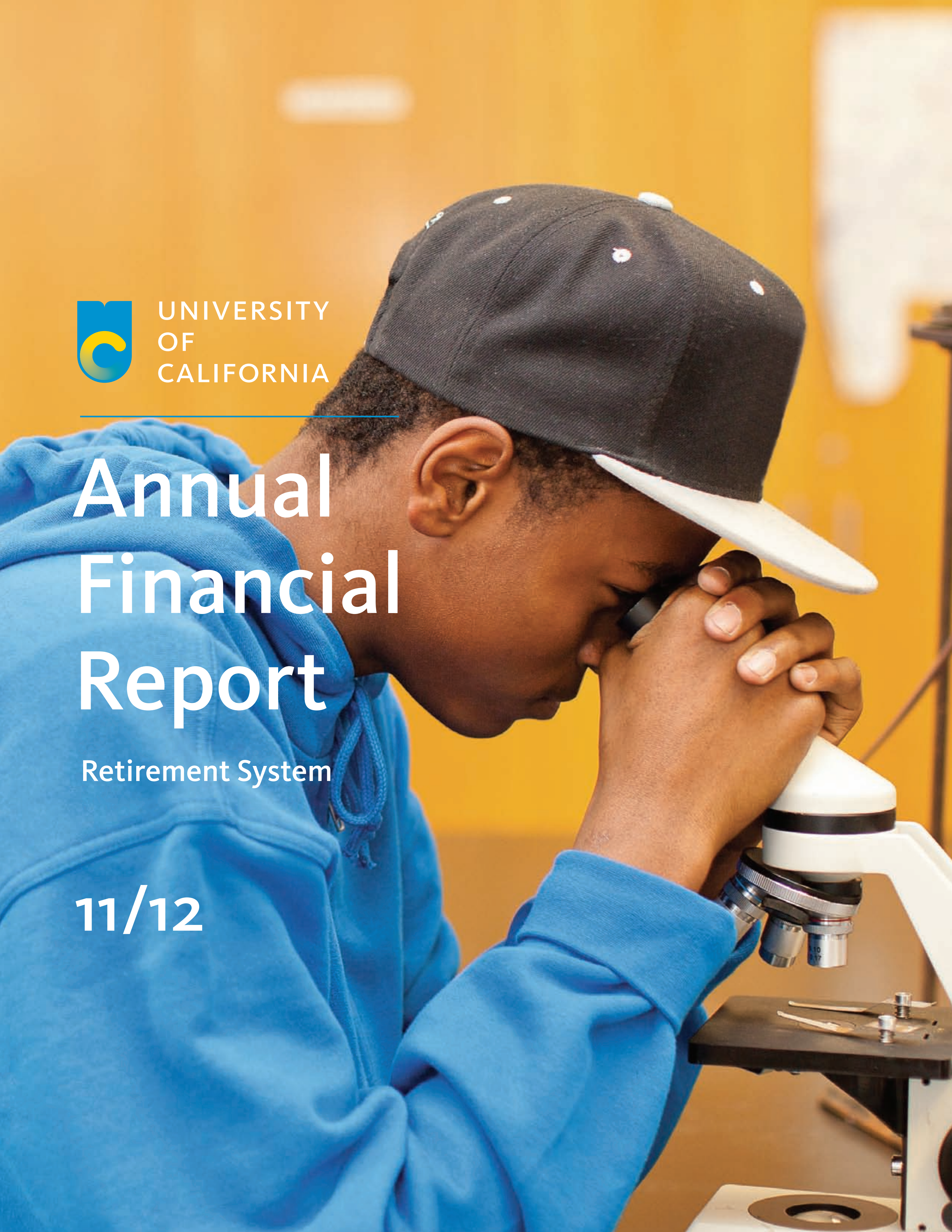

UNIVERSITY OF CALIFORNIA

Annual Financial Report

Retirement System

11/12

UNIVERSITY OF CALIFORNIA

Retirement System
11/12 Annual Financial Report

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University of California Retirement System

The University of California Retirement System ("UCRS") comprises two defined benefit pension plans and four defined contribution plans. The Regents of the University of California ("The Regents") act as trustee associated with each of UCRS Plans other than the UC Tax-Deferred 403(b) Plan ("403(b) Plan") and as custodian of the 403(b) Plan. Administrative authority with respect to UCRS Plans is vested in the President of the University as plan administrator and the President has redelegated that authority within UCRS to the Vice President — Human Resources. UCRS consists of two defined benefit pension plans known as the University of California Retirement Plan ("UCRP") and the University of California Voluntary Retirement Incentive Program ("PERS Plus 5 Plan"). UCRS also includes the University of California Retirement Savings Program ("UCRSP") which includes the Defined Contribution Plan ("DC Plan"), the Supplemental Defined Contribution Plan ("SDC Plan"), the 403(b) Plan and the 457(b) Deferred Compensation Plan ("457(b) Plan"). Collectively, UCRS Plans provide for a combination of defined benefits and retirement savings opportunities to eligible University employees and retirees.

SUMMARY STATEMENT

This section contains information and audited financial statements on the University of California Retirement Plan (UCRP), which provides lifetime retirement income, disability protection, death benefits and postretirement and preretirement survivor benefits to eligible employees of the University of California (the "University") and its affiliate, Hastings College of the Law, as of and for the fiscal year ended June 30, 2012. Significant statistics relating to UCRP's financial information and membership base as of June 30, 2012, is as follows:

Net position	$41.8 billion
Net investment income	$112.2 million
Contributions	$2.1 billion
Benefit payments *(excluding member withdrawals and lump sum cashouts)*	$2.0 billion
Plan administrative and other expenses	$32.8 million
ACTIVE PLAN MEMBERSHIP	
Senate Faculty and Non-Faculty Academics	23,115 members
Management/Senior Professional	9,286 members
Professional/Support Staff	84,487 members
TOTAL	**116,888 members**
AVERAGE ANNUAL SALARY	
Senate Faculty	$121,592
Non-Faculty Academics	$77,910
Management/Senior Professional	$124,700
Professional/Support Staff	$64,321
AVERAGE AGE	
Senate Faculty	50 years
Non-Faculty Academics	44 years
Management/Senior Professional	50 years
Professional/Support Staff	43 years
INACTIVE PLAN MEMBERSHIP / OTHER	
TOTAL	**67,318 members**
RETIREE MEMBERSHIP	
Faculty	5,445 retirees
Management/Senior Professional	7,555 retirees
Professional/Support Staff	36,675 retirees
TOTAL	**49,675 retirees**
AVERAGE RETIREMENT AGE	
Faculty	64 years
Management/Senior Professional	60 years
Professional/Support Staff	59 years
AVERAGE SERVICE CREDIT AT RETIREMENT	
Faculty	25 years
Management/Senior Professional	22 years
Professional/Support Staff	20 years
AVERAGE ANNUAL UCRP INCOME	
Faculty	$75,161
Management/Senior Professional	$54,183
Professional/Support Staff	$29,618
SURVIVOR/BENEFICIARY	**7,259 recipients**
DISABLED	**2,000 recipients**

PLAN OVERVIEW AND ADMINISTRATION

UCRP is a key component of the comprehensive benefits package offered to employees of the University of California and its affiliate, Hastings College of the Law. UCRP is a governmental defined benefit pension plan intended to be qualified under §401(a) of the Internal Revenue Code (IRC).

The University's pension program dates back to 1904, with a plan that provided for the purchase of commercial annuities for retiring professors at UC Berkeley and UC San Francisco. The current retirement pension plan was designed in 1961, before the University's participation in Social Security and before the introduction of employee life and disability insurance coverage. Over the years, UCRP has evolved to include provisions for:

- basic retirement income (includes post-retirement survivor benefits) and four alternative monthly payments;
- lump sum cashout in lieu of basic retirement income;
- disability income;
- death benefits;
- preretirement survivor benefits; and
- annual adjustments for increases in the cost-of-living for monthly benefits and the compensation component of the benefit formula for inactive members.

Further, in lieu of lifetime retirement benefits, members may choose a refund of their accumulated employee contributions and earnings or, if eligible to retire, they may elect a lump sum payment that is the actuarial equivalent present value of their lifetime retirement income.

At June 30, 2012, active UCRP members included 116,888 employees at the University's ten campuses, five medical centers, Lawrence Berkeley National Laboratory and Hastings College of the Law.

The Vice President — Human Resources of the University carries out administrative duties delegated by the President for the day-to-day management and operation of the Plan. These include conducting policy research, implementing changes to the Plan document and regulations to preserve the Plan's qualification under the IRC and overseeing the recordkeeping and accounting functions and the receipt and disbursement of UCRP assets to eligible members, their beneficiaries and survivors.

Summary plan descriptions are updated periodically to reflect legislative, Plan and administrative changes. These booklets are available online on At Your Service (atyourservice.ucop.edu) or through local Benefits Offices. They are mailed directly to active participants once every five years.

PLAN PROGRESSION

1904 Commercial annuities equal to two-thirds salary were provided for faculty aged 70 or older who had 20 years of service or more. Two decades later, the Pension and Retiring Annuities System (PRAS) pension plan was introduced for faculty and high ranking administrators.

1937 Pension plan coverage was also established for non-academic employees through CalPERS.

1961 PRAS was terminated due to insolvency and UCRP was established to provide retirement, disability and preretirement survivor benefits to all University career employees.

1971 The annual 2 percent (maximum) cost-of-living adjustments (COLAs) were applied to retirement, survivor and disability benefits.

1976 Social Security coverage was offered to UCRP members.

1990-1994 Several plan changes were made to address the rising surplus in UCRP funded position:

- Employer and employee contributions to UCRP were gradually suspended for active members (effective for most members beginning in Nov-90);
- The University offered three successive early retirement incentive programs to UCRP members (a separately funded program was provided to UC employees who were members of CalPERS);
- Five Capital Accumulation Payment (CAP) allocations were made to UCRP recordkeeping accounts on behalf of eligible members.

2001-2002 UCRP membership eligibility was modified to include employees not otherwise eligible who work 1,000 hours in a 12-month period. In addition, UCRP age factors were increased.

2005-2006 The University transferred management of the Los Alamos National Laboratory (LANL) to the Los Alamos National Security, LLC (LANS) and plan net assets attributable to the prior service of LANL employees to the successor pension plan.

2006-2008 UCRP was amended to allow for distribution and rollover provisions (including Roth IRAs in 2007-2008) allowed under the Pension Protection Act of 2006. Separately, during fiscal year 2007-2008, the University transferred management of the Lawrence Livermore National Laboratory (LLNL) to the Lawrence Livermore National Security, LLC (LLNS) and plan net assets attributable to the prior service of LLNL employees to the successor pension plan.

2008-2009 The University adopted a new UCRP funding policy effective with the July 1, 2008 actuarial valuation.

2009-2010 The University reinstated employer contributions effective April 15, 2010 and employee contributions effective with spring 2010 covered compensation.

2010-2011 The University adopted a new tier of UCRP benefits for employees hired or rehired following a break in service, on or after July 1, 2013, increasing early and normal retirement age by five years while retaining many current UCRP benefits.

2011-2012 The University changed the mortality assumptions for annuity option factors and lump sum factors effective July 1, 2012. The University adopted new employer and employee contribution rates effective July 1, 2013.

PLAN MEMBERSHIP

Employees participate in UCRP in one of four membership classifications:

- Members with Social Security coverage
- Members without Social Security coverage
- Safety Members (police and firefighters)
- Tier Two Members

The following table reflects UCRP membership by classification over the past 10 years ended June 30:

PLAN MEMBERSHIP

YEAR	WITH SOCIAL SECURITY	WITHOUT SOCIAL SECURITY	SAFETY MEMBERS	TIER TWO	TOTAL ACTIVE[1]	INACTIVE MEMBERS/OTHERS[1, 2]	TOTAL[3]
2012	115,209	1,272	396	11	116,888	67,318	184,206
2011	113,652	1,497	404	15	115,568	60,903	176,471
2010	112,700	1,796	418	14	114,928	55,037	169,965
2009	113,112	2,180	417	26	115,735	54,883	170,618
2008	111,245	2,556	411	21	114,233	64,566	178,799
2007	115,254	3,179	432	20	118,885	59,056	177,941
2006	117,917	3,941	425	34	122,317	52,548	174,865
2005	118,756	5,419	418	49	124,642	47,123	171,765
2004	117,100	6,165	399	53	123,717	39,874	163,591
2003	113,913	6,982	400	56	121,351	31,262	152,613

1 *The changes in active and inactive membership during fiscal years 2008 and 2007 include the results of elections made by LLNL and LANL employees, respectively, who either retired, became inactive, or accepted employment with LLNS and LANS, as applicable, and joined its defined benefit pension plan.*

2 *Includes terminated nonvested employees eligible for a refund of Plan accumulations or Capital Accumulation Payment balance.*

3 *Excludes UCRP benefit recipients, as accounted for in the table on page 8.*

PLAN BENEFITS

UCRP paid approximately $2.0 billion in retirement, disability and preretirement survivor benefits to 58,934 members and their beneficiaries and survivors during fiscal year 2011-2012. Retirement payments include cost-of-living adjustments and exclude lump sum cashouts. Payments to survivors include basic death payments and survivor annuities. The table below reflects total benefits paid in each category over the past 10 years.

UCRP BENEFIT PAYMENTS *($ in thousands)*

YEAR ENDED JUNE 30	RETIREMENT	DISABILITY	DEATH & SURVIVOR	TOTAL[1]
2012	$1,908,831	$35,189	$47,262	$1,991,282
2011	1,761,580	35,298	45,059	1,841,937
2010	1,634,114	35,331	41,129	1,710,574
2009	1,517,717	35,984	39,949	1,593,650
2008	1,403,778	36,098	39,624	1,479,500
2007	1,260,092	35,815	36,487	1,332,394
2006	1,106,711	34,771	34,338	1,175,820
2005	984,816	33,434	33,254	1,051,504
2004	877,696	31,900	30,731	940,327
2003	794,861	29,311	28,534	852,706

[1] *Does not include non-periodic member withdrawals (including CAP distributions) and lump sum cashouts.*

The number of UCRP benefit recipients in each category for the year ended June 30 for each of the past 10 years is shown below.

UCRP BENEFIT RECIPIENTS

YEAR ENDED JUNE 30	RETIRED MEMBERS	DISABLED MEMBERS	DECEASED MEMBERS	SURVIVORS	TOTAL[1]
2012	49,675	2,000	1,377	7,259	58,934
2011	47,243	2,084	1,790	6,969	56,296
2010	45,111	2,110	1,920	6,681	53,902
2009	42,969	2,157	1,659	6,527	51,653
2008	41,584	2,218	1,964	6,369	50,171
2007	39,261	2,269	1,817	6,152	47,682
2006	37,289	2,269	1,686	5,884	45,442
2005	33,590	2,225	1,774	5,662	41,477
2004	32,072	2,194	1,781	5,472	39,738
2003	30,655	2,129	1,603	5,083	37,867

[1] *Does not include deceased members.*

INVESTMENT AND PROXY POLICIES

In a defined benefit plan such as UCRP, the plan bears the mortality and investment risk because members' benefits are based on the employer's promise rather than the contributions or plan assets and their earnings available to pay the benefits.

The Office of the Treasurer has primary responsibility for investing UCRP assets consistent with policies established by The Regents. The Regents has fiduciary responsibility for establishing investment policy for UCRP and for overseeing the implementation of that policy.

The assets of the Plan are held in trust by The Regents separately from the University's assets and maintained in a custodial account at State Street Bank & Trust Co. The bank carries insurance against loss of property caused by employee dishonesty, theft, misplacement, damage, distribution or mysterious disappearance.

