BASIC FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2015

Prepared through the joint efforts of CalPERS' staff.

Available online at **www.calpers.ca.gov**

CalPERS

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

MGO Certified Public Accountants

Sacramento
Walnut Creek
Oakland
Los Angeles
Century City
Newport Beach
San Diego

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, 2015, 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, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 7 to the basic financial statements, the total pension liabilities of the Public Employees' Retirement Fund Schools Cost-Sharing Defined Benefit Pension Plan and Public Agency Cost-Sharing Defined Benefit Pension Plan, based on the most recent actuarial valuations as of June 30, 2014 rolled forward to June 30, 2015, exceeded the plans' fiduciary net position by $14.7 billion and $6.9 billion, respectively. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 7.65 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 2016. 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, 2014 rolled forward to June 30, 2015, exceeded the plan's fiduciary net position by $3.5 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, 2014, the actuarial accrued liability exceeded the actuarial value of assets by $30.8 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, lapse rates, voluntary termination, conversion rates to fixed term policies, mortality, plan expenses, 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, 2014, from which such partial information was derived.

We have previously audited the System's 2014 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 22, 2014. In our opinion, the partial comparative information presented herein as of and for the fiscal year ended June 30, 2014, 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/(Asset) and Related Ratios, Schedules of Plan Contributions – Pension Plans, 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 and introductory, investment, actuarial, statistical, and compliance sections, as listed in the table of contents, are presented for purposes of additional analysis and are 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
__________, 2015

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, 2015. 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.

MANAGEMENT DISCUSSION

Strategic Planning

CalPERS enters the fourth year of the 2012-17 Strategic Plan focusing on sustainability of the pension and health programs, enhancing customer service, and strengthening our internal organization. The 2015-17 Business Plan specifically focuses on key areas:

- Create asset liability management strategies that will encourage greater employer contributions and explore additional allocation options.
- Build effective risk review and decision processes within and across asset classes.
- Engage in health policy discussions with employers to improve health strategies.
- Assess cost effectiveness measures to identify cost saving and performance improvements.
- Enhance customer service by strengthening functionality, compliance, and business processes and increasing customer feedback opportunities.
- Maintain focus on enhancing the CalPERS workforce and reducing reliance on third-party consultants.
- Implement risk mitigation strategies to enhance management of security events and data loss prevention.

Compliance and Risk Management

Compliance awareness and risk management are integral to cultivating a high-performing, risk-intelligent, and innovative organization. To implement our governance, risk, and compliance practices, CalPERS has embraced an integrated assurance model to promote a multi-faceted approach to compliance awareness and accountability. This Three Lines of Defense approach promotes collaboration and an increased understanding of roles and responsibilities in ensuring compliance and detecting and preventing improper conduct. The Board of Administration and Executive Management provide direction and oversee the effectiveness of the organization's compliance practices using the Three Lines of Defense model.

- First Line of Defense – The first level of the control environment is the program areas that perform day-to-day risk management activity.
- Second Line of Defense – Oversight functions, such as Enterprise Compliance and Enterprise Risk Management, set direction, define policy, and provide assurance.
- Third Line of Defense – Internal and external audits are the third line of defense, offering an independent challenge to the levels of assurance provided by program areas and oversight functions.

Key Initiatives

With the focus on strategic planning and risk management, CalPERS continues to enhance its operations as follows:

- 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 worked together to provide an integrated view of assets and liabilities so that financial risks to the System can be better understood, communicated, and managed. Additional information is described later in this section.

- CalPERS' Investment Office aims to enhance cost effectiveness of the investment program to improve net returns on assets. The strategy is to deliver more value for costs by reducing the reliance on external consultants, transitioning assets from external managers to internal management, and reduce external management fees paid. The base management fees paid to manage the portfolio have decreased by $90 million over the past five fiscal years.

- CalPERS is continuing the multi-year project to integrate consideration of environmental, social, and governance (ESG) factors into investment processes, in support of the goal of achieving long-term, sustainable, risk-adjusted returns consistent with fiduciary duty. Grounded in the three forms of economic capital—financial, human, and physical—that drive long-term value creation, CalPERS has developed strategic themes (Alignment of Interest, Human Capital, and Climate Change). These themes frame the fund's ESG integration work. Specific initiatives in 2015 that further this effort are in the areas of proxy access, board diversity, engaging on climate risk, a project to measure carbon emissions across the global equity portfolio, and development of Sustainable Investment Practice Guidelines across all asset classes.

- CalPERS is currently in the process of developing alternative approaches for its current Medicare plan offerings. One of these new approaches would allow members to receive care from any willing Medicare provider across the country, and potentially reduce costs for members and employers. It would provide the same coverage as Medicare Parts A, B, and D, and includes a comprehensive national network of contracted health care providers.

- CalPERS continues to enhance customer service through several initiatives. The Employer Response Team was established to serve as the single point of contact for employers with critical and/or time-sensitive issues. CalPERS' education programs continue to be enhanced by the development and implementation of 14 new Health Business Rule computer based training modules, as well as the pilot of an instructor-led training module to 21 public agencies to assist business partners in complying with Public Employees' Medical and Hospital Care Act rules and regulations.

- The provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* (GASB 68), were effective during the year ended June 30, 2015. CalPERS produced GASB 68 accounting valuation reports for employers to implement GASB 68 within their financial statements. This also included engagement with CalPERS' external auditor to provide audit assurance of this information.

- Through workforce planning, we optimized the availability of critical talent to align staff with our business needs over the long term. The Workforce Strategic Plan (WSP) focuses on short- and long-range initiatives aligned with our annual business planning processes to recruit, develop, and retain a diverse, high-performing workforce. These efforts build on one of our greatest strengths—our employees. We have made attracting and retaining a well-qualified workforce an organizational priority. The WSP outlines strategies to:
  - Brand CalPERS as a destination employer to attract the best candidates.
  - Improve internal processes to make them more efficient.
  - Provide ongoing training and development opportunities to support employee growth.
  - Prepare high performers and potential successors for key leadership positions.
  - Manage in a consistent and measurable way so that employees are clear on what they are accountable for.
  - Support knowledge transfer processes at all levels to maintain business continuity and protect institutional memory.

- CalPERS recognizes that the protection of our members' information and privacy is of paramount importance, and we have developed a culture that supports this objective. Our protective measures are multidimensional and span people, process, and technology. They are based upon the "Cybersecurity Framework" released by the White House in February 2014. The "Cybersecurity Framework" core consists of five concurrent and continuous functions—Identify, Protect, Detect, Respond, and Recover. When considered together, these functions provide a high-level, strategic view of the lifecycle that CalPERS uses to manage cybersecurity risks. Some highlights of the measures CalPERS takes to protect our members, business partners, and stakeholders from cybersecurity risks are:

- A CalPERS culture where management and staff actively support cybersecurity.
- Sophisticated technologies to identify, protect, and detect cyber attacks.
- Relationships with key external resources that include law enforcement, legal firms, and technical partners.
- Comprehensive plans for both responding and recovering from possible cyber incidents.

OVERVIEW OF THE FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

Management's Discussion and Analysis provides an introduction to and overview of the financial position, which comprises the following components: Basic 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, 2015. 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 disclosures about the net pension liabilities of the cost-sharing multiple-employer and single-employer defined benefit pension plans and an actuarial view on the funded status of the OPEB plan.

As a result of applying the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* (GASB 67), there is a difference between the pension costs that must be reported in financial statements and pension contributions 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 retirement benefits.

The discount rate of 7.50 percent, net of administrative expenses of 15 basis points, is used in the Public Employees' Retirement Fund (PERF) for funding purposes. The discount rates used for funding purposes in the Legislators' Retirement Fund (LRF) and the Judges' Retirement Fund II (JRF II), also net of administrative expenses, are 5.75 percent and 7.00 percent, respectively. The financial reporting discount rate differs as it is not reduced for administrative expenses. The Judges' Retirement Fund (JRF) is 4.25 percent for funding reporting purposes. In addition, GASB 67 requires disclosure of the money-weighted rate of return (MWRR), which expresses investment performance, net of pension plan expense, adjusted for the changing amounts actually invested.

FINANCIAL HIGHLIGHTS

Major events and upcoming initiatives impacting the current Fiscal Year's financial statements include:

- Senate Bill 227 and Assembly Bill 611 were signed by the Governor in October 2013 and September 2014, respectively. Legislation terminated the State Peace Officers' and Firefighters' Defined Contribution Plan, effective June 1, 2014, upon obtaining the appropriate approvals from the Internal Revenue Service (IRS) in September 2014. The termination required distributions of participant's money in the State Peace Officers' and Firefighters' Defined Contribution Plan in accordance with state and federal law and designated the Supplemental Contributions Program Fund (SCPF) as the default plan for participants who did not make an affirmative election to take a distribution. As of June 30, 2015, some asset balances remained with the State Peace Officers' and Firefighters' Defined Contribution Fund (SPOFF) as reserves held for possible future legacy expenses, excess employer contributions to be discharged, and interest earned.

- Investments held by the various CalPERS funds were impacted by weaker market conditions in Fiscal Year 2014-15 as compared to the high returns seen in Fiscal Year 2013-14. Some funds still saw an increase to net position, but the rate of growth was significantly lower from the prior year.

- There was an increase in noncash collateral versus cash collateral in the securities lending program in Fiscal Year 2014-15 as compared to Fiscal Year 2013-14. In accordance with GASB Statement No. 28, *Accounting and*

Financial Reporting for Securities Lending Transactions, non-cash collateral is not reported in the financial statements as CalPERS cannot pledge or sell collateral security without borrow defaults. As such, all funds involved in securities lending transactions saw a decrease in balances for both securities lending collateral and securities lending obligations.

- CalPERS implemented its flex-funded health program in January 2014, which resulted in six months of flex-funded activity in Fiscal Year 2013-14. As the flex-funded program was fully implemented by July 1, 2014, the Health Care Fund (HCF) and Contingency Reserve Fund (CRF) saw a full year's worth of flex-funded activity in the Fiscal Year 2014-15.

- OPEB valuations dated on or after March 31, 2015, will be subject to revisions of the Actuarial Standards of Practice 6 (ASOP 6), which were adopted by the Actuarial Standards Board in May 2014. ASOP 6 requires actuarial (with limited exceptions) "age-adjusted" rates when calculating the employer OPEB liability. As a result, OPEB actuarial accrued liabilities for many employers, including those participating in the California Employers' Retiree Benefit Trust Program, could increase substantially if age adjusted rates are used.

BASIC FINANCIAL STATEMENTS

At June 30, 2015, financial statements are presented for the two types of funds administered by CalPERS: fiduciary funds, where CalPERS acts in a fiduciary capacity as a trustee or agent for others and is responsible for handling the assets placed under its control; and proprietary funds, where fees are charged for services provided and the focus is on determining financial position, operating and non-operating income, cash flows, and changes in net position.

Fiduciary Funds – includes the PERF A, PERF B, PERF C, LRF, JRF, JRF II, SPOFF, SCPF, Public Employees' Deferred Compensation Fund (DCF), 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, 2015, along with comparative total information as of and for the fiscal year ended June 30, 2014. 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 HCF and 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, 2015, along with comparative total information as of and for the fiscal year ended June 30, 2014. 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 and investment risk categorizations.

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 cost-sharing and single-employer plans reported in PERF B and C, 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 OPEB plan.

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 actuarial valuation and the estimated liability for future policy benefits.

Note 13 – provides information regarding the RBF, as well as applicable internal revenue and government codes.

Note 14 – provides information on commitments to fund partnerships.

Note 15 – provides information on potential contingencies of CalPERS.

Note 16 – provides information about future accounting pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION

The Required Supplementary Information schedules include information about the changes in the net pension liability, employer contributions, actuarial assumptions used to calculate the net pension liability, historical trends, and other required supplementary information related to the System's cost-sharing multiple-employer and single-employer 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. 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 the HCF provides earned revenues and expenses over the past 10 years.

OTHER SUPPLEMENTAL INFORMATION

Other schedules include detailed information on administrative expenses incurred by CalPERS-administered funds, 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 is a trust fund established under section 20170 of the Public Employees' Retirement Law (PERL). The PERF provides retirement benefits to the State of California, schools, and other California public agency employees. PERF benefits are funded by member and employer contributions and by earnings on investments.

For accounting purposes only, the PERF is comprised of and reported as three separate entities. PERF A is comprised of agent multiple-employer plans, which includes the 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 with generally less than 100 active members.

Movements of member account asset balances occur between PERF A, PERF B, and PERF C, when employers have less than 100 members, or when there are other member accounting adjustments. These plan to plan resource movements are reported as a separate line item within the additions and deductions sections, respectively, of each plan's Statement of Changes in Fiduciary Net Position.

The PERF net position increased by $1.0 billion or 0.3 percent compared to the prior year despite slow global economic growth and increased short-term market volatility. Additionally, securities lending collateral decreased $6.5 billion or 37.6 percent and securities lending obligations decreased $6.3 billion or 37.1 percent, as a result of an increase in the amount of noncash collateral provided in comparison to cash collateral.

Additions to PERF net position include employer and member contributions and investment income. Employer contribution rates increased between 1.0 percent and 7.6 percent for state, and 0.33 percent for schools, resulting in higher employer contributions of $1.3 billion or 14.8 percent. In recent years, some member service credit purchase options were eliminated. Accordingly, member contributions declined $50.7 million or 1.3 percent due to a decrease in service credit purchase elections. 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. Although the PERF realized an investment gain for the Fiscal Year 2014-15, investment income decreased by $38.9 billion or 85.5 percent. The modest gain for the Fiscal Year, despite challenging world markets, was helped by strong performance by CalPERS' real estate investments, approximately 9.6 percent of the fund's investments as of June 30, 2015. Additionally, the PERF recognized a MWRR of 2.2 percent for Fiscal Year 2014-15 compared to 17.7 percent for Fiscal Year 2013-14.

Deductions to the PERF are comprised of benefit payments, refund of contributions to members and beneficiaries, and costs of administering the PERF. Benefit payments are the primary expense of a retirement system. Retirement and survivor benefits increased $1.2 billion or 6.5 percent primarily due to a rise in the number of retirees and beneficiaries from 586,959 as of June 30, 2014, to 611,078 as of June 30, 2015.

Net Position – PERF (Dollars in Thousands)

	PERF A	PERF B	PERF C			
	Agent	Cost-Sharing Schools	Cost-Sharing Public Agencies	2015 PERF Total	2014 PERF Total	Increase/ (Decrease)
ASSETS						
Cash, Cash Equivalents, & Receivables	$2,476,519	$510,687	$207,708	$3,194,914	$2,893,301	$301,613
Investments	219,644,563	56,663,341	24,812,497	301,120,401	301,483,905	(363,504)
Securities Lending Collateral	7,849,378	2,024,962	886,718	10,761,058	17,249,281	(6,488,223)
Capital Assets, Net, & Other Assets	515,525	132,967	58,165	706,657	701,798	4,859
Total Assets	**$230,485,985**	**$59,331,957**	**$25,965,088**	**$315,783,030**	**$322,328,285**	**($6,545,255)**
LIABILITIES						
Retirement Benefits, Investment Settlement, & Other	$1,693,014	$397,002	$172,442	$2,262,458	$3,477,363	($1,214,905)
Securities Lending Obligations	7,846,825	2,023,889	885,340	10,756,054	17,089,383	(6,333,329)
Total Liabilities	**$9,539,839**	**$2,420,891**	**$1,057,782**	**$13,018,512**	**$20,566,746**	**($7,548,234)**
TOTAL NET POSITION RESTRICTED FOR PENSION BENEFITS	**$220,946,146**	**$56,911,066**	**$24,907,306**	**$302,764,518**	**$301,761,539**	**$1,002,979**

Changes in Net Position – PERF (Dollars in Thousands)

	PERF A	PERF B	PERF C			
	Agent	Cost-Sharing Schools	Cost-Sharing Public Agencies	2015 PERF Total	2014 PERF Total	Increase/ (Decrease)
ADDITIONS						
Member Contributions	$2,672,201	$773,580	$278,529	$3,724,310	$3,775,038	($50,728)
Employer Contributions	7,896,921	1,323,090	859,456	10,079,467	8,777,602	1,301,865
Net Investment Income	4,791,175	1,249,049	537,905	6,578,129	45,471,821	(38,893,692)
Securities Lending & Other Income	91,360	23,316	10,192	124,868	126,223	(1,355)
Plan to Plan Resource Movement	404,295	26	65,367	469,688	—	469,688
Total Additions	**$15,855,952**	**$3,369,061**	**$1,751,449**	**$20,976,462**	**$58,150,684**	**($37,174,222)**
DEDUCTIONS						
Retirement, Death, & Survivor Benefits	$14,274,622	$3,243,007	$1,404,663	$18,922,292	$17,760,584	$1,161,708
Refund of Contributions	130,456	91,074	19,093	240,623	236,968	3,655
Plan to Plan Resource Movement	65,254	71,486	332,948	469,688	—	469,688
Administrative Expenses	248,789	64,124	27,967	340,880	381,497	(40,617)
Total Deductions	**$14,719,121**	**$3,469,691**	**$1,784,671**	**$19,973,483**	**$18,379,049**	**$1,594,434**
INCREASE (DECREASE) IN NET POSITION	**$1,136,831**	**($100,630)**	**($33,222)**	**$1,002,979**	**$39,771,635**	**($38,768,656)**
NET POSITION RESTRICTED FOR PENSION BENEFITS						
Beginning of Year	**$219,809,315**	**$57,011,696**	**$24,940,528**	**$301,761,539**	**$261,989,904**	**$39,771,635**
End of Year	**$220,946,146**	**$56,911,066**	**$24,907,306**	**$302,764,518**	**$301,761,539**	**$1,002,979**

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 number of LRF members has been declining as eligible incumbent Legislators leave office and are replaced by those ineligible to participate in the LRF. Actuarially determined contributions will continue to be made by the State of California to supplement the existing assets until all benefit obligations have been fulfilled.

The net position of the LRF decreased by $8.9 million or 6.8 percent compared to the prior year. Net investment loss was $0.1 million, a decrease of $15.5 million or 100.8 percent in the Fiscal Year 2014-15 primarily due to slow global economic growth and increased short-term market volatility. The LRF recognized a MWRR of negative 0.1 percent for Fiscal Year 2014-15 compared to 12.9 percent for Fiscal Year 2013-14. Securities lending collateral decreased $5.1 million or 59.2 percent and securities lending obligations decreased $5.0 million or 58.8 percent, as a result of an increase in the amount of noncash collateral provided in comparison to cash collateral.

Additions to LRF net position other than net investment income/(loss) are primarily employer and member contributions. The employer contribution rate was increased from 38.4 percent in the the prior year to 42.3 percent for the Fiscal Year 2014-15, resulting in a slight increase to employer contributions of $25 thousand or 4.4 percent.

Deductions to the LRF are primarily comprised of benefit payments, refunds, and administrative expenses. Total deductions increased by $1.6 million or 20.9 percent due to an increase of $1.7 million in total refunds of contributions for Fiscal Year 2014-15.

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 2014-15, employer, member, and state "balancing contributions" as a whole decreased $11.1 million or 5.7 percent, primarily due to a decrease in the State General Fund contributions. In previous years, monthly State General Fund contributions exceeded monthly benefit payments to retired judges, which created a surplus cash balance in the JRF. In the current Fiscal Year, the General Fund contribution amount was reduced in order to decrease this surplus.

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.

The net position of the JRF II increased by $70.3 million or 6.9 percent compared to the prior year. Securities lending collateral decreased $32.6 million or 41.7 percent and securities lending obligations decreased $31.9 million or 41.2 percent, as a result of an increase in the amount of noncash collateral provided in comparison to cash collateral.

Additions to JRF II net position restricted for benefits include employer and member contributions, as well as investment income/(loss). Member contributions increased $1.8 million or 9.0 percent due to an annual salary adjustment, while employer contributions increased $8.6 million or 15.1 percent due to a higher contribution rate. The number of active members who contribute increased from 1,396 as of June 30, 2014 to 1,470 as of June 30, 2015. For the Fiscal Year 2014-15, the fund had a net investment loss of $2.9 million, a decrease of $152.5 million or 101.9 percent. Similar to other funds, the decrease was largely due to slowed economic growth, as well as negative returns from global equity securities. Additionally, the JRF II recognized a MWRR of negative 0.2 percent for Fiscal Year 2014-15 compared to 18.3 percent for Fiscal Year 2013-14.

Deductions from the JRF II are comprised of benefit payments, refund of contributions to members and beneficiaries, and costs of administering the JRF II. Current year benefit payments increased $5.2 million or 58.2 percent due to a higher number of benefit recipients from 73 in Fiscal Year 2013-14 to 107 in Fiscal Year 2014-15.

