FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of fiduciary net assets of the fiduciary funds and the statement of net assets of the proprietary funds of the California Public Employees' Retirement System (the System or CalPERS), a component unit of the State of California, as of June 30, 2011, and the related statement of changes in fiduciary net assets of the fiduciary funds, and the statements of revenues, expenses and changes in net assets and cash flows of the proprietary funds for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's 2010 financial statements on which our report dated November 17, 2010, expressed an unqualified opinion.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary funds and proprietary funds of the California Public Employees' Retirement System as of June 30, 2011, and the changes in financial position of the fiduciary funds and the changes in financial position and cash flows of the proprietary funds for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 5, actuarial data presented for the California Employers' Retirement Benefit Trust Fund was derived from actuarial valuations performed by actuarial firms engaged by participating employers. Actuarial valuations must comply with the CalPERS OPEB Assumption Model, which requires the use of specified actuarial methods and assumptions.

Also discussed in Note 5 to the financial statements, actual contributions made by the State of California to the Judges Retirement Fund were significantly less than the actuarially determined annual required contributions. State of California 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. Management and legal counsel believe the State of California is legally required to provide contributions to fund benefits when due.

INDEPENDENT AUDITOR'S REPORT, PAGE 2

As discussed in Note 9, the determination of the estimated liability for future policy benefits in the California Employers' Long-Term Care Fund is very sensitive to the underlying actuarial assumptions.

As described in Note 10, based on the most recent actuarial valuation of the Public Employees' Retirement Fund as of June 30, 2010, the System's actuaries determined that, at June 30, 2010, the actuarial accrued obligation exceeded the actuarial value of its assets by $51.3 billion. The most recent actuarial valuation does not reflect the impact of the remaining deferred investment losses from fiscal year 2009.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedules of Funding Progress and the Schedules of Employer Contributions 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other supplemental schedules in the financial section are presented for purpose of additional analysis and are not required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

Sacramento, California
November 15, 2011

(To be replaced with the 2012 report)

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, 2012. It is a narrative overview and analysis that we present in conjunction with the Chief Executive Officer's Letter of Transmittal, included in the Introductory Section of this Comprehensive Annual Financial Report. It should also be read in conjunction with the Basic Financial Statements of CalPERS, as presented in this report.

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

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

CalPERS comprises a total of 12 funds, including the Public Employees' Retirement Fund (PERF), Legislators' Retirement Fund (LRF), Judges' Retirement Fund (JRF), Judges' Retirement Fund II (JRF II), State Peace Officers' and Firefighters' Defined Contribution Plan Fund (SPOFF), Public Agency Deferred Compensation Plan (IRC 457), Supplemental Contributions Program Fund (SCPF), California Employers' Retirement Benefit Trust Fund (CERBTF), Public Employees' Health Care Fund (HCF), Public Employees' Contingency Reserve Fund (CRF), Public Employees' Long-Term Care Fund (LTCF) and Replacement Benefit Fund (RBF).

FINANCIAL HIGHLIGHTS

Public Employees' Retirement Fund (PERF)

- The fiscal year 2011-12 was a challenging period for investors, as the ongoing European debt crisis and slowing global economic growth increased market volatility and reduced equity market returns. The performance of US and international equity markets diverged significantly, with US markets outperforming international markets. CalPERS performance was negatively impacted both by our significant allocation to public equities, nearly 50 percent of the total fund, and by significant allocation to international equities, nearly 50 percent of the public equity portfolio.
- Public equity returns of negative 7 percent were partially offset by strong returns in other asset classes. Fixed income returned nearly 13 percent, resulting from declining interest rates throughout the year. Most importantly, the real estate portfolio performed well. This is the second year that the real estate portfolio has had a positive return since the financial crisis, and demonstrated improvements in the real estate market fundamentals along with early results of the significant effort to restructure the Real Estate portfolio.
- The PERF net rate of return on investments was 0.14 percent, calculated using industry-standard daily, time-weighted return methodology. The methodology uses daily calculation, which provides for accurate weighting of all cash flows throughout the entire year. This approach may generate a different result from the one that would be produced by using static financial statements.
- On December 16, 2009, the CalPERS Board of Administration adopted a one-time modification to the contribution rate smoothing policy. This modification phased in the short-term impact of the fiscal year 2008-09 investment loss over three fiscal years, beginning in the 2010-11 fiscal year for State and School employers, and in the 2011-12 fiscal year for Public Agencies. Without this change, employer contributions rates would have increased dramatically despite the investment market rebound in fiscal years 2009-10 and 2010-11.

In the 2011-12 fiscal year, the PERF net investment return was 0.14 percent. As a result of this return, employer rates are expected to increase. Most employer contribution rates (for fiscal year 2013-14 for the State and Schools and the fiscal year 2014-15 for Public Agencies) are not expected to increase by more than 2 percent of payroll as a result of the 2011-12 investment return. To the extent CalPERS earns its assumed 7.5 percent investment return in the fiscal year 2012-13, the employer rates (for the fiscal year 2014-15 for the State and Schools and the fiscal year 2015-16 for Public Agencies) are expected to increase in most cases between 0.2 percent and 0.7 percent of payroll and potentially more if CalPERS earns less than 7.5 percent. In order to help employers understand the risk, CalPERS is now providing an investment return scenario analysis in all its annual actuarial valuation reports.

- As of June 30, 2011, the date of the most recent actuarial valuation, the PERF was funded at 82.6 percent, based on the actuarial value of assets. A better measure of benefit security is the funded status on the market value of assets basis. On that basis, as a result of the positive 21.7 percent investment return in 2010-11, the funded status improved from 65.4 percent at June 30, 2010, to 73.6 percent at June 30, 2011.
- The PERF paid $15.4 billion in retirement benefits to 543,722 annuitants during the 2011-12 fiscal year, compared to $14.2 billion paid to 528,343 annuitants during the 2010-11 fiscal year. Benefit payments increased primarily due to an increase in the number of retirees and the average benefit amount, including cost-of-living adjustments (COLA).
- The total active and inactive membership was 1,102,440 at June 30, 2012. The PERF received $3.6 billion in member contributions from 786,586 active members, the same amount the PERF received during the 2010-11 fiscal year from 791,419 active members. Even though the active membership declined in the 2011-12 fiscal year compared to the fiscal year 2010-11, the contribution amount remained the same due to rate increases. The PERF received $7.8 billion in employer contributions from 1,577 employers, compared to $7.5 billion in the 2010-11 fiscal year.

Additional financial information related to the other pension funds administered by CalPERS is included in the Financial Analysis of CalPERS Funds section of the Management's Discussion and Analysis.

Investments

During the 2011-12 fiscal year, PERF net assets decreased from $241.8 billion to $237.0 billion. The decrease in value was largely driven by a value decline of our Global Equity assets, which started the year valued at $116.7 billion and decreased to $113.6 billion. The 2.7 percent decrease in global equity assets was largely driven by slow global economic growth and poorly performing international equity markets.

Other Post-Employment Benefits, Health and Long-Term Care Programs

- Contributions to the California Employers' Retiree Benefit Trust Fund (CERBTF) were $771.8 million, an increase of $13.5 million from the fiscal year 2010-11. The CERBTF had a net investment income of $8.1 million, a decrease from the fiscal year 2010-11 net investment income of $331.5 million. The decrease was due to lower equity market and fixed income returns. The net asset value of the CERBTF at June 30, 2012 was $2.1 billion, an increase of $0.2 billion from $1.9 billion at June 30, 2011.
- CalPERS administers the PERSCare, PERS Choice, and PERS Select self-funded health care programs. Financial activity for these programs is accounted for through the Public Employees' Health Care Fund (HCF). The CalPERS self-funded health care program had an operating income of $54.6 million from operations due to premium revenue increases and the net appreciation in fair value of investments. The unrestricted net assets increased by $88.1 million (24.1 percent) to $454.0 million.
- The unrestricted net assets of the CalPERS Long-Term Care Program amounted to a deficit of $159.7 million at June 30, 2012. This amounts to an average deficit of $1,062 for each of the 150,333 enrollees. The Long-Term Care Program collected $313.5 million in premiums, and the approximate average annual premium per person was $2,085. The deficit of $159.7 million represents a decrease of $830.7 million from a surplus of $671.0 million as of June 30, 2011. The estimated liability for future policy benefits reflects worse than expected morbidity (i.e. claims), higher than expected persistency, which results in more projected future claims, and lower than expected investment returns. The major driving factor is the increase in estimated liability for future benefits, which resulted primarily from the decline in discount rate from the 2011 calendar year rate of 6.25 percent for projection years 1-10 and 7.60 percent for years 11 and beyond to this year's discount rate of a level 5.75 percent. The revised discount rate reflects the revised investment mix that was

approved in April 2012. In addition to this change, low investment returns in the fiscal year 2011-12 resulted in a lower than expected net assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis provides an introduction to and overview of the CalPERS basic financial statements, which comprise of the following components: Fund Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and Other Supplemental Information. Collectively, this information presents the combined net assets held in trust for pension benefits and other post-employment benefits, and the combined unrestricted net assets for each of the other funds administered by CalPERS as of June 30, 2012. It also summarizes the combined changes in net assets held in trust for pension and other post-employment benefits, the combined changes in unrestricted net assets, and the cash flows of the proprietary funds for the fiscal year then ended, along with an actuarial view on the funded status of the defined benefit pension and other post-employment plans. The information available in each of these sections is briefly summarized as follows:

Fund Financial Statements

CalPERS Board of Administration has a fiduciary duty for the investments in both the Fiduciary and Proprietary funds. At June 30, 2012, 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 assets.

Fiduciary Funds — include pension trust funds, one other post-employment defined benefit fund, and two agency funds. The defined benefit plans administered by CalPERS include the PERF, Legislators' Retirement Fund (LRF), Judges' Retirement Fund (JRF), Judges' Retirement Fund II (JRF II), and the California Employers' Retiree Benefit Trust Fund (CERBTF). The defined contribution plans administered by CalPERS include the State Peace Officers' and Firefighters' Defined Contribution Plan Fund (SPOFF), the Public Agency Deferred Compensation Program (IRC 457), and the Supplemental Contributions Program Fund (SCPF). The remaining fiduciary funds are the Contingency Reserve Agency Fund (CRF) and the Replacement Benefit Fund (RBF). The fiduciary funds are used to account for resources held for the benefit of CalPERS participants. A statement of fiduciary net assets and a statement of changes in fiduciary net assets except for agency funds are presented for the fiduciary funds as of and for the fiscal year ended June 30, 2012, along with comparative total information as of and for the fiscal year ended June 30, 2011. These financial statements reflect the resources available to pay benefits to retirees and other beneficiaries as of year-end, as well as the changes in those resources during the year.

Proprietary Funds — include the following enterprise funds: the Public Employees' Health Care Fund (HCF), the Public Employees' Contingency Reserve Fund (CRF), and the Public Employees' Long-Term Care Fund (LTCF). Proprietary funds are used to account for activities for which fees are charged to external users for service, such as administration of health care and long-term care programs, and that the costs of providing services are recovered with fees and charges. A statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows are presented for the proprietary funds as of and for the year ended June 30, 2012, along with comparative total information as of and for the fiscal year ended June 30, 2011. Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows.

Notes to the Basic Financial Statements

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

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

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

Note 3 — provides information on cash and cash equivalents.

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

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

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

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

Note 8 — provides information regarding the LTCF June 30, 2012 actuarial valuation.

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

Note 10 — provides information on commitments.

Note 11 — provides information on potential contingencies of CalPERS.

Note 12 — provides information regarding subsequent events, which include Governmental Accounting Standard Board (GASB) Statement Nos. 67 and 68, pension reform, local government bankruptcies and LTC fund rate increase.

Required Supplementary Information

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

Other Supplemental Information

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

FINANCIAL OVERVIEW OF CalPERS FUNDS

Fiduciary Funds

Collectively, the net assets held in trust for all fiduciary funds were a total of $241.4 billion at June 30, 2012, a decrease of $4.4 billion (1.8 percent) from $245.8 billion at June 30, 2011.

Additions to net assets held in trust for benefits include employer and member contributions as well as investment income or loss. For the 2011-12 fiscal year, total additions were $12.4 billion, a decrease of $44.4 billion from the 2010-11 fiscal year. Deductions consist primarily of retirement, death, and survivor benefits, refunds, administrative expenses, participant withdrawals, and OPEB reimbursements. For the 2011-12 fiscal year, total deductions were $16.8 billion, an increase of $1.1 billion (7.0 percent) from the 2010-11 fiscal year.

Investments

Fiduciary fund investments, excluding securities lending collateral, totaled $238.6 billion at June 30, 2012, a decrease of $5.1 billion (2.1 percent) from $243.7 billion at June 30, 2011. The decrease was largely driven by poor performance of international equity investments.

Total investments held by CalPERS fiduciary funds at June 30, 2012, compared to the 2010-11 fiscal year-end, are as follows:

- $5.1 billion in short-term domestic and international securities, a decrease of $3.4 billion (40.0 percent) from $8.5 billion. The decrease was the result of asset allocation decisions that reduced short-term holdings and increased funding to inflation assets, fully funded longer duration debt securities and the implementation of the real estate strategic plan.
- $116.2 billion in domestic and international equity securities, a decrease of $2.9 billion (2.4 percent) from $119.1 billion.
- $50.8 in domestic and international debt securities, a decrease of $3.2 billion (5.9 percent) from $54.0 billion.
- $7.5 billion in inflation assets, a decrease of $0.7 billion (8.5 percent) from $8.2 billion. The decrease is due to asset reclassification in the fiscal year 2011-12 of forestland and infrastructure investments to real assets. The change in asset allocation for forestland and infrastructure reduced the inflation assets by approximately $3.2 million. However, this was offset by an increase of approximately $2.6 million in inflation assets. The inflation assets composition at June 30, 2012 is as follows:
  – $3.2 billion in commodities exposure
  – $3.1 billion in US Treasury Inflation protected Securities (TIPS)
  – $1.2 billion in international inflation bonds
- $36.8 billion in real assets on a gross basis (property value). (Real assets net asset values of $24.9 billion are reported net of $11.9 billion in related debt). On a gross basis, the real assets increased $5.5 billion (17.6 percent) from $31.3 billion gross ($11.9 billion in related debt) at fiscal year-end 2010-11. The increase was primarily driven by unrealized appreciation and net contributions.
- $34.2 billion in private equity, a decrease of $0.2 billion from $34.4 billion.

Proprietary Funds

CalPERS total unrestricted net assets for proprietary funds at June 30, 2012 were $301.8 million, a decrease of $744.4 million from $1,046.2 million at June 30, 2011. The decrease was due primarily to the decrease of $830.7 million in net assets for the LTCF that is attributable to the revised discount rate from 2011 rate of 6.25 percent for projection years 1-10 and 7.60 percent for years 11 and beyond to this year's discount rate of a level 5.75 percent. In addition to this change, the fiscal year 2011-12 low investment returns resulted in lower than expected net assets.

Operating revenues of the proprietary funds consist of self-insurance premiums, Federal Government reimbursements, administrative fees, and other non-operating revenues. For the 2011-12 fiscal year, total operating revenues were $2.2 billion, an increase of $0.1 billion (4.8 percent) from the 2010-11 fiscal year. Operating expenses consist primarily of claims, increase or decrease in estimated liabilities, and administrative expenses. For the 2011-12 fiscal year, total operating expenses were $3.1 billion, an increase of $1.2 billion (63.2 percent) from the 2010-11 fiscal year, mainly due to an increase in the estimated liabilities for the LTCF. Non-operating revenues consist of net appreciation in the fair value of investments, interest, dividends and other investment income. Total non-operating revenues were $151.0 million, a decrease in revenues of $409.6 million (73.1 percent) from $560.6 million in fiscal year 2010-11. The decrease was due primarily to a reduction in net appreciation in fair value of investments.

Investments

Proprietary funds investments excluding securities lending collateral totaled $4.1 billion at June 30, 2012, which were $0.2 billion (5.1 percent) more than $3.9 billion at June 30, 2011.

Total investments held by CalPERS proprietary funds, compared to the 2010-11 fiscal year- end, are as follows:

- $121.8 million in liquid, short-term domestic securities, a decrease of $54.1 million (30.8 percent) from $175.9 million.
- $1.6 billion in domestic and international equity securities, virtually unchanged from 2010-11 fiscal year.
- $1.5 billion in domestic debt securities, a decrease of $0.2 billion (11.8 percent) from $1.7 billion.
- $0.6 billion in inflation assets, which consists of $0.5 billion in US Treasury Inflation Protected Securities (TIPS) and $0.1 billion in commodities exposure.
- $286.4 million in real asset equities, an increase of $121.8 million (74.0 percent) from $164.6 million.

FINANCIAL ANALYSIS OF CalPERS FUNDS

Public Employees' Retirement Fund (PERF)

Plan Net Assets

The PERF provides retirement benefits to State of California and other California public agency employees. PERF benefits are funded by member and employer contributions and by earnings on investments. The PERF net assets held in trust for benefits at June 30, 2012 were $237.0 billion, a decrease of $4.8 billion (2.0 percent) from $241.8 billion at June 30, 2011.

Additions to PERF net assets held in trust for benefits include employer and member contributions, and investment income. For the 2011-12 fiscal year, employer and member contributions totaled $11.4 billion, an increase of $0.3 billion (2.7 percent) from the 2010-11 fiscal year. The PERF recognized a net investment loss of $203.1 million for the 2011-12 fiscal year, compared with a net investment income of $43.9 billion for the 2010-11 fiscal year.

Deductions from PERF net assets held in trust for benefits for the 2011-12 fiscal year totaled $16.0 billion, an increase of $1.2 billion (8.1 percent) from the 2010-11 fiscal year. The increase in deductions was attributed to an increase in benefit payments as the number of beneficiaries increased from 528,343 to 543,722 and increases in average benefits, including COLA. The costs of administering the PERF benefits amounted to $380.4 million, an increase of approximately $22.6 million (6.3 percent) from the 2010-11 fiscal year, due to an increase in personnel services expenses as the three-day a month furlough was not in effect during the 2011-12 fiscal year.

On a per member and beneficiary basis, the cost of administering PERF benefits during the 2011-12 fiscal year was approximately $231 per individual, an increase of approximately $12 per individual from the 2010-11 fiscal year.

At June 30, 2011, the date of the most recent actuarial valuation, the funded status of the PERF based on the actuarial value of assets was 82.6 percent, which was a 0.8 percentage point decrease from the funded status at June 30, 2010. The amount by, which PERF actuarial benefit liabilities exceeded actuarial assets was $57.2 billion at June 30, 2011, compared with a $51.3 billion funding deficit at June 30, 2010. Current year investment and actuarial experience and deferred prior year investment losses will affect future years' funded status and contribution rates using the CalPERS policy of actuarial asset smoothing. On a market value of assets basis, the funded status improved from 65.4 percent at June 30, 2010 to 73.6 percent at June 30, 2011, mainly due to the positive 21.7 percent investment return in the 2010-11 fiscal year.

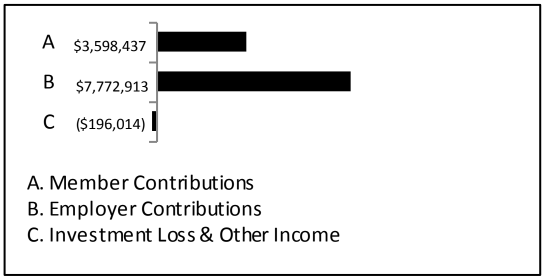
Net Assets — PERF (Dollars in Thousands)

	2012	2011	Total Percentage Change
ASSETS			
Cash, Cash Equivalents & Total Receivables	$3,115,452	$3,432,110	(9.2) %
Investments	233,935,996	239,289,463	(2.2)
Securities Lending Collateral	9,325,426	20,420,264	(54.3)
Capital Assets, Net & Other Assets	715,911	691,045	3.6
Total Assets	**$247,092,785**	**$263,832,882**	**(6.3) %**
LIABILITIES			
Retirement Benefits in Process of Payment, Investment Settlement & Other	$959,255	$1,806,205	(46.9) %
Securities Lending Obligations	9,151,585	20,264,886	(54.8)
Total Liabilities	**$10,110,840**	**$22,071,091**	**(54.2) %**
TOTAL NET ASSETS	**$236,981,945**	**$241,761,791**	**(2.0) %**

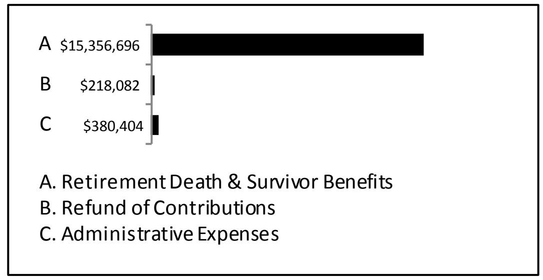
Changes in Net Assets — PERF (Dollars in Thousands)

	2012	2011	Total Percentage Change
ADDITIONS			
Member Contributions	$3,598,437	$3,600,089	(0.0) %
Employer Contributions	7,772,913	7,465,397	4.1
Investment Income (Loss)	(203,084)	43,904,425	(100.5)
Other Income	7,070	3,011	134.8
Total Additions	**$11,175,336**	**$54,972,922**	**(79.7) %**
DEDUCTIONS			
Retirement Death & Survivor Benefits	$15,356,696	$14,242,258	7.8 %
Refund of Contributions	218,082	227,168	(4.0)
Administrative Expenses	380,404	357,779	6.3
Total Deductions	**$15,955,182**	**$14,827,205**	**7.6 %**
INCREASE (DECREASE) IN NET ASSETS	**($4,779,846)**	**$40,145,717**	**(111.9) %**
NET ASSETS			
Beginning of Year	**$241,761,791**	**$201,616,074**	**19.9 %**
End of Year	**$236,981,945**	**$241,761,791**	**(2.0) %**

Additions — PERF (Dollars in Thousands)



Deductions — PERF (Dollars in Thousands)



Investments

PERF investments, excluding securities lending collateral, totaled $233.9 billion at June 30, 2012, a decrease of $5.4 billion (2.3 percent) from $239.3 billion at June 30, 2011.

At June 30, 2012, the PERF held $113.6 billion in domestic and international equity securities, a decrease of $3.1 billion from $116.7 billion at 2010-11 fiscal year-end.

In domestic and international debt securities, the PERF held $49.9 billion at June 30, 2012, a decrease of $3.2 billion from $53.1 billion at 2010-11 fiscal year-end.

At June 30, 2012 the PERF held approximately $36.6 billion in gross value real asset investments; the net value totals $24.7 billion, which is net of $11.9 billion in real asset related debt. The real asset debt amounts to 32.5 percent of the total gross real asset fair value. On a gross basis, real asset investments increased $5.6 billion from the $31.0 billion gross real asset investments at the 2010-11 fiscal year-end.

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

The $11.9 billion in real asset debt is made up of $8.9 billion in long-term mortgages payable and $3.0 billion in other short-term liabilities.

At June 30, 2012, the inflation assets portfolios held $3.1 billion in commodities exposure, $2.8 billion in US Treasury Inflation Protected Securities (TIPS) and $1.2 billion in international inflation linked bonds.

In private equity, the PERF held $34.2 billion at June 30, 2012, a decrease of $0.2 billion from $34.4 billion at the 2010-11 fiscal year-end.