HISTORICAL INVESTMENT PERFORMANCE

ANNUALIZED RATES OF RETURN AT JUNE 30, 2012

	1-YEAR	3-YEAR	5-YEAR	10-YEAR
UCRP	**0.37%**	**11.48%**	**1.17%**	**6.04%**
Policy Benchmark	-0.59%	10.50%	0.86%	5.68%
U.S. Equity	**3.80%**	**16.59%**	**-0.12%**	**5.44%**
Policy Benchmark[1]	3.41%	16.50%	0.17%	5.64%
Non-U.S. Equity-Developed Markets	**-13.71%**	**6.81%**	**-5.25%**	**5.81%**
Policy Benchmark[2]	-14.58%	5.92%	-5.86%	5.32%
Non-U.S. Equity-Emerging Markets	**-13.76%**	**11.70%**	**-0.03%**	**14.39%**
Policy Benchmark[3]	-15.95%	9.77%	-0.09%	14.11%
Global Equity	**-6.84%**	**11.54%**	**N/A**	**N/A**
Policy Benchmark[4]	-6.91%	11.30%	N/A	N/A
Core Fixed Income	**7.13%**	**7.43%**	**6.94%**	**6.42%**
Policy Benchmark[5]	7.47%	6.93%	7.27%	6.39%
High Yield Bond	**7.42%**	**16.05%**	**7.81%**	**N/A**
Policy Benchmark[6]	6.62%	16.01%	8.07%	N/A
Emerging Market Debt	**6.77%**	**12.02%**	**8.79%**	**N/A**
Policy Benchmark[7]	6.93%	12.15%	9.05%	N/A
TIPS	**11.82%**	**9.86%**	**8.88%**	**7.50%**
Policy Benchmark[8]	11.66%	9.63%	8.44%	7.23%
Private Equity[9]	**8.93%**	**15.22%**	**5.38%**	**9.40%**
Absolute Return-Diversified	**-2.00%**	**6.30%**	**1.40%**	**N/A**
Policy Benchmark[10]	-9.32%	-0.61%	2.55%	N/A
Absolute Return-Cross Asset Class	**11.04%**	**N/A**	**N/A**	**N/A**
Policy Benchmark[11]	-0.59%	N/A	N/A	N/A
Real Assets	**1.15%**	**N/A**	**N/A**	**N/A**
Policy Benchmark[12]	1.65%	N/A	N/A	N/A
Public Real Estate	**5.13%**	**17.92%**	**N/A**	**N/A**
Policy Benchmark[13]	1.13%	20.80%	N/A	N/A
Private Real Estate	**14.68%**	**-0.32%**	**-9.11%**	**N/A**
Policy Benchmark[13]	13.59%	-0.29%	-8.23%	N/A

ASSET CLASS	BENCHMARK COMPONENT	PERCENTAGE
[1] U.S. Equity	Russell 3000 TF	25.75%
[2] Non-U.S. Equity Developed	MSCI World ex-U.S. (net dividends) TF	19.00%
[3] Emerging Market Equity	MSCI Emerging Market (net dividends)	6.75%
[4] Global Equity	MSCI All Country World Index Net-IMI	2.00%
[5] U.S. Core Fixed Income	Barclays Capital U.S. Aggregate Bond Index	12.00%
[6] High Yield Bond	Merrill Lynch High Yield Cash Pay Index	2.50%
[7] Emerging Market Debt	Dollar-Denominated: 67% JPMorgan Emerging Markets Bond Index Global Diversified + Local Currency: 33% JPMorgan Govt Bond Index Emerging Markets Global Diversified	2.50%
[8] TIPS	Barclays Capital U.S. TIPS	8.00%
[9] Private Equity	Actual PE Returns	7.75%
[10] Absolute Return-Diversified	50% HFRX Absolute Return Index +50% HFRX Market Directional Index	6.00%
[11] Absolute Return-Cross Asset Class	Aggregate UCRP Policy Benchmark	2.00%
[12] Real Assets	Commodities: S&P GSCI Reduced Energy Index; All Other: Actual Portfolio Return	1.25%
[13] Real Estate (Public and Private)	Public: FTSE EPRA NAREIT Global Index and Private: NFI-ODCE Index– NCREIF Funds Index-Open End Diversified Core Equity Index (lagged 3 months)	4.50%

SUMMARY STATEMENT

This section contains information about the University of California Retirement Savings Program (UCRSP) which consists of four defined contribution plans, two plans structured under §401(a) of the IRC; one plan structured under §403(b) of the IRC and a deferred compensation plan structured under IRC §457(b), collectively referred to as the "UCRSP Plans." UCRSP Plans were created to provide savings incentives and additional retirement security for eligible University employees. The DC Plan was established by resolution of The Regents to accept after-tax contributions effective July 1, 1967, and pretax contributions effective November 1, 1990. The Regents established the Supplemental Defined Contribution Plan (SDC Plan) effective January 1, 2009 to provide retirement benefits to designated employees of the University and their beneficiaries.
The 403(b) Plan, also established by regental resolution, became effective July 1, 1969. The Regents established the 457(b) Plan effective September 1, 2004. Significant statistics relating to UCRSP Plans' financial information and membership base as of June 30, 2012 is as follows:

Net position	$16.6 billion
Total contributions	$977.7 million
Net investment income	$198.4 million
Program administrative expenses	$8.6 million

Significant statistics relating to the Plans and their participants as of the 2011–2012 fiscal year-end are as follows:

DEFINED CONTRIBUTION PLAN | Active Plan Participation	
PRETAX ACCOUNT:	
Management/Senior Professional	140 participants
Professional/Support Staff	2 participants
TOTAL	**142 participants**
Average Pretax Account monthly contribution	*$70*
Average Pretax Account value	*7,401*
SAFE HARBOR:	
Academic Faculty	65 participants
Management/Senior Professional	127 participants
Professional/Support Staff	35,416 participants
TOTAL SAFE HARBOR	**35,608 participants**
Average Pretax Account monthly contribution	*$179*
Average Pretax Account value	*$4,029*
AFTER-TAX ACCOUNT:	
Academic Faculty	504 participants
Management/Senior Professional	443 participants
Professional/Support Staff	2,593 participants
Hastings College of the Law	3 participants
TOTAL AFTER TAX	**3,543 participants**
Average After-Tax Account monthly contribution	*$282*
Average After-Tax Account value	*$20,776*
INACTIVE PLAN PARTICIPATION	**164,541 participants**

TAX-DEFERRED 403(b) PLAN | Active Plan Participation	
Academic Faculty	8,449 participants
Management/Senior Professional	10,065 participants
Professional/Support Staff	40,571 participants
Hastings College of the Law	110 participants
TOTAL	**59,195 participants**
Average percent of salary contributed	*9.30%*
Average monthly contribution	*$708*
Average Plan Account value	*$77,982*
Outstanding Loan Program loans	*16,496*
Aggregate outstanding loan principal	*$146.1 million*
INACTIVE PLAN PARTICIPATION	**52,555 participants**

457(b) DEFERRED COMPENSATION PLAN | Active Plan Participation	
Academic Faculty	3,819 participants
Management/Senior Professional	3,281 participants
Professional/Support Staff	7,723 participants
Hastings College of the Law	45 participants
TOTAL	**14,868 participants**
Average monthly contribution	*$951*
Average plan account balance	*$49,599*
INACTIVE PLAN PARTICIPATION	**7,002 participants**

PLAN OVERVIEW AND ADMINISTRATION

Benefits from UCRSP Plans are based on participants' mandatory and voluntary contributions, and certain University contributions, plus earnings. While their savings accumulate, employees have the benefit of reductions in their personal income taxes.

A defined contribution plan was first made available to University employees in 1967. Employees could invest after-tax contributions in two University-managed annuity funds. Two years later, the 403(b) Plan was added for voluntary pretax savings. Over the years, 403(b) Plan features have been expanded to include mutual fund investment options including a brokerage window; a loan program through which participants can borrow from their 403(b) Plan savings; diverse investment options that now include 12 single, diversified investments for building retirement savings; 7 primary asset class options selected by the Office of the Treasurer for asset allocation; and 5 specialized asset class options managed by independent investment advisors.

The 457(b) Plan was established effective September 1, 2004. Although 457(b) plans have been available for many years, the IRC salary deferral contribution limits previously applied to participants' combined annual contributions to both 457(b) and 403(b) plans, so there was no advantage in offering both. A change in tax law, however, allows the maximum limit to be applied separately to each kind of plan. Thus, with the addition of the 457(b) Plan, University faculty and staff can double the amount of their voluntary, pretax retirement savings.

The SDC Plan was established effective January 1, 2009. Its primary purpose is to provide retirement benefits to designated employees of the University of California and their beneficiaries. The SDC Plan constitutes a profit-sharing plan within the meaning of IRC §401(a).

All employee salary deferral and after-tax contributions to UCRSP Plans are deducted from participants' wages. University contributions are made on behalf of academic employees who earn summer term or equivalent salary and eligible senior managers.

The fiduciary oversight structure for UCRSP Plans aligns Regental oversight of the Plans through the Committee on Compensation, which oversees the administration of the Plans, and the Committee on Investments, which recommends investment policy for the Plans for Regental approval and oversees the investment management function carried out by the Chief Investment Officer.

The Vice President — Human Resources serves as the Plan Administrator. The Vice President — Human Resources oversees policy research, implements regulations to preserve the Plans' qualification and/or tax-advantaged status with under the IRC, and provides administrative services as needed. The Plans' administration and investment management activities are reviewed semiannually by the Retirement Savings Program Advisory Committee.

Fidelity Workplace Services (FWS) acts as the master recordkeeper for the Plans. The master record keeping and participant services include daily valuation, daily exchanges, expedited processing of distributions and provides plan loans and withdrawals, a consolidated recordkeeping platform for the Plans and all the funds offered under UCRSP, and a core funds menu with a broad offering of single, diversified investments, primary asset class options, specialized asset class options and externally managed mutual fund options.

For services rendered in connection with UCRSP Plans, an administrative fee is charged to the University-managed investment funds each day, based upon the previous day's net assets, and is paid to the University. The fee is deducted before calculating the unit values and interest factors. The fee is limited to 0.15 percent (or $1.50 per $1,000 invested) of the fund's average market value per year, assessed on a daily basis. The administrative fee pays for the Plans' expenses, such as charges for investment management, investor education, accounting, audit, legal and recordkeeping services. There are no front-end or deferred sales loads or other marketing expenses associated with the single, diversified investments and primary asset class options managed by the Office of the Treasurer.

In addition, any fees paid by participants, including loan fees and brokerage window account fees, and any credits that may be awarded for FWS' failure to meet certain performance standards, will be credited to the Plans' recordkeeping fee account. Additional credits may be received pursuant to a mutual fund revenue sharing agreement and offset against charges for services provided by FWS and its affiliates.

A participant can obtain information on fees charged by a mutual fund investment option by reviewing the fund prospectus available on the FWS web site (netbenefits.fidelity.com).

Summary plan descriptions are updated periodically to reflect legislative, Plan and administrative changes. These booklets are available online on At Your Service (atyourservice.ucop.edu) or through local Benefits Offices. They are mailed directly to active participants once every five years.

PROGRESSION OF PLANS

1967	Supplemental Retirement Program established with Fixed (Savings) and Variable (Equity) annuity investment options.
1969	Tax-Deferred Annuity Plan (403(b) Plan) established for investment of pretax contributions in Fixed and Variable annuities.
1978	Variable Bond Fund added to annuity investment options.
1985	Money Market and Insurance Company Contract funds added as University-managed investment fund options.
1986-1987	Mutual fund investment options offered to 403(b) Plan participants through Fidelity and socially responsible investments offered by Calvert. The 403(b) Plan Loan Program established under IRC §72(p).
1990	Multi-Asset Fund added as sixth University-managed investment fund option. DC Plan expanded to accept redirected mandatory pretax contributions from UCRP members.
1991	Part-time University employees and California State University (CSU) employees not otherwise covered by a retirement system contribute to the DC Plan in lieu of paying Social Security taxes.
1994-1995	DC Plan investment options expanded to include Fidelity mutual funds. Plan participation extended to non-exempt student employees in lieu of paying Social Security taxes.
2001-2002	Rollover options expanded under the Economic Growth and Tax Relief Reconciliation Act. Calvert Group mutual fund investment options expanded.
2004	457(b) Deferred Compensation Plan established, effective September 1, 2004.
2005	Introduced Core Funds menu and expanded services to participants through a new master recordkeeping platform.
2007	Expanded distribution and rollover provisions of the Plans, as provided for in the Pension Protection Act of 2006.
2008	Allowed rollover of eligible distributions to Roth IRAs, as provided for by the Pension Protection Act of 2006.
2009-2010	Discontinued the redirection of UCRP employee contributions to the DC Plan subject to collective bargaining for represented employees.
2011-2012	Periodic payments over a specified term added as an allowed form of payment to beneficiary. Allowable hardship reasons expanded to include burial/funeral expenses and qualifying damage to principal residence. Allowable unforeseeable emergency withdrawals expanded to include loss of property of Domestic Partner and extraordinary circumstances beyond control of Domestic Partner that would cause financial hardship clarified.

CONTRIBUTIONS

Effective July 1, 2001, The Regents approved DC Plan retirement contributions on the summer or equivalent term salaries of eligible academic employees who teach, conduct research or provide administrative service during the summer session or equivalent term. The eligible employees must hold academic year appointments and be active members of UCRP or another defined benefit plan to which the University contributes. The contribution rate is 7.0 percent of eligible summer salary, of which 3.5 percent is University-paid and 3.5 percent is employee-paid, both on a pretax basis.

University contributions may also be made for eligible senior managers on a pretax basis.

Voluntary DC Plan contributions, which employees make on an after-tax basis, are held in the Plan's After-Tax Account. The maximum amount employees may contribute annually as after-tax voluntary contributions is determined by the IRC §415(c) limit. Generally, this amount is the lesser of 100 percent of the participant's adjusted gross University salary or $49,000 in 2011 and $50,000 in 2012. This limit takes into account all annual additions, including any pretax employee and University contributions to the DC Plan and the SDC Plan where applicable. After-tax contributions are deducted from net income and also may be invested in and transferred among any of the investment options available to the Plans.

The 403(b) Plan includes voluntary employee salary deferral contributions that are made on a pretax basis. Within IRC limits, a 403(b) plan participant may make contributions as a percentage of salary or in flat dollar amounts. Contributions to the 403(b) Plan may be invested in and transferred among any of the investment options available to the Plans. University contributions are made for eligible senior managers on a pretax basis.

The 457(b) Plan includes voluntary salary deferral employee contributions. University contributions may also be made for eligible senior managers on a pretax basis. Within IRC limits a Plan participant may make contributions as a percentage of their salary or in a flat dollar amount. Plan contributions may be invested in and transferred among any of the investment options available to the Plans.

All four Plans accept rollovers of pretax distributions from other University-sponsored plans, including lump sum cashouts and Capital Accumulation Payment (CAP) distributions from UCRP, 401(a), 401(k), 403(b), governmental 457(b) plans and from traditional IRAs. In addition, the DC, SDC and 403(b) Plans accept direct rollovers of after-tax amounts from 401(a), 401(k) and 403(b) plans. The 457(b) Plan does not accept rollovers of after-tax distributions.

INVESTMENTS

The Chief Investment Officer of the Office of the Treasurer of The Regents has primary responsibility for selecting appropriate asset classes and specific investment options that constitute the Core Funds menu, establishing investment guidelines and benchmarks against which the Core Funds' performance is measured, and making changes in the Core Funds menu as it deems appropriate based on its periodic evaluations. The Chief Investment Officer selection and monitoring responsibilities do not extend to the Fidelity and Calvert mutual fund options that have been retained as an accommodation to participants nor does it extend to mutual funds available through the Fidelity brokerage account option. The Regents has fiduciary responsibility for establishing broad investment policy and overseeing the performance of the investment functions.

Proxy Voting Policy

The Chief Investment Officer has instructed The Regents' custodian bank to vote all proxies on behalf of The Regents according to guidelines established by The Regents.

Investment Options

Currently, all UCRSP participants have the following investment options:

- the UC Core Funds — investment options for single diversified investments including the Balanced Growth Fund and the Pathway Funds; primary asset class investment options for general asset allocation — all managed by the Chief Investment Officer; and, specialized asset class options for additional asset allocation which are mutual funds managed by independent investment advisors overseen by the Chief Investment Officer;
- the Fidelity Investments mutual fund lineup;
- Calvert socially responsible mutual funds; and
- other mutual funds through the Fidelity brokerage window.

Current detailed information regarding the UC Core Funds and other investment options is available at netbenefits.com.

UC CORE FUNDS INVESTMENT PERFORMANCE

UC FUND INVESTMENT PERFORMANCE FOR PERIODS ENDING JUNE 30, 2012

	1-YEAR	3-YEAR	5-YEAR
SINGLE, DIVERSIFIED INVESTMENTS:			
Balanced Growth Fund	**0.48%**	**11.54%**	**2.43%**
Policy Benchmark[1]	0.07%	11.22%	1.71%
Pathway Income Fund	**6.85%**	**8.67%**	**5.64%**
Policy Benchmark[2]	6.34%	7.74%	4.72%
Pathway Fund 2015	**6.92%**	**11.43%**	**N/A**
Policy Benchmark[2]	6.94%	10.91%	N/A
Pathway Fund 2020	**5.82%**	**11.52%**	**2.91%**
Policy Benchmark[2]	6.05%	11.33%	2.47%
Pathway Fund 2025	**4.71%**	**11.76%**	**N/A**
Policy Benchmark[2]	4.94%	11.50%	N/A
Pathway Fund 2030	**3.58%**	**11.76%**	**1.29%**
Policy Benchmark[2]	3.87%	11.62%	0.86%
Pathway Fund 2035	**2.52%**	**11.87%**	**N/A**
Policy Benchmark[2]	2.78%	11.65%	N/A
Pathway Fund 2040	**1.32%**	**11.59%**	**0.44%**
Policy Benchmark[2]	1.57%	11.44%	0.00%
Pathway Fund 2045	**0.16%**	**11.52%**	**N/A**
Policy Benchmark[2]	0.33%	11.32%	N/A
Pathway Fund 2050	**-0.91%**	**11.89%**	**-0.46%**
Policy Benchmark[2]	-0.79%	11.75%	-0.84%
Pathway Fund 2055	**-1.85%**	**12.39%**	**N/A**
Policy Benchmark[2]	-1.89%	12.14%	N/A
Pathway Fund 2060	**-2.88%**	**12.63%**	**N/A**
Policy Benchmark[2]	-3.01%	12.35%	N/A

	1-YEAR	3-YEAR	5-YEAR
PRIMARY ASSET CLASS OPTIONS:			
Savings Fund	**1.52%**	**1.98%**	**2.86%**
2-Yr U.S. Treasury Notes	0.25%	0.62%	1.34%
ICC Fund	**3.39%**	**4.02%**	**4.48%**
5-Yr U.S. Treasury Notes	1.01%	1.71%	2.27%
TIPS Fund	**11.74%**	**9.92%**	**8.90%**
Policy Benchmark[3]	11.66%	9.63%	8.44%
Bond Fund	**7.44%**	**7.44%**	**6.81%**
Policy Benchmark[4]	7.47%	6.93%	6.79%
Domestic Equity Fund	**3.66%**	**16.66%**	**0.36%**
Policy Benchmark[5]	3.41%	16.50%	0.17%
Equity Fund	**1.33%**	**15.24%**	**-0.31%**
Policy Benchmark[6]	0.87%	14.91%	-0.61%
International Equity Fund	**-14.20%**	**6.34%**	**-5.43%**
Policy Benchmark[7]	-14.58%	5.92%	-5.86%
SPECIALIZED ASSET CLASS OPTIONS:			
Vanguard Small Cap Index Fund	**-1.34%**	**19.92%**	**1.93%**
Policy Benchmark: Spliced Small Cap Index	-1.40%	19.81%	1.76%
Vanguard REIT Index Fund	**13.07%**	**33.02%**	**3.19%**
Policy Benchmark: MSCI US REIT Index	13.19%	33.06%	3.03%
Vanguard FTSE Social Index Fund	**2.90%**	**15.54%**	**-2.14%**
Policy Benchmark: Spliced Social Index	2.97%	15.63%	-2.10%
Dreyfus Treasury Prime Cash Management Fund	**0.00%**	**0.00%**	**0.70%**
Policy Benchmark: Lipper Inst US Trs MM IX	0.00%	0.01%	0.65%
DFA Emerging Markets Portfolio	**-14.96%**	**11.11%**	**0.70%**
Policy Benchmark: MSCI Emerging Markets Index (net div.)	-15.95%	9.77%	-0.09%

POLICY BENCHMARKS

1 Consists of 65% of the Equity Fund benchmark; 30% of the Bond Fund benchmark; and, 5% of the TIPS Fund benchmark.

2 Blend of the benchmarks of the individual underlying Core Funds based on holdings according to the Fund asset allocation mix.

