

UNIVERSITY
OF
CALIFORNIA

Annual Financial Report

Retirement System

12/13

UNIVERSITY OF CALIFORNIA
Retirement System
12/13 Annual Financial Report

TABLE OF CONTENTS

	<i>University of California Retirement System (UCRS):</i>
3	Introduction to the University of California Retirement System
	<i>University of California Retirement Plan (UCRP):</i>
4	Summary Statement
5	Plan Overview and Administration
6	Plan Membership
7	Plan Benefits and Investment and Proxy Policies
8	Historical Investment Performance
	<i>University of California Retirement Savings Program (UCRSP):</i>
10	Summary Statement
11	Plan Overview and Administration
12	Contributions and Investments
13	UC Core Funds Investment Performance
14	Net Position by Plan and Participant Accounts by Plan
15	Tax-Deferred 403(b) Plan Loan Program
	<i>University of California Retirement System (UCRS):</i>
17	Management's Discussion and Analysis
26	Independent Auditor's Report
28	Financial Statements
30	Notes to Financial Statements
52	Required Supplementary Information
56	Plan Oversight — The Board of Regents



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 the UCRS Plans other than the UC Tax-Deferred 403(b) Plan (“403(b) Plan”) and the Office of the Treasurer of The Regents acts as custodian of the 403(b) Plan. Administrative authority with respect to the 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 on the University of California Retirement Plan (UCRP), which provides lifetime retirement income, disability income, 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, and the survivors and beneficiaries as of and for the fiscal year ended June 30, 2013. Significant statistics relating to UCRP’s financial information and membership base as of June 30, 2013, is as follows:

Net position	\$45.3 billion
Net investment income	\$4.8 billion
Contributions	\$1.2 billion
Benefit payments (excluding member withdrawals and lump sum cashouts)	\$2.2 billion
Plan administrative and other expenses	\$37.4 million

ACTIVE PLAN MEMBERSHIP

Senate Faculty and Non-Faculty Academics	23,446 members
Management/Senior Professional	9,739 members
Professional/Support Staff	85,136 members
TOTAL	118,321 members

AVERAGE ANNUAL SALARY

Senate Faculty	\$123,535
Non-Faculty Academics	\$78,840
Management/Senior Professional	\$126,165
Professional/Support Staff	\$65,950

AVERAGE AGE

Senate Faculty	50 years
Non-Faculty Academics	44 years
Management/Senior Professional	49 years
Professional/Support Staff	43 years

INACTIVE PLAN MEMBERSHIP / OTHER

TOTAL	73,589 members
--------------	-----------------------

RETIREE MEMBERSHIP

Faculty	5,678 retirees
Management/Senior Professional	8,133 retirees
Professional/Support Staff	38,489 retirees
TOTAL	52,300 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	\$78,000
Management/Senior Professional	\$56,100
Professional/Support Staff	\$31,008

SURVIVOR/BENEFICIARY	7,518 recipients
-----------------------------	-------------------------

DISABLED	1,897 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 monthly 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.

At June 30, 2013, active UCRP members included 118,321 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 the 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 the local Benefits Offices.

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
2013	116,853	1,069	390	9	118,321	73,589	191,910
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	113,122	2,180	417	26	115,745	54,883	170,628
2008	111,254	2,556	411	21	114,242	64,566	178,808
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

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 7.

PLAN BENEFITS

UCRP paid approximately \$2.2 billion in retirement, disability and preretirement survivor benefits to 61,715 members and their beneficiaries and survivors during fiscal year 2012-2013. Retirement payments include cost-of-living adjustments and exclude lump sum cashouts and member withdrawals. 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
2013	\$2,068,402	\$34,376	\$49,212	\$2,151,990
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

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
2013	52,300	1,897	1,406	7,518	61,715
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

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.

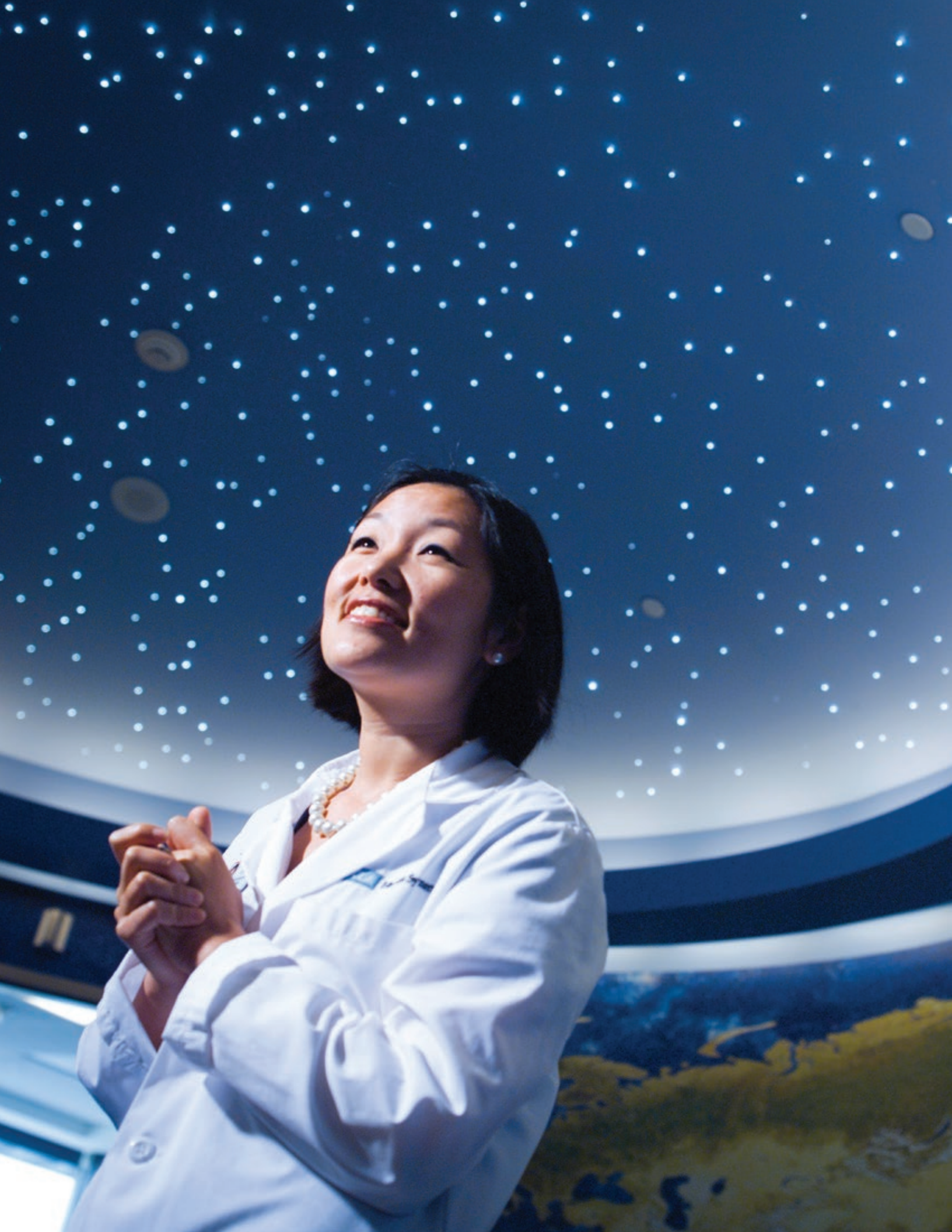
HISTORICAL INVESTMENT PERFORMANCE

ANNUALIZED RATES OF RETURN AT JUNE 30, 2013

	1-YEAR	3-YEAR	5-YEAR	10-YEAR
UCRP	11.71%	11.14%	4.67%	6.62%
Policy Benchmark	10.68%	10.19%	3.91%	6.20%
U.S. Equity	22.11%	18.66%	7.21%	7.54%
Policy Benchmark ¹	21.75%	18.50%	7.10%	7.67%
Non-U.S. Equity-Developed Markets	17.79%	9.84%	-0.15%	8.22%
Policy Benchmark ²	17.27%	9.26%	-0.98%	7.74%
Emerging Market Equity	4.04%	4.82%	0.46%	13.92%
Policy Benchmark ³	2.87%	3.38%	-0.43%	13.66%
U.S. Core Fixed Income	0.97%	4.27%	6.05%	4.96%
Policy Benchmark ⁴	-0.69%	3.51%	5.44%	4.84%
High-Yield Bond	10.20%	10.98%	10.50%	N/A
Policy Benchmark ⁵	9.44%	10.40%	10.49%	N/A
Emerging Market Debt	1.23%	6.49%	7.98%	N/A
Policy Benchmark ⁶	0.97%	6.34%	8.17%	N/A
TIPS	-4.39%	4.95%	4.81%	5.46%
Policy Benchmark ⁷	-4.78%	4.63%	4.41%	5.19%
Private Equity⁸	8.96%	11.83%	5.72%	13.04%
Absolute Return-Diversified	8.79%	6.18%	2.61%	N/A
Policy Benchmark ⁹	5.54%	-0.64%	2.15%	N/A
Cross-Asset Class Strategies	7.34%	10.38%	N/A	N/A
Policy Benchmark ¹⁰	10.68%	5.53%	N/A	N/A
Real Assets	4.15%	4.80%	N/A	N/A
Policy Benchmark ¹¹	2.33%	3.39%	N/A	N/A
Public Real Estate	12.74%	15.88%	N/A	N/A
Policy Benchmark ¹²	14.19%	15.34%	N/A	N/A
Private Real Estate	10.47%	15.52%	-8.29%	N/A
Policy Benchmark ¹²	9.68%	14.37%	-7.54%	N/A

