program*	FYTD		3-YR		5-YR		10-YR	
	Net Return	Excess BPS						
CALPERS TARGET 2015 FUND	6.7%	(35)	5.6%	(91)	N/A	N/A	N/A	N/A
CALPERS TARGET 2020 FUND	8.4%	(33)	6.2%	(94)	14.4%	(115)	N/A	N/A
CALPERS TARGET 2025 FUND	10.1%	(24)	6.7%	(104)	N/A	N/A	N/A	N/A
CALPERS TARGET 2030 FUND	11.6%	(24)	7.4%	(120)	17.5%	(120)	N/A	N/A
CALPERS TARGET 2035 FUND**	N/A							
CALPERS TARGET 2040 FUND	14.3%	(21)	8.5%	(121)	19.1%	(131)	N/A	N/A
CALPERS TARGET 2045 FUND**	N/A							
CALPERS TARGET 2050 FUND**	N/A							
CALPERS TARGET INCOME FUND	5.1%	(25)	4.9%	(56)	8.9%	(99)	N/A	N/A
SSgA STIF	(0.3%)	(35)	(0.2%)	(32)	N/A	N/A	N/A	N/A

\*Funds that transitioned to SSgA on October 7, 2013 will not be reported until FYTD returns are available.

\*\*When the ending market value (EMV) drops to zero, the inception date of the fund resets to the next first day of the month with an EMV.

## AFFILIATE FUNDS ASSET ALLOCATION

Defined Benefit Plans	Target Range %	Strategic Target %	Actual Investment %	Variance % (Strategic vs. Actual)
<b>JUDGES' RETIREMENT FUND</b>				
CASH	100%	100%	100%	0%
<b>JUDGES' RETIREMENT SYSTEM II FUND</b>				
GLOBAL EQUITY	58-68%	63%	62%	(1%)
DOMESTIC FIXED INCOME	15-25%	20%	20%	0%
TIPS	4-8%	6%	6%	0%
REITs	6-10%	8%	8%	0%
COMMODITIES	1-5%	3%	3%	0%
CASH	N/A	3%	3%	0%
<b>LEGISLATORS' RETIREMENT SYSTEM FUND</b>				
GLOBAL EQUITY	27-37%	32%	32%	0%
DOMESTIC FIXED INCOME	37-47%	42%	42%	0%
TIPS	11-19%	15%	15%	0%
REITs	6-10%	8%	8%	0%
COMMODITIES	1-5%	3%	3%	0%
CASH	N/A	0%	0%	0%
<b>CERBT STRATEGY 1 FUND</b>				
GLOBAL EQUITY	61-71%	66%	65%	(1%)
DOMESTIC FIXED INCOME	13-23%	18%	18%	0%
TIPS	3-7%	5%	5%	0%
REITs	6-10%	8%	8%	0%
COMMODITIES	1-5%	3%	3%	0%
CASH	N/A	0%	0%	0%

**AFFILIATE FUNDS ASSET ALLOCATION- continued**

Defined Benefit Plans	Target Range %	Strategic Target %	Actual Investment %	Variance % (Strategic vs. Actual)
<b>CERBT STRATEGY 2</b>				
GLOBAL EQUITY	45-55%	50%	49%	(1%)
DOMESTIC FIXED INCOME	19-29%	24%	24%	0%
TIPS	11-19%	15%	15%	0%
REITs	6-10%	8%	8%	0%
COMMODITIES	1-5%	3%	3%	0%
CASH	N/A	0%	0%	0%
<b>CERBT STRATEGY 3</b>				
GLOBAL EQUITY	27-37%	32%	31%	(1%)
DOMESTIC FIXED INCOME	37-47%	42%	43%	1%
TIPS	11-19%	15%	15%	0%
REITs	6-10%	8%	8%	0%
COMMODITIES	1-5%	3%	3%	0%
CASH	N/A	0%	0%	0%
<b>CALPERS HEALTH CARE BOND FUND</b>				
DOMESTIC FIXED INCOME	100%	100%	100%	0%
<b>LONG-TERM CARE FUND</b>				
GLOBAL EQUITY	11-19%	15%	17%	2%
DOMESTIC FIXED INCOME	56-66%	61%	59%	(2%)
TIPS	4-8%	6%	6%	0%
REITs	8-16%	12%	12%	0%
COMMODITIES	4-8%	6%	6%	0%
CASH	N/A	0%	0%	0%