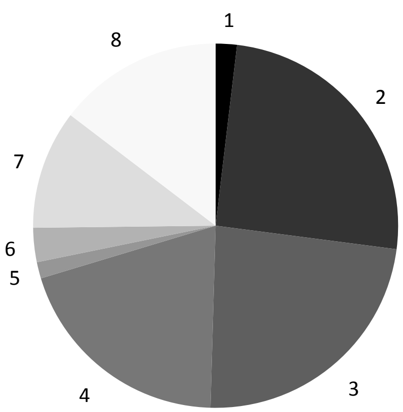
In short-term investments, the PERF held $4.4 billion at June 30, 2012, a decrease of $3.5 billion from the $7.9 billion at the 2010-11 fiscal year-end.

CalPERS has established internal unitized investment pools, whereby multiple funds (e.g., PERF, LRF, JRF II, CERBTF, etc.) can participate in the unitized pools and own shares of the unitized pools. Domestic and international debt and equity securities in the unitized pools are also used in the securities lending program. In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, the securities lending collateral, obligation, and the related securities income and costs resulting from the unitized pool investments are reported on a pro rata allocation to the various funds based on their equity share in the pools.

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

For the 2011-2012 fiscal year, securities lending gross income of $182.9 million for all funds consisted of gross intrinsic income of $112.0 million and gross reinvestment income of $70.9 million. The costs of securities lending totaled $28.4 million, which includes rebates paid to borrowers and fees paid to lending agents. At June 30, 2012, the changes in fair value of the reinvested cash collateral (unrealized gains or losses of the securities lending collateral) amounted to unrealized gains of $21.0 million, and were reported as Net Appreciation (Depreciation) in fair value of investments on the statement of changes in fiduciary net assets, and the statement of revenues, expenses and changes in net assets.

Investments — PERF (Dollars in Billions)



	Investment Class	Amount	Percent of Investments
1	Short-Term Investments	$4.4	1.9 %
2	Domestic Equity	58.9	25.2
3	International Equity	54.7	23.3
4	Domestic Debt	46.5	19.9
5	International Debt	3.4	1.5
6	Inflation Assets	7.1	3.0
7	Real Assets	24.7	10.6
8	Private Equity	34.2	14.6
	TOTAL	**$233.9**	**100.0 %**

OTHER DEFINED BENEFIT PENSION PLANS

Legislators' Retirement Fund (LRF)

Plan Net Assets

The LRF provides retirement benefits to California Legislators elected to office before November 7, 1990, and to all constitutional, legislative, and statutory officers. The number of LRF members has been declining in the last decade as eligible incumbent Legislators leave office and are replaced by those ineligible to participate in the LRF.

The LRF net assets held in trust for benefits at June 30, 2012 totaled $123.0 million, a decrease of $0.5 million from $123.5 million at June 30, 2011.

Additions to LRF net assets held in trust for benefits were primarily investment income. There were no actuarially determined annual required employer or member contributions for fiscal year 2011-12. Net investment income was $7.8 million in the 2011-12 fiscal year compared to $17.7 million for the 2010-11 fiscal year.

Deductions from LRF net assets held in trust for benefits are primarily comprised of retirement, death and survivor benefits. For the 2011-12 fiscal year, these benefits increased $0.3 million (4.1 percent) to $7.7 million from $7.4 million in 2010-11. The increase was due primarily to the annual cost of living increase applied to monthly benefit payments. On a per member and beneficiary basis, the cost of administering LRF benefits during the 2011-12 fiscal year was approximately $1,266 per individual, a decrease of approximately $166 per individual from the 2010-11 fiscal year. The decrease was due to a reduction in the administrative costs.

An actuarial valuation of LRF assets and benefit obligations is performed annually. At June 30, 2011, the date of the most recent actuarial valuation, the funded status based on the actuarial valuation of assets was 115.6 percent. At June 30, 2011, the actuarial value of assets exceeded the actuarial accrued liabilities by approximately $17 million. On a market value of assets basis, the funded status was 113.8 percent at June 30, 2011.

Investments

The LRF invests mainly in domestic and international equity securities, as well as domestic debt securities. Total investments excluding securities lending collateral were $122.4 million at June 30, 2012, a decrease of $0.8 million (0.6 percent) from $123.2 million in total LRF investments at June 30, 2011.

At June 30, 2012, the LRF held $39.7 million in domestic and international equity securities, a decrease of $10.7 million (21.2 percent) from $50.4 million at fiscal year-end 2010-11.

The LRF held $50.7 million in domestic debt securities, a decrease of $22.1 million (30.4 percent) from $72.8 million at 2010-11 fiscal year-end.

The decrease in domestic and international equity securities, and domestic debt securities are mainly due to changes in asset allocation during the fiscal year 2011-12.

At June 30, 2012, the LRF held $22.0 million in inflation assets, which included $18.1 million in US Treasury Inflation Protected Securities (TIPS) and $3.9 million in commodities exposure. The LRF did not hold investments in inflation assets at June 30, 2011.

At June 30, 2012, the LRF held $10.0 million in real assets. The LRF did not hold investments in real assets at June 30, 2011.

Investments — LRF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Domestic Equity	$22.5	18.4 %
International Equity	17.2	14.0
Domestic Debt	50.7	41.4
Inflation Assets	22.0	18.0
Real Assets	10.0	8.2
TOTAL	**$122.4**	**100.0** %

Judges' Retirement Fund (JRF)

Plan Net Assets

The JRF provides retirement benefits to California Supreme and Appellate Court Justices and Superior Court Judges appointed or elected before November 9, 1994. The JRF net assets held in trust for benefits at June 30, 2012, totaled $72.7 million, an increase of $18.6 million from June 30, 2011.

Additions to JRF net assets held in trust for benefits include employer and member contributions, investment income, and State "Balancing Contributions" (see Note 5 of the Notes to the Basic Financial Statements). For the 2011-12 fiscal year, employer, member, and State "Balancing Contributions" increased $28.2 million (16.2 percent) to

$202.2 million, from $174.0 million for the 2010-11 fiscal year, primarily due to the increase in the State General Fund contributions. The State "Balancing Contributions" increased $29.6 million (18.6 percent) to $188.6 million for the 2011-12 fiscal year, compared to $159.0 million for the 2010-11 fiscal year. The number of retirees, survivors and beneficiaries increased from 1,874 in the 2010-11 fiscal year to 1,884 in the 2011-12 fiscal year. The number of active members decreased from 425 in fiscal year 2010-11 to 400 in fiscal year 2011-12.

Deductions from JRF net assets held in trust for benefits are primarily composed of retirement, death and survivor benefits. For the 2011-12 fiscal year, these benefits amounted to $185.4 million, an increase of $0.3 million (0.2 percent) from $185.1 million for the 2010-11 fiscal year.

On a per member and beneficiary basis, the cost of administering JRF benefits during the 2011-12 fiscal year was approximately $502 per individual, a decrease of approximately $6 per individual from the fiscal year 2010-11.

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 2012-13.

Investments

The JRF invests only in short-term securities. Total investments were $70.8 million at June 30, 2012, an increase of $18.2 million compared with $52.6 million in total investments at June 30, 2011. The increase is due to a higher State General Fund augmentation.

Judges' Retirement Fund II (JRF II)

Plan Net Assets

The JRF II provides retirement benefits to California Supreme and Appellate Court Justices, Superior Court Judges and Municipal Court Judges first appointed or elected after November 9, 1994. Net assets held in trust for benefits at June 30, 2012 were $655.4 million, an increase of $79.6 million (13.8 percent) from June 30, 2011.

Additions to JRF II net assets held in trust for benefits include employer and member contributions, as well as investment income. Contributions were $72.5 million, virtually unchanged from the 2010-11 fiscal year.
For the 2011-12 fiscal year, the fund had a net investment income of $13.9 million, compared with $91.6 million for 2010-11 fiscal year. The decrease was largely due to poor global economic growth.

Deductions from JRF II net assets held in trust for benefits are composed of defined retirement benefits, survivor and death benefits and a cash balance (Monetary Credits) plan for Judges who leave the bench before becoming eligible for a defined benefit. For the 2011-12 fiscal year, defined retirement and survivor benefits including Monetary Credits amounted to $3.5 million, an increase of $1.3 million from $2.2 million in fiscal year 2010-11, due to an increase in retirees and beneficiaries from 30 in the fiscal year 2010-11 to 37 in the fiscal year 2011-12. Other lump sum payments decreased $3.3 million (55.9 percent) from $5.9 million in the 2010-11 fiscal year to $2.6 million in the 2011-12 fiscal year, primarily due to a decrease in the number of judges leaving the bench prior to becoming eligible for a defined monthly retirement benefit. On a per member and beneficiary basis, the cost of administering JRF II benefits during the fiscal year 2011-12 was approximately $554 per individual, an increase of approximately $12 per individual from fiscal year 2010-11.

An actuarial valuation of the JRF II assets and benefit obligations is performed annually. At June 30, 2011, the date of the most recent actuarial valuation, the funded status based on the actuarial valuation of assets, increased to 92.0 percent from 88.5 percent at June 30, 2010. At June 30, 2011, the actuarial accrued liabilities exceeded the actuarial value of assets by approximately $49.0 million, while the amount by which the actuarial accrued liabilities exceeded the actuarial value of assets at June 30, 2010, was approximately $60.0 million. On a market value of assets basis, the funded status improved from 81.0 percent at June 30, 2010 to 94.4 percent at June 30, 2011, due to the positive 21.7 percent investment return in the 2010-11 fiscal year.

Investments

The JRF II invests mainly in short-term investments, domestic and international equity securities, domestic debt securities, inflation assets and real assets. Total investments excluding securities lending collateral amounted to $648.9 million at June 30, 2012, which was $78.6 million (13.8 percent) more than the $570.3 million at June 30, 2011.

In short-term investments, the JRF II held $6.5 million at June 30, 2012, a decrease of $0.6 million from $7.1 million at the 2010-11 fiscal year-end.

At June 30, 2012, the JRF II held $406.5 million in domestic and international equity securities, an increase of $98.7 million (32.1 percent) from $307.8 million at the 2010-11 fiscal year-end.

In domestic debt securities, the JRF II held $125.8 million at June 30, 2012, a decrease of $73.1 million from $198.9 million at the 2010-11 fiscal year-end.

At June 30, 2012, the JRF II held $57.9 million in inflation assets. The JRF II did not hold investments in the inflation assets at the 2010-11 fiscal year-end.

In real assets, the JRF II held $52.2 million at June 30, 2012, a decrease of $4.3 million (7.6 percent) from $56.5 million at the 2010-11 fiscal year-end.

The increase or decrease in domestic and international equity securities, domestic debt securities and real assets are mainly due to changes in asset allocation during the fiscal year 2011-12.

Investments — JRF II (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$6.5	1.0 %
Domestic Equity	229.9	35.4
International Equity	176.6	27.2
Domestic Debt	125.8	19.4
Inflation Assets	57.9	9.0
Real Assets	52.2	8.0
TOTAL	**$648.9**	**100.0 %**

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

	LRF		JRF		JRF II	
	2012	2011	2012	2011	2012	2011
ASSETS						
Cash, Cash Equivalents & Total Receivables	$895	$1,065	$2,480	$1,952	$5,995	$5,712
Investments	122,386	123,209	70,796	52,596	648,925	570,313
Securities Lending Collateral	4,319	—	—	—	40,714	—
Total Assets	**$127,600**	**$124,274**	**$73,276**	**$54,548**	**$695,634**	**$576,025**
LIABILITIES						
Retirement Benefits in Process of Payment, Investment Settlement & Other	$338	$798	$583	$402	$347	$192
Securities Lending Obligations	4,233	—	—	—	39,904	—
Total Liabilities	**$4,571**	**$798**	**$583**	**$402**	**$40,251**	**$192**
TOTAL NET ASSETS	**$123,029**	**$123,476**	**$72,693**	**$54,146**	**$655,383**	**$575,833**

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

	LRF		JRF		JRF II	
	2012	2011	2012	2011	2012	2011
ADDITIONS						
Member Contributions	$0	$3	$5,796	$6,658	$18,757	$18,589
Employer Contributions	—	—	196,402	167,302	53,711	53,863
Investment Income	7,758	17,667	80	184	13,947	91,596
Other Income	3	—	2,877	3,216	—	—
Total Additions	**$7,761**	**$17,670**	**$205,155**	**$177,360**	**$86,415**	**$164,048**
DEDUCTIONS						
Retirement Benefits	$7,659	$7,382	$185,428	$185,119	$3,536	$2,236
Refund of Contributions	202	440	17	—	2,604	5,870
Administrative Expenses	347	408	1,163	1,188	725	716
Total Deductions	**$8,208**	**$8,230**	**$186,608**	**$186,307**	**$6,865**	**$8,822**
INCREASE (DECREASE) IN NET ASSETS	**($447)**	**$9,440**	**$18,547**	**($8,947)**	**$79,550**	**$155,226**
NET ASSETS						
Beginning of Year	**$123,476**	**$114,036**	**$54,146**	**$63,093**	**$575,833**	**$420,607**
End of Year	**$123,029**	**$123,476**	**$72,693**	**$54,146**	**$655,383**	**$575,833**

DEFINED CONTRIBUTION PENSION PLANS

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

Plan Net Assets

The SPOFF provides supplemental retirement benefits to eligible safety employees. Net assets held in trust for pension benefits decreased by $26.1 million (5.2 percent) to $473.8 million at June 30, 2012, from $499.9 million at June 30, 2011.

Contributions were $0.2 million for the fiscal year 2011-12, a decrease of $38.9 million (99.5 percent) from the fiscal year 2010-11. The decrease was due to the suspension of contributions by the State of California during the 2010-11 fiscal year. Effective April 1, 2011, the State discontinued contributing on behalf of rank and file, and effective May 2011, the State discontinued contributing on behalf of supervisors, management and exempt positions. Net investment loss was $25.0 thousand for the fiscal year 2011-12, compared to a gain of $88.0 million for the 2010-11 fiscal year.

SPOFF participant withdrawals were $24.6 million for the 2011-12 fiscal year, a decrease of $6.3 million (20.4 percent) from the 2010-11 fiscal year.

Investments

The SPOFF invests mainly in domestic equity and debt securities. Total investments excluding securities lending collateral were $474.9 million at June 30, 2012, which was $25.7 million (5.2 percent) less than the $500.6 million at June 30, 2011.

Investments — SPOFF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$17.9	3.8 %
Domestic Equity	197.9	41.6
International Equity	77.1	16.2
Domestic Debt	126.6	26.7
Inflation Assets	41.2	8.7
Real Assets	14.2	3.0
TOTAL	**$474.9**	**100.0 %**

Public Agency Deferred Compensation Plan (IRC 457)

Plan Net Assets

The CalPERS Board is the trustee for public agency participant assets in the IRC 457 deferred compensation program. Net assets held in trust for participants at June 30, 2012, were $980.4 million, an increase of $33.3 million (3.5 percent), from $947.1 million at June 30, 2011.

Additions to IRC 457 net assets consist of member contributions of $104.3 million in the fiscal year 2011-12, compared to $89.5 million in the 2010-11fiscal year. The member contributions increased as the members elected to contribute more. Net investment income amounted to $4.9 million for the fiscal year 2011-12, compared to $151.9 million for the fiscal year 2010-11. The decrease in net investment income was due to poor global economic growth.

Deductions from the IRC 457 net assets consist primarily of participant withdrawals of $73.0 million in the fiscal year 2011-12, a decrease of $20.8 million (22.2 percent) from $93.8 million at the 2010-11 fiscal year.

Investments

The IRC 457 investments excluding securities lending collateral were $973.3 million at June 30, 2012, which was $29.7 million more than the $943.6 million at June 30, 2011. The IRC 457 investments are participant directed.

In domestic and international equity securities, the IRC 457 held $574.7 million at June 30, 2012, a decrease of $3.0 million from $577.7 million at June 30, 2011.

In domestic debt securities, the IRC 457 held $154.3 million at June 30, 2012, a decrease of $13.1 million from $167.4 at June 30, 2011.

In short-term investments, the IRC 457 held $160.9 million at June 30, 2012, a decrease of $28.7 million from $189.6 million at June 30, 2011.

Investments — IRC 457 (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$160.9	16.5 %
Domestic Equity	479.6	49.3
International Equity	95.1	9.8
Domestic Debt	154.3	15.8
Inflation Assets	73.6	7.6
Real Assets	9.8	1.0
TOTAL	**$973.3**	**100.0 %**

Supplemental Contributions Program Fund (SCPF)

The SCPF was established effective January 1, 2000, to provide supplemental retirement benefits to members of CalPERS and is entirely member funded. Net assets held in trust for participants at June 30, 2012 were $18.6 million, a decrease of $1.1 million from $19.7 million at June 30, 2012.

Contribution revenues were $0.2 million for the 2011-12 fiscal year, a decrease of $0.1 million from the 2010-11 fiscal year. Net investment income was $3.0 thousand for the fiscal year 2011-12, compared to investment income of $3.6 million for the fiscal year 2010-11.

For the fiscal year 2011-12, participant withdrawals were $1.2 million, a decrease of $0.9 million (42.9 percent) from the fiscal year 2010-11.

Investments — SCPF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$1.1	5.9 %
Domestic Equity	7.7	41.2
International Equity	2.7	14.4
Domestic Debt	4.7	25.1
Inflation Assets	2.0	10.7
Real Assets	0.5	2.7
TOTAL	**$18.7**	**100.0 %**

Investments

The SCPF investments excluding securities lending collateral were $18.7 million at June 30, 2012, a decrease of $1.0 million from $19.7 million in total investments at June 30, 2011.

In short-term investments, the SCPF held $1.1 million at June 30, 2012, a decrease of $0.6 million from $1.7 million at fiscal year-end 2010-11.

At June 30, 2012, the SCPF held $10.4 million in domestic and international equity securities, a decrease of $1.2 million from $11.6 million at the fiscal year-end 2010-11.

In domestic debt securities, the SCPF held $4.7 million at June 30, 2012, a decrease of $1.3 million from $6.0 million at the 2010-11 fiscal year-end.

At June 30, 2012, the SCPF held $2.0 million in inflation assets.

In real assets, the SCPF held $0.5 million at fiscal year-end 2011-12, unchanged from fiscal year-end 2010-11.

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

	SPOFF		IRC 457		SCPF	
	2012	2011	2012	2011	2012	2011
ASSETS						
Cash, Cash Equivalents & Receivables	$14	$14	$9,361	$5,752	$15	$16
Investments	474,921	500,608	973,320	943,555	18,616	19,677
Securities Lending Collateral	1,861	—	3,558	—	55	—
Total Assets	**$476,796**	**$500,622**	**$986,239**	**$949,307**	**$18,686**	**$19,693**
LIABILITIES						
Retirement Benefits in Process of Payment, Investment Settlement & Other	$1,192	$749	$2,335	$2,245	$46	$35
Securities Lending Obligations	1,824	—	3,488	—	53	—
Total Liabilities	**$3,016**	**$749**	**$5,823**	**$2,245**	**$99**	**$35**
TOTAL NET ASSETS	**$473,780**	**$499,873**	**$980,416**	**$947,062**	**$18,587**	**$19,658**

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

	SPOFF		IRC 457		SCPF	
	2012	2011	2012	2011	2012	2011
ADDITIONS						
Member Contributions	$69	$0	$104,333	$89,531	$208	$285
Employer Contributions	92	39,066	80	84	—	—
Investment Income (Loss)	(25)	88,035	4,872	151,932	3	3,610
Other Income	—	7	225	214	—	—
Total Additions	**$136**	**$127,108**	**$109,510**	**$241,761**	**$211**	**$3,895**
DEDUCTIONS						
Administrative Expenses	$1,589	$1,839	$3,131	$3,874	$63	$84
Participant Withdrawals	24,640	30,949	73,025	93,844	1,219	2,113
Total Deductions	**$26,229**	**$32,788**	**$76,156**	**$97,718**	**$1,282**	**$2,197**
INCREASE (DECREASE) IN NET ASSETS	**($26,093)**	**$94,320**	**$33,354**	**$144,043**	**($1,071)**	**$1,698**
NET ASSETS						
Beginning of Year	**$499,873**	**$405,553**	**$947,062**	**$803,019**	**$19,658**	**$17,960**
End of Year	**$473,780**	**$499,873**	**$980,416**	**$947,062**	**$18,587**	**$19,658**

OTHER POST-EMPLOYMENT BENEFIT FUND

California Employers' Retiree Benefit Trust Fund (CERBTF)

Plan Net Assets

The CERBTF is a trust for the pre-funding by employers of health, dental, and other non-pension benefits promised to employees when they retire. Net assets held in trust for benefits on June 30, 2012 were $2.1 billion, an increase of $0.2 billion due primarily to employer contributions and an increase of participating employers from 306 in the 2010-11 fiscal year, to 338 (representing 341 OPEB plans) at June 30, 2012.

Additions to the CERBTF net assets held in trust for OPEB benefits include employer contributions, which totaled $771.8 million in the fiscal year 2011-12, an increase of $13.5 million (1.8 percent) compared to $758.3 million in 2010-11, primarily due to the increase in participating employers. During the 2011-12 fiscal year, the fund earned a net investment income of $8.1 million, a decrease of $323.4 million (97.6 percent), compared to $331.5 million in the fiscal year 2010-11, primarily due to lower equity market and fixed income returns.

Deductions for OPEB reimbursements from the CERBTF net assets held in trust for benefits totaled $563.4 million in the 2011-12 fiscal year, an increase of $55.4 million (10.9 percent) from $508.0 million in the fiscal year 2010-11. The increase was due to greater participation in the trust. Deductions for administrative expenses totaled $1.9 million. The amounts reported for contributions and reimbursements include $512.9 million for benefit payments made directly by employers to providers outside of the trust, which are required to be reported in the CERBTF in accordance with Generally Accepted Accounting Principles (GAAP).

At June 30, 2011, the date of the most recent actuarial valuations, the funded status increased to 11.7 percent from 9.0 percent at June 30, 2010. At June 30, 2011, the actuarial accrued liabilities exceeded the actuarial value of assets by approximately $13.7 billion.

Investments

At June 30, 2012, the CERBTF held $52.1 million in short-term investments, a decrease of $25.7 million (33.0 percent) from the $77.8 million at June 30, 2011.

In domestic and international equity securities, the CERBTF held $1,283.6 million at June 30, 2012, an increase of $126.9 million (11.0 percent) from the $1,156.7 million at June 30, 2011.

At June 30, 2012 the CERBTF held $373.3 million in domestic debt securities, a decrease of $83.7 million (18.3 percent) from the $457.0 million at June 30, 2011.

The CERBTF held $191.3 million in inflation assets at June 30, 2012. In the fiscal year 2010-11, the CERBTF did not have any investments in the inflation assets.

The CERBTF held $163.3 million in real asset equities, a decrease of $15.9 million (8.9 percent) from the $179.2 million held at June 30, 2011.