ASSET CLASS	BENCHMARK COMPONENT	PERCENTAGE
¹ U.S. Equity	Russell 3000 TF Index	23.75%
² Non-U.S. Equity Developed Markets	MSCI World ex-U.S. (net dividends) TF	16.00%
³ Emerging Market Equity	MSCI Emerging Market (net dividends)	6.75%
⁴ U.S. Core Fixed Income	Barclays U.S. Aggregate Bond Index	12.00%
⁵ High-Yield Debt	Merrill Lynch High Yield Cash Pay Index	2.50%
⁶ Emerging Market Debt	JP Morgan Emerging Markets Bond Index Global Diversified	2.50%
⁷ TIPS	Barclays U.S. TIPS	6.50%
⁸ Private Equity	Actual PE Returns	7.75%
⁹ Absolute Return Strategies	50% HFRX Absolute Return Index + 50% HFRX Market Directional Index	6.00%
¹⁰ Cross-Asset Class Strategies	Aggregate UCRP Policy Benchmark	3.50%
Opportunistic Equity [*]	MSCI All Country World Index (net dividends)	5.00%
¹¹ Real Assets	Commodities: S&P GSCI Reduced Energy Index; All Other: Actual Portfolio Return	3.00%
¹² Real Estate (Public and Private)	Public: FTSE EPRA NAREIT Global Index and Private: NCREIF Funds Index-Open End Diversified Core Equity Index (lagged 3 months)	4.75%

* Investment performance less than one year.



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.” The 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 the UCRSP Plans’ financial information and membership base as of fiscal year ending June 30, 2013 is as follows:

Net position	\$17.8 billion
Total contributions	\$950.3 million
Net investment income	\$1.5 billion
Program administrative expenses	\$7.4 million

Significant statistics relating to the Plans and their participants as of the 2012–2013 fiscal year-end are as follows:

DEFINED CONTRIBUTION PLAN Active Plan Participation	
PRETAX ACCOUNT:	
Management/Senior Professional	4 participants
Professional/Support Staff	1 participants
TOTAL	5 participants
<i>Average Pretax Account monthly contribution</i>	<i>\$51</i>
<i>Average Pretax Account value</i>	<i>\$8,655</i>
SAFE HARBOR:	
Academic Faculty	62 participants
Management/Senior Professional	139 participants
Professional/Support Staff	35,627 participants
TOTAL SAFE HARBOR	35,828 participants
<i>Average Pretax Account monthly contribution</i>	<i>\$194</i>
<i>Average Pretax Account value</i>	<i>\$4,228</i>
AFTER-TAX ACCOUNT:	
Academic Faculty	509 participants
Management/Senior Professional	455 participants
Professional/Support Staff	2,786 participants
Hastings College of the Law	3 participants
TOTAL AFTER TAX	3,753 participants
<i>Average After-Tax Account monthly contribution</i>	<i>\$270</i>
<i>Average After-Tax Account value</i>	<i>\$20,439</i>
INACTIVE PLAN PARTICIPATION	164,511 participants

TAX-DEFERRED 403(b) PLAN Active Plan Participation	
Academic Faculty	8,562 participants
Management/Senior Professional	10,190 participants
Professional/Support Staff	41,353 participants
Hastings College of the Law	102 participants
TOTAL	60,207 participants
<i>Average percent of salary contributed</i>	<i>9.4%</i>
<i>Average monthly contribution</i>	<i>\$719</i>
<i>Average Plan Account value</i>	<i>\$82,885</i>
<i>Outstanding Loan Program loans</i>	<i>17,397</i>
<i>Aggregate outstanding loan principal</i>	<i>\$160.1 million</i>
INACTIVE PLAN PARTICIPATION	52,301 participants
457(b) DEFERRED COMPENSATION PLAN Active Plan Participation	
Academic Faculty	4,050 participants
Management/Senior Professional	3,427 participants
Professional/Support Staff	8,329 participants
Hastings College of the Law	44 participants
TOTAL	15,850 participants
<i>Average monthly contribution</i>	<i>\$954</i>
<i>Average plan account balance</i>	<i>\$54,619</i>
INACTIVE PLAN PARTICIPATION	7,496 participants

UC CORE FUNDS INVESTMENT PERFORMANCE

UC FUND INVESTMENT PERFORMANCE FOR PERIODS ENDING JUNE 30, 2013

	1-YEAR	3-YEAR	5-YEAR
SINGLE, DIVERSIFIED INVESTMENTS:			
Balanced Growth Fund	12.81%	11.29%	6.06%
Policy Benchmark ¹	12.46%	10.99%	5.21%
Pathway Income Fund	-1.23%	3.42%	4.33%
Policy Benchmark ²	-1.79%	2.82%	3.30%
Pathway Fund 2015	0.59%	5.86%	N/A
Policy Benchmark ²	-0.04%	5.45%	N/A
Pathway Fund 2020	2.70%	6.77%	4.01%
Policy Benchmark ²	2.09%	6.61%	3.37%
Pathway Fund 2025	4.20%	7.54%	N/A
Policy Benchmark ²	3.60%	7.34%	N/A
Pathway Fund 2030	5.66%	8.21%	3.57%
Policy Benchmark ²	5.06%	8.06%	3.00%
Pathway Fund 2035	7.14%	8.95%	N/A
Policy Benchmark ²	6.54%	8.76%	N/A
Pathway Fund 2040	8.64%	9.64%	3.59%
Policy Benchmark ²	8.04%	9.46%	3.04%
Pathway Fund 2045	10.17%	10.40%	N/A
Policy Benchmark ²	9.57%	10.14%	N/A
Pathway Fund 2050	11.51%	11.10%	3.69%
Policy Benchmark ²	10.98%	10.87%	3.21%
Pathway Fund 2055	12.75%	11.85%	N/A
Policy Benchmark ²	12.31%	11.58%	N/A
Pathway Fund 2060	13.99%	12.55%	N/A
Policy Benchmark ²	13.65%	12.27%	N/A

	1-YEAR	3-YEAR	5-YEAR
PRIMARY ASSET CLASS OPTIONS:			
Savings Fund	1.07%	1.50%	2.10%
2-Yr U.S. Treasury Notes	0.22%	0.37%	0.73%
ICC Fund	3.01%	3.44%	4.03%
5-Yr U.S. Treasury Notes	0.68%	1.13%	1.65%
TIPS Fund	-4.69%	4.81%	4.80%
Policy Benchmark ³	-4.78%	4.63%	4.41%
Bond Fund	0.65%	4.11%	5.94%
Policy Benchmark ⁴	-0.69%	3.51%	5.19%
Domestic Equity Fund	21.78%	18.61%	7.27%
Policy Benchmark ⁵	21.75%	18.50%	7.10%
Equity Fund	20.54%	17.06%	6.11%
Policy Benchmark ⁶	20.48%	16.84%	5.82%
International Equity Fund	17.79%	9.68%	-0.55%
Policy Benchmark ⁷	17.27%	9.26%	-0.98%
SPECIALIZED ASSET CLASS OPTIONS:			
Vanguard Small Cap Index Fund	25.74%	20.06%	10.19%
Policy Benchmark: Spliced Small Cap Index	25.65%	19.97%	10.03%
Vanguard REIT Index Fund	8.94%	18.20%	8.11%
Policy Benchmark: MSCI US REIT Index	9.03%	18.28%	7.99%
Vanguard FTSE Social Index Fund	27.69%	18.28%	7.44%
Policy Benchmark: Spliced Social Index	27.85%	18.58%	7.66%
Dreyfus Treasury Prime Cash Management Fund	0.00%	0.00%	0.10%
Policy Benchmark: Lipper Inst US Trs MM IX	0.00%	0.00%	0.10%
DFA Emerging Markets Portfolio	2.34%	4.33%	1.25%
Policy Benchmark: MSCI Emerging Markets Index (net div.)	2.87%	3.38%	-0.43%

POLICY BENCHMARKS

¹ Consists of 74% of the Equity Fund benchmark; 26% of the Bond 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.

⁴ Barclays Capital U.S. Aggregate Bond Index.

⁵ Russell 3000 Tobacco Free (TF) Index.

⁶ Consists of 80% of the Russell 3000 TF Index; 15% MSCI ACWI ex US Index (Net), 5% private equity.

⁷ MSCI EAFE + Canada Index.

Read more at: <https://ucfocusonyourfuture.mysecurebenefitsportal.com/RetirementSystem/CoreFunds>

PLAN OVERVIEW AND ADMINISTRATION

Benefits from UCRSP Plans are based on participants' mandatory and voluntary contributions, and certain University of California ("the 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 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 LLC (FWS) acts as the master recordkeeper for the UCRSP 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 the local Benefits Offices. They are mailed directly to active participants once every five years.

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 \$50,000 in 2012 and \$51,000 in 2013. 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 UCRSP 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

In 2012–2013, all UCRSP participants had 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.