3 Barclays Capital U.S. TIPS Index. The Fund seeks to provide a total return that matches the Index.

4 Barclays Capital U.S. Aggregate Bond Index.

5 Russell 3000 Tobacco Free (TF) Index.

6 Consists of 85% less the actual private equity weight from the prior month end times the Russell 3000 TF Index; 15% MSCI ACWI ex US Index (Net) and the actual private equity weight of the previous month end times actual PE returns; Historical: S&P 500 Index.

7 MSCI EAFE + Canada Index.

NET POSITION BY PLAN AND PARTICIPANT ACCOUNTS BY PLAN

The following tables show the assets, liabilities, net position and the number of participant accounts in each of the Plans as of June 30, 2012. The participant counts reflect the fact that participants may have an account in more than one Plan and may also have more than one account in one or more of the Plans.

(in thousands of dollars)

June 30, 2012	403(b) Plan	DC Plans	457(b) Plan	Total Plans
ASSETS				
UC Core Fund investments*	$ 7,956,366	$3,436,356	$ 886,471	$12,279,193
Investment of securities lending collateral	1,442,585	535,995	149,046	2,127,626
Participants' interests in mutual funds	3,364,747	692,489	369,606	4,426,842
Participant 403(b) Plan loans	146,055			146,055
Other assets	283,649	7,561	1,593	292,803
Total Assets	**13,193,402**	**4,672,401**	**1,406,716**	**19,272,519**
LIABILITIES				
Other liabilities	483,536	54,431	10,876	548,843
Collateral held for securities lending	1,038,594	902,535	185,715	2,126,844
Total Liabilities	**1,522,130**	**956,966**	**196,591**	**2,675,687**
Net Position	**$11,671,272**	**$3,715,435**	**$1,210,125**	**$16,596,832**

** Excludes mutual funds in the UC Core Funds*

PARTICIPATION

At June 30, 2012, the number of active employees contributing to the UC Retirement Savings Program, inactive accounts and participant plan loans was as follows:

June 30, 2012	403(b) Plan	DC Plans	457(b) Plan	Total Plans
ACTIVE ACCOUNTS				
Pretax	59,195	142	14,868	74,205
Safe Harbor, pretax		35,608		35,608
After-tax		3,543		3,543
Total Active Accounts	**59,195**	**39,293**	**14,868**	**113,356**
Inactive Accounts	**52,555**	**164,541**	**7,002**	**224,098**
Total Participant Accounts	**111,750**	**203,834**	**21,870**	**337,454**
Participant Plan Loans	**16,496**			

TAX-DEFERRED 403(b) PLAN LOAN PROGRAM

As permitted by IRC §72(p), active participants with a 403(b) Plan balance of at least $1,000 may generally borrow from their total 403(b) Plan account balance without incurring taxes or penalties. Certain limitations apply to the available borrowing amount depending on account balance, previous loan activity and highest outstanding loan balance within the past 12 months.

The 403(b) Plan Loan Program offers short-term general-purpose loans with repayment terms of five years or less, and long-term principal-residence loans, with repayment terms of up to fifteen years. A participant may have one general-purpose loan and one principal-residence loan outstanding at one time but may not take more than one loan within a 12-month period. Monthly repayments of principal and interest are credited proportionately to the investment fund(s) according to the current 403(b) Plan contribution investment mix established by the participant. A nonrefundable loan initiation fee of $35 is deducted from the 403(b) Plan account balance at the end of the calendar quarter in which the loan is taken. An annual maintenance fee of $15 is deducted ($3.75 per calendar quarter) from the participant's 403(b) Plan account balance.

The interest rate is fixed at the time the loan is granted and equals the prevailing bank Prime Rate as published by The Wall Street Journal plus 1 percent. During fiscal year 2011–2012, the Loan Program interest rate for new loans was unchanged at 4.25 percent. As of June 30, 2012 the loan rate remained at 4.25 percent.

At June 30, 2012, the aggregate outstanding loan balance of 16,496 active loans was $146.1 million compared to 15,741 active loans with an aggregate outstanding balance of $139.4 million at June 30, 2011.

The following table reflects participant loans funded during ten years ended June 30, 2012.

YEAR ENDED JUNE 30	NUMBER OF LOANS FUNDED	$ IN THOUSANDS
2012	5,261	$62,807
2011	5,150	62,460
2010	5,560	64,253
2009	4,396	48,017
2008	4,162	47,904
2007	3,909	42,267
2006	4,208	46,728
2005	4,224	40,231
2004	4,157	36,479
2003	3,703	31,425

Management's Discussion and Analysis *(Unaudited)*

The objective of Management's Discussion and Analysis is to help readers of UCRS' financial statements better understand the financial position and operating activities for the fiscal year ended June 30, 2012, with selected comparative information for the years ended June 30, 2011 and June 30, 2010. This discussion should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2010, 2011, 2012, etc.) in this discussion refer to the fiscal years ended June 30.

This discussion and analysis is intended to serve as an introduction to UCRS' financial statements, which are comprised of the following:

- Statements of Net Position
- Statements of Changes in Net Position
- Notes to Financial Statements
- Required Supplementary Information
- Note to Required Supplementary Information
- Other Supplementary Information

The Statements of Net Position present information on UCRS' assets and liabilities and the resulting net position for pension benefits. These statements reflect UCRS' investments at fair value, along with cash and short-term investments, receivables and other assets and liabilities.

The Statements of Changes in Net Position present information showing how UCRS' net position for pension benefits changed during the years ended June 30, 2012 and 2011. It reflects contributions along with investment income (or losses) during the period from investing and securities lending activities. Deductions for retirement benefits, withdrawals, cost-of-living adjustments, survivor, disability and death benefits, and administrative expenses are also presented.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The Required Supplementary Information consists of two schedules and a related note that apply only to UCRP and the PERS Plus 5 Plan concerning the funded status. The Note to Required Supplementary Information provides additional trend information as of the valuation date. This information includes actuarial cost method, amortization method, remaining amortization period, asset valuation period and actuarial assumptions.

The Other Supplementary Information consists of two schedules concerning the actuarial accrued liability and the revenues by source and expenses by type for the past 10 years.

Financial Highlights, Results and Analysis

UCRS Plans provide retirement benefits to University employees. Plan benefits are funded by member, participant and University contributions and by investment income. Below are statements of net position and changes in net position for UCRS Plans:

(in thousands of dollars)

	UCRP			UCRSP			PERS PLUS 5		
JUNE 30	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
ASSETS									
Investments (including Short Term Investment Pool)	$42,066,296	$42,273,447	$35,140,000	$12,279,193	$11,875,709	$10,654,869	$63,189	$68,862	$60,821
Investment of securities lending collateral	5,409,671	5,099,459	6,363,777	2,127,626	2,621,324	3,737,426	8,141	8,290	10,985
Participants' interests in mutual funds				4,426,842	4,488,491	3,461,615			
Participant 403(b) Plan loans				146,055	139,424	126,694			
Receivables	1,125,409	482,147	292,511	292,803	25,636	30,213	1,141	205	135
Total Assets	**48,601,376**	**47,855,053**	**41,796,288**	**19,272,519**	**19,150,584**	**18,010,817**	**72,471**	**77,357**	**71,941**
LIABILITIES									
Payable for securities purchased, member withdrawals, refunds and other payables	1,387,208	882,962	855,157	548,843	253,657	219,157	2,090	1,539	1,528
Collateral held for securities lending	5,407,683	5,099,436	6,366,677	2,126,844	2,621,312	3,739,129	8,138	8,290	10,989
Total Liabilities	**6,794,891**	**5,982,398**	**7,221,834**	**2,675,687**	**2,874,969**	**3,958,286**	**10,228**	**9,829**	**12,517**
Net Position	**$41,806,485**	**$41,872,655**	**$34,574,454**	**$16,596,832**	**$16,275,615**	**$14,052,531**	**$62,243**	**$67,528**	**$59,424**

(in thousands of dollars)

	UCRP			UCRSP			PERS PLUS 5		
YEAR ENDED JUNE 30	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
ADDITIONS									
University contributions	$ 1,851,459	$ 1,677,921	$ 148,446	$ 6,252	$ 5,711	$ 7,303			
Member and Participant contributions	272,421	143,261	23,374	971,497	866,999	927,651			
Investment income	112,209	7,625,501	4,149,541	198,409	2,219,365	1,274,629	$ 91	$ 13,014	$ 7,363
Other	3,652	4,226	4,756						
Total Additions	**2,239,741**	**9,450,909**	**4,326,117**	**1,176,158**	**3,092,075**	**2,209,583**	**91**	**13,014**	**7,363**
DEDUCTIONS									
Retirement, cost-of-living adjustments, lump sum cashouts, survivor, disability and death payments	2,179,081	2,042,844	1,901,066				5,369	4,903	4,873
Member withdrawals	93,992	78,776	76,485						
Other benefit payments				846,375	860,562	634,895			
Administrative and other expenses	32,838	31,088	32,654	8,566	8,429	5,208	7	7	7
Total Deductions	**2,305,911**	**2,152,708**	**2,010,205**	**854,941**	**868,991**	**640,103**	**5,376**	**4,910**	**4,880**
Increase (Decrease) in Net Position	(66,170)	7,298,201	2,315,912	321,217	2,223,084	1,569,480	(5,285)	8,104	2,483
Net Position									
Beginning of Year	41,872,655	34,574,454	32,258,542	16,275,615	14,052,531	12,483,051	67,528	59,424	56,941
End of Year	**$41,806,485**	**$41,872,655**	**$34,574,454**	**$16,596,832**	**$16,275,615**	**$14,052,531**	**$62,243**	**$67,528**	**$59,424**

UCRP

UCRP's net position at June 30, 2012, is $41.8 billion compared to $41.9 billion at June 30, 2011 and $34.6 billion at June 30, 2010. The net position is available to meet UCRP's ongoing obligations to plan members, retirees and their beneficiaries. The net position of UCRP decreased by $66.2 million or 0.2 percent in 2012 compared to an increase of $7.3 billion or 21.1 percent in 2011 and a increase of $2.3 billion or 7.2 percent in 2010.

As of July 1, 2011, the date of the most recent actuarial valuation, UCRP's funded ratio was 82.5 percent, compared to 86.7 percent at July 1, 2010 and 94.8 percent at July 1, 2009. For July 1, 2011, this indicates that, for every dollar of actuarial accrued liability, assets of $0.83 are available to cover such obligations as compared to $0.87 at July 1, 2010 and $0.95 at July 1, 2009.

UCRP's actuarial value of assets available for benefits was $42.8 billion at July 1, 2011 compared to $41.2 billion at July 1, 2010 and $42.8 billion at July 1, 2009. The actuarial accrued liability was $51.8 billion at July 1, 2011, compared to $47.5 billion at July 1, 2010 and $45.2 billion at July 1, 2009. UCRP's actuarial deficit was $9.1 billion at July 1, 2011, compared to a deficit of $6.3 billion at July 1, 2010 and a deficit of $2.4 billion at July 1, 2009. An analysis of the funding progress and University contributions and a discussion of actuarial assumptions and methods is set forth in the required supplementary information section of the financial statements.

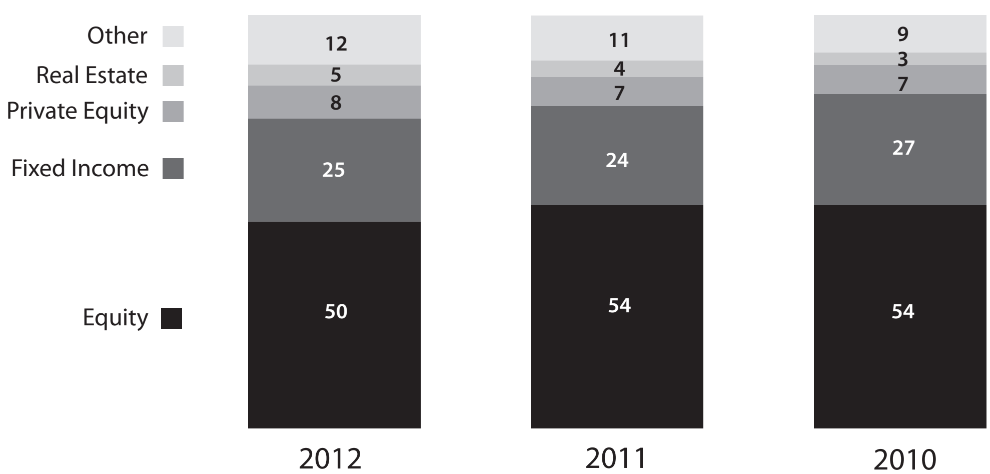
While all of UCRP's assets are available to pay any member's benefits, assets and liabilities for the campus and medical center segment of UCRP are internally tracked separately from the DOE national laboratory segment of UCRP. For the DOE national laboratory segment of UCRP the funded ratio was 84.4 percent at July 1, 2011, compared to 89.0 percent at July 1, 2010 and 94.8 percent at July 1, 2009. The DOE has a continuing obligation to the University to reimburse the University for University contributions made to UCRP to fund UCRP benefits for the laboratory segment retirees.

Investments

The Office of the Treasurer provides quarterly investment performance reports to The Regents that include investment performance returns related to each specific asset class as approved under UCRP's investment policy. UCRP's total investment rate of return was 0.37 percent in 2012 compared to 22.5 percent in 2011 and 12.7 percent in 2010, compared to UCRPs' total fund policy benchmark returns of (0.6) percent, 21.6 percent and 11.6 percent, respectively.

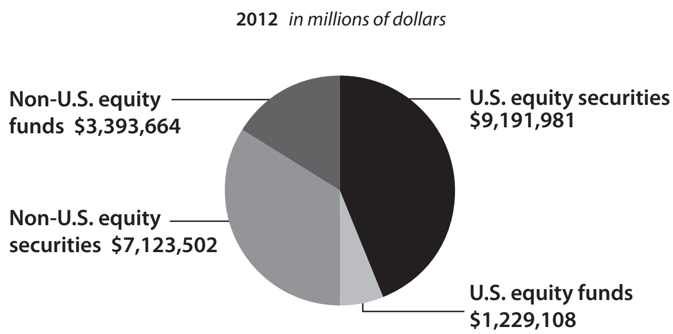
The asset allocation for UCRP's investment portfolio in 2012, 2011 and 2010 is as follows:

At June 30, shown as percentage



Equity Portfolio

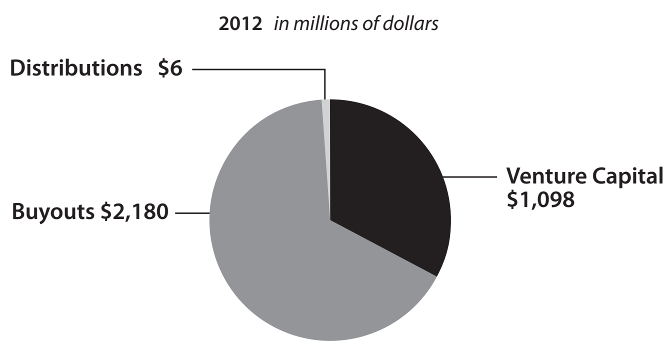
The $20.9 billion equity portfolio (including commingled equity funds) is diversified across multiple strategic global economic and industry sectors within actively managed accounts of equity securities and passively managed index funds. Of the equity portfolio, $16.3 billion, or 77.9 percent, was invested in U.S. and non-U.S. equity securities and $4.6 billion, or 22.1 percent, was invested in U.S. and non-U.S. commingled equity funds. Combined, U.S. equity securities and U.S. equity funds totaled $10.4 billion, or 49.8 percent and foreign equity securities and non-U.S. equity commingled funds totaled $10.5 billion, or 50.2 percent.



The U.S. equity portfolio return was 3.8 percent in 2012, 31.8 percent in 2011 and 15.8 percent in 2010, compared to the domestic equity policy benchmark returns of 3.4 percent, 32.2 percent and 15.7 percent, respectively. The non-U.S. equity (developed countries) portfolio return was (13.7) percent in 2012, 30.4 percent in 2011 and 8.3 percent in 2010, compared to the non-U.S. equity policy benchmark returns of (14.6) percent, 30.2 percent and 6.8 percent, respectively. The non-U.S. equity (emerging market countries) portfolio return was (13.8) percent in 2012, 28.4 percent in 2011 and 25.9 percent in 2010, compared to the benchmark returns of (16.0) percent, 27.8 percent and 23.2 percent, respectively.

Private Equity Portfolio

The $3.3 billion private equity segment is invested in venture capital partnerships, buyout funds and international private equity. The private equity segment includes $1.1 billion in venture capital, $2.2 billion in buyout funds and $6.0 million in common stock distributions. The private equity portfolio return was 8.9 percent in 2012, 17.8 percent in 2011 and 19.2 percent in 2010, respectively.



