

Basic Financial Statements

Fiscal Year Ended June 30, 2014

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California Public Employees' Retirement System
A Component Unit of the State of California

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, 2014, 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.

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, 2014, 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 2 to the basic financial statements, the System implemented the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans- an Amendment of GASB Statement No. 25*, for the fiscal year ended June 30, 2014.

As discussed in Note 7 to the basic financial statements, the total pension liabilities of the Public Employees' Retirement Fund Schools Cost-Sharing Pension Plan and Public Agencies Cost-Sharing Pension Plan, based on the most recent actuarial valuations as of June 30, 2013 rolled forward to June 30, 2014, exceeded the plans' fiduciary net position by \$11.3 billion and \$5.8 billion, respectively. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 7.50 percent, which represents the long-term expected rate of return.

As discussed in Note 1 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 2015. Management and legal counsel believe the State is legally required to provide the required contributions to fund the benefits. As discussed in Note 7 to the basic financial statements, the total pension liability of the Judges' Retirement Fund, based on the most recent actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014, exceeded the plan's fiduciary net position by \$3.3 billion.

As discussed in Note 8 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 for their respective agent plan. Based on the most recent actuarial valuations of the California Employers' Retiree Benefit Trust Fund as of June 30, 2013, the actuarial accrued liability exceeded the actuarial value of assets by \$29.0 billion.

As discussed in Note 12 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, voluntary termination, conversion rates to fixed term policies, mortality, and rate increase.

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, 2013, from which such partial information was derived.

We have previously audited the System's 2013 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 6, 2013. In our opinion, the partial comparative information presented herein as of and for the fiscal year ended June 30, 2013, 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 Changes in Net Pension Liability/(Assets) and Related Ratios, Schedules of Pension Plan Contributions, Schedule of Investment Returns, Schedule of Funding Progress – OPEB Trust Fund, Schedule of Employer Contributions – OPEB Trust Fund and 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.

The introductory, investment, actuarial, statistical, and compliance sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Sacramento, California

Management's Discussion & Analysis (Unaudited)

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, 2014. 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.

OVERVIEW OF THE FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

Management's Discussion and Analysis provides an introduction to and overview of the 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 restricted for pension benefits, other post-employment benefits (OPEB), deferred compensation, and the unrestricted net position of the proprietary funds administered by CalPERS as of June 30, 2014. It also summarizes the combined changes in net position restricted for pension and other post-employment benefits, the changes in unrestricted net position, and the cash flows of the proprietary funds for the year then ended, along with an actuarial view on the funded status of the defined benefit pension and other post-employment benefit plans. The information available in each of these sections is briefly summarized in the following sections.

CalPERS implemented the provisions of Governmental

Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25 (GASB 67)*, during the year ended June 30, 2014. GASB 67 replaces the requirements of 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 equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. GASB 67 requires the disclosures of the total pension liability, fiduciary net position, and net pension liability for single-employer and cost-sharing multiple-employer defined benefit pension plans. GASB 67 also requires certain additional note disclosures for defined benefit pension plans including the annual money-weighted rate of return on plan investments. GASB 67 revised the reporting requirements for required supplementary information to include schedules that provide trend information related to 1) changes in the net pension liability, 2) the actuarially and contractually determined contributions of employer contributing entities, and 3) the annual money-weighted rate of return on plan investments. As a result of implementing GASB 67, CalPERS determined that the cost-sharing and agent multiple-employer plans for the Public Employees' Retirement Fund (PERF) that were previously reported as a single plan in the basic financial statements should be reported as three separate plans (columns).

Management uses a time-weighted rate of return to calculate the investment returns for performance while GASB 67 requires disclosure of the money-weighted rate of return (MWRR). Money-weighted and time-weighted rates of return are two methods of measuring performance, or the rate of return on an investment portfolio. A MWRR is similar in concept to an internal rate of return: it is the discount rate of the present value of inflows less the present value of outflows, net of pension plan investment expenses. The time-weighted rate of return is not sensitive to contributions or withdrawals. It is defined as the compounded growth rate of \$1 over the period being measured.

Fund Financial Statements

At June 30, 2014, 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

Management's Discussion & Analysis (Unaudited) (continued)

services provided and the focus is on determining financial position, operating and non-operating income, cash flows, and changes in net position.

Fiduciary Funds - includes 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 Fund (SPOFF), Public Agency Deferred Compensation Fund (DCF), Supplemental Contributions Program Fund (SCPF), the California Employers' Retiree Benefit Trust Fund (CERBTf) and Replacement Benefit Fund (RBF). 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 are presented for the fiduciary funds as of and for the fiscal year ended June 30, 2014, along with comparative total information as of and for the fiscal year ended June 30, 2013. These financial statements reflect the resources available to pay benefits to retirees and other beneficiaries as of year-end, and the changes in those resources during the year.

Proprietary Funds - includes the combined Public Employees' Health Care Fund (HCF) and Public Employees' Contingency Reserve Fund (CRF) and the Public Employees' Long-Term Care Fund (LTCF). 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, 2014, along with comparative total information as of and for the fiscal year ended June 30, 2013. These financial statements reflect the net position, changes in net position, and cash flows resulting from CalPERS business-type activities.

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 general description of CalPERS, and 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 2 — 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 3 — provides information on cash and cash equivalents.

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

Note 5 — provides information about securities lending.

Note 6 — provides information regarding derivatives.

Note 7 — provides information regarding the net pension liability and actuarial assumptions for the PERF, LRF, JRF, and JRF II.

Note 8 — provides information regarding the funded status and actuarial assumptions for the CERBTf.

Note 9 — provides information about CalPERS participation in the State of California's other post-employment benefits (OPEB).

Note 10 — provides detailed information on the estimated claims liability of the HCF.

Note 11 — provides additional information about participating agencies, and insurance premiums paid by the CRF.

Note 12 — provides information regarding the LTCF June 30, 2014 actuarial valuation and the estimated liability for future policy benefits.

Note 13 — provides additional information regarding retirees receiving replacement benefits, as well as the internal revenue and government codes that regulate the System.

Note 14 — provides information on commitments.

Note 15 — provides information on potential contingencies of CalPERS.

Note 16 — provides information about future accounting pronouncements.

Note 17 — provides information on subsequent events.

Required Supplementary Information

The Required Supplementary Information schedules include actuarial assumptions used to calculate net pension liability, historical trends and other required supplementary information related to the System's defined benefit pension plans as required by GASB 67.

The schedule of funding progress for CERBTf contains actuarial information about the status of the plan from an ongoing, long-term perspective, showing whether there are sufficient assets to pay post-employment benefits when due.

Management's Discussion & Analysis (Unaudited) (continued)

The schedule of employer contributions for CERBTf contains historical trend information regarding the value of the total annual contributions employers must pay and the actual contributions made to meet this requirement.

The schedule of claims development information for HCF provides earned revenues and expenses over the past three years.

Other Supplemental Information

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

FINANCIAL ANALYSIS

Public Employees' Retirement Fund (PERF)

The PERF provides retirement benefits to State of California, schools and other California public agency employees. The PERF benefits are funded by member and employer contributions and by earnings on investments.

PERF is comprised of and reported as three separate entities for accounting purposes. PERF A is comprised of agent multiple-employer plans, which includes State of California and most public agencies rate plans with more than 100 active members. PERF B is a cost-sharing multiple-employer plan of school employers consisting of non-teaching and non-certified employees. PERF C is a cost-sharing multiple-employer plan of public agencies plans with generally less than 100 active members.

The PERF net position increased by \$39.8 billion or 15.2 percent,

which is mainly attributable to strong investment performance.

Investments increased by \$41.3 billion or 15.9 percent, which included increases in global equity of \$25.3 billion or 19.1 percent and global debt securities of \$12.9 billion or 21.6 percent. The remaining holdings of short-term, private equity, and real assets increased \$3.1 billion or 4.6 percent.

Additions to PERF net position include employer and member contributions and investment income. Increases in additions are due primarily to more favorable conditions in the financial markets compared to previous year and increases to employer contribution rates. Contribution rates increased due to the recognition of previous year investment losses and change in discount rate. Despite increases in member contribution rates and the number of active members contributing to the plans, member contributions decreased due to a decrease in service credit purchases in Fiscal Year 2013-14.

Net investment income is comprised of interest income, dividend income, and net appreciation or depreciation in fair value of investments, and is net of investment expenses. Net investment income increased by \$15.3 billion or 50.9 percent due to strong performance in global equities, both public and private, and global debt securities.

Benefit payments are the primary expense of a retirement system. Total deductions are comprised of benefit payments, refund of contributions to members and beneficiaries, and cost of administering the System. The increase in benefit payments is mainly attributable to the increase in number of members and beneficiaries.

The PERF recognized a MWRR of 18.3 percent for the Fiscal Year 2013-14.

Management's Discussion & Analysis (Unaudited) (continued)

Net Position - PERF (Dollars in Thousands)

	PERF A	PERF B	PERF C	2014 PERF Total	2013 PERF Total	Total Percentage Change
ASSETS						
Cash, Cash Equivalents & Receivables	\$2,237,243	\$460,154	\$195,904	\$2,893,301	\$3,039,073	(5%)
Investments	219,520,454	57,018,497	24,944,954	301,483,905	260,182,927	16%
Securities Lending Collateral	12,559,775	3,262,290	1,427,216	17,249,281	17,142,084	1%
Capital Assets, Net & Other Assets	511,001	132,758	58,039	701,798	710,722	(1%)
Total Assets	\$234,828,473	\$60,873,699	\$26,626,113	\$322,328,285	\$281,074,806	15%
LIABILITIES						
Retirement Benefits, Investment Settlement & Other	\$2,575,845	\$629,236	\$272,282	\$3,477,363	\$2,196,264	58%
Securities Lending Obligations	12,443,313	3,232,767	1,413,303	17,089,383	16,888,638	1%
Total Liabilities	\$15,019,158	\$3,862,003	\$1,685,585	\$20,566,746	\$19,084,902	8%
TOTAL NET POSITION	\$219,809,315	\$57,011,696	\$24,940,528	\$301,761,539	\$261,989,904	15%

Changes in Net Position - PERF (Dollars in Thousands)

	PERF A	PERF B	PERF C	2014 PERF Total	2013 PERF Total	Total Percentage Change
ADDITIONS						
Member Contributions	\$2,738,829	\$744,437	\$291,772	\$3,775,038	\$3,896,078	(3%)
Employer Contributions	6,826,837	1,203,071	747,694	8,777,602	8,123,833	8%
Net Investment Income	33,109,453	8,601,820	3,760,548	45,471,821	30,142,076	51%
Securities Lending & Other Income	92,055	23,781	10,387	126,223	149,907	(16%)
Total Additions	\$42,767,174	\$10,573,109	\$4,810,401	\$58,150,684	\$42,311,894	37%
DEDUCTIONS						
Retirement, Death & Survivor Benefits	\$13,398,700	\$3,045,993	\$1,315,891	\$17,760,584	\$16,635,263	7%
Refund of Contributions	123,058	93,930	19,980	236,968	242,595	(2%)
Administrative Expenses	277,780	72,167	31,550	381,497	426,077	(10%)
Total Deductions	\$13,799,538	\$3,212,090	\$1,367,421	\$18,379,049	\$17,303,935	6%
INCREASE IN NET POSITION	\$28,967,636	\$7,361,019	\$3,442,980	\$39,771,635	\$25,007,959	59%
NET POSITION						
Beginning of Year	\$190,841,679	\$49,650,677	\$21,497,548	\$261,989,904	\$236,981,945	11%
End of Year	\$219,809,315	\$57,011,696	\$24,940,528	\$301,761,539	\$261,989,904	15%

Management's Discussion & Analysis (Unaudited) (continued)

Other Defined Benefit Plans

Legislators' Retirement Fund (LRF)

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.

Net investment income was \$15.3 million in the Fiscal Year 2013-14, compared with \$6.9 million in the Fiscal Year 2012-13. The strong performance of global equities was the primary factor in the solid growth of the LRF.

The employer contribution rate was increased from 5.4 percent for the Fiscal Year 2012-13 to 38.381 percent for the Fiscal Year 2013-14, resulting in an increase in employer contributions from approximately \$0.1 million in the Fiscal Year 2012-13 to \$0.6 million in the Fiscal Year 2013-14. This large increase in contribution rates was due to PEPRA, which added a provision into law that prevents employers from using surplus to lower contribution requirements.

The LRF recognized a MWRR of 13.1 percent for the Fiscal Year 2013-14.

Judges' Retirement Fund (JRF)

The JRF provides retirement benefits to California Supreme and Appellate Court Justices and Superior Court Judges appointed or elected before November 9, 1994. The State of California does not pre-fund the benefits for this fund. The benefits are funded on a pay-as-you-go basis.

For the Fiscal Year 2013-14, employer, member, and state "balancing contributions" increased \$29.0 million (17.4 percent) to \$195.9 million, from \$166.9 million for the Fiscal Year 2012-13, primarily due to an increase in the State General Fund contributions.

Judges' Retirement Fund II (JRF II)

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.

Additions to JRF II net position restricted for benefits include employer and member contributions, as well as investment income. Contributions were \$77.4 million, an increase of \$4.6 million from \$72.8 million from the Fiscal Year 2012-13. The number of active members who contribute increased from 1,352 as of June 30, 2013 to 1,396 as of June 30, 2014. For the Fiscal Year 2013-14, the fund had a net investment income of \$149.7 million, an increase of \$71.1 million, compared with \$78.6 million for the Fiscal Year 2012-13. The increase was largely due to higher gains from global equity and global debt securities.

The JRF II recognized a MWRR of 18.4 percent for the Fiscal Year 2013-14.

Management's Discussion & Analysis (Unaudited) (continued)

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

	LRF			JRF			JRF II		
	2014	2013	Total Percentage Change	2014	2013	Total Percentage Change	2014	2013	Total Percentage Change
ASSETS									
Cash, Cash Equivalents & Receivables	\$632	\$1,379	(54%)	\$3,002	\$2,008	50%	\$10,984	\$5,815	89%
Investments	130,553	121,498	7%	55,087	52,636	5%	1,002,770	789,684	27%
Securities Lending Collateral	8,581	9,317	(8%)	—	—	—	78,033	72,197	8%
Total Assets	\$139,766	\$132,194	6%	\$58,089	\$54,644	6%	\$1,091,787	\$867,696	26%
LIABILITIES									
Retirement Benefits, Investment Settlement & Other	\$892	\$841	6%	\$890	\$824	8%	\$470	\$400	18%
Securities Lending Obligations	8,520	9,205	(7%)	—	—	—	77,478	71,330	9%
Total Liabilities	\$9,412	\$10,046	(6%)	\$890	\$824	8%	\$77,948	\$71,730	9%
TOTAL NET POSITION RESTRICTED FOR PENSION BENEFITS	\$130,354	\$122,148	7%	\$57,199	\$53,820	6%	\$1,013,839	\$795,966	27%

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

	LRF			JRF			JRF II		
	2014	2013	Total Percentage Change	2014	2013	Total Percentage Change	2014	2013	Total Percentage Change
ADDITIONS									
Member Contributions	\$113	\$31	265%	\$4,724	\$4,909	(4%)	\$20,413	\$18,819	8%
Employer Contributions	565	80	606%	191,148	161,945	18%	57,027	54,025	6%
Net Investment Income	15,332	6,910	122%	54	76	(29%)	149,679	78,619	90%
Securities Lending & Other Income	40	64	(38%)	2,529	2,694	(6%)	489	595	(18%)
Total Additions	\$16,050	\$7,085	127%	\$198,455	\$169,624	17%	\$227,608	\$152,058	50%
DEDUCTIONS									
Retirement, Death & Survivor Benefits	\$7,482	\$7,548	(1%)	\$193,925	\$187,084	4%	\$8,865	\$10,518	(16%)
Refund of Contributions	—	—	—	10	—	N/A	85	58	47%
Administrative Expenses	362	418	(13%)	1,141	1,413	(19%)	785	899	(13%)
Total Deductions	\$7,844	\$7,966	(2%)	\$195,076	\$188,497	3%	\$9,735	\$11,475	(15%)
INCREASE (DECREASE) IN NET POSITION	\$8,206	(\$881)	1,031%	\$3,379	(\$18,873)	118%	\$217,873	\$140,583	55%
NET POSITION RESTRICTED FOR PENSION BENEFITS									
Beginning of Year	\$122,148	\$123,029	(1%)	\$53,820	\$72,693	(26%)	\$795,966	\$655,383	21%
End of Year	\$130,354	\$122,148	7%	\$57,199	\$53,820	6%	\$1,013,839	\$795,966	27%

Management's Discussion & Analysis (Unaudited) (continued)

ASSET LIABILITY MANAGEMENT - DEFINED BENEFIT PLANS

CalPERS continues its work on asset allocation and risk management through the Asset Liability Management (ALM) process. CalPERS' Investment Office, Actuarial Office, and Financial Office work together to provide an integrated view of assets and liabilities so that financial risks to the System can be better understood, communicated and managed.

The initial review began in 2012 and culminated at the November 2013 Investment Committee meeting with a discussion on the objectives as they relate to these Investment Beliefs: "Liabilities must influence the asset structure"; "Strategic asset allocation is the dominant determinant of portfolio risk and return"; "CalPERS will take risk only where we have a strong belief we will be rewarded for it"; "Risk to CalPERS is multi-faceted and not fully captured through measures such as volatility or tracking error." Aimed to balance assets and liabilities to achieve appropriate levels of risk, ALM is focused on investment and actuarial policies and key decision factors that could drive an optimum asset allocation while stabilizing employer rates and the volatility of those rates year to year.

ALM looks at trend analysis on a holistic view of the organization, focusing on the trends that affect all of CalPERS. Based on this analysis a trend has developed where benefits are beginning to exceed contributions by a noticeable margin. This trend is not likely to change as retirement continues to grow. ALM is designed to help CalPERS meet its pension obligations to current and future members based on the sustainability and soundness of the fund.

Based on the ALM process, in February 2014 the Board adopted strategic asset allocation targets effective July 1, 2014. In May 2014, the Board adopted interim targets to be used during the two year transition period to the strategic targets. These allocation targets are listed below:

PERF Target Asset Allocation Changes

Asset Class	Interim Target Allocation	New Strategic Allocation	Current Allocation	Change
Global Equity	51%	47%	50%	(3%)
Global Fixed Income	19	19	17	2
Inflation Sensitive	6	6	4	2
Private Equity	10	12	14	(2)
Real Estate	10	11	9	2
Infrastructure & Forest	2	3	2	1
Liquidity	2	2	4	(2)

FUNDING ANALYSIS – DEFINED BENEFIT PLANS

In February 2014, the CalPERS Board made important decisions regarding the funding of pension benefits at CalPERS. Specifically, the Board adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of investment returns while holding the fund's long-term assumed rate of return at 7.5 percent. The Board also adopted more significant changes to the actuarial assumptions, most importantly, the inclusion of future mortality improvements in the actuarial assumptions. Finally, the Board approved a financing method that determines when and how quickly these changes will impact employer contributions. The actuarial assumptions adopted by the CalPERS Board of Administration are designed to ensure greater sustainability and soundness of the defined benefit plans, and will be better at predicting future experience resulting in more secure retirement benefits in the decades to come. The current experience study was based on demographic CalPERS data for years 1997 to 2011. The study focused on recent patterns of termination, death, disability, retirement and salary increases. For the LRF, JRF, JRF II and state plans, the new assumptions were implemented in the June 30, 2013 valuation, setting the employer contribution rates for Fiscal Year 2014-15. These new assumptions will apply beginning with the June 30, 2015 valuation for the schools pool, setting the employer contribution rate for the Fiscal Year 2016-17. For public agencies, the new assumptions will apply in the June 30, 2014 valuations, setting rates for the Fiscal

Management's Discussion & Analysis (Unaudited) (continued)

Year 2016-17. Note that the net pension liabilities in this report incorporate the impact of the change in actuarial assumptions adopted by the Board.

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. The amortization would have a five-year ramp-up of rates at the start and a five-year ramp-down at the end. Over time, the proposed methods are designed to improve funding levels and help to reduce overall funding level risk. These new policies will apply beginning with the June 30, 2014 valuation for the LRF, JRF, JRF II, state plans and schools pool, setting employer contribution rates for the Fiscal Year 2015-16. For public agencies, the new policies apply in the June 30, 2013 valuations, setting rates for the Fiscal Year 2015-16.

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 2014-15.

With the implementation of GASB 67, there is a difference between the pension cost that must be reported in financial statements and pension costs established as part of funding valuations. The Actuarial Section included in the report provides actuarial information that was derived for purposes of establishing the funding requirements of employers for which CalPERS administers the retirement benefits.

As of June 30, 2013, the funded status of the PERF was 69.8 percent. The funded status as of June 30, 2014 is estimated to increase to about 77.0 percent as a result of the investment return in Fiscal Year 2013-14. As of June 30, 2013, the funded status of JRF II was 95.1 percent. The funded status as of June 30, 2014 is estimated to increase to about 105.0 percent, mostly as a result of the investment return in Fiscal Year 2013-14. As of June 30, 2013, the funded status of LRF was 105.2 percent. The funded status as of June 30, 2014 is estimated to increase to about 113.0 percent, mostly as a result of the investment return in Fiscal Year 2013-14. All these funded status were calculated based on the market value of assets used in actuarial valuations that set funding requirement for employers.

