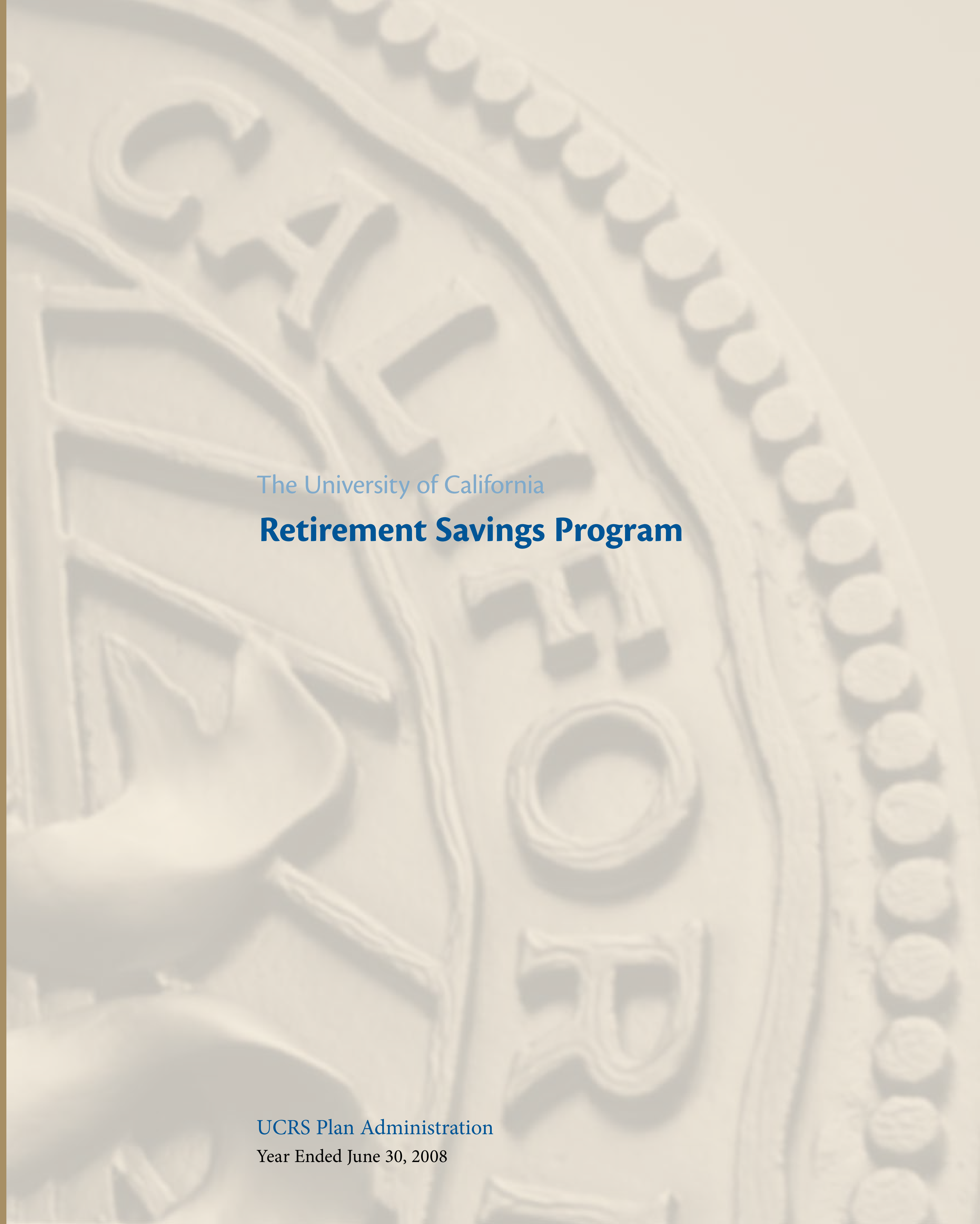
University of California

Retirement Savings Program

Annual Financial Report 2007-2008



The University of California

Retirement Savings Program

UCRS Plan Administration

Year Ended June 30, 2008

Summary Statement

This report contains information about the University of California Defined Contribution Plan, the Tax-Deferred 403(b) Plan and the 457(b) Deferred Compensation Plan for the fiscal year ended June 30, 2008, and includes audited financial statements. Significant statistics relating to the Plans and their participants as of the 2007–2008 fiscal year-end are as follows:

Net assets	$14.1	billion
Total contributions	$1.0	billion
Net investment loss	$493.9	million
Program administrative surplus	$1.0	million

Defined Contribution Plan

Active Plan Participation		
Pretax Account:		
Senate Faculty	8,347	participants
Management/Senior Professional	23,581	participants
Professional/Support Staff	81,094	participants
Hastings College of the Law	217	participants
Total	113,239	participants
• Average Pretax Account monthly contribution	$95	
• Average Pretax Account value	$10,342	
Safe Harbor:		
Senate Faculty	24	participants
Management/Senior Professional	149	participants
Professional/Support Staff	32,806	participants
Hastings College of the Law	1	participants
Total Safe Harbor	32,980	participants
• Average Safe Harbor monthly contribution	$163	
• Average Safe Harbor Pretax Account value	$3,467	
After-Tax Account:		
Senate Faculty	244	participants
Management/Senior Professional	554	participants
Professional/Support Staff	2,103	participants
Hastings College of the Law	4	participants
Total After-Tax	2,905	participants
• Average After-Tax Account monthly contribution	$292	
• Average After-Tax Account value	$22,865	
Inactive Plan Participation	148,809	participants

Tax-Deferred 403(b) Plan

Active Plan Participation		
Senate Faculty	5,187	participants
Management/Senior Professional	13,087	participants
Professional/Support Staff	41,005	participants
Hastings College of the Law	111	participants
Total	59,390	participants
• Average percent of salary contributed	10.3%	
• Average monthly contribution	$677	
• Average Plan account value	$66,972	
• Outstanding Loan Program loans	11,264	
• Aggregate outstanding loan principal	$96.8	million
Inactive Plan Participation	51,839	participants

457(b) Deferred Compensation Plan

Active Plan Participation		
Senate Faculty	2,005	participants
Management/Senior Professional	4,075	participants
Professional/Support Staff	5,609	participants
Hastings College of the Law	35	participants
Total	11,724	participants
• Average monthly contribution	$1,030	
• Average Plan account value	$26,502	
Inactive Plan Participation	5,003	participants

Plan Overview and Administration

The University of California Retirement Savings Program (UCRSP) currently consists of three Plans—the Defined Contribution Plan (DC Plan), the Tax-Deferred 403(b) Plan (403(b) Plan) and the 457(b) Deferred Compensation Plan (457(b) Plan)—or collectively "the Plans." These Plans were established to complement employees' University of California Retirement Plan (UCRP) pension benefits, and cover virtually all employees of the University of California and its affiliate, Hastings College of the Law. The Plans are defined contribution plans described in §401(a) and §403(b) of the Internal Revenue Code (IRC) and a deferred compensation plan described in IRC §457(b).

Benefits from the DC, 403(b) and 457(b) Plans are based on participants' mandatory and voluntary contributions, plus earnings. While their savings accumulate, employees enjoy significant 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, Plan features have been expanded to include:

- externally managed mutual fund investment options;
- a Loan Program through which participants can borrow from their 403(b) Plan savings;
- diverse investment options in line with the Employee Retirement Income Security Act (ERISA) §404(c) regulations; and
- a Core Funds menu including 14 UC investment fund options for building retirement savings.

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 recent 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.

All employee contributions to the Plans are deducted from participants' wages. Employer contributions are made on behalf of academic employees who earn summer term or equivalent salary and eligible senior managers.

Plan Progression

1967	Supplemental Retirement Program (DC Plan) established with Fixed (Savings) and Variable (Equity) annuity investment options.
1969	Tax-Deferred Annuity Plan (the 403(b) Plan) established for investment of pretax contributions in Fixed and Variable annuities.
1978	Variable Bond Fund added to annuity investment options.
1985	Money Market and Insurance Company Contract funds added as University-managed investment fund options.
1986–87	Mutual fund investment options offered to 403(b) Plan participants through Fidelity Investments and Calvert Social Investment Fund. 403(b) Plan Loan Program established under IRC §72(p).
1990	Multi-Asset Fund added as sixth University-managed investment fund option. DC Plan expanded to accept redirected mandatory pretax contributions from UCRP members.
1991	Part-time University employees and California State University (CSU) employees not otherwise covered by a retirement system contribute to the DC Plan in lieu of paying Social Security taxes.
1994–95	DC Plan investment options expanded to include Fidelity Investments mutual funds. Plan participation extended to non-exempt student employees in lieu of paying Social Security taxes.
2001-02	Rollover options expanded under the Economic Growth and Tax Relief Reconciliation Act. Calvert Group mutual fund investment options expanded.
2004	457(b) Deferred Compensation Plan established effective September 1, 2004.
2005	Introduced new Core Funds menu and expanded services to participants through a new master recordkeeping platform.
2007	Expanded distribution and rollover provisions of the Plans as provided for in the Pension Protection Act of 2006.
2008	Allowed rollover of eligible distributions to Roth IRAs, as provided for by the Pension Protection Act of 2006.

Effective July 1, 2005, the University created the University of California Retirement Savings Program (UCRSP) plan administration structure, transferred the Plans' administration to a master recordkeeping platform and expanded services.

The fiduciary oversight structure for the 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 Associate Vice-President—Human Resources and Benefits (AVP-HR/B) serves as the Plan Administrator. The AVP-HR/B oversees policy research, implements regulations to preserve the Plans' qualification and/or tax-advantaged status with the Internal Revenue Service, and provides related administrative services as needed. The Plans' administration and investment management activities are reviewed semiannually by the Retirement Savings Program Advisory Committee.

Fidelity Employer Services Company (FESCo) acts as the master recordkeeper for the Plans. The master recordkeeping and participant services include daily valuation, daily exchanges, expedited processing of distributions and 403(b) Plan loans, a consolidated recordkeeping platform for the Plans and all the funds offered under the UCRSP, and a Core Funds menu with a broad offering of University- and externally managed investment funds.

For services rendered in connection with the 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 administrative fee pays for the Plans' expenses, such as charges for investment management, investor education and accounting, audit, legal and recordkeeping services. There are no front-end or deferred sales loads or other marketing expenses. The total administrative expenses are estimated and actual expenses could be lower in some periods. If actual administrative expenses are less than estimated, any residual amount will be returned to the Fund periodically, on a prorated basis, thereby lowering the effective expense ratio for participants.

In addition, any fees paid by participants, including loan fees and brokerage window account fees, and any fees that may be awarded for FESCo's failure to meet certain performance standards, will be credited to the Plans' fee account. At the direction of the Plan Administrator and subject to receipt of supporting documentation, FESCo will apply the Plans' fee account funds against reasonable Plan expenses that otherwise would be paid from other Plan assets. Any basis points that are assessed against the market value of the mutual fund investments in the Plans pursuant to revenue sharing agreements are credited to an expense credit account and offset against charges for services provided by FESCo 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 FESCo web site (netbenefits.fidelity.com).

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

Changes in the Plans

The following Plan changes occurred during fiscal year 2007–2008. These changes were mandated by legislation or recommended by the President of the University and approved by the Regents. All currently effective Plan provisions are contained in the Defined Contribution Plan, Tax-Deferred 403(b) Plan, and 457(b) Deferred Compensation Plan documents.

Date	Change
January 2008	Effective for rollovers after December 31, 2007, allowed rollover of eligible distributions to Roth IRAs, as provided for by the Pension Protection Act of 2006

Contributions

Nearly all employees participate in the DC Plan as a condition of employment. Mandatory and voluntary employee contributions are held in two separate accounts—the Pretax Account and the After-Tax Account. Mandatory contributions to the Pretax Account are based on covered compensation at rates specified by the Regents, and vary depending on whether the employee is a member of UCRP and, if so, the membership classification (see chart below). Pretax Account contributions, which are deducted from gross salary and thereby reduce taxable income, may be invested in and transferred among any of the options available to the Plans.