Fixed Income Portfolio

The Fixed Income Portfolio of $10.6 billion is invested primarily in high quality, call-protected, global bonds. The Fixed Income Portfolio is comprised of U.S. government-guaranteed, fixed-income securities of $3.4 billion, or 32.0 percent, other U.S. dollar-denominated fixed-income securities of $6.9 billion, or 65.2 percent, foreign currency-denominated corporate fixed-income securities of $198.9 million, or 1.9 percent and U.S. and non-U.S. bond funds of $1.0 billion, or 9.4 percent.

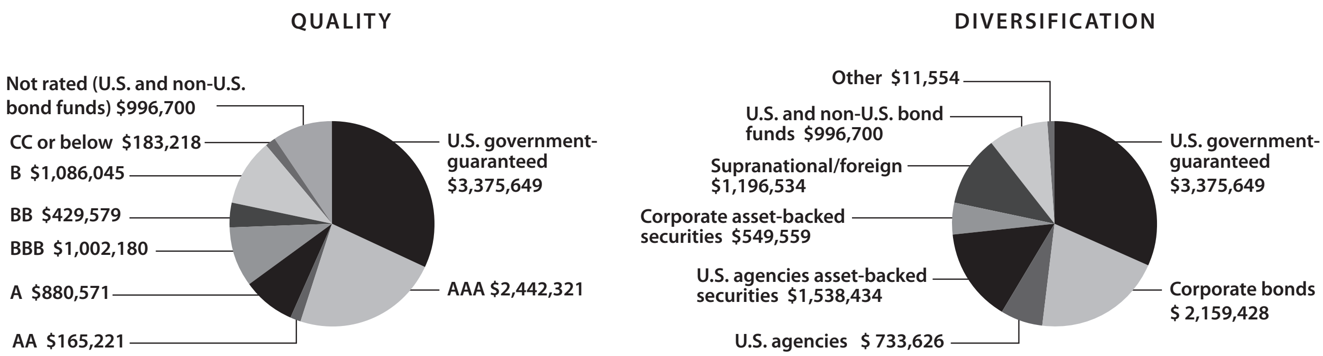
At June 30, 2012, UCRP held $6.8 billion in U.S. government (excluding the TIPS portfolio), other U.S. dollar-denominated and non-U.S. fixed-income securities, compared to $6.5 billion at June 30, 2011 and $6.0 billion at June 30, 2010. The core Fixed Income Portfolio (excluding TIPS) earned a total return of 7.1 percent in 2012, 4.8 percent in 2011 and 10.5 percent in 2010, compared to UCRPs' fixed-income policy benchmark returns of 7.5 percent, 3.9 percent and 9.5 percent, respectively.

At June 30, 2012, UCRP held $2.8 billion in TIPS, compared to $3.0 billion at June 30, 2011 and $2.8 billion at June 30, 2010. The TIPS portfolio earned a total return of 11.8 percent in 2012, 8.1 percent in 2011 and 9.7 percent in 2010, compared to UCRPs' TIPS policy benchmark returns of 11.7 percent, 7.7 percent and 9.5 percent, respectively.

Approximately 32.0 percent of the $10.6 billion Fixed Income Portfolio consists of U.S. government-guaranteed securities, and 42.5 percent of the portfolio consists of high quality corporate issues rated investment-grade or better and government agency and asset-backed securities. The balance of the Fixed Income Portfolio is comprised of U.S. and non-U.S. bond funds and other lower quality fixed-income securities. The quality of the holdings is illustrated below.

The effective duration of the fixed-income securities rated AAA to A as of June 30, 2012, was 5.2, and the weighted average quality rating was AA/A. The high yield fixed-income securities had an effective duration of 3.9, and weighted average quality of BB/B. The emerging market fixed-income securities had an effective duration of 6.1, and weighted average quality of BBB/BB.

The quality and diversification of fixed-income portfolio investments are diversified among the sectors illustrated below.



2012 *in millions of dollars*

** Credit Ratings U.S. Treasury Obligations: Guaranteed by the full faith and credit of the United States and rated AAA by Moody's and AA+ by Standard & Poor's.*

Standard & Poor's (S&P) and Other Bond Ratings:

- AAA: Extremely strong capacity to meet financial commitments. Highest Rating.
- AA: Very strong capacity to meet financial commitments.
- A: Strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances.
- BBB: Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.
- BB: Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions.
- B: More vulnerable to adverse business, financial and economic conditions but currently has the capacity to meet financial commitments.
- CCC or below: Currently highly vulnerable.

Real Estate and Other Portfolios

At June 30, 2012, UCRP held $2.3 billion in institutional private and public real estate investments compared to $2.0 billion in 2011 and $949.0 million in 2010. The private real estate portfolio earned a total return of 14.7 percent in 2012 compared to 21.7 percent in 2011 and (29.0) percent in 2010, compared to policy benchmark returns of 13.6 percent, 20.1 percent and (27.3) percent, respectively. The public real estate portfolio earned a total return of 5.1 percent in 2012, 31.3 percent in 2011 and 18.8 percent in 2010, compared to UCRP's public real estate policy benchmark returns of 1.1 percent, 32.9 percent and 31.2 percent, respectively.

At June 30, 2012, UCRP also held $3.0 billion in absolute return diversified and cross-asset class investments compared to $2.8 billion in 2011 and $2.3 billion in 2010. The absolute return diversified segment earned a total return of (2.0) percent in 2012 compared to 12.3 percent in 2011 and 9.6 percent in 2010, compared to policy benchmark returns of (9.3) percent, 2.5 percent and 5.6 percent, respectively. The absolute return cross-asset class segment earned a total return of 11.4 percent in 2012, 12.8 percent in 2011 and zero percent in 2010 (no position held) compared to UCRP's absolute return cross-asset class policy benchmark returns of (0.6) percent, 6.8 percent and zero percent (no position held), respectively. Separately, at June 30, 2012, UCRP held $531.9 million in real asset investments compared to $327.2 million in 2011 and no position held in 2010. The real asset segment earned 1.5 percent in 2012 compared to 9.3 percent in 2011, compared to real asset policy benchmark returns of 1.7 percent in 2012 and 9.3 percent in 2011. For liquidity purposes, UCRP held $1.3 billion in money market funds in 2012 compared to $1.4 billion in 2011 and $732.8 million in 2010.

UCRSP PLANS

UCRSP Plans provide savings incentives and the opportunity for additional retirement security for all eligible University of California employees. Participants' interests in the Plans from contributions and investment income are fully and immediately vested.

UCRSP Plans' net position as of June 30, 2012 amounted to $16.6 billion compared to $16.3 billion at June 30, 2011 and $14.1 billion at June 30, 2010. Additions to UCRSP Plans' net position include contributions, rollovers and investment income. Participant and University contributions, and rollovers for 2012 amounted to $977.7 million compared to $872.7 million in 2011 and $935.0 million in 2010.

UCRSP Plans recognized net investment income of $198.4 million in 2012 compared to net investment income of $2.2 billion in 2011 and net investment income of $1.3 billion in 2010. The investment gains for 2011 and 2010 reflect positive investment performance in the global equity markets.

Deductions from UCRSP Plans' net position includes benefit payments to participants, participant withdrawals and administrative expenses. For 2012, deductions were $854.9 million compared to $869.0 million in 2011 and $640.1 million in 2010. The deductions fluctuate based upon withdrawals due to retirements and other factors including minimum required distributions and rollovers out of UCRSP Plans.

The investments of UCRSP overseen by the Chief Investment Officer are available to the securities lending program as a means to augment income. Cash collateral fluctuates in response to changes in demand from borrowers and the availability of securities. UCRSP Plans' investment of cash collateral received for securities lending totaled $2.1 billion at June 30, 2012, compared to $2.6 billion at June 30, 2011 and $3.7 billion at June 30, 2010. Securities lending activity contributed $15.3 million in net investment income, after fees and rebates, in 2012, compared to $16.2 million in 2011 and $16.4 million in 2010.

PERS PLUS 5 PLAN

The PERS Plus 5 Plan provides retirement benefits to UC-PERS members who elected early retirement under the provisions of the Plan. The net position of the PERS Plus 5 Plan at June 30, 2012, is $62.2 million, compared to $67.5 million at June 30, 2011 and $59.4 million at June 30, 2010. The net position is available to meet the Plan's ongoing obligations to Plan retirees and their beneficiaries. The net assets of the PERS Plus 5 Plan decreased by $5.3 million, or 7.8 percent in 2012, compared to an increase of $8.1 million in 2011, or 13.6 percent, and a increase of $2.5 million in 2010, or 4.4 percent.

Plan benefits are funded by investment income. There were no University contributions during the fiscal years ending 2010 through 2012. The Plan recognized net investment income of $91 thousand in 2012, compared to net investment income of $13.0 million in 2011 and net investment income of $7.4 million in 2010. The PERS Plus 5 Plan total investment rate of return was 0.4 percent in 2012, compared to 22.5 percent in 2011 and 12.7 percent in 2010.

Retirement benefit payments and other expenses were the only deductions from the PERS Plus 5 Plan net position. For 2012, deductions were $5.4 million and in 2011 and 2010, $4.9 million for each year.

As of July 1, 2011, the date of the most recent actuarial valuation, the PERS Plus 5 Plan funded ratio was 147.7 percent compared to 167.3 percent at July 1, 2010 and 150.5 percent at July 1, 2009. For July 1, 2011, this indicates that for every dollar of actuarial accrued liability, assets of $1.48 are available to cover such obligations compared to $1.67 at July 1, 2010 and $1.51 at July 1, 2009.

At July 1, 2011, the PERS Plus 5 Plan actuarial value of assets available for benefits was $67.5 million, compared to $59.4 million at July 1, 2010 and $56.9 million at July 1, 2009. The actuarial accrued liability was $45.7 million at July 1, 2011, compared to $35.5 million at July 1, 2010 and $37.8 million at July 1, 2009. The PERS Plus 5 Plan total surplus was $21.8 million at July 1, 2011, compared to $23.9 million at July 1, 2010 and $19.1 million at July 1, 2009.

Fiduciary Responsibilities

The Vice President — Human Resources has primary fiduciary responsibility for UCRP administrative functions and the Chief Investment Officer has primary fiduciary responsibility for implementing UCRP investment policy. The Regents determines investment policy and retains broad oversight fiduciary responsibility for investment and administrative functions for UCRS Plans.

LOOKING FORWARD

UCRP costs are funded by a combination of investment earnings, employee member and employer contributions. The unfunded liability for the campuses and medical centers as of July 1, 2011 actuarial valuation was $7.7 billion or 82.1 percent funded. As of July 1, 2012, the funded ratio is expected to decrease to approximately 78 percent. The total funding policy contributions in the July 1, 2011 actuarial valuations represent 26.4 percent of covered compensation. Member and employer contributions increased to 5 percent and 10 percent, respectively, of covered compensation in July 2012. The Regents approved increasing employee member and employer contributions to 6.5 percent and 12 percent, respectively, in July 2013. These contribution rates are below UCRP's total funding requirements. The Regents also approved a new tier of pension benefits applicable to employees hired on or after July 1, 2013, which would increase the early retirement age from 50 to 55, but retain many of the current features of UCRP. The new tier would not offer lump sum cash outs, inactive member Cost of Living Adjustments (COLAs) or subsidized survivor annuities for spouses and domestic partners. These changes are subject to collective bargaining for union-represented employees.

Cautionary Note Regarding Forward-Looking Statements

Certain information provided by the University, including written information as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that the University expects or anticipates will or may occur in the future contain forward-looking information.


UC MERCED

Report of Independent Auditors

To The Regents of the University of California:

In our opinion, the accompanying individual statements of net position and the related individual statements of changes in net position on pages 28 through 51 present fairly, in all material respects, the individual financial positions of the University of California Retirement Plan ("UCRP"), the University of California Voluntary Retirement Incentive Program ("PERS Plus 5 Plan") and the University of California Retirement Savings Program ("UCRSP"), of which includes four defined contribution plans known as the Defined Contribution Plan, the Supplemental Defined Contribution Plan, the Tax Deferred 403(b) Plan and the 457(b) Deferred Compensation Plan, (collectively, the "Plans") at June 30, 2012 and 2011, and the individual changes in net position for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plans' management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Plans are intended to present the net position and the changes in net position of only that portion of activities that are attributable to the Plans. They do not purport to, and do not, present fairly the financial position of the University of California as of June 30, 2012 and 2011, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Required Supplementary Information ("RSI") included on pages 52 through 55, related to Actuarial Information and Employer and Employee Contributions for UCRP and PERS Plus 5 Plan, is required by accounting principles generally accepted in the United States of America to supplement UCRP and PERS Plus 5 Plan's financial statements. Such information, although not a part of UCRP or PERS Plus 5 Plan's financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing UCRP and PERS Plus 5 Plan's financial statements in the 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 financial statements, and other knowledge we obtained during our audits of UCRP and PERS Plus 5 Plan's 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 Plans' individual financial statements. The Other Supplementary Information on pages 53 through 55, related to the Actuarial Accrued Liability, Revenues by Source, and Expenses by Type for UCRP and the Actuarial Accrued Liability for PERS Plus 5 Plan, is presented for purposes of additional analysis and is not a required part of UCRP and PERS Plus 5 Plan's financial statements. Such information has not been subjected to the auditing procedures applied in the audit of UCRP or PERS Plus 5 Plan's financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

PricewaterhouseCoopers LLP

SAN FRANCISCO, CALIFORNIA
OCTOBER 11, 2012

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM

STATEMENTS OF NET POSITION

At June 30, 2012 and 2011 (in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
ASSETS						
Investments, at fair value:						
Equity securities:						
Domestic	$ 9,191,981	$10,283,299	$ 3,144,287	$ 3,190,803	$13,835	$16,722
Foreign	7,123,502	8,467,617	988,876	1,016,208	10,722	13,766
Private equities	3,394,329	2,875,906	183,153	204,715	5,109	4,675
Fixed-income securities:						
U.S. government	3,375,649	3,860,494	2,711,407	2,490,784	5,081	6,276
Other U.S. dollar-denominated	5,990,275	5,597,391	3,734,148	3,486,662	9,016	9,101
Foreign	198,860	103,798			299	169
Insurance company contracts (at contract value)			514,147	630,091		
Commingled funds	9,957,296	8,759,512	1,001,690	855,768	14,860	14,372
Real estate	2,257,061	1,983,283			3,397	3,224
Real assets	531,858	327,189			801	532
Investment derivatives	45,485	14,958	1,485	678	69	25
Participants' interests in mutual funds			4,426,842	4,488,491		
Participant 403(b) Plan loans			146,055	139,424		
Total Investments	**42,066,296**	**42,273,447**	**16,852,090**	**16,503,624**	**63,189**	**68,862**
Investment of cash collateral	5,409,671	5,099,459	2,127,626	2,621,324	8,141	8,290
Receivables:						
Contributions	354,975	301,000	70			
Interest and dividends	65,579	69,681	30,069	25,507	99	113
Securities sales and other	704,855	111,466	262,664	129	1,042	92
Total Receivables	**1,125,409**	**482,147**	**292,803**	**25,636**	**1,141**	**205**
Total Assets	**48,601,376**	**47,855,053**	**19,272,519**	**19,150,584**	**72,471**	**77,357**
LIABILITIES						
Payable for securities purchased	1,345,658	668,484	545,902	250,677	2,025	1,087
Member withdrawals, refunds and other payables	41,550	214,478	2,941	2,980	65	452
Collateral held for securities lending	5,407,683	5,099,436	2,126,844	2,621,312	8,138	8,290
Total Liabilities	**6,794,891**	**5,982,398**	**2,675,687**	**2,874,969**	**10,228**	**9,829**
Net Position	**$41,806,485**	**$41,872,655**	**$16,596,832**	**$16,275,615**	**$62,243**	**$67,528**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN NET POSITION

For the years ended June 30, 2012 and 2011 (in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
ADDITIONS						
Contributions:						
University	$ 1,851,459	$ 1,677,921	$ 6,252	$ 5,711		
Members	272,421	143,261				
Participants			971,497	866,999		
Total Contributions	**2,123,880**	**1,821,182**	**977,749**	**872,710**		
Investment Income:						
Net appreciation (depreciation) in fair value of investments	(783,531)	6,687,112	(192,647)	1,843,033	$ (1,312)	$11,429
Interest, dividends and other investment income	858,801	905,337	375,793	360,167	1,346	1,530
Securities lending income	45,488	48,326	18,794	23,635	70	81
Less securities lending fees and rebates	(8,549)	(15,274)	(3,531)	(7,470)	(13)	(26)
Total Investment Income	**112,209**	**7,625,501**	**198,409**	**2,219,365**	**91**	**13,014**
Interest income from contributions receivable	3,652	4,226				
Total Additions	**2,239,741**	**9,450,909**	**1,176,158**	**3,092,075**	**91**	**13,014**
DEDUCTIONS						
Benefit Payments:						
Retirement payments	1,601,641	1,481,643			5,369	4,903
Member withdrawals	93,992	78,776				
Cost-of-living adjustments	307,190	279,937				
Lump sum cashouts	187,799	200,907				
Preretirement survivor payments	38,545	35,931				
Disability payments	35,189	35,298				
Death payments	8,717	9,128				
Plan(s) benefit payments and participant withdrawals			846,375	860,562		
Total Benefit Payments	**2,273,073**	**2,121,620**	**846,375**	**860,562**	**5,369**	**4,903**
Expenses:						
Plan administration	28,762	27,012	7,224	8,429	7	7
Other	4,076	4,076	1,342			
Total Expenses	**32,838**	**31,088**	**8,566**	**8,429**	**7**	**7**
Total Deductions	**2,305,911**	**2,152,708**	**854,941**	**868,991**	**5,376**	**4,910**
Increase (Decrease) in Net Position	**(66,170)**	**7,298,201**	**321,217**	**2,223,084**	**(5,285)**	**8,104**
NET POSITION						
Beginning of Year	41,872,655	34,574,454	16,275,615	14,052,531	67,528	59,424
End of Year	**$41,806,485**	**$41,872,655**	**$16,596,832**	**$16,275,615**	**$62,243**	**$67,528**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM

Notes to Financial Statements

Years ended June 30, 2012 and 2011

NOTE 1 — DESCRIPTION OF THE PLANS AND SIGNIFICANT ACCOUNTING POLICIES

General Introduction

The University of California Retirement System ("UCRS") comprises two defined benefit pension plans and four defined contribution plans. The Regents of the University of California ("The Regents") acts as trustee associated with each of UCRS Plans other than the UC Tax-Deferred 403(b) Plan ("403(b) Plan") and as custodian of the 403(b) Plan. Administrative authority with respect to UCRS Plans is vested in the President of the University as plan administrator and the President has redelegated that authority within UCRS to the Vice President — Human Resources. UCRS consists of two defined benefit pension plans known as the University of California Retirement Plan ("UCRP") and the University of California Voluntary Retirement Incentive Program ("PERS Plus 5 Plan"), and also includes the University of California Retirement Savings Program ("UCRSP" or the "Program"), of which includes four defined contribution plans known as the Defined Contribution Plan ("DC Plan"), the Supplemental Defined Contribution Plan ("SDC Plan"), the 403(b) Plan and the 457(b) Deferred Compensation Plan ("457(b) Plan"). Collectively, UCRS plans provide for a combination of defined benefits and voluntary retirement savings opportunities to eligible University employees and retirees.