Defined Contribution Plans	Target Range %	Policy Target %	Actual Investment %	Variance % (Policy vs. Actual)
<b>2015</b>				
U.S. EQUITY	8%-10%	10%	10%	0%
INTERNATIONAL EQUITY	10%-14%	12%	12%	0%
U.S. FIXED INCOME	45%-53%	49%	49%	0%
REAL ASSETS	0%	0%	0%	0%
CASH	25%-33%	29%	28%	(1%)
<b>2020</b>				
U.S. EQUITY	15%-19%	17%	17%	0%
INTERNATIONAL EQUITY	17%-21%	19%	19%	0%
U.S. FIXED INCOME	35%-43%	39%	39%	0%
REAL ASSETS	1%-3%	2%	2%	0%
CASH	19%-27%	23%	22%	(1%)
<b>2025</b>				
U.S. EQUITY	17%-25%	21%	21%	0%
INTERNATIONAL EQUITY	21%-29%	25%	25%	0%
U.S. FIXED INCOME	28%-36%	32%	32%	0%
REAL ASSETS	3%-5%	4%	4%	0%
CASH	16%-20%	18%	17%	(1%)

Note: Asset Allocations approved at the Investment Committee meeting on June 17, 2013, effective October 7, 2013.

**AFFILIATE FUNDS ASSET ALLOCATION- continued**

Defined Contribution Plans	Target Range %	Policy Target %	Actual Investment %	Variance % (Policy vs. Actual)
<b>2030</b>				
U.S. EQUITY	22%-30%	26%	26%	0%
INTERNATIONAL EQUITY	27%-35%	31%	31%	0%
U.S. FIXED INCOME	21%-29%	25%	25%	0%
REAL ASSETS	5%-7%	6%	6%	0%
CASH	10%-14%	12%	12%	0%
<b>2035</b>				
U.S. EQUITY	27%-35%	31%	31%	0%
INTERNATIONAL EQUITY	32%-40%	36%	36%	0%
U.S. FIXED INCOME	16%-20%	18%	18%	0%
REAL ASSETS	7%-9%	8%	8%	0%
CASH	6%-8%	7%	7%	0%
<b>2040</b>				
U.S. EQUITY	32%-40%	36%	36%	0%
INTERNATIONAL EQUITY	38%-46%	42%	42%	0%
U.S. FIXED INCOME	9%-13%	11%	11%	0%
REAL ASSETS	9%-11%	10%	10%	0%
CASH	0%-2%	1%	1%	0%
<b>2045</b>				
U.S. EQUITY	33%-41%	37%	37%	0%
INTERNATIONAL EQUITY	39%-47%	43%	43%	0%
U.S. FIXED INCOME	8%-12%	10%	10%	0%
REAL ASSETS	9%-11%	10%	10%	0%
CASH	0%	0%	0%	0%
<b>2050</b>				
U.S. EQUITY	33%-41%	37%	37%	0%
INTERNATIONAL EQUITY	39%-47%	43%	43%	0%
U.S. FIXED INCOME	8%-12%	10%	10%	0%
REAL ASSETS	9%-11%	10%	10%	0%
CASH	0%	0%	0%	0%
<b>2055</b>				
U.S. EQUITY	33%-41%	37%	37%	0%
INTERNATIONAL EQUITY	39%-47%	43%	43%	0%
U.S. FIXED INCOME	8%-12%	10%	10%	0%
REAL ASSETS	9%-11%	10%	10%	0%
CASH	0%	0%	0%	0%
<b>INCOME</b>				
U.S. EQUITY	7%-11%	9%	9%	0%
INTERNATIONAL EQUITY	9%-13%	11%	11%	0%
U.S. FIXED INCOME	46%-54%	50%	50%	0%
REAL ASSETS	0%	0%	0%	0%
CASH	26%-34%	30%	29%	(1%)

Note: Asset Allocations approved at the Investment Committee meeting on June 17, 2013, effective October 7, 2013.