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

	LRF			JRF			JRF II		
	2015	2014	Increase/ (Decrease)	2015	2014	Increase/ (Decrease)	2015	2014	Increase/ (Decrease)
ASSETS									
Cash, Cash Equivalents, & Receivables	$150	$632	($482)	$2,434	$3,002	($568)	$7,321	$10,984	($3,663)
Investments	122,222	130,553	(8,331)	39,734	55,087	(15,353)	1,077,748	1,002,770	74,978
Securities Lending Collateral	3,497	8,581	(5,084)	—	—	—	45,466	78,033	(32,567)
Total Assets	**$125,869**	**$139,766**	**($13,897)**	**$42,168**	**$58,089**	**($15,921)**	**$1,130,535**	**$1,091,787**	**$38,748**
LIABILITIES									
Retirement Benefits, Investment Settlement, & Other	$894	$892	$2	$991	$890	$101	$809	$470	$339
Securities Lending Obligations	3,506	8,520	(5,014)	—	—	—	45,584	77,478	(31,894)
Total Liabilities	**$4,400**	**$9,412**	**($5,012)**	**$991**	**$890**	**$101**	**$46,393**	**$77,948**	**($31,555)**
TOTAL NET POSITION RESTRICTED FOR PENSION BENEFITS	**$121,469**	**$130,354**	**($8,885)**	**$41,177**	**$57,199**	**($16,022)**	**$1,084,142**	**$1,013,839**	**$70,303**

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

	LRF			JRF			JRF II		
	2015	2014	Increase/ (Decrease)	2015	2014	Increase/ (Decrease)	2015	2014	Increase/ (Decrease)
ADDITIONS									
Member Contributions	$105	$113	($8)	$3,877	$4,724	($847)	$22,242	$20,413	$1,829
Employer Contributions	590	565	25	180,910	191,148	(10,238)	65,629	57,027	8,602
Net Investment Income/(Loss)	(125)	15,332	(15,457)	88	54	34	(2,863)	149,679	(152,542)
Securities Lending & Other Income	31	40	(9)	2,198	2,529	(331)	462	489	(27)
Total Additions	**$601**	**$16,050**	**($15,449)**	**$187,073**	**$198,455**	**($11,382)**	**$85,470**	**$227,608**	**($142,138)**
DEDUCTIONS									
Retirement, Death, & Survivor Benefits	$7,393	$7,482	($89)	$201,734	$193,925	$7,809	$14,024	$8,865	$5,159
Refund of Contributions	1,693	—	1,693	134	10	124	16	85	($69)
Administrative Expenses	400	362	38	1,227	1,141	86	1,127	785	$342
Total Deductions	**$9,486**	**$7,844**	**$1,642**	**$203,095**	**$195,076**	**$8,019**	**$15,167**	**$9,735**	**$5,432**
INCREASE (DECREASE) IN NET POSITION	**($8,885)**	**$8,206**	**($17,091)**	**($16,022)**	**$3,379**	**($19,401)**	**$70,303**	**$217,873**	**($147,570)**
NET POSITION RESTRICTED FOR PENSION BENEFITS									
Beginning of Year	**$130,354**	**$122,148**	**$8,206**	**$57,199**	**$53,820**	**$3,379**	**$1,013,839**	**$795,966**	**$217,873**
End of Year	**$121,469**	**$130,354**	**($8,885)**	**$41,177**	**$57,199**	**($16,022)**	**$1,084,142**	**$1,013,839**	**$70,303**

ASSET LIABILITY MANAGEMENT – DEFINED BENEFIT PLANS

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

To establish 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 is designed to improve the sustainability and soundness of the fund.

The CalPERS Board of Administration met in February and May of 2015 to continue discussions on ALM, which began in 2012. The goal is to achieve 100 percent funding at an acceptable level of risk. Reducing the risk in the funding of the System will involve tradeoffs between short- and long-term priorities.

At the May 2015 workshop, two mitigation strategies that could be used to reduce risk were presented. These strategies were based on the fundamental premise of lowering the discount rate and expected investment volatility following a strong investment return, including checkpoints over time that could trigger additional asset allocation changes and lowering of the discount rate if investment returns did not result in a sufficient reduction in volatility.

Following more stakeholder outreach, it is expected that CalPERS will present a formal policy on a strategy in the coming year that will be based on stakeholder response and direction from the Board.

Based on the ALM process, in February 2014 the Board adopted strategic asset allocation targets effective July 1, 2014. In June 2015, the Board adopted new interim targets for the PERF. The new target allocation weights are effective July 1, 2015, and will remain in use at the discretion of the Board and will be reviewed on an annual basis.

PERF Target Asset Allocation Changes

Asset Class	Current Target Allocation	New Target Allocation	Change
Global Equity	51%	51%	0%
Global Debt Securities	19%	20%	(1%)
Inflation Sensitive	6%	6%	0%
Private Equity	10%	10%	0%
Real Assets	12%	12%	0%
Liquidity	2%	1%	1%

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 PERF'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 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 completed and adopted by the Board in April 2014, and is based on demographic CalPERS data from 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 applied to the June 30, 2014, valuations, which set rates for the Fiscal 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 included a rate-smoothing method with a 30-year fixed amortization period for gains and losses. The amortization has 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 were applied 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 applied 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 2015-16.

As of June 30, 2014, the funded status of the PERF was 76.3 percent. The funded status as of June 30, 2015, is estimated to decrease to about 73.3 percent as a result of the investment return in Fiscal Year 2014-15. As of June 30, 2014, the funded status of the JRF II was 106.6 percent. The funded status as of June 30, 2015, is estimated to decrease to about 99.6 percent, mostly as a result of the investment return in Fiscal Year 2014-15. As of June 30, 2014, the funded status of the LRF was 117.1 percent. The funded status as of June 30, 2015, is estimated to decrease to about 111.0 percent, mostly as a result of the investment return in Fiscal Year 2014-15. All these funded statuses were calculated based on the market value of assets used in actuarial valuations that set funding requirements for employers.

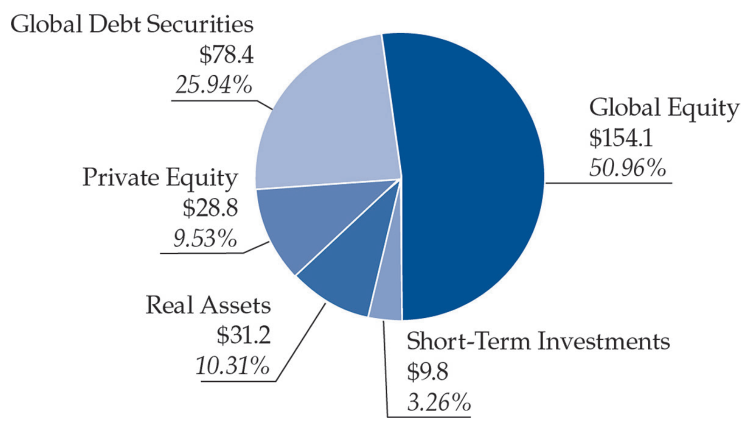
Under the requirements of GASB 67, there is a difference between the pension costs that must be reported in financial statements and pension contributions established as part of funding valuations. The Actuarial Section included in the report provides actuarial information that was derived for purposes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

Assets used for GASB 67 financial reporting purposes are slightly greater than assets used for funding requirements as they include amounts for deficiency reserves, fiduciary self-insurance, and OPEB expenses, which creates differences in plan assets reported in the funding actuarial valuation report. 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. Similar to assets, the discount rate used in the PERF for financial reporting is different compared to the rate used for funding due to the treatment of administrative expenses. The financial reporting discount rate of 7.65 percent used in the PERF is not reduced for administrative expenses, which adds 15 basis points to the funding discount rate of 7.50 percent. The LRF and JRF II use a discount rate for financial reporting purposes, gross of administrative expenses, or 6.00 percent and 7.15 percent, respectively. JRF uses 3.82 percent for financial reporting purposes. As of June 30, 2015, the Plan Fiduciary Net Position as a Percentage of Total Pension Liability is 79.4 percent for PERF B, 78.3 percent for PERF C, 113.8 percent for LRF, 1.2 percent for JRF, and 101.0 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 chart illustrates the investment holdings (dollars in billions) in the defined benefit plans as of June 30, 2015:



DEFINED CONTRIBUTION PLANS

STATE PEACE OFFICERS' & FIREFIGHTERS' DEFINED CONTRIBUTION PLAN FUND (SPOFF)

Effective April 2011, the State suspended contributing on behalf of eligible rank-and-file positions, and effective May 2011, the State suspended contributing on behalf of eligible supervisors, management, and exempt positions. Senate Bill 227 and Assembly Bill 611 were signed by the Governor in October 2013 and September 2014, respectively. Legislation terminated the State Peace Officers' and Firefighters' Defined Contribution Plan, effective June 1, 2014, upon obtaining the appropriate approvals from the IRS in September 2014. The termination required distributions of participant's money in the State Peace Officers' and Firefighters' Defined Contribution Plan in accordance with state and federal law and designated the SCPF as the default plan for participants who did not make an affirmative election to take a distribution. As of June 30, 2015, some asset balances remained with the SPOFF as reserves held for possible future legacy expenses, excess employer contributions to be discharged, and interest earned.

The net position of the SPOFF decreased by $517.0 million or 98.9 percent, which was mainly attributable to withdrawals and transfers from the fund. Participant withdrawals increased $472.0 million, from $37.6 million as of Fiscal Year 2013-14 to $509.6 million as of Fiscal Year 2014-15 due to termination of the SPOFF. Additionally, the fund recognized a net investment loss of $7.6 million prior to termination, which is a decrease of $76.2 million due to unfavorable market conditions.

SUPPLEMENTAL CONTRIBUTIONS PROGRAM FUND (SCPF)

The SCPF was established effective January 1, 2000, to provide supplemental retirement benefits to members of CalPERS and is entirely member funded. The SCPF was designated as the default rollover plan for $127.5 million in assets that were not withdrawn or transferred from the SPOFF as of March 16, 2015.

The net position of the SCPF increased to $113.3 million or 550.9 percent due to the transfer of SPOFF assets into the fund. Member contributions increased by $127.6 million, from $0.2 million as of Fiscal Year 2013-14 to $127.8 million as of Fiscal Year 2014-15.

SCPF deductions reflect withdrawals made by former SPOFF participants subsequent to the termination date. As such, participant withdrawals increased $14.8 million, from $1.0 million as of Fiscal Year 2013-14 to $15.8 million as of Fiscal Year 2014-15.

PUBLIC EMPLOYEES' DEFERRED COMPENSATION FUND (DCF)

The DCF 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 DCF increased by $52.8 million or 4.1 percent. Although overall net position increased in Fiscal Year 2014-15, there was a decreased rate of growth compared to the prior year. Total additions to the DCF decreased by $156.2 million or 51.7 percent primarily due to a decrease in net investment income as a result of unfavorable market conditions.

Total deductions decreased by $8.2 million or 8.1 percent due to a decrease in participant withdrawals from the plan.

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

	SPOFF			DCF			SCPF		
	2015	2014	Increase/ (Decrease)	2015	2014	Increase/ (Decrease)	2015	2014	Increase
ASSETS									
Cash, Cash Equivalents, & Receivables	$1,078	$7	$1,071	$13,687	$12,097	$1,590	$13	$12	$1
Investments	5,738	523,425	(517,687)	1,328,182	1,277,661	50,521	134,125	20,587	113,538
Total Assets	**$6,816**	**$523,432**	**($516,616)**	**$1,341,869**	**$1,289,758**	**$52,111**	**$134,138**	**$20,599**	**$113,539**
LIABILITIES									
Retirement Benefits, Investment Settlement, & Other	$1,234	$805	$429	$2,299	$2,945	($646)	$259	$30	$229
Total Liabilities	**$1,234**	**$805**	**$429**	**$2,299**	**$2,945**	**($646)**	**$259**	**$30**	**$229**
TOTAL NET POSITION RESTRICTED FOR PENSION BENEFITS	**$5,582**	**$522,627**	**($517,045)**	**$1,339,570**	**$1,286,813**	**$52,757**	**$133,879**	**$20,569**	**$113,310**

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

	SPOFF			DCF			SCPF		
	2015	2014	Increase/ (Decrease)	2015	2014	Increase/ (Decrease)	2015	2014	Increase/ (Decrease)
ADDITIONS									
Member Contributions	$81	$103	($22)	$106,272	$131,900	($25,628)	$127,833	$160	$127,673
Employer Contributions	802	43	759	783	698	85	—	—	—
Net Investment Income/(Loss)	(7,598)	68,597	(76,195)	32,735	164,384	(131,649)	1,058	2,077	(1,019)
Securities Lending & Other Income	865	1,683	(818)	6,260	5,258	1,002	305	111	194
Total Additions	**($5,850)**	**$70,426**	**($76,276)**	**$146,050**	**$302,240**	**($156,190)**	**$129,196**	**$2,348**	**$126,848**
DEDUCTIONS									
Administrative Expenses	$1,601	$1,556	$45	$4,320	$4,101	$219	$135	$62	$73
Participant Withdrawals	509,594	37,585	472,009	88,973	97,388	(8,415)	15,751	1,013	14,738
Total Deductions	**$511,195**	**$39,141**	**$472,054**	**$93,293**	**$101,489**	**($8,196)**	**$15,886**	**$1,075**	**$14,811**
INCREASE (DECREASE) IN NET POSITION	**($517,045)**	**$31,285**	**($548,330)**	**$52,757**	**$200,751**	**($147,994)**	**$113,310**	**$1,273**	**$112,037**
NET POSITION FOR RESTRICTED PENSION BENEFITS									
Beginning of Year	**$522,627**	**$491,342**	**$31,285**	**$1,286,813**	**$1,086,062**	**$200,751**	**$20,569**	**$19,296**	**$1,273**
End of Year	**$5,582**	**$522,627**	**($517,045)**	**$1,339,570**	**$1,286,813**	**$52,757**	**$133,879**	**$20,569**	**$113,310**

OTHER POST-EMPLOYMENT BENEFIT TRUST FUND

CALIFORNIA EMPLOYERS' RETIREE BENEFIT TRUST FUND (CERBTF)

The CERBTF is a trust for employers to pre-fund health, dental, and other non-pension benefits promised to employees when they retire. In May 2014, the Actuarial Standards Board adopted revisions to 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 actuarial accrued liability. For many employers, including the participating employers in the California Employers' Retiree Benefit Trust program, whose OPEB actuarial accrued liability is currently calculated based on a community-rated blended premium, their OPEB actuarial accrued liability could increase substantially.

Net position restricted for OPEB benefits on June 30, 2015, increased $603.6 million or 15.5 percent primarily due to greater employer contributions from a rising number of participating employers, 427 in the prior year compared to 462 at June 30, 2015 (representing 466 OPEB plans). Securities lending collateral decreased $11.3 million or 18.6 percent and securities lending obligations decreased $10.7 million or 17.8 percent, as a result of an increase in the amount of noncash collateral provided in comparison to cash collateral.

Additions to the CERBTF net position restricted for OPEB benefits are primarily made up of employer contributions and net investment income/(loss). Employer contributions increased $33.0 million or 2.0 percent primarily due to the rise in participating employers. During the Fiscal Year 2014-15, the fund experienced a net investment loss of $14.0 million, a decrease of $529.5 million or 102.7 percent. The decrease resulted from slowed economic growth and negative investment returns on securities.

Deductions from the CERBTF net position restricted for OPEB benefits increased $78.7 million or 7.7 percent, due to additional employer participants in the trust. Deductions for administrative expenses totaled $2.0 million. The amounts reported for contributions and reimbursements include $1.0 billion for benefit payments made directly by employers to providers outside the trust, which are required to be reported in the CERBTF in accordance with GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

The funded status as of June 30, 2014, the most recent actuarial valuation, is 10.8 percent and the actuarial accrued liabilities exceeded the actuarial value of assets by approximately $30.8 billion.

Employers can select from three strategies to invest their assets. During Fiscal Year 2014-15, the conservative option, which is time-weighted, and the intermediate risk option had negative investment returns of less than 0.1 percent and 0.3 percent, respectively, while the growth option had a loss of 0.1 percent.

Net Position – Other Post-Employment Benefit Trust Fund (Dollars in Thousands)

	CERBTF		
	2015	2014	Increase/ (Decrease)
ASSETS			
Cash, Cash Equivalents, & Receivables	$55,039	$107,598	($52,559)
Investments	4,473,719	3,810,731	662,988
Securities Lending Collateral	49,260	60,551	(11,291)
Total Assets	**$4,578,018**	**$3,978,880**	**$599,138**
LIABILITIES			
Other Post-Employment Benefits, Investment Settlement, & Other	$36,285	$30,000	$6,285
Securities Lending Obligations	49,389	60,120	(10,731)
Total Liabilities	**$85,674**	**$90,120**	**($4,446)**
TOTAL NET POSITION RESTRICTED FOR OPEB BENEFITS	**$4,492,344**	**$3,888,760**	**$603,584**

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

	CERBTF		
	2015	2014	Increase/ (Decrease)
ADDITIONS			
Employer Contributions	$1,714,060	$1,681,053	$33,007
Investment Income/(Loss)	(13,988)	515,507	(529,495)
Securities Lending & Other Income	4,932	4,483	449
Total Additions	**$1,705,004**	**$2,201,043**	**($496,039)**
DEDUCTIONS			
Administrative Expenses	$2,044	$1,786	$258
Reimbursements	1,099,376	1,020,924	78,452
Total Deductions	**$1,101,420**	**$1,022,710**	**$78,710**
DECREASE IN NET POSITION	**$603,584**	**$1,178,333**	**($574,749)**
NET POSITION RESTRICTED FOR OPEB BENEFITS			
Beginning of Year	**$3,888,760**	**$2,710,427**	**$1,178,333**
End of Year	**$4,492,344**	**$3,888,760**	**$603,584**

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 are combined to give a better overview of the health programs administered by CalPERS.

In 2014, CalPERS implemented three improvements to its health program: expanded health plan offerings, made risk adjustments, and added flex-funding options to obtain greater transparency in health plan operations that reduce costs. Continuing the effort to offer more options to members in 2015, Anthem Blue Cross added an Exclusive Provider Organization (EPO) health plan in Del Norte County, while UnitedHealthcare expanded its coverage area to San Joaquin and Solano counties.

CalPERS developed an alternative approach outside its current Medicare plan offerings. The option of a single, non-Kaiser Health Maintenance Organization (HMO) Medicare plan provided by one carrier has the potential to reduce costs for members and employers. The plan would allow members to receive care from any willing Medicare provider in California and across the country. It would provide the same coverage as Medicare Parts A, B, and D, and include a comprehensive national network of contracted health care providers.

In January 2014, a Wind-Down Agreement was signed between CalPERS and Blue Shield of California after the Agreement for Group Coverage expired. The Agreement required the establishment of an escrow account to handle post-termination rollover disbursement obligations. In 2014, both CalPERS and Blue Shield of California transferred funds into the escrow account per the Agreement. The escrow account is expected to remain open through December 2015 for final reconciliation and disbursement.

The net position of the HCF and CRF decreased $164.1 million or 37.0 percent, due to an increase in claim and administrative expenses with the implementation of the flex-funded HMO plans.

Revenues related to the HCF and CRF include premiums collected from members and employers, federal subsidies, investment income (non-operating revenues), and administrative fees collected to administer the plans. Premiums collected increased $850.0 million or 31.0 percent primarily due to a full year of flex-funded health program premiums in Fiscal Year 2014-15 in comparison to only six months in Fiscal Year 2013-14. Net investment income decreased $8.2 million or 39.3 percent due to a decreased rate of return. Fees collected for administering the fund are determined as a percentage of total active and retired health premiums. These fees increased by $1.8 million or 7.3 percent due to an increase in the administrative rate to 0.34 percent in Fiscal Year 2014-15 compared to 0.33 percent in Fiscal Year 2013-14.

Expenses are comprised of claims, investment fees, and costs incurred to oversee the plans. Similar to premiums collected, claims expense increased $962.0 million or 39.3 percent, primarily due to a full year of flex-funded health program activity in Fiscal Year 2014-15. Costs incurred to administer the plans grew by $179.8 million or 81.0 percent due to an increase in the Affordable Care Act (ACA) tax payments. ACA taxes are comprised of both annual fees billed to health insurance providers as well as reinsurance program fees owed to the Patient-Centered Outcomes Research Institute.

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.

Long-term care 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.

In 2014, the LTCF enhanced its website allowing for participants to apply online and make premium payments by credit card. Additionally, the preferred provider network was expanded to all of California, and the Transition Care Pilot (which seeks to reduce hospital readmission rates) was rolled out to 400 participants.

The three-year Stabilization and Open Application Period Project, which aims to stabilize and sustain the LTCF, closed at the end of December 2014. The Project's strategies included changing the investment asset allocation, reducing the discount rate, discontinuing the 5.0 percent rate increase in 2014, smoothing the 2015-16 rate increase of 85 percent over two years, providing new policy conversion options in lieu of the 85 percent rate increase, and reopening the LTCF to new participants.

Unrestricted net position of the LTCF decreased by $349.6 million or 45.8 percent, primarily due to a negative investment return as a result of slow economic growth.

The LTCF revenues to administer the plan include premiums collected from participants and investments income. Participation in the plan decreased by 2.6 percent due mainly to participant death but also coverage cancellations, non-payment of premiums, and exhaustion of benefits. This directly impacted the premium revenue, which decreased by $14.2 million or 5.0 percent. Non-operating revenues are comprised of net appreciation or depreciation in fair value of investments and interest income. The investment loss for the year was $36.6 million, a decrease of $429.9 million or 109.3 percent from the prior year.

Total expenses are comprised of claims, changes in estimated future claims liabilities, and administrative costs to the program. The overall decrease in total expenses is primarily attributable to reduced expenses for estimated future liabilities.