UCRP

UCRP is a defined benefit plan providing lifetime retirement income, disability protection, death benefits and postretirement and preretirement survivor benefits to eligible employees of the University of California (the University) and its affiliate, Hastings College of the Law.

Established in 1961, membership in UCRP is required for all employees appointed to work at least 50 percent time for one year or more or for an indefinite period. Employees with limited appointments, employees in contract positions, employees in "non-career" positions at the Department of Energy's (DOE) Lawrence Berkeley National Laboratory (LBNL) and certain academic employees are eligible for UCRP membership after working 1,000 hours (750 hours for the Non-Senate Instructional Unit) in a continuous 12-month period.

Generally, five years of service are required for entitlement to UCRP benefits. The amount of the monthly pension benefit is determined under the basic formula of covered compensation times age factor times years of service credit. The maximum monthly benefit cannot exceed 100 percent of the employee's highest average plan compensation over a 36-month period, as adjusted for the annual Internal Revenue Code (IRC) §401(a)(17) limit on covered compensation. The annual benefit is subject to limitations established by IRC §415. Annual cost-of-living adjustments (COLAs) are made to monthly benefits according to a specified formula based on the Consumer Price Index (CPI). Ad hoc COLAs may be granted subject to funding availability.

Effective July 1, 2013, UCRP was amended to provide a new tier of pension benefits applicable to employees hired or returned after a break in service, on or after July 1, 2013. The new tier would increase the early retirement age from 50 to 55 and normal retirement age to 65, but retain many of UCRP's current features. The new tier would not offer lump sum cashouts, inactive member COLAs or subsidized survivor annuities for spouses and domestic partners. For represented employees, all changes are subject to collective bargaining.

UCRP offered three Voluntary Early Retirement Incentive Programs (VERIPs) adopted by The Regents, which granted enhanced benefits to certain eligible members upon electing early retirement. The VERIPs are known as Plus 5 (fiscal year 1990-1991), Take 5 (fiscal year 1992-1993) and VERIP III (fiscal year 1993-1994).

UCRP includes four membership classifications: members with Social Security, members without Social Security, Safety members (police and firefighters) and Tier Two members. At June 30, 2012, active UCRP membership consisted of 115,209 members with Social Security, 1,272 members without Social Security, 396 Safety members and 11 Tier Two members.

Members' contributions are recorded separately and accrue interest at a rate determined by The Regents. Currently member contributions accrue interest at an annual compounded rate of 6.0 percent, credited monthly. Upon termination, members may elect a refund of their contributions plus accumulated interest (and their Capital Accumulation Payment (CAP) balance if any); vested terminated members who are eligible to retire may also elect a lump sum payment equal to the actuarially equivalent present value of their accrued benefits. Both actions forfeit the member's right to monthly benefits based on the same service credit.

From July 1, 1966, to June 30, 1971, UCRP maintained a noncontributory period for most members; contributions were required only from members who had reached age thirty and had at least one year of service. Member plan accounts designated "Plan 02" were established to keep track of contributions that would have been made had a member been contributing during this period. Future retirement benefits for members with Plan 02 accounts are reduced to account for the contributions that were not made, unless the member repays the Plan 02 balance.

For the period from July 1, 1987 to July 1, 1990, qualifying UCRP members could elect to participate in noncontributory UCRP membership known as Tier Two. Tier Two provides a lower level of retirement income, disability protection and survivor benefits, calculated using specific Tier Two formulas based on the member's covered compensation times age factor times years of service credit.

UCRP members may also have a balance in UCRP consisting of CAP allocations, which were credited in behalf of eligible members on various dates in 1992, 1993, 1994, 2002 and 2003. Provided to supplement basic UCRP benefits, the allocations were equal to a percentage of the eligible member's covered compensation paid during the specified period. The CAP balance is generally payable in a lump sum at retirement or separation from service and includes interest credited monthly equal to an annual percentage yield (APY) of 8.5 percent for allocations made in 1992, 1993 and 1994. For allocations made in 2002 and 2003, the interest credited monthly is equal to UCRP's investment rate of return, which currently equates to an APY of 7.5 percent. The APY applied to the 2002 and 2003 allocation will vary according to changes in the assumed earnings rate for UCRP.

At June 30, 2012, UCRP membership included 58,934 retirees, beneficiaries and disabled members currently receiving benefits, 32,873 terminated vested employees entitled to benefits but not yet receiving them, and 34,445 terminated non-vested employees entitled to a refund of their UCRP accumulations and/or CAP balances, including the CAP balances for Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL) members who transferred their benefits and service credit to the defined benefit pension plans established by Los Alamos National Security (LANS) or Lawrence Livermore National Security (LLNS), as applicable, and are eligible for a CAP distribution. Of current active employees, 72,596 are fully vested and 44,292 are non-vested active employees covered by UCRP.

Employer contributions are made to UCRP on behalf of all members. The annual rate of University contributions is established pursuant to The Regents' funding policy (see Note 5 on page 50). For LLNL and LANL retirees and inactive members who remain members in UCRP, the DOE has an ongoing financial responsibility to reimburse the University for contributions to UCRP, if needed, to satisfy the liabilities attributable to the benefits of members who previously worked at LLNL and LANL.

UCRSP

The UC Chief Investment Officer oversees twelve single, diversified investment funds and seven primary asset class options that form part of the UC Core Funds lineup. In addition, the UC Core Funds line-up includes five mutual funds that are specialized asset class options. Participants may direct investment of their contributions and transfer Plan accumulations to any of these funds:

The single, diversified investment funds include the Balanced Growth Fund, Pathway Income Fund and Pathway "target date" Funds for the years 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055 and 2060.

The primary asset class options include:

- Savings Fund
- ICC Fund
- Bond Fund
- TIPS Fund
- Domestic Equity Index Fund
- Equity Fund
- International Equity Index Fund

The specialized asset class options include:

- Vanguard Small Cap Index Fund
- Vanguard REIT Index Fund
- Vanguard FTSE Social Index Fund
- Dreyfus Treasury Prime Cash Management Fund
- DFA Emerging Markets Portfolio

Participants may also invest in mutual funds offered through Fidelity (including non-Fidelity mutual funds) and certain Calvert Group mutual funds. Additionally, a network of mutual funds is available through the Fidelity Investments brokerage service.

Transfers and investment changes must be made in accordance with plan provisions, and all contributions made to UCRSP Plans are allocated to the designated plan and invested in one or more of the available investment options, as directed by the participants.

Participants' interests in UCRSP Plans are fully and immediately vested and are distributable at death, retirement or termination of employment. Participants may elect to defer distribution until age 70 ½ or separation from service, whichever is later, in accordance with IRC minimum distribution requirements. In-service withdrawals are permitted in conformance with IRC regulations applicable to each plan.

Defined Contribution Plan

The University makes DC Plan retirement contributions on the summer or equivalent term salaries of eligible academic employees who teach, conduct research or provide administrative service during the summer session or an equivalent term. To be eligible, employees must hold academic year appointments and be active members of UCRP or another defined benefit plan to which the University contributes. The contribution rate is 7.0 percent of eligible salary, of which 3.5 percent is University paid and 3.5 percent is employee-paid, both on a pretax basis. The University may also make contributions on behalf of eligible senior managers.

The DC Plan Pretax Account also includes mandatory contributions from part-time, seasonal and temporary employees at the University who are not currently participating in UCRP or another defined benefit plan to which the University contributes (Safe Harbor participants). Safe Harbor participation includes certain University student employees and resident aliens with F-1 and J-1 visa status. Safe Harbor participants contribute 7.5 percent of gross salary (up to the Social Security wage base) to the Plan in lieu of deductions for Social Security taxes.

All University employees, except students who normally work fewer than 20 hours per week, are eligible to make voluntary contributions to the DC Plan After-Tax Account and defer taxation on the earnings until the accumulations are withdrawn. The maximum amount participants may contribute annually to the After-Tax Account is determined by the IRC §415(c) limit. The University may also make DC Plan contributions on behalf of eligible senior managers.

Tax-Deferred 403(b) Plan

The 403(b) Plan is available to all University employees except students who normally work fewer than 20 hours per week. Employees who want to participate in the 403(b) Plan designate a portion of their gross salary within the IRC established limits to be contributed on a pretax basis, thus reducing their taxable income. Income taxes on contributions and any earnings are deferred (that is, postponed) until the participant withdraws the money. The University also makes 403(b) Plan contributions on behalf of eligible senior managers.

Annual salary deferral contribution limits for the 403(b) Plan during fiscal year 2011–2012, were as follows: the maximum annual contribution limits for participants under age 50 for the calendar years 2011 and 2012, were $16,500 and $17,000, respectively (or 100 percent of adjusted gross salary, if less). For participants age 50 or older, the annual contribution limits were $22,000 and $22,500, respectively, for calendar years 2011 and 2012, (or 100 percent of adjusted gross salary, if less). Participants with 15 or more years of service may be able to increase their limit under an additional catch-up provisions.

457(b) Deferred Compensation Plan

The 457(b) Plan is available to all University employees except students who normally work less than 20 hours per week. Taxes on contributions (deferred compensation) and earnings thereon are deferred until the accumulations are withdrawn. The University may also make 457(b) Deferred Compensation Plan contributions on behalf of eligible senior managers. The deferred compensation limits for the 457(b) Deferred Compensation Plan were the same as the 403(b) Plan limits (described in the previous paragraph) during fiscal year 2011-2012.

University of California Voluntary Early Retirement Incentive Program

Some University employees became members of the California Public Employees' Retirement Plan (CalPERS) before UCRP was established and continued to participate in CalPERS during their University employment after UCRP was established. The University of California contributed to CalPERS on behalf of these UC-CalPERS members. The University of California Voluntary Early Retirement Incentive Program (the PERS Plus 5 Plan) is a defined benefit pension plan established by the University that provides lifetime supplemental retirement income and survivor benefits to PERS Plus 5 Plan members who elected early retirement under CalPERS.

Generally, to participate in the PERS Plus 5 Plan, an eligible employee was required to elect concurrent retirement under CalPERS and the PERS Plus 5 Plan effective October 1, 1991, and must have had a combined age plus service credit equal to 80 years as of September 30, 1991, if classified as a Qualified Academic Senate Faculty Member, or equal to 75 years if not classified as a Qualified Academic Senate Faculty Member. Of 1,579 eligible employees, 879 elected to retire under the PERS Plus 5 Plan. As of June 30, 2012, there were 659 retirees and beneficiaries in the PERS Plus 5 Plan.

The cost of contributions made to the PERS Plus 5 Plan is borne entirely by the University. No additional contributions are required as long as the Plan remains fully funded under the actuarial assumptions used by the Plan.

Effective April 1, 2011, the PERS Plus 5 Plan was amended to provide a 15.2 percent ad hoc cost-of-living adjustment (COLA) to all monthly benefits. Effective July 1, 2011, the PERS Plus 5 Plan was amended, subject to funding availability, to provide annual COLAs to monthly benefits according to a specified formula based on the Consumer Price Index. Ad hoc COLAs may also be granted subject to funding availability.

Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable effective statements of the Governmental Accounting Standards Board (GASB), and the accrual basis of accounting.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus*, effective for the Plans' fiscal year beginning July 1, 2011. This Statement modifies the existing requirements for the assessment of component units that should be included in the financial statements of the University. Implementation of Statement No. 61 had no effect on the Plans' net position or changes in net position for the years ended June 30, 2011 and 2012.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for the University's fiscal year beginning July 1, 2012; however, the Plans early adopted this Statement effective for the fiscal year beginning July 1, 2011. This Statement modifies the presentation of deferred inflows and deferred outflows in the financial statements. The effect of the changes from the implementation of Statement No. 63 did not result in any adjustments to the financial statements for the Plans.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, effective for the University's fiscal year beginning July 1, 2012; however, the Plans early adopted this Statement effective for the fiscal year beginning July 1, 2011. This Statement clarifies the existing requirements for the termination of hedge accounting. Implementation of Statement No. 64 had no effect on the Plans' net position or changes in net position for the years ended June 30, 2011 and 2012.

Valuation of Investments

Investments are recorded at fair value. Securities, including derivative investments, are valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Certain securities may be valued on a basis of a price provided by a single source.

As a result of inactive or illiquid markets, certain investments in non-agency mortgage-backed fixed-income securities are valued on the basis of their estimated future principal and interest payments using appropriate risk-adjusted discount rates.

Investments also include private equities, absolute return funds, real estate, real asset and certain corporate asset backed securities. Private equities include venture capital partnerships, buyout and international funds. Interests in private equity and real estate partnerships are based upon valuations provided by the general partners of the respective partnerships as of March 31, adjusted for cash receipts, cash disbursements and securities distributions through June 30. Investments in absolute return partnerships are valued as of May 31, adjusted for cash receipts and cash disbursements through June 30. Interests in certain direct investments in real estate are estimated based upon independent appraisals. The University believes the carrying amount of these financial instruments and real estate is a reasonable estimate of fair value at June 30. Because the private equity, real estate and absolute return partnerships, along with direct investments in real estate, are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would be used had a ready market for such investments existed. Investments in registered investment companies are valued based upon the reported net asset value of those companies.

Insurance contracts are valued at contract value, plus reinvested interest, which approximates market value.

Derivative instruments are recorded at fair value. Futures contracts, foreign currency exchange contracts, stock rights and warrants, options and swaptions are valued at the last sales price on the last day of the fiscal year, as quoted on a recognized exchange or utilizing an industry standard pricing service, when available. Financial institutions or independent advisors have estimated the fair value of the interest rate swaps and total return swaps using quoted market prices when available or discounted expected future net cash flows.

Accounting for Investments

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned.

Contributions allocated to UCRSP Plans' Pathway, Equity, Bond, TIPS, Balanced Growth, Domestic Equity Index and International Equity Index funds are credited to participant accounts as units. The value of a unit changes each day based on the current fair value of the investment portfolio. Earnings of each fund, as well as market fluctuations, are reflected in the unit values.

Investments denominated in foreign currencies are translated into U.S. dollar equivalents using year-end spot foreign currency exchange rates. Purchases and sales of investments and their related income are translated at the rate of exchange on the respective transaction dates. Realized and unrealized gains and losses resulting from foreign currency changes are included in the Plans' statement of changes in net position.

Administrative Expenses

Administrative expenses are incurred in connection with the operation of UCRS for costs such as staff salaries and benefits, investment management, information systems, leased space, supplies and equipment, and professional services rendered by the benefits consultants, legal counsel and independent auditor which are paid from UCRS' assets.

UCRP administrative expenses represent approximately $32.8 million or 0.08 percent and $31.1 million or 0.07 percent, respectively, of the net position for fiscal years 2012 and 2011.

Under UCRSP, plan administrative fees are deducted from income on University managed investment funds before calculating unit values and interest factors. Administrative fees are used to pay investment management and investor education, accounting, audit, legal, custodial and recordkeeping services. Revenue sharing from certain mutual funds also is applied against recordkeeping costs. For the fiscal years ended June 30, 2012 and 2011, administrative expenses totaled $7.2 million and $8.4 million, respectively.

Reasonable administrative expenses are assessed to the PERS Plus 5 Plan through an annual account servicing charge.

Status under the IRC

UCRP is intended to qualify under IRC §401(a) and the regulations thereunder and UCRP trust is intended to be exempt from taxation under IRC §501(a). In a letter to the University dated November 8, 2007, the Internal Revenue Service (IRS) confirmed its determination that the form of UCRP, as amended through December 11, 2002 (other than amendments authorized by the Economic Growth and Tax Relief Reconciliation Act of 2001), met the requirements for qualification under IRC §401(a). Since then, UCRP has been amended to comply with subsequent tax acts and state laws and to make certain design changes recommended by the President and approved by The Regents. A request for a determination on UCRP, as amended, is pending before the IRS.

The form of the PERS Plus 5 Plan is intended to satisfy the qualification requirement under IRC §401(a) and the regulations thereunder, and the PERS Plus 5 Plan trust is intended to be exempt from taxation under IRC §501(a).

In January 1997, the IRS confirmed its determination that the form of the DC Plan met the requirements for qualification under IRC §401(a). Since then, the DC Plan has been amended to comply with subsequent tax acts and state laws and to make certain design changes recommended by the President and approved by The Regents. The University has requested that the IRS issue an updated determination letter on the DC Plan, as amended.