Pretax Account Contribution Rates

UCRP Membership Classification	Contribution Rate
With Social Security	2% to 4% less $19 a month*
Without Social Security	3% less $19 a month
Safety	3% less $19 a month
Tier Two	0%
Safe Harbor (Non-UCRP members; i.e., part-time employees, non-exempt students, certain foreign nationals)	7.5%

** The contribution rate is two percent of annual earnings up to the Social Security wage base ($102,000 in 2008, $97,500 in 2007), then four percent on any earnings over the wage base.*

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 percent of eligible summer salary, of which 3.5 percent is employer-paid and 3.5 percent is employee-paid, both on a pretax basis.

Employer contributions are also 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 $46,000 in 2008 and $45,000 in 2007. This limit takes into account all annual additions, including any pretax employee and employer contributions to the DC Plan. After-tax contributions are deducted from net income and also may be invested in and transferred among any of the investment options available to the Plans.

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

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

All three Plans accept rollovers of pretax distributions from other employer-sponsored plans, including lump sum cashouts and CAP distributions from UCRP, 401(a), 401(k), 403(b), and governmental 457(b) plans, and from traditional IRAs. In addition, the DC 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.

Participation

At June 30, 2008, the number of employees contributing to the UC Retirement Savings Program was as follows:

DC, 403(b) and 457(b) Plan Participation—Active Employees

Location	DC Plan Pretax	DC Plan Safe Harbor	DC Plan After-Tax	403(b) Plan	457(b) Plan
Berkeley	10,660	6,250	202	5,422	977
Davis	18,630	3,295	505	10,048	1,887
Irvine	10,363	2,971	375	5,582	1,185
Los Angeles*	25,865	8,889	627	13,592	2,547
Merced	697	273	18	224	53
Riverside	3,623	780	67	1,644	305
San Diego	15,179	3,694	382	8,147	1,485
San Francisco	16,993	4,464	489	9,301	2,148
Santa Barbara	4,453	954	89	2,031	341
Santa Cruz	3,847	796	75	1,671	282
Lawrence Berkeley National Laboratory	2,438	401	67	1,523	476
ASUCLA	275	79	5	94	4
Hastings College of the Law	216	134	4	111	34
Total	**113,239**	**32,980**	**2,905**	**59,390**	**11,724**

**Includes employees at UC Office of the President*

Net Assets and Participant Accounts by Plan

The following tables show the assets, liabilities, and net assets and the number of participant accounts in each of the Plans as of June 30, 2008. 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.

Net Assets by Plan

($ in thousands)

June 30, 2008	403(b) Plan	DC Plan	457(b) Plan	Total Plans
Assets				
UC Core Fund investments	$ 7,476,386	$ 2,487,317	$ 398,954	$ 10,362,657
Investment of securities lending collateral	2,802,444	1,210,798	149,024	4,162,266
Participants' interests in mutual funds	2,961,120	660,640	151,141	3,772,901
Participant 403(b) Plan loans	96,790	-	-	96,790
Other assets	35,612	11,317	1,824	48,753
Total Assets	**13,372,352**	**4,370,072**	**700,943**	**18,443,367**
Liabilities				
Collateral held for securities lending	3,016,056	1,003,416	160,943	4,180,415
Other liabilities	178,649	227	32	178,908
Total Liabilities	**3,194,705**	**1,003,643**	**160,975**	**4,359,323**
Net Assets	**$10,177,647**	**$3,366,429**	**$539,968**	**$14,084,044**

Participant Accounts by Plan

	403(b) Plan	DC Plan	457(b) Plan	Total Plans
Active accounts				
Pretax	59,390	113,239	11,724	184,353
Safe Harbor pretax	-	32,980	-	32,980
After-tax	-	2,905	-	2,905
Total Active Accounts	**59,390**	**149,124**	**11,724**	**220,238**
Inactive Accounts	**51,839**	**148,809**	**5,003**	**205,651**
Total Participant Accounts	**111,229**	**297,933**	**16,727**	**425,889**
Participant Plan Loans	**11,264**	**-**	**-**	**11,264**

Investment Management

The Chief Investment Officer 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 have fiduciary responsibility for establishing broad investment policy and overseeing the performance of the investment functions.

Proxy Voting Policy

The Treasurer's Office has instructed the Regents' custodian bank to vote all proxies on behalf of the Regents according to guidelines established by the Regents.

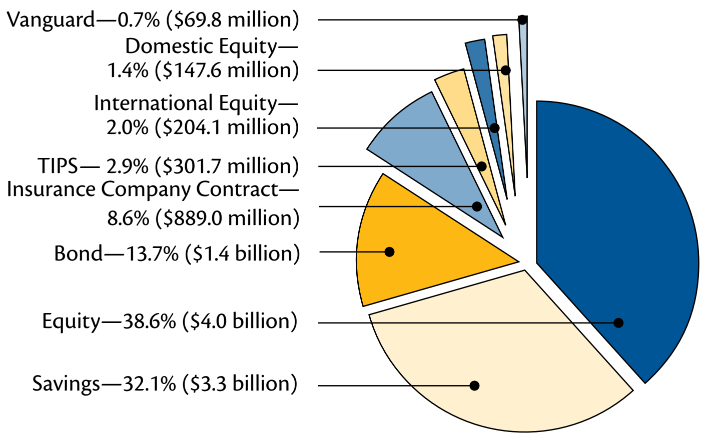
Investment Options

Currently, participants in the UCRSP have several investment options:

- the Core Funds—the UC Funds, investment options managed by the Chief Investment Officer or by investment managers appointed by the Chief Investment Officer, and select mutual funds;
- Fidelity Investments mutual funds;
- Calvert socially responsible mutual funds; and
- Other mutual funds, through the Fidelity brokerage window.

Investments by UC Fund

Of the UC Funds in the Core Funds menu, the Equity and Savings funds comprise the bulk of the $10.4 billion investment base (including short-term investments) with a combined total of 70.7 percent or $7.3 billion of total investments. The chart below illustrates the percentages of investments held and the market value of the investments in each investment fund as of June 30, 2008.



The Balanced Growth Fund and the Pathway Funds are not represented separately in the chart because they consist exclusively of assets held in other University-managed funds. At June 30, 2008, the net assets of the Balanced Growth Fund totaled $1.1 billion, and investments accumulated among the three funds of which it is composed were as follows: 65 percent Equity, 30 percent Bond, and 5 percent TIPS according to the asset allocation mix of the Fund's investment objective. At June 30, 2008, the Pathway Funds totaled $526 million with various percentages of other University-managed funds according to their asset allocation mix.

Investment Performance

The Equity, Bond, Balanced Growth, and TIPS funds generate returns (gain or loss) through increases or decreases in the fund net asset value (NAV) prices (unit values). Similar to mutual fund NAV prices, the values change each day based on the current fair value of the investment portfolio and are determined by dividing the net assets of the funds by the number of participant shares outstanding. Earnings, as well as market fluctuations, are reflected in the NAVs.

The Savings and Insurance Company Contract (ICC) funds generate returns primarily through interest earnings, and interest factors represent the percentage earned for each dollar invested. Interest is calculated daily on the net earnings of the respective fund and then allocated to participants' accounts on a pro rata basis.

Historic Core Funds Investment Performance—Annualized Rates of Return at June 30, 2008

UC Core Fund	1-Year	3-Year	5-Year
Savings Fund	**4.87%**	**4.35%**	**4.19%**
2-Yr U.S. Treasury Notes	*3.30%*	*4.18%*	*3.45%*
ICC Fund	**5.28%**	**5.22%**	**5.27%**
5-Yr U.S. Treasury Notes	*3.78%*	*4.32%*	*3.97%*
TIPS Fund	**15.46%**	**5.72%**	**n/a**
Policy Benchmark[1]	*15.09%*	*5.59%*	*n/a*
Bond Fund	**4.84%**	**3.56%**	**3.49%**
Policy Benchmark[2]	*7.12%*	*4.09%*	*3.85%*
Balanced Growth Fund	**(5.24)%**	**5.81%**	**n/a**
Policy Benchmark[3]	*(5.05)%*	*5.65%*	*n/a*
Domestic Equity Index Fund	**(12.71)%**	**3.66%**	**n/a**
Policy Benchmark[4]	*(12.84)%*	*4.58%*	*n/a*
Equity Fund	**(11.78)%**	**6.37%**	**10.06%**
Policy Benchmark[5]	*(11.93)%*	*6.12%*	*9.90%*
International Equity Index Fund	**(8.41)%**	**13.54%**	**n/a**
Policy Benchmark[6]	*(8.90)%*	*13.16%*	*n/a*
Pathway Income Fund	**5.15%**	**4.90%**	**n/a**
Policy Benchmark[7]	*5.19%*	*5.04%*	*n/a*
Pathway Fund 2010	**1.20%**	**6.03%**	**n/a**
Policy Benchmark[8]	*0.58%*	*5.89%*	*n/a*
Pathway Fund 2020	**(2.61)%**	**6.18%**	**n/a**
Policy Benchmark[9]	*(3.03)%*	*5.99%*	*n/a*
Pathway Fund 2030	**(5.49)%**	**6.88%**	**n/a**
Policy Benchmark[10]	*(6.01)%*	*6.66%*	*n/a*
Pathway Fund 2040	**(6.94)%**	**7.08%**	**n/a**
Policy Benchmark[11]	*(7.20)%*	*6.88%*	*n/a*
Pathway Fund 2050	**(9.06)%**	**6.91%**	**n/a**
Policy Benchmark[12]	*(9.64)%*	*6.62%*	*n/a*
Dimensional Emerging Markets Fund	**(0.39)%**	**24.45%**	**27.91%**
MSCI Emerging Market Free Index (Net)	*4.63%*	*27.14%*	*29.75%*
Morningstar Diversified Emerging Mkts	*2.35%*	*25.87%*	*28.35%*
Vanguard FTSE Social Index Fund	**(20.57)%**	**0.30%**	**4.07%**
Calvert Social Index thru 12/16/05, then	*(20.51)%*	*0.48%*	*4.26%*
FTSE4GOOD US Select Social Index	*(6.25)%*	*5.54%*	*7.30%*
Vanguard REIT Index Fund	**(13.72)%**	**4.85%**	**13.88%**
MSCI US REIT Index	*(13.78)%*	*4.81%*	*13.89%*
Morningstar Diversified Emerging Markets	*2.35%*	*25.87%*	*28.35%*
Vanguard Small Cap Index Fund	**(14.84)%**	**4.71%**	**11.69%**
Russell 2000 Index thru 5/16/03, then	*(14.99)%*	*4.62%*	*11.61%*
MSCI US Small Cap 1750 Index	*(17.42)%*	*3.24%*	*10.28%*

Policy Benchmarks

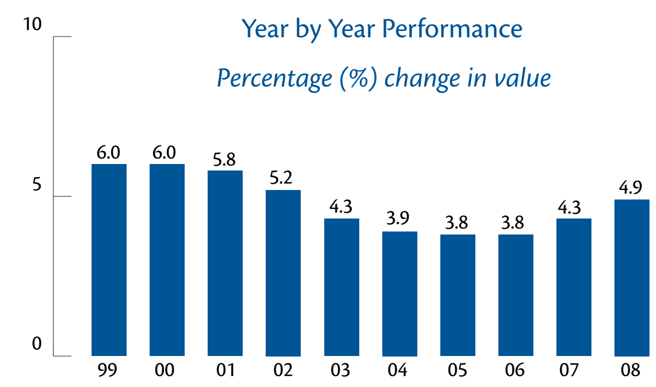
1. Lehman Brothers U.S. TIPS Index. The Fund seeks to provide a total return that matches the Index.
2. Lehman Aggregate Index. Prior to June 2000 the Policy Benchmark was the Lehman Long Term Gov/Credit Index.
3. Consists of 65% of the Equity Fund benchmark; 30% of the Bond Fund benchmark; and, 5% of the TIPS Fund benchmark.
4. Russell 3000 Tobacco Free (TF) Index.
5. Consists of 85% less the actual private equity weight from the prior month end times the Russell 3000 TF Index, 15% MSCI ACWI ex US Index (Net) and the actual private equity weight of the previous month end times actual PE returns; Historical: S&P 500 Index.
6. MSCI EAFE + Canada Index.
7. Blend of the benchmarks of the individual underlying Core Funds based on the following holdings percentages: 15% Domestic Equity; 55% Bonds; 30% Short-term.
8. Blend of the benchmarks of the individual underlying Core Funds based on the following holdings percentages: 30% Domestic Equity; 10% International Equity; 55% Bonds.
9. Blend of the benchmarks of the individual underlying Core Funds based on the following holdings percentages: 30% Domestic Equity; 10% International Equity; 55% Bonds.
10. Blend of the benchmarks of the individual underlying Core Funds based on the following holdings percentages: 50% Domestic Equity; 25% International Equity; 25% Bonds.
11. Blend of the benchmarks of the individual underlying Core Funds based on the following holdings percentages: 50% Domestic Equity; 30% International Equity; 20% Bonds.
12. Blend of the benchmarks of the individual underlying Core Funds based on the following holdings percentages: 60% Domestic Equity; 30% International Equity; 10% Bonds.