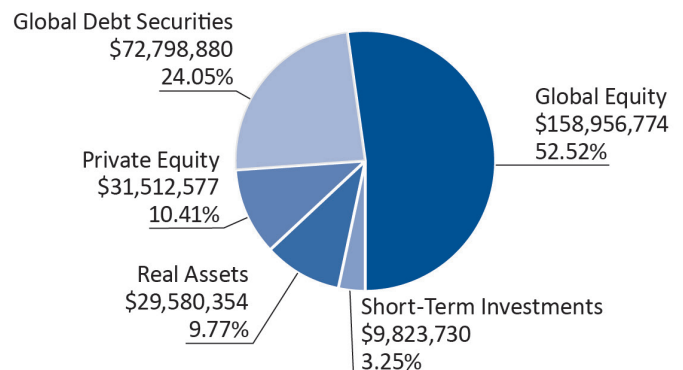
For GASB 67 purposes, the assets that are used for financial reporting are slightly greater than the assets used for funding requirements. We are required to report Plan Fiduciary Net Position as a Percentage of Total Pension Liability for the cost-sharing multiple employer plans, PERF B and PERF C, and for the single-employer pension plans, LRF, JRF, and JRF II. As of June 30, 2014, the Plan Fiduciary Net Position as a Percentage of Total Pension Liability is 83.5 percent for PERF B, 81.0 percent for PERF C, 112.8 percent for LRF, 1.7 percent for JRF, and 104.7 percent for JRF II.

INVESTMENTS – DEFINED BENEFIT PLANS

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. 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.

The following illustrates the investment holdings in the defined benefit plans as of June 30, 2014:

Investment Summary by Fair Value - as of June 30, 2014



Management's Discussion & Analysis (Unaudited) (continued)

DEFINED CONTRIBUTION PLANS

The State Peace Officers' & Firefighters' Defined Contribution Plan Fund (SPOFF) provides supplemental retirement benefits to eligible safety employees. The Supplemental Contributions Program Fund (SCPF) was established effective January 1, 2000, to provide supplemental retirement benefits to members of CalPERS and is entirely member funded. The Public Agency Deferred Compensation Fund (DCF), (formally presented as Public Agency Deferred Compensation Plan (IRC 457)), is available to public agencies and school districts within the State of California and is established to provide a deferred compensation plan.

The net position of the defined contribution plans increased by \$233.3 million or 14.6 percent, which was mainly attributable to strong investment performance. Investments increased by \$232.5 million or 14.6 percent which included increases in global equity of \$70.2 million or 6.7 percent, global debt securities of

\$7.6 million or 1.9 percent and short-term investments of \$154.6 million or 110.0 percent. All investments held in SPOFF, SCPF, and DCF were transitioned to external manager SSgA and invested into SSgA commingled funds in Fiscal Year 2013-14.

Additions to the defined contribution plans net position include member and employer contributions and investment income. Increases in additions are due primarily to more favorable conditions in the financial markets compared to previous year. Net investment income is comprised of net appreciation or depreciation in fair value of investments, interest income and is net of investment expenses. Net investment income increased by \$65.5 million or 38.6 percent due to good performance in global equities and global debt securities.

Total deductions are comprised of participant withdrawals and costs of administering the plans. The increase is mainly attributable to increases in participant withdrawals from the plans which increased by 14.8 percent.

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Management's Discussion & Analysis (Unaudited) (continued)

Net Position - Defined Contribution Plan Funds (Dollars in Thousands)

	SPOFF			DCF			SCPF		
	2014	2013	Total Percentage Change	2014	2013	Total Percentage Change	2014	2013	Total Percentage Change
ASSETS									
Cash, Cash Equivalents & Receivables	\$7	\$8	(13%)	\$12,097	\$10,707	13%	\$12	\$13	(8%)
Investments	523,425	492,046	6%	1,277,661	1,077,851	19%	20,587	19,311	7%
Securities Lending Collateral	—	3,366	100%	—	6,965	100%	—	132	100%
Total Assets	\$523,432	\$495,420	6%	\$1,289,758	\$1,095,523	18%	\$20,599	\$19,456	6%
LIABILITIES									
Retirement Benefits, Investment Settlement & Other	\$805	\$752	7%	\$2,945	\$2,579	14%	\$30	\$29	3%
Securities Lending Obligations	—	3,326	100%	—	6,882	100%	—	131	100%
Total Liabilities	\$805	\$4,078	(80%)	\$2,945	\$9,461	(69%)	\$30	\$160	(81%)
TOTAL NET POSITION RESTRICTED FOR PENSION BENEFITS	\$522,627	\$491,342	6%	\$1,286,813	\$1,086,062	18%	\$20,569	\$19,296	7%

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

	SPOFF			DCF			SCPF		
	2014	2013	Total Percentage Change	2014	2013	Total Percentage Change	2014	2013	Total Percentage Change
ADDITIONS									
Member Contributions	\$103	\$169	(39%)	\$131,900	\$99,977	32%	\$160	\$164	(2%)
Employer Contributions	43	105	(59%)	698	455	53%	—	—	—
Net Investment Income	68,597	53,126	29%	164,384	114,390	44%	2,077	2,050	1%
Securities Lending & Other Income	1,683	39	N/A	5,258	81	N/A	111	1	N/A
Total Additions	\$70,426	\$53,439	32%	\$302,240	\$214,903	41%	\$2,348	\$2,215	6%
DEDUCTIONS									
Administrative Expenses	\$1,556	\$1,460	7%	\$4,101	\$3,467	18%	\$62	\$58	7%
Participant Withdrawals	37,585	34,417	9%	97,388	82,587	18%	1,013	1,448	(30%)
Total Deductions	\$39,141	\$35,877	9%	\$101,489	\$86,054	18%	\$1,075	\$1,506	(29%)
INCREASE IN NET POSITION	\$31,285	\$17,562	78%	\$200,751	\$128,849	56%	\$1,273	\$709	80%
NET POSITION RESTRICTED FOR PENSION BENEFITS									
Beginning of Year	\$491,342	\$473,780	4%	\$1,086,062	\$957,213	13%	\$19,296	\$18,587	4%
End of Year	\$522,627	\$491,342	6%	\$1,286,813	\$1,086,062	18%	\$20,569	\$19,296	7%

Management's Discussion & Analysis (Unaudited) (continued)

OTHER POST-EMPLOYMENT BENEFIT FUND

The California Employers' Retiree Benefit Trust Fund (CERBT) 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 restricted for benefits on June 30, 2014 was \$3.9 billion, an increase of \$1.2 billion due primarily to strong investment returns and increased employer contributions from an increasing number of participating employers from 373 in the Fiscal Year 2012-13, to 427 (representing 431 OPEB plans) at June 30, 2014.

Additions to the CERBT net position restricted for OPEB benefits include employer contributions, which totaled \$1.7 billion in the Fiscal Year 2013-14, an increase of \$649.5 million (63.0 percent) compared to \$1.03 billion in the Fiscal Year 2012-13, primarily due to the increase in participating employers. During the Fiscal Year 2013-14, the fund earned a net investment income of \$515.5 million, an increase of \$279.1 million compared to \$236.4 million in the Fiscal Year 2012-13. The increase resulted from higher investment returns from global equity securities.

Deductions for OPEB reimbursements from the CERBT net position restricted for benefits totaled \$1.02 billion in the Fiscal Year 2013-14, an increase of \$385.8 million (60.8 percent) from \$635.1 million in the Fiscal Year 2012-13. The increase was due to additional employer participants utilizing the trust. Deductions for administrative and investment expenses totaled \$3.0 million. The amounts reported for contributions and reimbursements include \$972.6 million for benefit payments made directly by employers to providers outside of the trust, which are required to be reported in the CERBT in accordance with Generally Accepted Accounting Principles (GAAP).

At June 30, 2013, the date of the most recent actuarial valuations, the funded status is 8.4 percent and the actuarial accrued liabilities exceeded the actuarial value of assets by approximately \$29.0 billion.

Employers can select from three strategies to invest their assets. During Fiscal Year 2013-2014, the conservative option, which is time-weighted, earned 12.9 percent, intermediate risk earned 15.6 percent and growth earned 18.5 percent.

In May 2014, the Actuarial Standards Board adopted revisions to the Actuarial Standards of Practice 6 (ASOP 6) to essentially eliminate the "Community Rating Exemption". The effect of this change to the actuarial standard is that for any OPEB valuation dated on or after March 31, 2015, the actuary must use, with limited exceptions, the "age-adjusted" rates when calculating

the employer OPEB liability. For many employers, including the participating employers in the CERBT program, whose OPEB liability is currently calculated based on a community rated blended premium, their OPEB liability could increase substantially.

Net Position - Other Post-Employment Benefit Fund

(Dollars in Thousands)

	CERTBF		Total Percentage Change
	2014	2013	
ASSETS			
Cash, Cash Equivalents & Receivables	\$107,598	\$48,249	123%
Investments	3,810,731	2,684,477	42%
Securities Lending Collateral	60,551	47,457	28%
Total Assets	\$3,978,880	\$2,780,183	43%
LIABILITIES			
Other Post-Employment Benefits, Investment Settlement & Other	\$30,000	\$22,869	31%
Securities Lending Obligations	60,120	46,887	28%
Total Liabilities	\$90,120	\$69,756	29%
TOTAL NET POSITION RESTRICTED FOR OPEB BENEFITS	\$3,888,760	\$2,710,427	43%

Changes in Net Position -

Other Post-Employment Benefit Fund (Dollars in Thousands)

	CERTBF		Total Percentage Change
	2014	2013	
ADDITIONS			
Employer Contributions	\$1,681,053	\$1,031,619	63%
Investment Income	515,507	236,443	118%
Securities Lending & Other Income	4,483	1,267	254%
Total Additions	\$2,201,043	\$1,269,329	73%
DEDUCTIONS			
Administrative Expenses	\$1,786	\$2,062	(13%)
Reimbursements	1,020,924	635,074	61%
Total Deductions	\$1,022,710	\$637,136	61%
INCREASE IN NET POSITION	\$1,178,333	\$632,193	86%
NET POSITION RESTRICTED FOR OPEB BENEFITS			
Beginning of Year	\$2,710,427	\$2,078,234	30%
End of Year	\$3,888,760	\$2,710,427	43%

Management's Discussion & Analysis (Unaudited) (continued)

ENTERPRISE FUNDS

Public Employees' Health Care Fund (HCF) and Public Employees' Contingency Reserve Fund (CRF)

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 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. The HCF and CRF statements and schedules were combined to give a better overview of the health programs administered by CalPERS.

For 2014, CalPERS implemented three improvements to its Health Program: expanded health plan offerings, risk adjustment, and flex funding.

CalPERS added three new Health Maintenance Organization (HMO) carriers: Health Net of California with two health plans in six counties, Sharp Health Plan in San Diego County, and UnitedHealthcare in 22 counties. In addition, Anthem Blue Cross offered three new health plans: Anthem HMO Traditional in 36 counties, Anthem HMO Select in 22 counties, and Anthem Exclusive Provider Organization (EPO) in Monterey County. The addition of these new plans helps reduce costs by increasing competition and offering more options for members.

The objective of the CalPERS risk adjustment program is to encourage health plans to compete on the basis of medical and administrative efficiency and quality of care rather than on their ability to attract healthier members. Health plan premiums are adjusted based on medical diagnosis data, demographic data, and geographic cost differences so that plans are not placed at a competitive disadvantage when they pursue members who are sicker and/or in higher cost areas.

CalPERS began flex funding its HMO plans to obtain greater transparency in health plan operations and to reduce costs by generating interest revenue on health plan reserves.

The net position of the HCF/CRF decreased by \$11.5 million or 2.5 percent, which was mainly attributable to an increase in administrative expenses due to the implementation of the flex funding HMO plans. Investments increased by \$222.2 million or 21.8 percent, which included an increase in fixed income of \$19.4 million and short-term of \$202.7 million or 32.3 percent.

All investments held in HCF were transitioned to external manager SSgA and invested into SSgA commingled funds in Fiscal Year 2013-14. As a result, securities lending activities are no longer allocated to the HCF. The insurance premiums and claim payable increase is mainly attributable to the introduction of flex funding and cash flow timing differences.

Revenues of HCF/CRF include premiums collected from members and employers, federal subsidies, investment income, and administrative fees collected to administer the plans. Increases in revenues are primarily due to premium increases resulting from the new flex funding HMO plans effective January 2014, the increase in federal subsidies as Fiscal Year 2013-14 was the first full year this program was in place, and strong investment performance. The premium increases are due to flex funding implementation. Non-operating revenues are comprised of net appreciation or depreciation in fair value of investments and interest income. Investment income increased by \$15.9 million or 319.9 percent due to good performance in global debt securities.

Total expenses are comprised of claims expense, investment expense, and costs of administering the plans. The increase is mainly attributable to claim expense, which increased by 39.1 percent.

Public Employees' Long-Term Care Fund (LTCF)

The LTCF helps to provide financial protection to active participants from the high cost of eligible covered services caused by chronic illness, injury or old age. Long-Term Care products reimburse the cost for covered personal care (activities of daily living) services such as bathing, dressing, toileting, transferring, continence and eating, which are not typically covered by traditional health insurance or Medicare.

LTCF participation is voluntary and benefits are funded by member premiums and the LTCF investment income. The LTCF is continuously appropriated under the exclusive control of the Board for the exclusive benefit of participants in the program. LTCF contracts with a third-party service provider to administer the program.

Management's Discussion & Analysis (Unaudited) (continued)

In October 2012, the Board approved the following LTCF stabilization actions for participants:

- Adding new 3, 6, and 10-year retained inflation (RI) benefit design options for LTC participants to mitigate future rate increases;
- Extending the RI option to all plans with built-in inflation protection;
- Including an optional Daily Benefit Amount (DBA) "buy-back" for those participants who dropped their built-in inflation protection or decreased their DBA after the 2010 premium increase.

In February 2013, the Board approved a new benefit design and premium pricing for a new product offering called - LTC 4. Some key benefit design features include: international benefit, in-home care services, inflation protection options, daily benefit allowance ranging from \$150 to \$400, return of premium death benefit, restoration of benefits, and paid-up survivor benefit. In December 2013, LTC 4 was launched with a continuous open application period. Also in 2013, LTCF program eligibility was expanded, through the legislation, to include adult children and other qualified persons.

The net position of the LTCF increased by \$84.1 million or 12.4 percent, which was mainly attributable to an increase in global fixed income investment performance of \$270.6 million. The insurance premiums and claim payable increase is mainly attributable to the increase in active claimants of 3.5 percent.

Revenues of LTCF include premiums collected from participants and investment income to administer the plans. Due to an increase in the premium rate, participation in the plan decreased by 3.5 percent. This directly impacted the premium revenue, which decreased by 7.0 percent. Non-operating revenues are comprised of net appreciation or depreciation in fair value of investments and interest income. Investment income increased by \$273.7 million due to good performance in global debt securities.

Total expenses are comprised of claims expense, investment expense, and costs of administering the plans. The increase is mainly attributable to claim expense which increased by 13.9 percent.

Management's Discussion & Analysis (Unaudited) (continued)

Net Position - Enterprise Funds (Dollars in Thousands)

	HCF/CRF			LTCF		
	2014	2013	Total Percentage Change	2014	2013	Total Percentage Change
ASSETS						
Cash, Cash Equivalents & Receivables	\$175,872	\$72,162	144%	\$18,912	\$4,383	331%
Investments	1,239,870	1,017,718	22%	4,148,188	3,713,371	12%
Securities Lending Collateral	—	2,479	100%	—	—	—
Loan Receivable	13,500	22,500	(40%)	—	—	—
Total Assets	\$1,429,242	\$1,114,859	28%	\$4,167,100	\$3,717,754	12%
LIABILITIES						
Insurance Premiums & Claims Payable & Estimated Insurance Claims Due	\$658,302	\$557,372	18%	\$274,757	\$243,538	13%
Member & Employer Premium Payable	49,370	—	N/A	—	—	—
Securities Lending Obligations	—	2,450	100%	—	—	—
Other Liabilities	278,012	99,955	178%	21,766	4,092	432%
Estimated Liability for Future Policy Benefits	—	—	—	3,107,329	2,791,002	11%
Total Liabilities	\$985,684	\$659,777	49%	\$3,403,852	\$3,038,632	12%
TOTAL UNRESTRICTED NET POSITION	\$443,558	\$455,082	(3%)	\$763,248	\$679,122	12%

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

	HCF/CRF			LTCF		
	2014	2013	Total Percentage Change	2014	2013	Total Percentage Change
REVENUES						
Premiums	\$2,831,603	\$1,921,838	47%	\$286,571	\$307,812	(7%)
Federal Government Subsidies	43,900	22,375	96%	—	—	—
Federal Government Reimbursements	—	17	100%	—	—	—
Non-Operating Revenues	20,846	4,964	320%	393,354	119,607	229%
Administrative Fees & Other	24,899	17,809	40%	—	—	—
Securities Lending Income	15	41	(63%)	—	909	100%
Total Revenues	\$2,921,263	\$1,967,044	49%	\$679,925	\$428,328	59%
EXPENSES						
Claims Expense	\$2,536,953	\$1,824,082	39%	\$225,691	\$198,185	14%
Increase (Decrease) in Estimated Liabilities	173,796	16,781	936%	345,547	(631,804)	155%
Non-Operating Expenses	160	95	68%	1,615	1,280	26%
Administrative Expenses	221,878	132,556	67%	22,946	21,819	5%
Total Expenses	\$2,932,787	\$1,973,514	49%	\$595,799	(\$410,520)	245%
INCREASE (DECREASE) IN UNRESTRICTED NET POSITION	(\$11,524)	(\$6,470)	78%	\$84,126	\$838,848	(90%)
UNRESTRICTED NET POSITION (DEFICIT)						
Beginning of Year	\$455,082	\$461,552	(1%)	\$679,122	(\$159,726)	525%
End of Year	\$443,558	\$455,082	(3%)	\$763,248	\$679,122	12%

Management's Discussion & Analysis (Unaudited) (continued)

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 Financial Office, P.O. Box 942703, Sacramento, CA, 94229-2703, or by calling **888 CalPERS** (or 888-225-7377).

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Statement of Fiduciary Net Position – Fiduciary Funds

As of June 30, 2014, with Comparative Totals as of June 30, 2013 (Dollars in Thousands)

	Pension Trust Funds			
	PERF A	PERF B	PERF C	PERF Total
ASSETS				
Cash & Cash Equivalents	\$449,399	\$116,754	\$51,042	\$617,195
Receivables				
Members	\$779,244	\$107,174	\$62,994	\$949,412
Employers	656,559	144,766	41,884	843,209
Investment Sales & Other	134,653	34,983	15,293	184,929
Interest & Dividends	172,100	44,711	19,547	236,358
Due from Other Funds	4,971	1,292	565	6,828
Other Program	40,317	10,474	4,579	55,370
Total Receivables	\$1,787,844	\$343,400	\$144,862	\$2,276,106
Investments, at Fair Value				
Short-Term Investments	\$7,109,813	\$1,846,711	\$807,916	\$9,764,440
Global Equity Securities	115,162,647	29,912,479	13,086,375	158,161,501
Global Debt Securities	52,764,200	13,705,034	5,995,799	72,465,033
Real Assets	21,601,884	5,610,899	2,454,705	29,667,488
Debt on Real Assets	(63,445)	(16,479)	(7,210)	(87,134)
Private Equity	22,945,355	5,959,853	2,607,369	31,512,577
Total Investments	\$219,520,454	\$57,018,497	\$24,944,954	\$301,483,905
Securities Lending Collateral	\$12,559,775	\$3,262,290	\$1,427,216	\$17,249,281
Capital Assets, Net & Other Assets	511,001	132,758	58,039	701,798
TOTAL ASSETS	\$234,828,473	\$60,873,699	\$26,626,113	\$322,328,285
LIABILITIES				
Retirement & Other Benefits	\$1,136,504	\$258,658	\$110,354	\$1,505,516
Investment Purchases & Other	1,213,101	315,163	137,783	1,666,047
Due to Members, Public Agencies, State & Schools	4,091	—	—	4,091
Securities Lending Obligations	12,443,313	3,232,767	1,413,303	17,089,383
Due to Other Funds	8,819	2,291	1,002	12,112
Other Program	213,330	53,124	23,143	289,597
TOTAL LIABILITIES	\$15,019,158	\$3,862,003	\$1,685,585	\$20,566,746
NET POSITION - RESTRICTED FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS	\$219,809,315	\$57,011,696	\$24,940,528	\$301,761,539

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

Statement of Fiduciary Net Position – Fiduciary Funds (continued)

As of June 30, 2014, with Comparative Totals as of June 30, 2013 (Dollars in Thousands)