Separately, the University has requested that the IRS issue a favorable determination letter on the SDC Plan. The form of the SDC Plan is intended to satisfy the qualification requirements of IRC §401(a) and its trust intended to be exempt from taxation under IRC §501(a).

The form of the 403(b) Plan is intended to satisfy the requirements of IRC §403(b). The form of the 457(b) Plan is intended to satisfy the requirements of IRC §457(b).

To the best of tax counsel's knowledge, the Plans have been administered in accordance with their terms and the applicable provisions of the IRC and the regulations thereunder, in all material respects.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made and actual amounts could differ from those estimates.

The financial statements of UCRS Plans are intended to present the net position and the changes in net position of only that portion of activities that are attributable to UCRS. They do not purport to, and do not, present fairly the financial position of the University of California as of June 30, 2012 and 2011, and the changes in its financial position and cash flows for the years then ended.

NOTE 2 — INVESTMENTS

The Regents, as the governing board and as trustee, is responsible for the oversight of the Plans' investments and establishes investment policies for UCRP, UCRSP, and the PERS Plus 5 Plan, which are carried out by the Chief Investment Officer. The Chief Investment Officer has primary fiduciary responsibility for investing UCRS' assets consistent with the policies established by The Regents.

Participation in the UC Short Term Investment Pool (STIP) maximizes the returns on short-term cash balances in UCRS Plans by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities. STIP is managed to maximize current earned income. The available cash in UCRS Plans awaiting investment or for administrative expenses is also invested in STIP. Investments authorized by The Regents for STIP include fixed-income securities with a maximum maturity of five and one-half years.

Investments authorized by The Regents for UCRS Plans' investment pools and separate investments include equity securities, fixed-income securities and certain other asset classes. The equity portion of the investment portfolios may include both domestic and foreign common and preferred stocks, and actively managed and passive (index) strategies, along with a modest exposure to private equities. Private equities include venture capital partnerships, buyouts and international funds. Investment portfolios may include certain foreign currency-denominated equity securities.

The fixed-income portion of the investment portfolios may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities. Fixed-income investment guidelines permit the use of futures and options on fixed-income instruments in the ongoing management of the portfolios. Derivative contracts are authorized for portfolio rebalancing in accordance with The Regents' asset allocation policy and as substitutes for physical securities. Real estate investments and absolute return strategies are authorized for UCRS Plans. Absolute return strategies may incorporate short sales, plus derivative positions to implement or hedge an investment position. They are not used for speculative purposes.

The composition of investments and derivative instruments, by investment type at June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
Equity securities:						
Domestic	$ 9,191,981	$10,283,299	$ 3,144,287	$ 3,190,803	$13,835	$16,722
Foreign	7,123,502	8,467,617	988,876	1,016,208	10,722	13,766
Equity Securities	**16,315,483**	**18,750,916**	**4,133,163**	**4,207,011**	**24,557**	**30,488**
Fixed-income securities:						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	163,782	547,406	1,745,949	1,807,971	247	889
U.S. Treasury strips	388,650	271,844	238,239	201,508	585	442
U.S. TIPS	2,809,176	3,026,651	727,219	481,305	4,228	4,921
U.S. government-backed securities	14,041	14,593			21	24
Fixed-income Securities	**3,375,649**	**3,860,494**	**2,711,407**	**2,490,784**	**5,081**	**6,276**
Other U.S. dollar-denominated:						
Corporate bonds	1,960,568	1,739,829	359,074	284,574	2,951	2,830
U.S. agencies	733,626	653,372	2,366,214	2,342,149	1,104	1,062
U.S. agencies asset-backed securities	1,538,434	1,200,554	690,092	476,037	2,316	1,952
Corporate asset-backed securities	549,559	797,244	163,890	263,372	827	1,296
Supranational/foreign	1,196,534	1,197,143	151,132	117,945	1,801	1,946
Other	11,554	9,249	3,746	2,585	17	15
Other U.S. Dollar-Denominated	**5,990,275**	**5,597,391**	**3,734,148**	**3,486,662**	**9,016**	**9,101**
Foreign currency-denominated:						
Corporate	198,860	103,798			299	169
Foreign Currency-Denominated	**198,860**	**103,798**			**299**	**169**
Commingled funds:						
Absolute return	3,009,129	2,831,652			4,529	4,603
Balanced funds	33,527				50	
U.S. equity funds	1,229,108	1,144,974	16,848	101,457	1,850	1,860
Non-U.S. equity funds	3,393,664	2,918,345	92,425		5,108	4,744
U.S. bond funds	890,989	476,681			1,341	775
Non-U.S. bond funds	105,711				159	
Real estate investment trusts	6,391		95,846	90,864	10	
Money market funds*	1,288,777	1,387,860	796,571	663,447	1,813	2,390
Commingled Funds*	**9,957,296**	**8,759,512**	**1,001,690**	**855,768**	**14,860**	**14,372**
Private equities	3,394,329	2,875,906	183,153	204,715	5,109	4,675
Real assets	531,858	327,189			801	532
Real estate	2,257,061	1,983,283			3,397	3,224
Insurance company contracts			514,147	630,091		
Investment derivatives	45,485	14,958	1,485	678	69	25
Total Investments**	**$42,066,296**	**$42,273,447**	**$12,279,193**	**$ 11,875,709**	**$63,189**	**$68,862**

** Includes investment of $235,689 and $162,208 in UCRP, and $730,893 and $553,362 in UCRSP and $228 and $397 in PERS Plus 5 in the Short Term Investment Pool as of June 30, 2012 and 2011, respectively.*

*** Does not include participants' interests in mutual funds and Participant 403(b) Plan loans shown in the statements of net position.*

Investment Risk Factors

There are many factors that can affect the value of investments overseen by the Chief Investment Officer. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk may affect both equity and fixed-income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed-income securities are particularly sensitive to credit risks and changes in interest rates. Alternative investment strategies and their underlying assets and rights are also subject to an array of economic and market vagaries that can limit or erode value. Participants' interests in mutual funds are subject to a variety of investment risks. A participant can obtain information on risks by reviewing the fund prospectus available on the Fidelity Investments web site (netbenefits.com).

Credit Risk

Fixed-income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies, for example, Moody's Investors Service (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default, or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

Certain fixed-income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk. On August 8, 2011, the S&P downgraded the credit ratings of certain long-term debt instruments issued by Fannie Mae and Freddie Mac and other U.S. government agencies linked to long-term U.S. debt. These downgrades could adversely affect the market value of such instruments and the credit risk associated with our investments in U.S. Treasury securities held as investments.

Asset-backed securities are debt obligations that represent claims to the cash flows from pools of commercial, mortgage, credit card or student loans. Mortgage backed securities issued by Ginnie Mae are backed by the full faith and credit of the U.S. government. Effective September 2008, Fannie Mae and Freddie Mac were placed under the conservatorship of the Federal Housing Finance Agency. At the same time, the U.S. Treasury put in place a set of financing agreements to ensure Fannie Mae and Freddie Mac have the ability to fulfill their obligations to holders of bonds that they have issued or guaranteed.

The investment guidelines for STIP recognize that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk-adjusted return over its benchmark. (The benchmark for STIP, the two-year Treasury Note, does not contain credit risk.) No more than 5 percent of the total market value of the STIP portfolio may be invested in securities rated below investment grade (BB, Ba or lower). The average credit quality of STIP must be A or better, and commercial paper must be rated at least A-1, P-1 or F-1.

Credit risk is appropriate in balanced investment pools such as UCRS Plans by virtue of the benchmark chosen for the fixed-income portion of the pool.

The fixed-income benchmark for UCRS Plans, the Barclays Capital U.S. Aggregate Bond Index, is comprised of approximately 25 percent corporate bonds and 35 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 40 percent is comprised of government-issued bonds.

Credit risk in UCRS Plans is managed primarily by diversifying across issuers. In addition, portfolio guidelines for UCRS Plans mandate that no more than 10 percent of the market value of fixed-income securities may be invested in issues with a credit rating below investment grade. Further, the weighted average credit rating must be A or higher.

In addition, the investment policies for UCRS Plans allows for dedicated allocations to non-investment grade and emerging market bonds, investment in which entails credit, default and/or sovereign risk.

The credit risk profile for fixed or variable income securities at June 30, 2012 and 2011 is as follows:

Fixed- or variable-income securities ($ in thousands)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
U.S. government-guaranteed	$3,375,649	$3,860,494	$2,711,407	$2,490,784	$5,081	$6,276
Other U.S. dollar-denominated:						
AAA	2,442,321	2,124,980	2,849,242	2,862,374	3,674	3,457
AA	165,221	148,775	327,836	56,360	249	242
A	693,589	713,169	218,342	280,827	1,044	1,159
BBB	1,002,180	932,059	254,132	182,788	1,509	1,515
BB	429,579	431,429	21,425	22,739	647	701
B	1,074,167	987,663	1,880	5,203	1,617	1,606
CC or below	181,473	256,532	38,260	75,973	273	417
A1/P1/F1		773	22,801	133		1
Not rated	1,745	2,011	230	265	3	3
Foreign currency-denominated:						
A	186,982				281	
BBB		88,318				144
B	11,878	15,480			18	25
Commingled funds:						
U.S. bond funds: Not rated	890,989	476,681			1,341	775
Non-U.S. bond funds: Not rated	105,711				159	
Money market funds: Not rated	1,288,777	1,387,860	796,571	663,447	1,813	2,390
Investment derivatives:						
A	1,715				3	
Insurance company contracts			514,147	630,091		

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the custodian, the investments may not be returned. UCRS Plans' securities are registered in the name of The Regents by the custodial bank. Other types of investments represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk for such investments is remote.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing UCRS Plans to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

The U.S. and non-U.S. equity portions of UCRS may be managed either passively or actively. For the portion managed passively, the concentration of individual securities is exactly equal to their concentration in the benchmark. While some securities have a larger representation in the benchmark than others, The Regents considers that passive management results in an absence of concentration of credit risk. For the portion managed actively, asset class guidelines do not specifically address concentration risk, but do state that the U.S. equity asset class in the aggregate will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the asset class benchmark (including concentration of credit risk). Concentration risk for individual portfolios is monitored relative to their individual benchmarks and agreed-upon risk parameters in their guidelines.

Investment guidelines addressing concentration of credit risk related to the investment-grade fixed-income portion of UCRS' investment portfolio include a limit of no more than 3 percent of the portfolio's market value to be invested in any single issuer (except for securities issued by the U.S. government or its agencies) at the time of purchase. These same guidelines apply to the STIP. For high-yield and emerging market debt, the corresponding limit is 5 percent.

Investments in issuers other than U.S. government guaranteed securities that represent 5 percent or more of investments held at June 30, 2012 and 2011 are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
Federal National Mortgage Association			$1,611,000			
Federal Farm Credit Bank U.S. Treasury strips			734,323			

Interest Rate Risk

Interest rate risk is the risk that the value of fixed-income securities will decline because of changing interest rates. The prices of fixed-income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100 basis point (1 percentage point) change in the level of interest rates. It is not a measure of time.

Interest rate risk for the STIP is managed by constraining the maturity of all individual securities to be less than five and one-half years. There is no restriction on weighted average maturity of the portfolio as it is managed relative to the liquidity demands of the investors. The nature and maturity of individual securities in the STIP allow for the use of weighted average maturity as an effective risk management tool, rather than the more complex measure, effective duration.

Portfolio guidelines for the fixed-income portion of UCRS Plans limit weighted average effective duration to the effective duration of the benchmark Barclays Capital U.S. Aggregate Bond Index, plus or minus 20 percent. These portfolio guidelines constrain the potential price movement due to interest rate changes of the portfolio to be similar to that of the benchmark. There are similar restrictions for the high-yield and emerging market debt portfolios relative to their benchmarks.

The effective duration for fixed-income securities at June 30, 2012 and 2011 are as follows:

Fixed- or variable-income securities (in years)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
Fixed-income securities:						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	2.9	1.5	1.6	1.7	2.9	1.5
U.S. Treasury strips	9.1	6.9	8.0	7.0	9.1	6.9
U.S. TIPS	4.7	4.5	5.1	4.4	4.7	4.5
U.S. government-backed securities	5.2	5.5			5.2	5.5
Other U.S dollar-denominated:						
Corporate bonds	5.6	5.3	6.9	6.2	5.6	5.3
U.S. agencies	4.6	5.7	5.9	1.8	4.6	5.7
U.S. agencies asset-backed securities	3.9	5.1	3.6	2.4	3.9	5.1
Corporate asset-backed securities	3.6	3.5	3.9	3.6	3.6	3.5
Supranational/foreign	6.4	6.3	6.4	6.2	6.4	6.3
Other	14.5	13.1	14.5	13.0	14.5	13.1
Foreign currency denominated:						
Corporate	2.1	4.1			2.1	4.1
Commingled funds:						
U.S. bond funds	5.2	5.2			5.2	5.2
Money market funds	1.9	1.5		1.5		1.5
Investment derivatives:	0.2					

The money market funds consist of underlying securities that are of a short-term, liquid nature.

Investments may also include various mortgage-backed securities, collateralized mortgage obligations, structured notes, variable-rate securities and callable bonds that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features. Although the effective durations of the securities may be low, they are considered to be highly sensitive to changes in interest rates.

At June 30, 2012 and 2011, the fair values of such investments are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
Mortgage-backed securities	$1,852,997	$1,347,986	$ 666,001	$ 478,118	$2,789	$2,191
Collateralized mortgage obligations	204,054	84,980	171,295	26,960	307	138
Other asset-backed securities	31,207	209,572	16,686	85,272	47	341
Structured notes	1,620				2	
Variable-rate securities	110,890	373,758	13,602	149,060	167	608
Callable bonds	1,055,015	988,417	1,745,471	860,680	1,588	1,607
Convertible bonds	4,432	7,172			7	12
Total	**$3,260,215**	**$3,011,885**	**$2,613,055**	**$1,600,090**	**$4,907**	**$4,897**

Mortgage-backed securities

These securities are issued by Fannie Mae, Ginnie Mae and Freddie Mac and include short embedded prepayment options. Unanticipated prepayments by the obligees of the underlying asset reduce the total expected rate of return.

Collateralized mortgage obligations

Collateralized mortgage obligations (CMOs) generate a return based upon the payment of either interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments make the fair value highly sensitive to changes in interest rates. In falling interest rate environments, the underlying mortgages are subject to a higher propensity of prepayments. In a rising interest rate environment, the opposite is true.

Other asset-backed securities

Other asset-backed securities also generate a return based upon the payment of either interest or principal on obligations in an underlying pool, generally associated with auto loans or credit cards. As with CMOs, the relationship between interest rates and prepayments make the fair value highly sensitive to changes in interest rates.

Variable-rate securities

These securities are investments with terms that provide for the adjustment of their interest rates on set dates and are expected to have fair values that will be relatively unaffected by interest rate changes. Variable-rate securities may have limits on how high or low the interest rate may change. These constraints may affect the market value of the security.

Callable bonds

Although bonds are issued with clearly defined maturities, an issuer may be able to redeem, or call, a bond earlier than its maturity date. The called bond must then be replaced with a bond that may have a lower yield than the original. The call feature causes the fair value to be highly sensitive to changes in interest rates. At June 30, 2012 and 2011, the effective durations for these securities are as follows:

(in years)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
Mortgage-backed securities	4.0	4.9	4.0	5.1	4.0	4.9
Collateralized mortgage obligations	2.1	2.9	2.5	3.6	2.1	2.9
Other asset-backed securities	0.6	1.3	1.9	0.5	0.6	1.3
Structured notes	1.0				1.0	
Variable-rate securities	5.4	4.8	6.6	1.3	5.4	4.8
Callable bonds	5.0	4.6	2.0	2.3	5.0	4.6
Convertible bonds	3.7	9.0			3.7	9.0

Liquidity Risks

Alternative investments are subject to liquidity risk. Alternative investments include hedge funds, limited partnerships, private equity and venture capital funds. Additionally, certain asset-backed securities are thinly traded and subject to liquidity risk.

Alternative investments include ownership interests in a wide variety of vehicles including partnerships and corporations that may be domiciled in the United States or offshore. Generally, there is little or no regulation of these investment vehicles by the Securities and Exchange Commission or the applicable state agencies. Managers of these investments employ a wide variety of strategies and have areas of concentration including absolute return, venture capital or early stage investing, private equity or later stage investing and the underlying investments may be leveraged to enhance the total investment return. Each asset class has guidelines and policies regarding the use of leverage. Such underlying investments may include financial assets such as marketable securities, non-marketable securities, derivatives and other synthetic and structured investments as well as tangible and intangible assets.

These securities do not have a ready market and ownership interests in these investment vehicles may not be traded without the approval of the general partner or fund management. These investments are subject to the risks generally associated with equities and fixed-income instruments with additional risks due to leverage and the lack of a ready market for acquisition or disposition of ownership interests.

UCRS Plans' investment portfolios include the following values for alternative investments as of June 2012 and 2011:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
Absolute return funds	$3,009,129	$2,831,652			$ 4,529	$ 4,603
Private equities	3,394,329	2,875,906	$183,153	$204,715	5,109	4,675
Real estate	2,257,061	1,983,283			3,397	3,224
Real assets	531,858	327,189			801	532
Corporate asset backed securities		207,913		64,759		338
Total	**$9,192,377**	**$8,225,943**	**$183,153**	**$269,474**	**$13,836**	**$13,372**

UCRS Plans also made commitments to make investments in certain investment partnerships pursuant to provisions in the various partnership agreements. These commitments at June 30, 2012 totaled $3.4 billion.