UC Savings Fund:

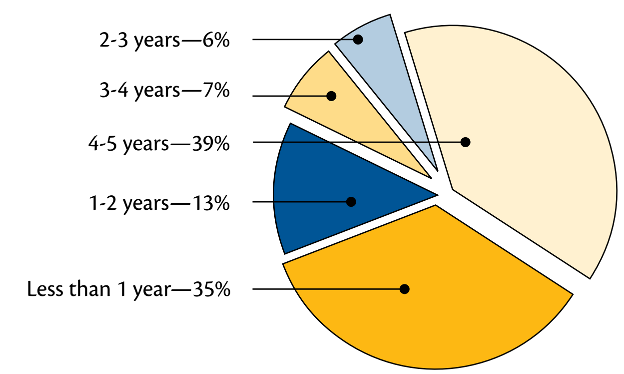
The investment objective of the Fund is to maximize interest income returns while protecting principal, in order to provide a safe low-risk investment with attractive and stable returns.

Quick Stats

1-Year Return (6/30/2008):	4.87%
NAV (6/30/2008):	$1.00
Investment Category:	Fixed Income
Net Assets ($M):	$3,330
Inception:	July 1, 1967



The Fund invests 100 percent in government, government-guaranteed, and government agency securities of up to 5 1/2 years in maturity (see chart below). The Fund strives to exceed the income returns of 2-year U.S. Treasury Notes and to outpace inflation. The portfolio is optimized by adjusting the average maturity to respond to expected changes in interest rates. The Fund seeks to be fully invested at all times, although a modest cash level may exist until invested.

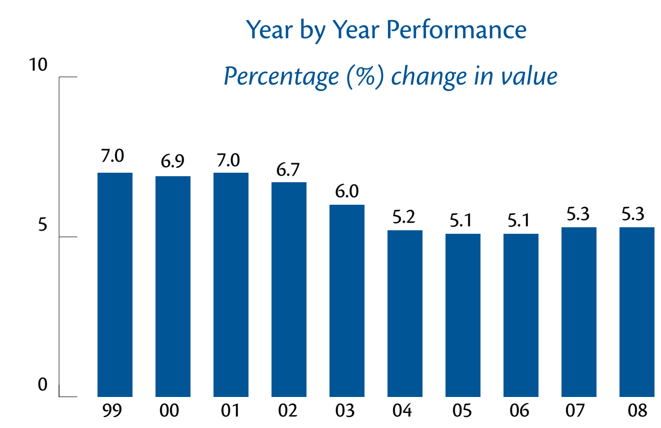


UC ICC Fund:

The investment objective of the Fund is to maximize interest income while protecting principal.

Quick Stats

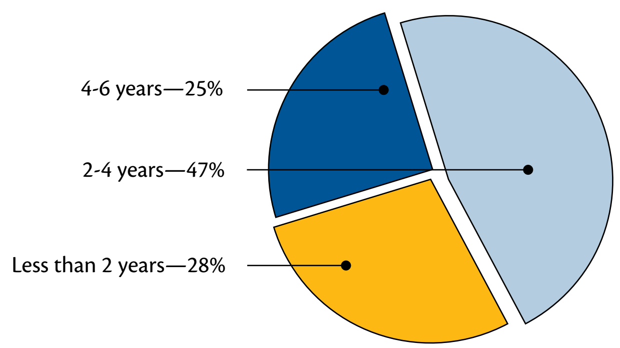
1-Year Return (6/30/2008):	5.28%
NAV (6/30/2008):	$1.00
Investment Category:	Stable Value
Net Assets ($M):	$886
Inception:	September 1, 1985



The Fund invests in insurance company contracts offered by select, highly rated, financially sound insurance companies. The Fund purchases insurance company contracts that guarantee a fixed annual rate of interest for a specified time period and the repayment of principal at the end of that time period. Amounts invested in the ICC Fund earn the blended interest rate of all contracts that comprise the Fund. The Fund strives to exceed the returns of 5-year U.S. Treasury Notes and to outpace inflation.

The Fund's maturity distribution (the range of dates on which individual holdings become due for payment) is well diversified to help mitigate reinvestment risk in different interest rate environments.

The ICC Fund's maturity distribution is shown below.



UC TIPS Fund:

The investment objective of the Fund is to provide long-term return and inflation protection consistent with an investment in U.S. government inflation-indexed securities.

Quick Stats

1-Year Return (6/30/2008):	15.46%
NAV (6/30/2008):	$12.55
Investment Category:	Bonds
Net Assets ($M):	$120
Inception:	April 1, 2004

The Fund invests in inflation-indexed securities issued by the U.S. Treasury. Inflation-indexed securities are designed to protect future purchasing power. The principal value is adjusted for changes in inflation, and interest is accrued on the inflation-adjusted principal. The Fund's performance benchmark is the Lehman Brothers U.S. TIPS Index, and the Fund seeks to provide a total return that matches the Index.

The TIPS Fund monthly unit values below represent the price per unit during a period when the Fund was valued on a monthly basis.

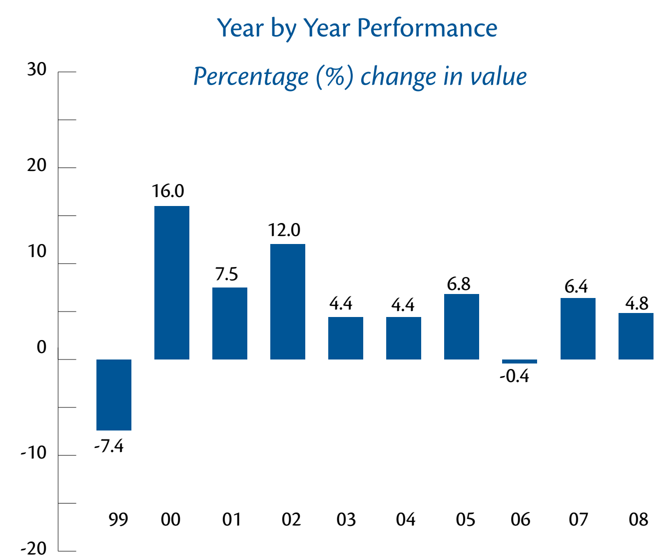
July 2007	11.12078
August 2007	11.21715
September 2007	11.36773
October 2007	11.49822
November 2007	11.95216
December 2007	11.93560
January 2008	12.40231
February 2008	12.56885
March 2008	12.56709
April 2008	12.31475
May 2008	12.35683
June 2008	12.55119

UC Bond Fund:

The investment objective of the Fund is to maximize long-term total return through a combination of interest income and price appreciation.

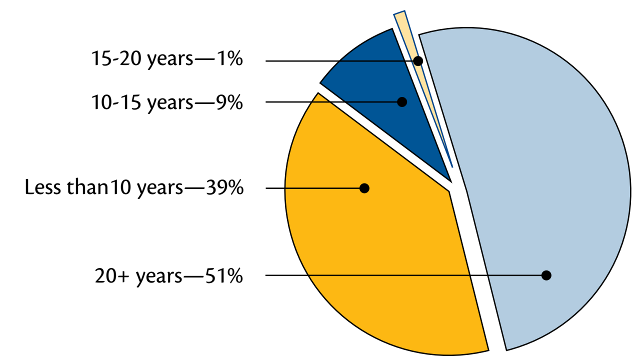
Quick Stats

1-Year Return (6/30/08):	4.84%
NAV (6/30/08):	$183.92
Investment Category:	Fixed Income
Net Assets ($M):	$826
Inception:	July 1, 1978

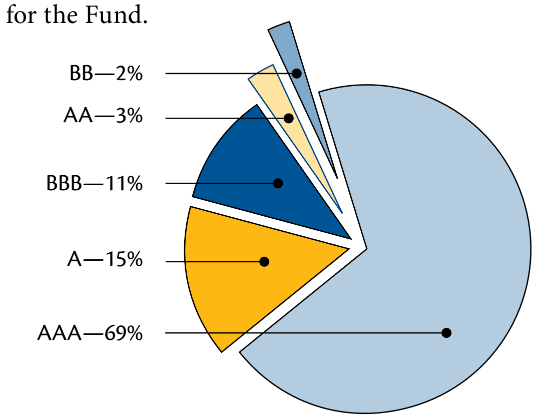


The Fund utilizes extensive analysis of economic and political factors using a "top-down" approach and fundamental, "bottom-up" analysis for individual security selection. It maintains a diversified portfolio primarily of high-quality debt securities. The Fund seeks to be fully invested at all times, although a modest cash level may exist until invested.

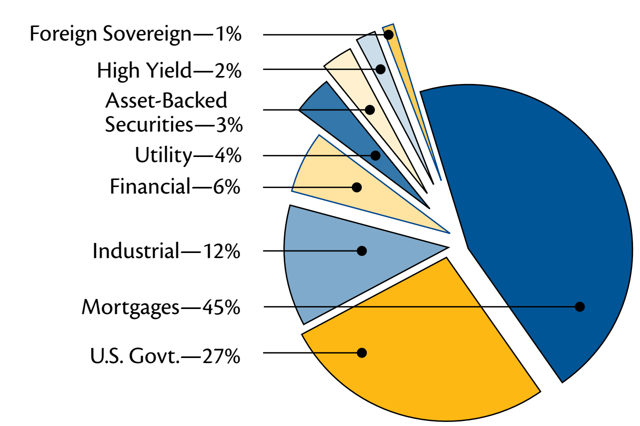
The maturity of bonds in the Fund can be an important determinant of its performance in different interest rate cycles. Although the average maturity of the Fund is currently similar to its benchmark, the Fund managers diversify maturities in order to mitigate risk and capture attractive spreads along the yield curve.



Credit ratings are an indication of a company's ability to repay its borrowings when due. Higher quality bonds generally offer lower yields than lower quality bonds. The yield offered on a bond relative to its quality rating is one important factor portfolio managers use in selecting securities for the Fund.



The Fund's sector weightings (the types of individual securities) are shown below. The Fund's managers decide on the allocations to the broad sectors based on the macroeconomic outlook.



The Bond Fund monthly unit values below represent the price per unit during a period when the Fund was valued on a monthly basis.

July 2007	176.69631
August 2007	178.66606
September 2007	180.21162
October 2007	181.76695
November 2007	184.60439
December 2007	185.21123
January 2008	188.02060
February 2008	188.61021
March 2008	188.60768
April 2008	186.77387
May 2008	184.94682
June 2008	183.92324

UC Balanced Growth Fund:

The investment objective of the Fund is to provide long-term growth and income through a balanced portfolio of equity and fixed income securities held within UC Funds.

Quick Stats

1-Year Return (6/30/2008):	(5.24)%
NAV (6/30/2008):	$12.93
Investment Category:	Blend
Net Assets ($M):	$1,060
Inception:	April 1, 2004

Contributions are invested according to a fixed ratio: 65 percent Equity Fund, 30 percent Bond Fund and 5 percent TIPS Fund. The Balanced Growth Fund's asset allocation is similar to the broad asset allocation of the University of California Retirement Plan (UCRP).

July 2007	13.42448
August 2007	13.55791
September 2007	13.93871
October 2007	14.17858
November 2007	13.86892
December 2007	13.82410
January 2008	13.35270
February 2008	13.19686
March 2008	13.14141
April 2008	13.52261
May 2008	13.66062
June 2008	12.92874

UC Domestic Equity Index Fund:

The investment objective of the Fund is to provide investment results approximating the total return performance of the securities included in the Russell 3000 Index.