Net Position – Enterprise Funds (Dollars in Thousands)

	HCF/CRF			LTCF		
	2015	2014	Increase/ (Decrease)	2015	2014	Increase/ (Decrease)
ASSETS						
Current Assets & Receivables	$1,119,915	$1,005,480	$114,435	$23,963	$18,912	$5,051
Investments	420,753	410,262	10,491	4,110,434	4,148,188	(37,754)
Loan Receivable	4,500	13,500	(9,000)	—	—	—
Total Assets	**$1,545,168**	**$1,429,242**	**$115,926**	**$4,134,397**	**$4,167,100**	**($32,703)**
LIABILITIES						
Insurance Premiums, Claims Payable, & Estimated Insurance Claims Due	$1,148,284	$835,777	$312,507	$301,759	$274,757	$27,002
Member & Employer Premium Payable	50,234	49,370	864	—	—	—
Other Liabilities	67,206	100,537	(33,331)	26,090	21,766	4,324
Estimated Liability for Future Policy Benefits	—	—	—	3,392,876	3,107,329	285,547
Total Liabilities	**$1,265,724**	**$985,684**	**$280,040**	**$3,720,725**	**$3,403,852**	**$316,873**
TOTAL UNRESTRICTED NET POSITION	**$279,444**	**$443,558**	**($164,114)**	**$413,672**	**$763,248**	**($349,576)**

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

	HCF/CRF			LTCF		
	2015	2014	Increase/ (Decrease)	2015	2014	Increase/ (Decrease)
REVENUES						
Premiums	$3,594,279	$2,744,305	$849,974	$272,362	$286,571	($14,209)
Federal Government Subsidies	36,077	43,900	(7,823)	—	—	—
Non-Operating Revenues (Loss)	12,653	20,846	(8,193)	(36,550)	393,354	(429,904)
Administrative Fees & Other	26,712	24,899	1,813	—	—	—
Securities Lending Income	—	15	(15)	—	—	—
Total Revenues	**$3,669,721**	**$2,833,965**	**$835,756**	**$235,812**	**$679,925**	**($444,113)**
EXPENSES						
Claims Expense	$3,411,618	$2,449,655	$961,963	$248,785	$225,691	$23,094
Increase in Estimated Liabilities	20,484	173,796	(153,312)	310,565	345,547	(34,982)
Non-Operating Expenses	83	160	(77)	1,734	1,615	119
Administrative Expenses	401,650	221,878	179,772	24,304	22,946	1,358
Total Expenses	**$3,833,835**	**$2,845,489**	**$988,346**	**$585,388**	**$595,799**	**($10,411)**
INCREASE (DECREASE) IN UNRESTRICTED NET POSITION	**($164,114)**	**($11,524)**	**($152,590)**	**($349,576)**	**$84,126**	**($433,702)**
UNRESTRICTED NET POSITION						
Beginning of Year	**$443,558**	**$455,082**	**($11,524)**	**$763,248**	**$679,122**	**$84,126**
End of Year	**$279,444**	**$443,558**	**($164,114)**	**$413,672**	**$763,248**	**($349,576)**

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).

Respectfully Submitted,

Cheryl Eason

Cheryl Eason, MBA, CPA (Can), CGA, RPA, DMC
Chief Financial Officer

Basic Financial Statements

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS

As of June 30, 2015, with Comparative Totals as of June 30, 2014 (Dollars in Thousands)

	Pension Trust Funds					
	PERF A	PERF B	PERF C			
	Agent	Schools Cost-Sharing	Public Agency Cost-Sharing	LRF	JRF	JRF II
ASSETS						
Cash & Cash Equivalents	**$522,073**	**$134,655**	**$58,904**	**$0**	**$1**	**$1**
Receivables						
Members	$709,777	$105,371	$58,813	$78	$877	$150
Employers	805,992	157,514	40,496	37	1,260	6,995
Investment Sales & Other	214,946	55,440	24,252	4	—	79
Interest & Dividends	165,799	42,764	18,707	—	15	6
Due from Other Funds	5,903	1,523	666	26	230	64
Other Program	52,029	13,420	5,870	5	51	26
Total Receivables	**$1,954,446**	**$376,032**	**$148,804**	**$150**	**$2,433**	**$7,320**
Investments, at Fair Value						
Short-Term Investments	$7,148,861	$1,844,245	$807,582	$761	$39,734	$8,309
Global Equity Securities	111,920,093	28,872,859	12,643,231	38,208	—	614,393
Global Debt Securities	56,814,314	14,656,811	6,418,119	83,253	—	455,046
Real Assets	22,747,425	5,868,322	2,569,699	—	—	—
Debt on Real Assets	—	—	—	—	—	—
Private Equity	21,013,870	5,421,104	2,373,866	—	—	—
Total Investments	**$219,644,563**	**$56,663,341**	**$24,812,497**	**$122,222**	**$39,734**	**$1,077,748**
Securities Lending Collateral	$7,849,378	$2,024,962	$886,718	$3,497	$0	$45,466
Capital Assets, Net & Other Assets	515,525	132,967	58,165	—	—	—
TOTAL ASSETS	**$230,485,985**	**$59,331,957**	**$25,965,088**	**$125,869**	**$42,168**	**$1,130,535**
LIABILITIES						
Retirement & Other Benefits	$1,209,543	$275,533	$119,343	$603	$0	$0
Investment Purchases & Other	237,715	61,313	26,821	1	—	18
Due to Members, Public Agencies, State, & Schools	4,375	—	—	4	24	1
Securities Lending Obligations	7,846,825	2,023,889	885,340	3,506	—	45,584
Due to Other Funds	5,483	1,414	619	54	107	384
Management Fees	—	—	—	—	—	—
Other Program	235,898	58,742	25,659	232	860	406
TOTAL LIABILITIES	**$9,539,839**	**$2,420,891**	**$1,057,782**	**$4,400**	**$991**	**$46,393**
NET POSITION – RESTRICTED FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS	**$220,946,146**	**$56,911,066**	**$24,907,306**	**$121,469**	**$41,177**	**$1,084,142**

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

Pension Trust Funds			Other Post-Employment Benefit Trust Fund	Agency Fund	Totals	
SPOFF	**DCF**	**SCPF**	**CERBTF**	**RBF**	**2015**	**2014**
$1	**$0**	**$0**	**$0**	**$0**	**$715,635**	**$617,199**
$1,076	$1,707	$13	$0	$2	$877,864	$954,252
—	1,897	—	54,694	289	1,069,174	964,772
—	—	—	28	—	294,749	185,014
1	1	—	6	8	227,307	236,389
—	—	—	311	—	8,723	7,260
—	10,082	—	—	—	81,483	64,027
$1,077	**$13,687**	**$13**	**$55,039**	**$299**	**$2,559,300**	**$2,411,714**
$5,738	$223,369	$30,181	$50,972	$10,524	$10,170,276	$10,213,014
—	810,953	52,615	2,676,432	—	157,628,784	162,827,714
—	293,860	51,329	1,746,315	—	80,519,047	74,180,154
—	—	—	—	—	31,185,446	29,667,488
—	—	—	—	—	—	(87,134)
—	—	—	—	—	28,808,840	31,512,577
$5,738	**$1,328,182**	**$134,125**	**$4,473,719**	**$10,524**	**$308,312,393**	**$308,313,813**
$0	$0	$0	$49,260	$0	$10,859,281	$17,396,446
—	—	—	—	—	706,657	701,798
$6,816	**$1,341,869**	**$134,138**	**$4,578,018**	**$10,823**	**$323,153,266**	**$329,440,970**
$0	$0	$0	$34,809	$0	$1,639,831	$1,534,806
—	—	—	7	—	325,875	1,666,068
1,076	944	161	—	10,748	17,333	14,460
—	—	—	49,389	—	10,854,533	17,235,501
56	166	6	502	—	8,791	13,236
19	209	16	282	—	526	2,181
83	980	76	685	75	323,696	293,018
$1,234	**$2,299**	**$259**	**$85,674**	**$10,823**	**$13,170,585**	**$20,759,270**
$5,582	**$1,339,570**	**$133,879**	**$4,492,344**	**$0**	**$309,982,681**	**$308,681,700**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2015, with Comparative Totals for the Fiscal Year Ended June 30, 2014 (Dollars in Thousands)

	Pension Trust Funds					
	PERF A	PERF B	PERF C			
	Agent	Schools Cost-Sharing	Public Agency Cost-Sharing	LRF	JRF	JRF II
ADDITIONS						
Retirement and OPEB Contributions						
Members	$2,672,201	$773,580	$278,529	$105	$3,877	$22,242
Employers	7,896,921	1,323,090	859,456	590	5,717	65,629
State of California General Fund	—	—	—	—	175,193	—
Employer Contributions Direct – OPEB	—	—	—	—	—	—
Employer Contributions Outside of Trust – OPEB	—	—	—	—	—	—
Total Retirement and OPEB Contribution	**$10,569,122**	**$2,096,670**	**$1,137,985**	**$695**	**$184,787**	**$87,871**
Investment Income						
Net Appreciation (Depreciation) in Fair Value of Investments	$4,269,788	$1,114,571	$479,078	($72)	$0	($2,432)
Interest & Amortization	(67,846)	(17,499)	(7,655)	1	90	22
Dividends	857,725	221,228	96,775	—	—	—
Real Assets	25,809	6,657	2,912	—	—	—
Private Equity	399,032	102,920	45,022	—	—	—
Other Investment Income	82,134	21,184	9,267	—	—	—
Less Investment Expenses:						
Real Assets	(16,844)	(4,345)	(1,901)	—	—	—
Management & Performance Fees	(606,561)	(156,447)	(68,437)	—	—	—
Other	(152,062)	(39,220)	(17,156)	(54)	(2)	(453)
Net Investment Income/(Loss)	**$4,791,175**	**$1,249,049**	**$537,905**	**($125)**	**$88**	**($2,863)**
Securities Lending Income	$105,739	$27,273	$11,930	$41	$0	$608
Securities Lending Expense	(24,510)	(6,322)	(2,765)	(10)	—	(146)
Net Securities Lending	**$81,229**	**$20,951**	**$9,165**	**$31**	**$0**	**$462**
Other Income	**$10,131**	**$2,365**	**$1,027**	**$0**	**$2,198**	**$0**
Plan to Plan Resource Movement	404,295	26	65,367	—	—	—
TOTAL ADDITIONS	**$15,855,952**	**$3,369,061**	**$1,751,449**	**$601**	**$187,073**	**$85,470**
DEDUCTIONS						
Retirement, Death, & Survivor Benefits	$14,274,622	$3,243,007	$1,404,663	$7,393	$201,734	$14,024
Refund of Contributions	130,456	91,074	19,093	1,693	134	16
Plan to Plan Resource Movement	65,254	71,486	332,948	—	—	—
Administrative Expenses	248,789	64,124	27,967	400	1,227	1,127
Participant Withdrawals	—	—	—	—	—	—
OPEB Reimbursements Direct	—	—	—	—	—	—
OPEB Reimbursements – Outside Trust	—	—	—	—	—	—
TOTAL DEDUCTIONS	**$14,719,121**	**$3,469,691**	**$1,784,671**	**$9,486**	**$203,095**	**$15,167**
INCREASE (DECREASE) IN NET POSITION	**$1,136,831**	**($100,630)**	**($33,222)**	**($8,885)**	**($16,022)**	**$70,303**
NET POSITION – RESTRICTED FOR PENSION AND OTHER POST-EMPLOYMENT BENEFITS						
Beginning of Year	**$219,809,315**	**$57,011,696**	**$24,940,528**	**$130,354**	**$57,199**	**$1,013,839**
End of year	**$220,946,146**	**$56,911,066**	**$24,907,306**	**$121,469**	**$41,177**	**$1,084,142**

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

Pension Trust Funds			Other Post-Employment Benefit Trust Fund	Totals	
SPOFF	DCF	SCPF	CERBTF	2015	2014
$81	$106,272	$127,833	$0	$3,984,720	$3,932,451
802	783	—	—	10,152,988	8,843,002
—	—	—	—	175,193	184,081
—	—	—	687,461	687,461	708,449
—	—	—	1,026,599	1,026,599	972,604
$883	**$107,055**	**$127,833**	**$1,714,060**	**$16,026,961**	**$14,640,587**
($7,922)	$30,483	$1,063	($12,420)	$5,872,137	$45,325,989
5	482	1	34	(92,365)	596,616
—	—	—	—	1,175,728	1,142,676
—	—	—	—	35,378	144,100
—	—	—	—	546,974	571,873
470	2,265	17	24	115,361	43,373
—	—	—	—	(23,090)	(91,662)
(135)	(428)	(18)	(875)	(832,901)	(1,153,227)
(16)	(67)	(5)	(751)	(209,786)	(192,287)
($7,598)	**$32,735**	**$1,058**	**($13,988)**	**$6,587,436**	**$46,387,451**
$0	$0	$0	$196	$145,787	$148,974
—	—	—	(54)	(33,807)	(29,687)
$0	**$0**	**$0**	**$142**	**$111,980**	**$119,287**
$865	**$6,260**	**$305**	**$4,790**	**$27,941**	**$21,529**
—	—	—	—	469,688	—
($5,850)	**$146,050**	**$129,196**	**$1,705,004**	**$23,224,006**	**$61,168,854**
$0	$0	$0	$0	$19,145,443	$17,970,856
—	—	—	—	242,466	237,063
—	—	—	—	469,688	—
1,601	4,320	135	2,044	351,734	391,290
509,594	88,973	15,751	—	614,318	135,986
—	—	—	72,777	72,777	48,320
—	—	—	1,026,599	1,026,599	972,604
$511,195	**$93,293**	**$15,886**	**$1,101,420**	**$21,923,025**	**$19,756,119**
($517,045)	**$52,757**	**$113,310**	**$603,584**	**$1,300,981**	**$41,412,735**
$522,627	**$1,286,813**	**$20,569**	**$3,888,760**	**$308,681,700**	**$267,268,965**
$5,582	**$1,339,570**	**$133,879**	**$4,492,344**	**$309,982,681**	**$308,681,700**

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

As of June 30, 2015, with Comparative Totals as of June 30, 2014 (Dollars in Thousands)

	Proprietary Funds		Totals	
	HCF/CRF	LTCF	2015	2014
ASSETS				
Current Assets				
Cash & Cash Equivalents	$1	$2,442	$2,443	$353
Short-Term Investments	917,455	2	917,457	829,608
Receivables				
Members, Public Agencies, State, & Schools	$25,407	$338	$25,745	$48,677
Health Carriers & Pharmacy Benefit Managers	161,115	—	161,115	107,566
Interest & Dividends	653	—	653	454
Due from Other Funds	6,270	760	7,030	11,680
Investment Sales and Other	—	20,421	20,421	17,039
Short-Term Loan	9,000	—	9,000	9,000
Other Receivables	14	—	14	15
Total Receivables	**$202,459**	**$21,519**	**$223,978**	**$194,431**
Subtotal Current Assets	**$1,119,915**	**$23,963**	**$1,143,878**	**$1,024,392**
Noncurrent Assets				
Investments, at Fair Value				
Global Equity Securities	$0	$1,363,603	$1,363,603	$1,475,936
Global Debt Securities	420,753	2,746,831	3,167,584	3,082,514
Total Investments	**$420,753**	**$4,110,434**	**$4,531,187**	**$4,558,450**
Long-Term Loan Receivable	$4,500	$0	$4,500	$13,500
Subtotal Noncurrent Assets	**$425,253**	**$4,110,434**	**$4,535,687**	**$4,571,950**
TOTAL ASSETS	**$1,545,168**	**$4,134,397**	**$5,679,565**	**$5,596,342**
LIABILITIES				
Current Liabilities				
Claims Payable	$327,662	$19,773	$347,435	$263,794
Unearned Premiums	88,560	11,236	99,796	33,855
Member and Employer Premium Payable	50,234	—	50,234	49,370
Estimated Insurance Claims Due	410,163	270,750	680,913	635,410
Due to Carriers	321,899	—	321,899	177,475
Due to Other Funds	5,348	1,613	6,961	5,704
Due to State & Public Agencies	28,660	—	28,660	61,546
Investment Purchases & Other	—	20,421	20,421	17,039
Management Fees	15	755	770	1,069
Other	9,280	2,858	12,138	16,350
Total Current Liabilities	**$1,241,821**	**$327,406**	**$1,569,227**	**$1,261,612**
Long-Term Liabilities				
Estimated Liability for Future Policy Benefits	$0	$3,392,876	$3,392,876	$3,107,329
OPEB Obligation	23,903	443	24,346	20,595
Total Long-Term Liabilities	**$23,903**	**$3,393,319**	**$3,417,222**	**$3,127,924**
TOTAL LIABILITIES	**$1,265,724**	**$3,720,725**	**$4,986,449**	**$4,389,536**
TOTAL UNRESTRICTED NET POSITION	**$279,444**	**$413,672**	**$693,116**	**$1,206,806**

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, 2015, with Comparative Totals for the Fiscal Year Ended June 30, 2014 (Dollars in Thousands)

	Proprietary Funds		Totals	
	HCF/CRF	**LTCF**	**2015**	**2014**
Operating Revenues				
Premiums	$3,594,279	$272,362	$3,866,641	$3,030,876
Federal Government Subsidies	36,077	—	36,077	43,900
Administrative Fees Earned	26,712	—	26,712	24,884
Other	—	—	—	15
Total Operating Revenues	**$3,657,068**	**$272,362**	**$3,929,430**	**$3,099,675**
Operating Expenses				
Claims Expense	$3,411,618	$248,785	$3,660,403	$2,675,346
Increase in Estimated Liabilities	20,484	310,565	331,049	519,343
Administrative Expenses	401,650	24,304	425,954	244,824
Total Operating Expenses	**$3,833,752**	**$583,654**	**$4,417,406**	**$3,439,513**
OPERATING LOSS	**($176,684)**	**($311,292)**	**($487,976)**	**($339,838)**
Non-Operating Revenues				
Net Appreciation (Depreciation) in Fair Value of Investments	$7,665	($41,472)	($33,807)	$407,935
Interest, Dividends, & Other Investment Income	4,988	4,922	9,910	6,265
Total Non-Operating Revenues (Loss)	**$12,653**	**($36,550)**	**($23,897)**	**$414,200**
Non-Operating Expenses				
Management Fees	$61	$1,517	$1,578	$1,427
Other Investment Expenses	22	217	239	345
Total Non-Operating Expenses	**$83**	**$1,734**	**$1,817**	**$1,772**
Securities Lending Income	—	—	—	$15
Costs of Lending Securities	—	—	—	($3)
Net Securities Lending	**$0**	**$0**	**$0**	**$12**
NON-OPERATING INCOME (LOSS)	**$12,570**	**($38,284)**	**($25,714)**	**$412,440**
CHANGE IN UNRESTRICTED NET POSITION	**($164,114)**	**($349,576)**	**($513,690)**	**$72,602**
TOTAL UNRESTRICTED NET POSITION				
Beginning of Year	**$443,558**	**$763,248**	**$1,206,806**	**$1,134,204**
End of Year	**$279,444**	**$413,672**	**$693,116**	**$1,206,806**

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

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2015, with Comparative Totals for the Fiscal Year Ended June 30, 2014 (Dollars in Thousands)

	Proprietary Funds		Totals	
	HCF/CRF	LTCF	2015	2014
Cash Flows From Operating Activities				
Premiums Collected	$3,629,953	$272,012	$3,901,965	$2,886,601
Federal Government Subsidies	36,077	—	36,077	43,900
Claims Paid	(3,330,233)	(246,528)	(3,576,761)	(2,492,169)
Other (Payments) Receipts, Net	(249,850)	(22,542)	(272,392)	(197,958)
Net Cash Provided by Operating Activities	**$85,947**	**$2,942**	**$88,889**	**$240,374**
Cash Flows From Investing Activities				
Net Sales (Purchases) of Investments	($2,826)	($3,719)	($6,545)	($46,399)
Net Change in Short-Term Investments	(87,847)	(2)	(87,849)	(202,635)
Net Proceeds from Securities Lending	—	—	—	434
Interest & Dividends Received	1,867	1	1,868	1,291
Other Investment Receipts, Net	2,825	2,902	5,727	3,369
Net Cash Used for Investing Activities	**($85,981)**	**($818)**	**($86,799)**	**($243,940)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**($34)**	**$2,124**	**$2,090**	**($3,566)**
Cash & Cash Equivalents, Beginning of Year	**$35**	**$318**	**$353**	**$3,919**
Cash & Cash Equivalents, End of Year	**$1**	**$2,442**	**$2,443**	**$353**
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities				
Operating Loss	($176,684)	($311,292)	($487,976)	($339,838)
Changes in Assets and Liabilities:				
Receivables:				
Members, Public Agencies, State, & Schools	23,009	(77)	22,932	(32,133)
Health Carriers & Pharmacy Benefit Managers	(53,549)	—	(53,549)	(78,865)
Due from Other Funds	4,116	535	4,651	(6,212)
Due from Federal Government	—	—	—	11,406
Loans	—	—	—	750
Other	9,001	—	9,001	9,009
Claims Payable	81,384	2,257	83,641	183,177
Unearned Premiums	66,214	(273)	65,941	(33,277)
Member and Employer Premium Payable	864	—	864	49,370
Estimated Insurance Claims Due	20,485	25,018	45,503	203,016
Estimated Liability for Future Policy Benefits	—	285,547	285,547	316,327
Due to Carriers	144,424	—	144,424	(43,292)
Due to State & Public Agencies	(32,886)	—	(32,886)	(7,777)
Due to Other Funds	569	688	1,257	1,000
OPEB Obligation	3,526	224	3,750	3,804
Other	(4,526)	315	(4,211)	3,909
Net Cash Provided by Operating Activities	**$85,947**	**$2,942**	**$88,889**	**$240,374**
Noncash Investing, Capital, & Financing Activities				
Noncash Change in Fair Value of Investments	**$7,660**	**($81,012)**	**($73,352)**	**$298,997**

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 the 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 Pension 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' Defined Contribution Plan Fund	Single-employer (money purchase plan)
Public Employees' Deferred Compensation Fund	Multiple-employer (457 & 401K plan)
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.

For accounting purposes only, the PERF is comprised of and reported as three separate entities. PERF A is comprised of agent multiple-employer plans, which includes the 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, 2015, the PERF had the following participating employers:

Affiliated Employers for PERF

PERF Participants	2015
PERF A	
State	1
Public Agencies[1]	312
Total	**313**
PERF B	
School Districts and Charter Schools	1,423
PERF C	
Public Agencies[1]	1,318
Total Employers	**3,054**

(1) Each public agency employer may be counted in both PERF A and PERF C due to active contracts under both plans.

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 Officers, 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 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 2013 (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 2015-16.

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. The underlying data included in the following table reflects current categorizations of members and beneficiaries by rate plan.