	Pension Trust Funds							Other Post-Employment Benefit Trust Fund	Agency Fund	Totals	
	LRF	JRF	JRF II	SPOFF	DCF	SCPF	CERBTF			RBF	2014
ASSETS											
Cash & Cash Equivalents	\$1	\$1	\$1	\$1	\$0	\$0	\$0	\$0	\$0	\$617,199	\$745,325
Receivables											
Members	\$99	\$1,052	\$150	\$0	\$3,527	\$12	\$0	\$0	\$954,252	\$970,748	
Employers	503	1,808	10,704	6	—	—	107,267	1,275	964,772	830,400	
Investment Sales & Other	5	—	57	—	—	—	23	—	185,014	347,246	
Interest & Dividends	—	17	4	—	—	—	6	4	236,389	168,544	
Due from Other Funds	19	66	44	—	—	—	302	1	7,260	6,777	
Other Program	5	58	24	—	8,570	—	—	—	64,027	38,430	
Total Receivables	\$631	\$3,001	\$10,983	\$6	\$12,097	\$12	\$107,598	\$1,280	\$2,411,714	\$2,362,145	
Investments, at Fair Value											
Short-Term Investments	\$1,236	\$55,087	\$2,967	\$68,839	\$220,762	\$5,479	\$85,110	\$9,094	\$10,213,014	\$8,664,113	
Global Equity Securities	55,582	—	739,691	325,507	781,113	6,936	2,757,384	—	162,827,714	136,443,141	
Global Debt Securities	73,735	—	260,112	129,079	275,786	8,172	968,237	—	74,180,154	60,943,029	
Real Assets	—	—	—	—	—	—	—	—	29,667,488	27,245,522	
Debt on Real Assets	—	—	—	—	—	—	—	—	(87,134)	(142,142)	
Private Equity	—	—	—	—	—	—	—	—	31,512,577	32,272,146	
Total Investments	\$130,553	\$55,087	\$1,002,770	\$523,425	\$1,277,661	\$20,587	\$3,810,731	\$9,094	\$308,313,813	\$265,425,809	
Securities Lending Collateral	\$8,581	\$0	\$78,033	\$0	\$0	\$0	\$60,551	\$0	\$17,396,446	\$17,281,518	
Capital Assets, Net & Other Assets	—	—	—	—	—	—	—	—	701,798	710,722	
TOTAL ASSETS	\$139,766	\$58,089	\$1,091,787	\$523,432	\$1,289,758	\$20,599	\$3,978,880	\$10,374	\$329,440,970	\$286,525,519	
LIABILITIES											
Retirement & Other Benefits	\$649	\$10	\$0	\$0	\$421	\$0	\$28,210	\$0	\$1,534,806	\$1,438,698	
Investment Purchases & Other	1	—	13	—	—	—	7	—	1,666,068	520,039	
Due to Members, Public Agencies, State & Schools	4	49	2	—	—	—	—	—	4,146	3,221	
Securities Lending Obligations	8,520	—	77,478	—	—	—	60,120	—	17,235,501	17,026,399	
Due to Other Funds	31	53	145	180	430	7	277	1	13,236	7,541	
Management Fees	—	—	—	147	1,044	9	981	—	2,181	3,186	
Other Program	207	778	310	478	1,050	14	525	10,373	303,332	257,470	
TOTAL LIABILITIES	\$9,412	\$890	\$77,948	\$805	\$2,945	\$30	\$90,120	\$10,374	\$20,759,270	\$19,256,554	
NET POSITION - RESTRICTED FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS	\$130,354	\$57,199	\$1,013,839	\$522,627	\$1,286,813	\$20,569	\$3,888,760	\$0	\$308,681,700	\$267,268,965	

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

Statement of Changes in Fiduciary Net Position – Fiduciary Funds

For the Fiscal Year Ended June 30, 2014, with Comparative Totals for the Fiscal Year Ended June 30, 2013 (Dollars in Thousands)

	Pension Trust Funds			
	PERF A	PERF B	PERF C	PERF Total
ADDITIONS				
Retirement and OPEB Contributions				
Members	\$2,738,829	\$744,437	\$291,772	\$3,775,038
Employers	6,826,837	1,203,071	747,694	8,777,602
Total Retirement and OPEB Contributions	\$9,565,666	\$1,947,508	\$1,039,466	\$12,552,640
Investment Income				
Net Appreciation in Fair Value of Investments	\$32,338,497	\$8,401,526	\$3,672,984	\$44,413,007
Interest	434,126	112,786	49,307	596,219
Dividends	832,018	216,158	94,500	1,142,676
Real Assets	104,924	27,259	11,917	144,100
Private Equity	416,399	108,180	47,294	571,873
Other Investment Income	27,842	7,233	3,163	38,238
Less Investment Expenses:				
Real Assets	(66,742)	(17,339)	(7,581)	(91,662)
Other	(977,611)	(253,983)	(111,036)	(1,342,630)
Net Investment Income	\$33,109,453	\$8,601,820	\$3,760,548	\$45,471,821
Securities Lending Income	\$107,881	\$28,027	\$12,253	\$148,161
Securities Lending Expense	(21,487)	(5,582)	(2,440)	(29,509)
Net Securities Lending	\$86,394	\$22,445	\$9,813	\$118,652
Other Income	\$5,661	\$1,336	\$574	\$7,571
TOTAL ADDITIONS	\$42,767,174	\$10,573,109	\$4,810,401	\$58,150,684
DEDUCTIONS				
Retirement, Death & Survivor Benefits	\$13,398,700	\$3,045,993	\$1,315,891	\$17,760,584
Refund of Contributions	123,058	93,930	19,980	236,968
Administrative Expenses	277,780	72,167	31,550	381,497
TOTAL DEDUCTIONS	\$13,799,538	\$3,212,090	\$1,367,421	\$18,379,049
INCREASE IN NET POSITION	\$28,967,636	\$7,361,019	\$3,442,980	\$39,771,635
NET POSITION-RESTRICTED FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS				
Beginning of Year	\$190,841,679	\$49,650,677	\$21,497,548	\$261,989,904
End of Year	\$219,809,315	\$57,011,696	\$24,940,528	\$301,761,539

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

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

For the Fiscal Year Ended June 30, 2014, with Comparative Totals for the Fiscal Year Ended June 30, 2013 (Dollars in Thousands)

							Other Post- Employment Benefit Trust Fund	Totals	
	LRF	JRF	JRF II	SPOFF	DCF	SCPF	CERBTF	2014	2013
ADDITIONS									
Retirement and OPEB Contributions									
Members	\$113	\$4,724	\$20,413	\$103	\$131,900	\$160	\$0	\$3,932,451	\$4,020,147
Employers	565	7,067	57,027	43	698	—	—	8,843,002	8,185,392
State of California General Fund	—	184,081	—	—	—	—	—	184,081	155,051
Employer Contributions Direct – OPEB	—	—	—	—	—	—	708,449	708,449	441,708
Employer Contributions Outside of Trust – OPEB	—	—	—	—	—	—	972,604	972,604	589,911
Total Retirement and OPEB Contributions	\$678	\$195,872	\$77,440	\$146	\$132,598	\$160	\$1,681,053	\$14,640,587	\$13,392,209
Investment Income									
Net Appreciation in Fair Value of Investments	\$15,379	\$0	\$149,975	\$68,821	\$160,013	\$2,077	\$516,717	\$45,325,989	\$29,438,106
Interest	—	59	14	2	308	—	14	596,616	174,884
Dividends	—	—	—	—	—	—	—	1,142,676	1,038,143
Real Assets	—	—	—	—	—	—	—	144,100	157,958
Private Equity	—	—	—	—	—	—	—	571,873	667,673
Other Investment Income	—	—	—	254	4,860	15	6	43,373	26,912
Less Investment Expenses:									
Real Assets	—	—	—	—	—	—	—	(91,662)	(157,098)
Other	(47)	(5)	(310)	(480)	(797)	(15)	(1,230)	(1,345,514)	(712,888)
Net Investment Income	\$15,332	\$54	\$149,679	\$68,597	\$164,384	\$2,077	\$515,507	\$46,387,451	\$30,633,690
Securities Lending Income	\$51	\$0	\$615	\$9	\$21	\$0	\$117	\$148,974	\$183,237
Securities Lending Expense	(11)	—	(126)	(2)	(5)	—	(34)	(29,687)	(38,459)
Net Securities Lending	\$40	\$0	\$489	\$7	\$16	\$0	\$83	\$119,287	\$144,778
Other Income	\$0	\$2,529	\$0	\$1,676	\$5,242	\$111	\$4,400	\$21,529	\$9,870
TOTAL ADDITIONS	\$16,050	\$198,455	\$227,608	\$70,426	\$302,240	\$2,348	\$2,201,043	\$61,168,854	\$44,180,547
DEDUCTIONS									
Retirement, Death & Survivor Benefits	\$7,482	\$193,925	\$8,865	\$0	\$0	\$0	\$0	\$17,970,856	\$16,840,413
Refund of Contributions	—	10	85	—	—	—	—	237,063	242,653
Administrative Expenses	362	1,141	785	1,556	4,101	62	1,786	391,290	435,854
Participant Withdrawals	—	—	—	37,585	97,388	1,013	—	135,986	118,452
OPEB Reimbursements Direct	—	—	—	—	—	—	48,320	48,320	45,163
OPEB Reimbursements – Outside Trust	—	—	—	—	—	—	972,604	972,604	589,911
TOTAL DEDUCTIONS	\$7,844	\$195,076	\$9,735	\$39,141	\$101,489	\$1,075	\$1,022,710	\$19,756,119	\$18,272,446
INCREASE IN NET POSITION	\$8,206	\$3,379	\$217,873	\$31,285	\$200,751	\$1,273	\$1,178,333	\$41,412,735	\$25,908,101
NET POSITION-RESTRICTED FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS									
Beginning of Year	\$122,148	\$53,820	\$795,966	\$491,342	\$1,086,062	\$19,296	\$2,710,427	\$267,268,965	\$241,360,864
End of Year	\$130,354	\$57,199	\$1,013,839	\$522,627	\$1,286,813	\$20,569	\$3,888,760	\$308,681,700	\$267,268,965

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

Statement of Net Position – Proprietary Funds

As of June 30, 2014, with Comparative Totals as of June 30, 2013 (Dollars in Thousands)

	Proprietary Funds		Totals	
	HCF/CRF	LTCF	2014	2013
ASSETS				
Current Assets				
Cash & Cash Equivalents	\$35	\$318	\$353	\$3,919
Receivables				
Members, Public Agencies, State & Schools	\$130,678	\$261	\$130,939	\$44,366
Interest & Dividends	454	—	454	341
Due from Other Funds	10,386	1,294	11,680	5,469
Due from Federal Government	—	—	—	11,406
Investment Sales and Other	—	17,039	17,039	392
Short-Term Loan	9,000	—	9,000	9,750
Other Receivables	25,319	—	25,319	902
Total Receivables	\$175,837	\$18,594	\$194,431	\$72,626
Subtotal Current Assets	\$175,872	\$18,912	\$194,784	\$76,545
Investments, at Fair Value				
Short-Term Investments	\$829,608	\$0	\$829,608	\$626,972
Global Equity Securities	—	1,475,936	1,475,936	1,241,724
Global Debt Securities	410,262	2,672,252	3,082,514	2,862,393
Total Investments	\$1,239,870	\$4,148,188	\$5,388,058	\$4,731,089
Long-Term Loan Receivable	\$13,500	\$0	\$13,500	\$22,500
Securities Lending Collateral	—	—	—	2,479
TOTAL ASSETS	\$1,429,242	\$4,167,100	\$5,596,342	\$4,832,613
LIABILITIES				
Current Liabilities				
Insurance Premiums & Claims Payable	\$268,624	\$29,025	\$297,649	\$147,749
Member and Employer Premium Payable	49,370	—	49,370	—
Estimated Insurance Claims Due	389,678	245,732	635,410	432,394
Securities Lending Obligations	—	—	—	2,450
Due to Other Funds	4,779	925	5,704	4,704
Due to State & Public Agencies	61,546	—	61,546	69,322
Investment Purchases & Other	—	17,039	17,039	—
Management Fees	29	1,040	1,069	789
Other	191,281	2,544	193,825	233,208
Total Current Liabilities	\$965,307	\$296,305	\$1,261,612	\$890,616
Long-Term Liabilities				
Estimated Liability for Future Policy Benefits	\$0	\$3,107,329	\$3,107,329	\$2,791,002
OPEB Obligation	20,377	218	20,595	16,791
Total Long-Term Liabilities	\$20,377	\$3,107,547	\$3,127,924	\$2,807,793
TOTAL LIABILITIES	\$985,684	\$3,403,852	\$4,389,536	\$3,698,409
TOTAL UNRESTRICTED NET POSITION	\$443,558	\$763,248	\$1,206,806	\$1,134,204

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, 2014, with Comparative Totals for the Fiscal Year Ended June 30, 2013 (Dollars in Thousands)

	Proprietary Funds		Totals	
	HCF/CRF	LTCF	2014	2013
Operating Revenues				
Premiums	\$2,831,603	\$286,571	\$3,118,174	\$2,229,650
Federal Government Subsidies	43,900	—	43,900	22,375
Federal Government Reimbursements	—	—	—	17
Administrative Fees Earned	24,884	—	24,884	17,799
Other	15	—	15	10
Total Operating Revenues	\$2,900,402	\$286,571	\$3,186,973	\$2,269,851
Operating Expenses				
Claims Expense	\$2,536,953	\$225,691	\$2,762,644	\$2,022,267
Increase (Decrease) in Estimated Liabilities	173,796	345,547	519,343	(615,023)
Administrative Expenses	221,878	22,946	244,824	154,375
Total Operating Expenses	\$2,932,627	\$594,184	\$3,526,811	\$1,561,619
OPERATING INCOME (LOSS)	(\$32,225)	(\$307,613)	(\$339,838)	\$708,232
Non-Operating Revenues				
Net Appreciation in Fair Value of Investments	\$17,765	\$390,170	\$407,935	\$123,177
Interest, Dividends, & Other Investment Income	3,081	3,184	6,265	1,394
Total Non-Operating Revenues	\$20,846	\$393,354	\$414,200	\$124,571
Non-Operating Expenses				
Other Investment Expenses	157	1,615	1,772	1,247
Total Non-Operating Expenses	\$157	\$1,615	\$1,772	\$1,247
Securities Lending Income	\$15	\$0	\$15	\$950
Costs of Lending Securities	(3)	—	(3)	(128)
Net Securities Lending	\$12	\$0	\$12	\$822
NON-OPERATING INCOME	\$20,701	\$391,739	\$412,440	\$124,146
CHANGE IN UNRESTRICTED NET POSITION	(\$11,524)	\$84,126	\$72,602	\$832,378
TOTAL UNRESTRICTED NET POSITION				
Beginning of Year	\$455,082	\$679,122	\$1,134,204	\$301,826
End of Year	\$443,558	\$763,248	\$1,206,806	\$1,134,204

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

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2014, with Comparative Totals for the Fiscal Year Ended June 30, 2013 (Dollars in Thousands)

	Proprietary Funds		Totals	
	HCF/CRF	LTCF	2014	2013
Cash Flows From Operating Activities				
Premiums Collected	\$2,719,728	\$286,643	\$3,006,371	\$2,287,074
Member and Employer Premium Payable	49,370	—	49,370	—
Federal Government Subsidies	43,900	—	43,900	22,375
Federal Government Reimbursements	—	—	—	17
Claims Paid	(2,356,041)	(223,426)	(2,579,467)	(1,989,508)
Other (Payments) Receipts, Net	(255,915)	(23,605)	(279,520)	(153,252)
Net Cash Provided by Operating Activities	\$201,042	\$39,612	\$240,654	\$166,706
Cash Flows From Investing Activities				
Net Sales (Purchases) of Investments	(\$1,648)	(\$44,751)	(\$46,399)	\$13,895
Net Change in Short-Term Investments	(202,739)	104	(202,635)	(201,852)
Net Proceeds from Securities Lending	48	386	434	1,444
Interest & Dividends Received	1,290	1	1,291	1,493
Other Investment (Payments) Receipts, Net	1,521	1,568	3,089	(1,248)
Net Cash Used for Investing Activities	(\$201,528)	(\$42,692)	(\$244,220)	(\$186,268)
NET DECREASE IN CASH & CASH EQUIVALENTS	(\$486)	(\$3,080)	(\$3,566)	(\$19,562)
Cash & Cash Equivalents, Beginning of Year	\$521	\$3,398	\$3,919	\$23,481
Cash & Cash Equivalents, End of Year	\$35	\$318	\$353	\$3,919
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating Income (Loss)	(\$32,225)	(\$307,613)	(\$339,838)	\$708,232
Changes in Assets & Liabilities :				
Receivables:				
Members, Public Agencies, State & Schools	(86,912)	338	(86,574)	12,329
Due from Other Funds	(4,918)	(1,294)	(6,212)	(4,311)
Due from Federal Government	11,406	—	11,406	1,227
Loans	750	—	750	(9,750)
Other	(15,416)	—	(15,416)	(22,177)
Insurance Premiums & Claims Payable	147,902	1,999	149,901	87,327
Member and Employer Premium Payable	49,370	—	49,370	—
Estimated Insurance Claims Due	173,796	29,220	203,016	16,781
Estimated Liability for Future Policy Benefits	—	316,327	316,327	(631,804)
Due to State & Public Agencies	(7,777)	—	(7,777)	(12,004)
Due to Other Funds	887	113	1,000	(469)
Management Fees	29	251	280	789
OPEB Obligation	3,586	218	3,804	3,433
Other	(39,436)	53	(39,383)	17,103
Net Cash Provided by Operating Activities	\$201,042	\$39,612	\$240,654	\$166,706
Noncash Investing, Capital & Financing Activities				
Noncash Change in Fair Value of Investments	(\$92,044)	\$391,041	\$298,997	(\$735,694)

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

Notes to the Basic Financial Statements

1. DESCRIPTION OF CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

ORGANIZATION

The California Public Employees' Retirement System (CalPERS or the System) was established by legislation in 1931 for the purpose of providing a secure retirement to employees of the State of California (State). In 1939, new legislation allowed public agency and classified school employees to join CalPERS for retirement benefits. CalPERS began administering health benefits for State employees in 1962, and five years later, offered health benefits to public agencies on a contract basis.

CalPERS is governed by the Board of Administration (the Board) which consists of 13 members; two elected by CalPERS members, one elected by active State members, one elected by active CalPERS school members, one elected by active CalPERS public agency members, one elected by retired members of CalPERS, two appointed by the Governor, one public representative appointed jointly by Speaker of the Assembly and Senate Rules Committee and four ex officio members: State Treasurer, State Controller, Director of California Department of Human Resources and Designee of the State Personnel Board. The Board of Administration is responsible for the management and control of CalPERS, including the exclusive control of the administration and investment of the System.

CalPERS acts as the common investment and administrative agency for the following plans:

Plan Name	Type of Plan
Defined Benefit Plans:	
Public Employees' Retirement Fund A	Agent multiple-employer
Public Employees' Retirement Fund B	Cost-sharing multiple-employer
Public Employees' Retirement Fund C	Cost-sharing multiple-employer
Legislators' Retirement Fund	Single-employer
Judges' Retirement Fund	Single-employer
Judges' Retirement Fund II	Single-employer
Defined Contribution Plans:	
State Peace Officers' & Firefighters' Fund	Single-employer (money purchase plan)
Deferred Compensation Fund	Multiple-employer (457 & 401K plans)
Supplemental Contributions Program Fund	Single-employer
Defined Benefit Other Post-Employment Benefit Plan:	
California Employers' Retiree Benefit Trust Fund	Agent multiple-employer

DEFINED BENEFIT PLANS

Below is a summary description of each defined benefit pension plan administered by CalPERS:

Public Employees' Retirement Fund (PERF) - The PERF was established in 1932 and provides retirement, death and disability benefits to its member employers, which include the State of California, non-teaching, non-certified employees in schools and various other public agencies. 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.

PERF is comprised of and reported as three separate entities for accounting purposes. PERF A is comprised of agent multiple-employer plans, which includes State of California and most public agencies rate plans with more than 100 active members. PERF B is a cost-sharing multiple-employer plan of school employers consisting of non-teaching and non-certified employees. PERF C is a cost-sharing multiple-employer plan of public agencies plans with generally less than 100 active members.

As of June 30, 2014, the PERF had the following participating employers:

Affiliated Employers for PERF

PERF Participants	2014
PERF A	
State	1
Public Agencies ¹	426
Total	427
PERF B	
School Districts and Charter Schools	1,517
PERF C	
Public Agencies ¹	1,320
Total Employers	3,264

(1) Each public agency employer can participate in multiple rate plans and may be counted in both PERF A and PERF C.

Legislators' Retirement Fund (LRF) - The LRF was established in 1947 and provides retirement, death, and disability benefits to members employed by the State of California. LRF members consist of state legislators, constitutional offices, and legislative statutory officers. The benefits for the LRF are established in accordance with the provisions of the Legislators' Retirement Law. In November 1990, Article IV, Section 4.5 was added to the

Notes to the Basic Financial Statements (continued)

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 is one legislator 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 2014 (PEPRA) closed the Legislators' Retirement System to new participants effective January 1, 2013.

Judges' Retirement Fund (JRF) - The JRF was established in 1937 and provides retirement, death, and disability benefits to members employed by the State of California. JRF members consist of judges working in the California Supreme Court, the Courts of Appeal, and the Superior Courts who were appointed or elected before November 9, 1994. The benefits for the JRF are established in accordance with the provisions of the Judges' Retirement Law.

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 2014-15.

Judges' Retirement Fund II (JRF II) - The JRF II was established in 1994 and provides retirement, death, and disability benefits to members employed by the State of California. JRF II's members consist of judges working in the California Supreme Court, the Courts of Appeal, and the Superior Courts who were appointed or elected on or after November 9, 1994. The benefits for the JRF II are established in accordance with the provisions of the Judges' Retirement System II Law.

Plan Membership

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. As of June 30, 2014, membership in the defined benefit pension plans consisted of the following:

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

Plan	Members				Total
	Retirees	Survivors & Beneficiaries	Active	Inactive or Deferred	
PERF A	403,690	62,861	418,178	221,248	1,105,977
PERF B	181,214	26,818	278,362	159,139	645,533
PERF C	45,973	6,007	41,882	26,473	120,335
Total PERF	630,877	95,686	738,422	406,860	1,871,845
LRF	122	125	11	16	274
JRF	1,341	581	277	8	2,207
JRF II	61	12	1,396	0	1,469
Total	632,401	96,404	740,106	406,884	1,875,799

Plan Benefits

The benefits for the defined benefit plans are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions

The benefits for the defined benefit pension plans 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 PERF, 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 zero dollars to \$863 monthly.