Net Assets — Other Post-Employment Benefit Fund

(Dollars in Thousands)

	CERBTF	
	2012	2011
ASSETS		
Cash, Cash Equivalents & Receivables	$36,368	$16,339
Investments	2,063,613	1,870,578
Securities Lending Collateral	33,601	—
Total Assets	**$2,133,582**	**$1,886,917**
LIABILITIES		
Other Post-Employment Benefits in Process of Payment, Investment Settlement & Other	$22,415	$20,229
Securities Lending Obligations	32,933	—
Total Liabilities	**$55,348**	**$20,229**
TOTAL NET ASSETS	**$2,078,234**	**$1,866,688**

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

	CERBTF 2012	CERBTF 2011
ADDITIONS		
Employer Contributions	$771,750	$758,251
Investment Income	8,066	331,492
Total Additions	**$779,816**	**$1,089,743**
DEDUCTIONS		
Administrative Expenses	$1,910	$2,305
Reimbursements	563,446	507,951
Transfer Out	2,914	—
Total Deductions	**$568,270**	**$510,256**
INCREASE IN NET ASSETS	**$211,546**	**$579,487**
NET ASSETS		
Beginning of Year	**$1,866,688**	**$1,287,201**
End of Year	**$2,078,234**	**$1,866,688**

Investments — CERBTF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$52.1	2.5 %
Domestic Equity	663.8	32.2
International Equity	619.8	30.0
Domestic Debt	373.3	18.1
Inflation Assets	191.3	9.3
Real Assets	163.3	7.9
TOTAL	**$2,063.6**	**100.0 %**

ENTERPRISE FUNDS

Public Employees' Health Care Fund (HCF)

Plan Activity

The HCF accounts for the activities of the CalPERS self-insured health care programs.

The self-insured health care programs incurred claims expenses of $1.8 billion for the 2011-12 fiscal year, an increase of $0.1 billion from the 2010-11 fiscal year. Premium revenues were $1.8 billion for the 2011-12 fiscal year, an increase of $0.1 billion from $1.7 billion or 5.9 percent from the 2010-11 fiscal year. The increase was primarily due to the overall enrollment growth. Net investment income was $33.4 million for the 2011-12 fiscal year, an increase of $11.0 million from $22.4 million or 49.1 percent from the 2010-11 fiscal year. Due to premium revenue increases and decreases in estimated insurance claims, the unrestricted net assets increased by $88.1 million (24.1 percent) to $454.0 million at June 30, 2012.

Investments

Investments of the HCF include liquid, short-term and domestic debt securities. Investments decreased from $614.9 million at June 30, 2011, to $593.9 million at June 30, 2012.

Investments — HCF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Short-Term Investments	$106.6	17.9 %
Domestic Debt	487.3	82.1
TOTAL	**$593.9**	**100.0 %**

Public Employees' Contingency Reserve Fund (CRF)

The CRF was established to fund administrative costs related to the CalPERS health care programs and to provide a contingency reserve for potential increases in future health care premium rates or health care benefit costs. Administrative fees collected and related costs are accounted for in the CRF Proprietary Fund type.

Administrative fees earned by the CRF were $25.4 million for the 2011-12 fiscal year, an increase of 6.7 percent from the 2010-11 fiscal year of $23.8 million. The Administrative fees that are collected are a composite of three items.

- Enrollment, which increased from 1,354,987 Total Covered Lives (TCL) at July 2011 to 1,373,606 TCL at July 2012, an increase of 18,619 TCL per the Thomson Reuters Report titled "CalPERS Health Program Enrollment Report."
- Premium rates, which increased an average of 4.6 percent for basic plans and 0.1 percent for Medicare Plans in 2012.
- Administrative fee rate, which decreased from 0.37 percent in the fiscal year 2010-11 to 0.36 percent in the fiscal year 2011-12.

Net investment income was $0.9 million for the 2011-12 fiscal year, a decrease of $0.1 million from the 2010-11 fiscal year. Unrestricted net assets decreased by $1.7 million (18.3 percent) to $7.6 million at June 30, 2012.

Public agency health payments and remittances to contracted health care providers are reported in the CRF Agency Fund type. Public agencies remitted approximately $2.1 billion for payments to contracted health care providers in the fiscal year 2011-12.

Investments

Investments of the CRF proprietary fund at June 30, 2012 and 2011 included only liquid, short-term securities, as investment balances are used to fund operating cash flows. Investments of the CRF proprietary fund activities decreased $50.3 million from $65.4 million at June 30, 2011, to $15.1 million at June 30, 2012, primarily due to the changes in accounting and reporting for the Federal Government's Retiree Drug Subsidies (RDS) under Medicare Part D Program. The RDS, part of Medicare Part D, is a federal program to subsidize the cost of prescription drugs for Medicare beneficiaries in the United States. During the fiscal year 2010-11, activities related to the RDS were reported within the CRF proprietary fund. However, in the fiscal year 2011-12, the RDS activities were properly reported in the CRF agency fund as CalPERS is required to remit back to the State and public agencies the RDS receipts. The agency fund is used to account for situations in which the government's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments, according to the GASB Statement No.34. Therefore, the RDS's activities are properly reclassified within the agency fund.

Public Employees' Long-Term Care Fund (LTCF)

The LTCF, which provides long-term care insurance to participating members, incurred claim expenses of $174.9 million for the 2011-12 fiscal year, an increase of $18.8 million (12.0 percent) from $156.1 million in the 2010-11 fiscal year, due mainly to an increase in benefit utilization, which is expected as the participant population continues to age. Premium revenues were $313.5 million for the 2011-12 fiscal year, a decrease of $0.6 million from $314.1 million at the 2010-11 fiscal year. Net investment income amounted to $115.8 million for the 2011-12 fiscal year, a decrease of $421.4 from $537.2 at the 2010-11 fiscal year-end. The unrestricted net assets of the Long-Term Care Program decreased by $830.7 million to a deficit of $159.7 million during the 2011-12 fiscal year from $671.0 million in the fiscal year 2010-11. The estimated liability for future policy benefits reflects worse than expected morbidity (i.e. claims), higher than expected persistency, which results in more projected future claims, and lower than expected investment returns. The decrease in unrestricted net assets from the prior year is attributable to the significant increase in the estimated liability for the LTCF mostly caused by the revised discount rate from the 2011 rate of 6.25 percent for projection years 1-10 and 7.60 percent for years 11 and beyond to 2011-12 discount rate of a level 5.75 percent. In addition to this change, the fiscal year 2011-12 low investment returns resulted in lower than expected net assets.

Investments

Total LTCF investments excluding securities lending were $3.5 billion at June 30, 2012, which was $0.2 billion more than the $3.3 billion in total investments at June 30, 2011.

At June 30, 2012, the LTCF held $1.6 billion in domestic and international equity securities, unchanged from the fiscal year-end 2010-11.

In domestic debt securities, the fund held $1.0 billion at June 30, 2012, a decrease of $0.5 billion from $1.5 billion at the 2010-11 fiscal year-end.

At June 30, 2012, the LTCF held $627.9 million in inflation assets. In the fiscal year 2010-11, the LTCF did not hold any investments in the inflation assets.

In real asset investments, the LTCF held $286.4 million at June 30, 2012, an increase of $121.8 million from $164.6 million at the 2010-11 fiscal year-end.

Investments — LTCF (Dollars in Millions)

Investment Class	Amount	Percent of Investments
Domestic Equity	$888.7	25.3 %
International Equity	669.7	19.1
Domestic Debt	1,034.8	29.5
Inflation Assets	627.9	17.9
Real Assets	286.4	8.2
TOTAL	**$3,507.5**	**100.0 %**

Net Assets — Enterprise Funds (Dollars in Thousands)

	HCF		CRF		LTCF	
	2012	2011	2012	2011	2012	2011
ASSETS						
Cash, Cash Equivalents & Receivables	$100,608	$87,170	$2,617	$26,782	$2,848	$1,232
Investments	593,967	614,908	15,148	65,391	3,507,527	3,276,083
Securities Lending Collateral	3,495	—	—	—	42,343	—
Total Assets	**$698,070**	**$702,078**	**$17,765**	**$92,173**	**$3,552,718**	**$3,277,315**
LIABILITIES						
Insurance Premiums & Claims in Process of Payment, Estimated Insurance Claims Due	$223,244	$279,160	$0	$14	$3,652,885	$2,588,189
Securities Lending Obligations	3,425	—	—	—	$41,501	—
Other Liabilities	17,445	57,043	10,169	82,853	18,058	18,143
Total Liabilities	**$244,114**	**$336,203**	**$10,169**	**$82,867**	**$3,712,444**	**$2,606,332**
TOTAL UNRESTRICTED NET ASSETS (DEFICIT)	**$453,956**	**$365,875**	**$7,596**	**$9,306**	**($159,726)**	**$670,983**

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

	HCF		CRF		LTCF	
	2012	2011	2012	2011	2012	2011
REVENUES						
Self-Insurance Premiums	$1,846,210	$1,709,975	$0	$0	$313,466	$314,099
Federal Government Reimbursements	32,710	42,583	—	—	—	—
Non-Operating Income	33,522	22,447	874	993	116,571	537,156
Administrative Fees & Other	—	—	25,490	23,956	—	—
Total Revenues	**$1,912,442**	**$1,775,005**	**$26,364**	**$24,949**	**$430,037**	**$851,255**
EXPENSES						
Claims Expense	$1,765,453	$1,684,028	$0	$0	$174,896	$156,118
Increase (Decrease) in Estimated Liabilities	(37,222)	44,128	—	—	1,063,318	(115,600)
Non-Operating Expenses	87	—	1	—	814	—
Administrative Expenses	96,043	88,391	28,073	27,448	21,718	21,303
Total Expenses	**$1,824,361**	**$1,816,547**	**$28,074**	**$27,448**	**$1,260,746**	**$61,821**
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	**$88,081**	**($41,542)**	**($1,710)**	**($2,499)**	**($830,709)**	**$789,434**
NET ASSETS (DEFICIT)						
Beginning of Year	**$365,875**	**$407,417**	**$9,306**	**$11,805**	**$670,983**	**($118,451)**
End of Year	**$453,956**	**$365,875**	**$7,596**	**$9,306**	**($159,726)**	**$670,983**

REQUESTS FOR INFORMATION

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

FINANCIAL STATEMENTS

Section B2

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Statement of Fiduciary Net Assets – Fiduciary Funds

As of June 30, 2012, with Comparative Totals as of June 30, 2011 (Dollars in Thousands)

	Pension Trust Funds						
	PERF	LRF	JRF	JRF II	SPOFF	IRC 457	SCPF
ASSETS							
Cash & Cash Equivalents	**$876,285**	**$686**	**$0**	**$182**	**$4**	**$288**	**$1**
Receivables							
Member, Public Agencies, State & Schools	$1,789,776	$184	$2,155	$5,704	$3	$3,122	$14
Investment Sales & Other	260,349	7	—	66	6	11	—
Interest & Dividends	154,753	—	24	6	1	—	—
Due from Other Funds	9,132	13	49	34	—	—	—
Due from Federal Government	—	—	—	—	—	—	—
Other Program	25,157	5	252	3	—	5,940	—
Total Receivables	**$2,239,167**	**$209**	**$2,480**	**$5,813**	**$10**	**$9,073**	**$14**
Investments, at Fair Value							
Short-Term Investments:							
Domestic	$4,232,647	$5	$70,796	$6,535	$17,685	$160,618	$1,051
International	217,535	—	—	—	211	284	8
Securities Lending Collateral	9,325,426	4,319	—	40,714	1,861	3,558	55
Equity Securities:							
Domestic	58,904,388	22,432	—	229,948	197,897	479,630	7,732
International	54,710,080	17,228	—	176,595	77,039	95,100	2,693
Debt Securities:							
Domestic	46,497,738	50,715	—	125,773	126,620	154,260	4,692
International	3,432,471	—	—	—	—	—	—
Inflation Assets	7,089,134	21,984	—	57,885	41,243	73,609	1,984
Real Assets	36,593,474	10,022	—	52,189	14,226	9,819	456
Debt on Real Assets	(11,917,617)	—	—	—	—	—	—
Private Equity	34,176,146	—	—	—	—	—	—
Total Investments	**$243,261,422**	**$126,705**	**$70,796**	**$689,639**	**$476,782**	**$976,878**	**$18,671**
Capital Assets, Net & Other Assets	**$715,911**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
TOTAL ASSETS	**$247,092,785**	**$127,600**	**$73,276**	**$695,634**	**$476,796**	**$986,239**	**$18,686**
LIABILITIES							
Retirement & Other Benefits in Process of Payment	$281,571	$164	$0	$0	$0	$0	$0
Due to Health Carriers	—	—	—	—	—	—	—
Investment Purchases & Other	432,834	1	—	13	1	2	—
Due to Member, State & Public Agencies	1,919	—	7	—	—	—	—
Securities Lending Obligation	9,151,585	4,233	—	39,904	1,824	3,488	53
Due to Other Funds	1,368	35	115	147	409	800	16
Management Fees	—	—	—	—	782	1,485	30
Other Program	241,563	138	461	187	—	48	—
TOTAL LIABILITIES	**$10,110,840**	**$4,571**	**$583**	**$40,251**	**$3,016**	**$5,823**	**$99**
NET ASSETS HELD IN TRUST FOR PENSION & OTHER POST-EMPLOYMENT BENEFITS	**$236,981,945**	**$123,029**	**$72,693**	**$655,383**	**$473,780**	**$980,416**	**$18,587**

Statement of Fiduciary Net Assets – Fiduciary Funds (continued)

Post-Employment Health Care Trust Fund	Agency Funds	Totals	
CERBTF	RBF & CRF	2012	2011
$0	**$21,262**	**$898,708**	**$1,021,329**
$36,098	$23,751	$1,860,807	$1,830,217
113	—	260,552	335,881
3	79	154,866	235,891
154	—	9,382	3,924
—	12,633	12,633	24,569
—	—	31,357	37,717
$36,368	**$36,463**	**$2,329,597**	**$2,468,199**
$52,103	$307,480	$4,848,920	$7,916,660
—	—	218,038	614,402
33,601	—	9,409,534	20,420,264
663,809	—	60,505,836	57,852,606
619,745	—	55,698,480	61,279,665
373,287	—	47,333,085	50,126,046
—	—	3,432,471	3,916,972
191,327	—	7,477,166	8,207,498
163,342	—	36,843,528	31,309,635
—	—	(11,917,617)	(11,942,848)
—	—	34,176,146	34,398,914
$2,097,214	**$307,480**	**$248,025,587**	**$264,099,814**
$0	**$0**	**$715,911**	**$691,045**
$2,133,582	**$365,205**	**$251,969,803**	**$268,280,387**
$19,070	$0	$300,805	$1,272,856
—	199,087	199,087	190,330
16	—	432,867	375,137
—	81,326	83,252	73,077
32,933	—	9,234,020	20,264,886
2,475	68,353	73,718	67,606
609	—	2,906	2,976
245	16,439	259,081	184,992
$55,348	**$365,205**	**$10,585,736**	**$22,431,860**
$2,078,234		**$241,384,067**	**$245,848,527**

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

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

For the Fiscal Year Ended June 30, 2012, with Comparative Totals for the Fiscal Year Ended June 30, 2011 (Dollars in Thousands)

	Pension Trust Funds					
	PERF	LRF	JRF	JRF II	SPOFF	IRC 457
ADDITIONS						
Retirement and OPEB Contributions						
Members	$3,598,437	$0	$5,796	$18,757	$69	$104,333
Employers	7,772,913	—	7,820	53,711	92	80
State of California General Fund	—	—	188,582	—	—	—
Employer Contributions Direct — OPEB	—	—	—	—	—	—
Employer Contributions Outside of Trust — OPEB	—	—	—	—	—	—
Total Retirement and OPEB Contributions	**$11,371,350**	**$0**	**$202,198**	**$72,468**	**$161**	**$104,413**
Investment Income (Loss)						
Net (Depreciation) Appreciation in Fair Value of Investments	($1,596,030)	$7,710	$0	$13,449	$735	$5,381
Interest	369,977	—	91	27	3	65
Dividends	1,006,676	—	—	—	—	—
Real Assets	2,117,138	—	—	—	—	—
Private Equity	467,321	—	—	—	—	—
Other Income (Loss)	42,718	3	—	—	1	57
Securities Lending Income	178,288	83	—	677	329	628
Less Investment Expenses:						
Costs of Lending Securities	(27,680)	(15)	—	(110)	(53)	(101)
Real Assets	(2,242,977)	—	—	—	—	—
Other	(518,515)	(20)	(11)	(96)	(1,040)	(1,158)
Net Investment Income (Loss)	**($203,084)**	**$7,761**	**$80**	**$13,947**	**($25)**	**$4,872**
Other Income	**$7,070**	**$0**	**$2,877**	**$0**	**$0**	**$225**
TOTAL ADDITIONS	**$11,175,336**	**$7,761**	**$205,155**	**$86,415**	**$136**	**$109,510**
DEDUCTIONS						
Retirement, Death & Survivor Benefits	$15,356,696	$7,659	$185,428	$3,536	$0	$0
Refund of Contributions	218,082	202	17	2,604	—	—
Administrative Expenses	380,404	347	1,163	725	1,589	3,131
Participant Withdrawals	—	—	—	—	24,640	73,025
OPEB Reimbursements Direct	—	—	—	—	—	—
OPEB Reimbursements — Outside of Trust	—	—	—	—	—	—
OPEB Plan Transfers To External Trusts	—	—	—	—	—	—
TOTAL DEDUCTIONS	**$15,955,182**	**$8,208**	**$186,608**	**$6,865**	**$26,229**	**$76,156**
INCREASE (DECREASE) IN NET ASSETS	**($4,779,846)**	**($447)**	**$18,547**	**$79,550**	**($26,093)**	**$33,354**
Net Assets Held in Trust for Pension and Other Post-Employment Benefits Beginning of Year	**$241,761,791**	**$123,476**	**$54,146**	**$575,833**	**$499,873**	**$947,062**
End of Year	**$236,981,945**	**$123,029**	**$72,693**	**$655,383**	**$473,780**	**$980,416**

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

	Post-Employment Health Care Trust Fund	Totals	
SCPF	CERBTF	2012	2011
$208	$0	$3,727,600	$3,715,155
—	—	7,834,616	7,566,730
—	—	188,582	158,982
—	258,896	258,896	283,807
—	512,854	512,854	474,444
$208	**$771,750**	**$12,522,548**	**$12,199,118**
$29	$7,412	($1,561,314)	$41,980,527
—	43	370,206	414,624
—	—	1,006,676	1,427,046
—	—	2,117,138	2,525,738
—	—	467,321	652,157
—	—	42,779	(22,868)
10	1,168	181,183	127,994
(1)	(175)	(28,135)	(44,631)
—	—	(2,242,977)	(1,893,044)
(35)	(382)	(521,257)	(578,602)
$3	**$8,066**	**($168,380)**	**$44,588,941**
$0	**$0**	**$10,172**	**$6,448**
$211	**$779,816**	**$12,364,340**	**$56,794,507**
$0	$0	$15,553,319	$14,436,995
—	—	220,905	233,478
63	1,910	389,332	368,193
1,219	—	98,884	126,906
—	50,592	50,592	33,507
—	512,854	512,854	474,444
—	2,914	2,914	—
$1,282	**$568,270**	**$16,828,800**	**$15,673,523**
($1,071)	**$211,546**	**($4,464,460)**	**$41,120,984**
$19,658	**$1,866,688**	**$245,848,527**	**$204,727,543**
$18,587	**$2,078,234**	**$241,384,067**	**$245,848,527**

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

Statement of Net Assets – Proprietary Funds

As of June 30, 2012, with Comparative Totals as of June 30, 2011 (Dollars in Thousands)

	Enterprise Funds			Totals	
	HCF	CRF	LTCF	2012	2011
ASSETS					
Current Assets					
Cash & Cash Equivalents	$24	$0	$2,194	$2,218	$1,085
Receivables					
Member, Public Agencies, State & School	$31,631	$789	$524	$32,944	$21,278
Interest & Dividends	149	215	—	364	480
Due from Other Funds	68,782	406	—	69,188	66,598
Investment Sales and Other	4	—	130	134	—
Other	18	1,207	—	1,225	400
Total Receivables	**$100,584**	**$2,617**	**$654**	**$103,855**	**$88,756**
Investments, at Fair Value					
Short-Term Investments:					
Domestic	$106,634	$15,148	$27	$121,809	$175,918
Securities Lending Collateral	3,495	—	42,343	45,838	—
Equity Securities:					
Domestic	—	—	888,734	888,734	959,029
International	—	—	669,676	669,676	632,474
Debt Securities:					
Domestic	487,333	—	1,034,783	1,522,116	1,746,410
Inflation Assets	—	—	627,871	627,871	227,996
Real Assets	—	—	286,436	286,436	164,631
Total Investments	**$597,462**	**$15,148**	**$3,549,870**	**$4,162,480**	**$3,906,458**
TOTAL ASSETS	**$698,070**	**$17,765**	**$3,552,718**	**$4,268,553**	**$3,996,299**
LIABILITIES					
Current Liabilities					
Insurance Premiums & Claims in Process of Payment	$24,143	$0	$13,567	$37,710	$55,027
Estimated Insurance Claims Due	199,101	—	198,725	397,826	422,058
Securities Lending Obligation	3,425	—	41,501	44,926	—
Due to Other Funds	1,697	1,353	1,802	4,852	2,916
Investment Purchases and Other	1	—	19	20	—
Other	11,205	—	16,237	27,442	69,727
Total Current Liabilities	**$239,572**	**$1,353**	**$271,851**	**$512,776**	**$549,728**
Long-Term Liabilities					
Estimated Liability for Future Policy Benefits	$0	$0	$3,440,593	$3,440,593	$2,390,264
OPEB Obligation	4,542	8,816	—	13,358	10,143
Total Long-Term Liabilities	**$4,542**	**$8,816**	**$3,440,593**	**$3,453,951**	**$2,400,407**
TOTAL LIABILITIES	**$244,114**	**$10,169**	**$3,712,444**	**$3,966,727**	**$2,950,135**
TOTAL UNRESTRICTED NET ASSETS (DEFICIT)	**$453,956**	**$7,596**	**($159,726)**	**$301,826**	**$1,046,164**

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

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

For the Fiscal Year Ended June 30, 2012, with Comparative Totals for the Fiscal Year Ended June 30, 2011 (Dollars in Thousands)

	Enterprise Funds			Totals	
	HCF	CRF	LTCF	2012	2011
Operating Revenues					
Self-Insurance Premiums	$1,846,210	$0	$313,466	$2,159,676	$2,024,074
Federal Government Reimbursements	32,710	—	—	32,710	42,583
Administrative Fees Earned	—	25,390	—	25,390	23,848
Other	—	100	—	100	108
Total Operating Revenues	**$1,878,920**	**$25,490**	**$313,466**	**$2,217,876**	**$2,090,613**
Operating Expenses					
Claims Expense	$1,765,453	$0	$174,896	$1,940,349	$1,840,147
Increase (Decrease) in Estimated Liabilities	(37,222)	—	1,063,318	1,026,096	(71,473)
Administrative Expenses	96,043	28,073	21,718	145,834	137,142
Total Operating Expenses	**$1,824,274**	**$28,073**	**$1,259,932**	**$3,112,279**	**$1,905,816**
OPERATING INCOME (LOSS)	**$54,646**	**($2,583)**	**($946,466)**	**($894,403)**	**$184,797**
Non-Operating Revenues					
Net Appreciation in Fair Value of Investments	$32,896	$0	$114,911	$147,807	$558,768
Interest, Dividends, & Other Investment Income	572	874	36	1,482	1,828
Securities Lending Income	54	—	1,624	1,678	—
Total Non-Operating Revenues	**$33,522**	**$874**	**$116,571**	**$150,967**	**$560,596**
Non-Operating Expenses					
Costs of Lending Securities	$12	$0	$274	$286	$0
Other Investment Expenses	75	1	540	616	—
Total Non-Operating Expenses	**$87**	**$1**	**$814**	**$902**	**$0**
NON-OPERATING INCOME	**$33,435**	**$873**	**$115,757**	**$150,065**	**$560,596**
CHANGE IN UNRESTRICTED NET ASSETS (DEFICIT)	**$88,081**	**($1,710)**	**($830,709)**	**($744,338)**	**$745,393**
TOTAL UNRESTRICTED NET ASSETS (DEFICIT)					
Beginning of Year	**$365,875**	**$9,306**	**$670,983**	**$1,046,164**	**$300,771**
End of Year	**$453,956**	**$7,596**	**($159,726)**	**$301,826**	**$1,046,164**