As of June 30, 2015, membership in the defined benefit pension plans consisted of the following:

Benefit Recipients and Members in the PERF A, PERF B, PERF C, LRF, JRF, and JRF II

Plan	Retirees	Survivors & Beneficiaries	Members: Active	Members: Inactive or Deferred	Total
PERF A Agent	327,050	52,330	474,589	171,093	1,025,062
PERF B Schools Cost-Sharing	173,248	23,804	345,495	143,982	686,529
PERF C Public Agency Cost-Sharing	30,517	4,129	48,629	20,833	104,108
Total PERF	**530,815**	**80,263**	**868,713**	**335,908**	**1,815,699**
LRF	117	130	9	13	269
JRF	1,384	594	232	9	2,219
JRF II	93	14	1,470	0	1,577
Total	**532,409**	**81,001**	**870,424**	**335,930**	**1,819,764**

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. All non-state Second Tier members are eligible to receive cost-of-living (COLA) adjustments up to a maximum of 2 percent compounded annually (up to 5 percent maximum as a contract option for retired members of local agencies). State Second Tier members are eligible for a COLA of 3 percent fixed compounded annually.

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. In some circumstances, contributions are made by the employer to satisfy member contribution requirements. Employer paid member contributions are reported as member contributions in the Statement of Changes in Fiduciary Net Position. 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 cost of administering the CalPERS system is financed through contributions and investment earnings.

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.

PEPRA, which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members with the most impact felt by new CalPERS members. Under PEPRA, new members include: (1) members first joining on or after January 1, 2013 with no prior membership in another California public retirement system; (2) members first joining before January 1, 2013 who are hired by a different CalPERS employer after January 1, 2013 and have a break in service greater than 6 months; and (3) members first joining on or after January 1, 2013, who are ineligible for reciprocity with another California public retirement system. All members that do not fall into the definitions above are considered Classic members and will retain existing benefit levels for future service with the same employer.

Required contribution rates for active plan members and employers as a percentage of payroll for the fiscal year ended June 30, 2015, were as follows:

Required Contribution Rates

	Employee Contribution Rates		Employer-Required Contribution Rates
	Classic	PEPRA	
PERF A — Agent			
State:			
Miscellaneous — First Tier	5% to 11%	6% to 11%	24.20%
Miscellaneous — Second Tier	3%	3%	23.51%
Industrial	5% to 11%	6% to 11%	17.29%
Safety	11%	9% to 11%	18.16%
Peace Officers and Firefighters	8% to 13%	11% to 13%	35.18%
California Highway Patrol	11.5%	11.5%	42.18%
Public Agency			
Miscellaneous	5% to 8%	6.25% to 7%	6.38% to 39.86%
Safety	7% to 9%	8% to 15%	11.14% to 50.84%
PERF B — Schools Cost-Sharing			
Classified School	7%	6%	11.77%
PERF C — Public Agency Cost-Sharing			
Public Agency (Pooled)			
Miscellaneous	2% to 8%	4% to 7.25%	3.8% to 53.96%
Safety	7% to 10.99%	9.5% to 15.25%	9.5% to 310.62%
LRF	4% or 8%	N/A	42.26%[1]
JRF	8%	N/A	N/A
JRF II	8%	15.25%	24.62%

(1) Minimum PEPRA employer required contribution rate.

DEFINED CONTRIBUTION PLANS

CalPERS administers two defined contribution plans and a deferred compensation plan to certain members as further described below:

State Peace Officers' and Firefighters' Defined Contribution Plan Fund (SPOFF) – The SPOFF was established in 1998 under section 401(a) of Title 26 of the United States Code. The SPOFF was 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. Contributions to the plan were 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 eligible rank-and-file positions, and effective May 2011, the State suspended contributing on behalf of eligible supervisors, management, and exempt positions. Senate Bill 227 and Assembly Bill 611 were signed by the Governor in October 2013 and September 2014, respectively. Legislation terminated the State Peace Officers' and Firefighters' Defined Contribution Plan, effective June 1, 2014, upon obtaining the appropriate approvals from the Internal Revenue Service (IRS) in September 2014. The termination required distributions of participant's money in the State Peace Officers' and Firefighters' Defined Contribution Plan in accordance with state and federal law and designated the Supplemental Contributions Program Fund (SCPF) as the default plan for participants who did not make an affirmative election to take a distribution. As of June 30, 2015, some asset balances remained with the SPOFF as reserves held for possible future legacy expenses, excess employer contributions to be discharged, and interest earned.

Public Employees' Deferred Compensation Fund (DCF) – The DCF was established in 1990 by Government Code sections 21670 through 21685, granting the maximum tax-preferred retirement saving opportunities under sections 457 and 403(b), and other tax-preferred retirement saving arrangements under Title 26 of the United States Code. Currently, CalPERS offers a 457 deferrred compensation plan under the DCF. The DCF 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 (IRC), and may access their funds upon retirement, separation from employment, or other distributable events as allowed under the IRC.

Supplemental Contributions Program 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 currently 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 IRC section 415(c) limits. Distributions are allowed only at retirement or permanent separation from employment.

Additionally, the California State Legislature designated the SCPF as the default option for those SPOFF participants who did not make an affirmative election to request a distribution from their SPOFF account balance prior to the plan terminating.

As of June 30, 2015, membership in the defined contribution plans consisted of the following:

Members in SPOFF, DCF, and SCPF

Plan	Employers	Members
SPOFF	0	0
DCF	751	27,652
SCPF	1	9,017

OTHER ADMINISTRATIVE ACTIVITIES

CalPERS administers other activities as follows:

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 funds to pay future retiree and survivors health care and other post-employment benefits. Currently, the CERBTF has 462 participating employers. The CERBTF is more fully described in Note 8 to the financial statements.

Old Age & Survivors' Insurance Revolving Fund (OASI) – The OASI was established to consolidate the collection and payment from California public agencies for 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 to the IRS, and eliminated the intermediary collection and remittance of such contributions by individual public agencies to CalPERS. 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, which is presented with the CRF for financial reporting purposes, 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, which is presented with the HCF for financial reporting purposes, 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, 2015:

Fiduciary Funds – includes pension trust, other post-employment trust, and agency fund, 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, SCPF, and 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 HCF and CRF and the LTCF. The HCF and CRF statements are combined to give a better overview of the health programs administered by CalPERS. These funds are accounted for on 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, and other investments. In February 2014, the Board approved strategic asset allocation changes effective July 1, 2014. Global Equity changed from 50 percent to 51 percent in the PERF, from 32 percent to 24 percent in the LRF, and from 63 percent to 50 percent in the JRF II. Private Equity changed from 14 percent to 10 percent in the PERF. Global Debt Securities changed from 17 percent to 19 percent in the PERF, from 42 percent to 39 percent in the LRF, and from 20 percent to 34 percent in the JRF II. Real Assets changed from 11 percent to 12 percent in the PERF. Liquidity changed from 4 percent to 2 percent in the PERF. Inflation Assets changed from 4 percent to 6 percent in the PERF, from 15 percent to 26 percent in the LRF, and from 6 percent to 5 percent in the JRF II.

The following table shows the Board-adopted target asset allocation policy for the defined benefit pension plans as of June 30, 2015:

Target Asset Allocation

Asset Class	PERF A	PERF B	PERF C	LRF	JRF	JRF II
Global Equity	51%	51%	51%	24%	—	50%
Private Equity	10%	10%	10%	—	—	—
Global Debt Securities	19%	19%	19%	39%	—	34%
Real Assets	12%	12%	12%	—	—	—
Liquidity	2%	2%	2%	—	100%	—
Inflation Assets	6%	6%	6%	26%	—	5%
REITs	—	—	—	8%	—	8%
Commodities	—	—	—	3%	—	3%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Investments are reported at fair value using a variety of techniques. Global 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, and any negative interest balances may result from amortization adjustments to the cost basis of fixed income securities. Dividends are recorded on the ex-dividend date.

Real asset investments (Real Estate, Infrastructure, and Forestland) are 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. 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 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 Principles (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.

CalPERS' inflation-linked asset class is made up of two main asset types: commodities and inflation-linked bonds. The strategic objective is to prudently achieve long-term returns above inflation and diversify CalPERS investments, while the performance objective is to exceed the benchmark (net of all fees).

Commodities involve the trading of raw or unmanufactured products, which can be broken into hard and soft commodities. Hard commodities are generally natural resources that must be mined or extracted, while soft commodities are agricultural products or livestock. Commodities can be purchased as stock, mutual funds, index funds, or exchange-traded funds (ETFs) in commodities-related companies. Additionally, they can be traded by buying into futures contracts on the open market. The program includes investments such as futures contracts, forward contracts, swaps, structured notes, and options—direct investments in physical commodities are excluded. The program's parameters include specifications to manage instrument risk exposure and commodity collateral, while minimizing liquidity risk, pricing risk, and sector risk.

Investment instruments included in the inflation-linked bond program investments include investment grade inflation-linked government bonds, U.S. inflation-linked bonds, and investment grade international inflation-linked bonds. The program's parameters include specifications to minimize interest rate risk and currency risk.

A Real Estate Investment Trust (REIT) is a type of security that invests in real estate through property or mortgages. These investments often trade on major exchanges similar to stocks and offer investors a very liquid stake in real estate.

INTERNAL POOLED INVESTMENTS

CalPERS has established internal unitized investment pools whereby 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, and 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 consist of $4.5 million in long-term loans and $9 million in short-term loans as of June 30, 2015.

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, 2012, and some retroactive premiums after the expiration of the 2004-2013 contract. The 2013 rollover 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 consist of management and performance fees, real asset investment expenses, and other investment-related fees. Management and performance fees include internal and external management fees, performance fees, and incentive fees. Real asset investment expenses include 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. Other investment-related fees include expenses for shared investment-related administration, internal investment staff salaries, dividend tax withholding, certain trading fees, consultants, data analytics, certain other taxes, custody, appraisals, legal services, technology infrastructure, audits, and tax advisory services. These fees are disclosed within the Other Investment Expenses financial statement line item and detailed in the Investment Expenses Schedule in the Other Supplementary Information section.

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. These fees and costs are included within the NAV or public securities cost.

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 and net appreciation (depreciation) in the fair value of investments 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 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 securities that are exposed to a variety of risks, including 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 net pension liabilities disclosed in the Notes to the Financial Statements for the cost-sharing multiple-employer and single-employer defined benefit pension plans are measured 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. Other post-employment benefits (OPEB) plans disclose the actuarial accrued liability in the Notes to the Financial Statements, which is influenced by the assumed rate of return on OPEB investments, inflation rates, employee demographics and health care cost trend rates. 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 fiscal year ended June 30, 2014, to conform to the presentation as of and for the fiscal year ended June 30, 2015.

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 U.S. Accordingly, such information should be read in conjunction with CalPERS financial statements for the fiscal year ended June 30, 2014, from which the summarized information was derived.

TERMINATION OF PENSION PLANS

Public agency participation in the System may be terminated either due to a transfer of a public agency's plan to another qualified system, as permitted by law, a public agency terminating its plan, or an involuntary termination by the Board. In the event that a public agency elects to transfer its plan, the assets of the plan and the related liability for benefits accrued are transferred to the other system. In the event that a public agency elects to terminate its plan or there is an involuntary termination of a plan by the Board, sufficient assets to cover the related liability for benefits accrued are retained by the PERF. Excess assets above those required, if any, are returned to the employer, while the employer is billed for any deficiency in required assets.

NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* (GASB 68), was effective in Fiscal Year 2014-15 and relates to reporting by governments that provide pension benefits to their employees. This statement establishes standards for measuring and recognizing net pension liabilities, deferred outflows and inflows of resources, and pension expenses by the reporting entities. This statement resulted in no impact to the CalPERS financial statements for the Fiscal Year 2014-15.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68* (GASB 71), was effective in Fiscal Year 2014-15. This statement addresses contributions made after an employer's liability measurement date, which may not have been reported as deferred outflows of resources at transition under GASB 68. As a result, GASB 71 reduces the risk of an understatement of an employer's beginning net position and expense in the initial period of implementation. It is required that the statement be applied simultaneously with the provisions of GASB 68. This statement resulted in no impact to the CalPERS financial statements for the Fiscal Year 2014-15.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of approximately $0.7 billion at June 30, 2015, represent amounts held in the CalPERS general operating accounts with the State Treasury. The underlying investments at the State Treasurer's Office are not individually identifiable by fund as CalPERS monies are pooled with the monies of other state agencies and invested.

4. INVESTMENTS

The following table presents a summary of CalPERS' investments by type as of June 30, 2015, at fair value:

Investments at Fair Value (Dollars in Thousands)

Investment Type	Fair Value
Short-Term	$11,087,733
Global Debt:	
Domestic Debt:	
Asset-Backed	$6,868,421
Mortgages	861,013
Swaps	(180,188)
U.S. Corporate	54,079,147
U.S. Treasuries	12,831,878
International Debt Securities	9,226,360
Global Equity:	
Absolute Return Strategies	$1,155,744
REITs	444,919
Domestic Equities	85,154,098
International Equities	72,237,626
Private Equity	28,808,840
Real Assets:	
Real Estate	$26,732,475
Infrastructure	2,241,352
Forestland	2,211,619
Total	**$313,761,037**

SHORT-TERM INVESTMENTS

Short-term investments consist of U.S. Treasury and government sponsored securities, money market funds, commercial paper, certificates of deposit, 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, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3* (GASB 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, 2015, 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

Other than U.S. Government Securities, which are not subjected to the GASB 40 disclosure requirements, CalPERS does not have investments in any single issuer that represent 5 percent or more of fiduciary 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. Generally, 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 with the exception of the Global Fixed Income Program investment policy, which is allowed to stay within negative 50 percent to 10 percent 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.

The following table presents the weighted average effective duration for CalPERS investments subject to interest rate risk as of June 30, 2015:

CalPERS – Debt Securities Subject to Interest Rate Risk

(Dollars in Thousands)

Debt Security Type	Portfolio Weighted Average Effective Duration	Fair Value June 30, 2015	Percent of Debt Securities
U.S. Treasuries and Agencies:			
U.S. Treasury Notes	5.61%	$14,103,510	17.4%
U.S. Treasury Bonds	16.43%	10,221,224	12.6%
U.S. Agencies	10.50%	1,224,995	1.5%
U.S. Treasury Strips	12.25%	57,385	0.1%
Corporate	9.85%	15,041,071	18.6%
Mortgages	4.05%	13,425,487	16.6%
Foreign Government Issues	9.12%	10,970,735	13.5%
Asset-Backed	7.61%	622,014	0.8%
Municipals	12.00%	9,466	0.0%
Commingled Fund	1.98%	970	0.0%
Swaps	19.29%	475	0.0%
No Effective Duration:			
Asset Backed	N/A	$10,792,221	13.3%
Commercial Paper	N/A	2,955,676	3.7%
Commingled Fund	N/A	1,286,391	1.6%
Discount Notes	N/A	222,410	0.3%
Swaps	N/A	26,432	0.0%
Corporate Bond	N/A	20,494	0.0%
Mortgages	N/A	11,437	0.0%
Foreign Government Issues	N/A	4,804	0.0%
Total[1]		**$80,997,197**	**100.0%**

(1) This table represents the fair value of investments in the fixed portfolios excluding any equity holdings. 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-unitized 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 State Street Bank Global Advisors' (SSGA) short-term investment fund (STIF). These investments are included as part of the short-term investments in the financial statements. As of June 30, 2015, the pooled money investment account with the State Treasury totaled approximately $2.6 billion, and the SSGA STIF totaled approximately $12.6 billion. This value represents SSGA STIF investments in all portfolios. The short-term securities reported in the Statement of Fiduciary Net Position and the Statement of Proprietary Net Position are reported at fair value for non-unitized investments only. For unitized investments that may include short-term securities, its value is report at net asset value of the unitized pool as global equity or global debt securities. As of June 30, 2015, the weighted average maturity was 239 days for the State Treasury pool and 32 days for the SSGA short-term investment fund. The SSGA short-term investment fund is rated as P1. The State Treasury pool is not rated.

The LTCF, HCF, SCPF, and DCF invest in various SSGA funds, with weighted average maturities and credit ratings as of June 30, 2015, as follows:

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

SSGA Fund	Fair Value June 30, 2015	Credit Rating[1]	Weighted Average Maturity
U.S. Aggregate Bond Index	$420,753	AA2	7.86
3-10 Year U.S. Agency Index	7,204	AA1	4.99
3-10 Year U.S. Credit Index	197,722	A3	6.19
3-10 Year U.S. Treasury Index	238,980	AAA	5.65
Long U.S. Agency Index	28,969	AA1	18.34
Long U.S. Credit Corporate Index	378,774	BAA1	23.88
Long U.S. Credit Non-Corporate Index	94,114	A3	24.17
Long U.S. Treasury Index	482,791	AAA	25.10
U.S. Asset-Backed/Comm Mort Backed Index	61,501	AA1	4.58
U.S. High Yield Bond Index	89,937	B1	6.44
U.S. Inflation Protected Bond Index	6,516	AAA	8.54
U.S. Mortgage Backed Index	683,952	AAA	7.07
U.S. Short-Term Govt/Credit Bond Index	39,426	AA2	1.92
U.S. Bond Index	305,769	AA2	7.87
U.S. Tips Index	247,992	AAA	8.61
Total	**$3,284,400**		

(1) Credit rating reflects market value weight of all the rated securities held by the portfolio (excludes unrated securities) using the middle rating provided by either S&P, Moody's, and Fitch or lower if only two agency ratings are available.

The following table presents the weighted average duration for securities lending collateral subject to interest rate risk as of June 30, 2015:

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

Security Type	Portfolio Weighted Average Effective Duration	Fair Value June 30, 2015	Percent of Securities Lending Collateral
Asset-Backed Securities	0.12%	$863,224	12.1%
Commercial Paper	0.02%	$456,978	6.4%
No Effective Duration:			
Commercial Paper	N/A	$176,134	2.5%
Money Market Fund[1]	N/A	3,179,361	44.7%
Short-Term Investment Fund[2]	N/A	2,443,584	34.3%
Total[3]		**$7,119,281**	**100.0%**

(1) Money Market Fund is invested in U.S. Treasury securities with a weighted average maturity (to final maturity) of less than 1 day (0.40).
(2) Short-Term Investment Fund has a weighted average maturity (to final maturity) of 1 day.
(3) This figure does not include $3,740,000 in repurchase agreements since it is not subject to GASB 40 disclosure. The fair value of the investments in the securities lending collateral portfolio is $10,859,281 for both fiduciary and proprietary fund types.

As of June 30, 2015, 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, 88 percent of the total fixed income portfolio must be invested in investment-grade securities.

Investment-grade securities have low default probabilities and are rated at a minimum of BBB- by independent agencies (Moody's, Standard & Poor's, or Fitch). Each portfolio is required to maintain a specified risk level.

The following table is a summary of the ratings of CalPERS fixed income securities as of June 30, 2015:

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

Moody's Quality Rating	Fair Value June 30, 2015	Fair Value as a Percent of Debt Security Investments
Aaa	$10,866,907	13.4%
Aa1	2,734,400	3.4%
Aa2	1,233,980	1.5%
Aa3	591,705	0.7%
A1	1,493,328	1.9%
A2	1,236,162	1.5%
A3	2,532,744	3.1%
Baa1	2,389,898	3.0%
Baa2	6,618,276	8.2%
Baa3	1,980,087	2.5%
Ba1	860,344	1.1%
Ba2	635,274	0.8%
Ba3	668,840	0.8%
B1	897,082	1.1%
B2	576,772	0.7%
B3	347,781	0.4%
Caa1	258,003	0.3%
Caa2	130,136	0.2%
Caa3	38,656	0.0%
Ca	33,683	0.0%
C	5,538	0.0%
NA[1]	25,330,955	31.3%
NR[2]	8,622,988	10.6%
NR[2,3]	10,913,658	13.5%
Total[4]	**$80,997,197**	**100.0%**

(1) NA represents U.S. government securities that are not applicable to the GASB 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 excluding any equity holdings. 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-unitized investments and at net asset value for investments in the unitized pools, which includes accruals in the unitized portfolios.

The following table 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	$1,447,474	20.3%
P-1	18,899	0.3%
P-2	614,213	8.6%
NR[1,2]	5,038,695	70.8%
Total[3]	**$7,119,281**	**100.0%**

(1) NR represents those securities that are not rated.
(2) This figure includes $3,179,361 invested in a money market fund and a $1,000,000 line of credit to Options Clearing Corp (OCC) invested in short term investments.
(3) This figure does not include $3,740,000 in repurchase agreements since it is not subject to GASB 40 disclosure. The fair value of the investments in the securities lending collateral portfolio is $10,859,281 for both fiduciary and proprietary 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 proportion of international stocks within the Global Equity portfolio is, at this time, roughly equal to their market capitalization weight in the Global Equity benchmark. 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. Refer to the CalPERS International Investment Securities table for foreign currency risk disclosures.

RATE OF RETURN

The money-weighted rate of return (MWRR) expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Following is the annual MWRR, net of investment expense, for the fiscal year ended June 30, 2015, for each defined benefit pension plan:

Money-Weighted Rate of Return

Plan	Rate of Return (%)
PERF A	
Agent	2.2%
PERF B	
Schools Cost-Sharing	2.2%
PERF C	
Public Agency Cost-Sharing	2.2%
LRF	(0.1%)
JRF	0.2%
JRF II	(0.2%)

REAL ASSETS

Real assets, which include real estate, infrastructure, and forestland investments, are classified as investments in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* (GASB 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 $31.2 billion are reported at estimated fair value net of partnership related debt. Debt on Real Assets in the Statement of Fiduciary Net Position represents outstanding debt on direct real estate investments. At June 30, 2015, there was no outstanding debt on direct real estate investments; however, in a few partnerships, CalPERS still holds recourse debt totaling $21.6 million.