Notes to the Basic Financial Statements (continued)

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2014 were as follows:

Required Contribution Rates

	Employee-Required Contribution Rates	Employer-Required Contribution Rates
PERF A		
State:		
Miscellaneous - First Tier	5% to 11%	21.12%
Miscellaneous - Second Tier	1.5%	20.99%
Industrial	5% to 11%	15.68%
Safety	9% to 11%	17.21%
Peace Officers and Firefighters	8% to 12%	30.50%
California Highway Patrol	11.5 %	34.62%
Public Agency	4% to 15.25%	5.42% to 47.42%
PERF B		
Classified School	6% or 7%	11.44%
PERF C		
Public Agency	4% to 15.25%	0% to 285.84%
LRF		
	4% or 8%	38.38%
JRF		
	8%	N/A
JRF II		
	8% or 14.25%	22.69%

DEFINED CONTRIBUTION PLANS

CalPERS administers three defined contribution plans to certain members as further described below:

The State Peace Officers' and Firefighters' Plan (SPOFF) - The SPOFF was established in 1998 under Section 401(a) of Title 26 of the United States Code. The SPOFF is a qualified money purchase pension plan 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. Contributions to the plan are funded entirely by the State of California.

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, 2014, the duration of the suspension is unknown. Distributions are allowed only at retirement or permanent separation from all state employment. In October 2013, Senate

Bill No. 227 was signed by the Governor. This legislation terminates the State Peace Officers' and Firefighters' Defined Contribution Plan on January 1, 2014 upon specified Internal Revenue Service (IRS) approvals, whichever is later.

The Deferred Compensation Fund (DCF) - The Deferred Compensation Fund was established in 1990 by Government Code Section 21670 through 21685 under Section 457 of Title 26 of the United States Code, under Section 403(b) of Title 26 of the United States Code, and other tax-preferred retirement saving arrangements under Title 26 of the United States Code. The Deferred Compensation Fund is available to public agencies and school districts in the State of California on a voluntary basis. Members may contribute up to the limit established under the Internal Revenue Code, and may access their funds upon retirement, separation from employment, or other distributable events as allowed under the Internal Revenue Code.

The Supplemental Contribution Plan Fund (SCPF) - The SCPF was established on January 1, 2000 by Chapter 307 of the 1999 Statutes. SCPF is qualified under Section 401(a) of Title 26 of the United States Code. The SCPF is available to State of California employees who are members of CalPERS, 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 SCPF, subject to Internal Revenue Code Section 415(c) limits. 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.

As of June 30, 2014, membership in the defined contribution plans consisted of the following:

Members in SPOFF, DCF and SCPF

Plan	Employers	Members
SPOFF	1	33,729
DCF	747	27,012
SCPF	1	527

OTHER POST-EMPLOYMENT BENEFIT PLAN

The California Employers' Retiree Benefit Trust Fund (CERBTf) - The CERBTf was established by Chapter 331 of the 1988 California Statutes, and employers elect to participate in the CERBTf to save

Notes to the Basic Financial Statements (continued)

funds to pay future retiree and survivors health care and other post-employment benefits. Currently, the CERBTF has 427 participating employers. The CERBTF is more fully described in Note 8 to the financial statements.

OTHER ADMINISTRATIVE ACTIVITIES

CalPERS administers other activities as follows:

Old Age & Survivors' Insurance Revolving Fund (OASI) - The 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 used 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 A for accounting and financial reporting purposes.

Public Employees' Health Care Fund (HCF) - The HCF was established under the Public Employees' Medical and Hospital Care Act (PEMHCA) as of July 1, 1988, providing health insurance coverage to CalPERS members through a pooled risk plan. The HCF is more fully described in Note 10 to the financial statements.

Public Employees' Contingency Reserve Fund (CRF) - The CRF was established in 1962 with the passage of PEMHCA, and provides a contingency reserve for items such as future rates or future benefits. The CRF is more fully described in Note 11 to the financial statements.

Public Employees' Long-Term Care Fund (LTCF) - The LTCF was established in 1995 as the Public Employees Long-Term Care Act (PERL, Chapter 15). The LTCF provides self-insured long-term care plans to enrolled participants. The LTCF is described in more depth in Note 12 to the financial statements.

Replacement Benefit Fund (RBF) - The RBF was established by Chapter 938 of the 1995 State of California Statutes, providing replacement benefits to members of the defined benefit pension

plans. The RBF is more fully described in Note 13 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The accompanying financial statements include all activities and funds administered by CalPERS. CalPERS is a component unit of the State of California for financial reporting purposes. CalPERS financial statements are included in fiduciary and proprietary funds in the State of California Comprehensive Annual Financial Report.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING & BASIS OF PRESENTATION

The accompanying financial statements were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, CalPERS, adheres to the reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accounts of CalPERS are organized and operated on the basis of funds. The Board has a fiduciary responsibility for the investments within both the fiduciary and proprietary funds. CalPERS has the following fund types as of June 30, 2014:

Fiduciary Funds - includes pension trust, other post-employment trust, and agency funds, and account for assets held by the government in a trustee capacity or as an agent on behalf of others. The pension trust funds, which include the PERF A, PERF B, PERF C, LRF, JRF, JRF II, SPOFF, DCF, and SCPF, and the other post-employment benefits fund (CERBTF), are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Contributions to the pension trust funds are recognized in the period in which the contributions are due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The RBF is an agency fund and is custodial in nature, and does not measure the results of operations. Assets and liabilities are recorded using the accrual basis of accounting.

Proprietary Funds - includes the combined Public Employees' Health Care Fund (HCF) and Public Employees' Contingency Reserve Fund (CRF) and the Public Employees' Long-Term Care Fund (LTCF). The HCF and CRF statements and schedules were combined to give a better overview of the health programs administered by CalPERS. These funds are accounted for on

Notes to the Basic Financial Statements (continued)

the flow of economic resources measurement focus and use the accrual basis of accounting. 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 and CRF are derived from premiums, Federal Employer Group Waiver Plan (EGWP) subsidies, and administrative service fees. The principal operating revenue for the LTCF is premiums. Operating expenses include the cost of claims and related administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating.

INVESTMENTS

State statutes and Board policies allow investments in government, domestic and international debt, domestic and international equities, mutual funds, private equity, real assets, absolute return funds, and other investments.

The following is the Board adopted target asset allocation policy for the defined benefit pension plans as of June 30, 2014:

Target Asset Allocation

Asset Class	Target Allocation					
	PERF A	PERF B	PERF C	LRF	JRF	JRF II
Public Equity	50%	50%	50%	32%	—	63%
Private Equity	14	14	14	—	—	—
Global Fixed Income	17	17	17	42	—	20
Real Assets	11	11	11	—	—	—
Liquidity	4	4	4	—	100%	—
Inflation Assets	4	4	4	15	—	6
REITs	—	—	—	8	—	8
Commodities	—	—	—	3	—	3
Total	100%	100%	100%	100%	100%	100%

Investments are reported at fair value using a variety of different techniques. 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.

Domestic and international equity securities are actively traded on major stock exchanges or over-the-counter, thus fair value is obtained using values from these exchanges, which are based 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.

Purchases and sales of investments are recorded on the trade date. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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 net asset value (NAV) of the partnership. The investment 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.

Private equity, infrastructure and forestland 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: United States Generally Accepted Accounting Principals (US GAAP), International Financial Reporting Standards (IFRS), etc.

Fair value of commingled equity funds and absolute return funds are based upon the NAV determined by the investment managers, subject to annual audit.

Notes to the Basic Financial Statements (continued)

POOLED INVESTMENT UNIT TRUST ACCOUNTING

CalPERS has established internal unitized investment pools where by its plans can participate in the unitized pools. These internal investment pools are valued at NAV, which includes investment receivables, payables, interest, and dividend income. For financial reporting purposes, in accordance with GASB standards criteria, each fund participating in the unitized pool reports the fund's pro rata share of participation in the pool. As such, unitized investment pool holdings 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 in the fair value of investments.

CAPITAL ASSETS

Capital assets are defined 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 consist of buildings, furniture, equipment, and intangible assets 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.

LOANS RECEIVABLE

In August 2012, the HCF incurred loan receivables totaling \$36 million; the terms require monthly principal-only payments totaling \$750 thousand beginning January 2013 for 48 months. Loans receivable currently consist of \$13.5 million in long-term loans and \$9 million in short-term loans.

CRF PAYABLE TO MEMBERS/EMPLOYERS PREMIUMS

The Blue Shield contract (2004-2013) set forth the methodology for determining monthly premiums. Each year, an elaborate accounting and reconciliation process determined any money owed or refunded which would be rolled over to the following year's premium. If Blue Shield had to refund money, the following year's premium would be proportionally decreased. If CalPERS owed money, the following year's premium would be proportionally increased. The contract expired on December 31, 2013, which

included post-expiration roll overs from 2011, 2012 and 2013. The CRF payable to members/employers premiums reflects the rollover amounts from 2011 and 2012. The 2013 amounts are not yet known and therefore no accrual has been made in the accompanying financial statements.

INVESTMENT EXPENSES

Investment expenses presented within the accompanying financial statements include 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. The 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 relating to directly-held real asset investments.

The investment expenses do not include fees and costs for private equity, 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. The investment fees and costs are presented for informational purposes within the unaudited Investment Section of the Comprehensive Annual Financial Report in the following schedules: Schedule of Fees and Costs for Private Equity Partners, 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.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of

Notes to the Basic Financial Statements (continued)

contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

RISKS AND UNCERTAINTIES

CalPERS invests in investment securities which are exposed to a variety of risks which include interest rate, market, credit risk and foreign currency risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

The total pension liabilities and actuarial accrued liability disclosed in the notes to the financial statements for the defined benefit pension and OPEB plans are reported based on certain assumptions, including the long-term rate of return on pension investments, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

RECLASSIFICATIONS

Certain reclassifications have been made to the comparative totals as of and for the year ended June 30, 2013, to conform to the presentation as of and for the year ended June 30, 2014.

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. Accordingly, such information should be read in conjunction with CalPERS financial statements for the year ended June 30, 2013, from which the summarized information was derived.

TERMINATION OF PENSION PLANS

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.

NEW ACCOUNTING PRONOUNCEMENTS

CalPERS implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* (GASB 67), during the year ended June 30, 2014. GASB 67 replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. GASB 67 requires the disclosures of the components of the net pension liability and the assumptions and other methods used to measure the total pension liability for single-employer and cost-sharing multiple-employer defined benefit pension plans. GASB 67 also requires certain additional note disclosures for defined benefit pension plans including the annual money-weighted rate of return on plan investments. GASB 67 revised the reporting requirements for required supplementary information to include schedules that provide trend information related to 1) changes in the net pension liability and related ratios, 2) the actuarially and contractually determined contributions of employer contributing entities, and 3) the annual money-weighted rate of return on plan investments. As a result of implementing GASB 67, CalPERS determined that the cost-sharing and agent multiple-employer plans for the PERF that were previously reported in one column in the basic financial statement should be reported as three separate plans (columns).

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of approximately \$0.6 billion at June 30, 2014 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.

Notes to the Basic Financial Statements (continued)

4. INVESTMENTS

The following table presents a summary of CalPERS' investments by type as of June 30, 2014, at fair value:

Investments at Fair Value (Dollars in Thousands)

Investment Type	Fair Value
Short-Term	\$11,042,622
Global Debt:	
Domestic Debt:	
Asset-Backed	\$6,281,388
Mortgages	1,965,536
Swaps	28,377
U.S. Agencies	143,217
U.S. Corporate	46,486,209
U.S. Treasuries	13,809,540
International Debt Securities	8,548,401
Global Equity:	
Absolute Return Strategies	\$4,532,252
REITS	390,803
Domestic Equities	84,556,020
International Equities	74,824,575
Private Equity	31,512,577
Real Assets:	
Real Estate	\$25,302,965
Infrastructure	2,012,777
Forestland	2,264,612
Total	\$313,701,871

SHORT-TERM INVESTMENTS

Short-term investments 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.

DEPOSIT AND INVESTMENT RISK DISCLOSURES

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, 2014, 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

CalPERS does not have investments in any single issuer that represent five percent or more of net position or total investments.

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. CalPERS 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.

CalPERS 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.

Notes to the Basic Financial Statements (continued)

The following table presents the weighted average effective duration for CalPERS investments subject to interest rate risk as of June 30, 2014:

CalPERS - Debt Securities Subject to Interest Rate Risk

(Dollars in Thousands)

Debt Security Type	Portfolio Weighted Average Effective Duration	Fair Value June 30, 2014	Percent of Debt Securities
U.S. Treasuries and Agencies:			
U.S. Treasury Notes	6.27%	\$19,968,552	26.9%
U.S. Treasury Bonds	17.85	5,003,425	6.8
U.S. Agencies	11.65	1,353,788	1.8
U.S. Treasury Strips	12.16	58,664	0.1
U.S. Treasury Bills	0.27	10,380	0.0
Corporate	10.08	14,335,863	19.3
Mortgages	4.28	11,620,197	15.7
International	8.06	10,149,371	13.7
Asset Backed	8.65	9,170,207	12.4
Commingled Fund	13.36	891,264	1.2
Municipal	11.72	9,369	0.0
Swaps	9.52	(158,098)	(0.2)
No Effective Duration:			
Commercial Paper	N/A	\$1,166,447	1.6
Swaps	N/A	196,546	0.3
Asset Backed	N/A	132,816	0.2
International	N/A	104,355	0.1
Commingled Fund	N/A	79,389	0.1
Corporate	N/A	25,265	0.0
U.S. Treasury Bill	N/A	3,991	0.0
Mortgages	N/A	670	0.0
Total¹		\$74,122,461	100.0%

(1) This table represents the fair value of investments in the fixed income portfolios. The global debt securities reported in the statement of fiduciary net position and the statement of proprietary net position are reported at fair value for non-united investments and at net asset value for investments in the unitized pools, which includes accruals in the unitized portfolios.

CalPERS invests in the State Treasury pool and two State Street Bank Global Advisors' (SSgA) funds: 1) Short Term Investment Fund (STIF) and 2) U.S. Government Short-Term Investment Fund (GSTIF). These investments are included as part of the short-term investments in the financial statements. As of June 30, 2014, the pooled money investment account with the State Treasury totaled approximately \$2.4 billion, the SSgA STIF totaled approximately \$10.7 billion and, the SSgA GSTIF totaled approximately \$294 million. As of June 30, 2014, the weighted average maturity

is 232 days for the State Treasury pool, 40 days for the SSgA STIF, and 41 days for the SSgA GSTIF. Both the SSgA STIF and the SSgA GSTIF are rated as P1. The State Treasury pool is not rated. As of June 30, 2014, the SCPF, DCF, and SPOFF were the only funds invested in GSTIF.

The LTCF, HCF, SCPF, DCF, and SPOFF invest in various SSgA funds, with weighted average maturities and credit ratings as of June 30, 2014 as follows:

CalPERS - SSgA Weighted Average Maturity and Credit Risk

(Dollars in Thousands)

SSgA Fund	Fair Value June 30, 2014	Credit Rating ¹	Weighted Average Maturity
U.S. Aggregate Bond Indx SL QP CTF	\$410,262	AA2	7.68
3-10 Year U.S. Agency Indx SL QP	8,366	AA1	4.66
3-10 Year U.S. Credit Indx SL QP C	195,696	A3	6.16
3-10 Year U.S. Treasury Indx SL Q	222,643	AAA	5.60
Long U.S. Agency Indx SL QP CTF	33,526	AA1	19.08
Long U.S. Credit Corporate Indx SL QP CTF	353,467	BAA1	24.05
Long U.S. Credit Non-Corporate Indx SL QP CTF	98,021	A3	23.92
Long U.S. Treasury Indx SL QP CTF	450,046	AAA	24.84
U.S. Asset Backed/Comm Mort Backed Indx NL QP CTF	60,891	AA2	4.10
U.S. High Yield Bond Indx NL QP CT	94,070	B1	6.70
U.S. Mortgage Backed Indx SL QP C	673,021	AAA	7.10
U.S. Short-Term Govt/Credit Bond Index SL SF CL I	43,961	AA2	1.94
U.S. Bond Indx SL SF CL I	369,076	AA2	7.67
U.S. Tips Indx NL QP CTF	225,898	AAA	8.58
Total	\$3,238,944		

(1) Credit rating reflects market value weight of all the rated securities held by the portfolio using the middle rating provided by the NRSROs.

Notes to the Basic Financial Statements (continued)

The following table presents the weighted average duration for securities lending collateral subject to interest rate risk as of June 30, 2014:

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

Security Type	Portfolio Weighted Average Effective Duration	Fair Value June 30, 2014	Percent of Securities Lending Collateral
Asset Backed Securities	0.11%	\$972,190	12.1%
Mortgage Backed Securities	0.08	8,405	0.1
No Effective Duration:			
Structured Investment Vehicles ¹	N/A	\$152,595	1.9
Cash	N/A	1,854,782	23.0
Money Market Fund ²	N/A	5,068,476	62.9
Total³		\$8,056,448	100.0%

(1) Structured Investment Vehicles have a weighted average maturity (to final maturity) of 151 days.

(2) Money Market Fund is invested in U.S. Treasury securities with a weighted average maturity (to final maturity) of less than 1 day (0.35).

(3) This figure does not include \$9,340,000 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 \$17,396,446 for fiduciary fund type.

As of June 30, 2014, 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 both general and 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.

Following is a summary of the ratings of CalPERS fixed income securities as of June 30, 2014:

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

Moody's Quality Rating	Fair Value June 30, 2014	Fair Value as a Percent of Debt Security Investments
Aaa	\$10,006,554	13.5%
Aa1	2,273,738	3.1
Aa2	817,811	1.1
Aa3	1,207,176	1.6
A1	696,405	0.9
A2	1,119,276	1.5
A3	2,065,463	2.8
Baa1	2,625,222	3.6
Baa2	6,543,026	8.8
Baa3	2,450,816	3.3
Ba1	555,932	0.8
Ba2	306,174	0.4
Ba3	448,723	0.6
B1	676,969	0.9
B2	347,100	0.5
B3	267,108	0.4
Caa	499	0.0
Caa1	217,789	0.3
Caa2	166,487	0.2
Caa3	35,360	0.0
Ca	37,624	0.1
C	4,389	0.0
NA ¹	26,134,659	35.3
NR ²	6,930,179	9.3
NR ^{2,3}	8,187,982	11.0
Total⁴	\$74,122,461	100.0%

(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 by the U.S. Government, 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 reported in the statement of fiduciary net position and the statement of proprietary net position are reported at fair value for non-united investments and at net asset value for investments in the unitized pools, which includes accruals in the unitized portfolios.

Notes to the Basic Financial Statements (continued)

Following is a summary of the ratings of the securities lending collateral subject to credit risk:

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	\$1,991,565	24.7%
P-2	399,324	5.0
NR ^{1,2}	5,665,559	70.3
Total³	\$8,056,448	100.0%

(1) NR represents those securities that are not rated.

(2) This figure includes \$5,068,476 invested in money market fund.

(3) This figure does not include \$9,340,000 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 \$17,396,446 for fiduciary fund type.

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.

RATE OF RETURN

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Following is the annual money-weighted rate of return, net of investment expense, for the year ended June 30, 2014 for each defined benefit pension plan:

Money-Weighted Rate of Return

Plan	Rate of Return (%)
PERF A	18.3%
PERF B	18.3
PERF C	18.3
LRF	13.1
JRF	0.0 ¹
JRF II	18.4

(1) The percentage for JRF is less than 0.01%.

REAL ASSETS

Real assets, which include real estate, infrastructure, and forestland investments, are classified as investments in accordance with GASB Statement No. 67. 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. Real asset investments of approximately \$29.6 billion are reported at estimated fair value net of related debt. Total recourse debt is \$214.1 million.

5. 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 noncash (i.e., securities) collateral. Domestic and international securities are collateralized at 102 percent and 105 percent, respectively, of the loaned securities market value. CalPERS cannot seize the collateral security without borrower defaults; as such, the collateral security or noncash 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. Securities on loan can be recalled or returned by CalPERS or the borrower 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, 2014, the fair value of the securities on loan was approximately \$16.9 billion. The securities on loan remain on CalPERS' Statement of Fiduciary Net Position in their respective investment categories. At June 30, 2014, cash collateral received totaling \$17.2 billion is reported as securities lending obligation, and the fair value of re-invested cash collateral totaling \$17.4 billion is reported as securities lending

Notes to the Basic Financial Statements (continued)

collateral on the Statement of Fiduciary 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.

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, 2014, the collateral invested in CalPERS Internal Short-Term Pools had an aggregate weighted average maturity (to final maturity) of 327 days and duration of 14 days. SSB and eSec have weighted average maturity (to final maturity) of 35 and 160 days, respectively.

6. 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.

At June 30, 2014, the aggregate fair value of investment derivatives in an asset position subject to counterparty credit risk was approximately \$131 million. The aggregate amount of cash collateral held by CalPERS on behalf of over the counter derivatives was approximately \$28 million.