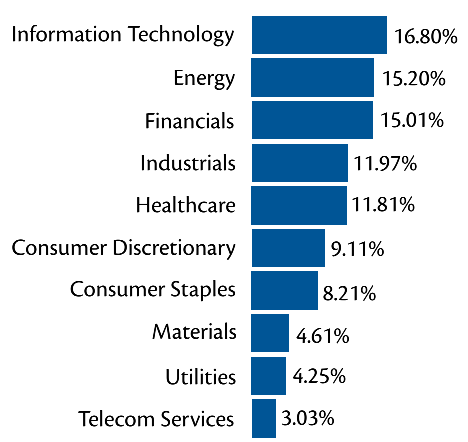
Quick Stats

1-Year Return (6/30/2008):	(12.71)%
NAV (6/30/2008):	$116.69
Investment Category:	Equity
Net Assets ($M):	$21
Inception:	July 1, 2005

The Fund seeks to provide investment results approximating the total return performance of the securities included in the Russell 3000 Index and is invested in a Russell 3000 Tobacco Free (TF) Index Fund managed by State Street Global Advisors.

Index Sector Allocations

Percentage (%) of Total



Largest Domestic Equity Index Holdings

Exxon Mobil	3.32%
General Electric	1.90%
Microsoft	1.58%
Chevron	1.46%
AT&T	1.43%
Procter & Gamble	1.33%
Johnson & Johnson	1.29%
International Business Machines	1.16%
Apple, Inc	1.05%
ConocoPhillips	1.04%
Total	**15.56%**

The Domestic Equity Index Fund monthly unit values below represent the price per unit during a period when the Fund was valued on a monthly basis.

July 2007	129.14664
August 2007	130.95936
September 2007	135.77690
October 2007	138.21596
November 2007	131.81310
December 2007	131.04380
January 2008	123.03622
February 2008	119.24784
March 2008	118.58901
April 2008	124.65874
May 2008	127.18607
June 2008	116.68631

UC Equity Fund:

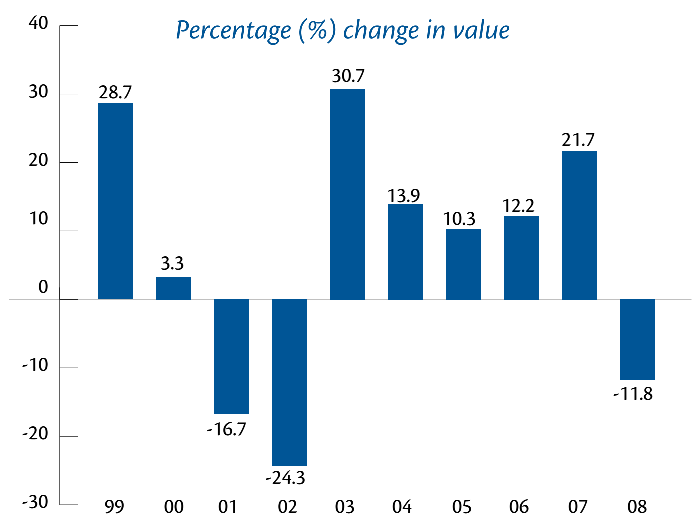
The investment objective of the Fund is to maximize long-term capital appreciation with a moderate level of risk.

Quick Stats

1-Year Return (6/30/08):	(11.78)%
NAV (6/30/08):	$366.60
Investment Category:	Equity
Net Assets ($M):	$3,328
Inception:	July 1, 1967

Year by Year Performance

Percentage (%) change in value



The Treasurer's Office manages the Equity Fund according to policies established by the Regents of the University of California.

In March 2000, the Regents approved the following asset allocation strategy for the Equity Fund:

	Policy	Minimum	Maximum
U.S. Equity	82%	75%	85%
Non-U.S. Equity	15%	10%	20%
Private Equity	3%	3%	7%

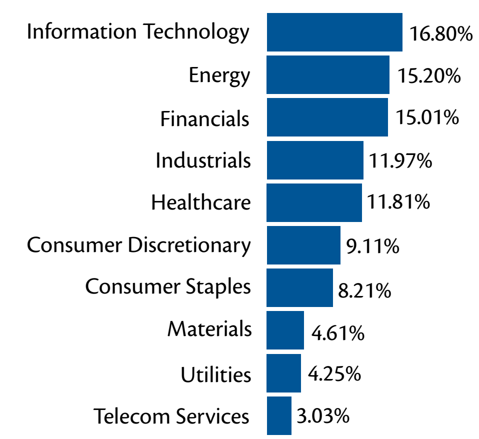
The Treasurer's Office equity management group consists of a team focused on externally managed investments and a team focused on alternative investments, including private equity. The Fund's historical focus on large-capitalization stocks was modified in 2002. Currently, the Fund's U.S. equity allocation is held in a Russell 3000 Tobacco Free (TF) Index Fund. The Fund also has a small representation in private equities and an allocation to a MSCI EAFE+Canada TF Index Fund (non-U.S.), further increasing the Fund's diversification. The Fund seeks to be fully invested at all times. Portfolio guidelines limit the cash level to 5 percent.

Largest Equity Index Holdings

Exxon Mobil	3.32%
General Electric	1.90%
Microsoft	1.58%
Chevron	1.46%
AT&T	1.43%
Procter & Gamble	1.33%
Johnson & Johnson	1.29%
International Business Machines	1.16%
Apple, Inc	1.05%
ConocoPhillips	1.04%
Total	**15.56%**

Index Sector Allocations

Percentage (%) of Total



The Equity Fund monthly unit values below represent the price per unit during a period when the Fund was valued on a monthly basis.

July 2007	403.04989
August 2007	406.86059
September 2007	422.65079
October 2007	431.84203
November 2007	412.71084
December 2007	409.96993
January 2008	383.20031
February 2008	374.67788
March 2008	372.10694
April 2008	390.99887
May 2008	398.59481
June 2008	366.59602

UC International Equity Index Fund:

The investment objective of the Fund is to provide investment results approximating the total return performance of the securities included in the MSCI EAFE + Canada Index.

Quick Stats

1-Year Return (6/30/2008):	(8.41)%
NAV (6/30/2008):	$147.95
Investment Category:	Equity
Net Assets ($M):	$124
Inception:	July 1, 2005

The Fund is invested in a MSCI EAFE + Canada Tobacco Free (TF) Index Fund managed by State Street Global Advisors.

The International Equity Index Fund monthly unit values below represent the price per unit during a period when the Fund was valued on a monthly basis.

July 2007	159.31723
August 2007	156.93010
September 2007	165.84456
October 2007	173.05938
November 2007	166.26454
December 2007	163.08043
January 2008	148.46683
February 2008	151.23122
March 2008	149.11835
April 2008	157.59957
May 2008	160.28408
June 2008	147.95492

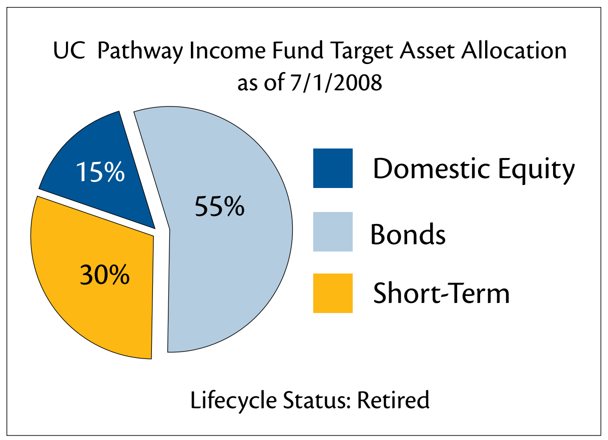
UC Pathway Funds

The UC Pathway Funds are designed for investors who want a simple yet diversified approach to saving for retirement. These Funds provide one-stop shopping and maximum convenience. The UC Pathway Funds are managed to adjust risk level as each approaches a target retirement date.

Each Pathway Fund is diversified across several asset classes (stocks, bonds, and short-term investments) by investing in a variety of Core Funds. Over time, the amount invested in stock funds is gradually reduced, while the amount invested in bond and short-term funds is increased.

UC Pathway Income Fund:

The investment objective of the Fund is to maximize income.



Quick Stats

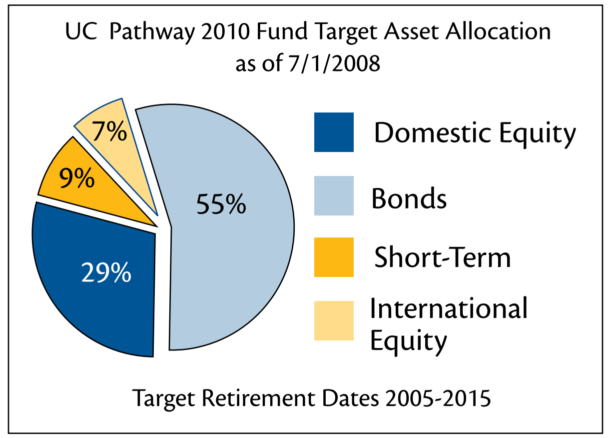
1-Year Return (6/30/2008):	5.15%
NAV (6/30/2008):	$11.54
Investment Category:	Lifecycle
Net Assets ($M):	$39
Inception:	July 1, 2005

The Fund invests in a combination of Core Funds and allocates its assets among these Funds according to an asset allocation strategy. This UC Pathway Income Fund is appropriate for those investors who are retired.

July 2007	10.95607
August 2007	11.12680
September 2007	11.27786
October 2007	11.37453
November 2007	11.40866
December 2007	11.34654
January 2008	11.54079
February 2008	11.55623
March 2008	11.66668
April 2008	11.67284
May 2008	11.67242
June 2008	11.54244

UC Pathway 2010 Fund:

The investment objective of the Fund is to maximize long-term capital appreciation.



Quick Stats

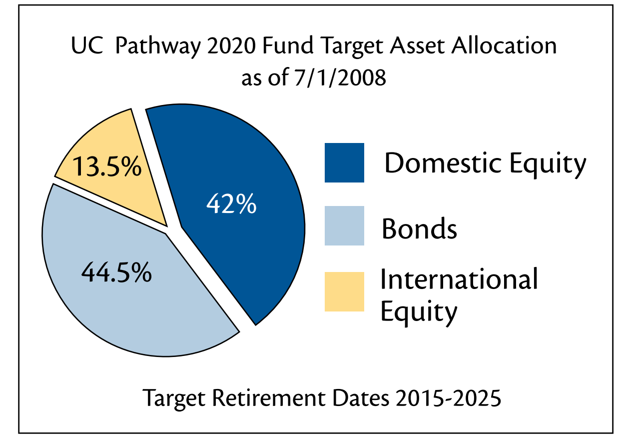
1-Year Return (6/30/2008):	1.20%
NAV (6/30/2008):	$11.92
Investment Category:	Lifecycle
Net Assets ($M):	$140
Inception:	July 1, 2005

The Fund invests in a combination of Core Funds and allocates its assets among these Funds according to an asset allocation strategy. As the Fund moves toward its target date, its asset allocation becomes more conservative. Once the target date is met, the asset mix will be similar to the UC Pathway Income Fund and the two Funds will merge. This UC Pathway 2010 Fund is appropriate for those investors planning to retire between 2005 and 2015.

July 2007	11.66647
August 2007	11.83806
September 2007	12.11515
October 2007	12.28829
November 2007	12.18805
December 2007	12.08963
January 2008	12.06992
February 2008	12.04068
March 2008	12.10580
April 2008	12.23134
May 2008	12.28293
June 2008	11.92112

UC Pathway 2020 Fund:

The investment objective of the Fund is to maximize long-term capital appreciation.