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

Statement of Cash Flows – Proprietary Funds

For the Fiscal Year Ended June 30, 2012, with Comparative Totals for the Fiscal Year Ended June 30, 2011 (Dollars in Thousands)

	Enterprise Funds			Totals	
	HCF	CRF	LTCF	2012	2011
Cash Flows From Operating Activities					
Self-Insurance Premiums Collected	$1,834,549	$0	$313,471	$2,148,020	$2,066,002
Federal Government Reimbursements	32,710	—	—	32,710	42,583
Claims Paid	(1,784,147)	—	(173,518)	(1,957,665)	(1,832,621)
Other (Payments) Receipts, Net	(137,843)	(1,238)	(21,822)	(160,903)	(128,239)
Net Cash Provided by (Used for) Operating Activities	**($54,731)**	**($1,238)**	**$118,131**	**$62,162**	**$147,725**
Cash Flows From Investing Activities					
Net Purchases of Investments	$31	$0	($116,515)	($116,484)	($129,444)
Net Change in Short-Term Investments	53,806	318	(17)	54,107	(19,435)
Net Proceeds from Securities Lending	(32)	—	397	365	—
Interest & Dividends Received	642	921	36	1,599	1,929
Other (Payments) Receipts, Net	(75)	(1)	(540)	(616)	—
Net Cash Provided by (Used for) Investing Activities	**$54,372**	**$1,238**	**($116,639)**	**($61,029)**	**($146,950)**
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	**($359)**	**$0**	**$1,492**	**$1,133**	**$775**
Cash & Cash Equivalents, Beginning of Year	**$383**	**$0**	**$702**	**$1,085**	**$310**
Cash & Cash Equivalents, End of Year	**$24**	**$0**	**$2,194**	**$2,218**	**$1,085**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	$54,646	($2,583)	($946,466)	($894,403)	$184,797
Changes in Assets & Liabilities:					
Receivables:					
Member, Public Agencies, State & Schools	(11,661)	(11)	5	(11,667)	42,481
Due from Other Funds	(2,183)	(406)	—	(2,589)	(2,587)
Due from Federal Government	—	—	—	—	12,387
Other	(18)	(807)	—	(825)	26
Insurance Premiums & Claims in Process of Payment	(18,694)	—	1,378	(17,316)	7,454
Estimated Insurance Claims Due	(37,222)	—	12,989	(24,233)	229,863
Estimated Liability for Future Policy Benefits	—	—	1,050,329	1,050,329	(301,336)
Due to Other Funds	862	445	629	1,936	(2,136)
Loans Payable — TALF	—	—	—	—	(11,352)
Due to Member, State & Public Agencies	—	—	—	—	(323)
Other	(40,461)	2,124	(733)	(39,070)	(11,549)
Net Cash Provided by (Used for) Operating Activities	**($54,731)**	**($1,238)**	**$118,131**	**$62,162**	**$147,725**
Noncash Investing, Capital & Financing Activities					
Noncash Change in Fair Value of Investments	$32,896	$0	($63,782)	($30,886)	$541,960

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting & Basis of Presentation

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

The accounts of CalPERS are organized and operated on the basis of funds. CalPERS Board of Administration (Board) owes fiduciary duties for the investments within both the Fiduciary and Proprietary Funds. CalPERS has the following fund types at June 30, 2012:

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

Proprietary funds — including enterprise funds, the Public Employees' Health Care Fund (HCF), the Public Employees' Contingency Reserve Proprietary Fund (CRF), and the Public Employees' Long-Term Care Fund (LTCF) are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. CalPERS applies all applicable GASB pronouncements in accounting and reporting for its proprietary operations, and follows Financial Accounting Standards Board (FASB) pronouncements issued prior to December 1, 1989, insofar as those standards do not conflict with or contradict guidance of the GASB. CalPERS has elected not to follow FASB pronouncements issued after November 30, 1989. Operating revenues and expenses are distinguished from non-operating items and generally result from providing services in connection with ongoing operations. The principal operating revenues of the HCF, CRF, and LTCF are derived from self-insurance premiums and administrative services fees. Operating expenses include the cost of claims and related administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Reporting Entity

The basic financial statements of CalPERS include fund financial statements reporting the financial activities of all of the above funds and assets under trust. The Board has plenary authority and fiduciary responsibility for the investment of monies and the administration of the System pursuant to the State Constitution, Article XVI, Section 17. CalPERS is a unit of the State of California State and Consumer Services Agency. As such, CalPERS is classified as a component unit of the State of California for financial reporting purposes, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 39. CalPERS financial statements are included in fiduciary and proprietary funds in the State of California Comprehensive Annual Financial Report.

Investments

The majority of the investments held at June 30, 2012, are in the custody of or controlled by State Street Bank, CalPERS master custodian. State statutes and Board policies allow investments consisting of government, corporate and international debt, domestic and international equities, mutual funds, private equity, real assets, inflation assets, and other investments.

Investments are reported at fair value. The diversity of the investment types in which CalPERS invests requires a wide range of techniques to determine fair value. CalPERS has established internal unitized investment pools whereby multiple funds (e.g., PERF, LRF, JRF II, CERBTF, etc.) can participate in the unitized pools. These internal investment pools are valued at net asset value (NAV), which includes investment receivables, payables, interest, and dividend income. For financial reporting purposes, in accordance with GASB Statement No. 31, each fund participating in the unitized pool reports the fund's pro rata share of participation in the pool. As such, certain funds with 100 percent of their investments invested in the unitized pools do not report interest and dividends income on the statement of changes in fiduciary net assets or the statement of revenues, expenses and changes in net assets because they are included in the calculation of the unit price of the unitized pools and ultimately flow through the net appreciation and depreciation of fair value of investments. Due to the short-term nature of investments held by the JRF and CRF, proprietary fund, there was no net appreciation in the fair value of investments in fiscal year 2011-12. The determination of realized gains and losses is independent of the calculation of the change in the fair value of investments.

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

There are certain market risks, including interest, credit, foreign currency exchange and concentration risk, which may subject the System to economic changes occurring in certain industries, sectors, or geographies.

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

Short Term

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

Debt Securities

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

Equities

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

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

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

Private Equity

CalPERS has invested as a limited partner in various funds, which employ specific strategies. The most common investment strategies for these funds include leveraged buyouts, credit related, expansion capital, venture capital and opportunistic capital. The strategies of all such funds are long-term and illiquid in nature. As a result, the ability of limited partners to exit a partnership investment prior to its dissolution is limited. Private equity partnerships are valued using their respective NAV, and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are valued by the general partners on a quarterly or semi-annual basis, in conjunction with management and investment advisors, and in consultation with valuation specialists. The management assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment. During fiscal year 2011-12, certain private equity partners issued initial public offerings and became public companies. CalPERS received public stock shares in exchange for its partnership interest. As of June 30, 2012, these public investments continued to be managed under the private equity program and such investments were reported as private equity in the statement of fiduciary net assets.

Private equity investment income includes interest, dividends and other income. Items classified as other income are typically distributions paid to CalPERS as the general partner is able to either exit or partially realize its investment (often through a sale) in the portfolio companies.

Real Assets

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

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

On July 1, 2011, infrastructure and forestland investments (formerly inflation linked asset class) became a part of real assets, which are valued in the same manner as described in private equity section. These investments play a strategic role within the total fund by providing steady returns and cash yields, defensive growth, inflation protection and diversification benefits.

Inflation Assets

In December 2007, the Board approved an investment asset allocation that included a five percent allocation in an inflation linked asset class (ILAC). The ILAC included commodities, inflation-linked bonds, infrastructure, and forestland. In May 2011, the Board approved the inflation assets program to be comprised of commodities and inflation-linked bonds. As mentioned in the real assets note, the infrastructure and forestland investments were reported as real assets as of July 1, 2011. The commodities and inflation-linked bond investments are valued based on quoted market prices.

Investment Expenses

Investment expenses presented within the statement of changes in fiduciary net assets and the statement of revenues, expenses and changes in net assets, include expenses arising from the security lending program, the allocation of consolidated costs arising from the underlying real asset partnership investments and other expenses incurred to the manage the comprehensive investment portfolio. These portfolio expenses include management and performance fees, portfolio management services and subscriptions, audit, consulting, legal, dividend tax and other miscellaneous fees. All of these fees are disclosed in the supplementary schedules.

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

The Investment Expenses do not include fees and costs for the private equity and absolute return strategy (ARS) programs, nor does it contain the commissions and fees paid to transact public securities. Partnership management fees for the private equity program are drawn from the committed capital and reported as an increase in the cost basis. ARS program investments may include investments in equity, fixed income, commodities, currencies, and other investments. The investment fees and costs are presented, for information, within the Investment Section of the System's Comprehensive Annual Financial Report in the following schedules: schedule of fees and costs for private equity partners, schedule of fees and costs for absolute return strategies program and the schedule of commissions and fees. These costs are captured within the respective net asset values as reported in the statement of net assets for fiduciary and proprietary funds.

Capital Assets

Capital assets are defined by CalPERS as assets with an initial individual cost of $5,000 or more, or $1 million or more for intangible assets, and an estimated useful life in excess of one year. Capital assets held by the PERF, consisting of buildings, furniture, equipment, and intangible assets are recorded at cost or, if donated, at their estimated fair value at the date of donation. Capital assets are depreciated over their estimated useful lives, ranging from one to five years for furniture and equipment, 40 years for buildings, and determined on an asset by asset basis for intangible assets, using the straight-line method of depreciation. Capital assets totaled $715.9 million, net of accumulated depreciation of $148.8 million at June 30, 2012.

Use of Estimates in the Preparation of Financial Statements

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

Reclassifications

Certain reclassifications have been made to the comparative totals as of and for the year ended June 30, 2011, to conform to the presentation as of June 30, 2012.

Comparative Totals

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CalPERS financial statements for the year ended June 30, 2011, from which the summarized information was derived.

2. GENERAL DESCRIPTION OF THE PLANS

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

At June 30, 2012, the Board administers a total of 13 funds, including four defined benefit retirement plans: the PERF, LRF, JRF, and the JRF II; three defined contribution retirement plans: the SPOFF, IRC 457, and the SCPF; one defined benefit post-employment health care plan, the CERBTF; one health care plan: the HCF; and four other plans: the LTCF, the CRF Proprietary Fund, the CRF Agency Fund, and RBF.

Defined Benefit Plans

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

At June 30, 2012, the State of California and 1,576 public agencies and schools (representing more than 2,500 entities) contribute to the PERF, JRF, and JRF II, which are agent multiple employer and cost-sharing defined benefit pension plans. CalPERS acts as the common investment and administrative agent for the member agencies, including schools (for classified employees). The LRF is a single-employer defined benefit pension plan for the State of California.

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

As of June 30, 2012, the number of affiliated employers for the PERF, LRF, JRF, and JRF II are as follows:

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

	2012
PERF	
State	1
School	61
Public Agencies	1,515
Total PERF	**1,577**
LRF	**1**
JRF	**59**
JRF II	**59**

As of June 30, 2012, benefit recipients and members in the PERF, LRF, JRF and JRF II consisted of the following:

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

Fund	Retirees	Survivors & Beneficiaries	Members Active	Members Inactive	TOTAL
PERF					
State	169,657	26,567	244,171	91,428	531,823
School	156,464	20,737	302,422	125,695	605,318
Public Agencies	151,607	18,690	239,993	98,731	509,021
Total PERF	**477,728**	**65,994**	**786,586**	**315,854**	**1,646,162**
LRF	**120**	**123**	**14**	**17**	**274**
JRF	**1,256**	**628**	**400**	**31**	**2,315**
JRF II	**29**	**8**	**1,272**	**—**	**1,309**
TOTAL	**479,133**	**66,753**	**788,272**	**315,902**	**1,650,060**

The membership consists of the following categories:

PERF

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

LRF

- State Legislators
- Constitutional Officers
- Legislative Statutory Officers

JRF

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

JRF II

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

Financing

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

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from $0 to $863 monthly. For the fiscal year ended June 30, 2012, the required contribution rates for active plan members are as follows:

Required Contribution Rates for Active Plan Members

	Required Contribution Rates
PERF	
State Employees:	
Miscellaneous & Industrial	5% to 11%
Miscellaneous & Industrial — Second Tier	0%
Safety	9% to 11%
Peace Officers & Firefighters	8%, 10% or 11%
California Highway Patrol	10%
Classified School Employees	7%
Public Agency Employees	2% to 9%
LRF	0%
JRF	8%
JRF II	8%

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

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

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

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

Due to the effects of Proposition 140, there are two legislators eligible to participate in the Legislators' Retirement Fund. The only active members in the fund are Constitutional Officers (including the Insurance Commissioner and members of the Board of Equalization) and Legislative Statutory Officers.

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

Termination

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

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

OASI

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

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

CERBTF

The California Employers' Retiree Benefit Trust Fund (CERBTF) was established by Chapter 331 of the 1988 Statutes and initially funded in 2007. At June 30, 2012, 338 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 employers' own funding schedule, and there are no long-term contracts for contributions to the plan. The CERBTF is an agent multiple-employer plan as defined in GASB Statement No. 43 with pooled administrative and investment functions.

Participating employers may receive disbursements from the fund not to exceed the annual premium and other costs of eligible post-employment benefits. If the employer's participation in the fund terminates, all assets in the employer's prefunding account shall remain in the fund except as otherwise provided. Allowable termination disbursements are to a trustee or as a trustee transfer of assets upon satisfactorily demonstrating to the Board the transfer will satisfy applicable requirements of the Internal Revenue Code and the Board's fiduciary duties, or the employer substantiates to the Board that all of the employer's obligations for the payment of post-employment benefits have been satisfied. At June 30, 2012, there were 116,452 active or inactive members and 50,253 retirees for the miscellaneous plan and 29,414 active or inactive members and 19,993 retirees for the safety plan.

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

Defined Contribution Plans

SPOFF

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

SPOFF is administered by CalPERS and a third-party administrator, ING, who provides record keeping and plan administration services. Contributions to the plan are funded entirely by the employer. Contribution requirements are established and may be amended through a Memorandum of Understanding from the State of California Department of Personnel Administration. Effective April 2011, the State suspended contributing on behalf of rank and file positions; and effective May 2011, the State suspended contributing on behalf of supervisors, management, and exempt positions. As of June 30, 2012, the duration of the suspension is unknown.

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

At June 30, 2012, there were 37,833 active and inactive participants.

IRC 457

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

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

Members may contribute up to the limit established under the Internal Revenue Code and are allowed to change their contribution amount, transfer account balances among 26 investment options, or change the contribution percentages designated to each option on a daily basis.

The 26 investment options are:

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

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

At June 30, 2012, there were 25,590 active and inactive participants with account balances.

SCPF

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

Currently, the Plan is available only to State of California employees who are members of CalPERS. The program is entirely member-funded and participation is voluntary. Participant contributions are made on an after-tax basis and are separate from defined benefit contributions. Participants may contribute to a deferred compensation plan in conjunction with SCP, subject to Internal Revenue Code Section 415(c) limits. The 26 investment options available in SCP are:

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

Distributions are allowed only at retirement or permanent separation from employment. The Board has authorization under the Government Code of the State of California to establish plan provisions. At June 30, 2012, there were 592 active and inactive participants in the program.

RBF

The Replacement Benefit Fund (RBF) was established as a custodial fund by Chapter 938 of the 1995 Statutes and initially funded in 1998 to provide benefits to members of the PERF whose retirement benefit exceeds Internal Revenue Code Section 415(b) limits. IRC Section 415(b) imposes a dollar limit on the annual retirement benefits an individual may receive from a qualified defined benefit pension plan.

The RBF is funded on a “pay-as-you-go” basis. That is, money collected from an employer during any calendar year must be paid to the retiree during that same year. Employer contributions must be in amounts “equivalent to” the benefits not paid as a result of the limitations of IRC Section 415(b). CalPERS calculates the member’s retirement allowance based on the member’s choice of retirement option. CalPERS also is responsible for calculating the applicable dollar limit under IRC Section 415(b), and setting the employer rates. At June 30, 2012, there were 333 retirees receiving replacement benefits.

HCF

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

The Plans rely on operating cash flows and investment income to fund health benefit payments. During the 2011-12 fiscal year, the Board increased member premiums to mitigate the impact of increasing costs associated with enrollment growth, increases in provider pricing, and increased benefit utilization. Management believes that the current sources of funding will be adequate to provide for benefits of the Plans.

Public agencies participating in the Plans are required to make monthly premium payments based on rates established annually by CalPERS. Employers’ share 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. The prepaid premiums are included as other liability in the Statement of Net Assets – Proprietary Funds. The HCF received Early Retiree Reinsurance Program (ERRP) revenues through the federal government’s Affordable Care Act. The purpose of ERRP is to generate cost savings so that employers can maintain health care coverage for early retirees age 55 and older who are not yet eligible for Medicare. CalPERS has achieved this purpose by utilizing the ERRP revenues to reduce health care insurance premiums. The ERRP revenues are reported as Federal Government Reimbursements in the statement of revenues, expenses and changes in net assets.

CRF

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

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

PEMHCA establishes eligibility rules for the following:

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

Administrative costs include direct costs of the program and a proportionate share of indirect costs allocated to the CRF enterprise fund by the PERF. The administrative fee is determined as a percentage of insurance premiums paid by the employers. The percentage of the insurance premiums paid for the year ended June 30, 2012, was 0.36. Administrative rates are reviewed annually and are adjusted, if needed, to cover budgeted administrative costs.

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

At June 30, 2012, 1,214 entities participated in health insurance coverage under PEMHCA.

LTCF

The Public Employees' Long-Term Care Fund (LTCF) began providing self-insured long-term care plans in 1995. The LTCF operates by providing long-term care coverage to enrolled members under the Public Employees' Long-Term Care Act (PERL, Chapter 15). The fund contracts with a "third party" service provider to administer the program. The LTCF is a member-paid program and is not funded or subsidized by the employers. Premium rates are recommended to the Board by an independent third-party program actuary and are set by the Board. Prospective enrollees apply directly to the program for long-term care coverage.

As of June 30, 2012, there are 150,333 enrollees, of which 5,350 are receiving benefits. CalPERS closed the LTCF to new enrollment effective August 19, 2008, due in large part to the financial condition of the fund.

The estimated liability for future policy benefits reflects worse than expected morbidity (i.e. claims), higher than expected persistency, which results in more projected future claims, and lower than expected investment returns.

3. CASH & CASH EQUIVALENTS

Cash and cash equivalents of approximately $0.9 billion at June 30, 2012 represent amounts held in the CalPERS general operating accounts with the State Treasury. The underlying investments are not individually identifiable by fund, as CalPERS monies are pooled with the monies of other State agencies and invested by the State Treasurer's Office.

4. INVESTMENTS

For the year ended June 30, 2012, State Street Bank & Trust Company was the master custodian for significantly all public market securities; however, certain securities are held by private equity, absolute return strategies and corporate governance partners. Real estate deeds of trust are held in the name of Limited Liability Corporations and Partnerships. The investments held by the LRF, JRF II, SPOFF, SCPF, CERBTF, IRC 457, HCF, LTCF and a portion of the PERF investments are co-invested and held in internally managed unitized investment pools. The investments are held in domestic and international equity pools, and debt securities pools. The PERF, LRF, JRF, JRF II, CERBTF, HCF, and LTCF have a different asset allocation based on Board-approved policy and their unitized investment pools are separate from the SPOFF, SCPF and IRC 457. The investments of the SCPF and IRC 457 are participant directed within the investment options listed in Note 2.

Securities Lending

The State Constitution and the Board policies permit CalPERS investments to enter into securities lending transactions, collateralized loans of securities to broker-dealers and other entities with a simultaneous agreement to return collateral for the same securities in the future. CalPERS has contracted with eSecLending LLC (eSec) and State Street Bank & Trust (SSB), as third-party securities lending agents to loan domestic and international equity and debt securities. CalPERS receives both cash and non-cash (i.e., securities) collateral. Domestic and international securities are collateralized for cash at 102 percent and 105 percent, respectively, of the loaned securities market value. CalPERS cannot pledge or sell the collateral security without the borrower defaults, as such, the collateral security or non-cash collateral is not reported in CalPERS' financial statements in accordance with GASB Statement No. 28. Management believes CalPERS has minimized credit risk exposure to borrowers by requiring the borrower to provide collateralization greater than 100 percent of the market value of the securities loaned. The securities loaned are priced daily by third party sources and margins are paid/received daily to maintain over collateralized levels. In the event that a borrower defaults while the securities are on loan, the lending agents are required to indemnify CalPERS for the loss. Securities on loan can be recalled on demand by CalPERS or the borrower can return the loaned securities at anytime. CalPERS may enter into term loan agreements, which are evaluated on an individual basis. On June 30, 2012, the fair value of the securities on loan was approximately $9.2 billion. The securities on loan remain on CalPERS statement of fiduciary net assets and the statement of net assets in their respective investment categories. At June 30, 2012, cash collateral received totaling $9.3 billion is reported as security lending obligation, and the fair value of re-invested cash collateral totaling $9.5 billion is reported as security lending collateral on the statement of fiduciary net assets and the statement of net assets. The changes in fair value of the re-invested cash collateral are reported as net appreciation/depreciation in fair value of investments on the statement of changes in fiduciary net assets and the statement of revenues, expenses and changes in net assets.

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

CalPERS securities lending reinvestment collateral guidelines prescribe that cash collateral received needs to be invested in short-term, high-credit quality securities. Currently, SSB, eSec, and CalPERS manage the collateral. For the year ended June 30, 2012, the collateral invested in CalPERS High Quality Libor, CalPERS Short Duration, CalPERS Sec Lending Collateral Re-invest and CalPERS Internal short-term pools had weighted average maturity (to final maturity) of 1,381; 2,115; 1,911 and 9 days, respectively, and durations of 29, 0, 25 and 7 days, respectively. SSB and eSec had weighted average maturity (to final maturity) of 26 and 522 days, respectively.