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, 2013. 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, 2013	403(b) Plan	DC Plans	457(b) Plan	Total Plans
ASSETS				
UC Core Fund investments*	\$ 9,310,999	\$3,734,212	\$1,099,950	\$14,145,161
Investment of securities lending collateral	1,620,033	498,968	185,151	2,304,152
Participants' interests in mutual funds	2,859,025	549,854	329,659	3,738,538
Participant 403(b) Plan loans	160,068			160,068
Other assets	25,261	7,561	1,593	34,415
Total Assets	13,975,386	4,790,595	1,616,353	20,382,334
LIABILITIES				
Other liabilities	220,972	54,431	10,876	286,279
Collateral held for securities lending	1,215,757	902,535	185,715	2,304,007
Total Liabilities	1,436,729	956,966	196,591	2,590,286
Net Position	\$12,538,657	\$3,833,629	\$1,419,762	\$17,792,048

* Excludes mutual funds in the UC Core Funds

PARTICIPATION

At June 30, 2013, the number of active employees contributing to the UC Retirement Savings Program, inactive accounts and the 403(b) Plan participant plan loans was as follows:

June 30, 2013	403(b) Plan	DC Plans	457(b) Plan	Total Plans
ACTIVE ACCOUNTS				
Pretax	60,207	5	15,850	76,062
Safe Harbor, pretax		35,828		35,828
After-tax		3,753		3,753
Total Active Accounts	60,207	39,586	15,850	115,643
Inactive Accounts	52,301	164,511	7,496	224,308
Total Participant Accounts	112,508	204,097	23,346	339,951
Participant Plan Loans	17,397			17,397

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 2012–2013, the Loan Program interest rate for new loans was unchanged at 4.25 percent. As of June 30, 2013 the loan rate remained at 4.25 percent.

At June 30, 2013, the aggregate outstanding loan balance of 17,397 active loans was \$160.1 million compared to 16,496 active loans with an aggregate outstanding balance of \$146.1 million at June 30, 2012.

The following table reflects participant loans funded during ten years ended June 30, 2013.

YEAR ENDED JUNE 30	NUMBER OF LOANS FUNDED	\$ IN THOUSANDS
2013	5,938	\$72,417
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



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, 2013, with selected comparative information for the years ended June 30, 2012 and June 30, 2011. This discussion should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2011, 2012, 2013, 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

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, 2013 and 2012. 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 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.

Financial Highlights, Results and Analysis

The 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)

JUNE 30	UCRP			UCRSP			PERS PLUS 5		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
ASSETS									
Investments (including Short Term Investment Pool)	\$ 45,894,422	\$ 42,066,296	\$ 42,273,447	\$ 14,145,161	\$ 12,279,193	\$ 11,875,709	\$ 65,228	\$ 63,189	\$ 68,862
Investment of securities lending collateral	4,229,966	5,409,671	5,099,459	2,304,152	2,127,626	2,621,324	6,010	8,141	8,290
Participants' interests in mutual funds				3,738,538	4,426,842	4,488,491			
Participant 403(b) Plan loans				160,068	146,055	139,424			
Receivables	243,895	1,125,409	482,147	34,415	292,803	25,636	105	1,141	205
Total Assets	50,368,283	48,601,376	47,855,053	20,382,334	19,272,519	19,150,584	71,343	72,471	77,357
LIABILITIES									
Payable for securities purchased, member withdrawals, refunds and other payables	797,860	1,387,208	882,962	286,279	548,843	253,657	1,231	2,090	1,539
Collateral held for securities lending	4,229,697	5,407,683	5,099,436	2,304,007	2,126,844	2,621,312	6,010	8,138	8,290
Total Liabilities	5,027,557	6,794,891	5,982,398	2,590,286	2,675,687	2,874,969	7,241	10,228	9,829
Net Position	\$45,340,726	\$41,806,485	\$41,872,655	\$17,792,048	\$16,596,832	\$16,275,615	\$64,102	\$62,243	\$67,528

(in thousands of dollars)

YEAR ENDED JUNE 30	UCRP			UCRSP			PERS PLUS 5		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
ADDITIONS									
University contributions	\$ 810,056	\$ 1,851,459	\$ 1,677,921	\$ 2,877	\$ 6,252	\$ 5,711			
Member and participant contributions	415,641	272,421	143,261	947,409	971,497	866,999			
Investment income	4,830,307	112,209	7,625,501	1,520,579	198,409	2,219,365	\$ 7,144	\$ 91	\$ 13,014
Other	3,032	3,652	4,226						
Total Additions	6,059,036	2,239,741	9,450,909	2,470,865	1,176,158	3,092,075	7,144	91	13,014
DEDUCTIONS									
Retirement, cost-of-living adjustments, lump sum cashouts, survivor, disability and death payments	2,391,299	2,179,081	2,042,844				5,278	5,369	4,903
Member withdrawals	96,070	93,992	78,776						
Other benefit payments				1,268,234	846,375	860,562			
Administrative and other expenses	37,426	32,838	31,088	7,415	8,566	8,429	7	7	7
Total Deductions	2,524,795	2,305,911	2,152,708	1,275,649	854,941	868,991	5,285	5,376	4,910
Increase (Decrease) in Net Position	3,534,241	(66,170)	7,298,201	1,195,216	321,217	2,223,084	1,859	(5,285)	8,104
Net Position									
Beginning 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
End of Year	\$45,340,726	\$41,806,485	\$41,872,655	\$17,792,048	\$16,596,832	\$16,275,615	\$64,102	\$62,243	\$67,528

UCRP

UCRP's net position at June 30, 2013, is \$45.3 billion compared to \$41.8 billion at June 30, 2012 and \$41.9 billion at June 30, 2011. The net position is available to meet UCRP's ongoing obligations to plan members, retirees and their beneficiaries. The net position of UCRP increased by \$3.5 billion or 8.5 percent in 2013 compared to a decrease of \$66.2 million or 0.2 percent in 2012 and an increase of \$7.3 billion or 21.1 percent in 2011.

As of July 1, 2012, the date of the most recent actuarial valuation, UCRP's funded ratio was 78.7 percent, compared to 82.5 percent at July 1, 2011 and 86.7 percent at July 1, 2010. For July 1, 2012, this indicates that, for every dollar of actuarial accrued liability, assets of \$0.79 are available to cover such obligations as compared to \$0.83 at July 1, 2011 and \$0.87 at July 1, 2010.

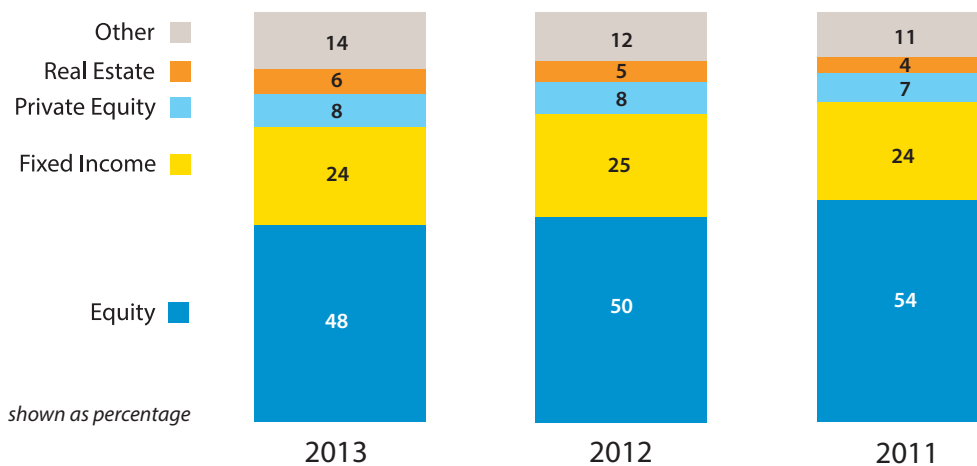
UCRP's actuarial value of assets available for benefits was \$43.0 billion at July 1, 2012 compared to \$42.8 billion at July 1, 2011 and \$41.2 billion at July 1, 2010. The actuarial accrued liability was \$54.6 billion at July 1, 2012, compared to \$51.8 billion at July 1, 2011 and \$47.5 billion at July 1, 2010. UCRP's actuarial deficit was \$11.7 billion at July 1, 2012, compared to a deficit of \$9.1 billion at July 1, 2011 and a deficit of \$6.3 billion at July 1, 2010. 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 81.7 percent at July 1, 2012, compared to 84.4 percent at July 1, 2011 and 89.0 percent at July 1, 2010. 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

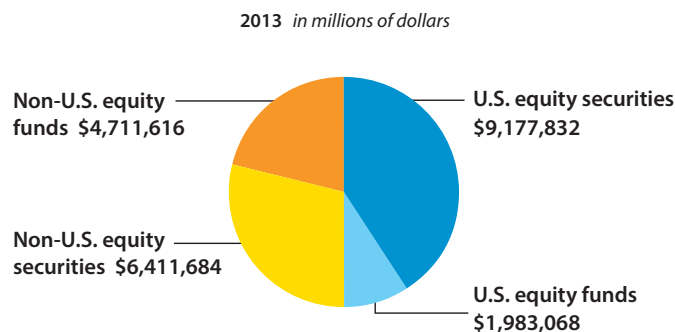
The Office of the Treasurer provides quarterly investment performance reports to The Regents that include investment performance returns related to each specific asset class as approved under UCRP's investment policy. UCRP's total investment rate of return was 11.7 percent in 2013 compared to 0.4 percent in 2012 and 22.5 percent in 2011, compared to UCRPs' total fund policy benchmark returns of 10.7 percent, (0.6) percent and 21.6 percent, respectively.