Quick Stats

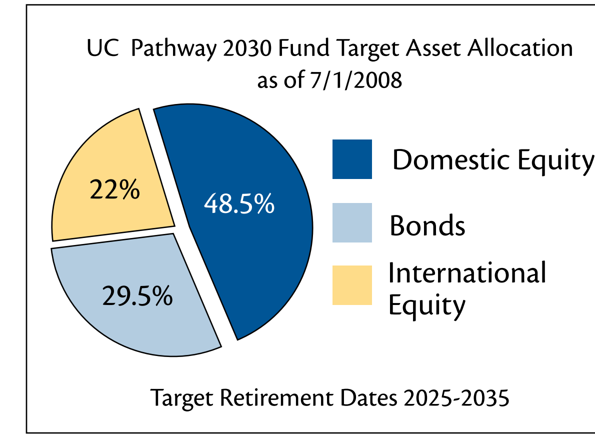
1-Year Return (6/30/2008):	(2.61)%
NAV (6/30/2008):	$11.97
Investment Category:	Lifecycle
Net Assets ($M):	$158
Inception:	July 1, 2005

The Fund invests in a combination of Core Funds and allocates its assets among these Funds according to an asset allocation strategy. As the Fund moves toward its target date its asset allocation becomes more conservative. Once the target date is met, the asset mix will be similar to the UC Pathway Income Fund and the two Funds will merge. This UC Pathway 2020 Fund is appropriate for those investors planning to retire between 2015 and 2025.

July 2007	12.09562
August 2007	12.25139
September 2007	12.60054
October 2007	12.82638
November 2007	12.57668
December 2007	12.46058
January 2008	12.21337
February 2008	12.13721
March 2008	12.16671
April 2008	12.42576
May 2008	12.53290
June 2008	11.97187

UC Pathway 2030 Fund:

The investment objective of the Fund is to maximize long-term capital appreciation.



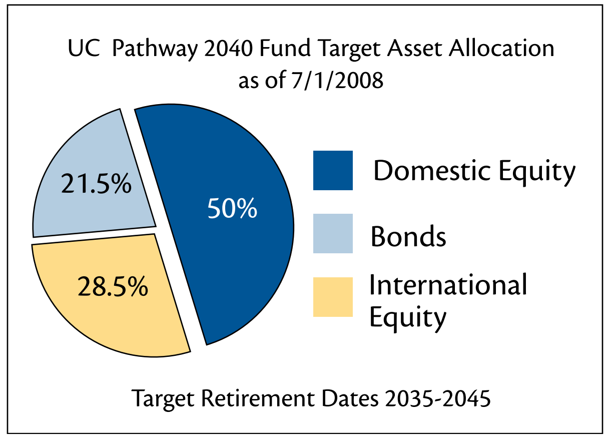
Quick Stats

1-Year Return (6/30/2008):	(5.49)%
NAV (6/30/2008):	$12.21
Investment Category:	Lifecycle
Net Assets ($M):	$109
Inception:	July 1, 2005

The Fund invests in a combination of Core Funds and allocates its assets among these Funds according to an asset allocation strategy. As the Fund moves toward its target date, its asset allocation becomes more conservative. Once the target date is met, the asset mix will be similar to the UC Pathway Income Fund and the two Funds will merge. This UC Pathway 2030 Fund is appropriate for those investors planning to retire between 2025 and 2035.

July 2007	12.65313
August 2007	12.77319
September 2007	13.20445
October 2007	13.49274
November 2007	13.10259
December 2007	12.96427
January 2008	12.48377
February 2008	12.38972
March 2008	12.38270
April 2008	12.77806
May 2008	12.94831
June 2008	12.21065

UC Pathway 2040 Fund: The investment objective of the Fund is to maximize long-term capital appreciation.



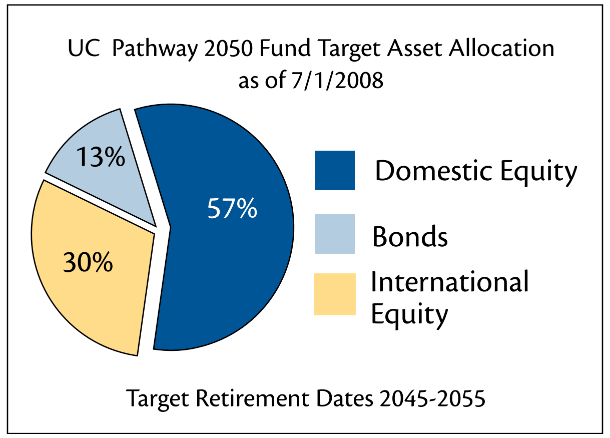
Quick Stats

1-Year Return (6/30/2008):	(6.94)%
NAV (6/30/2008):	$12.28
Investment Category:	Lifecycle
Net Assets ($M):	$52
Inception:	July 1, 2005

The Fund invests in a combination of Core Funds and allocates its assets among these Funds according to an asset allocation strategy. As the Fund moves toward its target date, its asset allocation becomes more conservative. Once the target date is met, the asset mix will be similar to the UC Pathway Income Fund and the two Funds will merge. This UC Pathway 2040 Fund is appropriate for those investors planning to retire between 2035 and 2045.

July 2007	12.92469
August 2007	12.98792
September 2007	13.45140
October 2007	13.78087
November 2007	13.34634
December 2007	13.22543
January 2008	12.57560
February 2008	12.48400
March 2008	12.41503
April 2008	12.87824
May 2008	13.09310
June 2008	12.27745

UC Pathway 2050 Fund: The investment objective of the Fund is to maximize long-term capital appreciation.



Quick Stats

1-Year Return (6/30/2008):	(9.06)%
NAV (6/30/2008):	$12.22
Investment Category:	Lifecycle
Net Assets ($M):	$28
Inception:	July 1, 2005

The Fund invests in a combination of Core Funds and allocates its assets among these Funds according to an asset allocation strategy. As the Fund moves toward its target date, its asset allocation becomes more conservative. Once the target date is met, the asset mix will be similar to the UC Pathway Income Fund and the two Funds will merge. This UC Pathway 2050 Fund is appropriate for those investors planning to retire between 2045 and 2055.

July 2007	13.09004
August 2007	13.15133
September 2007	13.64561
October 2007	13.99909
November 2007	13.46168
December 2007	13.33742
January 2008	12.55398
February 2008	12.42555
March 2008	12.33770
April 2008	12.88058
May 2008	13.14360
June 2008	12.21929

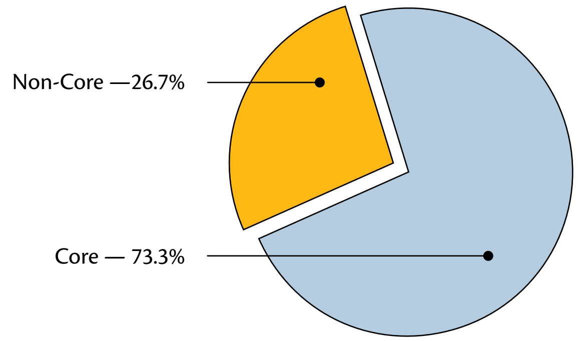
Non-Core Mutual Funds

The non-Core mutual funds, in which certain of the Plan participants' interests are held, are too numerous to report within the scope of this discussion. Each mutual fund is required to issue a separate annual financial report including investment rates of return and other financial disclosures.

Participation by Fund Groups/Plans

Participants in the Plans may invest contributions and eligible rollovers in any combination of the UC Core Funds (and mutual funds as designated by the Chief Investment Officer) and non-UC Core mutual funds through Fidelity Investments (and its extended mutual funds network), and the Calvert Group mutual funds.

At June 30, 2008 fiscal year end, $10.4 billion or 73.3 percent of total Plan investments was invested in the UC Core Funds. $3.8 billion or 26.7 percent was invested in externally managed funds. The table below shows the total market values of the UC Core Funds and the non-UC Core mutual funds by fund group and by plan as of June 30, 2008:



Investments by Fund Groups/Plans

($ in thousands)

June 30, 2008	403(b) Plan	DC Plan	457(b) Plan	Total Plans
Investments				
UC Core Funds	$ 7,476,386	$ 2,487,317	$ 398,954	$ 10,362,657
Non-UC Core mutual funds	2,961,120	660,640	151,141	3,772,901
Total investments held by the Plans	**$10,437,506**	**$3,147,957**	**$550,095**	**$14,135,558**

Tax-Deferred 403(b) Plan Loan Program

As permitted by IRC §72(p), active participants with a combined DC/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 15 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 2007–2008, the Loan Program interest rate for new loans ranged from 6.00 percent to 9.25 percent.

At June 30, 2008, the aggregate outstanding loan balance of 11,264 active loans was $96.8 million.

The table at right reflects Loan Program activity during the past 10 fiscal years ended June 30.

Loans Funded

Year Ended June 30	Number	*($ in thousands)*
2008	4,162	$47,904
2007	3,909	42,267
2006	4,208	46,728
2005	4,224	40,231
2004	4,157	36,479
2003	3,703	31,425
2002	3,029	27,300
2001	3,356	33,337
2000	3,403	32,873
1999	3,534	32,552

Management's Discussion & Analysis (Unaudited)

The objective of Management's Discussion and Analysis is to help readers of the Plans' financial statements better understand the Plans' financial position and operating activities for the fiscal year ended June 30, 2008, with selected comparative information for the years ended June 30, 2007 and 2006. This discussion should be read in conjunction with the financial statements and the notes to the financial statements.

Financial Highlights

- The net assets held for the Plans at June 30, 2008 are $14.1 billion compared to $14.5 billion at June 30, 2007 and $12.5 billion at June 30, 2006.
- The net assets of the Plans decreased by $369.4 million in 2008 compared to an increase of $2.0 billion in 2007 and an increase of $1.2 billion in 2006.
- The Plans had an investment loss of $493.9 million in 2008 compared to investment income of $1.8 billion in 2007 and $882.5 million in 2006.

Overview of the Financial Statements

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

- Statements of Fiduciary Net Assets
- Statements of Changes in Fiduciary Net Assets
- Notes to Financial Statements

The Statements of Fiduciary Net Assets present information on the Plans' assets and liabilities and the resulting net assets held on behalf of the Plans. This statement reflects the Plans' investments at fair value, along with cash and short-term investments, receivables and other assets and liabilities.

The Statements of Changes in Fiduciary Net Assets present information showing how the Plans' net assets changed during the years ended June 30, 2008 and 2007. It reflects contributions by participants along with investment income (or losses) during the period from investing and securities lending activities. Deductions for participant withdrawals, benefit payments 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.

Financial Analysis

The 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.

The Plans' net assets as of June 30, 2008 amounted to $14.1 billion compared to $14.5 billion at June 30, 2007 and $12.5 billion at June 30, 2006.

Additions to the Plans' net assets include contributions, rollovers, and any investment income. Participant and employer contributions, and rollovers for 2008 amounted to $1.03 billion compared to $1.04 billion in 2007 and $1.02 billion in 2006.

The Plans recognized a net investment loss of $493.9 million in 2008 compared to net investment income of $1.8 billion in 2007 and $882.5 million in 2006. The investment loss in 2008 was due primarily to negative returns spread through the global equity markets. The investment income earned in 2007 and 2006 were due primarily to more favorable investment returns in the global equity markets.

Deductions from the Plans' net assets include benefit payments to participants, participant withdrawals, and administrative expenses. For 2008, deductions amounted to $909.4 million compared to $856.9 million in 2007 and $727.7 million in 2006. The 6.1 percent and 17.8 percent increase in deductions in 2008 and 2007, respectively, were primarily due to increases in withdrawals and rollovers from the Plans reflecting higher rates of retirements in these years.

The Plans' investment of cash collateral totaled $4.16 billion at June 30, 2008 compared to $4.22 billion at June 30, 2007 and $3.5 billion at June 30, 2006. The increase in 2007 was primarily due to increased securities lending activity coincident with the growth in investments held.

Securities lending activity contributed $25.1 million in 2008 in net investment income after fees and rebates compared to $5.239 million in 2007 and $5.242 million in 2006.