The weighted average maturity (to final maturity) in the eSec collateral pool is attributed to two Structured Investment Vehicles (SIVs) within the pool. The SIVs were purchased as Medium-Term Notes between April 2006 and March 2007 (with April 2009 and March 2010 maturity dates) and at the time of purchase met all Cash Collateral Re-investment Policy guidelines. In 2007 and 2008, both SIVs went into enforcement, defaulted and eventually re-structured. The weighted average maturity (to final maturity) on the underlying collateral is substantially longer than the original Medium-Term Notes and is considered long-term.

Investment Risk Disclosures

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

In accordance with GASB Statement No. 40, CalPERS discloses investments of all CalPERS managed funds that are subject to certain risks: custodial credit risk, concentration of credit risk, interest rate risk, credit risk and foreign currency risk. On the following pages, investment risk schedules disclose CalPERS investments subject to certain types of risk, pursuant to GASB Statement No. 40. Each schedule discloses investments of all funds managed by CalPERS subject to each type of 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, 2012, a portion of the System's investments, other than posted collateral for Futures and Over The Counter (OTC) instruments, are held in the System's name and are not exposed to custodial credit risk. There are no general policies relating to the custodial credit risk.

Concentration of Credit Risk

CalPERS does not have investments in any one issuer, which represent five percent or more of total net assets and net investments for the defined benefit plans in accordance with GASB No. 25 and GASB No. 40, respectively.

Interest Rate Risk

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

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

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System's investment policies establish general as well as specific risk measures for the fixed income portfolio. From the most general perspective, 88 percent of the total fixed income portfolio must be invested in investment-grade securities.

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

Foreign Currency Risk

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

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

Debt Security Type	Portfolio Weighted Average Effective Duration (Years)	Fair Value June 30, 2012	Percent of Debt Securities
U.S. Treasuries & Agencies	8.56	$23,068,378	40.8 %
Mortgages	3.13	12,651,448	22.4
Corporate	9.59	10,895,969	19.3
International	9.19	5,092,018	9.0
Asset Backed	8.57	727,772	1.3
Commingled	19.49	81,925	0.2
Municipal	11.28	40,489	0.1
SWAPS	16.54	26,101	0.1
Private Placement	3.44	7,466	0.0
No Effective Duration:			
Asset Backed	N/A	2,502,205	4.4
Commingled	N/A	863,025	1.5
Corporate	N/A	107,997	0.2
International	N/A	247,446	0.4
Mortgages	N/A	178,498	0.3
SWAPS	N/A	21,578	0.0
U.S. Treasuries & Agencies	N/A	3,950	0.0
Municipal	N/A	1,353	0.0
TOTAL [1]		**$56,517,618**	**100.0 %**

Note:

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

CalPERS invested in the State Treasury pool and State Street Bank Global Advisors' (SSgA) short-term investment fund. These investments are included as part of the short-term investment in the financial statements. At June 30, 2012, the pooled money investment account with the State Treasury totaled approximately $1.2 billion and the short-term investment fund with SSgA totaled approximately $6.9 billion. As of June 30, 2012, the weighted average maturity is 270 days for the State Treasury pool and 39 days for the SSgA short-term investment fund.

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

Security Type	Portfolio Weighted Average Effective Duration (Years)	Fair Value June 30, 2012	Percent of Securities Lending Collateral
Asset Backed Securities	0.07	$1,821,381	44.6 %
No Effective Duration:			
Floating Rate CMBS	N/A	112,692	2.8
Structured Investment Vehicles [1]	N/A	205,543	5.0
Cash	N/A	418,987	10.3
Money Market Fund [2]	N/A	1,520,680	37.3
TOTAL [3]		**$4,079,283**	**100.0 %**

Notes:

1 Structured Investment Vehicles have a weighted average maturity (to final maturity) of 516 days.

2 Of the Money Market Fund total, $160,916 is invested in a SEC registered 2(a)-7 Money Market Fund with a weighted average maturity of 26 days. An additional $987,689 has a weighted average maturity (to final maturity) of 0.51 day.

3 This figure does not include $5,376,089 in repurchase agreements since they are not subject to GASB Statement No. 40 disclosure. The fair value of the investments in the securities lending collateral portfolio is $9,455,372 for both fiduciary and proprietary fund types.

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

Moody's Quality Rating	Fair Value	Fair Value as a Percent of Securities Lending Collateral
Aaa	$2,854,488	70.0 %
Aa1	905	0.0
Aa3	66,368	1.6
NR [1,2]	1,157,522	28.4
TOTAL [3]	**$4,079,283**	**100.0 %**

Notes:

1 NR represents those securities that are not rated.

2 This figure includes the $160,916 invested in a SEC registered 2(a)-7 Money Market Fund.

3 This figure does not include $5,376,089 in repurchase agreements since they are not subject to GASB Statement No. 40 disclosure. The fair value of the investments in the securities lending collateral portfolio is $9,455,372 for both fiduciary and proprietary fund types.

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

Moody's Quality Rating	Fair Value	Fair Value as a Percent of Debt Security Investments
Aaa	$17,599,599	31.1 %
Aa1	16,062	0.0
Aa2	646,017	1.2
Aa3	1,283,548	2.3
A1	606,744	1.1
A2	803,363	1.4
A3	1,676,452	3.0
Baa1	1,905,789	3.4
Baa2	2,960,525	5.2
Baa3	1,996,145	3.5
Ba1	572,185	1.0
Ba2	77,690	0.1
Ba3	168,025	0.3
B1	129,584	0.2
B2	146,590	0.3
B3	184,386	0.3
Caa	79,382	0.1
Caa1	192,808	0.4
Caa3	59,996	0.1
Ca	27,597	0.1
C	4,645	0.0
NA [1]	21,897,056	38.7
NR [2]	3,483,430	6.2
TOTAL [3]	**$56,517,618**	**100.0 %**

Notes:

1 NA represents those securities that are not applicable to the GASB No. 40 disclosure requirements.

2 NR represents those securities that are not rated.

3 This table represents the fair value of investments in the fixed income portfolios. The debt securities investments in the statement of fiduciary net assets and the statement of proprietary net assets 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 invested in the State Treasury pool and State Street Bank Global Advisors' (SSgA) short-term investment fund. These investments are included as part of the short-term investments in the financial statements.

At June 30, 2012, the pooled money investment account with the State Treasury totaled approximately $1.2 billion and the short-term investment fund with SSgA totaled approximately $6.9 billion. These investment pools are not rated.

Derivatives

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

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

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

CalPERS – Derivative Instruments Summary (Dollars in Thousands)

Investment	Net Appreciation/ (Depreciation) in Fair Value For the Fiscal Year Ended June 30, 2012	Fair Value at June 30, 2012			
Derivatives (by type)	Amount	Classification	Amount	Notional (Dollars)	Notional (Units)
Commodity Futures Long	($1,280)	Investment Sales/Purchases	$0	$0	—
Comodity Futures Short	382	Investment Sales/Purchases	—	—	—
Credit Default Swaps Bought	2,074	Debt Securities	8,804	47,890	—
Credit Default Swaps Written	(532)	Debt Securities	(225)	73,590	—
Equity Options Bought	1,194	Equity Securities	—	—	—
Equity Options Written	1,415	Equity Securities	—	—	—
Fixed Income Futures Long	29,688	Investment Sales/Purchases	—	128,807	—
Fixed Income Futures Short	(25,909)	Investment Sales/Purchases	—	(133,170)	—
Fixed Income Options Bought	(8,462)	Equity Securities	—	—	—
Fixed Income Options Written	50,777	Equity Securities	(5,054)	(1,464,754)	—
Foreign Currency Options Bought	(1,138)	Equity Securities	—	—	—
Foreign Currency Options Written	423	Equity Securities	—	—	—
Futures Options Written	1,159	Equity Securities	—	—	—
Foreign Exchange Forwards	521,892	Investment Sales/Purchases	53,097	24,039,898	—
Index Futures Long	433,751	Investment Sales/Purchases	—	77,977	—
Pay Fixed Interest Rate Swaps	(13,256)	Debt Securities	(3,290)	110,428	—
Receive Fixed Interest Rate Swaps	12,351	Debt Securities	8,707	157,646	—
Rights	2,203	Equity Securities	4,264	—	27,365
Total Return Bond Swaps	164,803	Debt Securities	33,683	3,251,448	—
Warrants	420	Equity Securities	5,030	—	4,408
TOTAL	**$1,171,955**		**$105,016**	**$26,289,760**	**31,773**

The information presented in this table is derived from CalPERS June 30, 2012 accounting records and in some instances may reflect trades on a one day lag basis.

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

Investment Maturities

Investment Type	Fair Value at June 30, 2012	Investment Maturities (in years) Under-1	1-5	6-10	10+
Credit Default Swaps Bought	$8,804	($4)	$732	($27)	$8,103
Credit Default Swaps Written	(225)	15	(438)	198	—
Fixed Income Options Written	(5,054)	(5,054)	—	—	—
Pay Fixed Interest Rate Swaps	(3,290)	—	—	(3,290)	—
Receive Fixed Interest Rate Swaps	8,707	—	—	4,122	4,585
Total Return Bond Swaps	33,683	33,683	—	—	—
Total	**$42,625**	**$28,640**	**$294**	**$1,003**	**$12,688**

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

Investment Type	Reference Rate	Fair Value at June 30, 2012	Notional
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.97375%	($272)	$11,110
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.04125%	(279)	10,060
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.25%	(808)	18,200
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.25%	(1,686)	38,000
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.09625%	(245)	9,840
Interest Rate Swaps	Receive Variable 3-month MBBSW, Pay Fixed 3.1%	—	23,218
Interest Rate Swaps	Receive Fixed 6.96%, Pay Variable 1-month TIIE	3,020	33,614
Interest Rate Swaps	Receive Fixed 6.65%, Pay Variable 1-month TIIE	1,084	16,237
Interest Rate Swaps	Receive Fixed 1%, Pay Variable 6-month LIBOR	621	52,638
Interest Rate Swaps	Receive Fixed 2.0%, Pay Variable 6-month LIBOR	2,005	26,946
Interest Rate Swaps	Receive Fixed 2.0%, Pay Variable 6-month LIBOR	1,959	26,319
Interest Rate Swaps	Receive Fixed 5.5%, Pay Variable 1-month TIIE	18	1,892
Subtotal — Interest Rate Swaps		**$5,417**	**$268,074**
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .7%	$574	$47,813
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .7%	1,679	139,760
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .7%	3,044	253,406
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .9%	1,563	130,826
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .8%	2,371	197,378
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .8%	2,239	186,347
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .7%	1,093	91,008
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .7%	2,298	191,250
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .7%	330	27,462
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .8%	1,548	130,859
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .7%	2,611	219,333
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .8%	1,367	114,872
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .7%	1,354	113,772
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .75%	(1,469)	108,769
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .7%	2,275	189,386
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .75%	(506)	37,436
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed 1.25%	(2,725)	127,904
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .7%	3,070	255,509
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .7%	1,737	144,564
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .9%	1,563	130,826
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .8%	1,381	114,968
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .8%	1,111	92,443
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .8%	547	45,504
Total Return Bond Swaps	Receive Fixed 0.00%, Pay Fixed .8%	4,628	160,053
Subtotal — Total Return Bond Swaps		**$33,683**	**$3,251,448**
TOTAL		**$39,100**	**$3,519,522**

CalPERS – Derivative Instruments Subject To Credit Risk

Counterparty	Percentage of Net Exposure	S&P Ratings	Fitch Ratings	Moody's Ratings
Barclays Bank	26.62%	A	A	A3
JP Morgan Chase	12.68%	A	A+	A2
Bank of America	9.15%	A-	A	Baa2
UBS AG	8.94%	A	A	A2
Royal Bank of Canada	8.71%	AA-	AA	Aa3
Toronto Dominion Bank	7.18%	AA-	AA-	Aaa
Credit Suisse	6.55%	A	A	A2
Westpac Banking Corporation	5.02%	AA-	AA-	Aa2
Goldman Sachs and Co.	3.35%	A-	A	A3
Deutsche Bank AG	3.34%	A+	A+	A2
Morgan Stanley	1.91%	A-	A	Baa1
Citibank	1.84%	A-	A	Baa2
Bank of Montreal	1.13%	A+	AA-	Aa2
Commonwealth Bank of Australia	0.82%	AA-	AA-	Aa2
HSBC	0.76%	A+	AA	Aa3
Mellon Bank	0.68%	A+	AA-	Aa3
Royal Bank of Scotland PLC	0.65%	A-	A	Baa1
Standard Chartered Bank	0.39%	A+	AA-	A2
BNP Paribas	0.28%	AA-	A+	A2
	100.00%			

CalPERS — International Investment Securities | Fair Value at June 30, 2012 (U.S. Dollars in Thousands)

Investment Securities of all CalPERS managed funds, including derivative instruments that are subject to foreign currency risk.

Currency	Equity	Private Equity	Fixed Income	Real Assets	Cash	Forward Contracts	Total
Australian Dollar	$3,198,128	$62,913	$178,841	$368,095	$19,781	($16,981)	$3,810,777
Brazilian Real	1,668,534	—	107	884,481	2,486	—	2,555,608
British Pound Sterling	8,309,751	2,728	917,077	358,314	57,594	20,203	9,665,667
Canadian Dollar	4,090,423	268,599	251,925	701,090	26,338	8,982	5,347,357
Chilean Peso	212,790	—	1,049	—	76	(19)	213,896
China Renminbi	—	—	—	410,678	—	—	410,678
Colombian Peso	35,436	—	—	—	70	—	35,506
Czech Koruna	68,511	—	—	—	398	16	68,925
Danish Krone	510,008	—	5,405	—	575	(501)	515,487
Egyptian Pound	85,001	—	—	—	3,908	—	88,909
Euro Currency	11,841,771	3,368,784	1,607,538	874,270	196,629	48,804	17,937,796
Guatemala Quetzal	—	—	—	56,275	—	—	56,275
Hong Kong Dollar	3,202,475	—	—	613,537	20,268	(390)	3,835,890
Hungarian Forint	74,423	—	—	—	118	—	74,541
Indian Rupee	894,040	—	71	420,853	2,447	—	1,317,411
Indonesian Rupiah	432,946	—	—	—	1,308	—	434,254
Israeli Shekel	213,874	—	—	1,663	958	664	217,159
Japanese Yen	8,834,149	136,145	1,344,375	476,400	97,486	(2,324)	10,886,231
Malaysian Ringgit	435,236	—	—	25,849	920	—	462,005
Mexican Peso	522,353	—	82,451	179,938	5,973	830	791,545
Moroccan Dirham	2,912	—	—	—	61	—	2,973
New Taiwan Dollar	1,366,131	—	—	—	4,963	(112)	1,370,982
New Turkish Lira	238,686	—	—	—	54	—	238,740
New Zealand Dollar	67,316	—	49,239	1,705	492	(2,943)	115,809
Norwegian Krone	489,915	—	20,107	4,203	798	(58)	514,965
Pakistan Rupee	31,842	—	—	—	569	—	32,411
Peruvian Noveau Sol	5,268	—	—	—	17	—	5,285
Philippine Peso	124,462	—	—	—	198	—	124,660
Polish Zloty	194,420	—	50,955	—	936	(1,236)	245,075
Singapore Dollar	732,587	—	16,868	94,524	1,366	(380)	844,965
South African Rand	1,266,201	—	54,488	—	2,495	(999)	1,322,185
South Korean Won	2,238,763	—	—	—	2,077	—	2,240,840
Sri Lanka Rupee	—	—	—	—	3	—	3
Swedish Krona	1,188,208	—	49,959	180,451	1,982	(6,256)	1,414,344
Swiss Franc	2,942,000	—	—	23,423	8,787	5,789	2,979,999
Thailand Baht	329,988	—	—	—	1,601	8	331,597
Turkish Lira	156,431	—	—	—	16	—	156,447
UAE Dirham	28,393	—	—	—	100	—	28,493
TOTAL	**$56,033,372**	**$3,839,169**	**$4,630,455**	**$5,675,749**	**$463,848**	**$53,097**	**$70,695,690**

The fair value of derivative instruments is included in the amounts reported under equities, fixed income and as forward contracts.

Real Assets

Real asset investments, which include real estate, infrastructure and forestland, are classified as investments in accordance with GASB Statement 25. Certain real asset investments are leveraged whereby partnerships have been established to purchase properties through a combination of contributions from CalPERS and other investors and through the acquisition of debt. At June 30, 2012, real asset investments of approximately $37.1 billion are reported at estimated fair value. Of this amount, $1.9 billion is real estate investment trusts (REITS) and $35.2 billion is the fair value of real asset equity structured investments, offset by $8.9 billion of long-term mortgages payable and $3.0 billion of other short-term liabilities. The LTCF invests in REITS and as such no debt is attached to the real asset investments and, therefore, not included in the schedule below.

Required repayment of real asset debt, which includes both recourse and non-recourse debt, is as follows:

Required Repayment of Real Assets Debt

(Dollars in Thousands)

Debt Matures Year Ending June 30	Amount
2013	$1,062,452
2014	1,327,651
2015	1,247,122
2016	1,110,113
2017	760,387
2018-2022	2,313,507
2023-2027	438,957
2028-2032	407,280
2033-2037	37,374
2038-2042	123,068
2043+	92,689
TOTAL	**$8,920,600**

Other Income

On April 11, 2011, the Board approved the repeal of the Directed Brokerage Program as of June 30, 2011 with a sunset date of September 30, 2011.

For fiscal year 2011-12, brokerage commissions that were rebated totaled $0.5 million. No expenses were incurred to purchase analytical tools, advisory and other research materials.

The Directed Brokerage Program had a closing balance of approximately $1.6 million, which was subsequently transferred to the PERF cash account.

5. CONTRIBUTIONS & RESERVES

Employer Contributions Actuarially Determined & Contributions Made

Employer contributions are calculated as a percentage of employer payrolls. OPEB plan employer contributions are voluntarily determined by the employer and there are no long-term contracts for contributions. The payroll for employees covered by the PERF, JRF, and JRF II in fiscal year 2011-12 was approximately $40.4 billion, $72.2 million, and $229.6 million, respectively.

Actuarial Valuations

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

The actuarial cost method used for the PERF, JRF, and JRF II is the Individual Entry Age Normal cost method. For purposes of determining the LRF Annual Required Contribution, CalPERS changed from the aggregate funding method to the Individual Entry Age Normal funding method. The CERBTF allows the use of either the Entry Age Normal or the Projected Unit Credit cost method for its participating plans. All these methods are projected benefit cost methods that take into account those benefits that are expected to be earned in the future, as well as those already accrued.

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

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

The 2010 actuarial valuations were used to set the actuarially determined contribution requirements for different fiscal years. For the PERF, the 2010 actuarial valuations were used to set the actuarially determined contribution requirements for the 2011-12 fiscal year for the State and School employers, while the 2010 valuations were used to set the actuarially determined contribution requirements for the 2012-13 fiscal year for public agencies. For the JRF, JRF II and LRF, the 2010 actuarial valuations were used to set the actuarially determined contribution requirements for the 2011-12 fiscal year.

The 2011 actuarial valuations were used to set the actuarially determined contribution requirements for different fiscal years. For the PERF, the 2011 actuarial valuations were used to set the actuarially determined contribution requirements for the 2012-13 fiscal year for the State and School employers, while the 2011 valuations were used to set the actuarially determined contribution requirements for the 2013-14 fiscal year for public agencies. For the JRF, JRF II and LRF, the 2011 actuarial valuations were used to set the actuarially determined contribution requirements for the 2012-13 fiscal year. The CERBTF uses demographic assumptions similar to the pension plans with the addition of the Health Cost Trend Rate assumption.

In December 2009, the Board adopted changes to the asset smoothing method as well as changes to the Board policy on the amortization of gains and losses in order to phase in over a three-year period the impact of the negative 24.0 percent investment return experienced by CalPERS in fiscal year 2008-09. The following changes were adopted for all PERF plans:

- The corridor limits for the actuarial value of assets were increased from 80-120 percent of market value to 60-140 percent of market value on June 30, 2009.
- The corridor limits for the actuarial value of assets were reduced to 70-130 percent of market value on June 30, 2010.
- The corridor limits returned to 80-120 percent of market value for the actuarial value of assets on June 30, 2011 and thereafter.
- All gains and losses during the fiscal years 2008-09, 2009-10 and 2010-11 were isolated and amortized over fixed and declining 30-year periods (as opposed to the normal rolling 30-year amortization).

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

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

Restrictions on Net Assets Available for Benefits

Included in the Net Assets Held in Trust for Pension Benefits is a restricted reserve that, by law, is retained in the PERF and LRF as a reserve against deficiencies in interest earned, potential losses under investments, court-mandated costs, and actuarial losses resulting from terminations, mergers, or dissolutions of contracting agencies. This reserve cannot exceed 0.2 percent of total assets of the PERF, excluding the OASI, and the LRF, and totaled approximately $475.9 million and $246.7 thousand as of June 30, 2012, for the PERF and LRF, respectively.

PERF

Actuarial valuations of the PERF are performed annually. The last valuation was performed as of June 30, 2011, for the State, schools, and public agencies.

The total fiscal year 2011-12 net retirement contributions for the PERF amounted to approximately $11.4 billion, of which $7.8 billion (the actuarially determined annual required contribution) came from 1,577 employers and approximately $3.6 billion came from over 786,000 members. The contributions to the PERF were for the retirement program, the 1959 Survivor Program, and the Group Term Life Insurance Program. For the retirement program, the average employer normal cost is 10.046 percent of covered payroll, and amortization of the unfunded liabilities is 7.560 percent of covered payroll. These figures are averages for all employers. The actual figures vary by each employer's plan.

LRF

The current contribution requirements of the LRF are based on actuarially determined rates promulgated as part of legislation passed in 1977.

Actuarial valuations of the LRF are required to be carried out at least every two years. The Board utilizes these actuarial valuations to make recommendations to the State for financing the LRF. For the fiscal year ended June 30, 2012, an actuarially determined contribution was not required based on the June 30, 2010 valuation. In the most recent actuarial valuation as of June 30, 2011 the actuarial funding method was changed from the Aggregate funding method to the Entry Age Normal funding method. This change is consistent with current Board policy on funding methods. This funding method change along with the Board's minimum contribution policy resulted in an employer contribution rate. In the report, the actuarially determined employer contribution rate is 5.380 percent for the fiscal year from July 1, 2012, to June 30, 2013. Section 9358(b) of the LRS Law states "for any fiscal year during which the state's contribution rate is greater than 0 percent, the members of the system shall pay the applicable member contribution rates." Accordingly, the member contribution rates will be reinstated for the coming fiscal year of July 1, 2012, to June 30, 2013.

JRF

Contributions made by the State of California to the JRF are made pursuant to State statute and are not actuarially determined; however, an actuarial valuation of the JRF assets and liabilities is performed every year and is used by CalPERS to make recommendations for financing the JRF. The California law, which states that on and after January 1, 2004, the JRF shall be funded and actuarially sound was amended in conjunction with the adoption of the Judges' Retirement System II Law, which, among other provisions, eliminated the requirement that the JRF be funded and actuarially sound. Recommendations to achieve the necessary level of contributions have been submitted by the Board to the Legislature.

As of June 30, 2012, funding was provided from the following sources to meet benefit payment requirements:

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

Under the "pay-as-you-go" basis, short-term investments, as well as contributions received during the year and a State General Fund augmentation, are used to provide funding for benefit payments. This funding method is generally more expensive in the long-term, as the fund does not have investment returns generated by a funded plan. Without the State General Fund augmentation, the JRF will not be able to pay the accumulated benefit payments due in 2013. Management and legal counsel believe the State of California is legally required to provide these required contributions to fund the benefits.