Notes to the Basic Financial Statements (continued)

CalPERS Derivative Instruments Summary¹ (Dollars in Thousands)

Investment	Net Appreciation/(Depreciation) in Fair Value For the Fiscal Year Ended June 30, 2014		Fair Value June 30, 2014	
	Amount	Classification	Amount	Notional (Dollars)
Derivatives (by type)				
Commodity Futures Long	(\$4,893)	Equity Securities	\$0	\$0
Commodity Futures Short	1,356	Equity Securities	—	—
Credit Default Swaps Bought	(33)	Debt Securities	(62)	3,100
Credit Default Swaps Written	3,173	Debt Securities	(2,396)	132,900
Fixed Income Futures Long	24,801	Equity Securities	—	567,429
Fixed Income Futures Short	(24,213)	Equity Securities	—	(654,170)
Fixed Income Options Written	8,314	Equity Securities	(1,433)	(100,545)
Foreign Currency Futures Long	(31)	Equity Securities	—	4,390
Foreign Currency Options Bought	(2,728)	Equity Securities	1,640	161,661
Foreign Currency Options Written	6,995	Equity Securities	(3,094)	(358,061)
Futures Options Bought	(24,084)	Equity Securities	—	—
Futures Options Written	4,710	Equity Securities	—	—
FX Forwards	(616,355)	Investment Sales/Purchases	(142,638)	22,914,786
Index Futures Long	2,248,478	Equity Securities	—	8,455,572
Index Futures Short	(18,869)	Equity Securities	—	(765,065)
Index Options Written	1	Equity Securities	—	—
Pay Fixed Interest Rate Swaps	(7,884)	Debt Securities	(4,753)	241,232
Receive Fixed Interest Rate Swaps	(3,302)	Debt Securities	1,228	54,659
Rights ²	9,382	Equity Securities	6,576	19,344
Total Return Bond Swaps	100,557	Debt Securities	44,431	3,034,575
Warrants ²	(248)	Equity Securities	11,267	3,116
Total	\$1,705,127		(\$89,234)	

(1) The information presented in this table is derived from CalPERS June 30, 2014 accounting records and in some instances may reflect trades on a one-day lag basis.

(2) Rights and warrants are notional units.

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

Investment Type	Fair Value June 30, 2014	Investment Maturities (in years)			
		Under-1	1-5	6-10	10+
Credit Default Swaps Bought	(\$62)	\$0	(\$62)	\$0	\$0
Credit Default Swaps Written	(2,396)	—	(2,036)	(360)	—
Fixed Income Options Written	(1,433)	(1,433)	—	—	—
Pay Fixed Interest Rate Swaps	(4,753)	—	(109)	1,197	(5,841)
Receive Fixed Interest Rate Swaps	1,228	—	—	1,090	138
Total Return Bond Swaps	44,431	43,791	640	—	—
Total	\$37,015	\$42,358	(\$1,567)	\$1,927	(\$5,703)

Notes to the Basic Financial Statements (continued)

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

Investment Type	Reference Rate	Fair Value June 30, 2014	Notional
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.694%	\$1,576	\$29,720
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 0.764%	141	13,260
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.000%	(189)	4,800
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 3.750%	(1,770)	19,800
Interest Rate Swaps	Receive Variable 6-month LIBOR, Pay Fixed 3.500%	(558)	12,482
Interest Rate Swaps	Receive Variable 6-month LIBOR, Pay Fixed 3.000%	(53)	3,933
Interest Rate Swaps	Receive Variable 6-month EURIB, Pay Fixed 2.750%	(769)	6,024
Interest Rate Swaps	Receive Variable 6-month EURIB, Pay Fixed 2.000%	(2,692)	55,314
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.500%	(190)	8,400
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.250%	(237)	77,500
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.250%	(12)	9,999
Interest Rate Swaps	Receive Fixed 1.500%, Pay Variable 6-month LIBOR	112	6,910
Interest Rate Swaps	Receive Fixed 3.795%, Pay Variable 3-month BKBM	(209)	2,802
Interest Rate Swaps	Receive Fixed 5.750%, Pay Variable 1-month TIE	(95)	10,414
Interest Rate Swaps	Receive Fixed 5.750%, Pay Variable 1-month TIE	(54)	5,889
Interest Rate Swaps	Receive Fixed 6.800%, Pay Variable 1-month TIE	1,215	20,065
Interest Rate Swaps	Receive Fixed 6.800%, Pay Variable 1-month TIE	136	2,243
Interest Rate Swaps	Receive Fixed 6.800%, Pay Variable 1-month TIE	38	632
Interest Rate Swaps	Receive Fixed 6.800%, Pay Variable 1-month TIE	58	956
Interest Rate Swaps	Receive Fixed 7.380%, Pay Variable 1-month TIE	39	509
Interest Rate Swaps	Receive Fixed 6.600%, Pay Variable 1-month TIE	(3)	1,195
Interest Rate Swaps	Receive Fixed 6.600%, Pay Variable 1-month TIE	(9)	3,044
Subtotal – Interest Rate Swaps		(\$3,525)	\$295,891
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.231%	\$4,181	\$135
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.080%	6,072	286,817
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	3,179	150,180
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.080%	2,912	137,526
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.070%	3,274	154,650
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.075%	5,493	259,452
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.070%	(820)	198,245
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.080%	477	123
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 1.100%	(544)	107,407
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	(849)	205,352
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.070%	(629)	152,175
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	(4)	330
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	54	108
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 1.000%	(13)	59
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	72	79
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	17,933	118
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	(211)	2,067
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.080%	9,267	437,747
Total Return Bond Swaps	Receive Fixed 0.0800%, Pay Fixed 0.080%	(1,044)	49,327
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.080%	(424)	40,141
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.080%	(560)	135,412
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	(191)	1,880

Notes to the Basic Financial Statements (continued)

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

Investment Type	Reference Rate	Fair Value June 30, 2014	Notional
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	(\$81)	\$800
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	(115)	82
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	(78)	1,699
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	(52)	128
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	(483)	1,351
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	127	177
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 1.000%	(330)	52,748
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 1.000%	(163)	25,998
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.072%	(1,268)	306,624
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.750%	381	52,435
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.750%	187	25,838
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.080%	(560)	110,963
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.080%	(686)	135,989
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 1.000%	(241)	70
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 0.000%	168	343
Subtotal – Total Return Bond Swaps		\$44,431	\$3,034,575
TOTAL		\$40,906	\$3,330,466

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Notes to the Basic Financial Statements (continued)

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.	21.63%	A	A	A2
Barclays Bank PLC Wholesale	9.36	A	A	A2
J. P. Morgan Chase Bank N.A.	8.06	A+	A+	Aa3
Goldman Sachs + Co	7.16	A-	A	Baa1
Credit Suisse Securities (USA) LLC	6.85	A	A	A1
BNP Paribas SA	6.48	A+	A+	A1
Goldman Sachs International	6.38	A-	A	Baa1
Commonwealth Bank of Australia Sydney	3.71	AA-	AA-	Aa2
J. P. Morgan Securities Inc	3.63	A	A+	A3
HSBC Bank USA	3.52	AA-	AA-	A1
Toronto Dominion Bank	3.50	AA-	AA-	Aa1
Morgan Stanley Capital Services Inc.	3.41	A-	A	Baa2
State Street Bank and Trust	3.19	AA-	A+	Aa3
Societe Generale	3.18	A	A	A2
J. P. Morgan Chase Bank	1.21	A+	A+	Aa3
Citibank N.A.	1.02	A	A	A2
Credit Suisse International	0.98	A	A	A1
Goldman Sachs Capital Markets LP	0.96	A-	A	Baa1
Westpac Banking Corporation	0.90	AA-	AA-	Aa2
Barclays Capital	0.60	A	A	A2
J. P. Morgan	0.54	A	A+	A3
UBS AG London	0.54	A	A	A2
UBS AG	0.53	A	A	A2
Deutsche Bank AG London	0.50	A	A+	A2
Bank of Montreal	0.49	A+	AA-	Aa3
Standard Chartered Bank	0.41	AA-	AA-	A1
Deutsche	0.36	A	A+	A2
J. P. Morgan Chase Bank NA London	0.33	A+	A+	Aa3
Deutsche Bank Securities	0.17	A	A+	A2
State Street Bank London	0.15	A+	A+	A1
Barclays Bank CME	0.09	A	A	A2
Royal Bank of Canada	0.06	AA-	AA	Aa3
HSBC Securities	0.05	A+	AA-	Aa3
Barclays Bank PLC	0.04	A	A	A2
Credit Suisse London Branch (GFX)	0.01	A	A	A1
TOTAL	100.00%			

Notes to the Basic Financial Statements (continued)

CalPERS International Investment Securities - Fair Value at June 30, 2014 (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	\$24,860	\$3,952,576	\$297,531	\$242,485	\$0	(\$11,389)	\$4,506,063
Brazilian Real	4,383	1,560,185	1,174,441	1,231,234	—	(5,727)	3,964,516
British Pound	57,220	10,927,175	1,297,264	355,464	225	(71,900)	12,565,448
Bulgarian Lev	—	—	—	209	—	—	209
Canadian Dollar	19,130	5,527,248	400,627	586,313	209,392	(32,601)	6,710,109
Chilean Peso	381	193,333	1,476	—	—	596	195,786
Chinese Yuan Renminbi	—	—	—	564,561	—	(50)	564,511
Colombian Peso	125	81,920	—	—	—	751	82,796
Czech Koruna	273	87,371	10,919	3,562	—	(76)	102,049
Danish Krone	126	914,048	21,872	—	—	(1,083)	934,963
Egyptian Pound	7,410	63,241	—	—	—	—	70,651
Euro Currency	305,860	17,016,500	2,931,571	569,050	3,617,487	12,035	24,452,503
Guatemala Quetzal	—	—	—	80,805	—	—	80,805
Hong Kong Dollar	10,002	3,671,018	—	83,973	—	(148)	3,764,845
Hungarian Forint	373	69,427	—	—	—	—	69,800
Indian Rupee	3,056	1,365,215	—	338,651	—	(542)	1,706,380
Indonesian Rupiah	667	413,956	—	—	—	(34)	414,589
Israeli Shekel	1,317	317,022	50,445	—	—	(727)	368,057
Japanese Yen	94,799	12,886,458	704,892	400,759	84,669	(27,199)	14,144,378
Malaysian Ringgit	2,453	491,490	29,825	106,044	—	79	629,891
Mexican Peso	17,190	547,210	591,920	127,368	—	(2,034)	1,281,654
Moroccan Dirham	14	3,913	—	—	—	—	3,927
New Taiwan Dollar	10,255	1,940,533	—	—	—	(13)	1,950,775
New Zealand Dollar	1,183	135,257	107,641	—	—	(2,360)	241,721
Nigerian Naira	—	—	1,489	—	—	—	1,489
Norwegian Krone	1,259	590,255	41,866	—	—	1,846	635,226
Pakistan Rupee	168	47,294	—	—	—	—	47,462
Peruvian Noveau Sol	19	6,325	23,584	—	—	(176)	29,752
Phillipine Peso	310	187,501	—	1,324	—	—	189,135
Polish Zloty	371	203,125	145,795	—	—	(322)	348,969
Romanian Leu	336	—	36,656	—	—	(335)	36,657
Russian Ruble	20	—	224,156	514,116	—	947	739,239
Singapore Dollar	1,942	823,013	23,656	26,171	—	(408)	874,374
South African Rand	2,337	1,268,991	127,817	—	—	(1,015)	1,398,130
South Korean Won	3,005	2,445,536	—	254	—	93	2,448,888
Sri Lanka Rupee	3	—	—	—	—	—	3
Swedish Krona	1,221	1,603,455	157,947	117,696	—	4,525	1,884,844
Swiss Franc	453	4,164,734	42,196	—	—	(3,950)	4,203,433
Thailand Baht	209	459,675	—	—	—	(43)	459,841
Turkish Lira	376	414,953	142,883	—	—	(1,383)	556,829
Uae Dirham	206	108,632	—	—	—	—	108,838
Uruguayan Peso	—	—	—	—	—	5	5
Total	\$573,312	\$74,488,585	\$8,588,469	\$5,350,039	\$3,911,773	(\$142,638)	\$92,769,540

Notes to the Basic Financial Statements (continued)

**7. EMPLOYERS' NET PENSION LIABILITY/
(ASSET)**

The components of the net pension liability of the PERF B, PERF C, LRF, JRF and JRF II as of June 30, 2014 were as follows:

Net Pension Liability/(Asset) (Dollars in Thousands)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/ (Asset)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
PERF B:				
Schools Cost-Sharing Plan	\$68,306,696	\$57,011,696	\$11,295,000	83.5%
PERF C:				
Public Agencies Cost-Sharing Plan	30,789,194	24,940,528	5,848,666	81.0
LRF:				
State of California	115,521	130,354	(14,833)	112.8
JRF:				
State of California	3,357,212	57,199	3,300,013	1.7
JRF II:				
State of California	967,962	1,013,839	(45,877)	104.7

The total pension liability/(asset) was determined by actuarial valuations as of June 30, 2013, which were rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Assumptions Used to Measure the Total Pension Liability

	PERF B	PERF C	LRF	JRF	JRF II
Inflation Rate	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	Varies by Entry Age and Service	Varies by Entry Age and Service	3.00%	3.00%	3.00%
Mortality Rate Table ¹	Derived using CalPERS membership data for all funds				
Period Upon Which Actuarial Experience Survey Assumptions Were Based	1997-2011	1997-2011	1997-2011	1997-2011	1997-2011
Post Retirement Benefit Increase	2.00% until PPPA floor on purchasing power applies, 2.75% thereafter	Contract COLA up to 2.75% until PPPA floor on purchasing power applies, 2.75% thereafter	2.75%	3.00%	2.75%
Discount Rate	7.50%	7.50%	5.75%	4.25%	7.00%

(1) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

For more details on this table, please refer to the 2014 experience study report available online at <http://www.calpers.ca.gov/eip-docs/about/pubs/employer/2014-experience-study.pdf>.

Notes to the Basic Financial Statements (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Long-Term Expected Real Rate of Return by Asset Class

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 ¹	Real Return Years 11+ ²
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

(1) an expected inflation of 2.50% used for this period.

(2) an expected inflation of 3.00% used for this period.

DISCOUNT RATE

PERF B, PERF C, LRF, and JRF II

The discount rates used to measure the total pension liability/(asset) for the PERF B, PERF C, LRF, and JRF II were 7.50, 7.50, 5.75, and 7.00 percent, respectively. To determine whether the municipal bond rate should be used in the calculation of a discount rate the amortization and smoothing periods

recently adopted by the Board were utilized. For PERF B, a projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B.

For PERF C, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, neither of the plans tested failed to run out of assets. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset) for PERF C.

For LRS, since the fair value of assets exceeded the present value of benefits, all benefit payments would be expected to be paid from the trust. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

For JRS II, because the fair value of assets exceeds the total pension liability as of June 30, 2014 and is over 95% as of June 30, 2013 and all future normal cost payments and amortization payments are expected to be paid as due, all benefit payments would be expected to be paid from the trust. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods for projected benefit payments to determine the total pension liability/(asset).

JRF

The discount rate used to measure the total pension liability was 4.25 percent. The state funds the JRF benefit obligations using the pay-as-you-go method. Under the pay-as-you-go method, the pension plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments of current active and inactive employees. Therefore a discount rate of 4.25 percent, which falls within a reasonable range of yields on 20-year tax-exempt General Obligation Municipal Bonds with an average rating of AA, (as measured by the Bond Buyer 20-Bond GO Index) was applied to all periods of projected benefit payments to measure the total pension liability.

Notes to the Basic Financial Statements (continued)

**SENSITIVITY OF THE NET PENSION LIABILITY/(ASSET)
TO CHANGES IN THE DISCOUNT RATE**

The following presents the net pension liability/(asset) of PERF B, PERF C, LRF, JRF, and JRF II calculated using the current actuarially assumed discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (-100 basis points) or 1 percentage-point higher (+100 basis points) than the current rate:

Sensitivity Analysis (Dollars in Thousands)

Discount Rate (assumed)

Plan	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
PERF B				
Schools	\$68,306,696	\$57,011,696	\$11,295,000	83.5%
PERF C				
Pooled Public Agencies	30,789,194	24,940,528	5,848,666	81.0
LRF				
State of California	115,521	130,354	(14,833)	112.8
JRF				
State of California	3,357,212	57,199	3,300,013	1.7
JRF II				
State of California	967,962	1,013,839	(45,877)	104.7

Sensitivity Analysis (Dollars in Thousands)

Discount Rate +1%

Plan	Total Pension Liability (+1%)	Plan Fiduciary Net Position	Net Pension Liability / (Asset) (+1%)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
PERF B				
Schools	\$61,150,480	\$57,011,696	\$4,138,784	93.2%
PERF C				
Pooled Public Agencies	27,394,924	24,940,528	2,454,396	91.0
LRF				
State of California	104,344	130,354	(26,010)	124.9
JRF				
State of California	3,030,023	57,199	2,972,824	1.9
JRF II				
State of California	862,863	1,013,839	(150,976)	117.5

Sensitivity Analysis (Dollars in Thousands)

Discount Rate -1%

Plan	Total Pension Liability (-1%)	Plan Fiduciary Net Position	Net Pension Liability / (Asset) (-1%)	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
PERF B				
Schools	\$76,870,830	\$57,011,696	\$19,859,134	74.2%
PERF C				
Pooled Public Agencies	34,895,360	24,940,528	9,954,832	71.5
LRF				
State of California	129,191	130,354	(1,163)	100.9
JRF				
State of California	3,747,841	57,199	3,690,642	1.5
JRF II				
State of California	1,099,910	1,013,839	86,071	92.2

Notes to the Basic Financial Statements (continued)

8. OTHER POST-EMPLOYMENT BENEFIT TRUST FUND

The CERBTF was established by Chapter 331 of the 1988 Statutes and initially funded in 2007. At June 30, 2014, 427 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 one of the following: 1) transfer will satisfy applicable requirements of the Internal Revenue Code and the Board's fiduciary duties, or 2) 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, 2014, there were 204,079 active or inactive members and 110,674 retirees for the miscellaneous plan and 31,192 active or inactive members and 25,721 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.

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 fewer than 100 plan members may use the alternative measurement method as permitted by GASB Statement No. 57.

The total Fiscal Year 2013-14 actual OPEB employer contributions from 427 participating employers representing 431 OPEB plans was \$1.68 billion, compared to the actuarially determined average annual required contribution of 15.5 percent of covered payroll, or \$2.5 billion. This amount includes the \$708.5 million in contributions made to the CERBTF, plus an additional \$972.6 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 PEMHCA, for employers participating in that program.

The following represents the funded status of the post-employment health care fund as of June 30, 2013. These actuarial valuations involve estimates of the value and assumptions about the probability 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.

Notes to the Basic Financial Statements (continued)

Funded Status of the CERBTFF¹ (Dollars in Thousands)

Fund	Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Liability (AAL) - Entry Age (2)	Unfunded AAL (UAAL) (3) = (2) - (1)	Funded Ratio (1) / (2)	Annual Covered Payroll (4)	UAAL as a % of Covered Payroll (3) / (4)
CERBTFF ³	6/30/13 ²	\$2,669,139	\$31,715,956	\$29,046,817	8.4%	\$17,200,975	168.9%

(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 OPEB benefits over time.

(2) The June 30, 2013 data represents the rolled forward and backward data based on the actuarial information from 395 OPEB valuations with the measurement date as of June 30, 2013 or later and 36 OPEB valuations with an earlier measurement date, applying methods allowed under Actuarial Standards of Practice and under Generally Accepted Accounting Principles.

(3) 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 CERBTFF represents aggregated liabilities calculated under any allowable cost method.

Actuarial Information, Assumptions and Methods Used in the Most Recent Actuarial Valuations and Actuarial Valuations Used to Determine Annual Required Contributions

CERBTFF	
Funded Status & ARC Valuation Date	June 30, 2013 ¹
Adoption Date	N/A
Actuarial Cost Method	Entry Age Normal or Projected Unit Credit ²
Amortization Method	Varies ³
Amortization Approach	Varies ⁴
Remaining Amortization Period	30 Years ⁵
Asset Valuation Method	Varies ⁶
Actuarial Assumptions:	
Net Investment Rate of Return	6.39%–7.61% ⁷
Projected Salary Increases	3.25% ⁸
Inflation Rate	3.00% ⁹
Post Retirement Benefit Increase	N/A
Health Care Cost Trend Rates:	
Select Period	0–10 Years
Initial Rate	4.00–12.00%
Ultimate Rate	4.00–6.00%

(1) The CERBTFF ARC for the fiscal year ended June 30, 2014 was primarily derived from OPEB valuations as of June 30, 2013.

(2) While the significant majority of the valuations utilized the Entry Age Normal or Projected Unit Credit actuarial cost method, other methods are allowed under the OPEB model.

(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) While the majority of valuations have a remaining amortization period of between 25 and 30 years, many have shorter remaining amortization periods, with some as low as 0 years.

(6) Most valuations used the current market value of assets and a few used the smoothed market value of assets.

(7) In March 2011, the Board increased the number of CERBTFF 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.

(8) While the significant majority of valuations utilized a 3.25% projected salary increase assumption, some valuations used different rate.

(9) While the significant majority of valuations utilized a 3.00% inflation rate assumption, some valuations used a different rate.