The asset allocation for UCRP's investment portfolio as of June 30, 2013, 2012 and 2011 is as follows:



Equity Portfolio

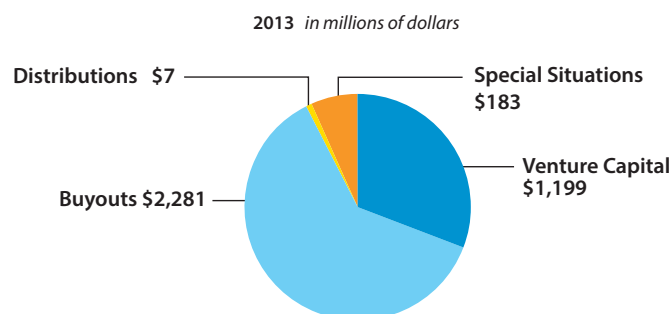
The \$22.3 billion equity portfolio (including commingled equity funds) is diversified across multiple strategic global economic and industry sectors within actively managed accounts of equity securities and passively managed index funds. Of the equity portfolio, \$15.6 billion, or 70.0 percent, was invested in U.S. and non-U.S. equity securities and \$6.7 billion, or 30.0 percent, was invested in U.S. and non-U.S. commingled equity funds. Combined, U.S. equity securities and U.S. equity funds totaled \$11.2 billion, or 50.1 percent and foreign equity securities and non-U.S. equity commingled funds totaled \$11.1 billion, or 49.9 percent.



The U.S. equity portfolio return was 22.1 percent in 2013, 3.8 percent in 2012 and 31.8 percent in 2011, compared to the domestic equity policy benchmark returns of 21.8 percent, 3.4 percent and 32.2 percent, respectively. The non-U.S. equity (developed countries) portfolio return was 17.8 percent in 2013, (13.7) percent in 2012 and 30.4 percent in 2011, compared to the non-U.S. equity policy benchmark returns of 17.3 percent, (14.6) percent and 30.2 percent, respectively. The non-U.S. equity (emerging market countries) portfolio return was 4.04 percent in 2013, (13.8) percent in 2012 and 28.4 percent in 2011, compared to the benchmark returns of 2.9 percent, (16.0) percent and 27.8 percent.

Private Equity Portfolio

The \$3.7 billion private equity segment is invested in venture capital partnerships, buyout funds and international private equity. The private equity segment includes \$1.2 billion in venture capital, \$2.3 billion in buyout funds, \$7.0 million in common stock distributions, and \$183.4 million in special situations. The private equity portfolio return was 9.0 percent in 2013, 8.9 percent in 2012 and 17.8 percent in 2011.



Fixed Income Portfolio

The Fixed Income Portfolio of \$10.9 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 \$3.3 billion, or 30.5 percent, other U.S. dollar-denominated fixed-income securities of \$2.9 billion, or 26.7 percent, foreign currency-denominated corporate fixed-income securities of \$1.2 billion, or 11.3 percent and U.S. and non-U.S. bond funds of \$1.2 billion, or 11.3 percent.

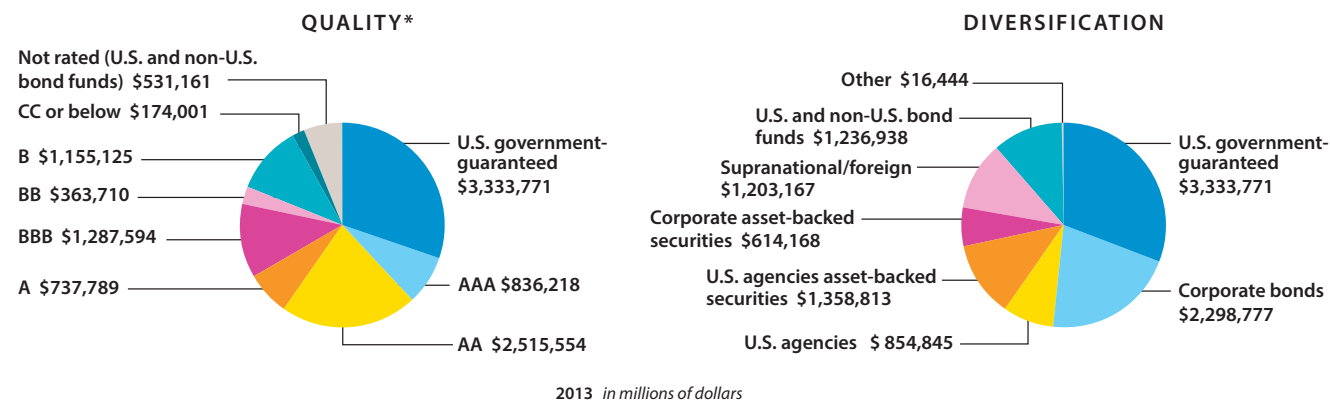
At June 30, 2013, UCRP held \$6.9 billion in U.S. government (excluding the TIPS portfolio), other U.S. dollar-denominated and non-U.S. fixed-income securities, compared to \$6.8 billion at June 30, 2012 and \$6.5 billion at June 30, 2011. The U.S. Core Fixed Income Portfolio (excluding TIPS portfolio) earned a total return of 1.0 percent in 2013, 7.1 percent in 2012 and 4.8 percent in 2011, compared to UCRPs' fixed-income policy benchmark returns of (0.7) percent, 7.5 percent and 3.9 percent, respectively.

At June 30, 2013, UCRP held \$2.7 billion in the TIPS portfolio, compared to \$2.8 billion at June 30, 2012 and \$3.0 billion at June 30, 2011. The TIPS portfolio earned a total return of (4.4) percent in 2013, 11.8 percent in 2012 and 8.1 percent in 2011, compared to UCRPs' TIPS policy benchmark returns of (4.8) percent, 11.7 percent and 7.7 percent, respectively.

Approximately 30.5 percent of the \$10.9 billion Fixed Income Portfolio consists of U.S. government-guaranteed securities, and 47.0 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, 2013, was 5.1, and the weighted average quality rating was AA/A. The high-yield fixed-income securities had an effective duration of 4.4, and weighted average quality of BB/B. The emerging market fixed-income securities had an effective duration of 5.8, and weighted average quality of BBB/BB.

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



* 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, 2013, UCRP held \$2.4 billion in institutional private and public real estate investments compared to \$2.3 billion in 2012 and \$2.0 billion in 2011. The private real estate portfolio earned a total return of 10.5 percent in 2013 compared to 14.7 percent in 2012 and 21.7 percent in 2011, compared to policy benchmark returns of 9.7 percent, 13.6 percent and 20.1 percent, respectively. The public real estate portfolio earned a total return of 12.7 percent in 2013, 5.1 percent in 2012 and 31.3 percent in 2011, compared to UCRP's public real estate policy benchmark returns of 14.19 percent, 1.1 percent and 32.9 percent, respectively.

At June 30, 2013, UCRP also held \$4.0 billion in absolute return diversified and cross-asset class investments compared to \$3.2 billion in 2012 and \$1.6 billion in 2011. The absolute return diversified segment earned a total return of 8.8 percent in 2013 compared to (2.0) percent in 2012 and 12.3 percent in 2011, compared to policy benchmark returns of 5.5 percent, (9.3) percent and 2.5 percent, respectively. The absolute return cross-asset class segment earned a total return of 7.3 percent in 2013, 11.1 percent in 2012 and 11.2 percent in 2011 compared to UCRP's absolute return cross-asset class policy benchmark returns of 10.7 percent, (0.6) percent and 5.0 percent, respectively. Separately, at June 30, 2013, UCRP held \$872.3 million in real asset investments compared to \$531.9 million in 2012 and \$327.2 million in 2011. The real asset segment earned a total return of 4.2 percent in 2013 compared to 1.5 percent in 2012, compared to real asset policy benchmark returns of 2.3 percent in 2013 and 1.7 percent in 2012. For liquidity purposes, UCRP held \$2.5 billion in money market funds in 2013 compared to \$1.3 billion in 2012 and \$1.4 billion in 2011.

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, 2013 amounted to \$17.8 billion compared to \$16.6 billion at June 30, 2012 and \$16.3 billion at June 30, 2011. Additions to UCRSP Plans' net position include contributions, rollovers and investment income. Participant and University contributions, and rollovers for 2013 amounted to \$950.3 million compared to \$977.7 million in 2012 and \$872.7 million in 2011.

UCRSP Plans recognized net investment income of \$1.5 billion in 2013 compared to net investment income of \$198.4 million in 2013 and net investment income of \$2.2 billion in 2012. The investment gains for 2013 and 2012 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 2013, deductions were \$1.3 billion compared to \$854.9 million in 2012 and \$869.0 million in 2011. 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 \$2.3 billion at June 30, 2013, compared to \$2.1 billion at June 30, 2012 and \$2.6 billion at June 30, 2011. Securities lending activity contributed \$11.9 million in net investment income, after fees and rebates, in 2013, compared to \$15.3 million in 2012 and \$16.2 million in 2011.