For the year ended June 30, 2012, the actual contributions made by the State to the JRF were approximately $196.4 million, which is significantly less than the actuarially determined annual required contribution of approximately $1.4 billion.

Because current contributions are used to make benefit payments, the fund does not retain the accumulated contributions of active members. The cumulative contributions for all currently active members since inception were approximately $110.0 million at June 30, 2012, which exceeded Net Assets Held in Trust for Pension Benefits by approximately $37.3 million at June 30, 2012.

JRF II

Actuarial valuations for the JRF II are required to be carried out annually. The legislated State contribution rate will be adjusted periodically as part of the annual Budget Act in order to maintain or restore the actuarial soundness of the fund. The last actuarial valuation was performed as of June 30, 2011.

For the year ended June 30, 2012, the statutory employer contribution rate was 23.441 percent based on the June 30, 2010 actuarial valuation. Therefore, for the year ended June 30, 2012, the contributions made by the State to the fund were approximately $53.7 million, which is more than the actuarially determined required contributions of approximately $53.1 million.

CERBTF

The actuarial valuations for the CERBTF are conducted by outside actuarial firms engaged by participating employers that must base their valuations on the CalPERS OPEB Assumption Model. This model requires the use of actuarial methods and assumptions similar to those employed for the PERF, except in addition to Entry Age Normal, the use of Projected Unit Credit actuarial cost method is allowed. An additional assumption used for the CERBTF is the health care cost trend rate. The actuarial valuation estimates the cost of future health and other post-employment benefit insurance premiums for current and retired participating employees. Employers with less than 100 plan members may use the alternative measurement method as permitted by GASB Statement No. 57.

The total fiscal year 2011-12 actual net OPEB employer contributions from 338 participating employers representing 341 OPEB plans was $771.8 million, compared to the actuarially determined annual required contribution of 11.5 percent of covered payroll, or $1.2 billion. This amount includes the $258.9 million in contributions made to the CERBTF, plus an additional $512.9 million in retiree health care premiums paid by employers directly to providers, implicit rate subsidies, and other GASB Statement No. 45 compliant costs recognized by employers as contributions toward the ARC. CERBTF actuarial valuations are based upon plan benefits in effect at the time of the valuations, either defined by the employer or by the Public Employees Hospital Care Act (PEMHCA), for employers participating in that program. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of future employer and employee cost sharing.

6. OTHER POSTEMPLOYEMENT BENEFITS (OPEB) OBLIGATION

The State of California (the State), as an employer, provides retired State employees with certain post-employment benefits, such as health care and dental benefits, under a single-employer defined benefit plan. CalPERS as a part of the State agencies, provides funding for the State's OPEB 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 report for the OPEB plan.

To be eligible for these benefits, a first-tier plan State employee must retire on or after age 50 with at least five years of service, and second-tier plan employee must retire on or after attaining age 55 with at least 10 years of service. In addition, an employee must retire within 120 days of separation from employment to be eligible to receive these benefits. In accordance with the California Government Code, the State pays 100 percent of the health insurance cost for retirees, plus 90 percent of the additional premium required for the enrollment of family members of the retired if vesting requirements are met. CalPERS recognizes the cost of providing these benefits to State retirees on a pay-as-you-go basis during the year, and at year-end CalPERS records its share of the net OPEB obligation as determined by the most recent State of California actuarial valuation report as of June 30, 2011 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 assets and statement of revenues, expenses, and changes in net assets.

For the fiscal year ended June 30, 2012, the costs of these benefits were as follows for the respective funds:

OPEB Costs (Dollars in Thousands)

Fund	Amount
PERF	$35,791
LRF	43
JRF	131
JRF II	65
CERBTF	221
HCF	1,694
CRF - Proprietary Fund	3,298
TOTAL	**$41,243**

The State's most recent actuarial valuation report as of June 30, 2011 reported, based upon a pay-as-you-go scenario, the State's actuarial accrued liabilities associated with the State employees' post-employment benefits of $62.1 billion as of June 30, 2011, an annual OPEB cost of $4.7 billion, estimated net employer contributions of $1.7 billion, and an expected Net OPEB Obligation of $12.9 billion as of and for the fiscal year ended June 30, 2012. CalPERS is a component unit of the State and CalPERS participates in the State's plan as a single-employer plan. CalPERS allocated shares of the Net OPEB Obligation as of June 30, 2012 were as follows for the respective funds:

Net OPEB Obligations (Dollars in Thousands)

Fund	Amount
PERF	$88,084
LRF	123
JRF	320
JRF II	186
CERBTF	245
HCF	4,542
CRF - Propriety Fund	8,816
TOTAL	**$102,316**

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

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

7. HEALTH CARE FUND

Estimated Liabilities

The Public Employees' Health Care Fund (HCF) establishes claim liabilities based on estimates of the ultimate costs of claims (including future claim adjustment expenses) that have been reported but not settled and of claims that have been "incurred but not reported" (IBNR). The estimated medical claims liability was calculated by Anthem Blue Cross, the HCF's third-party administrator, at June 30, 2012, 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 $199.1 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, 2012, but have not been reported to the HCF.

Anticipated Investment Income and Reinsurance

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

The following schedule represents changes in the aggregate estimated claims liabilities of the HCF for the fiscal years ended June 30, 2012 and 2011.

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

(Dollars in Thousands)

For the Year Ending June 30	2012	2011
TOTAL ESTIMATED CLAIMS AT BEGINNING OF FISCAL YEAR	**$279,160**	**$229,062**
INCURRED CLAIMS & CLAIM ADJUSTMENT EXPENSES		
Provision for Insured Events of Current Fiscal Year	$1,816,245	$1,792,599
Decrease in Provision for Insured Events of Prior Years	(88,014)	(64,443)
Total Incurred Claims & Claim Adjustment Expenses	**$1,728,231**	**$1,728,156**
PAYMENTS		
Claims & Claim Adjustment Expenses Attributable to Insured Events of Current Fiscal Year	$1,635,839	$1,550,306
Claims & Claim Adjustment Expenses Attributable to Insured Events of Prior Fiscal Year	148,308	127,752
Total Payments	**$1,784,147**	**$1,678,058**
TOTAL ESTIMATED CLAIMS AT END OF FISCAL YEAR	**$223,244**	**$279,160**

8. LONG-TERM CARE FUND

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

The LTCF establishes the liability for future policy benefits based on the present value of future benefits and expenses less the present value of future premiums. The liability for future policy benefits was calculated by the fund's actuary, using a variety of actuarial and statistical techniques as part of the actuarial review as of June 30, 2012. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 5.75 percent, morbidity, and voluntary termination. The total estimated liability for future policy benefits as of June 30, 2012 was $3.6 billion. Of that amount, $198.7 million is reported as a current liability, which includes the Rate of Premium Death Benefit that is expected to be paid in fiscal year 2012-13.

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

The following represents the funded status of the CalPERS pension trust funds and the post-employment health care fund as of June 30, 2011. These actuarial valuations involve estimates of the value and probability assumptions of events far into the future, and these amounts and assumptions are subject to continual revision as actual results are compared to past expectations. Calculations are based on the benefits provided under the terms of the plan in effect and the pattern of cost sharing between employees and the employer. The projection of benefits does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing. These actuarial calculations reflect long-term perspectives and use techniques that are designed to reduce short-term volatility.

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

Fund	Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) - Entry Age (2)	Unfunded AAL (UAAL) - (Funding Excess) (3) = (2) - (1)	Funded Ratio (1) ÷ (2)	Annual Covered Payroll (4)	UAAL as a % of Covered Payroll (3) ÷ (4)
PERF	6/30/11	$271,389	$328,567	$57,178	82.6 %	$43,901	130.2 %
LRF	6/30/11	126	109	(17)	115.6	2	(850.0)
JRF	6/30/11	54	3,297	3,243	1.6	76	4,267.1
JRF II	6/30/11	561	610	49	92.0	230	21.3
CERBTF	6/30/11 [2]	1,818	15,522	13,704	11.7	10,374	132.1

Notes:

1 The Schedule of Funding Progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time. Market value of asset information is included in the Schedule of Funding Progress as part of the Required Supplementary Information on page 76-77.

2 The June 30, 2011 funded status for the CERBTF was developed by combining actuarial information from 282 OPEB valuations prepared as of June 30, 2011 and data rolled forward from 59 OPEB valuations prepared at an earlier date, by applying methods allowed under Actuarial Standards of Practice and under generally accepted accounting principles.

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

	PERF	LRF	JRF	JRF II	CERBTF
Funded Status Valuation Date	June 30, 2011	June 30, 2011	June 30, 2011	June 30, 2011	June 30, 2011 [3]
Adoption Date	Various	Various	Various	Various	—
Actuarial Cost Method	Individual Entry Age Normal Cost	Individual Entry Age Normal Cost	Individual Entry Age Normal Cost	Individual Entry Age Normal Cost	Entry Age Normal or Projected Unit Credit
Amortization Method	N/A	N/A	N/A	N/A	Varies [3]
Amortization Approach	N/A	N/A	N/A	N/A	Varies [3]
Remaining Amortization Period	Not Applicable [2]	Not Applicable [2]	Not Applicable [2]	Not Applicable [2]	Varies [3]
Asset Valuation Method	Smoothing of Market Value	Smoothing of Market Value	Market Value	Smoothing of Market Value	Varies [3]
ACTUARIAL ASSUMPTIONS					
Net Investment Rate of Return	7.50%	5.75%	4.25%	7.00%	6.39% – 7.61%
Projected Salary Increases [1]	Varies, based on duration of service	3.00%	3.00%	3.00%	3.25% [3]
Post Retirement Benefit Increase	For State and Schools, 2% or 3% compounded annually For Public Agencies, 2% to 5% compounded annually, depending on the agency plan provisions.	2.75%	3.00%	2.75%	—
HEALTH CARE COST TREND RATES:					
Select Period	—	—	—	—	0 – 10 Years
Initial Rate	—	—	—	—	4.00 – 12.00%
Ultimate Rate	—	—	—	—	4.00 – 6.00%

Notes:

1 Includes inflation at 2.75 percent for all funds except CERBTF, which used an assumed 3.00 percent inflation because OPEB valuations were performed prior to the Board decision to lower the assumed rate of inflation.

2 The Funded Status is not dependent on the amortization method, approach, or period.

3 The CERBTF participating employers chose one of three available portfolios. The employers used either a level dollar or level percentage of payroll for their amortization method and were able to use both open and closed amortization approaches. Most valuations used the current market value of assets and a few used the smoothing market value of assets. For a significant majority of the valuations, the unfunded liability was amortized over 30 years; the remainder used periods that ranged between one year and 29 years.
The Net Investment Rate of Return shown in the table above reflects the expected returns of the three portfolios. Employers who expect to not fully fund the ARC in future years use a weighted rate of return that is blended with the employer's expected return on general unrestricted assets. While the significant majority of valuations utilized a 3.25 percent Projected Salary Increase assumption, some valuations used a somewhat lower rate.

Actuarial Information | Assumptions and Methods Used in the Actuarial Valuations in Development of the fiscal year 2012 Annual Required Contribution (ARC)

	PERF	LRF	JRF	JRF II	CERBTF
ARC Valuation Date	June 30, 2010: State and Schools June 30, 2009: Public Agencies	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2011 [3,4]
Adoption Date	Various	Various	Various	Various	—
Actuarial Cost Method	Individual Entry Age Normal Cost	Aggregate Cost	Individual Entry Age Normal Cost	Individual Entry Age Normal Cost	Entry Age Normal or Projected Unit Credit
Amortization Method	Level Percentage of Payroll	None [2]	Level Dollar	Level Percentage of Payroll	Varies [3]
Amortization Approach	Closed (Open for Gains and Losses) [5]	None [2]	Closed	Closed (Open for Gains and Losses)	Varies [3]
Remaining Amortization Period	25 Years for Schools, average of 21 years for Public Agencies, and 20 to 25 years for the State plans	None [2]	2.66 years	Average of 23 years	Varies [3]
Asset Valuation Method	Smoothing of Market Value, Temporary Increase in 20% Market Value Corridor 40 % in 6/30/2009 and 30% in 6/30/2010 valuation	Smoothing of Market Value, 20% Corridor	Market Value	Smoothing of Market Value, 20% Corridor	Varies [3]
ACTUARIAL ASSUMPTIONS Net Investment Rate of Return	7.75%	6.00%	4.50%	7.25%	6.39% – 7.61% [3]
Projected Salary Increases[1]	Varies, based on duration of service	3.25%	3.25%	3.25%	3.25% [3]
Post Retirement Benefit Increase	For State and Schools, 2% or 3% compounded annually For Public Agencies, 2% to 5% compounded annually, depending on the agency plan provisions	3.00%	3.25%	3.00%	—
HEALTH CARE COST TREND RATES: Select Period	—	—	—	—	0 – 10 Years
Initial Rate	—	—	—	—	4.00 – 12.00%
Ultimate Rate	—	—	—	—	4.00 – 6.00%

Please refer to page 73 for a complete analysis of corresponding footnotes

Preceding Footnotes to the Actuarial Information (page 72)

Notes:

1 Includes inflation at 3.0 percent for all funds.

2 The Aggregate Cost Method does not identify or separately amortize unfunded actuarial liabilities.

3 The CERBTF participating employers chose one of three available portfolios. The employers used either a level dollar or level percentage of payroll for their amortization method and were able to use both open and closed amortization approaches. Most valuations used the current market value of assets and a few used the smoothing market value of assets For a significant majority of the valuations, the unfunded liability was amortized over 30 years; the remainder used periods that ranged between one year and 29 years. 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.

4 The CERBTF ARC for the fiscal year ending June 30, 2012 was derived from OPEB valuations dated across four years. The OPEB valuation date (year) and percentage of total ARC dollars coming from that valuation year is: 2011 (82 percent), 2010 (12 percent), 2009 (4 percent), and 2008 (2 percent).

5 Except for fiscal years 2008-09 through 2010-11.

10. COMMITMENTS TO FUND PARNTERSHIPS

At June 30, 2012, CalPERS total capital commitments to fund partnerships was $86.9 billion. Of this amount, $17.4 billion remained unfunded and is not recorded on the CalPERS statement of fiduciary net assets. The following table depicts the total commitments and unfunded commitments, respectively, by asset class.

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

Asset Class	Total Commitments	Unfunded Commitments
Equity (Corporate Governance)	$4,438,009	$248,234
Real Assets	25,588,542	4,925,658
Private Equity	56,894,602	12,224,691
TOTAL	**$86,921,153**	**$17,398,583**

11. CONTINGENCIES

CalPERS has entered into agreements with a number of issuers of non-taxable debt to provide payment of principal and interest in the event of non-payment. CalPERS is paid an annual fee over the term of the agreement for each transaction. The majority of the transactions are supported by collateral, letters of credit from banks or bond insurers for repayment. As of June 30, 2012, the credit enhancement program had contingent liabilities of approximately $1.6 billion and net fee income of approximately $9.03 million.

CalPERS participates, as lender, in asset-based lending transactions, which is secured debt that is loaned primarily to non-investment grade borrowers for mostly working capital, acquisitions, turnarounds, growth financing, debtor-in-possession financing, exit financing, and corporate recapitalization/reorganizations. Collateral consists primarily of accounts receivable or inventory. Although borrowers are not required to borrow (draw down) the total committed loan amount they must pay fees (unused fees) based on the unfunded amounts and interest on the funded amounts. Usually the terms of these loans are no greater than five years. In exchange for providing these loans, CalPERS receives interest and fees from the borrowers. Interest is based on Prime or LIBOR plus a margin. For the 2011-12 fiscal year, interest and fee income earned was roughly $5.5 million and as of June 30, 2012 $341 million was committed by CalPERS and the total outstanding loan balance was $0.

CalPERS is a defendant in litigation involving individual pension and health benefit payments and participant eligibility issues arising from its normal activities. In the event of an adverse decision, any payments awarded by the courts would be recovered by CalPERS through prospective adjustments to the employer contribution rate. Based upon consultation with legal counsel, management believes there will be no material adverse effect on the basic financial statements as a result of the ultimate outcome of these matters.

12. SUBSEQUENT EVENTS

A. New Accounting Standards (Statements No. 67 and No. 68 of the Governmental Accounting Standards Board)

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

Key changes include:

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

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

B. California Public Employees' Pension Reform

On September 12, 2012, the governor signed into law the "Public Employees' Pension Reform Act of 2013." This legislation applies to all public employers and pension plans on or after January 1, 2013, with the exception of the University of California as well as charter cities and charter counties that are not a member of a retirement system governed by State code.

Key provisions of this legislation include changes in retirement benefits, member contributions, increasing the retirement age for both public safety and miscellaneous employees, eliminating the ability of any public employee to purchase nonqualified services or "airtime," establishing a cap on the annual salary that counts toward final compensation and pension benefits, and prohibiting a public employer from offering a replacement benefit plan for new members.

All aspects of the legislation apply to new employees hired on or after January 1, 2013. A few provisions, such as cost sharing, the elimination of airtime and pension holidays, apply to current members in the system. This legislation does not have any impact on the current accrued liability, existing unfunded liability and contribution rates for the fiscal year 2011-12. However, it will impact future contribution rates as employers hire new employees, resulting in lower contribution requirements over time. CalPERS is evaluating the impact of new GASB standards. Communication with participating employers will require significant effort.

C. Local Government Bankruptcies

As of September 30, 2012, three California local governments had filed for financial relief under Chapter 9 of the Federal Bankruptcy Code. All three local governments provide retirement benefits, and one also provides health benefits, through CalPERS. As such, these entities are obligated by statute to make contributions to CalPERS for the pension benefits and one local government for pension and health benefits, of their respective employees. These local governments met their pension obligations and remitted annual contributions during the fiscal year 2011-2012, totaling $61.1 million from all three local governments. These local governments have yet to file their proposed plans of adjustment and therefore the outcome and impact of the bankruptcy proceedings at these very early stages of the cases are unknown.

D. Long-Term Care Premium Increase

On April 17, 2012, the Board adopted a more conservative LTCF asset allocation, reducing the percentage of private equity in the LTCF. On September 12, 2012, the Board approved a new LTCF program discount rate of 5.75 percent, which was reflected in the most recent LTCF actuarial valuation. The lowering of the investment discount rate to 5.75 percent, from the prior 6.25 percent for years 1 through 10 and 7.60 percent for years 11 onward, is to align the discount rate with the Fund's more conservative investment approach.

On October 17, 2012, the Board approved an 85 percent premium increase for some of its long-term care insurance program policies, with the increase to be applied over a two-year period, beginning in July 2015. Policyholders who opt to cover the increase in a single year will receive a 79 percent rate increase. The premium rate increases are estimates based on the best available information at the present time. The exact amount of the premium increases will depend largely on whether policyholders subject to the rate increase choose to avail themselves of new benefit options that will be available to them. The new optional alternative benefit change designs provide the affected CalPERS LTCF policyholders with options for relief from the financial impact of the July 2015 rate increase as well as the ongoing 5 percent rate increase for these early purchasers' impacted policyholders. Below is a description of the new optional alternatives:

1. Retained Inflation (RI): RI will be offered to all policyholders who have policies with built-in inflation protection (excluding Partnership policies), regardless of their policy term. Without the RI option, when policyholders drop their built-in inflation protection, their inflated Daily Benefit Amount (DBA) reverts back to their original DBA at time of initial purchase. Policyholders electing to drop their built-in inflation protection would be eligible for the Benefit Increase Option (BIO), allowing them to increase their DBA amount without going through underwriting. The LTC Program offers the BIO every three years to all policyholders that do not have built-in inflation protection. Accepting the BIO offer results in a premium increase that correlates with the coverage increase afforded by this offer.
2. 10 Year Policy with Retained Inflation: The addition of a 10-year/RI plan with a BIO for comprehensive or facilities only policies affords policyholders an opportunity to convert to a 10-year option in addition to the currently available 6 and 3-year options. This option is only available to policyholders who have policies including a lifetime plan with inflation protection.
3. Optional DBA: The addition of the Optional DBA provides a means for policyholders who have reduced their DBA or dropped inflation protection to avail themselves of higher DBAs, should they elect to purchase this option. Participation in the Optional DBA requires the policyholder to participate in the RI plan option; therefore, those policyholders who previously elected to keep their built-in inflation protection and decrease their DBA would be required to drop their built-in inflation protection and move into the RI benefit plan option.

If policyholders avail themselves of the above options, it will:

- Eliminate the ongoing 5 percent rate increase for LTC1 lifetime with inflation protection policyholders;
- Help them avoid the 2015 projected 85 percent premium increase; and
- Give them the BIO option every three years.

These new optional alternatives were designed to allow policyholders to avoid further premium increases by converting from lifetime policies to defined benefit duration (e.g. 10 year policy, 6 year policy, etc.) policies that provide adequate protection based on industry data and are expected to be available in the calendar year 2013.

FINANCIAL SECTION

Required Supplementary Information

Header Page for Section C

Table of Contents

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

(Dollars in Millions)

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) – Entry Age (2)	Unfunded AAL(UAAL) (AVA Basis) (2) - (1)	Funded Ratio - Actuarial Value of Assets Basis (1) ÷ (2)
PERF				
6/30/06	$199,033	$228,131	$29,098	87.2%
6/30/07	216,484	248,224	31,740	87.2%
6/30/08	233,272	268,324	35,052	86.9%
6/30/09	244,964	294,042	49,078	83.3%
6/30/10 [8]	257,070	308,343	51,273	83.4%
6/30/11 [11]	271,389	328,567	57,178 [2]	82.6%
LRF [3, 9]				
6/30/07	$142	$102	($40)	139.2%
6/30/08	142	103	(39)	137.9%
6/30/09	134	112	(22)	119.6%
6/30/10	127	112	(15)	113.4%
6/30/11 [11]	126	109	(17)	115.6%
JRF [3,4]				
6/30/07	$12	$2,714	$2,702	0.4%
6/30/08	19	3,607	3,588	0.5%
6/30/09	41	3,583	3,542	1.1%
6/30/10	64	3,429	3,365	1.9%
6/30/11 [11]	54	3,297	3,243	1.6%
JRF II				
6/30/06	$213	$220	$7	96.8%
6/30/07	268	295	27	90.8%
6/30/08	335	367	32	91.3%
6/30/09	379	451	72	84.0%
6/30/10	461	521	60	88.5%
6/30/11 [11]	561	610	49	92.0%
CERBTF [5, 12]				
6/30/07	$11	$24	$13	45.8%
6/30/08	48	4,845	4,797	1.0%
6/30/09 [6]	873	10,462	9,589	8.3%
6/30/10 [7]	1,287	14,288	13,001	9.0%
6/30/11 [10]	1,818	15,522	13,704	11.7%

Please refer to page 80 for a complete analysis of corresponding footnotes.