Notes to the Basic Financial Statements (continued)

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) OBLIGATION

The State of California, 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 is a component unit of the state and CalPERS participates in the state's plan as a single-employer plan. 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 a 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 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, 2013 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, 2014, the costs of these benefits were as follows for the respective funds:

OPEB Costs (Dollars in Thousands)

Fund	Amount
PERF A	\$19,813
PERF B	5,147
PERF C	2,250
LRF	39
JRF	94
JRF II	62
CERBTf	125
HCF /CRF	3,586
LTCF	218
DCF	109
SPOFF	45
SCP	2
Total	\$31,490

CalPERS net OPEB obligation as of June 30, 2014 were as follows for the respective funds:

Net OPEB Obligations (Dollars in Thousands)

Fund	Amount
PERF A	\$102,218
PERF B	26,556
PERF C	11,610
LRF	197
JRF	516
JRF II	309
CERBTf	525
HCF /CRF	20,377
LTCF	218
DCF	109
SPOFF	45
SCP	2
Total	\$162,682

The net OPEB obligation is reported as an 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.

10. PUBLIC EMPLOYEES' HEALTH CARE FUND (HCF)

The HCF was established under the PEMHCA as of July 1, 1988. Health plan offerings include self-funded plans, PERS Choice, PERSCare and PERS Select, and effective in 2014, flex-funded plans, Anthem Blue Cross, Blue Shield of California, Health Net, Sharp and UnitedHealthCare. Health plans are available to all entities that contract for health insurance coverage under PEMHCA based on zip codes, as prescribed by state law. Having members in large risk pools spreads the catastrophic claims over a larger base and minimizes administrative expenses. The self-funded plans retain all risk of loss of allowable health claims while the flex-funded plans share a percentage of the risk of loss. 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

Notes to the Basic Financial Statements (continued)

incurred and the actuarially determined required level of reserves. The health plans rely on operating cash flows and investment income to fund health benefit payments. During the Fiscal Year 2013-14, the Board approved increases in member premiums to mitigate the impact of increasing costs associated with enrollment growth, increases in provider pricing, and increased benefit use. Management believes that the current sources of funding will be adequate to provide for benefits of the health plans.

Public agencies participating in the health 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), for those members participating in Medicare. 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.

The 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 health plan partners, at June 30, 2014, 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 \$389.7 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, 2014, but have not been reported to the HCF. The total estimated claims at the end of the Fiscal Year 2013-14 also includes \$246.3 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. CalPERS has entered into agreements with flex-funded health plan partners that limit HCF risk to a maximum aggregate monthly cost per member.

The following schedule represents changes in the aggregate estimated claims liabilities of the HCF for the fiscal years ended June 30, 2014 and June 30, 2013.

Changes in the Aggregate Estimated Claims Liabilities of the HCF

(Dollars in Thousands)

Year Ended June 30	2014	2013
Total Estimated Claims at Beginning of Fiscal Year	\$281,248	\$233,390
Incurred Claims and Claim Adjustment Expenses		
Provision for Insured Events of Current Fiscal Year	\$2,836,119	\$1,921,957
Decrease in Provision for Insured Events of Prior Years	(125,370)	(81,094)
Total Incurred Claims and Claim Adjustment Expenses	\$2,710,749	\$1,840,863
Payments		
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	\$2,200,163	\$1,640,709
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Year	155,878	152,296
Total Payments	\$2,356,041	\$1,793,005
Total Estimated Claims at End of Fiscal Year	\$635,956	\$281,248

11. PUBLIC EMPLOYEES' CONTINGENCY RESERVE FUND (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

Notes to the Basic Financial Statements (continued)

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 the HCF/CRF enterprise 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 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, 2014, was 0.33 percent. 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 Fund, which in turn remits the premiums to the respective health care provider, which includes the Self-Funded Health Program PERSCare, PERS Choice, PERS Select and flex-funded plans.

At June 30, 2014, 1,149 public agencies participated in health insurance coverage under PEMHCA.

12. PUBLIC EMPLOYEES' LONG-TERM CARE FUND (LTCF)

The Public Employees' Long-Term Care Fund (LTCF) began offering Self-Insured Long-Term Care (LTC) plans in 1995. The LTCF provides LTC coverage to enrolled participants under the Public Employees Long-Term Care Act (PERL, Chapter 15). The LTC program 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.

There are four LTC policy types:

- LTC 1: policies purchased from the program inception in 1995 through 2002.
- LTC 2: policies purchased from 2003 through 2004.
- LTC 3: policies purchased from 2005 through 2008.
- LTC 4: policies purchased effective December 2013 and forward through open application.

As of June 30, 2014, there are 139,947 active participants in the LTC 1, LTC 2, LTC 3, and LTC 4 policy types, of which 5,778 are receiving benefits.

The LTCF estimate of the funding level, to provide for the payment of future claim benefits, is projected based on actual enrolled participant 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 actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 5.75 percent, morbidity, voluntary termination conversion rates to fixed term policies, mortality, and rate increase. In Fiscal Year 2013-14, the actual investment return was greater than expected and the conversion rates due to the premium increase were higher than expected. The morbidity and mortality assumptions improved resulting in higher longevity and lower projected claims.

The total estimated liability for future policy benefits as of June 30, 2014 was \$3.4 billion. Of that amount, \$245.7 million is expected to be paid in Fiscal Year 2014-15.

13. REPLACEMENT BENEFIT FUND (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 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 Federal Insurance Contributions Act (FICA) taxes. CalPERS is responsible for calculating the applicable dollar limit under IRC Section 415(b) and setting the employer rates. At June 30, 2014, there were 572 retirees receiving replacement benefits.

Government Code Section 7522.43 provides that a public retirement system may continue to administer a plan of

Notes to the Basic Financial Statements (continued)

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.

14. COMMITMENTS TO FUND PARTNERSHIPS

At June 30, 2014, CalPERS total capital commitments to fund partnerships was \$94.0 billion. Of this amount, \$21.9 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 (Dollars in Thousands)

Asset Class	Total Commitments	Unfunded Commitments
Real Assets	\$33,985,985	\$9,072,508
Private Equity	59,869,574	12,778,383
Global Fixed Income	100,000	881
Total	\$93,955,559	\$21,851,772

15. CONTINGENCIES

CalPERS has entered into agreements with a number of issuers of nontaxable debt to provide payment of principal and interest in the event of issuer nonpayment. 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, 2014, the credit enhancement program had contingent liabilities of approximately \$1.3 billion and net fee income of approximately \$9.54 million.

CalPERS participates, as lender, in asset-based lending transactions, which is secured debt that is loaned primarily to noninvestment 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 Fiscal Year 2013-14, interest and fee income earned was roughly \$4 million, and as of June 30, 2014, \$181 million was committed by CalPERS and the total outstanding loan balance was zero.

CalPERS is a defendant in litigation involving investments, 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, specific cases arose that could potentially impact the future financial health of funds administered by CalPERS.

In the case of *Robert M. Mallano, et al. v. John Chiang*, Controller of the State of California (SCO), the Judges' Retirement System (JRS) and the Judges' Retirement System II (JRS II), JRS and JRS II were sued as part of a purported class action by all active and retired jurists in the State of California. The judges' primary contention is that they have not been paid salary increases required by applicable statutes over the past five years, and that JRS and JRS II must independently raise pension benefits to these retirees/beneficiaries based on the statutory salary mandates. JRS and JRS II in turn contend that they do not have statutory authority to increase benefits until the active judges have received an actual pay increase and JRS and JRS II receive an official Pay Letter from CalHR to SCO authorizing an increase. JRS has been included in this suit because retired JRS judges receive increases to their retirement benefits when active judges receive salary increases. For JRS II, salary increases impact final compensation at retirement.

Sanchez, Elma et al. v. CalPERS is a putative class action lawsuit by members of the CalPERS Long-Term Care Plan against CalPERS and eight individual CalPERS Board members. Plaintiffs claim that CalPERS breached its contract with the long-term care purchasers by allegedly promising that long-term care premiums would never increase during the lifetime of the purchaser, but then increasing the premiums, and by failing to continue the Inflation Prevention Benefit without an increase in premiums. Plaintiffs seek to recover all money paid for the long-term care coverage and rescission of the policies sold to the class members, as well as interest and attorneys' fees. CalPERS' demurrer to the complaint was overruled and the parties are engaged in

Notes to the Basic Financial Statements (continued)

discovery. The court has set a May 2015 deadline for plaintiffs to file a motion to certify a class in this case.

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

Staniforth, et al. v. Judges Retirement System (JRS) is a petition for writ of mandate and complaint for declaratory relief filed against JRS on behalf of numerous retired judges and the heirs of deceased retired judges. Plaintiffs claim that for over three decades retired judges were not paid correctly under the holding in the California Supreme Court case of *Olson v. Cory* (1980) 27 Cal.3d 532. JRS' demurrer was sustained without leave to amend and judgment was entered in favor of JRS in April 2013. Plaintiffs appealed the decision, and in May 2014, the Fourth District Court of Appeal affirmed the judgment in favor of JRS, but remanded the case as to ten plaintiffs whom the Court of Appeal ruled should have been given an opportunity to amend their complaints to more clearly assert their claims. JRS has filed a demurrer to the amended complaint of the ten plaintiffs and the hearing on the demurrer is scheduled for February 20, 2015. CalPERS believes that the amount at issue on remand is less than \$1 million.

16. FUTURE ACCOUNTING PRONOUNCEMENTS

In June 2012, GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. 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. The requirements of this Statement will improve the decision-usefulness and accountability through new note disclosures and required supplementary information. CalPERS is currently working with participating employers to provide data needed for the implementation of this Statement.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, provides guidance by defining the terms government combinations and operations for purposes of determining applicability. As used in this Statement, the term government combinations, includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The provisions of the Statement are effective for government combinations and disposals of government operations in financial

statement periods beginning after December 15, 2013, and should be applied on a prospective basis.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, will address an issue regarding application of the transition provisions of Statement No. 68. It is required that the Statement be applied simultaneously with the provisions of Statement No. 68.

17. SUBSEQUENT EVENTS

Legal Settlements

On October 28, 2014, CalPERS received \$249.4 million in damages from Bank of America as part of a federal investigation settlement. Bank of America came under federal criminal investigation over its role in the 2008 financial crisis, due to its misrepresentation of mortgage-backed securities it sold along with those sold by Merrill Lynch and Countrywide Financial, two companies it acquired in 2008.

On September 16, 2014, CalPERS received a settlement check from Citigroup MBS Securities in the amount of \$87.9 million. The global settlement required Citigroup to pay based on its conduct in packaging, issuing, and selling residential mortgage-backed securities prior to 2009. As part of the settlement, Citigroup acknowledged it made serious misrepresentations to the public, including investors, about the mortgage loans it securitized in residential mortgage-backed securities.

Foreign Currency Risk

Prior to July 1, 2014, CalPERS used a currency overlay program to reduce risk by hedging approximately 15 percent of the total exposure to international securities. In subsequent reporting periods, the overlay program will be discontinued.

Hedge Fund Program

As of September 15, 2014, the Board made a decision to eliminate the hedge fund program, as part of an ongoing effort to reduce complexity and costs to the investment program. The Board of Administration has elected to exit 24 hedge funds and six hedge funds-of-funds valued at approximately \$4.5 billion. CalPERS will spend the next year strategically exiting current investments in a manner that best serves the interest of the portfolio and ensures the System continues to meet its investment objectives.

Schedules of Changes in Net Pension Liability/(Asset) and Related Ratios (Unaudited)

PERF B (Dollars in Thousands)

	2014
Total Pension Liability:	
Service Cost	\$1,576,667
Interest	4,820,116
Changes of Benefit Terms	—
Differences Between Expected and Actual Experience	—
Changes of Assumptions	—
Benefit Payments, Including Refunds of Member Contributions	(3,139,923)
Net Change in Total Pension Liability	\$3,256,860
Total Pension Liability – Beginning	65,049,836
Total Pension Liability – Ending (a)	\$68,306,696
Plan Fiduciary Net Position:	
Contributions - Employer	\$1,203,071
Contributions - Member	744,437
Total Net Investment Income	8,601,820
Other Miscellaneous Income	23,781
Benefit Payments, Including Refunds of Member Contributions	(3,139,923)
Administrative Expenses	(72,167)
Net Change in Plan Fiduciary Net Position	\$7,361,019
Plan Fiduciary Net Position – Beginning	\$49,650,677
Plan Fiduciary Net Position – Ending (b)	57,011,696
Plan's Net Pension Liability (a) - (b)	\$11,295,000
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.5%
Covered-Employee Payroll	\$10,120,248
Net Pension Liability as a Percentage of Covered-Employee Payroll	111.6%

PERF C (Dollars in Thousands)

	2014
Total Pension Liability:	
Service Cost	\$713,731
Interest	2,169,786
Changes of Benefit Terms	—
Differences Between Expected and Actual Experience	—
Changes of Assumptions	—
Benefit Payments, Including Refunds of Member Contributions	(1,335,871)
Net Change in Total Pension Liability	\$1,547,646
Total Pension Liability – Beginning	29,241,548
Total Pension Liability – Ending (a)	\$30,789,194
Plan Fiduciary Net Position:	
Contributions - Employer	\$747,694
Contributions - Member	291,772
Total Net Investment Income	3,760,548
Other Miscellaneous Income	10,387
Benefit Payments, Including Refunds of Member Contributions	(1,335,871)
Administrative Expenses	(31,550)
Net Change in Plan Fiduciary Net Position	\$3,442,980
Plan Fiduciary Net Position – Beginning	\$21,497,548
Plan Fiduciary Net Position – Ending (b)	24,940,528
Plan's Net Pension Liability (a) - (b)	\$5,848,666
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.0%
Covered-Employee Payroll	\$3,248,018
Net Pension Liability as a Percentage of Covered-Employee Payroll	180.1%

Schedules of Changes in Net Pension Liability/(Assets) and Related Ratios (Unaudited) (continued)

LRF (Dollars in Thousands)		JRF (Dollars in Thousands)	
	2014		2014
Total Pension Liability:		Total Pension Liability:	
Service Cost	\$732	Service Cost	\$27,581
Interest	6,465	Interest	140,256
Changes of Benefit Terms	—	Changes of Benefit Terms	—
Differences Between Expected and Actual Experience	—	Differences Between Expected and Actual Experience	—
Changes of Assumptions	—	Changes of Assumptions	—
Benefit Payments, Including Refunds of Member Contributions	(7,482)	Benefit Payments, Including Refunds of Member Contributions	(193,935)
Net Change in Total Pension Liability	(\$285)	Net Change in Total Pension Liability	(\$26,098)
Total Pension Liability – Beginning	115,806	Total Pension Liability – Beginning	3,383,310
Total Pension Liability – Ending (a)	\$115,521	Total Pension Liability – Ending (a)	\$3,357,212
Plan Fiduciary Net Position:		Plan Fiduciary Net Position:	
Contributions - Employer	\$565	Contributions - Employer	\$191,148
Contributions - Member	113	Contributions - Member	4,724
Total Net Investment Income	15,332	Total Net Investment Income	54
Other Miscellaneous Income	40	Other Miscellaneous Income	2,529
Benefit Payments, Including Refunds of Member Contributions	(7,482)	Benefit Payments, Including Refunds of Member Contributions	(193,935)
Administrative Expenses	(362)	Administrative Expenses	(1,141)
Net Change in Plan Fiduciary Net Position	\$8,206	Net Change in Plan Fiduciary Net Position	\$3,379
Plan Fiduciary Net Position – Beginning	\$122,148	Plan Fiduciary Net Position – Beginning	\$53,820
Plan Fiduciary Net Position – Ending (b)	130,354	Plan Fiduciary Net Position – Ending (b)	57,199
Plan's Net Pension Asset (a) - (b)	(\$14,833)	Plan's Net Pension Liability (a) - (b)	\$3,300,013
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	112.8%	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.7%
Covered-Employee Payroll	\$1,470	Covered-Employee Payroll	\$54,649
Net Pension Asset as a Percentage of Covered-Employee Payroll	(1009.0%)	Net Pension Liability as a Percentage of Covered-Employee Payroll	6,038.6%

Schedules of Changes in Net Pension Liability/(Assets) and Related Ratios (Unaudited) (continued)

JRF II (Dollars in Thousands)

	2014
Total Pension Liability:	
Service Cost	\$78,670
Interest	61,044
Changes of Benefit Terms	—
Differences Between Expected and Actual Experience	—
Changes of Assumptions	—
Benefit Payments, Including Refunds of Member Contributions	(8,950)
Net Change in Total Pension Liability	\$130,764
Total Pension Liability – Beginning	837,198
Total Pension Liability – Ending (a)	\$967,962
Plan Fiduciary Net Position:	
Contributions - Employer	\$57,027
Contributions - Member	20,413
Total Net Investment Income	149,679
Other Miscellaneous Income	489
Benefit Payments, Including Refunds of Member Contributions	(8,950)
Administrative Expenses	(785)
Net Change in Plan Fiduciary Net Position	\$217,873
Plan Fiduciary Net Position – Beginning	\$795,966
Plan Fiduciary Net Position – Ending (b)	1,013,839
Plan's Net Pension Asset (a) - (b)	(\$45,877)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	104.7%
Covered-Employee Payroll	\$249,248
Net Pension Asset as a Percentage of Covered-Employee Payroll	(18.4%)

NOTES TO SCHEDULE

Changes in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods

In February 2014, the CalPERS Board adopted new actuarial assumptions. The most significant change to the actuarial assumptions that the Board adopted was the inclusion of future mortality improvement. The actuarial assumptions adopted by the Board are designed to ensure greater sustainability and soundness of the defined benefit pension plans, and will be better at predicting future experience resulting in more secure retirement benefits in the decades to come. The current experience study was based on demographic CalPERS data for years 1997 to 2011. The study focused on recent patterns of termination, death, disability, retirement and salary increases. These new assumptions were reflected in the total pension liabilities as of June 30, 2013. The 2013 liabilities were rolled forward to the measurement date of June 30, 2014 using standard update procedures.

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 2014-15.

Schedules of Plan Contributions — Pension Plans (Unaudited)

Schedules of Plan Contributions - Pension Plans

(Dollars in Thousands)

	2014
PERF B:	
Actuarially Determined Contribution	\$1,189,286
Contributions in Relation to the Actuarially Determined Contribution	1,189,286
Contribution Excess	<u>—</u>
Covered-Employee Payroll	\$10,120,248
Contributions as a Percentage of Covered-Employee Payroll	11.8%
PERF C:	
Actuarially Determined Contribution	\$732,142
Contributions in Relation to the Actuarially Determined Contribution	732,142
Contribution Excess	<u>—</u>
Covered-Employee Payroll	\$3,248,018
Contributions as a Percentage of Covered-Employee Payroll	22.5%
LRF:	
Actuarially Determined Contribution	\$33
Contributions in Relation to the Actuarially Determined Contribution	565
Contribution Excess	<u>(\$532)</u>
Covered-Employee Payroll	\$1,470
Contributions as a Percentage of Covered-Employee Payroll	38.4%

Schedules of Plan Contributions - Pension Plans -

Continued (Dollars in Thousands)

	2014
JRF:	
Actuarially Determined Contribution	\$1,569,630
Contributions in Relation to the Actuarially Determined Contribution	191,148
Contribution Deficiency	<u>\$1,378,482</u>
Covered-Employee Payroll	\$54,649
Contributions as a Percentage of Covered-Employee Payroll	349.8%
JRF II:	
Actuarially Determined Contribution	\$55,538
Contributions in Relation to the Actuarially Determined Contribution	55,538
Contribution Excess	<u>—</u>
Covered-Employee Payroll	\$249,248
Contributions as a Percentage of Covered-Employee Payroll	22.3%

Actuarial Assumptions and Methods Used to Set the 2014 Actuarially Determined Contributions

	PERF B	PERF C	LRF	JRF	JRF II
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll	Level Dollar	Level Percentage of Payroll
Remaining Amortization Periods	30 years	30 years	30 years	2 years	30 years
Asset Valuation Method	Smoothing of Market Value	Smoothing of Market Value	Smoothing of Market Value	Market Value	Smoothing of Market Value
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	Varies, Based on Entry Age and Service	Varies, Based on Entry Age and Service	3.00%	3.00%	3.00%
Investment Rate of Return	7.50%	7.50%	5.75%	4.25%	7.00%

Schedule of Investment Returns (Unaudited)

Annual Money-Weighted Rate of Return,
Net of Investment Expense

Plan	2014 Rate of Return (%)
PERF A	18.3%
PERF B	18.3
PERF C	18.3
LRF	13.1
JRF	0.0 ¹
JRF II	18.4

(1) The percentage for JRF is less than 0.01%.

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Schedule of Funding Progress — OPEB Trust Fund (Unaudited)

OTHER POST-EMPLOYMENT BENEFIT PLAN – CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST FUND (CERBTF)

Schedule of Funding Progress

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 valuation of 258 participating employers in the CERBTF as of June 30, 2010, aligned to a measurement date of June 30, 2009, in compliance with GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent-Multiple-Employer Plans*.

Beginning with reporting for the fiscal year ended June 30, 2011, valuation results from participating employers are aligned as of a single measurement date to comply with GASB Statement No. 57. Data is rolled forward or backward to that date by CalPERS staff, using methods allowed under Actuarial Standards of Practice and under U.S. Generally Accepted Accounting Principles.

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 government accounting standards.