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, 2013, is \$64.1 million, compared to \$62.2 million at June 30, 2012 and \$67.5 million at June 30, 2011. 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 increased by \$1.9 million, or 3.0 percent in 2013, compared to a decrease of \$5.3 million in 2012, or 7.8 percent, and an increase of \$8.1 million in 2011, or 13.6 percent.

Plan benefits are funded by investment income. There were no University contributions during the fiscal years ending 2011 through 2013. The Plan recognized net investment income of \$7.1 million in 2013, compared to net investment income of \$91.0 thousand in 2012 and net investment income of \$13.0 million in 2011. The PERS Plus 5 Plan total investment rate of return was 11.7 percent in 2013, compared to 0.4 percent in 2012 and 22.5 percent in 2011.

Retirement benefit payments and other expenses were the only deductions from the PERS Plus 5 Plan net position. For 2013, deductions were \$5.3 million compared to \$5.4 million in 2012 and \$4.9 million in 2011.

As of July 1, 2012, the date of the most recent actuarial valuation, the PERS Plus 5 Plan funded ratio was 143.6 percent compared to 147.7 percent at July 1, 2011 and 167.3 percent at July 1, 2010. For July 1, 2012, this indicates that for every dollar of actuarial accrued liability, assets of \$1.44 are available to cover such obligations compared to \$1.48 at July 1, 2011 and \$1.67 at July 1, 2010.

At July 1, 2012, the PERS Plus 5 Plan actuarial value of assets available for benefits was \$62.2 million, compared to \$67.5 million at July 1, 2011 and \$59.4 million at July 1, 2010. The actuarial accrued liability was \$43.3 million at July 1, 2012, compared to \$45.7 million at July 1, 2011 and \$35.5 million at July 1, 2010. The PERS Plus 5 Plan's total surplus was \$18.9 million at July 1, 2012, compared to \$21.8 million at July 1, 2011 and \$23.9 million at July 1, 2010.

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, 2012 actuarial valuation was \$10.1 billion or 78.1 percent funded. As of July 1, 2013, the funded ratio is expected to decrease to approximately 76 percent. The total funding policy contributions in the July 1, 2012 actuarial valuations represent 28.7 percent of covered compensation. Member and employer contributions increased to 6.5 percent and 12.0 percent, respectively, of covered compensation in July 2013. Member contributions for the employees in the new benefit tier are 7.0 percent, and the employer rate is uniform across all members. The Regents approved increasing member and employer contributions to 8.0 percent and 14.0 percent, respectively, in July 2014. 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 increased the early retirement age from 50 to 55, but still retains 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.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, effective for the University's fiscal year beginning July 1, 2013. This Statement revises existing standards for financial reporting for pension plans by changing the approach to measuring the net pension liability. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. The effect GASB No. 67 will have on UCRP's net pension liability has not been determined.

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.





Independent Auditor's Report

To The Regents of the University of California:

We have audited the accompanying individual financial statements 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"), 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"), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which comprise the Plans' financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements on pages 28 through 51 present fairly, in all material respects, the individual financial positions of the University of California Retirement Plan, the University of California Voluntary Retirement Incentive Program and the University of California Retirement Savings Program at June 30, 2013 and 2012, and the changes in their individual net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Plans are intended to present the net position available for benefits and the changes in net position available for benefits 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, 2013 and 2012, 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. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

The accompanying Required Supplementary Information ("RSI") included on pages 52 through 54, related to Actuarial Information and Employer and Employee Contributions for the UCRP and PERS Plus 5 Plan, is required by accounting principles generally accepted in the United States of America to supplement the UCRP and PERS Plus 5 Plan's financial statements. Such information, although not a part of the 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 the 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 basic financial statements, and other knowledge we obtained during our audits of the 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



SAN FRANCISCO, CALIFORNIA
OCTOBER 9, 2013

STATEMENTS OF NET POSITION

At June 30, 2013 and 2012 (in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2013	2012	2013	2012	2013	2012
ASSETS						
Investments, at fair value:						
Equity securities:						
Domestic	\$ 9,177,832	\$ 9,191,981	\$ 3,542,214	\$ 3,144,287	\$13,041	\$ 13,835
Foreign	6,411,684	7,123,502	1,149,350	988,876	9,111	10,722
Fixed-income securities:						
U.S. government	3,333,771	3,375,649	2,715,334	2,711,407	4,736	5,081
Other U.S. dollar-denominated	6,096,659	5,990,275	3,887,973	3,734,148	8,664	9,016
Foreign	249,555	198,860			355	299
Insurance company contracts (at contract value)			337,678	514,147		
Commingled funds	18,178,400	13,883,483	2,513,399	1,184,843	25,845	20,770
Real estate	2,407,865	2,257,061			3,421	3,397
Investment derivatives	38,656	45,485	(787)	1,485	55	69
Participants' interests in mutual funds			3,738,538	4,426,842		
Participant 403(b) Plan loans			160,068	146,055		
Total Investments	45,894,422	42,066,296	18,043,767	16,852,090	65,228	63,189
Investment of cash collateral	4,229,966	5,409,671	2,304,152	2,127,626	6,010	8,141
Receivables:						
Contributions	111,395	354,975	70	70		
Interest and dividends	63,675	65,579	30,096	30,069	90	99
Securities sales and other	68,825	704,855	4,249	262,664	15	1,042
Total Receivables	243,895	1,125,409	34,415	292,803	105	1,141
Total Assets	50,368,283	48,601,376	20,382,334	19,272,519	71,343	72,471
LIABILITIES						
Payable for securities purchased	552,897	1,345,658	283,203	545,902	785	2,025
Member withdrawals, refunds and other payables	244,963	41,550	3,076	2,941	446	65
Collateral held for securities lending	4,229,697	5,407,683	2,304,007	2,126,844	6,010	8,138
Total Liabilities	5,027,557	6,794,891	2,590,286	2,675,687	7,241	10,228
Net Position	\$45,340,726	\$41,806,485	\$17,792,048	\$16,596,832	\$64,102	\$62,243

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN NET POSITION

For the years ended June 30, 2013 and 2012 (in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2013	2012	2013	2012	2013	2012
ADDITIONS						
Contributions:						
University	\$ 810,056	\$ 1,851,459	\$ 2,877	\$ 6,252		
Members	415,641	272,421				
Participants			947,409	971,497		
Total Contributions	1,225,697	2,123,880	950,286	977,749		
Investment Income:						
Net appreciation (depreciation) in fair value of investments	3,990,041	(783,531)	1,110,169	(192,647)	\$ 5,871	\$ (1,312)
Interest, dividends and other investment income	809,226	858,801	398,557	375,793	1,228	1,346
Securities lending income	40,049	45,488	15,294	18,794	58	70
Less securities lending fees and rebates	(9,009)	(8,549)	(3,441)	(3,531)	(13)	(13)
Total Investment Income	4,830,307	112,209	1,520,579	198,409	7,144	91
Interest income from contributions receivable	3,032	3,652				
Total Additions	6,059,036	2,239,741	2,470,865	1,176,158	7,144	91
DEDUCTIONS						
Benefit Payments:						
Retirement payments	1,730,325	1,601,641			5,278	5,369
Member withdrawals	96,070	93,992				
Cost-of-living adjustments	338,077	307,190				
Lump sum cashouts	239,309	187,799				
Preretirement survivor payments	40,424	38,545				
Disability payments	34,376	35,189				
Death payments	8,788	8,717				
Plan(s) benefit payments and participant withdrawals			1,268,234	846,375		
Total Benefit Payments	2,487,369	2,273,073	1,268,234	846,375	5,278	5,369
Expenses:						
Plan administration	33,349	28,762	7,354	7,224	7	7
Other	4,077	4,076	61	1,342		
Total Expenses	37,426	32,838	7,415	8,566	7	7
Total Deductions	2,524,795	2,305,911	1,275,649	854,941	5,285	5,376
Increase (Decrease) in Net Position	3,534,241	(66,170)	1,195,216	321,217	1,859	(5,285)
NET POSITION						
Beginning of Year	41,806,485	41,872,655	16,596,832	16,275,615	62,243	67,528
End of Year	\$45,340,726	\$41,806,485	\$17,792,048	\$16,596,832	\$64,102	\$62,243

See accompanying notes to financial statements.

Notes to Financial Statements

Years ended June 30, 2013 and 2012

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 the 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 and their survivors and beneficiaries.

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. The annual benefit is subject to limitations established by IRC §415. Annual cost-of-living adjustments (COLAs) are made to monthly retirement 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, 2013, active UCRP membership consisted of 116,853 members with Social Security, 1,069 members without Social Security, 390 Safety members and 9 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, 2013, UCRP membership included 61,715 retirees, beneficiaries and disabled members currently receiving benefits, 33,466 terminated vested employees entitled to benefits but not yet receiving them, and 40,123 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, 75,091 are fully vested and 43,230 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 2012–2013, were as follows: the maximum annual contribution limits for participants under age 50 for the calendar years 2012 and 2013, were \$17,000 and \$17,500, respectively (or 100 percent of adjusted gross salary, if less). For participants age 50 or older, the annual contribution limits were \$22,500 and \$23,000, respectively, for calendar years 2012 and 2013, (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 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 2012-2013.

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, 2013, there were 634 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.

Valuation of Investments

Investments are recorded at fair value. Securities 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.