5. SECURITIES LENDING

The State Constitution and the Board policies permit CalPERS to enter into securities lending transactions, which are 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, *Accounting and Financial Reporting for Securities Lending Transactions* (GASB 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 and 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, 2015, the fair value of the securities on loan was approximately $14.9 billion. The securities on loan remain on CalPERS' Statement of Fiduciary Net Position in their respective investment categories. At June 30, 2015, cash collateral received totaling $10.9 billion is reported as securities lending obligation, and the fair value of reinvested cash collateral totaling $10.9 billion is reported as securities lending collateral on the Statement of Fiduciary Net Position. The changes in fair value of the reinvested cash collateral are reported as net appreciation/depreciation in fair value of investments on the Statement of Changes in Fiduciary 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 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, 2015, the collateral invested in CalPERS Internal Short-Term Pools had an aggregate weighted average maturity (to final maturity) of 245 days and duration of 18 days. SSB and eSec have a weighted average maturity (to final maturity) of 32 days.

CalPERS signed an agreement in January 2015 with Options Clearing Corporation (OCC) for CalPERS to provide OCC with on-demand liquidity by giving access to a line of credit in a segregated account over a one-year term. This account is controlled by CalPERS and invested in short-term securities when it is not in use. CalPERS will earn commitment fee revenue and short-term interest yield from this agreement. Upon a draw on the line of credit, OCC will provide U.S. Treasury securities as collateral (for a maximum duration of 30 days) that will be bi-lateral, marked to market daily, and administered by eSecLending.

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 is 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 occurs 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 occurs 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, in addition to adherence to industry standard International Swaps and Derivatives Association (ISDA) and Credit Support Annex (CSA) agreements with all counterparties.

At June 30, 2015, the aggregate fair value of investment derivatives in an asset position subject to counterparty credit risk was approximately $197.5 million. The aggregate amount of cash collateral held by CalPERS on behalf of over-the-counter derivatives was approximately $0.2 million.

CalPERS – Derivative Instruments Summary[1] (Dollars in Thousands)

Investment	Net Appreciation/ (Depreciation) in Fair Value for the Fiscal Year Ended June 30, 2015	Fair Value June 30, 2015		
Derivatives (by Type)	**Amount**	**Classification**	**Amount**	**Notional (Dollars)**
Commodity Futures Long	$9,428	Equity Securities	$0	$0
Credit Default Swaps Bought	195	Debt Securities	—	—
Credit Default Swaps Written	(2,015)	Debt Securities	(643)	45,000
Currency Swaps	(5,792)	Debt Securities	4,505	167,333
Equity Swaps	1	Debt Securities	—	—
Fixed Income Futures Long	26,422	Equity Securities	—	839,183
Fixed Income Futures Short	(37,517)	Equity Securities	—	(1,231,136)
Fixed Income Options Bought	(127)	Equity Securities	211	30,975
Fixed Income Options Written	1,958	Equity Securities	(1,332)	(113,274)
Foreign Currency Futures Long	5,848	Equity Securities	—	43,047
Foreign Currency Options Bought	(56,602)	Equity Securities	850	155,575
Foreign Currency Options Written	59,181	Equity Securities	(971)	(172,631)
Futures Options Bought	8,098	Equity Securities	465	500
Futures Options Written	(10)	Equity Securities	—	—
FX Forwards	245,426	Investment Sales/Purchases	2,297	12,203,947
Index Futures Long	740,970	Equity Securities	—	11,638,105
Index Futures Short	(229,278)	Equity Securities	—	(874,512)
Index Options Bought	(6,264)	Equity Securities	561	297,000
Index Options Written	496	Equity Securities	(979)	(102,050)
Pay Fixed Interest Rate Swaps	(8,724)	Debt Securities	3,256	298,236
Receive Fixed Interest Rate Swaps	790	Debt Securities	(969)	170,330
Rights[2]	(5,924)	Equity Securities	2,978	28,995
Total Return Bond Swaps	(24,273)	Debt Securities	20,758	4,297,149
Warrants[2]	(12)	Equity Securities	7,893	7,601
Total	**$722,275**		**$38,880**	

(1) The information presented in this table is derived from CalPERS' June 30, 2015, accounting records and in some instances may reflect trades on a one-day lag basis.
(2) The notional amount of rights and warrants are expressed in units rather than dollars.

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

		Investment Maturities (in years)			
Investment Type	**Fair Value June 30, 2015**	**Under-1**	**1-5**	**6-10**	**10+**
Credit Default Swaps Written	($643)	$0	($643)	$0	$0
Currency Swaps	4,505	—	79	3,935	491
Fixed Income Options Bought	211	211	—	—	—
Fixed Income Options Written	(1,332)	(1,332)	—	—	—
Pay Fixed Interest Rate Swaps	3,256	—	(192)	1,476	1,972
Receive Fixed Interest Rate Swaps	(969)	—	(503)	(167)	(299)
Total Return Bond Swaps	20,758	20,758	—	—	—
Total	**$25,786**	**$19,637**	**($1,259)**	**$5,244**	**$2,164**

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

Investment Type	Reference Rate	Fair Value June 30, 2015	Notional
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.694%	$937	$29,720
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 0.764%	68	13,260
Interest Rate Swaps	Receive Variable 6-month LIBOR, Pay Fixed 3.000%	(898)	6,134
Interest Rate Swaps	Receive Variable 6-month EURIB, Pay Fixed 2.307%	(186)	4,568
Interest Rate Swaps	Receive Variable 12-month LIBOR, Pay Fixed 12.440%	56	8,692
Interest Rate Swaps	Receive Variable 6-month EURIB, Pay Fixed 0.750%	303	7,242
Interest Rate Swaps	Receive Variable 6-month EURIB, Pay Fixed 1.500%	918	16,936
Interest Rate Swaps	Receive Variable 6-month LIBOR, Pay Fixed 2.000%	998	62,593
Interest Rate Swaps	Receive Variable 6-month LIBOR, Pay Fixed 2.000%	422	5,504
Interest Rate Swaps	Receive Variable 12-month LIBOR, Pay Fixed 12.340%	177	18,671
Interest Rate Swaps	Receive Variable 12-month LIBOR, Pay Fixed 12.455%	113	19,315
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.500%	(260)	48,800
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.750%	178	3,700
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.500%	237	3,700
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.250%	193	49,400
Interest Rate Swaps	Receive Fixed 3.795%, Pay Variable 3-month BKBM	8	2,164
Interest Rate Swaps	Receive Fixed 6.600%, Pay Variable 1-month MTIIE	(261)	22,644
Interest Rate Swaps	Receive Fixed 6.600%, Pay Variable 1-month MTIIE	(29)	2,517
Interest Rate Swaps	Receive Fixed 5.610%, Pay Variable 1-month MTIIE	(13)	3,658
Interest Rate Swaps	Receive Fixed 6.710%, Pay Variable 1-month MTIIE	(4)	1,115
Interest Rate Swaps	Receive Fixed 5.630%, Pay Variable 1-month MTIIE	(7)	1,128
Interest Rate Swaps	Receive Fixed 3.750%, Pay Variable 6-month BBSW	181	4,996
Interest Rate Swaps	Receive Fixed 5.620%, Pay Variable 1-month MTIIE	(19)	2,231
Interest Rate Swaps	Receive Fixed 5.560%, Pay Variable 1-month MTIIE	(4)	370
Interest Rate Swaps	Receive Fixed 7.380%, Pay Variable 1-month MTIIE	26	421
Interest Rate Swaps	Receive Fixed 13.030%, Pay Variable 12-month LIBOR	(130)	16,096
Interest Rate Swaps	Receive Fixed 5.865%, Pay Variable 1-month MTIIE	19	2,581
Interest Rate Swaps	Receive Fixed 1.023%, Pay Variable 3-month STIBO	(47)	964
Interest Rate Swaps	Receive Fixed 1.036%, Pay Variable 3-month STIBO	(54)	1,133
Interest Rate Swaps	Receive Fixed 1.013%, Pay Variable 3-month STIBO	(58)	1,169
Interest Rate Swaps	Receive Fixed 1.085%, Pay Variable 3-month STIBO	(93)	2,157
Interest Rate Swaps	Receive Fixed 1.080%, Pay Variable 3-month STIBO	(79)	1,820
Interest Rate Swaps	Receive Fixed 1.250%, Pay Variable 6-month LIBOR	(12)	4,903
Interest Rate Swaps	Receive Fixed 13.270%, Pay Variable 12-month LIBOR	(317)	43,459
Interest Rate Swaps	Receive Fixed 3.543%, Pay Variable 12-month UKRPI	(26)	1,887
Interest Rate Swaps	Receive Fixed 3.5373%, Pay Variable 12-month UKRPI	(25)	2,202
Interest Rate Swaps	Receive Fixed 3.310%, Pay Variable 12-month UKRPI	11	1,573
Interest Rate Swaps	Receive Fixed 3.311%, Pay Variable 12-month UKRPI	10	1,573
Interest Rate Swaps	Receive Fixed 3.495%, Pay Variable 12-month UKRPI	3	472
Interest Rate Swaps	Receive Fixed 3.313%, Pay Variable 12-month UKRPI	8	1,258
Interest Rate Swaps	Receive Fixed 3.493%, Pay Variable 12-month UKRPI	3	472
Interest Rate Swaps	Receive Fixed 3.503%, Pay Variable 12-month UKRPI	(3)	944
Interest Rate Swaps	Receive Fixed 13.815%, Pay Variable 12-month LIBOR	(57)	44,424
Subtotal – Interest Rate Swaps		**$2,287**	**$468,566**
Total Return Bond Swaps	Receive Fixed 0.000%, Pay Fixed 0.000%	($29,215)	$145,170
Total Return Bond Swaps	Receive Fixed 0.000%, Pay Fixed 0.050%	(149)	131,162
Total Return Bond Swaps	Receive Fixed 0.000%, Pay Fixed 0.060%	2,818	194,056
Total Return Bond Swaps	Receive Fixed 0.000%, Pay Fixed 0.070%	17,718	1,262,775
Total Return Bond Swaps	Receive Fixed 0.000%, Pay Fixed 0.080%	27,248	1,896,991
Total Return Bond Swaps	Receive Fixed 0.000%, Pay Fixed 1.000%	4,790	297,619
Total Return Bond Swaps	Receive Fixed 0.080%, Pay Fixed 0.080%	(2,452)	369,376
Subtotal – Total Return Bond Swaps		**$20,758**	**$4,297,149**
TOTAL		**$23,045**	**$4,765,715**

CalPERS – Derivative Instruments Subject to Counterparty Credit Risk

Counterparty	Percentage of Net Exposure	S&P Ratings	Fitch Ratings	Moody's Ratings
Citibank N.A.	14.06%	A	A+	A1
HSBC Bank USA	11.70%	AA-	AA-	Aa3
Goldman Sachs + Co	10.02%	A-	A	A3
BNP Paribas SA	9.08%	A+	A+	A1
J.P. Morgan	7.85%	A	A+	A3
J.P. Morgan Chase Bank N.A.	6.32%	A+	AA-	Aa3
Bank of America N.A.	5.55%	A	A+	A1
Morgan Stanley Capital Services Inc	5.46%	A-	A	A3
Bank of Montreal	5.38%	A+	AA-	Aa3
Societe Generale	5.26%	A	A	A2
CIBC World Mkts Inc	3.62%	A+	AA-	Aa3
Macquarie Bank Limited London	3.47%	A	A	A2
Goldman Sachs International	2.79%	A-	A	A3
Westpac Banking Corporation	1.92%	AA-	AA-	Aa2
UBS AG	1.39%	A	A	A2
Morgan Stanley Bank N.A.	1.24%	A	A+	A1
Deutsche Bank CME	1.15%	BBB+	A	A3
Credit Suisse First Boston Corp	0.64%	A	A	A1
Morgan Stanley CME	0.61%	A-	A	A3
UBS AG London	0.52%	A	A	A2
Deutsche Bank AG	0.33%	BBB+	A	A3
J.P. Morgan Chase Bank N.A. London	0.27%	A+	AA-	Aa3
Credit Suisse International	0.22%	A	A	A1
Royal Bank of Canada	0.19%	AA-	AA	Aa3
State Street Bank London	0.19%	A+	AA-	A2
Barclays Bank PLC Wholesale	0.17%	A-	A	A2
Barclays Capital	0.11%	A-	A	A2
State Street Bank And Trust	0.11%	AA-	AA	A1
HSBC Bank PLC	0.11%	A	AA-	A1
Standard Chartered Bank	0.10%	A+	AA-	Aa2
Australia And New Zealand Banking Group	0.07%	AA-	AA-	Aa2
Northern Trust Company	0.05%	AA-	AA-	A2
Standard Chartered Bank London	0.04%	A+	AA-	Aa2
Deutsche Bank Securities	0.01%	BBB+	A	A3
TOTAL	**100.00%**			

CalPERS – International Investment Securities[1] – Fair Value at June 30, 2015 (U.S. Dollars in Thousands)

Currency	Cash	Equity	Debt Securities	Real Assets	Private Equity	Forward Contracts	Total
Australian Dollar	$12,603	$3,288,223	$329,711	$180,296	$0	($8,338)	$3,802,495
Brazilian Real	4,328	908,280	1,423,720	840,033	—	7,840	3,184,201
British Pound	40,625	10,013,320	1,905,964	391,829	200	(6,531)	12,345,407
Bulgarian Lev	—	—	—	188	—	—	188
Canadian Dollar	13,578	4,640,749	453,413	589,261	220,125	(5,225)	5,911,901
Chilean Peso	84	172,400	63,946	12,929	—	31	249,390
Chinese Yuan Renminbi	—	—	—	492,208	—	28	492,236
Colombian Peso	54	71,054	—	—	—	28	71,136
Czech Koruna	1,658	47,126	7,376	1,006	—	299	57,465
Danish Krone	490	985,048	24,432	—	—	442	1,010,412
Egyptian Pound	1,893	30,536	—	—	—	—	32,429
Euro Currency	131,693	15,642,868	2,364,833	219,438	2,457,826	(22,078)	20,794,580
Guatemala Quetzal	—	—	—	94,622	—	—	94,622
Hong Kong Dollar	5,033	4,841,328	—	60,911	—	—	4,907,272
Hungarian Forint	97	72,731	—	—	—	—	72,828
Indian Rupee	3,349	1,213,363	—	300,398	—	(41)	1,517,069
Indonesian Rupiah	1,975	365,356	6,164	—	—	(2)	373,493
Israeli Shekel	1,889	333,021	116,306	—	—	533	451,749
Japanese Yen	59,453	14,377,631	597,774	340,086	76,501	33,549	15,484,994
Malaysian Ringgit	480	423,842	27,371	94,428	—	(406)	545,715
Mexican Peso	34,433	539,138	617,944	107,956	—	9,544	1,309,015
Moroccan Dirham	27	1,598	—	—	—	—	1,625
New Taiwan Dollar	1,433	1,935,913	—	—	—	(30)	1,937,316
New Zealand Dollar	1,641	128,245	114,854	—	—	10,226	254,966
Norwegian Krone	1,644	442,731	51,843	—	—	(5,445)	490,773
Pakistan Rupee	36	70,220	—	—	—	—	70,256
Peruvian Noveau Sol	36	—	25,211	—	—	22	25,269
Phillipine Peso	86	261,227	—	1,055	—	—	262,368
Polish Zloty	990	202,030	198,719	—	—	(7,747)	393,992
Romanian Leu	672	—	35,961	—	—	226	36,859
Russian Ruble	730	—	232,701	425,316	—	4,121	662,868
Singapore Dollar	1,590	788,803	19,328	—	—	(168)	809,553
South African Rand	2,993	1,280,211	156,208	—	—	157	1,439,569
South Korean Won	939	2,470,396	—	—	—	(56)	2,471,279
Sri Lanka Rupee	3	—	—	—	—	—	3
Swedish Krona	890	1,740,745	175,283	52,354	—	(8,552)	1,960,720
Swiss Franc	8,027	4,128,187	84,904	5,310	—	(516)	4,225,912
Thailand Baht	620	441,527	33,472	—	—	(192)	475,427
Turkish Lira	2,897	447,118	158,922	—	—	578	609,515
UAE Dirham	93	61,659	—	—	—	—	61,752
TOTAL	**$339,062**	**$72,366,624**	**$9,226,360**	**$4,209,624**	**$2,754,652**	**$2,297**	**$88,898,619**

(1) This table presents investment securities of all CalPERS managed funds, including derivative instruments that are subject to foreign currency risk.

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, 2015, 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	$71,651,164	$56,911,066	$14,740,098	79.4%
PERF C:				
Public Agencies Cost-Sharing Plan	31,800,055	24,907,306	6,892,749	78.3%
LRF:				
State of California	106,730	121,469	(14,739)	113.8%
JRF:				
State of California	3,532,394	41,177	3,491,217	1.2%
JRF II:				
State of California	1,073,788	1,084,142	(10,354)	101.0%

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

Actuarial Assumptions Used to Measure the Total Pension Liability[1]

	PERF B Schools Cost-Sharing	PERF C Public Agency Cost-Sharing	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[2]	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	7.65%[3]	7.65%[3]	6.00%[4]	3.82%[5]	7.15%[6]

(1) New assumptions for LRF, JRF, and JRF II were implemented in the June 30, 2013, valuation. For PERF B and PERF C the new assumptions applied to the June 30, 2015, and June 30, 2014, valuations respectively.

(2) 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 April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf.

(3) The discount rate increased to 7.65% in Fiscal Year 2014-15 as compared to 7.50% in Fiscal Year 2013-14 .

(4) The discount rate increased to 6.00% in Fiscal Year 2014-15 as compared to 5.75% in Fiscal Year 2013-14.

(5) The discount rate decreased to 3.82% in Fiscal Year 2014-15 as compared to 4.25% in Fiscal Year 2013-14.

(6) The discount rate increased to 7.15% in Fiscal Year 2014-15 as compared to 7.00% in Fiscal Year 2013-14.

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 (geometric) 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 tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2014.

PERF – Long-Term Expected Real Rates of Return by Asset Class

Asset Class	Current Target Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	51.0%	5.25%	5.71%
Global Debt Securities	19.0%	0.99%	2.43%
Inflation Assets	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	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.

LRF – Long-Term Expected Real Rates of Return by Asset Class

Asset Class	Current Target Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	24.0%	5.25%	5.71%
Fixed Income	39.0%	1.79%	2.45%
TIPs	26.0%	1.00%	2.45%
Commodities	3.0%	0.34%	4.32%
REITs	8.0%	3.25%	7.88%

(1) An expected inflation of 2.50% used for this period.
(2) An expected inflation of 3.00% used for this period.

JRF – Long-Term Expected Real Rates of Return by Asset Class

Asset Class	Current Target Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Cash	100.0%	(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.

JRF II – Long-Term Expected Real Rates of Return by Asset Class

Asset Class	Current Target Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	50.0%	5.25%	5.71%
Fixed Income	34.0%	1.79%	2.45%
TIPs	5.0%	1.00%	2.45%
Commodities	3.0%	0.34%	4.32%
REITs	8.0%	3.25%	7.88%

(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 7.65 percent, 7.65 percent, 6.00 percent, and 7.15 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 used. For the 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 the PERF B.

For the 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 long-term expected rate of return on pension investments. 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 for the PERF C.

For the LRF, 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 asset.

For the JRF II, because of the proximity of the fair value of assets to total pension liabilities as of June 30, 2015, and June 30, 2014, and because 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 asset.

JRF

The discount rate used to measure the total pension liability was 3.82 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 3.82 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.

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

The following presents the net pension liability/(asset) of the PERF B, PERF C, LRF, JRF, and JRF II calculated using the current discount rate, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (-100 basis points) or one 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 Cost-Sharing Plan	$71,651,164	$56,911,066	$14,740,098	79.4%
PERF C				
Public Agency Cost-Sharing Plan	31,800,055	24,907,306	6,892,749	78.3%
LRF				
State of California	106,730	121,469	(14,739)	113.8%
JRF				
State of California	3,532,394	41,177	3,491,217	1.2%
JRF II				
State of California	1,073,788	1,084,142	(10,354)	101.0%

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 Cost-Sharing Plan	$80,901,804	$56,911,066	$23,990,738	70.3%
PERF C				
Public Agency Cost-Sharing Plan	36,118,786	24,907,306	11,211,480	69.0%
LRF				
State of California	119,158	121,469	(2,311)	101.9%
JRF				
State of California	3,934,229	41,177	3,893,052	1.0%
JRF II				
State of California	1,216,083	1,084,142	131,941	89.2%

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 Cost-Sharing Plan	$63,958,639	$56,911,066	$7,047,573	89.0%
PERF C				
Public Agency Cost-Sharing Plan	28,202,226	24,907,306	3,294,920	88.3%
LRF				
State of California	96,548	121,469	(24,921)	125.8%
JRF				
State of California	3,194,345	41,177	3,153,168	1.3%
JRF II				
State of California	961,722	1,084,142	(122,420)	112.7%

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, 2015, 462 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, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, 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. From the most recent actuarial valuation reports, there were 214,149 active or inactive members and 114,860 retirees for the miscellaneous plan and 32,872 active or inactive members and 25,735 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 rates. 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, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

The total Fiscal Year 2014-15 actual OPEB employer contributions from 462 participating employers representing 466 OPEB plans was $1.71 billion, compared to the average annual required contribution of 13.8 percent of covered payroll, or $2.6 billion. This amount includes the $687.5 million in contributions made to the CERBTF, plus an additional $1.03 billion in retiree health care premiums paid by employers directly to providers, implicit rate subsidies, and other GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, 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.

OPEB valuations dated on or after March 31, 2015, will be subject to revisions of the Actuarial Standards of Practice 6 (ASOP 6), which was adopted by the Actuarial Standards Board in May 2014. ASOP 6 requires the actuary to use (with limited exceptions) "age-adjusted" rates when calculating the employer OPEB liability. As a result, OPEB actuarial accrued liabilities for many employers, including those participating in the California Employers' Retiree Benefit Trust program, could increase substantially.

The following represents the funded status of the post-employment health care fund as of June 30, 2014. 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.