Fiduciary Net Assets

($ in thousands)

June 30	2008	2007	2006
Assets			
Investments	$ 10,362,657	$10,761,897	$ 9,588,968
Investment of securities lending collateral	4,162,266	4,219,458	3,546,651
Participants' interests in mutual funds	3,772,901	3,794,050	3,018,557
Participant 403(b) Plan loans	96,790	87,085	81,819
Other assets	48,753	51,796	98,417
Total Assets	**18,443,367**	**18,914,286**	**16,334,412**
Liabilities			
Collateral held for securities lending	4,180,415	4,219,515	3,547,163
Other liabilities	178,908	241,291	314,729
Total Liabilities	**4,359,323**	**4,460,806**	**3,861,892**
Net Assets	**$14,084,044**	**$14,453,480**	**$12,472,520**

Changes in Fiduciary Net Assets

Year Ended June 30	2008	2007	2006
Additions			
Participant and employer contributions and rollovers	$ 1,033,850	$ 1,036,628	$ 1,022,503
Net investment (loss) income	(493,890)	1,801,281	882,459
Total Additions	**539,960**	**2,837,909**	**1,904,962**
Deductions			
Plan(s) benefits payments and participant withdrawals	910,365	849,939	720,181
Administrative and other (surplus) expenses	(969)	7,010	7,518
Total Deductions	**909,396**	**856,949**	**727,699**
(Decrease) Increase in Net Assets	**(369,436)**	**1,980,960**	**1,177,263**
Net Assets Held in Trust for Pension Benefits:			
Beginning of Year	14,453,480	12,472,520	11,295,257
End of Year	**$14,084,044**	**$14,453,480**	**$12,472,520**

Investments

The Plans' investments are held in the UC Funds, in externally managed commingled investment funds and mutual funds. The UC Funds and certain mutual funds totaling $10.3 billion in assets at June 30, 2008 comprise a Core Funds lineup over which the Chief Investment Office exercises investment fiduciary oversight. The Chief Investment Officer does not exercise any fiduciary oversight over any mutual funds available to Plan participants through Fidelity Investments, The Calvert Group, or any mutual funds available through the Fidelity Investments brokerage window.

The financial markets, both domestically and internationally, are currently demonstrating significant volatility on a daily basis that affect the valuation of investments. As a result, the fair value of investments held by the Plans have declined subsequent to June 30, 2008. The Regents utilize asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk.

For detailed information about the UC Core Funds, see the general Investments section of this report beginning on page 10.

UC Funds

The investment returns for the UC Funds were as follows for the fiscal years ended June 30 2008, 2007, and 2006, respectively:

UC Fund	2008	2007	2006
Savings Fund	4.9%	4.3%	3.8%
ICC Fund	5.3	5.3	5.1
TIPS Fund	15.5	4.0	(1.6)
Bond Fund	4.8	6.4	(0.4)
Balanced Growth Fund	(5.2)	16.2	7.6
Domestic Equity Index Fund	(12.7)	19.9	6.5
Equity Fund	(11.8)	21.7	12.1
International Equity Index Fund	(8.4)	27.3	25.5
Pathway Income Fund	5.2	6.0	3.6
Pathway Fund 2010	1.2	10.9	6.2
Pathway Fund 2020	(2.6)	14.0	7.8
Pathway Fund 2030	(5.5)	17.0	10.4
Pathway Fund 2040	(6.9)	18.8	11.0
Pathway Fund 2050	(9.1)	20.3	11.7

UC Savings Fund

The Fund invests 100 percent in government, government-guaranteed, and government agency securities of up to 5 1/2 years in maturity. The Fund strives to exceed the income returns of 2-year U.S. Treasury Notes and to outpace inflation. The portfolio is optimized by adjusting the average maturity to respond to expected changes in interest rates. The Fund seeks to be fully invested at all times, although a modest cash level may exist until invested.

The investment return was 4.9 percent in 2008 compared to 4.3 percent in 2007 and 3.8 percent in 2006, representing a flattening of fixed income yields in the shorter term horizon of the yield curve as the Federal Open Market Committee of the Federal Reserve Board reversed course in its policy of measured changes in the Federal Funds interest rate.

UC ICC Fund

The Fund invests in insurance company contracts offered by select, highly rated, financially sound insurance companies. The Fund purchases insurance company contracts which guarantee a fixed annual rate of interest for a specified time period and the repayment of principal at the end of that time period. Amounts invested in the ICC Fund earn the blended interest rate of all contracts that comprise the fund. The Fund strives to exceed the returns of 5-year U.S. Treasury Notes and to outpace inflation.

The investment return was 5.3 percent in 2008 and 5.3 percent in 2007 and 5.1 percent in 2006. The investment return was flat because of lower yields received on new insurance contracts purchased during a period of declining fixed income yields on cash awaiting investment.

UC TIPS Fund

The Fund invests in inflation-indexed securities issued by the U.S. Treasury. Inflation-indexed securities are designed to protect future purchasing power. The principal value is adjusted for changes in inflation, and interest is accrued on the inflation-adjusted principal. The Fund's performance benchmark is the Lehman Brothers U.S. TIPS Index, and the Fund seeks to provide a total return that matches the Index.

During 2008 the TIPS Fund return was 15.5 percent compared to 4.0 percent in 2007 and (1.6) percent for 2006. The increase in return was influenced mostly by changes in interest rates and inflation during the fiscal year.

UC Bond Fund

The Fund utilizes extensive analysis of economic and political factors using a "top-down" approach and fundamental, "bottom-up" analysis for individual security selection. It maintains a diversified portfolio primarily of high-quality debt securities. The Fund seeks to be fully invested at all times, although a modest cash level may exist until invested.

The investment return of 4.8 percent in 2008 compares to 6.4 percent in 2007 and (0.4) percent in 2006. The lower return in 2008 reflects the dislocations in the global fixed income markets. In 2006 the negative return reflected an environment of increasing interest rates and higher inflation.

UC Balanced Growth Fund

Contributions are invested according to a fixed ratio: 65 percent Equity Fund, 30 percent Bond Fund and 5 percent TIPS Treasury Inflation-Protected Securities Fund. The Balanced Growth Fund's asset allocation is similar to the broad asset allocation of the University of California Retirement Plan (UCRP). The Balanced Growth Fund commenced operations on April 1, 2004.

In 2008, the Fund returned (5.2) percent compared to 16.2 percent in 2007, reflecting the negative investment return of the Equity Fund component and decline in investment return of the Bond Fund components, and 7.6 percent in 2006.

UC Domestic Equity Index Fund

The Fund seeks to provide investment results approximating the total return performance of the securities included in the Russell 3000 Index and is invested in a Russell 3000 Tobacco Free (TF) Index Fund managed by State Street Global Advisors.

In 2008, the Fund returned (12.7) percent compared to 19.9 percent in 2007 and 6.5 percent in 2006. This reflects declines in the domestic equity market spread across most industry sectors - especially the financial and consumer discretionary sectors - caused primarily by massive deleveraging by banks, investment banks, and hedge funds.

UC Equity Fund

The Fund's historical focus on large-capitalization stocks was modified in 2002. Currently, the Fund's U.S. equity allocation is held in a Russell 3000 Tobacco Free (TF) Index Fund. The Fund also has a small representation in private equities and an allocation to a MSCI EAFE+Canada TF Index Fund (non-U.S.) further increasing the Fund's diversification. The Fund seeks to be fully invested at all times. Portfolio guidelines limit the cash level to 5 percent.

The investment return of (11.8) percent for 2008 compared to 21.7 percent in 2007 and 12.1 percent in 2006, reflects declines in the global equity markets spread across most industry sectors - especially the financial and consumer discretionary sectors - caused primarily by massive deleveraging by banks, investment banks, and hedge funds.

UC International Equity Index Fund

The Fund seeks to provide investment results approximating the total return performance of the securities included in the MSCI EAFE + Canada Index. The Fund is invested in a MSCI EAFE + Canada Tobacco Free (TF) Index Fund managed by State Street Global Advisors.

In 2008, the Fund returned (8.4) percent compared to 27.3 percent in 2007 and to 25.5 percent in 2006. This reflects declines in the global equity markets spread across most industry sectors - especially the financial and consumer discretionary sectors - caused primarily by massive deleveraging by banks, investment banks, and hedge funds.

UC Pathway Funds

Each Pathway Fund is diversified across several asset classes (stocks, bonds, and short-term investments) by investing in a variety of Core Funds. Over time, the amount invested in stock funds is gradually reduced, while the amount invested in bond and short-term funds is increased.

UC Pathway Income Fund

The Fund invests in a combination of Core Funds and allocates its assets among these Funds according to an asset allocation strategy. This UC Pathway Income Fund is appropriate for those investors who are retired.

In 2008, the Fund returned 5.2 percent compared to 6.0 percent in 2007 and 3.6 percent in 2006 consistent with its investment objective of capital preservation and income and investment returns prevailing in the shorter term horizon of the fixed income markets.

UC Pathway 2010 Fund

The Fund invests in a combination of Core Funds and allocates its assets among these Funds according to an asset allocation strategy. As the Fund moves towards its target date, its asset allocation becomes more conservative. Once the target date is met, the asset mix will be similar to the UC Pathway Income Fund and the two Funds will merge. This UC Pathway 2010 Fund is appropriate for those investors planning to retire between 2005 and 2015.

In 2008, the Fund returned 1.2 percent compared to 10.9 percent in 2007 and 6.2 percent in 2006 consistent with its asset allocation strategy and returns prevailing in the asset allocation mix.

UC Pathway 2020 Fund

The Fund invests in a combination of Core Funds and allocates its assets among these Funds according to an asset allocation strategy. As the Fund moves towards its target date its asset allocation becomes more conservative. Once the target date is met, the asset mix will be similar to the UC Pathway Income Fund and the two Funds will merge. This UC Pathway 2020 Fund is appropriate for those investors planning to retire between 2015 and 2025.

In 2008, the Fund returned (2.6) percent compared to 14.0 percent in 2007 and 7.8 percent in 2006 consistent with its asset allocation strategy and equity segment returns prevailing in the asset allocation mix.

UC Pathway 2030 Fund

The Fund invests in a combination of Core Funds and allocates its assets among these Funds according to an asset allocation strategy. As the Fund moves towards its target date, its asset allocation becomes more conservative. Once the target date is met, the asset mix will be similar to the UC Pathway Income Fund and the two Funds will merge. This UC Pathway 2030 Fund is appropriate for those investors planning to retire between 2025 and 2035.

In 2008, the Fund returned (5.5) percent compared to 17.0 percent in 2007 and 10.4 percent in 2006 consistent with its asset allocation strategy and stronger equity segment returns prevailing in the asset allocation mix.

UC Pathway 2040 Fund

The Fund invests in a combination of Core Funds and allocates its assets among these Funds according to an asset allocation strategy. As the Fund moves towards its target date, its asset allocation becomes more conservative. Once the target date is met, the asset mix will be similar to the UC Pathway Income Fund and the two Funds will merge. This UC Pathway 2040 Fund is appropriate for those investors planning to retire between 2035 and 2045.

In 2008, the Fund returned (6.9) percent compared to 18.8 percent in 2007 and 11.0 percent in 2006 consistent with its asset allocation strategy and stronger equity segment returns prevailing in the asset allocation mix.

UC Pathway 2050 Fund

The Fund invests in a combination of Core Funds and allocates its assets among these Funds according to an asset allocation strategy. As the Fund moves towards its target date, its asset allocation becomes more conservative. Once the target date is met, the asset mix will be similar to the UC Pathway Income Fund and the two Funds will merge. This UC Pathway 2050 Fund is appropriate for those investors planning to retire between 2045 and 2055.

In 2008, the Fund returned (9.1) percent compared to 20.3 percent in 2007 and 11.7 percent in 2006 consistent with its asset allocation strategy and equity segment returns prevailing in the asset allocation mix.

Mutual Funds

The mutual funds, in which certain of the Plans' participants' interests are held, decreased by $22.0 million to $3.772 billion in net assets at June 30, 2008 from $3.794 billion in net assets at June 30, 2007, and increased by $0.8 billion from $3.02 billion at June 30, 2006. The increases in 2007 and 2006 reflect increased participant contributions and rollovers to the mutual funds and also sustained asset growth over the three fiscal years.

These mutual fund holdings are too numerous to report specifically within in this report. Each mutual fund is required to issue a separate annual financial report including investment rates of return and other financial disclosures under the Investment Company Act of 1940, as amended.

Fiduciary Responsibilities

The Chief Investment Officer 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's 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 Associate Vice President—Human Resources and Benefits (AVP-HR/B) is the Plan Administrator and has primary fiduciary responsibility for administration of the Plans. The AVP-HR/B oversees policy research, implements regulations to preserve the Plans' qualification and tax-deferred status, as applicable with the Internal Revenue Service, and provides related administrative services as needed. The Plans' administration and investment management activities are reviewed semi-annually by the Retirement Savings Program Advisory Committee.