Schedule of Funding Progress (Dollars in Millions)

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) Entry Age (2)	Unfunded AAL(UAL) (AVA Basis) (2) - (1)	Funded Ratio Actuarial Value of Assets Basis (1) / (2)	Annual Covered Payroll (3)	UAAL as a % of Covered Payroll [(2) - (1) / (3)]
6/30/08	\$48	\$4,845	\$4,797	1.0%	\$5,092	94.2%
6/30/09	873	10,462	9,589	8.3	9,307	103.0
6/30/10	1,287	14,288	13,001	9.0	10,435	124.6
6/30/11	1,818	15,522	13,704	11.7	10,374	132.1
6/30/12	2,072	17,612	15,540	11.8	11,175	139.1
6/30/13	2,669	31,716	29,047	8.4	17,201	168.9

Schedule of Employer Contributions — OPEB Trust Fund (Unaudited)

Schedule of Employer Contributions (Dollars in Millions)

Year Ended June 30	Annual Required Contribution	% of Required Contribution Made ⁽¹⁾
2009	\$611,607,510	95.7%
2010	870,842,132	76.9
2011	1,141,450,654	65.6
2012	1,221,939,827	63.2
2013	1,342,067,800	73.1
2014	2,523,163,977	66.6

(1) 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.

In the fiscal years ended June 30, 2008, 2009, 2010, and 2011, contributions made toward the annual required contribution excluded \$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.

The annual required contributions for the fiscal years ended June 30, 2011, 2012, and 2013 include amounts from some employers who had not yet begun making contributions to the trust at the time of the respective reporting periods. Had the contributions been included, the reported annual required contributions for the fiscal years ended June 30, 2011, 2012, and 2013 would have been \$916.9 million, \$969.9 million, and \$1.1 billion, respectively, and the contributions made toward the annual required contributions would represent 73.0 percent, 70.3 percent, and 80.5 percent.

Schedule of Claims Development Information (Unaudited)

PUBLIC EMPLOYEES' HEALTH CARE FUND

The Schedule of Claims Development Information presents the Public Employees Health Care Fund (HCF) earned revenue and investment income, as well as losses and other expenses over the last 10 years.

Schedule of Claims Development Information (Unaudited)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1) Net Earned Required Premium and Investment Revenues	\$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	\$2,895,682
2) Unallocated Expenses	65,902	67,679	74,771	78,607	85,511	90,292	88,392	96,043	105,154	192,987
3) Estimated Incurred Claims and Expenses, End of Policy Year	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	2,836,119
4) Paid (Cumulative) as of:										
End of Policy Year	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	2,200,163
One Year Later	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	1,698,615	1,788,135	1,796,587	—
Two Years Later	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	1,698,615	1,788,135	—	—
Three Years Later	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	1,698,615	—	—	—
Four Years Later	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	—	—	—	—
Five Years Later	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	—	—	—	—	—
Six Years Later	1,012,021	1,146,876	1,197,334	1,316,774	—	—	—	—	—	—
Seven Years Later	1,012,021	1,146,876	1,197,334	—	—	—	—	—	—	—
Eight Years Later	1,012,021	1,146,876	—	—	—	—	—	—	—	—
Nine Years Later	1,012,021	—	—	—	—	—	—	—	—	—
5) Re-Estimated Incurred Claims Expenses:										
End of Policy Year	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	2,836,119
One Year Later	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	1,698,615	1,788,135	1,796,587	—
Two Years Later	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	1,698,615	1,788,135	—	—
Three Years Later	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	1,698,615	—	—	—
Four Years Later	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	—	—	—	—
Five Years Later	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	—	—	—	—	—
Six Years Later	1,012,021	1,146,876	1,197,334	1,316,774	—	—	—	—	—	—
Seven Years Later	1,012,021	1,146,876	1,197,334	—	—	—	—	—	—	—
Eight Years Later	1,012,021	1,146,876	—	—	—	—	—	—	—	—
Nine Years Later	1,012,021	—	—	—	—	—	—	—	—	—
6) Decrease in Estimated Incurred Claims and Expenses From End of Policy Year	(70,990)	(55,533)	(70,906)	(68,664)	(82,130)	(64,443)	(93,984)	(28,110)	(125,370)	—

Rows 1 through 6 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 HCFs 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 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.

Administrative and Investment Management Fees – All Funds

Administrative Expenses (Dollars in Thousands)

	Fees
PERSONNEL SERVICES	
Salaries & Wages	\$159,319
Employee Benefits	66,345
Total Personnel Services	\$225,664
CONSULTANT & PROFESSIONAL SERVICES	
State of California Agencies	\$7,116
External Consultants	63,135
Retiree Benefit Trust Management Fees	83
Deferred Compensation Management/Custody Fees	4,021
Health Plan Administrator Fees	170,727
Long-Term Care Administrator Fees	20,117
Total Consultant & Professional Services	\$265,199
OPERATING EXPENSES & EQUIPMENT	
General Expense	\$6,614
Software	5,739
Printing	1,504
Building	23,306
Postage	4,719
Communications	1,595
Data Processing Services	18,175
Travel	1,214
Training	1,194
Medical Examiners	1,674
Facilities Operation	3,666
Central Administrative Services	46,287
Administrative Hearings	465
Consolidated Data Center	122
Equipment	6,569
Total Operating Expenses & Equipment	\$122,843
OTHER EXPENSES & ADJUSTMENTS	
Depreciation Expense	\$17,230
Increase in Paid Absence Obligation	910
Amortization	1,901
Miscellaneous	2,367
Total Other Expenses & Adjustments	\$22,408
TOTAL ADMINISTRATIVE EXPENSES — ALL FUNDS	\$636,114

Investment Management Fees¹ (Dollars in Thousands)

	Fees
Absolute Return Strategy Managers	
47 Degrees North New Generation 1848 Fund, LP	\$878
AIS Highbury Fund, LP	267
Aspect Alternative Fund, LLC	1,871
Black River Commodity Multi-Strategy Fund, LLC	28
Black River CTF	3,015
Black River Fixed Income Relative Value Opportunity Fund, LTD	6,723
Bluetrend Fund, LP	4,180
Breton Hill Eureka Fund, LP	1,963
Brookside Capital Partners Fund, LP	224
Canyon Value Realization Fund, LP	87
Chatham Eureka Fund, LP	8,236
Deephaven Market Neutral, LLC	18
Double Haven Eureka, LLC	763
Eraam Highbury Fund, LP	2,202
Ermitage Highbury Fund, LP	62
Kylin Eureka Fund, LLP	1,057
Lansdowne Eureka Fund, LP	2,865
Northwest Eureka Fund, LLP	577
O'Connor Global Fundamental Market Neutral Long Short, LLC	1,026
Oz Domestic Partners II, LP	300
Oz Eureka Fund, LP	10,685
PAAMCO 1848 Fund, LP	1,876
PAAMCO Blue Diamond	558
PFM Diversified Eureka Fund	5,214
Rock Creek 1848 Fund, LP	1,807
Standard Pacific Eureka Fund, LLP	1,233
Symphony Eureka Fund, LP	2,973
Vision Blue Diamond Fund, LP	811
Total Absolute Return Strategy Managers	\$61,499
Equity Managers	
Alliance Bernstein, LP	\$724
Arrowstreet Capital, LP	1,682
Ashmore Equities Investment Management	670
Baillie Gifford Overseas, LTD	1,881
Blum Strategic Partners III, LP Investment # 64 & #8	856
Blum Strategic Partners IV, LP	247
Cartica Corporate Governance Fund, LP	4,473
Dimensional Fund Advisors, LP	2,959
First Quadrant, LP	686
FIS Group, INC	1,573
Genesis Asset Managers, LP	2,589
Go Second European Focus Fund	654
Grantham, Mayo, Van Otterloo & Co., LLC	497
Hermes SoureCAP Limited	1,958

Investment Management Fees – All Funds

Investment Management Fees¹ (Dollars in Thousands) - Continued

	Fees		Fees
J.P. Morgan Investment Management, INC	\$528	American Value Partners Fund I, LP	\$699
Knight Vinke Institutional Partners I, LP	1,171	Apollo Real Estate Finance Corporation	604
Lazard Asset Management, LLC	2,538	ARA Asia Dragon Fund	3,466
Leading Edge Investment Advisors, LLC	3,474	ARA Asia Dragon Fund II	751
Legato Capital Management, LLC	1,557	ARA China Long-Term Hold	2,495
New Mountain Vantage (California), LP	3,216	Area Real Estate Investment Fund V, LP	552
Nomura Asset Mgt. USA, INC	271	Bridge Urban Infill Land Development, LLC (Build)	116
Piedmont Investment Advisors, LLC	276	Buchanan Urban Investors II, LLC	756
Progress Investment Management Company	1,375	CalEast Canada Limited Partnership	685
Pyramis Global Advisors Trust Company	2,005	CalEast Industrial Investors, LLC	2,664
Pzena Investment Management, LLC	1,228	CalEast Solstice, LLC	14,743
QS Investors, LLC	748	California Smart Growth Fund IV, LP	779
Quotient Investors, LLC	1,794	Calsmart, LLC (Canyon)	578
Redwood Investments, LLC	1,100	CalWest - CalPERS	2,039
Relational Investors, LP	1,202	Canyon Catalyst Fund, LLC	908
Relational Mid-Cap	4,489	Canyon Johnson Urban Fund, III	1,817
Research Affiliates, LLC	1,488	Carlyle Infrastructure Partners, LP	567
State Street Bank And Trust Company	137	CBRE Strategic Partners Europe Fund, III	372
Strategic Investment Management, LP	532	CBRE Strategic Partners UK Fund, II	91
Stux Capital Management	1,364	CBRE Strategic Partners UK Fund, III	231
T. Rowe Price Associates, INC.	3,937	Centerline Urban Capital I, LLC	956
Taiyo Cypress Fund, LP	2,148	CIM Fund III, LP	8,184
Taiyo Fund, LP	10,015	CIM Infrastructure Fund, LP	1,795
Taiyo Pearl Fund, LP	1,216	CIM Urban Real Estate Fund, LP	4,146
The Boston Company Asset Management, LLC	368	CIM Urban Reit, LLC	3,743
Tobam SAS	833	Cityview LA Urban Fund I, LP	334
Victoria 1522 Investments, LP	907	CUIP Properties, LLC	27
Wasatch Advisors, INC	197	European Property Investors, LP	22
Total Equity Managers	\$71,563	Fifth Street Properties	8
Fixed Income Managers		Fillmore East Fund, LP	202
Alliance Bernstein, LP	\$379	Fortress Holiday Investment Fund, LP	940
Baring International Investment Limited	374	Fortress Investment Fund IV (Fund A), LP	942
Pacific Investment Management Co.	713	Fortress Residential Investment Deutschland (Fund A)	1,297
Rogge Global Partners	364	Fortress RIC Coinvestment Fund, LP	266
State Street Bank And Trust Company	640	FSP - Base	3,075
Total Fixed Income Managers	\$2,470	FSP - Dt 2011	3,999
Real Asset Managers		FSP - Dt 2012 And Beyond	4,089
301 Capitol Mall, LP	\$97	GI Partners Fund II, LP	669
Aetos Capital Asia TE II, LTD.	1,726	GI Partners Fund III, LP	2,364
Aetos Capital Asia TE, LP	24	Global Infrastructure Partners II, LP (GIP II)	3,472
AEW Senior Housing Company, LLC	626	Global Retail Investors, LLC	5,668
AEW-SHP Managed Portfolio	2,050	GRI - Base	679
AGI-TMG Housing Partners I, LLC	163	GRI - Dt 2011	326
Alinda Infrastructure Fund I, LP	1,310	Guggenheim Structured Real Estate III, LP	205
Alinda Infrastructure Fund II, LP	1,562	Hampshire Partners Fund VI, LP	276
		Harbert European Real Estate Fund II, LP	400

Investment Management Fees - All Funds (continued)

Investment Management Fees¹ (Dollars in Thousands) - Continued

	Fees		Fees
Harbert Gulf Pacific Power, LLC (HGPP)	\$836	ORA Residential Investments I, LP	\$3,381
Harbert Power Fund V, LLC (HPFV)	29	Pacific Multifamily Investors, LLC	22
HC Green Development Fund, LP	190	Pacific Vineyard Partners, LLC	868
HC NOP Holdings, LP	118	PLA Retail Fund I, LP	1,113
HCB Interests II, LP	2,989	PRECO Account Partnership III, LP	418
HCB Interests, LP	7	Rockpoint Real Estate Fund II, LP	216
HCB LTH	5,757	Rockpoint Real Estate Fund III, LP	1,047
HCC Interests, LP	623	RREEF Global Opportunities Fund II, LLC	104
HCM Holdings II, LP	630	Savanna Real Estate Fund I, LP	443
HCM Holdings, LP	485	SDL Hospitality Co-Invest Fund, LP	125
HCR LTH, LLC	3,795	Secured Capital Japan Real Estate Partners Asia, LP	2,266
Hearthstone Housing Partners II, LLC	3,120	Secured Capital Japan Real Estate Partners II, LP	545
Hearthstone Housing Partners III, LLC	155	Shea Capital I, LLC	5,034
Hearthstone Multi-State Residential Value-Added III	—	Shea Mountain House, LLC	1,839
Hearthstone Path-Of-Growth Fund, LLC	3,082	Starwood Capital Hospitality Fund I-2, LP	915
Hines European Development Fund II, LP	175	Starwood Capital Hospitality Fund II Global, LP	1,949
Hines European Development Fund, LP	195	Stockbridge Hollywood Park Co-Investors, LP	751
IHP Investment Fund I, LP	1,440	Stockbridge Real Estate Fund II-B, LP	399
IHP Investment Fund II, LP	712	Strategic Partners Value Enhancement Fund, LP	484
IHP Investment Fund III, LP	1,092	Sun-Apollo India Real Estate Fund, LLC	422
IL&FS India Realty Fund II, LLC	2,042	Sylvanus, LLC	2,616
IL&FS India Realty Fund, LLC	1,500	Techcore, LLC	3,180
IMI - Base	12,711	TPG Hospitality Investments IV, LLC	1,986
IMI - Dt 2011	1,211	Urbanamerica, LP II	959
IMP - Base	2,115	Whitney Ranch Venture, LLC	334
IMP - Dt 2011	2,465	Windsor Realty Fund VII, LP	317
Institutional Core Multifamily Investors	888	Xander Co-Investment	3,506
Institutional Logistics Partners, LLC	902	Xander JV Fund I (India Realty)	475
Institutional Multifamily Partners	5,675	Total Real Asset Managers	\$206,296
JER Europe Fund III, LP	343	Other Investment Management Fees	
JER Us Debt Co-Investment Vehicle, LP	277	Fund 00259 Supplemental Contributions Program Fund	\$9
KAREC California Development Program, LLC	1,066	Fund 00615 State Peace Officers And Firefighters Defined Contribution Plan Fund	298
KC 2011, LLC	2,922	Fund 00833 Annuitants Health Care Coverage Fund	542
KSC Affordable Housing Investment Fund, LLC	922	Fund 00883 Public Employees Long-Term Care Fund	1,383
Lasalle Asia Opportunity Fund III, LP	1,131	Fund 00885 Public Employees Deferred Compensation Fund	415
Lasalle French Fund II, LP	444	Fund 10822 Public Employees Health Care Fund - PERSCare	8
Lasalle Japan Logistics Fund II, LP	212	Fund 10950 Contingency Reserve Fund - Administration	—
Lincoln Timber, LP	4,549	Fund 20822 Public Employees Health Care Fund - PERS Choice	22
Market Street Capital Partners, LP	861	Hamilton Lane Advisors, LLC	343
Meriwether Farms, LLC	1,732	Total Other Investment Management Fees	\$3,020
MGPA Asia Fund II, LP	945	Total Management Fees	\$344,848
MGPA Europe Parallel Fund II, LP	841		
National Office Partners, LLC (CWP)	4,657		
Niam Nordic Investment Fund, III	226		
Niam Nordic Investment Fund, IV	888		
ORA Multifamily Investments I, LLC	3,072		

(1) Expenses and fees less than a thousand dollars are indicated by a dash.

Performance Fees - All Funds

Performance Fees^{1,2} (Dollars in Thousands)

	Fees		Fees
Absolute Return Strategy Managers		Real Asset Managers	
Black River CTF	(\$165)	Aetos Capital Asia TE, LP	(\$147)
Black River Fixed Income Relative Value Opportunity Fund, LTD	8,728	AEW-SHP Managed Portfolio	1,750
Breton Hill Eureka Fund, LP	383	CalEast Solstice, LLC	5,696
Brookside Capital Partners Fund, LP	1,278	Calsmart, LLC (Canyon)	17,715
Canyon Value Realization Fund, LP	—	CalWest - CalPERS	387
Chatham Eureka Fund, LP	10,317	Canyon Johnson Urban Fund, III	8,967
Double Haven Eureka, LLC	658	CIM Infrastructure Fund, LP	15,075
ERAAM Highbury Fund, LP	958	DB Real Estate Global Opportunities IA, LP	(21)
Kylin Eureka Fund, LLP	951	DB Real Estate Global Opportunities IB, LP	(977)
Lansdowne Eureka Fund, LP	7,553	FSP - Base	9,180
O'Connor Global Fundamental Market Neutral Long Short, LLC	693	FSP - Dt 2011	18,814
Oz Domestic Partners II, LP	534	FSP - Dt 2012 And Beyond	11,650
Oz Eureka Fund, LP	18,734	Global Infrastructure Partners II, LP (GIP II)	5,955
PFM Diversified Eureka Fund	10,510	Global Innovation Partners, LLC	(29)
Rock Creek 1848 Fund, LP	1,221	Global Retail Investors, LLC	159,740
Standard Pacific Eureka Fund, LLP	437	GRI - Base	298
Suttonbrook Eureka Fund, LP	(294)	GRI - Dt 2011	1,862
Symphony Eureka Fund, LP	5,873	Harbert European Real Estate Fund II, LP	452
Vision Blue Diamond Fund, LP	51	HC Green Development Fund, LP	1,717
Total Absolute Return Strategy Managers	\$68,420	HCB Interests II, LP	10,091
Equity Managers		HCC Interests, LP	(98)
Arrowstreet Capital, LP	\$18,422	Hearthstone Housing Partners, LP	89
Blum Strategic Partners II, LP	(56)	Hearthstone Multi-State Residential Value-Added III	(617)
Cartica CG Fund, LP	5,507	Hearthstone-MSII Homebuilding Investors, LLC	35
First Quadrant, LP	4,984	IHP Investment Fund III, LP	2,960
Grantham, Mayo, Van Otterloo & Co., LLC	33	IMI - Base	16,997
Knight Vinke Institutional Partners I, LP	4,736	IMP - Base	2,047
Lazard Asset Management, LLC	5,262	IMP - Dt 2011	3,752
Legato Capital Management, LLC	1,127	IMP - Dt 2012 And Beyond	95
Nomura Asset Mgt. USA, INC	353	Institutional Multifamily Partners	223,875
Progress Investment Management Company	421	Ivy Investment Vehicle LDC (SWPM)	17,766
Pyramis Global Advisors Trust Company	374	National Office Partners, LLC (CWP)	76,691
Pzena Investment Management, LLC	671	ORA Multifamily Investments I, LLC	15,300
Strategic Investment Management, LP	449	ORA Residential Investments I, LP	34,597
Taiyo Cypress Fund, LP	256	SDL Hospitality Co-Invest Fund, LP	(2,623)
Taiyo Fund, LP	33,159	Starwood Capital Hospitality Fund II Global, LP	1,104
Taiyo Pearl Fund, LP	1,344	Total Real Asset Managers	\$660,145
Total Equity Managers	\$77,042	Total Performance Fees	\$809,806
Fixed Income Managers		Total Management And Performance Fees	\$1,154,654
Alliance Bernstein, LP	\$1,106		
Baring International Investment Limited	273		
Pacific Investment Management Co.	2,516		
Rogge Global Partners	304		
Total Fixed Income Managers	\$4,199		

(1) Negative performance fees are due to the reversal of accruals caused by fluctuation in market values.

(2) Expenses and fees less than a thousand dollars are indicated by a dash.