Funded Status of the CERBTF[1]

Fund	Actuarial Valuation Date	Actuarial Valuation of Assets (1)	Actuarial Accrued Liability (AAL) (Entry Age) (2)	Unfunded AAL (UAAL) (3) = (2) - (1)	Funded Ratio 4 = (1) / (2)	Annual Covered Payroll (5)	UAAL as a % of Covered Payroll (3) / (5)
CERBTF[3]	6/30/14[2]	$3,737,096	$34,572,376	$30,835,280	10.8%	$18,892,241	163.2%

(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. Market value of asset information is included in the Schedule of Funding Progress as part of the Required Supplementary Information.
(2) The June 30, 2014, data represents the rolled forward and backward data based on the actuarial information from 449 OPEB valuations with the measurement date as of June 30, 2013, or later and 17 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 CERBTF 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

CERBTF	
Funded Status & ARC Valuation Date	6/30/2013[1]
Adoption Date	N/A
Actuarial Cost Method	Varies[2]
Amortization Method	Varies[3]
Amortization Approach	Varies[4]
Remaining Amortization Period	Varies[5]
Asset Valuation Method	Varies[6]
Actuarial Assumptions:	
Net Investment Rate of Return	Varies[7]
Projected Salary Increases	3.25%[8]
Inflation Rate	3%[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 CERBTF ARC for the fiscal year ended June 30, 2015, 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)For a significant majority of the valuations, the unfunded liability was amortized over 25 to 30 years; the remainder used periods that ranged between one year and 24 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 CERBTF investment portfolios from one to three, and allowed a Margin for Adverse Deviation in the associated discount rate for OPEB valuations dated after June 15, 2011. The net investment rate of return shown in the table above reflects the expected returns of the three portfolios. Employers who expect to not fully fund the ARC in future years use a weighted rate of return that is blended with that employer's expected return on general unrestricted assets.
(8) While the significant majority of valuations utilized a 3.25% projected salary increase assumption, some valuations used a different rate.
(9) While the significant majority of valuations utilized a 3.00% inflation rate assumption, some valuations used a different rate.

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, 2014, 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, 2015, the costs of these benefits were as follows for the respective funds:

OPEB Costs (Dollars in Thousands)

Fund	Amount
PERF A - Agent	$20,717
PERF B - Schools Cost-Sharing	5,344
PERF C - Public Agency Cost-Sharing	2,337
LRF	25
JRF	96
JRF II	96
CERBTF	160
HCF/CRF	3,526
LTCF	224
DCF	90
SPOFF	37
SCPF	1
Total	**$32,653**

CalPERS' net OPEB obligations as of June 30, 2015, were as follows for the respective funds:

Net OPEB Obligations (Dollars in Thousands)

Fund	Amount
PERF A - Agent	$122,935
PERF B - Schools Cost-Sharing	31,900
PERF C - Public Agency Cost-Sharing	13,947
LRF	222
JRF	612
JRF II	406
CERBTF	685
HCF/CRF	23,903
LTCF	443
DCF	199
SPOFF	82
SCPF	3
Total	**$195,337**

The net OPEB obligation is reported in 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 website 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 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 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 2014-15, the Board approved increases in member premiums to mitigate the impact of increasing costs associated with 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, 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, 2015, 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 $410.2 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, 2015, but have not been reported to the HCF. The total estimated claims at the end of the Fiscal Year 2014-15 also includes $327.6 million, which is reported as 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, 2015, and June 30, 2014.

Changes in the Aggregate Estimated Claims Liabilities of the HCF (Dollars in Thousands)

Year Ended June 30	2015	2014
Total Estimated Claims at Beginning of Fiscal Year	$635,956	$281,248
Incurred Claims and Claim Adjustment Expenses		
Provision for Insured Events of Current Fiscal Year	$3,715,653	$2,748,821
Decrease in Provision for Insured Events of Prior Years	(283,551)	(125,370)
Total Incurred Claims and Claim Adjustment Expenses	**$3,432,102**	**$2,623,451**
Payments		
Claims and Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	$2,977,828	$2,112,865
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Year	352,405	155,878
Total Payments	**$3,330,233**	**$2,268,743**
Total Estimated Claims at End of Fiscal Year	**$737,825**	**$635,956**

11. PUBLIC EMPLOYEES' CONTINGENCY RESERVE FUND (CRF)

The CRF was established in 1962, with the passage of PEMHCA, to fund administrative costs related to the PEMHCA program, and as a contingency reserve for such items as increases in future rates or in future benefits. PEMHCA was expanded to include local public agency employees on a contract basis in 1967. The CRF is reimbursed by the State and contracting public agencies for costs incurred for administering the program. Activity in the CRF is reported in the HCF/CRF combined financial statement.

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.

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, 2015, was 0.34 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, 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, 2015, 1,153 public agencies participated in health insurance coverage under PEMHCA.

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

The LTCF began offering self-insured Long-Term Care (LTC) plans in 1995. The LTCF provides LTC coverage to enrolled participants under the Public Employees' Retirement Law (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, 2015, there are 136,253 active participants in the LTC 1, LTC 2, LTC 3, and LTC 4 policy types, of which 6,039 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. Participants in the Long-Term Care program with a lifetime benefit period or inflation protection will receive an 85 percent rate increase in 2015, which will be implemented over a two year period. As an alternative to avoid the rate increase, these participants were given the option to convert to another benefit coverage plan in the Fall of 2014 and Spring of 2015.

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, lapse rates, voluntary termination, conversion rates to fixed term policies, mortality, plan expenses and rate increase. In Fiscal Year 2014-15, the actual conversion rates were higher than expected. However, actual investment returns were approximately $274 million lower than expected. The mortality assumptions remained the same as the previous year's assumptions while the morbidity assumptions were higher than the previous year's assumption, thus increasing projected claims.

Total LTCF assets as of June 30, 2015, were approximately $4.1 billion. The annual premium for Fiscal Year 2014-15 was $272.4 million, and the total benefits paid out in Fiscal Year 2014-15 were $248.8 million. Since the program's inception in 1995 through June 30, 2015, the total benefits paid were approximately $1.7 billion.

13. REPLACEMENT BENEFIT FUND (RBF)

The 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 IRC 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 notifying the employer. At June 30, 2015, there were 684 retirees receiving replacement benefits.

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

14. COMMITMENTS TO FUND PARTNERSHIPS

At June 30, 2015, CalPERS' total capital commitments to fund partnerships was $81.1 billion. Of this amount, $25.1 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	$24,684,285	$10,941,291
Private Equity	56,162,111	14,129,116
Global Fixed Income	290,000	32,525
Total	**$81,136,396**	**$25,102,932**

15. CONTINGENCIES

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 and 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 California Department of Human Resources 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.

Trial in this case was set for September 30, 2015. All parties engaged in extensive discovery during the course of the summer. In March 2014, the court had ordered the parties to file their respective trial briefs, proposed statements of decision, and witness and exhibit lists by August 21, 2015. However, in early August, all parties stipulated to submitting the entire matter to the court on paper, in lieu of live testimony, since the case involved an issue of statutory construction only. All parties filed their respective briefs on August 21, 2015. Responsive briefs were filed in mid-September, and oral closing arguments were held on September 30, 2015. At that time, the court took the matter under submission.

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 discovery. 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 of litigation.

The operative complaint alleges a cause of action for breach of fiduciary duty against both CalPERS and the Board Defendants and four additional causes of action against CalPERS for breach of contract, breach of the implied covenant of good faith and fair dealing, rescission, and declaratory relief. Plaintiffs seek to certify a class consisting of California citizens who purchased LTC 1 and LTC 2 policies issued from 1995-2004 with lifetime coverage and built-in inflation protection, lifetime policies without inflation protection, as well as three-year and six-year policies with inflation protection from CalPERS.

CalPERS and the Board Defendants deny that the policies were intentionally or negligently underpriced, and assert that long-term care coverage was a new product with little actuarial data when the program started in 1995, making it difficult to accurately price. Premium increases were imposed across the entire long-term care industry as actuarial and claims data became available. CalPERS asserts that it timely informed policyholders about the need to impose premium increases and has managed the program and the Long-Term Care Trust Fund prudently and properly. CalPERS and the Board Defendants have also asserted a number of substantial legal defenses, including governmental immunity from the tort claims, and that the breach of contract claims are barred by the express language of the Evidence of Coverage and the applicable statute of limitations, among other things. In addition, CalPERS and the Board Defendants believe that class certification should be denied for a number of reasons, including the predominance of individual issues. The parties are currently in the midst of discovery. Plaintiffs have filed their motion for class certification, which is set for hearing on November 23, 2015. CalPERS filed its opposition to class certification on October 19, 2015. Depending upon the outcome of the class certification motion, CalPERS and the Board Defendants may file a motion for summary judgment. No trial date has been set.

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 10 plaintiffs whom the Court of Appeal ruled should have been given an opportunity to amend their complaints to more clearly assert their claims. JRS filed a demurrer to the amended complaint of the 10 plaintiffs, and the hearing on the demurrer was held on February 20, 2015. On March 2, 2015, the trial court sustained the JRS' demurrer to the amended complaint on statute of limitations grounds. Plaintiffs' appeal of that ruling is currently pending before the Court of Appeal. CalPERS believes that the amount at issue on remand is less than $1 million.

On April 1, 2015, the San Diego Superior Court entered judgment against the plaintiffs and sustained CalPERS' demurrer without leave to amend. In particular, the trial court ruled that Plaintiffs' pleading in its entirety and each of its causes of action were time-barred under Code of Civil Procedure section 337.5(b), which established a period of limitation of 10 years for an action on a judgment. On May 22, 2015, Plaintiffs filed a timely notice of appeal. CalPERS filed its opposition brief on September 9, 2015. The Court of Appeal has not yet set a date for oral argument.

16. FUTURE ACCOUNTING PRONOUNCEMENTS

CalPERS has not yet determined the impact on its financial statements related to the implementation of the standards listed below.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72), to be applied to fiscal periods beginning after June 15, 2015. This statement establishes a hierarchy of inputs to valuation techniques used to measure fair value for financial reporting purposes. Additionally, GASB 72 provides guidance on applying fair value to certain investments and disclosures related to all fair value measurements.

The requirements of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68 are effective for financial statements for fiscal years beginning after June 15, 2016. The requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this statement for pension plans that are within the scope of GASB 67 or for pensions that are within the scope of GASB 68 are effective for fiscal years beginning after June 15, 2015. The following issues are addressed:

1) information required to be presented as notes to 10-year schedules of required supplementary information (RSI) about investment-related factors,

2) accounting and reporting for separately financed specific liabilities of individual employers and non-employer contributing entities, and

3) timing of employer recognition of revenue for the support of non-employer contributing entities not in a special funding situation.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 74), addresses reporting by OPEB plans that administer benefits on behalf of governments. This statement modifies note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, and requires disclosure about the annual money-weighted rate of return on plan investments. The provisions of GASB 74 will be effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75), addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement also requires new note disclosures describing the effect on the OPEB liability using a discount rate and health care cost trend rate that is one percent higher and lower than that assumed by the government. New RSI will include schedules showing causes of increases and decreases in the OPEB liability and the comparison of a government's actual OPEB contributions to its contribution requirements. GASB 75 will be effective for participating employers for fiscal years beginning after June 15, 2017.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). The objective of this statement is to identify (in the context of the current governmental financial reporting environments) the hierarchy of generally accepted accounting principles. The requirements of GASB 76 are effective for fiscal years beginning after June 15, 2015.

Required Supplementary Information

SCHEDULES OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS

PERF B – Two-Year Review (Dollars in Thousands)

	2015	2014
Total Pension Liability:		
Service Cost	$1,624,993	$1,576,667
Interest	5,152,519	4,820,116
Changes of Benefit Terms	—	—
Differences Between Expected and Actual Experience	1,132,907	—
Changes of Assumptions	(1,217,974)	—
Plan to Plan Liability Movement	(13,896)	—
Benefit Payments, Including Refunds of Member Contributions	(3,334,081)	(3,139,923)
Net Change in Total Pension Liability	**$3,344,468**	**$3,256,860**
Total Pension Liability – Beginning	$68,306,696	$65,049,836
Total Pension Liability – Ending (a)	**$71,651,164**	**$68,306,696**
Plan Fiduciary Net Position:		
Contributions – Employer	$1,323,090	$1,203,071
Contributions – Member	773,580	744,437
Total Net Investment Income	1,249,049	8,601,820
Other Miscellaneous Income	23,316	23,781
Benefit Payments, Including Refunds of Member Contributions	(3,334,081)	(3,139,923)
Net Plan to Plan Resource Movement	(71,460)	—
Administrative Expenses	(64,124)	(72,167)
Net Change in Plan Fiduciary Net Position	**($100,630)**	**$7,361,019**
Plan Fiduciary Net Position – Beginning	$57,011,696	$49,650,677
Plan Fiduciary Net Position – Ending (b)	56,911,066	57,011,696
Net Pension Liability (a) - (b)	**$14,740,098**	**$11,295,000**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**79.4%**	**83.5%**
Covered-Employee Payroll[1]	$10,964,872	$10,120,248
Net Pension Liability as a Percentage of Covered-Employee Payroll	**134.4%**	**111.6%**

(1) GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Covered-employee payroll in the table above represents pensionable earnings provided by the employer to the plan.

SCHEDULES OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS (CONTINUED)

PERF C – Two-Year Review (Dollars in Thousands)

	2015	2014
Total Pension Liability:		
Service Cost	$698,416	$713,731
Interest	2,285,565	2,169,786
Changes of Benefit Terms	—	—
Differences Between Expected and Actual Experience	103,327	—
Changes of Assumptions	(543,686)	—
Plan to Plan Liability Movement	(109,005)	—
Benefit Payments, Including Refunds of Member Contributions	(1,423,756)	(1,335,871)
Net Change in Total Pension Liability	**$1,010,861**	**$1,547,646**
Total Pension Liability – Beginning	$30,789,194	$29,241,548
Total Pension Liability – Ending (a)	**$31,800,055**	**$30,789,194**
Plan Fiduciary Net Position:		
Contributions – Employer	$859,456	$747,694
Contributions – Member	278,529	291,772
Total Net Investment Income	537,905	3,760,548
Other Miscellaneous Income	10,192	10,387
Benefit Payments, Including Refunds of Member Contributions	(1,423,756)	(1,335,871)
Net Plan to Plan Resource Movement	(267,581)	—
Administrative Expenses	(27,967)	(31,550)
Net Change in Plan Fiduciary Net Position	**($33,222)**	**$3,442,980**
Plan Fiduciary Net Position – Beginning	$24,940,528	$21,497,548
Plan Fiduciary Net Position – Ending (b)	24,907,306	24,940,528
Net Pension Liability (a) - (b)	**$6,892,749**	**$5,848,666**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**78.3%**	**81.0%**
Covered-Employee Payroll[1]	$3,356,312	$3,248,018
Net Pension Liability as a Percentage of Covered-Employee Payroll	**205.4%**	**180.1%**

(1) GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Covered-employee payroll in the table above represents pensionable earnings provided by the employer to the plan.

SCHEDULES OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS (CONTINUED)

LRF – Two-Year Review (Dollars in Thousands)

	2015	2014
Total Pension Liability:		
Service Cost	$769	$732
Interest	6,427	6,465
Changes of Benefit Terms	—	—
Differences Between Expected and Actual Experience	(4,246)	—
Changes of Assumptions	(2,655)	—
Benefit Payments, Including Refunds of Member Contributions	(9,086)	(7,482)
Net Change in Total Pension Liability	**($8,791)**	**($285)**
Total Pension Liability – Beginning	115,521	115,806
Total Pension Liability – Ending (a)	**$106,730**	**$115,521**
Plan Fiduciary Net Position:		
Contributions – Employer	$590	$565
Contributions – Member	105	113
Total Net Investment Income	(125)	15,332
Other Miscellaneous Income	31	40
Benefit Payments, Including Refunds of Member Contributions	(9,086)	(7,482)
Administrative Expenses	(400)	(362)
Net Change in Plan Fiduciary Net Position	**($8,885)**	**$8,206**
Plan Fiduciary Net Position – Beginning	$130,354	$122,148
Plan Fiduciary Net Position – Ending (b)	121,469	130,354
Net Pension Asset (a) - (b)	**($14,739)**	**($14,833)**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**113.8%**	**112.8%**
Covered-Employee Payroll[1]	$1,545	$1,470
Net Pension Asset as a Percentage of Covered-Employee Payroll	**(954.0%)**	**(1009.0%)**

(1) GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Covered-employee payroll in the table above represents pensionable earnings provided by the employer to the plan.

JRF – Two-Year Review (Dollars in Thousands)

	2015	2014
Total Pension Liability:		
Service Cost	$25,372	$27,581
Interest	127,074	140,256
Changes of Benefit Terms	—	—
Differences Between Expected and Actual Experience	57,568	—
Changes of Assumptions	167,036	—
Benefit Payments, Including Refunds of Member Contributions	(201,868)	(193,935)
Net Change in Total Pension Liability	**$175,182**	**($26,098)**
Total Pension Liability – Beginning	3,357,212	3,383,310
Total Pension Liability – Ending (a)	**$3,532,394**	**$3,357,212**
Plan Fiduciary Net Position:		
Contributions – Employer	$180,910	$191,148
Contributions – Member	3,877	4,724
Total Net Investment Income	88	54
Other Miscellaneous Income	2,198	2,529
Benefit Payments, Including Refunds of Member Contributions	(201,868)	(193,935)
Administrative Expenses	(1,227)	(1,141)
Net Change in Plan Fiduciary Net Position	**($16,022)**	**$3,379**
Plan Fiduciary Net Position – Beginning	$57,199	$53,820
Plan Fiduciary Net Position – Ending (b)	41,177	57,199
Net Pension Liability (a) - (b)	**$3,491,217**	**$3,300,013**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**1.2%**	**1.7%**
Covered-Employee Payroll[1]	$41,378	$54,649
Net Pension Liability as a Percentage of Covered-Employee Payroll	**8437.4%**	**6038.6%**

(1) GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Covered-employee payroll in the table above represents pensionable earnings provided by the employer to the plan.

SCHEDULES OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS (CONTINUED)

JRF II – Two-Year Review (Dollars in Thousands)

	2015	2014
Total Pension Liability:		
Service Cost	$81,679	$78,670
Interest	70,389	61,044
Changes of Benefit Terms	—	—
Differences Between Expected and Actual Experience	(17,319)	—
Changes of Assumptions	(14,883)	—
Benefit Payments, Including Refunds of Member Contributions	(14,040)	(8,950)
Net Change in Total Pension Liability	**$105,826**	**$130,764**
Total Pension Liability – Beginning	967,962	837,198
Total Pension Liability – Ending (a)	**$1,073,788**	**$967,962**
Plan Fiduciary Net Position:		
Contributions – Employer	$65,629	$57,027
Contributions – Member	22,242	20,413
Total Net Investment Income	(2,863)	149,679
Other Miscellaneous Income	462	489
Benefit Payments, Including Refunds of Member Contributions	(14,040)	(8,950)
Administrative Expenses	(1,127)	(785)
Net Change in Plan Fiduciary Net Position	**$70,303**	**$217,873**
Plan Fiduciary Net Position – Beginning	$1,013,839	$795,966
Plan Fiduciary Net Position – Ending (b)	1,084,142	1,013,839
Net Pension Asset (a) - (b)	**($10,354)**	**($45,877)**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**101.0%**	**104.7%**
Covered-Employee Payroll[1]	$259,133	$249,248
Net Pension Asset as a Percentage of Covered-Employee Payroll	**(4.0%)**	**(18.4%)**

(1) GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Covered-employee payroll in the table above represents pensionable earnings provided by the employer to the plan.

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

No changes have occurred to the actuarial assumptions since the CalPERS Board adopted new actuarial assumptions in February 2014. The most significant change to the actuarial assumptions that the Board adopted at that time 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. June 30, 2014, liabilities were rolled forward to June 30, 2015, using standard update procedures.

On April 17, 2013, the CalPERS Board of Administration approved a change to the CalPERS amortization and smoothing policies for LRF and JRF II. Prior to this change, CalPERS employed an amortization and smoothing policy, which spread investment returns over a 15-year period while experience gains and losses were amortized over a rolling 30-year period. CalPERS employs an amortization and smoothing policy that spreads rate increases or decreases over a 5-year period, and amortizes all experience gains and losses over a fixed 30-year period.

For JRF, the changes to actuarial methods include an increase in maximum benefit allowable for active members to 75 percent of pay from 65 percent of pay, the benefit payable for a termination changed from being equal to a retirement

SCHEDULES OF PLAN CONTRIBUTIONS – PENSION PLANS

benefit to one equal to a percent (generally 3.75 percent) times years of service, and the allocated service for the non-member spouse for Qualified Domestic Relations Order changed to full service for the member in order to determine both eligibility and the benefit multiplier.

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 2015-16.

Two-Year Review (Dollars in Thousands)

	2015	2014
PERF B:		
Actuarially Determined Contribution	$1,226,982	$1,189,286
Contributions in Relation to the Actuarially Determined Contribution	1,226,982	1,189,286
Contribution Excess	—	—
Covered-Employee Payroll[1]	$10,964,872	$10,120,248
Contributions as a Percentage of Covered-Employee Payroll	11.2%	11.8%
PERF C:		
Actuarially Determined Contribution	$785,861	$732,142
Contributions in Relation to the Actuarially Determined Contribution	785,861	732,142
Contribution Excess	—	—
Covered-Employee Payroll[1]	$3,356,312	$3,248,018
Contributions as a Percentage of Covered-Employee Payroll	23.4%	22.5%
LRF:		
Actuarially Determined Contribution	$260	$33
Contributions in Relation to the Actuarially Determined Contribution[2]	590	565
Contribution Excess	($330)	($532)
Covered-Employee Payroll[1]	$1,545	$1,470
Contributions as a Percentage of Covered-Employee Payroll	38.2%	38.4%
JRF:		
Actuarially Determined Contribution	$1,884,555	$1,569,630
Contributions in Relation to the Actuarially Determined Contribution	180,910	191,148
Contribution Deficiency	$1,703,645	$1,378,482
Covered-Employee Payroll[1]	$41,378	$54,649
Contributions as a Percentage of Covered-Employee Payroll	437.2%	349.8%
JRF II:		
Actuarially Determined Contribution	$63,193	$55,538
Contributions in Relation to the Actuarially Determined Contribution	63,193	55,538
Contribution Excess	—	—
Covered-Employee Payroll[1]	$259,133	$249,248
Contributions as a Percentage of Covered-Employee Payroll	24.4%	22.3%

(1) GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Covered-employee payroll in the table above represents pensionable earnings provided by the employer to the plan.
(2) Minimum PEPRA employer required contribution rate.