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

Annual Covered Payroll (3)	UAAL as a % of Covered Payroll [(2)-(1)] ÷ (3)	Market Value of Assets (4)	Unfunded AAL (UAAL) (MVA Basis) (2) - (4)	Funded Ratio – Market Value of Assets Basis[1] (4) ÷ (2)
$38,047	76.5%	$211,188	$16,943	92.6%
40,864	77.7%	251,162	(2,938)	101.2%
44,236	79.2%	238,041	30,283	88.7%
45,100	108.8%	178,860	115,182	60.8%
44,984	114.0%	201,632	106,711	65.4%
43,901	130.2%	241,740	86,827	73.6%
$2	-2000.0%	$142	($40)	139.2%
2	-1950.0%	134	(31)	130.1%
2	-1100.0%	112	—	100.0%
2	-750.0%	114	(2)	101.8%
2	-850.0%	124	(15)	113.8%
$119	2270.6%	$12	$2,702	0.4%
111	3232.4%	19	3,588	0.5%
97	3651.5%	41	3,542	1.1%
86	3912.8%	64	3,365	1.9%
76	4267.1%	54	3,243	1.6%
$125	5.6%	$219	$1	99.5%
156	17.3%	291	4	98.6%
175	18.3%	325	42	88.6%
199	36.2%	316	135	70.1%
213	28.2%	422	99	81.0%
230	21.3%	576	34	94.4%
$37	35.1%	$11	$13	45.8%
5,092	94.2%	48	4,797	1.0%
9,307	103.0%	845	9,617	8.1%
10,435	124.6%	1,287	13,001	9.0%
10,374	132.1%	1,864	13,658	12.0%

Preceding Footnotes to the Schedule of Funding Progress (pages 78-79)

Notes:

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

2 The Unfunded Actuarial Accrued Liability (the total Actuarial Liability in excess of Actuarial Value of Assets) of the PERF by the major employer group from the June 30, 2011 valuation is as follows: 1) $27,229 for the State of California, 2) $6,766 for schools, and 3) $23,183 for public agencies.

3 LRF and JRF were funded using the Aggregate Actuarial Cost Method in prior years. The Aggregate Cost Method does not identify actuarial accrued liabilities and funded ratios. For this reason, no funding progress information is available for either the LRF or JRF prior to June 30, 2007. Beginning with the June 30, 2007 actuarial valuation, CalPERS is complying with GASB Statement No. 50, which requires the funding progress to be disclosed using the Entry Age Actuarial Cost Method. The actuarial funding method was changed from the Aggregate Funding Method to the Entry Age Normal Funding Method for the LRF and JRF as of June 30, 2011 and June 30, 2010, respectively.

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

5 Only five years of funding progress information is shown because the CERBTF did not exist prior to the 2006-07 fiscal year.

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

7 During the fiscal year 2010-2011, several large employers contracted with the CERBTF. This data represents the actuarial data from 309 valuations adjusted to an aligned date of June 30, 2010 and includes the actual asset value as of that date, to be compliant with GASB Statement No. 57. CalPERS projected the data as of June 30, 2010 in the table above by rolling forward or backward the actuarial data contained in OPEB valuations and Alternative Measurement Method (AMM) reports prepared by participating employers as of varying valuation dates. The alignment was achieved by applying methods allowed under Actuarial Standards of Practice and under Generally Accepted Accounting Principles.

8 In December 2009, the Board adopted changes to the asset smoothing method as well as changes to the Board policy on the amortization of gains and losses in order to phase in over a three-year period the impact of negative 24 percent investment returns experienced by CalPERS in fiscal year 2008-09. The following changes were adopted for all PERF plans:

- The corridor limits for the actuarial value of assets were increased from 80-120 percent of market value to 60-140 percent of market value on June 30, 2009.
- The corridor limits for the actuarial value of assets were reduced to 70-130 percent of market value on June 30, 2010.
- The corridor limits will return to 80-120 percent of market value for the actuarial value of assets on June 30, 2011 and thereafter.
- All gains and losses during the fiscal years 2008-09, 2009-10 and 2010-11 were isolated and amortized over fixed and declining 30-year periods (as opposed to the normal rolling 30-year amortization).

The temporary smoothing methods adopted by the Board have mitigated the impact of fiscal year 2008-09 investment losses.

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

10 The June 30, 2011 funded status for the CERBTF was developed by combining actuarial information from 282 OPEB valuations prepared as of June 30, 2011 and data rolled forward from 59 OPEB valuations prepared at an earlier date, by applying methods allowed under Actuarial Standards of Practice and under generally accepted accounting principles.

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

12 The CERBTF Assumptions Model allows use of either the Entry Age or the Projected Unit Credit actuarial method. The Actuarial Accrued Liability (AAL) reported for the CERBTF represents aggregated liabilities calculated under either method.

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

Year Ended June 30	PERF Employer Contributions		LRF Employer Contributions	
	Annual Required Contribution	% of Required Contributions Made	Annual Required Contribution	% of Required Contributions Made
2007	$6,442,383,867	100	$0 [2]	0
2008	7,242,802,002	100	— [2]	—
2009	6,912,376,563	100	— [2]	—
2010	6,955,049,078	100	— [2]	—
2011	7,465,397,498	100	— [2]	—
2012	7,772,912,572 [1]	100	— [2]	—

Notes:

1 The 2010 actuarial valuation was used to set the fiscal year 2011-12 PERF Annual Required Contributions for the State and Schools. The 2009 actuarial valuations were used to set the fiscal year 2011-12 Annual Required Contributions for Public Agencies.

2 Based on the June 30, 2010, 2009, 2008, 2007, 2006, and 2005 actuarial valuations, the annual required contributions for the years ended June 30, 2012, 2011, 2010, 2009, 2008, and 2007 were $0.

Year Ended June 30	JRF Employer Contributions		JRF II Employer Contributions		CERBTF Employer Contributions	
	Annual Required Contribution	% of Required Contributions Made	Annual Required Contribution	% of Required Contributions Made	Annual Required Contribution	% of Required Contributions Made [3]
2007	$560,879,874 [1]	23.4	$28,506,356	94.9	$2,320,693	494.2
2008	623,532,045	26.2	31,673,544	116.1	450,827,057 [2]	174.5
2009	790,911,681	24.1	42,944,106	92.0	611,607,510 [2]	95.7
2010	1,167,007,021	15.9	44,758,633	95.2	870,842,132 [2]	76.9
2011	1,262,446,956	13.3	50,949,124	105.7	1,141,450,654 [2,5]	65.6
2012	1,366,702,281 [4]	14.4	53,144,136 [4]	101.1	1,221,939,827 [6]	63.2

Notes:

1 Effective fiscal year 2007 the Traditional Aggregate Cost Method was used to determine ARC. Starting with fiscal year 2012 the ARC is determined using the Individual Entry Age Normal Method.

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

3 Beginning with the fiscal year 2007-08, the required contributions made include retiree health premiums paid directly to health carriers, OPEB related administrative costs paid outside the CERBTF, and implicit rate subsidy.

4 The 2010 valuation was used to determine the fiscal year 2011-12 Annual Required Contributions for the JRF and JRF II.

5 The 2011 CERBTF ARC includes amounts from some employers who will begin making contributions to the trust in future years. Had they been excluded, the reported ARC would be $916.9 million and the contributions made toward the ARC would represent 73.0 percent of the ARC.

6 The 2012 CERBTF ARC includes amounts from some employers who will begin making contributions to the trust in future years. Had they been excluded, the reported ARC would be $969.9 million and the contributions made toward the ARC would represent 70.3 percent of the ARC.

Schedule of Claims Development Information (Unaudited)

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

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

Public Employees' Health Care Fund — June 30, 2012 (Dollars in Thousands)

	Fiscal and Policy Year Ended									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1) Net Earned Required Premium & Investment Revenues	$947,492	$1,048,042	$1,115,172	$1,229,239	$1,410,888	$1,543,643	$1,608,738	$1,409,621	$1,775,005	$1,912,426
2) Unallocated Expenses	$50,296	$58,182	$65,902	$67,679	$74,771	$78,607	$85,511	$90,292	$88,392	$96,043
3) Estimated Incurred Claims & Expenses, End of Policy Year	$854,648	$940,503	$1,083,011	$1,202,409	$1,268,239	$1,385,438	$1,530,264	$1,654,214	$1,792,599	$1,816,245
4) Paid (Cumulative) as of:										
End of Policy Year	$722,732	$807,627	$923,608	$1,043,346	$1,094,818	$1,197,390	$1,313,680	$1,444,509	$1,550,306	$1,635,839
One Year Later	800,605	883,550	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	1,698,615	—
Two Years Later	800,605	883,550	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	—	—
Three Years Later	800,605	883,550	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	—	—	—
Four Years Later	800,605	883,550	1,012,021	1,146,876	1,197,334	1,316,774	—	—	—	—
Five Years Later	800,605	883,550	1,012,021	1,146,876	1,197,334	—	—	—	—	—
Six Years Later	800,605	883,550	1,012,021	1,146,876	—	—	—	—	—	—
Seven Years Later	800,605	883,550	1,012,021	—	—	—	—	—	—	—
Eight Years Later	800,605	883,550	—	—	—	—	—	—	—	—
Nine Years Later	800,605	—	—	—	—	—	—	—	—	—
5) Re-estimated Incurred Claims Expenses:										
End of Policy Year	$854,648	$940,503	$1,083,011	$1,202,409	$1,268,239	$1,385,438	$1,530,264	$1,654,214	$1,792,599	$1,816,245
One Year Later	800,605	883,550	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	1,698,615	—
Two Years Later	800,605	883,550	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	1,589,771	—	—
Three Years Later	800,605	883,550	1,012,021	1,146,876	1,197,334	1,316,774	1,448,134	—	—	—
Four Years Later	800,605	883,550	1,012,021	1,146,876	1,197,334	1,316,774	—	—	—	—
Five Years Later	800,605	883,550	1,012,021	1,146,876	1,197,334	—	—	—	—	—
Six Years Later	800,605	883,550	1,012,021	1,146,876	—	—	—	—	—	—
Seven Years Later	800,605	883,550	1,012,021	—	—	—	—	—	—	—
Eight Years Later	800,605	883,550	—	—	—	—	—	—	—	—
Nine Years Later	800,605	—	—	—	—	—	—	—	—	—
6) Decrease in Estimated Incurred Claims & Expenses From End of Policy Year	($54,043)	($56,953)	($70,990)	($55,533)	($70,906)	($68,664)	($82,130)	($64,443)	($93,984)	$0

FINANCIAL SECTION

Other Supplemental Information

Header Page for Section D

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Administrative Expenses — All Funds

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

PERSONNEL SERVICES	
Salaries & Wages	$173,449
Employee Benefits	61,433
Total Personnel Services	**$234,882**
CONSULTANT & PROFESSIONAL SERVICES	
State of California Agencies	$6,119
External Consultants	91,285
Deferred Compensation Management/Custody Fees	1,601
Health Plan Administrator Fees	78,177
Long-Term Care Administrator Fees	20,111
Total Consultant & Professional Services	**$197,293**
OPERATING EXPENSES & EQUIPMENT	
General Expense	$5,469
Software	1,582
Printing	1,449
Postage	3,458
Communications	2,609
Data Processing Services	18,567
Travel	1,756
Training	893
Medical Examiners	1,162
Facilities Operation	3,568
Central Administrative Services	39,377
CSUS Foundation — Students	3,473
Administrative Hearings	449
Consolidated Data Center	330
Equipment	3,649
Total Operating Expenses & Equipment	**$87,791**
OTHER EXPENSES & ADJUSTMENTS	
Depreciation Expense	$15,064
Increase in Paid Absence Obligation	3,411
Amortization	1,531
Reimbursements	(2,221)
Prior Year & Other Adjustments	(2,585)
Total Other Expenses & Adjustments	**$15,200**
TOTAL ADMINISTRATIVE EXPENSES — ALL FUNDS	**$535,166**

Investment Expenses

Public Employees' Retirement Fund

For the Fiscal Year Ended June 30, 2012
Investment Management Fees (Dollars in Thousands)

	Net Assets Managed at Fair Value	Fees
DOMESTIC EQUITY MANAGERS		
Boston Company Asset Management, LLC	$506,494	$249
First Quadrant, LP	1,003,306	347
FIS Group, Inc.	329,433	1,736
J.P. Morgan Investment Management, Inc.	760,671	270
Leading Edge Investment Advisors, LLC	383,467	2,697
Legato Capital Management Ventures, LLC	—	1,202
Marvin & Palmer Associates, Inc.	—	46
Piedmont Investment Advisors, LLC	213,256	208
Progress Investment Management Co., LLC	138,879	880
Progress-Lovell Minnick Ventures, LLC	—	20
Pzena Investment Management, LLC	431,090	832
Quotient Investors, LLC	264,550	1,208
Redwood Investments, LLC	210,808	811
Relational Investors Mid-Cap Fund I, LP	563,418	4,000
Relational Investors, LP	706,115	5,499
Research Affiliates, LLC	4,018,113	500
Strategic Investment Management, LP	—	1,633
Stux Capital Management, LLC	1	1,614
T. Rowe Price	1,091,877	2,452
TOBAM SAS	141,069	758
Total Domestic Equity Managers	**$10,762,547**	**$26,962**

	Net Assets Managed at Fair Value	Fees
GLOBAL EQUITY MANAGERS		
Alliance Bernstein, LP	$718,748	$786
Arrowstreet Capital, LP	2,436,795	1,264
Baillie Gifford Overseas Ltd.	1,348,929	899
Batterymarch Financial Management, Inc.	—	617
Cartica Corporate Governance Fund, LP	315,329	4,087
Dimensional Fund Advisors, Inc.	858,012	1,938
Genesis Asset Managers, LLP	1,003,246	2,064
Grantham, Mayo, Van Otterloo & Co., LLC	539,844	530
Hermes Sourcecap, Ltd.	329,430	1,408
Knight Vinke Institutional Partners I, LP	83,110	88
Lazard Asset Management, LLC	936,933	3,051
Nomura Asset Management, U.S.A., Inc.	452,888	227
Pareto Investment Management Ltd.	60,280	1,892
Pictet Asset Management Ltd.	612	998
Pyramis Global Advisors Holding Co.	759,318	1,547
Research Affiliates, LLC	4,903,514	898
State Street Bank and Trust Company	10,016	1,369
Victoria 1522 Investments, LP	134,728	763
Total Global Equity Managers	**$14,891,732**	**$24,426**
GLOBAL FIXED INCOME MANAGERS		
Alliance Bernstein, LP	$683,060	$549
Baring International Investment Ltd.	662,402	466
Pacific Investment Management Co.	1,245,282	864
Rogge Global Partners PLC.	542,848	653
Total Global Fixed Income Managers	**$3,133,592**	**$2,532**

Investment Expenses (Continued)

Investment Management Fees (continued) (Dollars in Thousands)

	Net Assets Managed at Fair Value	Fees
REAL ASSET MANAGERS		
301 Capitol Mall	$17,617	$443
AETOS Capital Asia TE	6,256	125
AETOS Capital Asia TE II, Ltd.	154,395	2,373
AEW Capital Partners	99,584	1,278
AEW Senior Housing, Co	18,750	2,400
AGI TMG Housing Partners I, LLC	44,480	470
Alinda Infrastructure Fund I	91,495	1,365
Alinda Infrastructure Fund II	185,922	1,986
American Value Partners Fund I	44,343	608
Apollo Real Estate Finance Company	71,770	920
Apollo Real Estate Investment Fund V, LP	39,309	948
ARA Asia Dragon fund II	(22)	234
ARA Asia Dragon, Ltd.	516,974	6,139
Bridge Urban InFill	22,549	153
Buchanan	29,617	672
CALEAST Canada	140,826	807
CALEAST Industrial Investors	297,468	2,868
CalEast Solstice, LLC	2,241,841	13,253
California Smart Growth Fund IV	67,566	876
CalSmart, LLC	—	8
CALSmart, LLC (CANYON)	38,681	1,049
CalWest RREEF	341,969	2,364
Canyon Johnson Urban Fund III, LP	127,897	2,813
Capri Urban Capital I, LLC	163,528	1,213
Carlyle Infrastructure Partner	64,168	1,472
CB Richard Ellis Partners Europe Fund III, US	42,866	638
CB Richard Ellis Partners UK Fund III, TE	21,069	662
CBRE Strategic Partners, UK	(14,545)	317
CIM CA Urban Real Estate	539,764	3,426
CIM Core Urban REIT, LLC	473,460	5,055
CIM Fund III	659,850	6,715
CIM Infrastructure Fund	302,457	1,719
Cityview LA Urban Fund I, LP	27,691	460
CUIP Properties, LLC	(35,351)	901
DB International Fund 1B	12,780	20
European Property Investors) - IXIS AEW	35,018	553
Fifth St. Properties CWP	6,719	1,836
Fillmore East Fund	18,823	315
Fortress Holiday	107,910	897
Fortress Investment Fund Deutschland, LP	57,087	790
Fortress Investment Fund IV	96,078	776
Fortress RIC CoInvestment	11,648	140
FSP - DT 2011	440,354	2,075

	Net Assets Managed at Fair Value	Fees
REAL ASSET MANAGERS		
FSP - DT 2011	$440,354	$2,075
GI Partners Fund II	491,551	2,669
GI Partners Fund III	504,753	5,069
Global Retail Investors	859,754	5,249
GRI - BASE	—	134
Guggenheim Structured III	35,905	322
Hampshire Companies	21,086	279
Harbert European Real Estate Fund II, LP	62,371	566
HC NOP Holdings, LP	871	118
Hearthston Path-of-Growth Fund, LLC	58,428	2,523
Hearthstone Housing Partners II, LLC	102,642	2,497
Hearthstone Housing Partners III, LLC	17,743	459
Hearthstone MS II	17	(1)
Hearthstone MS III	(7,216)	78
Hines CalPERS Brazil Fund	1,212	105
Hines CalPERS Brazil Fund II	672,703	5,118
Hines CalPERS China Fund (HCC)	48,818	587
Hines CalPERS Green	159,795	582
Hines CalPERS Mexico II	51,540	630
Hines European Development Fund	(1,399)	255
Hines European Development Fund II	(3,882)	241
Hines Mexico Development Fund	52,629	520
IHP Fund II LP A+D	34,135	542
IHP Investment Fund III	345,867	5,118
IL & FS India Realty Fund II	185,823	1,993
IL & FS India Realty Fund, LLC	96,698	1,500
IMI - DT 2011	254,589	395
Institutional HSG Partners, LP (IHP)	188,563	1,120
Institutional Mall Investors	2,096,754	11,108
JER Europe Fund III	13,071	254
JER US Debt Co-Investment	63,634	561
Karec CA Development Program, LLC	206,066	1,319
KC 2011, LLC	255,392	2,430
Kennedy Wilson Property Fund II	—	405
KSC Affordable Housing	62,103	819
LaSalle Asia Opportunity Fund III	86,281	1,430
LaSalle French Fund II G.P., LLC	39,742	630
LaSalle Japan Logistic II	27,487	454
Lincoln Timber, LP	1,650,874	8,062
Market Street Capital Partners, LP	94,553	1,191
Meriwether Farms, LLC	92,371	1,078
MGP Asia Fund II	72,768	903
MGP Europe Parellel Fund II	52,613	1,083
National Office Partners (CWP)	840,938	4,859

Investment Management Fees (Continued)(Dollars in Thousands)

	Net Assets Managed at Fair Value	Fees
REAL ASSET MANAGERS		
Next Block Medical	$85	$302
NIAM Nordic Fund III	42,299	463
NIAM Nordic Investment Fund IV	119,822	1,417
NREP Real Estate Debt Fund, LP	—	430
ORA Multi-Family Investment I	118,550	824
ORA Residential Investments (Olympic)	207,775	2,075
Pacific Vineyard Partners	113,607	1,572
PLA Retail Fund I	75,142	1,090
Preco III	60,986	530
Rockpoint Real Estate Fund II, LP	16,864	384
Rockpoint Real Estate Fund III	186,341	2,104
RREEF Global Opportunities Fund II, LLC	112,891	1,244
Savanna Real Estate Fund I, LP	67,884	714
SDL Hospitality Co-Invest Fund	198,752	302
Secured Capital Japan I	358	6
Secured Capital Japan II	53,174	864
Secured Capital Japan RE Partners Asia, LP	221,679	2,889
Senior Housing UK Investment II, LP(Preco)	3,618	27
SHEA Capital I, LLC	133,991	3,125
SHEA Mountain House, LLC	120,523	1,039
Starwood Capital Hospitality Fund	187,682	1,567
Starwood Capital Hospitality Fund II	170,341	1,968
Stockbridge Hollywood Park CoInvestment	101,448	747
StockBridge Real Estate Fund II	19,104	504
Strategic Partners Value Enhancement Fund	45,010	627
Sun Apollo India Real Estate Fund	23,094	455
TechCore, LLC	(226)	216
Timber International - UBS (Sylvanus)	464,475	2,851
TPG Hospitality Investments IV	93,416	1,986
Urban America, LP II	57,241	1,161
Western Multifamily GID	1,665,125	6,667
Windsor Realty Fund VII, LP	19,338	225
WMF - DT 2011	211,756	796
Xander Cassander Co-Investment	97,093	3,506
Xander JV Fund (Ptolemy)	18,145	488
Total Real Asset Managers	**$22,547,687**	**$194,551**
Other Investment Management Fees		
Private Equity Distributed Manager	$0	$273
Total Other Investment Management Fees	**$0**	**$273**
TOTAL INVESTMENT MANAGEMENT FEES		**$248,744**

Performance Fees (Dollars in Thousands)

	Fees
DOMESTIC EQUITY MANAGERS	
First Quadrant, LP	$265
FIS Group, Inc.	43
Leading Edge Investment Advisors, LLC	309
Legato Capital Management Investments, LLC	691
Progress Investment Management Company, LLC	422
Pzena Investment Management, LLC	874
Relational Investors Mid-Cap Fund I, LP	588
Research Affiliates, LLC	4,976
Strategic Investment Management, LP	612
Total Domestic Equity Managers	**$8,780**
GLOBAL EQUITY MANAGERS	
Arrowstreet Capital, LP	$11,926
Baillie Gifford Overseas Ltd.	7,178
Genesis Asset Managers, LLP	18,021
Grantham, Mayo, Van Otterloo & Co., LLC	757
Lazard Asset Management, LLC	799
Nomura Asset Management, U.S.A, Inc.	640
Research Affiliates, LLC	809
Total Global Equity Managers	**$40,130**
GLOBAL FIXED INCOME MANAGERS	
Alliance Bernstein, LP	$1,114
Baring International Investment Ltd.	811
Pacific Investment Management Co.	2,468
Rogge Global Partners PLC.	701
Total Global Fixed Income Managers	**$5,094**

Performance Fees (Continued) (Dollars in Thousands)

	Fees
REAL ASSET MANAGERS	
AETOS Capital Asia TE	($2,054)
AEW Capital Partners	14,106
CALEAST Canada	(2,969)
CalEast Solstice, LLC	(11,375)
CalWest RREEF	7
DB International Fund 1A	38
DB International Fund 1B	(3,746)
Fifth St. Properties CWP	(276)
Global Innovation Partners	(376)
Harbert European Real Estate Fund II, LP	(951)
Hearthstone MS II	17
Hearthstone MS III	(97)
Heartstone HSG Partners	18
Hines CalPERS Brazil Fund II	(2,751)
Hines CalPERS China Fund (HCC)	1,450
Infrastructure Investments	3,829
Institutional Mall Investors	110,398
NIAM Nordic Fund III	483
PLA Residential Fund	924
SDL Hospitality Co-Invest Fund	(15,416)
Secured Capital Japan I	468
Starwood Capital Hospitality Fund II	465
Timber International - UBS (Sylvanus)	(3,515)
Total Real Asset Managers	**$88,677**
TOTAL PERFORMANCE FEES	**$142,681**
TOTAL INVESTMENT MANAGEMENT AND PERFORMANCE FEES	**$391,425**