Foreign Currency Risk

The Regents' strategic asset allocation policies include allocations to non-U.S. equities and non-dollar denominated bonds. The benchmarks for these investments are not hedged; therefore, foreign currency risk is an essential part of the investment strategies. Portfolio guidelines for U.S. investment-grade, fixed-income securities also allow exposure to non-U.S. dollar-denominated bonds up to 10 percent of the total portfolio market value. Exposure to foreign currency risk from these securities is permitted and it may be fully or partially hedged using forward foreign currency exchange contracts. Under The Regents' investment policies, such instruments are not permitted for speculative use or to create leverage. Similar limits on foreign exchange exposure apply to the high-yield debt and emerging market debt portfolios (10 percent and 20 percent, respectively).

At June 30, 2012 and 2011, the U.S. dollar-denominated balances organized by currency denominations and investment type are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
Equity securities:						
Euro	$ 1,732,335	$ 2,448,950	$ 242,672	$ 288,996	$ 2,608	$ 3,981
British Pound	1,445,699	1,563,928	196,101	186,403	2,176	2,543
Japanese Yen	1,387,983	1,543,259	193,044	183,636	2,089	2,509
Canadian Dollar	656,389	760,403	107,516	107,691	988	1,236
Swiss Franc	540,217	643,741	76,341	76,136	813	1,047
Australian Dollar	529,411	616,454	78,050	78,893	797	1,002
Hong Kong Dollar	226,074	241,207	26,939	24,897	340	392
Swedish Krona	183,949	240,307	26,964	28,595	277	391
Singapore Dollar	131,215	137,930	16,440	15,318	198	224
Danish Krone	77,306	78,654	10,198	9,587	116	128
Norwegian Krone	76,063	72,870	8,204	8,413	114	118
Israeli Shekel	28,809	41,906	5,260	6,578	43	68
Other	108,052	78,008	1,147	1,065	163	127
Subtotal	**7,123,502**	**8,467,617**	**988,876**	**1,016,208**	**10,722**	**13,766**
Fixed-income securities:						
Mexican Peso	25,775	12,765			39	20
South African Rand	23,768	12,180			36	20
Brazilian Real	23,705	16,150			35	27
Malaysian Ringgit	22,577	12,489			34	22
Turkish Lira	22,088	6,737			33	11
Polish Zloty	21,032	8,570			32	14
Indonesian Rupiah	14,881	11,446			22	19
New Russian Ruble	12,671				19	
Thailand Baht	11,422	5,785			17	9
Euro	11,157	13,759			17	21
Other	9,784	3,917			15	6
Subtotal	**198,860**	**103,798**			**299**	**169**
Commingled funds						
Non-U.S. equity funds:	3,393,664	2,918,345	92,425		5,108	4,744
Non-U.S. bond funds:	105,711				159	
Subtotal	**3,499,375**	**2,918,345**	**92,425**		**5,267**	**4,744**
Investment derivatives:						
Euro	2,911	905	268	74	4	1
Swedish Krona	1,180	(1,335)			2	(2)
British Pound	1,014	431	64	50	2	1
Japanese Yen	551	465	64	28	1	1
Canadian Dollar	(24)	58	60	18		
Australian Dollar	(1,033)	(624)	18	34	(2)	(1)
Other	9	259	7	7		
Subtotal	**4,608**	**159**	**481**	**211**	**7**	
Private equity:						
Euro	71,909	57,403	4,173	4,012	108	93
Other	11,202	8,940	568	1,029	17	15
Real estate:						
Hong Kong Dollar	7,342	30,389			11	49
Australian Dollar	5,316	23,105			8	38
Japanese Yen	5,155	19,479			8	32
Euro	4,114	17,760			6	29
Singapore Dollar	3,853	11,756			6	20
British Pound	3,341	12,425			5	19
Other	7,543	17,956			11	29
Subtotal	**119,775**	**199,213**	**4,741**	**5,041**	**180**	**324**
Total exposure to foreign currency risk	**$10,946,120**	**$11,689,132**	**$1,086,523**	**$1,021,460**	**$16,475**	**$19,003**

NOTE 3 — SECURITIES LENDING

UCRS Plans participate in a securities lending program as a means to augment income. Securities invested by the Chief Investment Officer are lent to selected brokerage firms for which collateral received equals or exceeds the fair value of such investments during the period of the loan. Securities loans immediately terminate upon notice by either UCRS Plans or the borrower. Collateral may be cash or securities issued by the U.S. government or its agencies, or the sovereign or provincial debt of foreign countries. Collateral securities cannot be pledged or sold by UCRS Plans unless the borrower defaults.

Loans of domestic equities and all fixed-income securities are initially collateralized at 102 percent of the fair value of securities lent.

Loans of foreign equities are initially collateralized at 105 percent. All borrowers are required to provide additional collateral by the next business day if the value of the collateral falls to less than 100 percent of the fair value of securities lent.

Cash collateral received from the borrower is invested by lending agents, as agents for UCRS Plans, in investment pools in the name of UCRS Plans, with guidelines approved by the Plans. These investments are shown as investment of cash collateral in the statements of net position. At June 30, 2012 and 2011, the securities in these pools had a weighted average maturity of 26 and 17 days, respectively. UCRS Plans record a liability for the return of the cash collateral shown as collateral held for securities lending in the statements of net position. Securities collateral received from the borrower is held in an investment pool by UCRS Plans' custodial bank.

At June 30, 2012, UCRS Plans had little exposure to borrowers because the amounts UCRS Plans owed the borrowers were substantially the same as the amounts the borrowers owed UCRS Plans. UCRS Plans are fully indemnified by their lending agents against any losses incurred as a result of borrower default.

Securities lending transactions at June 30, 2012 and 2011 are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
SECURITIES LENT						
For cash collateral:						
Equity securities:						
Domestic	$ 2,445,607	$ 1,730,369	$ 751,983	$ 419,651	$ 3,680	$ 2,813
Foreign	521,250	719,626	67,486	90,147	784	1,170
Fixed-income securities:						
U.S. government	1,733,140	1,907,528	759,090	1,297,676	2,608	3,101
Other U.S. dollar-denominated	646,930	636,042	519,662	760,059	974	1,034
Lent for Cash Collateral	**5,346,927**	**4,993,565**	**2,098,221**	**2,567,533**	**8,046**	**8,118**
For securities collateral:						
Equity securities:						
Domestic	185,436	155,398	52,300	33,650	279	253
Foreign	1,097,867	1,298,332	157,087	147,588	1,652	2,111
Fixed-income securities:						
U.S. government	451,152	1,084,932	496,307	895,564	679	1,763
Other U.S. dollar-denominated	3,087	222,293		729,654	5	361
Foreign currency-denominated		3,428				6
Lent for Securities Collateral	1,737,542	2,764,383	705,694	1,806,456	2,615	4,494
Total Securities Lent	**$7,084,469**	**$7,757,948**	**$2,803,915**	**$4,373,989**	**$10,661**	**$12,612**
COLLATERAL RECEIVED						
Cash	$5,407,683	$ 5,099,436	$2,126,844	$ 2,621,312	$8,138	$ 8,290
Securities	1,884,002	2,868,956	765,179	1,874,792	2,835	4,664
Total Collateral Received	**$7,291,685**	**$7,968,392**	**$2,892,023**	**$4,496,104**	**$10,973**	**$12,954**
INVESTMENT OF CASH RECEIVED						
Fixed or variable income securities:						
Other U.S. dollar-denominated:						
Corporate bonds	$ 383,375	$ 462,489	$ 150,781	$ 237,737	$ 577	$ 752
Commercial paper	57,874	180,744	22,761	92,911	87	294
Repurchase agreements	2,840,589	2,735,896	1,117,206	1,406,357	4,275	4,447
Corporate asset-backed securities	902,772	296,508	355,062	152,416	1,359	482
Certificates of deposit/time deposits	945,784	456,571	371,977	234,696	1,423	742
Supranational/foreign	346,335	707,934	136,214	363,907	521	1,151
U.S. Agencies		258,230		132,741		420
Assets (liabilities), net*	(67,058)	1,087	(26,375)	559	(101)	2
Total Investment of Cash Collateral	**$5,409,671**	**$5,099,459**	**$2,127,626**	**$2,621,324**	**$ 8,141**	**$ 8,290**

** Other assets (liabilities), net is comprised of pending settlements of cash collateral investments.*

UCRS Plans earn interest and dividends on the collateral held during the loan period, as well as a fee from the brokerage firm, and are obligated to pay a fee and rebate to the borrower. UCRS receives the net investment income. The securities lending income and fees and rebates for the years ended June 30, 2012 and 2011 are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
Securities lending income	$45,488	$ 48,326	$18,794	$ 23,635	$70	$81
Securities lending fees and rebates	(8,549)	(15,274)	(3,531)	(7,470)	(13)	(26)
Securities lending income, net	$36,939	$ 33,052	$15,263	$ 16,165	$57	$55

Investment Risk Factors

There are a variety of potential risk factors involved in a securities lending program. Risks associated with the investment of cash collateral may include the credit risk from fixed-income securities, concentration of credit risk, interest rate risk and foreign currency risk. In addition, there may be custodial credit risk associated with both cash and securities received as collateral for securities lent.

UCRS Plans' investment policies and other information related to each of these risks are summarized below.

Credit Risk

UCRS Plans' investment policies for the investment of cash collateral maintained in separately managed collateral pools restrict the credit rating of issuers to no less than A-1, P-1 or F-1 for short-term securities and no less than A2/A for long-term securities. Asset-backed securities must have a rating of AAA.

The credit risk profile for fixed- or variable-income securities and commingled funds associated with the investment of cash collateral at June 30, 2012 and 2011 is as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
Other U.S. dollar-denominated:						
AAA	$ 868,451	$ 678,768	$ 341,562	$ 348,914	$1,307	$1,103
AA	686,822	984,469	270,129	506,054	1,034	1,600
A	130,710	61,925	51,409	31,831	197	101
A1/P1/F1	3,790,745	3,373,210	1,490,901	1,733,964	5,705	5,484
Assets (liabilities), net: Not rated[1]	(67,058)	1,087	(26,375)	559	(101)	2

[1] *Liabilities, net is comprised of pending settlements of cash collateral investments.*

Custodial Credit Risk

Cash collateral received for securities lent is invested in pools by UCRS Plans' lending agents. UCRS Plans' securities related to the investment of cash collateral are registered in UCRS Plans' name by the lending agent. Securities collateral received for securities lent are held in investment pools by UCRS Plans' lending agent. As a result, custodial credit risk is remote.

Concentration of Credit Risk

UCRS Plans' investment policies with respect to the concentration of credit risk associated with the investment of cash collateral in the separately managed collateral pools restricts investments in any single issuer of corporate debt securities, time deposits, certificates of deposit, bankers acceptances and money market funds to no more than 5 percent of the portfolio value at the time of purchase.

Investments in issuers other than U.S. government guaranteed securities that represent 5 percent or more of the total investment of cash collateral held at June 30, 2012 and 2011 are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
Bank of America		$836,666				
BNP Paribas		451,282				
ING Bank		347,715				
Morgan Stanley		372,566				

Interest Rate Risk

The nature of individual securities in the collateral pools allows for the use of weighted average maturity as an effective risk management measure. UCRS Plans' investment policy with respect to the interest rate risk associated with the investment of cash collateral in the separately managed collateral pools requires the weighted average maturity of the entire collateral pool to be less than 120 days. The maturity of securities issued by the U.S. government and asset-backed securities must be less than five years, corporate debt obligations must be less than two years and time deposits must be less than 190 days. Floating rate debt may be used, but it is limited to 65 percent of the market value of the portfolio.

The weighted average maturity expressed in days outstanding for fixed- or variable-income securities associated with the investment of cash collateral at June 30, 2012 and 2011 is as follows:

(in days)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
Other U.S. dollar-denominated:						
Corporate bonds	48	23	48	23	48	23
Commercial paper	28	31	28	31	28	31
Repurchase agreements	14	8	14	8	14	8
U.S. agencies		15		15		15
Corporate asset-backed securities	23	15	23	15	23	15
Certificates of deposit/time deposits	45	26	45	26	45	26
Supranational/foreign	53	38	53	38	53	38

Investment of cash collateral may include various asset-backed securities, structured notes and variable-rate securities that may be considered to be highly sensitive to changes in interest rates due to the existence of prepayment or conversion features, although the weighted average maturity may be short.

At June 30, 2012 and 2011, the fair value of investments that are considered to be highly sensitive to changes in interest rates is as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2012	2011	2012	2011	2012	2011
Other asset-backed securities	$902,664	$ 296,508	$355,062	$152,416	$1,467	$ 482
Variable-rate investments	383,330	1,170,422	150,781	601,644	623	1,903

At June 30, 2012 and 2011, the weighted average maturity expressed in days outstanding for asset-backed securities was 17 days and 15 days, respectively; 48 days and 32 days, respectively, for variable-rate investments.

Foreign Currency Risk

UCRS Plans' investment policies with respect to the foreign currency risk associated with the investment of cash collateral maintained in separate collateral pools restricts investments to U.S. dollar-denominated securities. Therefore, there is no foreign currency risk.

NOTE 4 — FINANCIAL DERIVATIVE INSTRUMENTS

UCRS Plans investments overseen by the Chief Investment Officer may use derivatives including futures, foreign currency exchange contracts, options, forward contracts, stock rights and warrants as a substitute for investment in equity and fixed-income securities or to reduce the effect of fluctuating foreign currencies on foreign currency denominated investments.

UCRS Plans enter into futures contracts for the purpose of acting as a substitute for investment in equity and fixed-income securities. A futures contract is an agreement between two parties to buy and sell a security or financial index, interest rate or foreign currency at a set price on a future date. They are standardized contracts that can be easily bought and sold and are exchange-traded. Upon entering into such a contract, UCRS Plans are required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the exchange on which the contract is traded. Pursuant to the contract, UCRS Plans agree to receive from, or pay to, the counterparty an amount of cash equal to the daily fluctuation in the value of the contract. These contracts are settled on a daily basis, with the resulting realized gain or loss included in the statement of revenues, expenses and changes in net position. The settlement amount at the end of each day for each of the contracts, or variation margin, is included in investments and represents the fair value of the contracts.

Forward contracts are similar to futures contracts, although they are not exchange-traded. Foreign currency exchange contracts are forward contracts used to hedge against foreign currency exchange rate risks on non-U.S. dollar-denominated investment securities and to increase or decrease exposure to various foreign currencies.

An option contract gives UCRS Plans the right, but not the obligation, to buy or sell a specified security or index at a fixed price during a specified period for a nonrefundable fee (the "premium"). The maximum loss to UCRS Plans are limited to the premium originally paid for covered options. UCRS Plans record premiums paid for the purchase of these options in the statements of net position as an investment which is subsequently adjusted to reflect the fair value of the options, with unrealized gains and losses included in the statements of changes in net position. UCRS held no option contracts at June 30, 2011.

A swap is a contractual agreement entered into between the Plans and a counterparty under which each agrees to exchange periodic fixed or variable payments for an agreed period of time based upon a notional amount of principal or value of the underlying contract. The payments correspond to an equity index, interest rate or currency. The Plans consider its futures, forward contracts, options, rights, warrants and certain interest rate swaps to be investment derivatives.

The Regents considers its futures, foreign currency exchange contracts, options, forward contracts, stock rights and warrants and swaps investment derivatives.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2012 and 2011, categorized by type, and the changes in fair value of such derivatives for the years then ended are as follows:

UCRP *(in thousands of dollars)*

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	2012	2011	CLASSIFICATION	2012	2011	CLASSIFICATION	2012	2011
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	1,029,704	825,109	Investments	$26,215	$ 8,501	Net appreciation (depreciation)	$33,908	$155,965
Short positions	(17,426)		Investments	(421)		Net appreciation (depreciation)	(429)	(2,582)
Foreign equity futures:								
Long positions	236,271	210,384	Investments	4,942	2,548	Net appreciation (depreciation)	28,839	22,602
Short positions	(44,377)	(75,643)	Investments	(435)	(1,031)	Net appreciation (depreciation)	6,419	(7,032)
Futures contracts, net				**30,301**	**10,018**		**68,737**	**168,953**
Foreign currency exchange contracts, net:								
Long positions	169,194	193,691		2,095	(937)	Net appreciation (depreciation)	(26,137)	34,892
Short positions	(188,958)	(225,686)		(2,882)	(436)	Net appreciation (depreciation)	21,603	(35,342)
Foreign currency exchange contracts, net				**(787)**	**(1,373)**		**(4,534)**	**(450)**
Swaps								
Fixed interest rate swaps				1,715		Net appreciation (depreciation)	2,179	
Total return swaps equity	40			(109)		Net appreciation (depreciation)	182	
Swaps, net				**1,606**			**2,361**	
Stock rights/warrants	2,165			12,581	6,313	Net appreciation (depreciation)	(4,335)	2,331
Options/swaps	211,422			1,784		Net appreciation (depreciation)	(13)	
Total investment derivatives				**$45,485**	**$14,958**		**$62,216**	**$170,834**

UCRSP *(in thousands of dollars)*

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	**2012**	**2011**	**CLASSIFICATION**	**2012**	**2011**	**CLASSIFICATION**	**2012**	**2011**
Futures contracts:								
Domestic equity futures:								
Long positions	39,005	223,298	Investments	$1,003	$ 430	Net appreciation (depreciation)	$1,325	$ 12,930
Foreign equity futures:								
Long positions	19,077	15,825	Investments	403	212	Net appreciation (depreciation)	425	1,168
Futures contracts, net				**1,406**	**642**		**1,750**	**14,098**
Foreign currency exchange contracts:								
Long positions	22		Investments			Net appreciation (depreciation)		
Short positions			Investments			Net appreciation (depreciation)		
Futures currency exchange contracts, net								
Stock rights/warrants	121			79	36	Net appreciation (depreciation)	120	(117)
Total investment derivatives				**$1,485**	**$678**		**$1,870**	**$13,981**

PERS PLUS 5 *(in thousands of dollars)*

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	**2012**	**2011**	**CLASSIFICATION**	**2012**	**2011**	**CLASSIFICATION**	**2012**	**2011**
Futures contracts:								
Domestic equity futures:								
Long positions	1,550	1,341	Investments	$40	$ 15	Net appreciation (depreciation)	$ 51	$254
Short positions	(26)		Investments	(1)		Net appreciation (depreciation)	(1)	(4)
Foreign equity futures:								
Long positions	356	342	Investments	7	4	Net appreciation (depreciation)	43	37
Short positions	(67)	(123)	Investments	(1)	(2)	Net appreciation (depreciation)	10	(11)
Futures contracts, net				**45**	**17**		**103**	**276**
Foreign currency exchange contracts:								
Long positions	255	315	Investments	3	(1)	Net appreciation (depreciation)	(39)	56
Short positions	(284)	(367)	Investments	(4)	(1)	Net appreciation (depreciation)	33	(57)
Futures currency exchange contracts, net				**(1)**	**(2)**		**(6)**	**(1)**
Swaps								
Fixed interest rate swaps				3		Net appreciation (depreciation)	3	3
Total return swaps equity						Net appreciation (depreciation)		
Swaps, net				**3**			**3**	**3**
Stock rights/warrants	3			19	10	Net appreciation (depreciation)	(7)	4
Options/Swaps	318			3		Net appreciation (depreciation)		
Total investment derivatives				**$69**	**$25**		**$ 93**	**$282**

NOTE 5 — CONTRIBUTIONS AND RESERVES

Actuarially Determined Contribution Requirements and Contributions Made – UCRP

The Regents' funding policy provides for actuarially determined contributions at rates reasonably expected to maintain UCRP on an actuarially sound basis. The Regents determines the annual contribution rate only and the portion of the total contribution to be made by the employer and by the employees. Employee contributions for represented employees are subject to collective bargaining. In addition, the DOE may be required to reimburse the University for contributions to cover the benefits liabilities for LLNL and LANL retirees and inactive members. The contribution rate is determined using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age.