Actuarial Assumptions and Methods Used to Set the 2014 and 2015 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	19 years	17 years	30 years	2 years	54 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

Annual Money-Weighted Rate of Return, Net of Investment Expense – Two-Year Review

Plan	2015 Rate of Return (%)	2014 Rate of Return (%)
PERF A		
Agent	2.2%	17.7%
PERF B		
Schools Cost-Sharing	2.2%	17.7%
PERF C		
Public Agency Cost-Sharing	2.2%	17.7%
LRF	(0.1%)	12.9%
JRF	0.2%	0.1%
JRF II	(0.2%)	18.3%

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 other post-employment benefits (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.

OPEB valuations dated on or after March 31, 2015, will be subject to revisions of the Actuarial Standards of Practice 6 (ASOP 6), which was adopted by the Actuarial Standards Board in May 2014. ASOP 6 requires the actuary to use (with limited exceptions) "age-adjusted" rates when calculating the employer OPEB liability. As a result, OPEB actuarial accrued liabilities for many employers, including those participating in the CERBTF, could increase substantially.

Schedule of Funding Progress – OPEB Trust Fund (Dollars in Millions)

Actuarial Valuation Date	Actuarial Valuation of Assets (1)	Actuarial Accrued Liability (AAL) (Entry Age) (2)	Unfunded AAL (UAAL) (AVA Basis) (3) = (2) - (1)	Funded Ratio (Actuarial Value of Assets Basis) (4) = (1) / (2)	Annual Covered Payroll (5)	UAAL as a % of Covered Payroll (6) = (3) / (5)
6/30/14	$3,737	$34,572	$30,835	10.8%	$18,892	163.2%
6/30/13	2,669	31,716	29,047	8.4%	17,201	168.9%
6/30/12	2,072	17,612	15,540	11.8%	11,175	139.1%
6/30/11	1,818	15,522	13,704	11.7%	10,374	132.1%
6/30/10	1,287	14,288	13,001	9.0%	10,435	124.6%
6/30/09	873	10,462	9,589	8.3%	9,307	103.0%

OTHER POST-EMPLOYMENT BENEFIT PLAN – (CERBTF) (CONTINUED)

In the fiscal years ended 2010 and 2011, contributions made toward the annual required contribution excluded $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 Annual Required Contribution (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 excluded, 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 Employer Contributions – OPEB Trust Fund

Year Ended June 30	Annual Required Contribution	% of Required Contribution Made[1]
2015	$2,611,214,795	64.8%
2014	2,523,163,977	66.6%
2013	1,342,067,800	73.1%
2012	1,221,939,827	63.2%
2011	1,141,450,654	65.6%
2010	870,842,132	76.9%

(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.

PUBLIC EMPLOYEES' HEALTH CARE FUND

Schedule of Claims Development Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
1) Net Earned Required Premium and Investment Revenues	$3,642,206	$2,808,384	$1,948,531	$1,912,355	$1,775,005	$1,409,621	$1,608,738	$1,543,643	$1,410,888	$1,229,239
2) Unallocated Expenses	$371,916	$192,987	$105,154	$96,043	$88,392	$90,292	$85,511	$78,607	$74,771	$67,679
3) Estimated Incurred Claims and Expenses, End of Policy Year	$3,715,653	$2,748,821	$1,921,957	$1,816,245	$1,792,599	$1,654,214	$1,530,264	$1,385,438	$1,268,239	$1,202,409
4) Paid (Cumulative) as of:										
End of Policy Year	$2,977,828	$2,122,865	$1,640,709	$1,635,839	$1,550,306	$1,444,509	$1,313,680	$1,197,390	$1,094,818	$1,043,346
One Year Later	—	2,465,270	1,796,587	1,788,135	1,698,615	1,589,771	1,448,134	1,316,774	1,197,334	1,146,876
Two Years Later	—	—	1,796,587	1,788,135	1,698,615	1,589,771	1,448,134	1,316,774	1,197,334	1,146,876
Three Years Later	—	—	—	1,788,135	1,698,615	1,589,771	1,448,134	1,316,774	1,197,334	1,146,876
Four Years Later	—	—	—	—	1,698,615	1,589,771	1,448,134	1,316,774	1,197,334	1,146,876
Five Years Later	—	—	—	—	—	1,589,771	1,448,134	1,316,774	1,197,334	1,146,876
Six Years Later	—	—	—	—	—	—	1,448,134	1,316,774	1,197,334	1,146,876
Seven Years Later	—	—	—	—	—	—	—	1,316,774	1,197,334	1,146,876
Eight Years Later	—	—	—	—	—	—	—	—	1,197,334	1,146,876
Nine Years Later	—	—	—	—	—	—	—	—	—	1,146,876
5) Re-Estimated Incurred Claims Expenses:										
End of Policy Year	$3,715,653	$2,748,821	$1,921,957	$1,816,245	$1,792,599	$1,654,214	$1,530,264	$1,385,438	$1,268,239	$1,202,409
One Year Later	—	2,465,270	1,796,587	1,788,135	1,698,615	1,589,771	1,448,134	1,316,774	1,197,334	1,146,876
Two Years Later	—	—	1,796,587	1,788,135	1,698,615	1,589,771	1,448,134	1,316,774	1,197,334	1,146,876
Three Years Later	—	—	—	1,788,135	1,698,615	1,589,771	1,448,134	1,316,774	1,197,334	1,146,876
Four Years Later	—	—	—	—	1,698,615	1,589,771	1,448,134	1,316,774	1,197,334	1,146,876
Five Years Later	—	—	—	—	—	1,589,771	1,448,134	1,316,774	1,197,334	1,146,876
Six Years Later	—	—	—	—	—	—	1,448,134	1,316,774	1,197,334	1,146,876
Seven Years Later	—	—	—	—	—	—	—	1,316,774	1,197,334	1,146,876
Eight Years Later	—	—	—	—	—	—	—	—	1,197,334	1,146,876
Nine Years Later	—	—	—	—	—	—	—	—	—	1,146,876
6) Decrease in Estimated Incurred Claims and Expenses From End of Policy Year	$0	(283,551)	($125,370)	($28,110)	($93,984)	($64,443)	($82,130)	($68,664)	($70,906)	($55,533)

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.

Other Supplementary Information

ADMINISTRATIVE EXPENSE – ALL FUNDS (DOLLARS IN THOUSANDS)

	2015
PERSONNEL SERVICES	
Salaries & Wages	$166,250
Employee Benefits	75,289
Total Personnel Services	**$241,539**
CONSULTANT & PROFESSIONAL SERVICES	
State of California Agencies	$7,456
External Consultants	54,046
Retiree Benefit Trust Management Fees	92
Deferred Compensation Management/Custody Fees	4,389
Health Plan Administrator Fees	270,454
Long-Term Care Administrator Fees	20,736
Total Consultant & Professional Services	**$357,173**
OPERATING EXPENSES & EQUIPMENT	
General Expense	$6,855
Software	3,122
Printing	1,138
Building	24,028
Postage	1,240
Communications	1,672
Data Processing Services	12,503
Travel	1,582
Training	1,749
Medical Examiners	2,085
Facilities Operation	4,217
Central Administrative Services	50,661
Administrative Hearings	800
Consolidated Data Center	63
Equipment	4,907
Total Operating Expenses & Equipment	**$116,622**
OTHER EXPENSES & ADJUSTMENTS	
Depreciation Expense	$18,293
Increase in Paid Absence Obligation	509
Amortization	1,901
Miscellaneous	41,651
Total Other Expenses & Adjustments	**$62,354**
TOTAL ADMINISTRATIVE EXPENSES — ALL FUNDS	**$777,688**

INVESTMENT EXPENSE

Investment Management Fees[1] (Dollars in Thousands)

	Fees
Absolute Return Strategy Managers	
Aspect Alternative Fund, LLC	$297
Black River Commodity Multi-Strategy Fund, LLC	(1)
Black River CTF	770
Black River Fixed Income Relative Value Opportunity Fund, Ltd.	3,260
Breton Hill Eureka Fund, LP	928
Brookside Capital Partners Fund, LP	82
Canyon Value Realization Fund, LP	26
Chatham Eureka Fund, LP	5,237
Deephaven Market Neutral, LLC	4
Double Haven Eureka, LLC	1,553
ERAAM Highbury Fund, LP	513
Kylin Eureka Fund, LLLP	2,674
Lansdowne Eureka Fund, LP	898
Northwest Eureka Fund, LLLP	1,104
OZ Domestic Partners II, LP	135
OZ Eureka Fund, LP	7,808
PAAMCO 1848 Fund, LP	1,041
PFM Diversified Eureka Fund	2,396
Rock Creek 1848 Fund, LP	659
Symphony Eureka Fund, LP	1,501
Total Absolute Return Strategy Managers	**$30,885**
Equity Managers	
Alliance Bernstein, LP	$840
Arrowstreet Capital, LP	1,385
Ashmore Equities Investment Management	738
Baillie Gifford Overseas, Ltd.	1,241
Blum Strategic Partners III	599
Blum Strategic Partners IV	601
Cartica	4,556
Dimensional Fund Advisors, LP	2,990
Fan Asset Management, LLC	175
First Quadrant, LP	2,646
FIS Group, Inc.	1,752
Genesis Asset Managers, LLP	2,771
Goldman Sachs Asset Management	201
Grantham, Mayo, Van Otterloo & Co., LLC	459
Hermes Sourcecap Limited	1,975
J.P. Morgan Investment Management, Inc.	669
Lazard Asset Management, LLC	3,114
Leading Edge Investment Advisors, LLC	3,772
Legato Capital Management, LLC	1,651
New Mountain Capital	3,887
Nomura Asset Mgt. USA, Inc.	221
Piedmont Investment Advisors, LLC	108
Progress, LLC	197
Progress Investment Management Company	716
Pyramis Global Advisors Trust Company	1,610
Pzena Investment Management, LLC	1,109
QS Investors, LLC	531
Quotient Investors, LLC	2,142
Redwood Investments, LLC	1,209
Relational Investors	5,155
Research Affiliates, LLC	1,925
State Street Global Advisors	662
Strategic Investment Management, LP	940
Strategic Investment Solutions, Inc.	$440
Stux Capital Management	130
T. Rowe Price Associates, Inc.	4,123
Taiyo Cypress Fund	2,399
Taiyo Fund	9,483
The Boston Company Asset Management, LLC	330
The Boston Consulting Group, Inc.	221
TOBAM	1,810
Victoria 1522 Investments, LP	191
Wasatch Advisors, Inc.	2,566
Total Equity Managers	**$74,240**
Fixed Income Managers	
Alliance Bernstein, LP	$378
Baring International Investment Limited	376
Columbia Management Investment Advisors	(319)
ING Investment Management Company	709
Nomura Corporate Research & Asset Mgt.	872
Pacific Investment Management Co.	592
Rogge Global Partners	41
State Street Global Advisors	1,940
Total Fixed Income Managers	**$4,589**
Real Asset Managers	
301 Capitol Mall, LP	$3
Aetos Capital Asia TE II, Ltd.	1,056
Aetos Capital Asia TE, LP	(9)
AEW Senior Housing Company, LLC	147
AEW-SHP Managed Portfolio	89
AGI Resmark Housing Fund, LLC	572
AGI-TMG Housing Partners I, LLC	(256)
Alinda Infrastructure Fund I, LP	906
Alinda Infrastructure Fund II, LP	1,390
American Value Partners Fund I, LP	530
Apollo Real Estate Finance Corporation	373
ARA Asia Dragon Fund	870
ARA Asia Dragon Fund II	562
ARA China Long-Term Hold	2,327
AREA Real Estate Investment Fund V, LP	358
BlackRock Asia Property Fund II, LP	482
BlackRock Europe Parallel Property Fund II, LP	(162)
Bridge Urban Infill Land Development, LLC (BUILD)	11
Buchanan Urban Investors II, LLC	(79)
CalEast Canada Limited Partnership	402
CalEast Industrial Investors, LLC	1,760
CalEast Solstice, LLC	11,380
California Smart Growth Fund IV, LP	428
CalSmart, LLC (Canyon)	83
CalWest - CalPERS	497
Canyon Catalyst Fund, LLC	891
Canyon Johnson Urban Fund III	1,036
Carlyle Infrastructure Partners, LP	556
CBRE Strategic Partners Europe Fund III	156
CBRE Strategic Partners UK Fund II	92
CBRE Strategic Partners UK Fund III	123
Centerline Urban Capital I, LLC	348
CIM Fund III, LP	6,808

INVESTMENT EXPENSE (CONTINUED)

Investment Management Fees[1] (Dollars in Thousands) (continued)

	Fees
CIM Infrastructure Fund, LP	$987
CIM Urban Real Estate Fund, LP	2,645
CIM Urban REIT, LLC	(1,020)
CityView LA Urban Fund I, LP	352
CUIP Properties, LLC	(27)
DB Real Estate Global Opportunities IB, LP	(417)
European Property Investors, LP	(247)
Fifth Street Properties	(3)
Fillmore East Fund, LP	58
Fortress Holiday Investment Fund, LP	632
Fortress Investment Fund IV (Fund A), LP	652
Fortress Residential Investment Deutschland (Fund A)	30
Fortress RIC CoInvestment Fund, LP	3
FSP - Base	2,372
FSP - DT 2011	3,241
FSP - DT 2012 and Beyond	4,420
GI Partners Fund II, LP	302
GI Partners Fund III, LP	2,594
Global Infrastructure Partners II, LP (GIP II)	2,607
Global Retail Investors, LLC	4,703
GRI - Base	894
GRI - DT 2011	305
Guggenheim Structured Real Estate III, LP	35
Hampshire Partners Fund VI, LP	98
Harbert European Real Estate Fund II, LP	190
Harbert Gulf Pacific Power, LLC (HGPP)	2,280
Harbert Power Fund V, LP (HPF V)	390
HC Green Development Fund, LP	204
HC NOP Holdings, LP	88
HCB Interests II, LP	1,066
HCB Interests, LP	(7)
HCB LTH	5,711
HCC Interests, LP	235
HCM Holdings II, LP	472
HCM Holdings, LP	27
HCR LTH, LLC	3,426
Hearthstone Housing Partners II, LLC	1,638
Hearthstone Housing Partners III, LLC	141
Hearthstone Multi-State Residential Value-Added III	—
Hearthstone Path-of-Growth Fund, LLC	3,468
Hines European Development Fund II, LP	86
Hines European Development Fund, LP	188
IHP Investment Fund I, LP	332
IHP Investment Fund II, LP	400
IHP Investment Fund III, LP	1,184
IL&FS India Realty Fund II, LLC	1,488
IL&FS India Realty Fund, LLC	486
IMI - Base	10,987
IMI - DT 2011	944
IMP - Base	2,477
IMP - DT 2011	2,067
IMP - DT 2012 and Beyond	201
Institutional Core Multifamily Investors	1,550
Institutional Logistics Partners, LLC	1,248
Institutional Multifamily Partners	3,292
JER Europe Fund III, LP	1
JER US Debt Co-Investment Vehicle, LP	($85)
KAREC California Development Program, LLC	923
KC 2011, LLC	2,192
KSC Affordable Housing Investment Fund, LLC	713
Land Management Company, LLC	1,756
LaSalle Asia Opportunity Fund III, LP	568
LaSalle French Fund II, LP	101
LaSalle Japan Logistics Fund II, LP	3
Lincoln Timber, LP	3,645
Market Street Capital Partners, LP	295
Meriwether Farms, LLC	1,069
Morgan Stanley Infrastructure Partners Fund II, LP	840
National Office Partners, LLC (CWP)	3,185
Niam Nordic Investment Fund III	(20)
Niam Nordic Investment Fund IV	428
ORA Multifamily Investments I, LLC	3,065
ORA Residential Investments I, LP	3,278
Pacific Multifamily Investors, LLC	1,001
Pacific Vineyard Partners, LLC	556
PLA Retail Fund I, LP	866
PRECO Account Partnership III, LP	119
Rockpoint Real Estate Fund II, LP	73
Rockpoint Real Estate Fund III, LP	400
RREEF Global Opportunities Fund II, LLC	(208)
Savanna Real Estate Fund I, LP	169
SDL Hospitality Co-Invest Fund, LP	(40)
Secured Capital Japan Real Estate Partners Asia, LP	1,503
Secured Capital Japan Real Estate Partners II, LP	(599)
Shea Capital I, LLC	307
Shea Mountain House, LLC	201
Starwood Capital Hospitality Fund I-2, LP	(262)
Starwood Capital Hospitality Fund II Global, LP	1,729
Stockbridge Hollywood Park Co-Investors, LP	562
Stockbridge Real Estate Fund II -B, LP	386
Strategic Partners Value Enhancement Fund, LP	223
Sun-Apollo India Real Estate Fund, LLC	260
Sylvanus, LLC	1,962
TechCore, LLC	4,253
TPG Hospitality Investments IV, LLC	955
UBS International Infrastructure Fund II (B), LP	698
UBS International Infrastructure Fund II (C), LP	1,482
UrbanAmerica, LP II	436
Whitney Ranch Venture, LLC	478
Windsor Realty Fund VII, LP	169
Xander Co-Investment	2,630
Xander JV Fund I (India Realty)	133
Total Real Asset Managers	**$147,604**
Other Investment Management Fees	
Hamilton Lane Advisors, LLC	$431
Total Other Investment Management Fees	**$431**
Total Management Fees	**$257,749**

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

INVESTMENT EXPENSE (CONTINUED)

Performance Fees[1, 2] (Dollars in Thousands)

	Fees
Absolute Return Strategy Managers	
Aspect Alternative Fund, LLC	$1,116
Black River Fixed Income Relative Value Opportunity Fund, Ltd.	1,691
Breton Hill Eureka Fund, LP	465
Brookside Capital Partners Fund, LP	525
Chatham Eureka Fund, LP	5,397
Double Haven Eureka, LLC	462
ERAAM Highbury Fund, LP	(515)
Kylin Eureka Fund, LLLP	3,486
Lansdowne Eureka Fund, LP	273
Northwest Eureka Fund, LLLP	1,666
OZ Domestic Partners II, LP	(114)
OZ Eureka Fund, LP	12,309
PFM Diversified Eureka Fund	5,402
Rock Creek 1848 Fund, LP	(102)
Symphony Eureka Fund, LP	(272)
Total Absolute Return Strategy Managers	**$31,789**
Equity Managers	
Arrowstreet Capital, LP	$20,442
Baillie Gifford Overseas, Ltd.	7,881
Blum Strategic Partners II	(1)
FIS Group, Inc.	292
Genesis Asset Managers, LLP	9,227
J.P. Morgan Investment Management, Inc.	11,351
Lazard Asset Management, LLC	8,660
Leading Edge Investment Advisors, LLC	534
Legato Capital Management, LLC	394
New Mountain Capital	93
Pyramis Global Advisors Trust Company	396
Pzena Investment Management, LLC	1,877
Research Affiliates, LLC	7,185
Strategic Investment Management, LP	1,476
Total Equity Managers	**$69,807**
Fixed Income Managers	
Pacific Investment Management Co.	$2,446
Total Fixed Income Managers	**$2,446**
Real Asset Managers	
AEW-SHP Managed Portfolio	($150)
AGI Resmark Housing Fund, LLC	2,522
CalEast Canada Limited Partnership	2,088
CalEast Solstice, LLC	68,401
CalSmart, LLC (Canyon)	3,827
Canyon Catalyst Fund, LLC	6,247
Canyon Johnson Urban Fund III	9,520
Centerline Urban Capital I, LLC	3,670
CIM Fund III, LP	73,578
CIM Infrastructure Fund, LP	14,841
DB Real Estate Global Opportunities IA, LP	(93)
DB Real Estate Global Opportunities IB, LP	34
Fortress Residential Investment Deutschland (Fund A)	(2,054)
FSP - Base	10,019
FSP - DT 2011	27,957
FSP - DT 2012 and Beyond	$39,112
GI Partners Fund III, LP	366
Global Infrastructure Partners II, LP (GIP II)	8,212
Global Innovation Partners, LLC	(15)
Global Retail Investors, LLC	36,583
GRI - Base	2,917
GRI - DT 2011	4,185
Harbert European Real Estate Fund II, LP	(452)
Harbert Power Fund V, LP (HPF V)	53
HC Green Development Fund, LP	310
HCB Interests II, LP	10,272
HCC Interests, LP	(368)
Hearthstone Housing Partners, LP	(42)
Hearthstone Multi-State Residential Value-Added III	(19)
Hearthstone-MSII Homebuilding Investors, LLC	(50)
IMI - Base	16,482
IMP - Base	(449)
IMP - DT 2011	6,302
IMP - DT 2012 and Beyond	2,074
Institutional Multifamily Partners	43,357
Ivy Investment Vehicle LDC (SWPM)	17,642
National Office Partners, LLC (CWP)	31,768
ORA Multifamily Investments I, LLC	11,611
ORA Residential Investments I, LP	24,840
SDL Hospitality Co-Invest Fund, LP	(23,300)
Secured Capital Japan Real Estate Partners II, LP	(977)
Starwood Capital Hospitality Fund II Global, LP	7,653
TechCore, LLC	14,214
Total Real Asset Managers	**$472,688**
Total Performance Fees	**$576,730**
Total Management And Performance Fees	**$834,479**

(1) Negative performance fees are due to the reversal of accruals caused by the fluctuation in market values.
(2) Expenses and fees less than a thousand dollars are indicated by a dash.