Investments also include private equities, absolute return funds, real estate and real assets. 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 based

upon valuations provided by the general partners of the respective partnerships 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 that are traded on an exchange 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. Foreign currency contracts, interest rate swaps and total return swaps are valued using industry standard pricing service 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 \$37.4 million or 0.08 percent and \$32.8 million or 0.08 percent, respectively, of the net position for fiscal years 2013 and 2012.

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, 2013 and 2012, administrative expenses totaled \$7.4 million and \$7.2 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 the 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, 2013 and 2012, and the changes in its financial position and cash flows for the years then ended.

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, effective for the Plans' fiscal year beginning July 1, 2013. This Statement revises existing standards for financial reporting for pension plans by changing the approach to measuring the net pension liability. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Statement No. 67 will affect the information presented in the footnotes to the financial statements and required supplementary information for the Plan. The University is evaluating the effect that Statement No. 67 will have on UCRP and PERS Plus 5 financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for the Plan's fiscal year beginning July 1, 2014. This Statement establishes standards for accounting and financial reporting of government combinations and disposals of government operations. Government combinations include mergers, acquisitions and transfers of operations of government or nongovernment entities to a continuing government. The statement includes guidance for measuring the assets and liabilities that are acquired in a combination, either with or without consideration. The provisions of this statement are applicable on a prospective basis to combinations that occur after the effective date. The University is evaluating the effect that Statement No. 69 will have on the Plans' financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for the Plan's fiscal year beginning July 1, 2013. This Statement establishes standards for recording a liability when a government extends a nonexchange financial guarantee for the obligations of another government, a not-for-profit organization, a private entity or an individual without receiving equal or nearly equal value in exchange. As part of the nonexchange financial guarantee, the government commits to indemnify the holder of the obligation if the entity or individual that issued the obligation does not fulfill its payment requirements. This standard requires the government that extends a nonexchange financial guarantee to record a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The University is evaluating the effect that Statement No. 70 will have on the Plans' financial statements.

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, 2013 and 2012 is as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2013	2012	2013	2012	2013	2012
<i>Equity securities:</i>						
Domestic	\$ 9,177,832	\$ 9,191,981	\$ 3,542,214	\$ 3,144,287	\$13,041	\$ 13,835
Foreign	6,411,684	7,123,502	1,149,350	988,876	9,111	10,722
Equity Securities	15,589,516	16,315,483	4,691,564	4,133,163	22,152	24,557
<i>Fixed-income securities:</i>						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	195,164	163,782	1,962,174	1,745,949	277	247
U.S. Treasury strips	394,907	388,650	91,418	238,239	561	585
U.S. TIPS	2,731,391	2,809,176	661,742	727,219	3,881	4,228
U.S. government-backed securities	12,309	14,041			17	21
Fixed-Income Securities	3,333,771	3,375,649	2,715,334	2,711,407	4,736	5,081
<i>Other U.S. dollar-denominated:</i>						
Corporate bonds	2,049,222	1,960,568	407,942	359,074	2,912	2,951
U.S. agencies	854,845	733,626	2,409,685	2,366,214	1,215	1,104
U.S. agencies asset-backed securities	1,358,813	1,538,434	706,098	690,092	1,931	2,316
Corporate asset-backed securities	614,168	549,559	202,731	163,890	873	827
Supranational/foreign	1,203,167	1,196,534	155,531	151,132	1,710	1,801
Other	16,444	11,554	5,986	3,746	23	17
Other U.S. Dollar-Denominated	6,096,659	5,990,275	3,887,973	3,734,148	8,664	9,016
<i>Foreign currency-denominated:</i>						
Corporate	249,555	198,860			355	299
Foreign Currency-Denominated	249,555	198,860			355	299
<i>Commingled funds:</i>						
Absolute Return	3,016,295	3,009,129			4,286	4,529
Balanced funds	34,657	33,527			49	50
U.S. equity funds	1,983,068	1,229,108	21,979	16,848	2,818	1,850
Non-U.S. equity funds	4,711,616	3,393,664	114,944	92,425	6,695	5,108
U.S. bond funds	1,126,235	890,989			1,600	1,341
Non-U.S. bond funds	110,703	105,711			157	159
Private equity	3,670,104	3,394,329	194,511	183,153	5,215	5,109
Real assets	872,266	531,858			1,239	801
Real estate investment trusts	138,055	6,391	120,312	95,846	196	10
Money market funds*	2,515,401	1,288,777	2,061,653	796,571	3,590	1,813
Commingled Funds*	18,178,400	13,883,483	2,513,399	1,184,843	25,845	20,770
Real Estate	2,407,865	2,257,061			3,421	3,397
Insurance Contracts			337,678	514,147		
Investment Derivatives	38,656	45,485	(787)	1,485	55	69
Total Investments **	\$45,894,422	\$42,066,296	\$14,145,161	\$12,279,193	\$65,228	\$63,189

* Includes investment of \$419,974 and \$235,689 by UCRP, and \$769,219 and \$730,893 by UCRSP and \$612 and \$228 by PERS Plus 5 in the Short Term Investment Pool as of June 30, 2013 and 2012, 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.

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 that 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 25.9 percent corporate bonds and 33 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 41.1 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 allow for dedicated allocations to non-investment grade and emerging market bonds, investment which entails credit, default and/or sovereign risk.

The credit risk profile for fixed- or variable-income income securities at June 30, 2013 and 2012 is as follows:

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

	UCRP		UCRSP		PERS PLUS 5	
	2013	2012	2013	2012	2013	2012
U.S. government-guaranteed	\$3,333,771	\$3,375,649	\$2,715,334	\$2,711,407	\$4,736	\$5,081
<i>Other U.S. dollar-denominated:</i>						
AAA	836,218	2,442,321	371,637	2,849,242	1,190	3,674
AA	1,791,777	165,221	2,841,167	327,836	2,546	249
A	737,789	693,589	290,542	218,342	1,048	1,044
BBB	1,057,174	1,002,180	283,266	254,132	1,502	1,509
BB	363,710	429,579	24,208	21,425	517	647
B	1,135,990	1,074,167	1,400	1,880	1,614	1,617
CC or below	170,711	181,473	35,310	38,260	243	273
A1/P1/F1			40,199	22,801		
Not rated	3,290	1,745	244	230	5	3
<i>Foreign currency-denominated:</i>						
A		186,982				
BBB	230,420				328	281
B	19,135	11,878			27	18
<i>Commingled funds:</i>						
U.S. bond funds: Not rated	1,126,235	890,989			1,600	1,341
Non-U.S. bond funds: Not rated	110,703	105,711			157	159
Money market funds:	2,515,401	1,288,777	2,061,653	796,571	3,590	1,813
<i>Investment derivatives:</i>						
AA	2,081	1,715			3	3
Insurance contracts			337,678	514,147		

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. Substantially all of 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, 2013 and 2012 are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2013	2012	2013	2012	2013	2012
Federal National Mortgage Association			\$1,716,873	\$1,611,000		
Federal Home Loan Mortgage Corporation			847,369			
Federal Farm Credit Bank			313,914	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 the UCRS Plans' investment portfolio, limit the weighted average effective duration of the portfolio 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, 2013 and 2012 are as follows:

Fixed- or variable-income securities (in years)

	UCRP		UCRSP		PERS PLUS 5	
	2013	2012	2013	2012	2013	2012
<i>Fixed-income securities:</i>						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	6.7	2.9	6.9	1.6	6.7	2.9
U.S. Treasury strips	0.9	9.1	1.6	8.0	0.9	9.1
U.S. TIPS	7.7	4.7	14.1	5.1	7.7	4.7
U.S. government-backed securities	4.8	5.2			4.8	5.2
<i>Other U.S. dollar-denominated:</i>						
Corporate bonds	5.5	5.6	6.5	6.9	5.5	5.6
U.S. agencies	3.4	4.6	3.6	5.9	3.4	4.6
U.S. agencies asset-backed securities	4.4	3.9	4.4	3.6	4.4	3.9
Corporate asset-backed securities	2.6	3.6	2.2	3.9	2.6	3.6
Supranational/foreign	6.1	6.4	6.1	6.4	6.1	6.4
Other	15.7	14.5	16.0	14.5	15.7	14.5
<i>Foreign currency-denominated:</i>						
Corporate	2.9	2.1			2.9	2.1
<i>Commingled funds:</i>						
U.S. bond funds	5.2	5.2			5.2	5.2
Non-U.S. bond funds	4.5					
Money market funds	2.6	1.9			2.6	
<i>Investment derivatives:</i>	9.5	0.2			9.5	

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, 2013 and 2012, the fair values of such investments are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2013	2012	2013	2012	2013	2012
Mortgage-backed securities	\$1,630,846	\$1,852,997	\$ 956,943	\$ 666,001	\$2,317	\$ 2,789
Collateralized mortgage obligations	170,063	204,054	123,968	171,295	242	307
Other asset-backed securities	155,869	31,207	73,966	16,686	221	47
Structured notes	768	1,620			1	2
Variable-rate securities	26,271	110,890	8,139	13,602	37	167
Callable bonds	1,215,911	1,055,015	2,031,351	1,745,471	1,728	1,588
Convertible bonds	2,471	4,432			4	7
Total	\$3,202,199	\$3,260,215	\$3,194,367	\$2,613,055	\$4,550	\$4,907

Mortgage-backed securities

These securities are issued by Fannie Mae, Ginnie Mae and Freddie Mac, and various commercial entities 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, 2013 and 2012, the effective durations for these securities are as follows:

(in years)

	UCRP		UCRSP		PERS PLUS 5	
	2013	2012	2013	2012	2013	2012
Mortgage-backed securities	4.2	4.0	4.1	4.0	4.2	4.0
Collateralized mortgage obligations	2.9	2.1	0.4	2.5	2.9	2.1
Other asset-backed securities	1.0	0.6	2.8	1.9	1.0	0.6
Structured notes	4.8	1.0			4.8	1.0
Variable-rate securities	4.5	5.4	0.3	6.6	4.5	5.4
Callable bonds	5.3	5.0	3.9	2.0	5.3	5.0
Convertible bonds	4.7	3.7			4.7	3.7

Liquidity Risks

Alternative investments are subject to liquidity risk. Alternative investments include hedge funds, limited partnerships, private equity, venture capital funds, real estate and real assets. 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.