The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability. Under this method, the actuarial gains (losses), as they occur, reduce (increase) the unfunded actuarial accrued liability.

As of July 1, 2011, the date of the latest actuarial valuation, and July 1, 2010, the difference between the net assets held in trust for pension benefits presented in the statements of net position and the net assets allocated to fund the actuarial accrued liability is as follows:

(in millions of dollars)

Valuation Date as of July 1	**2011**	**2010**
Net position	$41,873	$34,575
Difference*	884	6,620
Net position allocated to fund the actuarial accrued liability	**$42,757**	**$41,195**

* *The difference between smoothed market value and fair value is considered available for purposes of calculating the net assets allocated to fund the actuarial accrued liability.*

Mandatory employee contributions, made as a condition of employment, are based upon covered University wages less a specified monthly reduction, determined periodically by The Regents, as shown below:

Effective:	MEMBERS WITHOUT SOCIAL SECURITY	MEMBERS WITH SOCIAL SECURITY		SAFETY MEMBERS	MONTHLY REDUCTION
		BELOW WAGE BASE	ABOVE WAGE BASE		
7/01/12**	5.0%	5.0%	5.0%	6.0%	$19
7/01/11	3.5	3.5	3.5	4.5	19
5/1/10	3.0	2.0	4.0	3.0	19
7/01/93*	3.0	2.0	4.0	3.0	19
11/01/90*	4.5	2.0	4.0	8.0	19
6/30/90	6.0	2.0	4.0	8.0	19

**The entire member assessment was directed to the Defined Contribution Plan.*
*** Subject to collective bargaining.*

At June 30, 2012 and 2011, member accumulations of active employees in UCRP, including allocated investment earnings, amounted to approximately $679.7 million and $443.5 million, respectively.

The Regents approves the contribution rate for each year and the split between member contributions and University contributions based on the contribution policy and various other factors, including the availability of funds, the impact of employee contributions on the competitiveness of the University's total remuneration package, and collective bargaining. Contributions, if any, are credited as a percentage of UCRP covered compensation. The contributions under the funding policy are intended to accumulate sufficient assets to fund the actuarial liability under the entry age normal cost method.

On December 13, 2010, The Regents delegated to the President discretion to fully fund the modified Annual Required Contribution (ARC) for UCRP in the following two phases: (1) from fiscal year 2010-11 through fiscal year 2018-19, the University would contribute to UCRP, to the extent practical, the modified ARC, that would include normal cost plus interest only on the unfunded actuarial accrued liability (UAAL); (2) beyond fiscal 2018-19, the University would contribute the full ARC payment, that would include normal cost on the pension, interest on the UAAL and an amount that represents the annual principal contribution of the 30-year amortization of the UAAL. On March 16, 2011, the Regents amended the December 13, 2010 delegation to the President to fully fund the ARC for UCRP and provided the President additional flexibility to perform asset transfers to UCRP beginning in the fiscal year 2010-11. In 2012 and 2011, employer contributions included $0.9 billion and $1.1 billion that was contributed to the Plan at the President's discretion.

University and employee contributions were $1.9 billion and $272.4 million, respectively, during the year ended June 30, 2012. University and employee contributions were $1.7 billion and $143.3 million, respectively, during the year ended June 30, 2011.

Lawrence Berkeley National Laboratory ("LBNL") is required to make employer and employee contributions in conformity with The Regents' funding policy. In addition, under certain circumstances the University makes contributions to UCRP in behalf of LANL and LLNL retirees based upon a contractual arrangement with the DOE designed to maintain the 100 percent funded status of the LANL and LLNL segments within UCRP, and is reimbursed by the DOE.

Employee contributions to UCRP are accounted for separately and currently accrue interest at 6.0 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or a lump sum equal to the present value of their accrued benefits.

PERS Plus 5 Plan

The Regents' funding policy provides for actuarially determined contributions at rates that maintain the PERS Plus 5 Plan on an actuarially sound basis. As of June 30, 2012 and 2011, the PERS Plus 5 Plan was fully funded and no annual contributions were required.

NOTE 6 — CONTRIBUTIONS RECEIVABLE FROM THE STATE OF CALIFORNIA

Contributions receivable includes $36.2 million and $43.8 million at June 30, 2012 and 2011, respectively, related to agreements between the state of California and the University on behalf of UCRP. In 1984, the state agreed to pay the University for contributions due to UCRP of $66.5 million in 30 annual installments of approximately $5.9 million, including interest at 8.00 percent, based on the discount rate used in the 1984 actuarial valuation. Similarly, in fiscal year 1990, the state agreed to pay the University for contributions due to UCRP of $57.2 million in 30 annual installments of approximately $5.3 million, including interest at 8.46 percent, based on the discount rate used in the 1990 actuarial valuation.

NOTE 7 — PLAN TERMINATION

The Regents expects to continue UCRS Plans indefinitely, but reserves the right to amend or discontinue UCRS Plans at any time provided that any such action shall not lessen accrued benefits of any members. In the event that UCRP is terminated, UCRP assets shall be applied solely for the benefit of retired, vested or active participants and beneficiaries, until all liabilities of UCRP have been satisfied. Once all liabilities have been satisfied, any excess assets shall revert to The Regents.

The benefits of UCRS noted above are not insured by the Pension Benefit Guaranty Corporation, a federal insurance agency established under Title IV of the Employee Retirement Income Security Act of 1974.

REQUIRED SUPPLEMENTARY INFORMATION — UCRP

Actuarial Information

Analysis of dollar amounts of the actuarial value of assets, actuarial accrued liability and actuarial value of assets less than or in excess of the actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the funding status on a going concern basis. Analysis of this percentage over time indicates whether a plan is becoming financially stronger or weaker.

Generally, the greater this percentage, the stronger the plan. Trends in the unfunded actuarial accrued liability or assets in excess of the actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability or surplus as a percentage of annual covered payroll generally adjusts for the effects of inflation and aids in the analysis of progress made in accumulating sufficient assets to pay benefits when due.

REQUIRED SUPPLEMENTARY SCHEDULE OF FUNDING PROGRESS FOR THE PAST SIX YEARS Valuation Date As of July 1 *(in millions of dollars)*

ACTUARIAL VALUATION DATE	(1) ACTUARIAL VALUE OF ASSETS	(2) ACTUARIAL ACCRUED LIABILITY	(3) ACTUARIAL (DEFICIT) SURPLUS	(4) TOTAL FUNDED RATIO (1)÷(2)	(5) ANNUAL COVERED PAYROLL	(6) ACTUARIAL (DEFICIT) SURPLUS AS A PERCENTAGE OF ANNUAL COVERED PAYROLL (3)÷(5)
2011*	$42,757	$ 51,831	$(9,074)	82.5%	$8,163	(111.2)%
2010	41,195	47,504	(6,309)	86.7	7,995	(78.9)
2009	42,799	45,161	(2,362)	94.8	7,874	(30.0)
2008	43,840	42,577	1,263	103.0	7,469	16.9
2007**	43,434	41,437	1,997	104.8	7,613	26.2
2006	41,973	40,302	1,671	104.1	8,259	20.2

** The July 1, 2011 information includes changes in actuarial assumptions that increased the July 1, 2011 actuarial accrued liability by $1.825 billion.*

*** The July 1, 2007 information includes changes in actuarial assumptions that decreased the July 1, 2007 actuarial accrued liability by $535 million. A change in an actuarial method for projecting covered payroll is also included. Covered payroll is now reduced to anticipate members who leave active status during the year. This decreased the July 1, 2007 annual covered payroll by $814 million.*

Actuarial valuations represent a long-term perspective and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The projection of benefits does not explicitly incorporate the potential effects of the results of collective bargaining discussions on the contribution rate. Actuarially determined amounts are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Required Schedule of Employer and Employee Contributions

The Regents' funding policy provides for actuarially determined contributions at rates reasonably expected to maintain the Plan on an actuarially sound basis.

The total funding policy contribution is determined based on various amortization periods (up to thirty years) for different components of the deficit as of July 1, 2012. Employee contributions by represented employees are subject to collective bargaining agreements. During the year ended June 30, 2010, University and employee contributions were reinstated.

Effective March 2011, The Regents delegated to the President discretion to fully fund the modified ARC for the Plan.

LBNL is required to make employer and employee contributions in conformity with The Regents' funding policy. In addition, under certain circumstances the University makes contributions to UCRP based upon a contractual arrangement with the DOE designed to maintain the 100 percent funded status of the LANL and LLNL segments within UCRP, and is reimbursed by the DOE.

Note to Required Supplementary Information

The required supplementary information is determined as part of the actuarial valuation as of the date indicated. Additional information as of the July 1, 2011 and 2010 actuarial valuations is as follows:

ADDITIONAL TREND INFORMATION Valuation Date As of July 1

	2011	2010
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period*	24.2 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return**	7.50%	7.50%
Projected salary increases	4.30–6.75%	4.35–7.00%
Cost-of-living adjustments	2.00%	2.00%

** The July 1, 2010 amortization bases were combined into a single amortization base and amortized over 30 years. Any changes in Unfunded Actuarial Accrued Liability (UAAL) due to actuarial experience gains or losses after July 1, 2010 will be separately amortized over a fixed (closed) 30-year period effective with that valuation. Any changes in UAAL due to a change in actuarial assumptions or Plan provisions will be separately amortized over a fixed (closed) 15-year period.*

***Includes inflation assumption at 3.50%.*

Other Supplementary Information

The total actuarial accrued liability of the plan, calculated using the entry age normal cost method, was $51.8 billion and $47.5 billion at July 1, 2011 and 2010, respectively. This liability is then compared against the actuarial value of plan assets to determine the annual required contribution to fund the plan. The projection of benefits does not explicitly incorporate the potential effects of the results of collective bargaining discussions on the contribution rate.

ACTUARIAL ACCRUED LIABILITY Valuation Date As of July 1 *(in millions of dollars)*

	2011	2010
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ (27,548)	$ (24,963)
Active employees:		
Accumulated employee contributions, including allocated investment earnings	(443)	(337)
Employer-financed vested	(22,391)	(20,682)
Employer-financed nonvested	(1,449)	(1,522)
Total actuarial accrued liability — entry age normal cost basis	**(51,831)**	**(47,504)**
Net assets allocated to fund the actuarial accrued liability, at smoothed market value	42,757	41,195
Actuarial value of assets in (deficit) excess of actuarial accrued liability — entry age normal cost basis	$ (9,074)	$ (6,309)

REVENUES BY SOURCE *(in thousands of dollars)*

Year Ended June 30	EMPLOYEE CONTRIBUTIONS[1]	EMPLOYER CONTRIBUTIONS[1]	TOTAL INVESTMENT INCOME (LOSS)[2]	TOTAL
2012	$272,421	$1,851,459	$ 115,861	$2,239,741
2011	143,261	1,677,921	7,629,727	9,450,909
2010	23,374	148,446	4,154,297	4,326,117
2009	1,300	454	(7,904,904)	(7,903,150)
2008	1,391	2,657	(2,593,789)	(2,589,741)
2007	1,406	23,934	7,915,940	7,941,280
2006	1,746	13	2,977,660	2,979,419
2005	1,653	737	3,982,916	3,985,306
2004	2,503	5,150	4,998,664	5,006,317
2003	7,060	811	1,892,384	1,900,255

1 *The increases in Member and University contributions in the years ended June 30, 2012, 2011 and 2010 reflect the restart of Member and University contributions to the Plan during the fourth quarter of the fiscal year ended June 30, 2010.*

2 *Total investment income (loss) includes net appreciation (depreciation) in fair value of investments, interest, dividends, other investment income and securities lending income net of lending fees and rebate expenses.*

EXPENSES BY TYPE *(in thousands of dollars)*

Year Ended	BENEFITS[1]	ADMINISTRATIVE & OTHER EXPENSES	MEMBER WITHDRAWALS, TRANSFERS & OTHER ACTIVITY	TOTAL
2012	$2,179,081	$32,838	$ 93,992	$2,305,911
2011	2,042,844	31,088	78,776	2,152,708
2010	1,901,066	32,654	76,485	2,010,205
2009	1,750,223	32,453	78,794	1,861,470
2008	1,791,989	36,557	1,663,899[2]	3,492,445
2007	1,624,953	38,914	1,534,289[3]	3,198,156
2006	1,369,819	34,011	70,865	1,474,695
2005	1,223,648	21,258	70,560	1,315,466
2004	1,064,180	24,053	57,236	1,145,469
2003	954,887	27,696	32,665	1,015,248

1 *Does not include member withdrawals including CAP distributions.*
2 *Includes $1.57 billion of Plan net assets transferred to LLNS successor pension plan.*
3 *Includes $1.44 billion of Plan net assets transferred to LANS successor pension plan.*

REQUIRED SUPPLEMENTARY INFORMATION — PERS PLUS 5 PLAN

Actuarial Information

Analysis of dollar amounts of the actuarial value of assets, actuarial accrued liability and actuarial value of assets in excess of the actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the funding status on a going concern basis. Analysis of this percentage over time indicates whether a plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

REQUIRED SUPPLEMENTARY SCHEDULE OF FUNDING PROGRESS FOR THE PAST SIX YEARS Valuation Date As of July 1 *(in thousands of dollars)*

ACTUARIAL VALUATION DATE	(1) ACTUARIAL VALUE OF ASSETS*	(2) ACTUARIAL ACCRUED LIABILITY**	(3) ACTUARIAL SURPLUS	(4) TOTAL FUNDED RATIO (1)÷(2)
2011	$ 67,528	$ 45,716	$ 21,812	147.7%
2010	59,424	35,514	23,910	167.3
2009	56,941	37,833	19,108	150.5
2008	76,336	39,777	36,559	191.9
2007	86,150	42,346	43,804	203.4
2006	77,830	43,877	33,953	177.4

* *Reported at fair value.*
** *Includes present value of administrative expenses equal to one percent of actuarial accrued liability.*
Note: Because 100 percent of the members in the PERS Plus 5 Plan are retired, there is no annual covered payroll.

Actuarial valuations represent a long-term perspective and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Required Schedule of University Contributions

Since 1996, the University has not been required to make contributions to the PERS Plus 5 Plan due to its fully funded status. The required supplementary information was determined as part of the actuarial valuation as of the date indicated. Additional information as of the July 1, 2011 and 2010 actuarial valuations is as follows:

ADDITIONAL TREND INFORMATION — PERS PLUS 5 PLAN Valuation Date As of July 1

	2011	2010
Actuarial cost method	Unit Credit	Unit Credit
Amortization method	n/a	n/a
Remaining amortization period	n/a	n/a
Asset valuation method	Fair Value	Fair Value
Actuarial assumptions:		
Investment rate of return*	7.50%	7.50%
Projected salary increases	n/a	n/a
Cost-of-living adjustments	2.00%	None

** Includes inflation assumption at 3.50%.*

The actuarial assumptions are based on the presumption that the PERS Plus 5 Plan will continue in operation. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Other Supplementary Information

The total net assets available in excess of the total actuarial accrued liability (AAL) of the PERS Plus 5 Plan based on the measure of the AAL, which uses the unit credit basis, as appears in the actuarial valuation, was approximately $45.7 million at July 1, 2011, and $35.5 million at July 1, 2010, as follows:

ACTUARIAL ACCRUED LIABILITY Valuation Date As of July 1 *(in millions of dollars)*

	2011	2010
Retirees and beneficiaries receiving benefits and terminated employees not yet receiving benefits	$(45.7)	$(35.5)
Total actuarial accrued liability — unit credit basis	**(45.7)**	**(35.5)**
Net assets allocated to fund the actuarial accrued liability, at fair value	67.5	59.4
Actuarial value of assets in excess of actuarial accrued liability — entry age normal cost basis	$21.8	$23.9

UNIVERSITY OF CALIFORNIA

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Requests for Information: *This financial report is designed to provide The Regents, Plans' retirees and others with a general overview of the Plans' financial positions and results. Questions concerning this report should be addressed to:*

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