Other Investment Expenses - All Funds

Other Investment Expenses^{1,2} (Dollars in Thousands)

	Fees
Auditor Fees	
Carolyn Sangil David, CPA & Assoc.	\$49
Conrad, LLP	364
KNL Support Services	68
KPM & Associates	490
Total Auditor Fees	\$971
Appraisal Fees	
Altus Group	\$4,888
Total Appraisal Fees	\$4,888
Company Expense	
Legato Capital Management, LLC	\$195
Strategic Investment Management, LP	41
Total Company Expense	\$236
Investment Consultant Fees	
Altius Associates Limited	\$30
American Express	9
APCI Worldwide, INC	32
Bard Consulting, LLC	1,045
Callan Associates, INC	1,598
Cambria Solutions, INC	576
Cambridge Associates, LLC	475
Coachsource, LLC	26
Courtland Partners, LTD	266
Crosswater Realty Advisors, LLC	939
Cutter Associates, LLC	688
Drobny Global Asset Management, LP	120
FTI Consulting, INC	210
Garland Associates, INC	22
Governance Holdings Co., dba GMI Ratings	32
Hamilton Lane Advisors, LLC	50
Heidrick & Struggles	(34)
Jay Gaines & Company, INC	(5)
Korn/Ferry International	163
KPMG, LLP	83
Le Plastrier Consulting Group, INC	2,044
Loop Capital Markets	75
LP Capital Advisors, LLC	244
Meketa Investment Group, INC	97
Mercer Investment Consulting, INC	(15)
MK Partners, INC	23
Mosaic Investment Advisors, INC	471
Nichols Consulting	510
Pacific Alternative Asset Mgmt Co., LLC	229
Pacific Community Ventures, INC	365
Pension Consulting Alliance, INC	2,018

	Fees
Performance Technology Partners, LLC	\$5
Propoint Technology, INC	1,205
Pyramid Technical Consultants, INC	232
RG & Associates	72
Ridgeway Partners, LLC	84
RSR Partners	(1)
SAS International, INC	171
Senn-Delaney Leadership Conslt Grp, LLC	62
Sheraton Grand Sacramento Hotel	36
Stanfield Systems, INC	79
Starting Point	90
Strategic Investment Solutions, INC	25
Suzanne Stone Freelance Services	19
The Highlands Consulting Group, LLC	8
The Regents of the University of California	149
Trinity Technology Group, INC	940
UBS Alternative & Quantitative Inv., LLC	2,317
University of California Davis-Graduate	249
VanWrite Writing Consultants, LLC	11
Voyager	1
Wellington Management Company, LLP	449
Wilcox Miller & Nelson	—
Wilshire Associates, INC	3,145
Total Investment Consultant Fees	\$21,734
Legal Fees	
Alvaradosmith, A Professional Corporation	\$4
Berman Devalerio	41
Chapman & Cutler, LLP	289
Cox, Castle & Nicholson, LLP	227
Downey Brand, LLP	123
Felderstein Fitzgerald Willoughby Pascuz	11
Foster Pepper, PLLC	208
Institutional Multifamily Partners, LLC	547
K & L Gates, LLP	664
Katten Muchin Rosenman, LLP	106
Morgan Lewis & Bockius, LLP	814
Pillsbury Winthrop Shaw Pittman, LLP	881
Polsinelli Shughart, LLP	23
Soltman, Levitt, Flaherty & Wattles, LLP	31
Total Legal Fees	\$3,969
Master Custodian Fees	
State Street Bank And Trust Company	\$5,225
Total Master Custodian Fees	\$5,225
Tax Advisory Fees	
Ernst & Young, LLP	\$801

Other Investment Expenses - All Funds (continued)

Other Investment Expenses^{1,2} (Dollars in Thousands) - Continued

	Fees		Fees
KPMG Limited Taiwan	\$125	Global Investor Collaboration Svcs., LLC	\$5
Philippine Long Distance Telephone Co	—	Governance Holdings Co., dba GMI Ratings	273
S.R. Baitilboi & Co, LLP	(5)	GP Analytics	120
Total Tax Advisory Fees	\$921	Green Street Advisors	70
Technology Expenses		High Frequency Economics, LTD	26
13D Research, INC	\$60	IHS Global, INC	50
Adobe Government at Carahsoft	97	Inframation, LTD	4
Albourne America, LLC	333	Institutional Shareholder Services, INC	182
Alternativesoft Ag	31	Intex Solutions, INC	194
Altura Capital Group	25	Ives Group INC	13
Argus Financial Software	1	Macroeconomic Adviser, LLC	18
Axioma, INC	179	Markit North America, LTD	140
Bank Credit Analyst Research Group	249	Mcube Investment Technologies, LLC	74
Barclays Capital	100	Microsoft Services	5
Barra, INC	1,867	Moody's Analytics, INC	432
Blackrock Financial Management, INC	5,381	Moody's Investors Service, INC	90
Bloomberg, LP	2,696	MRI Software, LLC	245
Cambridge Associates, LLC	175	MSCI, INC	327
Candael, INC	14	NCREIF	1
Capital Analytics II, LLC	941	New York Stock Exchange	42
CB Richard Ellis Investors	290	Northfield Info. Svcs., INC	120
Charles River Systems, INC	3,534	Omgeo	96
Compucom Systems, INC	20	Oxford Analytica, INC	43
Cornerstone Macro, LP	100	Preqin Limited	27
Cost Effectiveness Measurement, INC	60	Principal Life Insurance Company-02210	338
Covenant Review, LLC	45	Quantal International, INC	45
Credit Suisse Securities (USA) LLC	100	Radianz Americas, INC	28
Creditsights	100	RBS Smart Productions, INC	100
Dow Jones - Irwin	18	Real Capital Analytics, INC	75
Efront Financial Solutions, INC	325	Revere Data, LLC	6
EMBS, INC	10	Roubini Global Economics	10
Empirical Research Partners, LLC	240	Russell Investment Group	106
Equilar, INC	8	SNL Financial, LC	87
ERa Equity Research Associates, INC	1	Standard & Poor's Corporation	1,626
Ermitage Asset Management Jersey Limited	(21)	Strategic Economic Decisions, INC	15
Etrali North America, LLC	92	Style Research, INC	84
Eurasia Group	112	Sustainalytics U.S., INC	40
Evestment Alliance	25	The Depository Trust & Clearing Corp	5
Factset Research Systems, INC	2,866	The Mathworks, INC	279
Fan Asset Management, LLC	336	The World Markets Company Plc	6
Farient Adviser,s LLC	18	Thomson Financial/Nelson	534
Firstrain, INC	10	Thomson Reuters (Healthcare), INC	9
Fitch, INC	286	Toronto Stock Exchange	6
FTSE	350	Trade Web	85
FX Alliance, INC	21	William O'Neil & Company	27
Glass Lewis & Co., LLC	965	Yardeni Research, INC	15

Other Investment Expenses - All Funds (continued)

Other Investment Expenses^{1,2} (Dollars in Thousands) - Continued

	Fees
Yield Book, INC	\$129
Zeno Consulting Group, LLC	49
Total Technology Expenses	\$28,361
Total Other Investment Fees	\$66,305
Internal Investment Personnel And Administrative Expenses	
Internal Investment Personnel And Administrative Expenses	\$59,593
Total Internal Investment Personnel And Administrative Expenses	\$59,593
Miscellaneous Investment Expense Fees	
Miscellaneous Investment Expense Fees	\$199
Mortgage Servicing Fees	7,689
Transaction Fees	58,846
Total Miscellaneous Investment Expense Fees	\$66,734
Total Investment Expenses - All Funds	\$1,347,286

(1) Negative other investment expenses are due to the reversal of accruals caused by fluctuations in market value.

(2) Expenses and fees less than a thousand dollars are indicated with a dash.

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Consultant and Professional Services Expenses

Consultant and Professional Services Expenses (Dollars in Thousands)

Individual or Firm	Fees	Nature of Services
Accenture LLP	\$12,070	Consulting Services on Pension System Resumption (PSR) Project
ADSI, Inc.	156	Project Management Services, Architecture, Data Services, Application Development & Management Support Services
Advanced Systems Group, LLC	30	Production Equipment Maintenance Services
Aisitech, LLC	347	Application Development, Release Management/Quality Assurance/Configuration Management Services
Ambire Consulting, Inc	206	Project Management Services, Application Development & Specialized IT Support Services for Investment Systems/Business
Andes Consulting, LLC	173	Architecture, Systems Support, IT Security
Anthem Blue Cross	78,743	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation & Development, Wellness, Prevention & Disease Management Services
ATV Video Center, Inc.	206	Audiovisual Support & Live Event Presentation Services
Ballard Group, Inc	158	Information Technology Consultant Services
Base 3 Consulting	979	Application Development & Management Support Services
Bedrosian & Associates	21	Writing & Editorial Services, Marketing Services
Belmonte Enterprises, LLC	1,237	Project Management Services, Architecture, Data Services & Application Development
Blue Shield of California	78,765	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation & Development, Wellness, Prevention & Disease Management Services
Borden Lee Consulting	26	Floor Warden & Emergency Response Teams Training, Emergency Response Enhancement Training, Standardized Emergency Management System (SEMS)/National Incident Management System (NIMS)/Incident Command System (ICS) Training, Offsite Drill Scenario Creation/Evaluation
Business Advantage Consulting, Inc.	338	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	953	Database Administration, Management Support Services, Business Process Reengineering, Business Transformation/Transition & IT Security
Capital Technology Associates	197	Management Support Services, Project Management & Oversight Services
Celer Systems, Inc.	141	Architecture, Data Services, Application Development, Database Administration, & Application Servers
Cheiron, Inc.	225	Professional Actuarial Auditing Services, Annual Actuarial Valuations, Actuarial Experience Studies, General Actuarial Consulting Services, Review & Consulting on Mortality & Disability Insurance Programs
CoachSource, LLC	28	Leadership Development, Survey & Performance Tracking Systems, 360 degree Leadership Evaluation Program, Curriculum Design & Development
Compliance11	132	Personal Trading Software Services
Cornerstone Fitness, Inc.	100	Organizational Development & Readiness, Employee Training & Development
Covington & Burling, LLP	418	Legal Services to the Board
CVS Caremark	5,254	Pharmacy Claims Administration, Account Management, Eligibility, Retail & Other Reporting Services
Daniel J. Edelman, Inc.	294	Media Training, Marketing Services, Crisis Communications Services
Dee Hansford Consulting	28	Writing, Editorial, Education, Marketing & Outreach Campaigns Services
Delegata Corporation	1,194	Data Services, Application Development, Architecture, Database Administration, Management Support Services & Business Process Reengineering
Department of General Services/RR Donnelly	506	Open Enrollment Printing, Mail Processing & Postage
Department of Human Resources	228	Election Forms for the Alternate Retirement Program (ARP) Processing Services
Department of Justice	472	Conduct & Provide External Investigative Services
Dolamont Consulting Inc.	807	Business Transformation/Transition, Specialized IT Support Services for Investment Systems/Business & Management Support Services
Downey, Brand, Seymour & Rohwer, LLP	68	Legal Opinions & Advices. Analyze Employee Benefit, Federal & State Tax Laws
Drinker Biddle & Reath LLP	337	Legal Services to the Board
DSS Research	62	Project Management, Design & Development, Database Preparation, Printing & Survey Tracking
Eagle Management Group, LLC., dba Matran	167	Coordinate Conference/Event Participation Services & Display Exhibit Shipping & Set-Up
Eaton Interpreting Services, Inc.	64	Professional Sign Language Interpreter Services
Eclipse Corporation	352	Application Development & Database Administration, Network & Backup Management

Consultant and Professional Services Expenses (continued)

Consultant and Professional Services Expenses (Dollars in Thousands) - Continued

Individual or Firm	Fees	Nature of Services
Equanim Technologies	\$1,214	Project Oversight & Management Services, Management Support Services & Release Management/Quality Assurance/Configuration Management
Esoft Infosystems Inc.	137	Data Services, Application Development, Data Base Administration
Eterasys Consulting, Inc.	63	Data Base Administration
Ferency & Paul, LLP	30	Legal Opinions & Advices. Analyze Federal & State Tax Laws
FutureSense, Inc.	53	Organizational & Leadership Development, Performance Management & Program Evaluation
Government Operations Agency	338	Budget, Personnel, Legislative, and Information Technology Services, Policy Oversight, Communications Oversight, Legal Services
GovernmentJobs.com, Inc. DBA NEOGOV	21	Publicize, Post CalPERS Recruitments, Collect & Retain Applications
Grant Thornton, LLP	94	Strategic & Operational Business Planning, Performance Management & Program Evaluation, Management Analysis, Project Oversight Services, Project Management Services, Management Support Services, Business Process Reengineering, Business Transformation/Transition
H&B Joint Venture	202	Consulting Services on Pension System Resumption (PSR) Project
Health Management Systems, Inc. (HMS)	1,549	Dependent Eligibility Verification of Selected Subscribers of CalPERS healthcare benefit programs
Health Net of California	187	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation & Development, Wellness, Prevention & Disease Management Services
Heidrick & Struggles	83	High Quality Management Executive & Actuarial Search Services
Highlands Consulting Group, LLC	779	Survey & Research Services
HP Enterprise Services LLC	197	Project Management Services, Architecture, Data Services & Database Administration
Human Factors International, Inc.	299	User Experience Design, Strategy & Research
Information Technology Software Professional	278	Data Services, Project Management Services, Architecture, Application Development & Content Management
Informatix, Inc	366	Business Process Reengineering, Business Transformation/Transition, Management Support Services, Technical Writing, Data Network & Services
ING	4,021	Third party member record-keeper
J & K Court Reporting, LLC	48	Transcribe Administrative Hearings & Appeals, Protest Proceedings & Full Hearing
JLynnConsulting, Inc.	816	Database Administration & Services, Application Development, Technical Writing, Business Process Reengineering & Training Services
K & L Gates LLP	4,373	Legal & Advise Services. Monitor & Report on State & Federal Judicial Proceedings
Kath Straub and Associates, LLC	310	User Experience Design, Strategy & Research
Katrina Kennedy Training	42	Organizational Development & Readiness. Employee Training & Development & Leadership Development
KearnFord Application Systems Design	1,831	Project Management Services, Architecture, Data Services, Application Development, Management Support Services & Business Process Reengineering
Kenera Consulting, Inc.	148	Business Transformation/Transition, Management Support Services, Application Development & Project Management Services
Knowledge Structures, Inc.	67	Employee Training & Development
Kong Consulting, Inc.	595	PeopleSoft Financials Functional Support Services
Korn/Ferry International	142	High Quality Management Executive, Investment Management Executive & Actuarial Search Services
KPMG LLP	259	Organizational & Leadership Development, Strategic & Operational Business Planning, Performance Management, Program Evaluation & Management Analysis
Landor Associates	100	Writing, Editorial, Marketing, Survey & Research Services
LCS Technologies, Inc.	471	Application Development & Database Administration
Lincoln Crow Strategic Communications	44	Writing, Editorial & Marketing Services
Linsonic, LLC	170	Architecture, Data Services, Application Development & Database Administration
Lussier, Vienna, Gregor & Associates, Inc.	761	Identify & Monitor Proposed Legislations, Regulations & Issues of Interest or Concern to CalPERS
M Corp	1,209	Project Management Services, Data Services, Application Development, Release Management/Quality Assurance/Configuration Management, Management Support Services & Business Process Reengineering
Macias Gini & O'Connell, LLP	605	Independent Financial Statement Audit in Accordance with Generally Accepted Auditing Standards (GAAS)
Martin & Chapman Co.	119	Ballot Counting & Ballot Card Services for CalPERS Board of Administration Elections
Maximus Federal Services, Inc.	31	Independent Medical Review of Appeal Cases & Research of Various Benefit Issues
Mckinsey & Company, Inc. Washington, DC	30	Organizational & Structural Analysis & Specialty Consulting
McLagan	39	Biennial Salary Surveys & Consultation on the Structure & Administration of the Compensation Program

Consultant and Professional Services Expenses (continued)

Consultant and Professional Services Expenses (Dollars in Thousands) - Continued

Individual or Firm	Fees	Nature of Services
Mellon Bank	\$315	Banking Services
Mennemeier, Glassman & Stroud LLP	197	Legal Services
Mercer Health and Benefits	726	Actuarial Consulting of Health Program & Benefits, Medical & Utilization Management Consulting, Pharmaceutical Benefit Management Consulting & Leveraging Health Care Information System
Michael Strategic Analysis	32	Survey & Research Services
Milliman, Inc.	1,147	Actuarial Consulting for Health Program, Health Benefits Consulting, Medical & Utilization Management Consulting, Pharmaceutical Benefit Management Consulting & Leveraging Health Care Information Systems, GEN3 Project Management, GEN3 Data Warehouse Training, Implementation & Transition, Maintenance & Operations Services
Mindstorm Creative, Inc.	80	Video & Multimedia Production Services & Post Production Services
Modis, Inc.	108	System Support, Database Administration, Data Services, Project Oversight & Management Services, IT Security & Specialized IT Support Services
Monarch Enterprises, Inc.	132	Application Development
Netresult, LLC	188	Project Management Services, Architecture, Data Services, Application Development, Database Administration, Content Management & Business Process Reengineering
Nexus IS, Inc.	152	System Support, Data Network & Telecommunications
Northeast Retirement Services	83	Third party member record-keeper
Oncore Consulting, LLC	714	Project Management Services, Architecture, Data Services, and Application Development
Pacific Business Group on Health	56	Maintenance of the Existing Customized Internet Based Health Plan Chooser Tool, Annual Update to Accommodate New Plan & Benefit Design Changes
Pasanna Consulting Group, LLC	614	Architecture & Application Development
Performance Technology Partners, LLC	1,047	Telecommunications, Release Management/Quality Assurance/Configuration Management, Management Support Services, Business Process Reengineering & IT Security
Pillsbury Winthrop Shaw Pittman, LLP	173	Legal Services & Other Related Services as Requested by the Board's General Counsel
Princeton Solutions Group, Inc.	362	Project Oversight & Management Services, Architecture, Application Development & Release Management/Quality Assurance/Configuration Management
Pyramid Technical Consultants, Inc.	502	Project Management Services & Specialized IT Support Services for Investment Systems/Business
Qualapps, Inc.	883	Project Oversight & Management Support Services
Radian Solutions, LLC	99	Data Services, Application Development, and Database Administration
Reed Smith, LLP	514	Legal & Litigation Services
Regents of the University of CA, Davis	177	Evaluation Study on the Impact of the CalPERS Reference Pricing Benefit on the Use of & Expenditures for Hip & Knee Replacement Surgery
Ridgeway Partners, LLC	143	High Quality Investment Management Executive Search Services
Risk 2 Reputation	220	Media Research and Analysis, Reputational Risk Assessment Survey
Rosenberg and Kaplan, A Law Corporation	173	Legal Services, Advice & Representation in Negotiations of Agreements with Different Health Care Insurance Companies
Saba Software, Inc.	151	Business & Technical Consulting & Development
Safeguard Web & Graphics	893	Typesetting, Printing, Packaging & Mailing Services for Board of Administration Elections & Possible Run-Off Elections
Sage 2.0	202	Project Management & Data Services & Application Development
SAS International, Inc.	207	Application Servers, Desktop Services, Unix/Linux Platform & Data Network
Shah & Associates, A Professional Law Co	85	Legal Services & Representation of the Board in State, Federal & Quasi-Judicial Proceeding
Sharp Health Plan	230	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation & Development, Wellness, Prevention & Disease Management Services
Shaw Valenza, LLP	130	Litigation & Advisory Legal Services. Labor Negotiations
Shooting Star Solutions, LLC	164	Project Oversight & Management Services, Management Support Services, Business Process Reengineering & IT Security
Sign Language Interpreting Service Agency	28	Professional Sign Language Interpreter Services
Softsol Technologies, Inc.	1,192	Data Network & Backup Management, Database Administration, Mainframe, Application Servers, & Disaster Recovery
SRI Infotech, Inc.	383	Architecture, Data Services, Application Development, Database Administration & Application Servers
Stanfield Systems, Inc.	157	Database Administration, Content Management, Mainframe, Disaster Recovery & Specialized IT Support Services for Investment Systems/Business
State Controller's Office	10,982	Interest Earning Computation Services & Claims Schedule Processing Services, Information Technology, Other Post Employment Benefits & General Administrative Services

Consultant and Professional Services Expenses (continued)

Consultant and Professional Services Expenses (Dollars in Thousands) - Continued

Individual or Firm	Fees	Nature of Services
State Treasurer's Office	\$26	Wiring Services
Steptoe & Johnson, LLP	2,742	Legal Services & Advice to the Board on Federal & State Tax Law & Employee Benefit Law
Stoel Rives, LLP	202	Legal Services & Assistance with the Negotiation of Contacts Between CalPERS & Health Plans & Third Party Administrators of Health Programs
T5 Consulting	1,020	Application Development
Take 1 Productions	54	Video & Multimedia Production Services, Post Production Services & Captioning Services
Taylor Feldman Group, LLC, The	183	Management Support Services
Technology Crest Corporation	205	Architecture, Application Development, Systems Support & Application Servers
Trinity Technology Group, Inc.	1,880	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.	2,355	Advantage Application Service Provider Services & Advantage Suite Data Consulting Services
United Health Actuarial Services, Inc.	161	Administrative Support
United Healthcare	1,324	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation & Development, Wellness, Prevention & Disease Management Services
University of California Berkeley	50	Evaluation of the Impact of the CalPERS Reference Pricing Benefit Design on Use & Expenditures for Hip & Knee Replacement Surgery
Univita	19,782	Billing, Banking, Claims Administration, Underwriting, Care Advisory, Enrollment, Customer & Specialist, Reporting, Data Feed Services
Unleashing Leaders, Inc.	379	Executive Reporting & Communication. Oversight & Assessment. Mentoring & Organization Change Management
Vantage Consulting Group, Inc.	608	Production Support, Sub-System Production Support, Pension Reform/Health Reform Analysis & Support
VanWrite Writing Consultants, LLC	88	Employee Training & Development
Viaspire	168	User Experience Design, Strategy & Research
Visionary Integration Profess, LLC (VIP)	305	IT Security, Business Process Reengineering, Management Support Services, Application Servers, Data Services & Network & Database Administration
Weaver Schlenger Mazel, LLP	57	Legal Services to the Board in connection with Immigration Employment Matters
Worktank Enterprises, LLC	455	Media Training and Web Event Services
Various	229	
Total Consultant and Professional Services Expenses ¹	<u>\$263,537</u>	

(1) Total Consultant and Professional Services Expenses does not match Total Consultant & Professional Services on the Administrative Fee Schedule due to accrual adjustments.

Statement of Changes in Assets & Liabilities – Agency Fund

Statement of Changes in Assets & Liabilities - Agency Fund (Dollars in Thousands)

	RBF			Balance June 30, 2014
	Balance June 30, 2013	Additions	Deductions	
ASSETS				
Cash & Cash Equivalents	\$1	\$44,774	\$44,775	\$0
Employer Receivables	212	13,835	12,772	1,275
Interests & Dividends Receivables	4	4	4	4
Due From Other Funds	1	1	1	1
Short-Term Investments	5,379	11,702	7,987	9,094
TOTAL ASSETS	\$5,597	\$70,316	\$65,539	\$10,374
LIABILITIES				
Due to Other Funds	\$0	\$10	\$9	\$1
Other Program	5,597	44,586	39,810	10,373
TOTAL LIABILITIES	\$5,597	\$44,596	\$39,819	\$10,374

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