The Board of Regents has fiduciary responsibility for establishing broad investment policy and overseeing the performance of the administrative and investment functions.

Under law, the assets of the Plans can only be used for the exclusive benefit of participants, retirees and beneficiaries and related administrative expenses.

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Report of Independent Auditors

To the Regents of the
University of California

In our opinion, the accompanying statements of fiduciary net assets and the related statements of changes in fiduciary net assets (presented on pages 30 through 44) present fairly, in all material respects, the financial position of the University of California Defined Contribution Plan, Tax Deferred 403(b) Plan, and 457(b) Deferred Compensation Plan (the "Plans") at June 30, 2008 and 2007, and the changes in fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plans' management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Plans are intended to present the fiduciary net assets and the changes in fiduciary net assets 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, 2008 and 2007, 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.

PricewaterhouseCoopers LLP

October 10, 2008
San Francisco, California

Financial Statements

Statements of Fiduciary Net Assets

($ in thousands)

June 30	2008	2007
Assets		
Investments, at fair value:		
Equity securities:		
Domestic	$3,448,185	$ 4,132,330
Foreign	797,529	907,543
Private equities	110,121	85,781
Fixed income securities:		
U.S. government	1,979,802	1,426,712
Other U.S. dollar-denominated	3,045,329	3,328,444
Insurance company contracts (at contract value)	824,201	745,468
Commingled funds	157,490	135,619
Participants' interests in mutual funds	3,772,901	3,794,050
Participant 403(b) Plan loans	96,790	87,085
Total Investments	14,232,348	14,643,032
Investment of cash collateral	4,162,266	4,219,458
Receivables:		
Contributions	-	77
Interest and dividends	41,070	46,268
Securities sales and other	7,683	5,451
Total Receivables	48,753	51,796
Total Assets	**18,443,367**	**18,914,286**
Liabilities		
Payable for securities purchased and other	178,908	241,291
Collateral held for securities lending	4,180,415	4,219,515
Total Liabilities	**4,359,323**	**4,460,806**
Net Assets	**$14,084,044**	**$14,453,480**

See accompanying Notes to Financial Statements.

Statements of Changes in Fiduciary Net Assets

($ in thousands)

Years Ended June 30	2008	2007
Additions		
Participant contributions	$ 1,025,613	$ 1,023,578
Employer contributions	8,237	13,050
Total Contributions	1,033,850	1,036,628
Investment (Loss) Income:		
Net (depreciation) appreciation in fair value of investments	(975,920)	1,234,233
Interest, dividends, and other investment income	456,957	561,809
Securities lending income	172,239	172,925
Less securities lending fees and rebates	(147,166)	(167,686)
Total Investment (Loss) Income	(493,890)	1,801,281
Total Additions	**539,960**	**2,837,909**
Deductions		
Benefit Payments:		
Plan benefit payments and participant withdrawals	910,365	849,939
Administrative (surplus) expenses	(969)	7,010
Total Deductions	**909,396**	**856,949**
(Decrease) Increase in Net Assets	**(369,436)**	**1,980,960**
Net Assets:		
Beginning of Year	**14,453,480**	**12,472,520**
End of Year	**$14,084,044**	**$14,453,480**

See accompanying Notes to Financial Statements.

Note 1 — Description of the Plans and Significant Accounting Policies

General Introduction

The Plans consist of two defined contribution plans structured under §401(a) and §403(b) of the Internal Revenue Code (IRC) of 1986, as amended, and a deferred compensation plan structured under IRC §457(b), collectively referred to as the "Plans". The Plans were created to provide savings incentives and additional retirement security for all eligible University of California employees. The Defined Contribution Plan (the DC Plan) was established by resolution of the Regents of the University of California (the Regents) to accept after-tax contributions effective July 1, 1967, and pretax contributions effective November 1, 1990. The Tax-Deferred 403(b) Plan (the 403(b) Plan), also established by Regental resolution, became effective July 1, 1969. The Regents established the 457(b) Deferred Compensation Plan (457(b) Plan) effective September 1, 2004.

Fidelity Employer Services Co. (FESCo) is the master recordkeeper for all three Plans. A Core Funds lineup developed by the University of California (UC) Chief Investment Officer is available to Plan participants, and the Fidelity Investments and Calvert Funds Group mutual funds are alternative investment choices under all three Plans. Additionally, a network of mutual funds is available through the Fidelity Investments brokerage service.

The UC Chief Investment Officer manages fourteen investment funds that form part of the Core Funds lineup. Participants may direct investment of their contributions and transfer Plan accumulations to any of these funds:

- Pathway Income Fund
- Pathway Funds 2010, 2020, 2030, 2040, 2050
- Balanced Growth Fund
- Savings Fund
- ICC Fund
- Bond Fund
- TIPS Fund
- Domestic Equity Index Fund
- Equity Fund
- International Equity Index Fund

Participants may also invest in four select mutual funds in the Core Funds lineup. These funds are managed by external investment advisors and include a social index fund, a small cap index fund, an emerging markets fund, and a real estate investment trust. Participants may also invest in mutual funds offered by Fidelity Investments (including a network of mutual funds external to Fidelity Investments) and the Calvert Group funds.

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

The University of California HR/Benefits Department (UC HR/B) retained the administration of ineligible accounts of participants who left UC employment before July 1, 2005, and who failed to claim account balances under $2,000 in the 403(b) Plan or the DC Plan. These accounts were forfeited (if under $50) or moved into residual accounts. Participants can request distributions of forfeited and residual accounts by contacting UC Residual Accounts at 1-877-822-7759.

Participants' interests in the Plans are fully and immediately vested and are distributable at death, retirement, or termination of employment. Participants may elect to defer distribution until age 70½ or separation from service, whichever is later, in accordance with IRC minimum distribution requirements. In-service withdrawals are permitted in conformance with applicable IRC regulations.

The Plans accept rollover contributions from other 401(a), 401(k), 403(b) and governmental 457(b) plans. Effective January 1, 2007, the rollover distribution provisions of the Plans were expanded as provided by the Pension Protection Act of 2006 to allow non-spouse beneficiaries to roll over eligible distributions to eligible IRAs. Previously, only spousal beneficiaries had this option.

The DC Plan was also amended to accept after-tax rollover amounts from 403(b) plans in addition to the after-tax rollovers currently accepted from 401(a) and 401(k) plans. The 403(b) Plan was amended to accept rollovers of after-tax amounts from 401(a) and 401(k) plans in addition to the after-tax rollovers currently accepted from other 403(b) plans.

Effective January 1, 2008, participants may rollover their eligible distributions to a Roth IRA.

Basis of Accounting

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

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the Plans' fiscal year beginning July 1, 2009. This Statement requires the Plan to report its derivative instruments at fair value. Changes in fair value for effective hedges that are achieved with derivative instruments are to be reported as deferrals in the statement of net assets. Derivative instruments that either do not meet the criteria for an effective hedge or are associated with investments that are already reported at fair value are to be classified as investment derivative instruments. Changes in fair value of those derivative instruments are to be reported as investment revenue. The University is evaluating the effect that Statement 53 will have on the Plans' financial statements.

Defined Contribution Plan

Defined Contribution Plan Pretax Account contributions are required for all employees who are members of the University's defined benefit plan, the University of California Retirement Plan (UCRP). The mandatory UCRP contributions have been temporarily redirected to the DC Plan. As a condition of employment, UCRP members are required to contribute a percentage of their gross monthly covered compensation on a pretax basis, dependent upon their UCRP membership status, as follows:

- For the 111,254 members with Social Security benefits: two percent of covered compensation up to the Social Security wage base, plus four percent of covered compensation in excess of the wage base, if any, less $19 per month;
- For the 2,556 members without Social Security benefits: three percent of covered compensation less $19 per month;
- For the 411 members with safety benefits: three percent of covered compensation less $19 per month.
- There are currently 21 UCRP members who elected Tier Two membership status. Tier Two members do not contribute to UCRP and, therefore, are not required to contribute to the DC Plan Pretax Account. Their UCRP benefits are adjusted accordingly.

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 percent of eligible salary, of which 3.5 percent is employer-paid and 3.5 percent is employee-paid, both on a pretax basis.

The University also makes Plan 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.

Tax-Deferred 403(b) Plan

The Tax-Deferred 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 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 Plan contributions on behalf of eligible senior managers.

Annual salary deferral contribution limits for the 403(b) Plan during fiscal 2007–2008, were as follows: the maximum annual contribution limit for participants under age 50 for the entire calendar year is $15,500 (or 100 percent of adjusted gross salary, if less). For participants age 50 or older, the annual contribution limit is $20,500 (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 a special catch-up provision.

457(b) Deferred Compensation Plan

The 457(b) Deferred Compensation Plan is available to all University employees except students who normally work fewer than 20 hours per week. Taxes on contributions (deferred compensation) and earnings thereon are deferred until the accumulations are withdrawn. The University also makes Plan contributions on behalf of eligible senior managers.

Valuation of Investments

Investments for the Plans are primarily recorded at fair value. Generally, securities, including derivative investments, are valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Certain securities may be valued on a basis of a price provided by a single source. Interests in private equity and real estate partnerships are based upon valuations provided by the general partners of the respective partnerships as of March 31, adjusted for cash receipts, cash disbursements and securities distributions through June 30. Investments in absolute return partnerships are valued as of May 31, adjusted for cash receipts and cash disbursements through June 30. The Plans believe the carrying amount of these financial instruments is a reasonable estimate of fair value at June 30. Because the private equity and 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. Private equities include venture capital partnerships, buyouts and international funds.

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.

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 to the 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' Statements of Changes in Fiduciary Net Assets.

Administrative Expenses

Investor expenses for the single diversified core funds and the primary asset class core funds are 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 (1/365th per day invested). These expenses are not billed to participants, but are netted against the investment experience of the fund. These expenses are comprised of approximately 0.03 percent for investment management, 0.02 percent for investor education, and 0.10 percent for administration (including accounting, audit, legal, custodial, and recordkeeping services). The total administrative expenses are estimated and could actually be lower in some periods. If actual administrative expenses are less than estimated, any accumulation will be returned to the fund, on a prorated basis, thereby lowering the effective expense ratio for participants. There are no front-end or deferred sales loads or other marketing expenses. Expenses for the Specialized asset class core funds are available in each mutual fund's prospectus.

In addition, any fees paid by participants, including loan fees and brokerage window account fees, and any fees that may be awarded for FESCo failure to meet certain performance standards, will be credited to the Plans' fee account. At the direction of the Plan Administrator and subject to receipt of supporting documentation, FESCo will apply the Plans' fee account funds against reasonable Plan expenses that otherwise would be paid from other Plan assets. Any basis points that are assessed against the market value of the mutual fund investments in the Plans pursuant to revenue sharing agreements will be credited to an expense credit account and offset against charges for services provided by FESCo and its affiliates. If any amount remains after payment for FESCo-related services, funds in the expense credit account will be used to reimburse the University for reasonable Plan expenses previously paid by the University. A participant can obtain information on fees charged by a mutual fund investment option by reviewing the fund prospectus available on the FESCo web site (netbenefits.fidelity.com).

The net administrative (surplus) or fees and expenses incurred by the University-managed investment funds for the fiscal years ended June 30, 2008 and 2007 totaled $(969) thousand and $7.0 million respectively.

Income Tax Status

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 Plan Administrator and approved by the Regents. Tax counsel for the Plan is not aware of any existing circumstances related to such amendments that indicate failure to comply with the relevant requirements of the IRC in any material respect.

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). Tax counsel for the Plan is not aware of any existing circumstances that indicate a material failure to comply with the relevant requirements of IRC §403(b) and §457(b), as applicable.

To the best of tax counsel's knowledge, the DC Plan, the 403(b) Plan, and the 457(b) Plan have been administered in accordance with their terms and the applicable provisions of the IRC and related regulations thereunder, in all material respects.

DC Plan Pretax Account contributions, 403(b) Plan contributions, and 457(b) Plan contributions (and earnings thereon), as well as earnings on After-Tax Account contributions, are not subject to federal income taxes until the participant withdraws them from the Plan(s). In certain circumstances, Plan withdrawals may qualify for special tax treatment.