INVESTMENT EXPENSE (CONTINUED)

Other Investment Expenses[1, 2] (Dollars in Thousands)

	Fees
Auditor Fees	
Conrad, LLP	$346
KNL Support Services	50
KPM & Associates, LLP	132
Total Auditor Fees	**$528**
Appraisal Fees	
Altus Group	$5,416
Total Appraisal Fees	**$5,416**
Company Expense	
Legato Capital Management, LLC	$232
Progress Investment Management Company	21
Strategic Investment Management, LP	46
Total Company Expense	**$299**
Investment Consultant Fees	
Altius Associates Limited	$276
American Express	18
APCO Worldwide, Inc.	9
Bard Consulting, LLC	1,256
Beacon Consulting Group, Inc.	61
Callan Associates, Inc.	1,040
Cambria Solutions, Inc.	331
Cambridge Associates, LLC	86
CoachSource, LLC	(19)
Cogent Partners, LP	25
Courtland Partners, Ltd.	158
Crosswater Realty Advisors, LLC	504
Cutter Associates, LLC	151
Dee Hansford Consulting	19
FTI Consulting, Inc.	320
Garland Associates, Inc.	161
Green Street Advisors, Inc.	15
Hamilton Lane Advisors, LLC	75
Heidrick & Struggles	87
Kearnford Application Systems Design	81
KPMG, LLP	385
Le Plastrier Consulting Group, Inc.	(260)
LP Capital Advisors, LLC	131
Meketa Investment Group, Inc.	106
Mercer Investment Consulting, Inc.	262
MK Partners, Inc.	6
Mosaic Investment Advisors, Inc.	315
Nichols Consulting	415
Pacific Alternative Asset Mgmt Company	312
Pacific Community Ventures, Inc.	383
Pension Consulting Alliance, Inc.	1,979
Propoint Technology, Inc.	1,400
Pyramid Technical Consultants, Inc.	280
RG & Associates	43
SAS International, Inc.	200
Stanfield Systems, Inc.	922
Starting Point	36
Strategic Investment Solutions, Inc.	60
Technology Crest Corporation	6
The Highlands Consulting Group, LLC	1

	Fees
The Regents of University of CA	$164
The Regents of Universityof CA, Davis	7
Townsend Holdings, LLC	100
Trinity Technology Group, Inc.	993
UBS Alternative & Quantitative Investment	1,598
Voyager	—
Wellington Management Company, LLP	450
Wilcox, Miller & Nelson	9
Wilshire Associates, Inc.	3,145
Total Investment Consultant Fees	**$18,102**
Legal Fees	
AlvaradoSmith, A Professional Corporation	$1
Berman DeValerio	120
Chapman and Cutler, LLP	170
Cox, Castle & Nicholson, LLP	407
Downey Brand, LLP	746
Felderstein, Fitzgerald, Willoughby, Pascuz	2
Foster, Pepper, PLLC	144
Glaser, Weil, Fink, Jacobs, Howard, Avchen & Shapiro, LLP	1
Hogan, Lovells US, LLP	192
Institutional Multifamily Partners, LLC	49
K & L Gates, LLP	1,568
Katten, Muchin, Rosenman, LLP	128
Morgan, Lewis & Bockius, LLP	1,095
Pillsbury, Winthrop, Shaw, Pittman, LLP	832
Skyport Legal Reimbursement	(549)
Soltman, Levitt, Flaherty & Wattles, LLP	68
Zuber, Lawler & Del Duca, LLP	3
Total Legal Fees	**$4,977**
Master Custodian Fees	
State Street Bank And Trust Company	$6,757
Total Master Custodian Fees	**$6,757**
Fund Administration Fees	
State Street Bank And Trust Company	$5,700
Total Fund Administration Fees	**$5,700**
Tax Advisory Fees	
Ernst & Young, LLP	$869
Total Tax Advisory Fees	**$869**
Technology Expenses	
13D Research, Inc.	$60
Adobe Government at Carahsoft	5
Albourne America, LLC	368
Altura Capital Group	25
Argus Financial Software	1
Axioma, Inc.	203
Barclays Capital	100
Barra, Inc.	1,564
BCA Research	249
BlackRock Financial Management, Inc.	8,513
Bloomberg, LP	2,808
Business Entitiy Data B.V.	—
Cambridge Associates, LLC	245

INVESTMENT EXPENSE (CONTINUED)

Other Investment Expenses[1, 2] (Dollars in Thousands) (continued)

	Fees
Candeal, Inc.	$16
Capital Analytics II, LLC	1,312
Carahsoft Technology Corp.	100
CBRE, Inc.	50
Charles River Systems, Inc.	2,215
Compucom Systems, Inc.	34
Cornerstone Macro, LP	100
Cost Effectiveness Measurement, Inc.	70
Costar Investment Analysis	320
Covenant Review, LLC	45
Credit Suisse Customized Fund Investment	25
Credit Suisse Securities (USA), LLC	75
Creditsights	102
Depository Trust Co.	1
Dow Jones - Irwin	16
Dow Jones & Ccompany, Inc.	2
Edgar Online, Inc.	5
eFront Financial Solutions, Inc.	1,201
Egan-Jones Ratings Co.	17
eMBS, Inc.	8
Empirical Research Partners, LLC	400
Equilar, Inc.	8
ERA Equity Research Associates, Inc.	1
Etrali North America, LLC	111
Eurasia Group	132
Eurekahedge PTE, Ltd.	5
Euromoney Institutional Investor	31
eVestment Alliance	54
Factset Research Systems, Inc.	3,264
Fan Asset Management, LLC	248
Firstrain, Inc.	10
Fitch Ratings, Inc.	263
Fitch, Inc.	299
Frontline	—
FTSE	700
FX Alliance, Inc.	29
Glass, Lewis & Co., LLC	84
Global Ivnestor Collaboration Svcs., LLC	5
GP Analytics	120
Green Street Advisors	95
Hedge Fund Research, Inc.	4
IHS Global, Inc.	52
Institutional Shareholder Services, Inc.	168
Intex Solutions, Inc.	192
Intralinks, Inc.	8
Ives Group, Inc.	13
KPA Advisory Services, Ltd.	5
Lazard Asset Management, LLC	20
London Stock Exchange PLC	20
Macroeconomic Adviser, LLC	37
Markit North America, Ltd.	250
Microsoft Services	9
MMG Technology Group, Inc.	5
Moody's Analytics, Inc.	396
Moody's Investors Service, Inc.	95
Morningstar	17

	Fees
MRB Partners, Inc.	$50
MRI Software, LLC	245
MSCI, Inc.	353
NCREIF	—
New York Stock Exchange	(43)
Northfield Information Services , Inc.	120
Omgeo	120
Oxford Economics USA, Inc.	52
Preqin Limited	38
Principal Financial Advisors	—
Principal Life Insurance Company-02210	586
Quantal International, Inc.	45
Radianz Americas, Inc.	167
RBS Smart Productions, Inc.	80
Real Capital Analytics, Inc.	116
Reuters	11
Russel Investment Group	85
SNL Financial, LC	91
Standard & Poor's Corporation	903
Stone & Kanto, LLC	2
Strategic Economic Decisions, Inc.	15
Style Research, Inc.	83
Summit Financial Printing, LLC	12
The Depository Trust & Clearing Corp.	11
The Mathworks, Inc.	111
The World Markets Company, PLC	30
Thomson - West	2
Thomson Financial/Nelson	278
Thomson Reuters - West	67
Thomson Reuters Scientific	67
Toronto Stock Exchange	5
Trade Web	102
Trend Macrolytics, LLC	25
William O'Neil & Company	27
Worktank Enterprises, LLC	9
Yardeni Research, Inc.	15
Yield Book, Inc.	142
Zeno Consulting Group, LLC	49
Total Technology Expenses	**$31,076**
Internal Investment Personnel and Administrative Expenses	
Internal Investment Personnel and Administrative Expenses	$62,635
Total Internal Investment Personnel and Administrative Expenses	**$62,635**
Miscellaneous Investment Expense Fees	
Miscellaneous Investment Expense Fees	$231
Transaction Fees	73,435
Total Miscellaneous Investment Expense Fees	**$73,666**
Total Other Investment Fees and Expenses	**$210,025**
Total Investment Expenses - All Funds	**$1,044,504**

(1) Expenses and fees less than a thousand dollars are indicated by a dash.
(2) Negative expenses are due to market fluctuations, adjusting entries, and reimbursements.

CONSULTANT AND PROFESSIONAL SERVICES EXPENSES – ALL FUNDS (DOLLARS IN THOUSANDS)

Individual or Firm	Fees	Nature of Services
Advanced Systems Group, LLC	$40	Production/Equipment/Maintenance Services
Aisitech, LLC	383	Release Management/Quality Assurance/Configuration Management
Ambire Consulting, Inc.	207	Project Management Services
Andes Consulting, LLC	65	Project Management Services
Anthem Blue Cross	96,219	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation & Development, Wellness, Prevention & Disease Management Services
APCO Worldwide, Inc.	36	Media Training
ATV Video Center, Inc.	41	Video and Multimedia Production Services
Avenue Solutions	124	Management Analysis
Baker Hostetler	50	Legal Services
Base 3 Consulting	1,102	Application Development/Management Support Services
Beacon Consulting Group, Inc.	930	Investment Business Consulting
Bedrosian & Associates	30	Succession and Workforce Planning
Belmonte Enterprises, LLC	923	Application Development, Information Services, Project Management Services
Blue Shield of California	149,484	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation & Development, Wellness, Prevention & Disease Management Services
BluePath Health	32	Organizational and Leadership Development
Borden Lee Consulting	27	Operations and Strategic Business Planning
Business Advantage Consulting, Inc.	221	Disaster Recovery, Management Support Services
California Correctional Health Care Services	100	Management Support Services
California Department of Health Care Services	20	Annual Fee for Long-Term Care Policy & Partnership Services
California Department of Human Resources	100	Recruiting and Placement
Capio Group	997	Application Development, Management Support Services
Capital Technology Associates	210	Project Management Services
Celer Systems, Inc.	720	Application Development, Information Services, IT Architecture, IT Security, Management Support Services, Project Management Services
Cheiron, Inc.	41	Audit Services
CoachSource, LLC	36	Organizational and Leadership Development
Compliance11	132	Systems Analysis, Design, Implementation, Maintenance and Support
Cornerstone Fitness, Inc.	142	Employee Training and Development
Cutter Associates, LLC	190	Investment Business Consulting
CVS Caremark	10,897	Pharmacy Claims Administration, Account Management, Eligibility, Retail & Other Reporting Services
Daniel J. Edelman, Inc.	495	Media Training
Dee Hansford Consulting	50	Organizational and Leadership Development
Delegata Corporation	1,096	Business Transformation/Transition, Information Services, Project Management Services
Delfino Madden O'Malley Coyle & Koewler LLP	123	Legal Services
Department of General Services/RR Donnelly	349	Open Enrollment Printing, Mail Processing & Postage
Department of Human Resources	140	Election Forms for the Alternate Retirement Program (ARP) Processing Services
Department of Justice	288	Legal and Investigative Services
DLA Piper, LLP	37	Legal Services
Dolamont Consulting, Inc.	212	Project Management Services, Release Management/Quality Assurance/Configuration Management
Domain Experts Corporation	219	Recruiting and Placement
Downey Brand, LLP	36	Legal Services
Drinker Biddle & Reath LLP	343	Legal Services
DSS Research	106	Medical Consulting Services
Eagle Management Group, LLC., dba Matran	91	Marketing Services
Eaton Interpreting Services, Inc.	117	Interpreting Services
Elynview Corporation	167	Database Administration
Enclipse Corporation	33	IT Architecture, Training Services
Enterprise Networking Solutions, Inc.	180	IT Architecture, Systems Analysis, Design, Implementation, Maintenance and Support
Entisys Solutions, Inc.	99	Systems Analysis, Design, Implementation, Maintenance and Support
Equanim Technologies	341	Management Support Services, Project Management Services, Project Oversight Services
Esoft Infosystems, Inc.	33	Information Services, Application Development, Database Administration
Eterasys Consulting, Inc.	280	Application Development, Database Administration
Felderstein Fitzgerald Willoughby & Pascuzzi LLP	119	Legal Services

CONSULTANT AND PROFESSIONAL SERVICES EXPENSES – ALL FUNDS (DOLLARS IN THOUSANDS) (CONTINUED)

Individual or Firm	Fees	Nature of Services
FireEye, Inc., dba Mandiant	$35	Management Support Services
FutureSense, Inc.	135	Performance Management and Program Evaluation
Gordon & Silver, LLP	37	Legal Services
Government Operations Agency	308	Operations and Strategic Business Planning
GovernmentJobs.com, Inc., dba NEOGOV	24	Recruiting and Placement
Grant Thornton LLP	1,055	Management Support Services, Operations and Strategic Business Planning, Performance Management and Program Evaluation, Project Oversight Services
H&B Joint Venture	911	Release Management/Quality Assurance/Configuration Management
Health Management Systems, Inc. (HMS)	417	Audit Services
Health Net of California	1,189	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation & Development, Wellness, Prevention & Disease Management Services
Heidrick & Struggles	301	Recruiting and Placement
Hewitt Associates LLC	450	Actuarial Consulting Services
Hewitt EnnisKnupp, Inc.	224	Board Governance
HP Enterprise Services, LLC	196	IT Architecture
Information Technology Software Professional	190	Information Services, Project Management Services, Architecture, Application Development & Content Management
Informatix, Inc.	121	Business Transformation/Transition, Management Support Services
Innovative Software Technologies, Inc.	203	Specialized IT Support Services for Actuarial Systems/Business
International Customer Management Institute	28	Employee Training and Development
J & K Court Reporting, LLC	56	Court Reporting Services
JLynnConsulting, Inc.	1,097	Application Development, Information Services
K & L Gates LLP	3,153	Legal Services
Kath Straub and Associates, LLC	110	User Experience Design, Strategy and Research
Katrina Kennedy Training	22	Employee Training and Development
KearnFord Application Systems Design	3,440	Information Services, Management Support Services, Project Management Services, Release Management/Quality Assurance/Configuration Management
Kenera Consulting, Inc.	243	Project Management Services
Kiefer Consulting, Inc.	141	Application Development, IT Architecture
Klausner, Kaufman, Jensen & Levinson	61	Legal Services
Kong Consulting, Inc.	533	Systems Analysis, Design, Implementation, Maintenance and Support
Korn/Ferry International	308	Recruiting and Placement
KPMG LLP	644	Management Analysis, Management Support Services, Performance Management and Program Evaluation
Kronick, Moskovitz, Tiedemann & Girard	80	Legal Services
Landor Associates	137	Marketing Services
Law Office of Sima R. Salek	34	Legal Services
LCS Technologies, Inc.	257	Application Development, Database Administration
Leading Resources, Inc. (LRI)	48	Employee Training and Development, Organizational Structure and Change Management
Lussier Group	383	Federal Legislative Representation
M Corp	482	Application Development, Business Process Re-engineering, Information Services, IT Architecture, Management Support Services, Project Management Services
Macias Gini & O'Connell LLP	2,814	Audit Services
Martin & Chapman Co.	60	Election Services
Matrix Software Services	186	Database Administration
Maximus Federal Services, Inc.	34	Medical Consulting Services
MEDCO	(92)	Pharmacy Claims Administration, Account Management, Eligibility, Retail & Other Reporting Services
Mellon Bank	329	Banking Services
Mennemeier, Glassman & Stroud LLP	27	Legal Services
Mercer Health and Benefits	1,364	Actuarial Consulting Services, Medical Consulting Services
Michael Strategic Analysis	78	Survey and Research Services
Milliman, Inc.	2,741	Actuarial Consulting Services, Project Management Services
Mindstorm Creative, Inc.	51	Video and Multimedia Production Services
Monarch Enterprises, Inc.	80	Application Development
Morgan Lewis & Bockius, LLP	38	Legal Services
Nexus IS, Inc.	(137)	Systems Analysis, Design, Implementation, Maintenance and Support

CONSULTANT AND PROFESSIONAL SERVICES EXPENSES – ALL FUNDS (DOLLARS IN THOUSANDS) (CONTINUED)

Individual or Firm	Fees	Nature of Services
Northeast Retirement Services	$92	Third-Party Member Record-Keeper
NWN Corporation	254	Release Management/Quality Assurance/Configuration Management
Ogilvy Public Relations	32	Crisis Communications Services, Marketing Services, Media Training, Survey and Research Services, Writing and Editorial Services
Oliver Wyman Actuarial Consulting, Inc.	56	Actuarial Consulting Services
OnCore Consulting, LLC	3,554	Application Development, Information Services, IT Architecture, Project Management Services, Systems Analysis, Design, Implementation, Maintenance and Support
Ope Technology, LLC	315	Release Management/Quality Assurance/Configuration Management
Pacific Business Group on Health	50	Application Development
Pasanna Consulting Group, LLC	781	Application Development, IT Architecture
Paul Benefits Law Corporation	54	Legal Services
Performance Technology Partners, LLC	648	Application Development, IT Security, Project Management Services
Premier Alliance Group, Inc.	40	Project Management Services
President and Fellows of Harvard College	45	Innovation and Development
Princeton Solutions Group, Inc.	242	Project Management Services
Providence Technology Group, Inc.	52	Training Services
Pyramid Technical Consultants, Inc.	403	IT Security, Project Management Services
Qualapps, Inc.	654	Application Development
Radian Solutions, LLC	374	Application Development, Information Services, Release Management/Quality Assurance/Configuration Management
Reed Smith, LLP	493	Legal Services
Regents of the University of CA, Berkeley	40	Research Initiative
Regents of the University of CA, Davis	250	Organizational and Leadership Development
Ridgeway Partners, LLC	217	Investment Business Consulting, Recruiting and Placement
Risk 2 Reputation	220	Management Analysis
Rosenberg and Kaplan, A Law Corporation	(21)	Legal Services
Saba Software, Inc.	78	Employee Training and Development
Safeguard Web & Graphics	883	Election Services
Sage 2.0	264	Information Services
SAS International, Inc.	180	Application Development, Systems Analysis, Design, Implementation, Maintenance and Support
Shah & Associates, A Professional Law Co.	111	Legal Services
Sharp Health Plan	2,143	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation & Development, Wellness, Prevention & Disease Management Services
Shooting Star Solutions, LLC	113	IT Security
Sign Language Interpreting Service Agency	47	Interpreting Services
Softsol Technologies, Inc.	944	Application Development, Information Services, IT Architecture, IT Security, Release Management/Quality Assurance/Configuration Management, Systems Analysis, Design, Implementation, Maintenance and Support, Technical Writing
Sophus Consulting	48	IT Consulting Services
SRI Infotech, Inc.	594	Application Development
State Controller's Office	10,187	Account Management, Medical Claims Administration, Performance Management and Program Evaluation, Other Post Employment Benefits Administrative Services
State Treasurer's Office	25	Wiring Services
Steptoe & Johnson, LLP	1,549	Legal Services
SymSoft Solutions, LLC	40	User Experience Design, Strategy and Research
T5 Consulting	1,290	Application Development, Business Intelligence and Reporting, Information Services, IT Architecture
Take 1 Productions	53	Video and Multimedia Production Services
Technology Crest Corporation	294	Application Development, Release Management/Quality Assurance/Configuration Management
TG Page Design Group	86	Video and Multimedia Production Services
The Ballard Group, Inc.	189	Release Management/Quality Assurance/Configuration Management
The Taylor Feldman Group, LLC	111	Project Management Services
Thomson Reuters - West	80	Electronic Legal Library Database
Trinity Technology Group, Inc.	2,769	Application Development, IT Architecture
Truven Health Analytics, Inc.	616	Project Management Services
United Health Actuarial Services, Inc.	324	Medical Consulting Services

CONSULTANT AND PROFESSIONAL SERVICES EXPENSES – ALL FUNDS (DOLLARS IN THOUSANDS) (CONTINUED)

Individual or Firm	Fees	Nature of Services
United Healthcare	$5,994	Medical Claims Administration, Account Management, Behavioral, Provider Network, Audit, Innovation & Development, Wellness, Prevention & Disease Management Services
Univita	20,387	Medical Claims Administration, Eligibility, Retail & Other Reporting Services
Vantage Consulting Group, Inc.	508	Application Development, IT Architecture
VanWrite Writing Consultants, LLC	73	Employee Training and Development
Vasquez Benisek & Lindgren LLP	63	Legal Services
Viaspire	230	Marketing Services, Social Media Services, Writing and Editorial Services
Visionary Integration Professionals, LLC	143	Business Process Re-engineering
Voya	4,389	Third-Party Member Record-Keeper
Weaver Schlenger Mazel LLP	38	Legal Services
Worktank	236	Video and Multimedia Production Services, Web Event Services
Various	170	
Total Consultant and Professional Services Expenses	**$357,173**	

STATEMENT OF CHANGES IN ASSETS & LIABILITIES – AGENCY FUND (DOLLARS IN THOUSANDS)

	RBF			
	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash & Cash Equivalents	$0	$70,706	$70,706	$0
Employer & Member Receivables	1,275	35,351	36,335	291
Interests & Dividends Receivables	4	10	6	8
Due From Other Funds	1	—	1	—
Short-Term Investments	9,094	17,252	15,822	10,524
TOTAL ASSETS	**$10,374**	**$123,319**	**$122,870**	**$10,823**
LIABILITIES				
Due to Member, Public Agencies, State, & Schools	$10,315	$58,382	$57,949	$10,748
Due to Other Funds	1	8	9	—
Other Program	58	25	8	$75
TOTAL LIABILITIES	**$10,374**	**$58,415**	**$57,966**	**$10,823**