Alternative investments 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 investments subject to liquidity risk as of June 2013 and 2012:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2013	2012	2013	2012	2013	2012
Absolute return funds	\$3,016,295	\$3,009,129			\$ 4,286	\$ 4,529
Private equities	3,670,104	3,394,329	\$194,511	\$183,153	5,215	5,109
Real estate	2,407,865	2,257,061			3,421	3,397
Real assets	872,266	531,858			1,239	801
Total	\$9,966,530	\$9,192,377	\$194,511	\$183,153	\$14,161	\$13,836

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, 2013 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, 2013 and 2012, 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	
	2013	2012	2013	2012	2013	2012
<i>Equity securities:</i>						
Euro	\$ 1,666,935	\$ 1,732,335	\$ 299,026	\$ 242,672	\$ 2,368	\$ 2,608
Japanese yen	1,271,675	1,387,983	235,382	193,044	1,807	2,089
British pound	1,223,726	1,445,699	216,933	196,101	1,738	2,176
Swiss franc	580,653	540,217	94,723	76,341	825	813
Canadian dollar	390,552	656,389	108,728	107,516	555	988
Australian dollar	357,364	529,411	85,053	78,050	508	797
Hong Kong dollar	277,069	226,074	32,385	26,939	394	340
Swedish krona	169,279	183,949	32,544	26,964	241	277
Singapore dollar	122,947	131,215	17,342	16,440	175	198
Danish krone	68,180	77,306	11,455	10,198	97	116
Norwegian krone	63,294	76,063	8,773	8,204	90	114
Other	220,010	136,861	7,006	6,407	313	206
Subtotal	6,411,684	7,123,502	1,149,350	988,876	9,111	10,722
<i>Fixed-income securities:</i>						
Brazilian real	29,617	23,705			42	35
Mexican peso	29,117	25,775			41	39
South african rand	24,987	23,768			36	36
Turkish lira	24,550	22,088			35	33
New russian ruble	23,249	12,671			33	19
Malaysian ringgit	22,432	22,577			32	34
Polish zloty	21,657	21,032			31	32
Indonesian rupiah	20,146	14,881			29	22
Euro	17,091	11,157			24	17
Other	36,709	21,206			52	32
Subtotal	249,555	198,860			355	299
Commingled funds						
Non-U.S. equity funds:	4,711,616	3,393,664	114,944	92,425	6,695	5,108
Non-U.S. bond funds:	110,703	105,711			157	159
Subtotal	4,822,319	3,499,375	114,944	92,425	6,852	5,267
<i>Investment derivatives:</i>						
Euro	2,222	2,911	172	268	3	4
Japanese yen	1,353	551	323	64	2	1
Australian dollar	1,317	(1,033)	2	18	2	(2)
Canadian dollar	708	(24)	34	60	1	
British pound	(176)	1,014	125	64		2
Other	69	1,189	34	7		2
Subtotal	5,493	4,608	690	481	8	7
<i>Private equity:</i>						
Euro	97,644	71,909	5,751	4,173	139	108
Other	20,089	11,202	1,090	568	29	17
<i>Real estate:</i>						
Hong Kong dollar	12,948	7,342			18	11
Japanese yen	9,971	5,155			14	8
Australian dollar	5,380	5,316			8	8
Euro	5,250	4,114			7	6
British pound	3,471	3,341			5	5
Singapore dollar	2,526	3,853			4	6
Other	17,537	7,543			25	11
Subtotal	174,816	119,775	6,841	4,741	249	180
Total exposure to foreign currency risk	\$11,663,867	\$10,946,120	\$1,271,825	\$1,086,523	\$16,575	\$16,475

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, 2013 and 2012, the securities in these pools had a weighted average maturity of 44 and 26 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, 2013, 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, 2013 and 2012 are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2013	2012	2013	2012	2013	2012
SECURITIES LENT						
<i>For cash collateral:</i>						
Equity securities:						
Domestic	\$1,657,163	\$2,445,607	\$ 534,593	\$ 751,983	\$ 2,355	\$ 3,680
Foreign	409,697	521,250	63,404	67,486	582	784
Fixed-income securities:						
U.S. government	1,153,954	1,733,140	541,674	759,090	1,640	2,608
Other U.S. dollar-denominated	893,060	646,930	1,112,134	519,662	1,269	974
Lent for Cash Collateral	4,113,874	5,346,927	2,251,805	2,098,221	5,846	8,046
<i>For securities collateral:</i>						
Equity securities:						
Domestic	595,183	185,436	197,475	52,300	846	279
Foreign	830,203	1,097,867	133,662	157,087	1,180	1,652
Fixed-income securities:						
U.S. government	1,989,932	451,152	1,451,962	496,307	2,827	679
Other U.S. dollar-denominated	2,256	3,087			3	5
Lent for Securities Collateral	3,417,574	1,737,542	1,783,099	705,694	4,856	2,615
Total Securities Lent	\$7,531,448	\$7,084,469	\$4,034,904	\$2,803,915	\$10,702	\$10,661
COLLATERAL RECEIVED						
Cash	\$4,229,697	\$5,407,683	\$2,304,007	\$2,126,844	\$6,010	\$8,138
Securities	3,712,402	1,884,002	1,936,923	765,179	5,275	2,835
Total Collateral Received	\$7,942,099	\$7,291,685	\$4,240,930	\$2,892,023	\$11,285	\$10,973
INVESTMENT OF CASH RECEIVED						
<i>Fixed- or variable-income securities:</i>						
<i>Other U.S. dollar-denominated:</i>						
Corporate bonds	\$ 293,317	\$ 383,375	\$ 159,776	\$ 150,781	\$ 417	\$ 577
Commercial paper	220,839	57,874	120,296	22,761	314	87
Repurchase agreements	1,832,687	2,840,589	998,302	1,117,206	2,604	4,275
Corporate asset-backed securities	732,852	902,772	399,199	355,062	1,041	1,359
Certificates of deposit/time deposits	105,633	945,784	57,541	371,977	150	1,423
Supranational/foreign	1,046,313	346,335	569,949	136,214	1,487	521
Assets (liabilities), net*	(1,675)	(67,058)	(911)	(26,375)	(3)	(101)
Total Investment of Cash Collateral	\$4,229,966	\$5,409,671	\$2,304,152	\$2,127,626	\$ 6,010	\$ 8,141

* 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, 2013 and 2012 are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2013	2012	2013	2012	2013	2012
Securities lending income	\$40,049	\$45,488	\$15,294	\$18,794	\$58	\$70
Securities lending fees and rebates	(9,009)	(8,549)	(3,441)	(3,531)	(13)	(13)
Securities lending income, net	\$31,040	\$36,939	\$11,853	\$15,263	\$45	\$57

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, 2013 and 2012 is as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2013	2012	2013	2012	2013	2012
Other U.S. dollar-denominated:						
AAA	\$ 789,537	\$ 868,451	\$ 430,075	\$ 341,562	\$1,121	\$1,307
AA	528,543	686,822	287,908	270,129	751	1,034
A	95,061	130,710	51,782	51,409	135	197
BBB						
BB						
A1/P1/F1	2,818,503	3,790,745	1,535,299	1,490,901	4,005	5,705
Assets (liabilities), net: Not rated ¹	(1,677)	(67,058)	(911)	(26,375)	(2)	(101)

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.

There were no 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, 2013 and 2012.

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, 2013 and 2012 is as follows:

(in days)

	UCRP		UCRSP		PERS PLUS 5	
	2013	2012	2013	2012	2013	2012
Other U.S. dollar-denominated:						
Corporate bonds	34	48	34	48	34	48
Commercial paper	24	28	24	28	24	28
Repurchase agreements	69	14	69	14	69	14
Corporate asset-backed securities	17	23	17	23	17	23
Certificates of deposit/time deposits	101	45	101	45	101	45
Supranational/foreign	23	53	23	53	23	53

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, 2013 and 2012, 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	
	2013	2012	2013	2012	2013	2012
Other asset-backed securities	\$732,852	\$902,664	\$399,199	\$355,062	\$1,041	\$1,467
Variable-rate investments	293,317	383,330	159,776	150,781	417	623

At June 30, 2013 and 2012, the weighted average maturity expressed in days outstanding for asset-backed securities was 17 days and 17 days, respectively; 34 days and 48 days, respectively, for variable-rate investments or to limit its exposure of variable-rate bonds to changes in market interest rates.