Other Investment Expenses (Dollars in Thousands)

	Fees
CUSTODIAN/ PORTFOLIO MANAGEMENT SERVICES/ SUBSCRIPTIONS	
13D Research (USVI), LLC	$50
Altura Capital Group, LLC	25
ARGUS Software	1
Axioma, Inc.	133
Barclays Capital, Inc.	200
Barra, Inc.	1,146
BCA Research, Inc.	185
BlackRock Financial Management, Inc.	7,115
Bloomberg Finance, LP	2,097
Cambridge Associates, LLC	23
Carahsoft Technology Corp.	97
Cost Effectiveness Measurement, Inc.	60
Centre for Asia Private Equity Research Ltd.	4
Charles River Systems, Inc.	1,396
Covenant Review, LLC	45
Credit Suisse Securities (USA), LLC	75
CreditSights	90
Davis, Mendel & Regenstein, Inc.	38
Dow Jones & Company, Inc.	19
EDGAR Online, Inc.	12
Egan-Jones Proxy Services	12
eMBS, Inc.	8
Equilar, Inc.	7
Ermitage Asset Management Jersey	71
Etrali North America, LLC	24
European Private Equity & Venture Capital Association	2
eVestment Alliance	31
Factset Research Systems, Inc.	1,757
Fan Asset Management, LLC	91
FirstRain, Inc.	10
Fitch Solutions, Inc.	235
Fixed Income Clearing Corporation	6
FTSE International Ltd.	83
FX Alliance, LLC	18
Glass, Lewis, & Co., LLC	510
Global Financial Data, Inc.	50
Governance Holdings Company	215
GP Analytics	140
Green Street Advisors	4
High Frequency Economics	25
IHS CERA, Inc.	39
International Shareholder Services, Inc.	503

Other Investment Expenses (Continued) (Dollars in Thousands)

	Fees
CUSTODIAN/ PORTFOLIO MANAGEMENT SERVICES/ SUBSCRIPTIONS	
International Fund Services NA, LLC	$1,600
Intex Solutions, Inc.	211
London Stock Exchange	10
Macroeconomic Advisers, LLC	16
Markit North America, Ltd.	30
Mcube Investment Technologies, LLC	74
Mercer Investment Consulting, Inc.	65
Moody's Analytics, Inc.	470
MSCI, Inc.	33
National Council of Real Estate Investment Fiduciaries	1
Northfield Information Services, Inc.	120
NYSE Market, Inc.	48
Omgeo, LLC	150
Options Price Reporting Authority, LLC	1
Oracle Corporation	1
Oxford Analytica, Inc.	39
Principal Global Investors, LLC	154
Property & Portfolio Research, Inc.	50
Quantal International, Inc.	45
Quantitative Services Group, LLC	110
RBS Smart Products, Inc.	100
Reinhart Boemer Van Deuren, S.C.	5
Rise Vision U.S.A., Inc.	1
Roubini Global Economics, LLC	10
Russell Implementation Services, Inc.	43
SNL Financial, LLC	20
Standard & Poor's Corp.	1,128
State Street Bank and Trust Company	9,335
Strategic Economic Decisions, Inc.	15
The Highlands Consulting Group, LLC	23
The MathWorks, Inc.	46
The Yield Book, Inc.	90
Thomson Reuters Markets, LLC	620
Torcello Ltd.	10
Tradeweb, LLC	70
Toronto Stock Exchange, Inc.	4
William O'Neil & Co.	26
Yardeni Research, Inc.	15
Zeno Consulting Group, LLC.	49
Zephyr Associates, Inc.	38
Total Custodian/Portfolio Management Services/ Subscription Fees	**$31,528**

	Fees
AUDITOR FEES	
KNL Support Services	$11
KPM & Associates	4
Marsh U.S.A., Inc.	66
Reznick Group P.C.	65
Squar, Milner, Peterson, Miranda & Williamson, LLP	25
VELAH Group	7
Total Auditor Fees	**$178**
CONSULTANT FEES	
Arup North America Ltd.	$159
Bard Consulting, Inc.	617
Beacon Consulting Group, Inc.	274
Best Partners SC, Inc.	40
Brock Capital Group, LLC	64
Business Advantage Consulting, LLC	3
Callan Associates, Inc.	433
Cambridge Associates, LLC	50
Capital Dynamics, Inc.	80
Courtland Partners Ltd.	618
Crosswater Realty Advisors, LLC	924
Cutter Associates, Inc.	79
Duff & Phelps, LLC	60
FTI Consulting, Inc.	220
Garland Associates, Inc.	166
Hamilton Lane Advisors, LLC	572
Heidricks & Struggles	471
Houlihan Lokey Howard & Zukin Financial Advisors, Inc.	124
J & K Court Reporting, LLC	5
Le Plastrier Consulting Group, Inc.	1,154
LP Capital Advisors, LLC	2,828
Meketa Investment Group, Inc.	106
Mercer Investment Consulting, Inc.	118
Mosaic Investment Advisors, inc.	332
MRI Software, LLC	222
Nichols Consulting	391
Pacific Alternative Asset Management Company, LLC	250
Pacific Community Ventures, Inc.	353
Pension Consulting Alliance, Inc.	2,055
RG & Associates	4
Ridgeway Partners, LLC	1,207

Other Investment Expenses (Continued) (Dollars in Thousands)

	Fees
CONSULTANT FEES	
Schaffer Consulting, LLC	$53
Senn-Delaney Leadership	32
Strategic Investment Solutions, Inc.	25
Suzanne Stone Freelance Services	42
Townsend Group (The)	227
UBS Alternative and Quantitative Investments, LLC	15,881
Wilcox, Miller and Nelson	2
Wilshire Associates, Inc.	3,062
Total Consultant Fees	**$33,303**
SYSTEM CONSULTANT FEES	
Cambria Solutions	$1,243
Enclipse Corporation	117
InvestTech Systems Consulting, Inc.	335
KPMG, LLP	335
MK Partners, Inc.	40
Performance Technology Partners, LLC	2
Princeton Financial Systems, UGS	469
Propoint Technology, Inc.	949
Pyramid Technical Consultants, Inc.	478
SAS International, Inc.	48
SRI Info Tech, Inc.	67
Stanfield Systems, Inc.	168
Trinity Technology Group, Inc.	190
Total System Consultant Fees	**$4,441**
LEGAL FEES	
AlvaradoSmith, A Professional Corporation	$1
Berman DeValerio	140
Chapman and Cutler, LLP	48
Covington and Burling, LLP	164
Cox, Castle and Nicholson, LLP	1,129
Felderstein, Fitzgerald, Willoughby and Pascuzzi, LLP	49
Glaser, Weil, Fink, Jacobs, Howard, Avchen and Shapiro, LLP	50
Katten, Muchin and Rosenman, LLP	60
Kirkpatrick and Lockhart Gates, LLP	1,548
Mennemeier, Glassman and Stroud, LLP	18
Morgan, Lewis and Bockius, LLP	1,099
Navigant Consulting, Inc.	232
Pillsbury, Winthrop, Shaw and Pittman, LLP	4,510
Remcho, Johansen and Purcell, LLP	2
Total Legal Fees	**$9,050**

	Fees
TAX ADVISORY FEES	
KPMG, LLP	$411
S.R. Batliboi & Co	149
Total Tax Advisory Fees	**$560**
TRANSACTION FEES	
Cogent Partners, LP	$2,943
Securities and Exchange Board of India	34
State Street Bank and Trust Company	7
TPG Capital Management, LP	45
Total Transaction Fees	**$3,029**
TOTAL OTHER INVESTMENT EXPENSES	**$82,089**
MISCELLANEOUS EXPENSES	
Mortgage Servicing Fees	$1,158
Dividend Tax Expenses	34,763
Miscellaneous Investment Expenses	9,080
TOTAL MISCELLANEOUS EXPENSES	**$45,001**
TOTAL INVESTMENT EXPENSES - PERF	**$518,515**

Other Funds

Investment Expenses (Dollars in Thousands)

	Fees
INVESTMENT EXPENSES	
LRF	$20
JRF	11
JRF II	96
SPOFF	1,040
IRC 457	1,158
SCPF	35
CERBTF	382
HCF	75
CRF	1
LTCF	540
TOTAL OTHER FUNDS	**$3,358**
TOTAL INVESTMENT EXPENSES - ALL FUNDS	**$521,873**

Consultant and Professional Services Expenses

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

Individual or Firm	Fees	Nature of Service
Accenture, LLP	$30,928	Consulting services for Pension System Resumption (PSR) project
ACS Learning Services	445	Provide services, solutions, and tools for training & development
ADSI, Inc.	65	Consulting services spring fed pool
Advanced Systems Group, LLC	30	Provide services, solutions, and tools for training & development
Ambire Consulting, Inc.	547	Configuration management support for Pension System Resumption (PSR) Test Environment & Enterprise Transition Management (ETM) Transition Effort & PeopleSoft Financials developer support services
Anthem Blue Cross	70,451	Medical claims administration, medical and account management, behavioral, provider network, audit, innovation and development, wellness, prevention and disease management services
ATV Video Center, Inc.	152	Audiovisual support & live presentation services
Ballard Group	452	Information Technology (IT) consultant services
Base 3 Consulting	3,010	Management support services/lead application test analyst
Belmonte Enterprises, LLC	603	Consulting services for CDB PSR/TLOG/ACES batch application support & My|CalPERS technical liaison services
Blackstone Technology Group	698	Enterprise Transition Management (ETM) project ITSB communication & change management support & filenet/content management application services
Booz Allen Hamilton, Inc.	215	Professional services in strategic planning facilitation
Bridgeworks, LLC	50	Develop, produce and facilitate training, presentations, and workshop material
Buck Consultants, LLC	33	Degree leadership program; strategic & operational business planning
Business Advantage Consulting	198	Enterprise Transition Management (ETM) project IT transformation support & systems analyst for My|CalPERS integration
California Department of Insurance	23	Actuarial staff compensation & classification study
California State Personnel	45	Appeals & complaints cases
Capio Group	1,119	Benefit Services Division Pension System Resumption (PSR) project support & application development, test & convert data validation of PSR systems
Celer Systems, Inc.	87	Data validation of PSR data conversion
Chisoft Consultant Services, LLC	195	PSR architecture support & data center liaison
Comsys	530	IBM mainframe software support
Conference Plus	43	Powerpoint presentation
Cooperative Personnel Services	27	Consultation and guidance in the development and refinement of human resources programs and policies
Cornerstone Fitness, Inc.	61	Consulting services on organizational development & readiness & employee training & development
Daniel Co, CPHT	46	Pharmacy consulting services for evaluating program benefits & measure benefit outcome & utilization
Dee Hansford Consulting	69	Provide consulting services & solutions in the design, development & implementation of organizational development & readiness initiatives & strategies
Delegata	3,200	Project support services for Pension System Resumption (PSR) project, Public Employer Readiness Team (PERT) project & management support services
Department of Finance	24	Review of the organization's self assessment & audit operations
Department of Justice	165	Legal services on civil & employment litigations
Department of Personnel Administration	142	Labor relation services & in-house counsel cases consulting services
Diamond Marketing Solutions	167	Material & productions of annual member statements for CalPERS
Dolamont Consulting, Inc.	2,162	Enterprise Transition Management (ETM) project-IT transition support lead & test & validation of Pension System Resumption (PSR) financials

Consultant and Professional Services Expenses— (continued)

(Dollars in Thousands)

Individual or Firm	Fees	Nature of Service
DSS Research, Inc.	$95	Health plan member survey
Eagle Management Group	86	Program marketing booth
Eaton Interpreting Services	73	Interpreting service
EFI Actuaries	28	Professional actuarial auditing services
EMC Corporation	399	Manage data protection and operational recovery services/implementation work plan
Enclipse Corporation	894	System support/desktop services
Enterprise Networking Solutions	116	Microsoft Exchange Server 2010 Administrator Support
Equanim Technologies	1,205	Support services for Management Information Services (MIS) Unit & project oversight for the Office of Employer & Member Health Services
Fulbright & Jaworski, LLP	75	Litigation & Transaction Consulting Services
Funston Advisory Serives, LLC	554	Provide services in OERM projects, stakeholder relation, document reviews & survey development
Genuent USA, LLC	78	PeopleSoft Financial Systems administration & security support services
Global Access, LLC	178	Filenet/UCM Oracle database services
Gordon & Silver, LLP	250	Legal services to the Board
Health Manaagement Associates	105	Consulting services in the negotiation of health rates
Heidricks & Struggles	82	High qualty management executive & actuarial search services
Hewitt Consulting	138	Health benefits consulting services; medical management & utilization management consulting & pharmaceutical benefit management consulting
Highlands Consulting Group	2,383	Enterprise Transition Management (ETM) Project Business Transition Support & Enterprise Transition Management (ETM) Transition and Change Readiness Assessment Support
HP Enterprise Services, LLC	232	PSR Enviroment & Architecture Support
Information Technology Software Professional	901	Programming services for Legacy mainframe applications
Informatix, Inc.	322	Public Employer Readiness Team (PERT) Technical Education Specialist
ING	2,035	Third party member record-keeper
Innovative Software Technologies	334	Actuarial valuation system maintenance programming
Insight Technologies, Inc.	1,265	Technical support of corporate database, CDB applications/APPL development
Intraform	30	Printing, imaging, folding, inserting & mailing of election ballots
J & K Court Reporting, LLC	74	Transcript on PERS bidder's conferences
J. A. Frasca and Associates	268	Application development, test & converted data validation of PeopleSoft
JLynnconsulting, Inc.	1,231	Pension System Resumption (PSR) data conversion & PSR blended team - application support
Jones Vargas, Chartered	225	Provide special litigation services
Kaleidoscope Group, LLC	43	Conduct a web-based diversity awareness survey
Kearnford Application Systems Design	2,445	Pension System Resumption (PSR) data conversion programmer/systems analyst
Kenera Consulting, Inc.	626	Project management services
Kiefer Consulting, Inc.	400	Consulting services on project plan documenation & detailed baseline primavera project timeline
Knowledge Structures, Inc.	29	Employee training & development
Kong Consulting, Inc.	596	PeopleSoft Financials functional support
KPMG, LLP	2,987	Independent project oversight consulting and independent verification and validation for Comet Pension System
LCS Technologies, Inc.	1,787	CalPERS Information Technology Services Branch (ITSB) PeopleSoft Human Capital Management (HCM) upgrade 9.1 project
Linsonic, LLC	199	CalPERS ACES databases services
Lussier, Vienna, Gregor & Associates	843	Consulting contract services

Consultant and Professional Services Expenses— (Continued)

(Dollars in Thousands)

Individual or Firm	Fees	Nature of Service
Lynn Belzer Consulting	$28	Survey & research services
Macias Gini O'Connell LLP	753	Financial statements auditor
Mara Consulting, Inc.	76	Programming services for Legacy Mainframe Applications
Mary Lynne Strupp	56	Resolve specific pharmacy claim issues
Maximus Federal Services, Inc.	45	Provide independent medical reviews
McKinsey & Company, Inc.	1,855	Strategic management & business consulting services
Medco Health	2,569	Provide pharmacy claims administration, account management, eligibility, retail and other reporting services
Mercer Health And Benefits	980	Consulting services on PPO rate renewal process project, proposal support and market assment
Metavista Consulting Group	197	Enterprise Transition Management (ETM) analyst for Project Transition Management
Mellon Bank	322	Provide banking services
Milliman, Inc.	118	Consulting services for Healthcare Management
Mindstorm	66	Video & web design services
Monarch Enterprises, Inc.	179	Pension System Resumption (PSR) Application Development
Moore Wallace Business Communications Services	527	Open enrollment processing services
Netresult, LLC	145	Filenet administration support services
Netsource Consulting, Inc.	55	Windows server administration support
Nexlevel Information Technology, Inc.	89	Management support services-Business Analyst Public Employer Readiness Team (PERT) planning and project
North Highland Company	1,029	High level organizational design of ITSB service model & descriptions, case scenarios & high level organizational structure services
Nossaman, Guther, Knox & Elliott	116	Consultation services on bankruptcies
Ogilvy Public Relations	42	Media training
Online Video Service, Inc.	178	Provide services on web streaming, casting, hosting & archival service skills
Other	239	
PA Consulting Group, Inc.	830	Strategic & operational business planning & management analysis
Pacific Business Group on Health	41	Internet-based health plan chooser tool, management and maintenance services
Pacific Satellite Connection, Inc.	21	Video production
Pasanna Consulting Group, LLC	536	Developer for My|CalPERS integration
Performance Technology Partners, LLC	1,227	User experience designer for self-service applications
Pillsbury Winthrop Shaw Pittman, LLP	481	Legal services on CalPERS investment in real estate assets & other legal services
Princeton Solutions Group, Inc.	350	Technical specialist enterprise technical architecture/infrastructure
R & G Associates	225	Enterprise Transition Management (ETM) project business communication and change management support services
Reed Smith, LLP	682	Litigation & non-litigation counseling services
Regents of the University of California	341	Provide staff & progressive leadership training services
Reinhart Boerner Van Deuren S.C.	56	Litigation & non-litigation counseling services
Renaissance Long Beach hotel	38	Provide facilities & services for CalPERS educational forum
RV Kuhn	98	Provide strategic review SIP plans
Saba Software, Inc.	66	SABA Learning Management System
SAS International, Inc.	757	Application server administration services. 7.9.A APP server
Segula Technologies	334	PeopleSoft Financials System administration/security support
Shah & Associates, LLP	415	Board advisory counsel services
Shaw Valenza, LLP	185	Litigation counseling services
Shooting Star Solutions, LLC	523	Risk Assessment & Management Plan (RAMP) assistance to the Information Security Office (ISOF)

Consultant and Professional Services Expenses— (continued)

(Dollars in Thousands)

Individual or Firm	Fees	Nature of Service
Siemens Communications, Inc.	$134	Speech recognition software provisioning, speech application development & systems integration
Sign Language Interpreting Service Agency	70	Interpreting services
Softsol Resources, Inc.	410	CDB Application support services
Softsol Technologies, Inc.	1,446	Data validation of PSR data conversion
Sophus Consulting	59	Consulting services for legal office case document management system replacement project
SRI Infotech, Inc.	663	Financial Services Integrated Project (FSIP) Oracle database services
Staff Tech, Inc.	452	FSIP PeopleSoft Financials Developer, Ist, & CAT support
Stanfield Systems, Inc.	804	Financial Oracle database services & Enterprise Transition Management (ETM) project management support services
Starting Point	60	Organizational & leadership development; strategic & operational business planning; performance management & program evaluation
State Controller's Office	12,379	Claims schedule processing, information technology and other post employment benefits
State Personnel Board	75	Provide workforce analysis; exam & selection services; test validation & construction services
Steptoe & Johnson, LLP	4,123	Provide legal services & preparation of legal opinions
Stoel Rivers, LLP	70	Assistance with the negotiation of contracts between CalPERS & health plans & third party administrators of health programs
T5 Consulting	428	CDB PSR / participant application support
Take 1 Productions	42	Consultation & creative concepts for video & multimedia presentations
Technisource, Inc.	122	Project management services; application development and database administration, data backup management and application servers & desktop services
Technology Crest Corporation	219	Developer for My|CalPERS integration
Thomson Reuters	2,903	Health care business intelligence, member data set up, storage and initial submission services
Trinity Technology Group, Inc.	2,279	My|CalPERS build and deploy support services & enterprise architecture services
Two Shea Consulting, Inc.	223	Annual member statement process: PSR CAT testing and implementation support (statements and service credit purchase)
United Health Services	569	Provide actuarial services
University of California, San Franscisco	48	Prometheus payment analytic software to CalPERS' fee for service claims
University of California, Berkeley	30	Consultant services
Univita	18,919	Privde billing, banking, claims administration, underwriting, care advisory and enrollment services
Vantage Consulting Group, Inc.	909	Application architecture-integration services/technology
Vanwrite	57	Solutions & tools for employee training and development services
Veaco Group	51	Services in self-assessemnt process of CalPERS Board of administration
Viaspire	68	Communication services
Visionary Integration, LLC (VIP)	2,293	Automation & support services
Zyncor Consulting	264	Management support services
TOTAL CONSULTANT & PROFESSIONAL SERVICES EXPENSES	**$206,632**	

Statement of Changes in Assets and Liabilities — Agency Funds

For the Fiscal Year Ended June 30, 2012 (Dollars in Thousands)

	RBF			
	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash & Cash Equivalents	$0	$15,220	$15,220	$0
Member, Public Agencies, State & Schools Receivables	97	15,775	15,872	—
Interests & Dividends Receivables	6	5	6	5
Domestic Short Term Investments	3,834	7,448	7,115	4,167
TOTAL ASSETS	**$3,937**	**$38,448**	**$38,213**	**$4,172**
LIABILITIES				
Due to Other Funds	$0	$8	$8	$0
Other Program	3,937	16,284	16,049	4,172
TOTAL LIABILITIES	**$3,937**	**$16,292**	**$16,057**	**$4,172**

	CRF			
	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash & Cash Equivalents	$0	$2,621,384	$2,600,122	$21,262
Member, Public Agencies, State & Schools Receivables	1,805	2,122,422	2,100,476	23,751
Interest & Dividends Receivable	91	74	91	74
Due From Federal Government	24,570	104,194	116,131	12,633
Domestic Short Term Investments	305,717	2,129,185	2,131,589	303,313
TOTAL ASSETS	**$332,183**	**$6,977,259**	**$6,948,409**	**$361,033**
LIABILITIES				
Due to Health Carriers	$190,330	$4,188,616	$4,179,859	$199,087
Due to Members, Public Agencies, State & Schools	72,154	116,428	107,256	81,326
Due to Other Funds	66,599	842,527	840,773	68,353
Other Program	3,100	51,422	42,255	12,267
TOTAL LIABILITIES	**$332,183**	**$5,198,993**	**$5,170,143**	**$361,033**

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

For the Fiscal Year Ended June 30, 2012 (Dollars in Thousands)

	RBF & CRF Totals			
	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash & Cash Equivalents	$0	$2,636,604	$2,615,342	$21,262
Member, Public Agencies, State & Schools Receivables	1,901	2,138,199	2,116,349	23,751
Interests & Dividends Receivable	97	79	97	79
Due From Federal Government	24,570	104,194	116,131	12,633
Domestic Short Term Investments	309,552	2,136,633	2,138,705	307,480
TOTAL ASSETS	**$336,120**	**$7,015,709**	**$6,986,624**	**$365,205**
LIABILITIES				
Due to Health Carriers	$190,330	$4,188,616	$4,179,859	$199,087
Due to Member, Public Agencies, State & Schools	72,154	116,427	107,255	81,326
Due to Other Funds	66,599	842,536	840,782	68,353
Other Program	7,037	67,705	58,303	16,439
TOTAL LIABILITIES	**$336,120**	**$5,215,284**	**$5,186,199**	**$365,205**