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

The 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 or to limit their exposure of variable-rate bonds to changes in market interest rates.

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, 2013 and 2012.

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 their futures, forward contracts, options, rights, warrants and certain interest rate swaps to be investment derivatives.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013 and 2012, 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)

CATEGORY	NOTIONAL AMOUNT		FAIR VALUE-POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
	2013	2012	CLASSIFICATION	2013	2012	CLASSIFICATION	2013	2012
INVESTMENT DERIVATIVES								
<i>Futures contracts:</i>								
<i>Domestic equity futures:</i>								
Long positions	1,795,787	\$1,029,704	Investments	\$ (7,260)	\$26,215	Net appreciation (depreciation)	\$ (13,123)	\$33,908
Short positions	(6,951)	(17,426)	Investments	32	(421)	Net appreciation (depreciation)	400	(429)
<i>Foreign equity futures:</i>								
Long positions	237,378	236,271	Investments	1,551	4,942	Net appreciation (depreciation)	264,750	28,839
Short positions		(44,377)	Investments		(435)	Net appreciation (depreciation)	(1,019)	6,419
Futures contracts, net				(5,677)	30,301		251,008	68,737
<i>Foreign currency exchange contracts, net:</i>								
Long positions	8,457,802	169,194		(1,348)	2,095	Net appreciation (depreciation)	9,657	(26,137)
Short positions	(9,139,464)	(188,958)		3,092	(2,882)	Net appreciation (depreciation)	(7,652)	21,603
Foreign currency exchange contracts, net				1,744	(787)		2,005	(4,534)
<i>Swaps</i>								
Fixed interest rate swaps				2,081	1,715	Net appreciation (depreciation)	2,221	2,179
Total return swaps equity	37	40		(439)	(109)	Net appreciation (depreciation)	(28)	182
Swaps, net				1,642	1,606		2,193	2,361
Stock rights/warrants	3,747	2,165		35,186	12,581	Net appreciation (depreciation)	3,167	(4,335)
Options/swaps	22,160	211,422		5,761	1,784	Net appreciation (depreciation)	(2,684)	(13)
Total investment derivatives				\$38,656	\$45,485		\$255,689	\$62,216

UCRSP (in thousands of dollars)

CATEGORY	NOTIONAL AMOUNT		FAIR VALUE-POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
	2013	2012	CLASSIFICATION	2013	2012	CLASSIFICATION	2013	2012
<i>Futures contracts:</i>								
Domestic equity futures:								
Long positions	354,073	39,005	Investments	\$(1,478)	\$1,003	Net appreciation (depreciation)	\$ 4,322	\$1,325
Foreign equity futures:								
Long positions	32,881	19,077	Investments	617	403	Net appreciation (depreciation)	18,668	425
Futures contracts, net				(861)	1,406		22,990	1,750
<i>Foreign currency exchange contracts:</i>								
Long positions	15	22	Investments			Net appreciation (depreciation)	10	
Short positions			Investments			Net appreciation (depreciation)	(3)	
Futures currency exchange contracts, net							7	
Stock rights/warrants	136	121		74	79	Net appreciation (depreciation)	(339)	120
Total investment derivatives				\$ (787)	\$1,485		\$22,658	\$1,870

PERS PLUS 5 (in thousands of dollars)

CATEGORY	NOTIONAL AMOUNT		FAIR VALUE-POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
	2013	2012	CLASSIFICATION	2013	2012	CLASSIFICATION	2013	2012
<i>Futures contracts:</i>								
Domestic equity futures:								
Long positions	2,552	1,550	Investments	\$ (9)	\$40	Net appreciation (depreciation)	\$ (19)	\$ 51
Short positions	(10)	(26)	Investments		(1)	Net appreciation (depreciation)	1	(1)
Foreign equity futures:								
Long positions	337	356	Investments	2	7	Net appreciation (depreciation)	376	43
Short positions		(67)	Investments		(1)	Net appreciation (depreciation)	(1)	10
Futures contracts, net				(7)	45		357	103
<i>Foreign currency exchange contracts:</i>								
Long positions	12,018	255	Investments	(2)	3	Net appreciation (depreciation)	14	(39)
Short positions	(12,987)	(284)	Investments	4	(4)	Net appreciation (depreciation)	(11)	33
Futures currency exchange contracts, net				2	(1)		3	(6)
<i>Swaps</i>								
Fixed interest rate swaps				3	3	Net appreciation (depreciation)	3	3
Total return swaps equity				(1)		Net appreciation (depreciation)		
Swaps, net				2	3		3	3
Stock rights/warrants	5	3		50	19	Net appreciation (depreciation)	5	(7)
Options/Swaps	31	318		8	3	Net appreciation (depreciation)	(4)	
Total investment derivatives				\$55	\$69		\$364	\$ 93

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, 2012, the date of the latest actuarial valuation, and July 1, 2011, 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	2012	2011
Net position	\$41,806	\$41,873
Difference*	1,159	884
Net position allocated to fund the actuarial accrued liability	\$42,965	\$42,757

* 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:	1976 TIER MEMBERS WITH SOCIAL SECURITY			2013 TIER MEMBERS	SAFETY MEMBERS	MONTHLY REDUCTION ***
	MEMBERS WITHOUT SOCIAL SECURITY	BELOW WAGE BASE	ABOVE WAGE BASE			
7/01/13**	6.5%	6.5 %	6.5 %	7.0%	7.5%	\$19
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

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

** Subject to collective bargaining.

***The monthly reduction does not apply to 2013 Tier Members

At June 30, 2013 and 2012, member accumulations of active employees in UCRP, including allocated investment earnings, amounted to approximately \$1.0 billion and \$679.7 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 year 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, employer contributions included \$0.9 billion that was contributed to the Plan at the President's discretion.

University and employee contributions were \$810.1 million and \$415.6 million, respectively, during the year ended June 30, 2013. University and employee contributions were \$1.9 billion and \$272.4 million, respectively, during the year ended June 30, 2012.

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 target and 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, 2013 and 2012, 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 \$27.9 million and \$36.2 million at June 30, 2013 and 2012, 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)
2012	\$42,965	\$54,620	\$(11,655)	78.7%	\$8,598	(135.5)%
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

* 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, 2012 and 2011 actuarial valuations is as follows:

ADDITIONAL TREND INFORMATION Valuation Date As of July 1		
	2012	2011
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period*	24.4 years	24.2 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%	4.30–6.75%
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%.

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)
2012	\$62,243	\$43,334	\$18,909	143.6%
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

* 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.

Note to Required Supplementary Information

The required supplementary information was determined as part of the actuarial valuation as of the date indicated. Additional information as of the July 1, 2012 and 2011 actuarial valuations is as follows:

ADDITIONAL TREND INFORMATION — PERS PLUS 5 PLAN Valuation Date As of July 1		
	2012	2011
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
<i>Actuarial assumptions:</i>		
Investment rate of return*	7.50%	7.50%
Projected salary increases	n/a	n/a
Cost-of-living adjustments	2.00%	2.00%

*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.



Plan Oversight —The Board of Regents

Bruce D. Varner

Chairman of The Regents; ex officio member on all Committees except Committee on Governance

Fred Ruiz

Vice Chairman of The Regents; Member of Committees on Compliance and Audit; Finance; Grounds and Buildings

Bonnie Reiss

Chairman Committee on Finance; Chairman, Committee on Educational Policy; Vice Chairman, Committee on Governance; Vice Chairman, Long Range Planning; Member of Committees on Compensation; Health Services

Paul D. Wachter

Chairman, Committee on Investments; Chair, Committee on Governance; Member of Committees on Compensation; Finance

George Kieffer

Chairman, Committee on Compensation; Vice Chairman of Committee on Finance; Member of Committees on Educational Policy; Governance; Investments; Long Range Planning

Russell Gould

Vice Chairman, Committee on Investments; Member of Committees on Educational Policy; Finance; Long Range Planning

Janet Napolitano

President of University

INVESTMENT MANAGEMENT | Chief Investment Office

Melvin L. Stanton and Randolph E. Wedding

Co-Acting Chief Investment Officers, Investments and Chief Operating Officer

PLAN ADMINISTRATION | Office of the President

Nathan Brostrom

Executive Vice President, Business Operations

Dwaine B. Duckett

Plan Administrator and Vice President Human Resources

Michael C. Baptista

Executive Director, Benefits Programs and Strategy, Human Resources Department

Gary Schlimgen

Executive Director, Retirement Programs & Services, Human Resources Department

Esther C. Hill

Director, HR Benefits Information Systems, Benefits Programs and Strategy, Human Resources Department

Ellen Lorenz

Interim Director, Retirement Administration Service Center, Human Resources Department

David L. Olson

Director, Benefit Plan Accounting, CFO Division, Financial Accounting

PLAN FINANCIAL REPORTING,
ACTUARY & INDEPENDENT AUDITOR

Peggy Arrivas

Associate Vice President and Systemwide Controller, CFO Division, Financial Accounting

The Segal Company

Plan Actuary

PricewaterhouseCoopers LLP

Independent Plan Auditor

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:*

University of California Office of the President
Human Resources Department
P.O. Box 24570
Oakland, CA 94623-1570