Pursuant to the Unemployment Compensation Amendments of 1992, all "eligible rollover distributions" that are not paid in the form of a direct rollover are subject to a mandatory 20 percent federal income tax withholding.

Loans taken by 403(b) Plan participants are not subject to federal income taxes as long as they are repaid within the term of the loan—up to five years for short-term loans and up to 15 years for long-term loans taken for the purchase of a principal residence—and comply with other requirements.

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 net assets held in trust for benefits at the date of the financial statements and the reported amounts of changes in net assets held in trust for benefits during the reporting period. Actual results could differ from those estimates.

The financial statements of the Plans are intended to present the fiduciary net assets and the changes in fiduciary net assets 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, 2008 and 2007.

Note 2—Investments

The Regents, as the governing Board, is responsible for the oversight of the Plans' investments and establishes investment policy, which is carried out by the Chief Investment Officer.

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

Investments authorized by the Regents for the Plan 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, actively managed and passive (index) strategies, along with a modest exposure to private equities. Private equities include venture capital partnerships, buyouts and international funds. The Plans 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.

The financial markets, both domestically and internationally, are currently demonstrating significant volatility on a daily basis that affect the valuation of investments. As a result, the fair value of investments held by the Plans have declined subsequent to June 30, 2008. The Regents utilize asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk.

Composition of Investments

The composition of investments at June 30, 2008 and 2007 is as follows:

($ in thousands)

June 30	2008	2007
Investment Type		
Equity securities:		
Domestic	$ 3,448,185	$ 4,132,330
Foreign	797,529	907,543
Equity securities:	4,245,714	5,039,873
Fixed income securities:		
U.S. government-guaranteed:		
U.S. Treasury bills, notes and bonds	1,577,392	1,139,136
U.S. Treasury strips	106,193	54,467
U.S. TIPS	294,423	231,344
U.S. government-backed asset-backed securities	1,794	1,765
U.S. government-guaranteed:	1,979,802	1,426,712
Other U.S. dollar-denominated:		
Corporate bonds	293,503	249,285
Commercial paper	38,395	126,380
U.S. agencies	1,996,129	2,324,016
U.S. agencies asset-backed securities	289,148	344,673
Corporate asset-backed securities	362,067	230,228
Supranational/foreign	66,087	53,862
Other U.S. dollar-denominated:	3,045,329	3,328,444
Commingled funds:		
U.S. equity funds	24,878	19,649
Real estate investment trusts	44,586	31,948
Money market funds*	88,026	84,022
Commingled funds:	157,490	135,619
Private equities	110,121	85,781
Insurance company contracts	824,201	745,468
Total Investments	**$10,362,657**	**$10,761,897**

Includes investment of $84,855 and $44,260 in the Short Term Investment Pool as of June 30, 2008 and 2007, respectively.

Total Investment Return

The total investment return on a units-of-participation basis, representing investment income minus administrative fees and net appreciation or (depreciation) on investments, where applicable, for the years ended June 30, 2008 and 2007, was as follows:

UC Funds	2008	2007
Investment type		
Savings Fund	4.9%	4.3%
ICC Fund	5.3	5.3
TIPS Fund	15.5	4.0
Bond Fund	4.8	6.4
Balanced Growth Fund	(5.2)	16.2
Domestic Equity Index Fund	(12.7)	19.9
Equity Fund	(11.8)	21.7
International Equity Index Fund	(8.4)	27.3
Pathway Income Fund	5.2	6.0
Pathway Fund 2010	1.2	10.9
Pathway Fund 2020	(2.6)	14.0
Pathway Fund 2030	(5.5)	17.0
Pathway Fund 2040	(6.9)	18.8
Pathway Fund 2050	(9.1)	20.3

Investment Risk Factors

There are many factors that can affect the value of investments. 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.

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. 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.

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.

The investment guidelines for the 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 2-year Treasury Note, does not contain credit risk.) No more than five 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 the STIP must be A or better, and commercial paper must be rated at least A-1, P-1 or F-1.

The Plans recognize that credit risk is appropriate in a balanced investment pool such as the Plans, by virtue of the benchmark chosen for the fixed income portion of the pool. That fixed income benchmark, the Citigroup Large Pension Fund Index and Lehman Aggregate Index, is comprised of approximately 30 percent high grade corporate bonds and 30 to 35 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 35 to 40 percent are government-issued bonds. Credit risk in the Plan is managed primarily by diversifying across issuers, and portfolio guidelines mandate that no more than 10 percent of the market value of fixed income may be invested in issues with credit rating below investment grade. Further, the weighted average credit rating must be A or higher.

The credit risk profile for fixed or variable income securities and commingled funds at June 30, 2008 and 2007 is as follows:

($ in thousands)

June 30	2008	2007
Investment type		
Fixed income securities:		
U.S. government-guaranteed	$1,979,802	$1,426,712
Other U.S. dollar-denominated:		
AAA	2,659,823	2,910,519
AA	30,910	40,300
A	112,747	85,415
BBB	168,442	135,762
BB	15,389	29,153
B	7,212	914
A1/P1/F1	38,395	126,380
Not rated	12,411	-
Commingled funds:		
Money market funds: Not rated	88,026	84,022
Insurance contracts	824,201	745,468

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

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. The Plans' securities are registered in the Plans' name by the custodial bank as an agent for the Plans. Other types of investments represent ownership interests that do not exist in physical or book-entry form. As a result, custodial credit risk 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 the Plans to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments.

The U.S. and non-U.S. equity portions of the Plans' investment funds 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 of the investment fund. While some securities have a larger representation in the benchmark than others, the Plans consider 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 the Plans' investment funds include a limit of no more than three 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). These same guidelines apply to the STIP. For high-yield and emerging market debt, the corresponding limit is five percent.

Investments in issuers that represent five percent or more of total investments of all plans of the investment option at June 30, 2008 and 2007 are as follows:

($ in thousands)

Issuer	2008	2007
Federal Home Loan Mortgage Association	$1,289,322	$1,329,105
Federal National Mortgage Association	841,370	1,296,717

Interest Rate Risk

Interest rate risk is the risk that the value of fixed and variable 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 (one 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 maturity structure of the liabilities, that is, the liquidity demands of the investors.

Portfolio guidelines for the fixed income portion of the Plans limit weighted average effective duration to the effective duration of the benchmarks (Citigroup Large Pension Fund Index and Lehman Aggregate Index), plus or minus 20 percent. This constrains the potential price movement due to interest rate changes of the portfolio to be similar to that of the benchmark.

At June 30, 2008 and 2007, the effective durations are as follows:

(in years)

Investment type	2008	2007
Fixed income securities:		
U.S. government-guaranteed:		
U.S. Treasury bills, notes and bonds	0.3	1.2
U.S. Treasury strips	8.0	13.5
U.S. TIPS	5.3	4.9
U.S. government-backed securities	6.3	6.3
Other U.S. dollar-denominated:		
Corporate bonds	5.8	5.9
U.S. agencies	1.6	0.9
U.S. agencies asset-backed securities	4.7	5.1
Corporate asset-backed securities	4.0	2.1
Supranational/Foreign	6.6	6.0
Commingled funds:		
STIP and other money market funds	1.2	1.2

The money market funds have a constant $1.00 share value due to the short-term, liquid nature of the underlying securities.

Investments may also include various mortgage-backed securities, collateralized mortgage obligations, structured notes, variable-rate securities, callable bonds and convertible 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, 2008 and 2007, the effective durations of such investments are as follows:

(in years)

Investment type	2008	2007
Mortgage-backed securities	5.0	3.9
Collateralized mortgage obligations	5.2	5.8
Variable rate securities	6.4	-
Callable bonds	1.7	1.4

Mortgage-Backed Securities

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

Collateralized Mortgage Obligations

Collateralized mortgage obligations (CMOs) generate a return based upon either the payment of 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.

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 Plans must then replace the called bond 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, 2008 and 2007, the fair values of such investments are as follows:

($ in thousands)

Investment type	2008	2007
Mortgage-backed securities	$ 518,299	$ 568,979
Collateralized mortgage obligations	5,191	5,922
Variable rate securities	1,358	-
Callable bonds	1,704,493	1,267,083
Total	$2,229,342	$1,841,984

Foreign Currency Risk

The Plans' strategic asset allocation policy includes allocations to non-US 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 strategy. Portfolio guidelines for 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 may be fully or partially hedged using forward foreign currency exchange contracts. Under the investment policies, such instruments are not permitted for speculative use or to create leverage.

At June 30, 2008 and 2007, the U.S. dollar balances organized by currency denominations and investment type are as follows:

($ in thousands)

	2008	2007
Equity securities:		
Euro	$254,991	$300,274
British Pound	155,219	191,249
Japanese Yen	154,503	178,157
Canadian Dollar	74,661	67,405
Swiss Franc	51,700	55,556
Australian Dollar	49,821	52,085
Swedish Krona	15,830	21,454
Hong Kong Dollar	15,706	14,629
Norwegian Krone	8,548	8,749
Singapore Dollar	8,347	9,135
Danish Krone	7,625	7,260
New Zealand Dollar	579	1,590
Total exposure to foreign currency risk	$ 797,530	$907,543

Alternative Investment Strategies

Alternative investments include ownership interests in a wide variety of vehicles including partnerships and corporations that may be domiciled in the United States or off-shore. 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. Generally, these 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.

Futures, Forward Contracts, Options and Swaps

The Plans may include futures, forward contracts, options and swap contracts in their investment portfolios.

The 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, the 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, the 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. Since 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 fiduciary net assets, there is no fair value for these contracts at the end of the year included in the statement of fiduciary net assets.

Forward contracts are similar to futures, except they are custom contracts and are not exchange-traded. They are the primary instrument used in currency management.

An option contract gives the 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 the Plans is limited to the premium originally paid for covered options. The Plans record premiums paid for the purchase of these options in the statement of fiduciary net assets as an investment which is subsequently adjusted to reflect the fair value of the options, with unrealized gains and losses included in the statement of changes in fiduciary net assets. The Plans did not hold any option contracts at June 30, 2008 or June 30, 2007.

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 record interest rate swaps entered into for investment purposes at fair value, with unrealized gains and losses included in the statement of changes in fiduciary net assets. The Plans did not hold any interest rate swap contracts at June 30, 2008 or June 30, 2007.

The Plans could be exposed to risk if the counterparty to the contracts was unable to meet the terms of the contracts. Counterparty credit risk is limited to a receivable due to the variation margin in futures contracts, or to the ability of the counterparty to meet the terms of an option contract that the Plans may exercise. Either risk is remote for exchange-traded contracts. Additional risk may arise from futures contracts traded in non-U.S. markets as the foreign futures contracts are cleared on, and subject to, the rules of foreign boards of trade. In addition, funds provided for foreign futures contracts may not be afforded the same protection as funds received in respect of U.S. transactions. The Plans seek to control counterparty credit risk in all derivative contracts that are not exchange-traded through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures undertaken by the Chief Investment Officer.

Note 3— Securities Lending

The Plans jointly participate in a securities lending program as a means to augment income.

Securities 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 the 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 the 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 the Plans, in investment pools in the name of the Plans, with guidelines approved by the Plans. These investments are shown as investment of cash collateral in the statement of fiduciary net assets. At June 30, 2008 and 2007, the securities in these pools had a weighted average maturity of 27 and 62 days, respectively. The Plans record a liability for the return of the cash collateral shown as collateral held for securities lending in the statement of net assets. Securities collateral received from the borrower is held in an investment pool by the Plan's custodial bank.

At June 30, 2008, the Plans had no exposure to borrowers because the amounts the Plans owed the borrowers exceeded the amounts the borrowers owed the Plans. The Plans are fully indemnified by their lending agents against any losses incurred as a result of borrower default.

Securities lending transactions at June 30, 2008 and 2007 are as follows:

	2008	2007
	($ in thousands)	
Securities Lent		
For cash collateral:		
Equity securities:		
Domestic	$ 330,012	$ 521,708
Foreign	150,990	243,273
Fixed income securities:		
U.S. government	1,834,737	1,378,395
Domestic	1,772,572	1,986,965
Lent for Cash Collateral	**4,088,311**	**4,130,341**
For securities collateral:		
Equity securities:		
Domestic	45,861	27,999
Foreign	1,766	2,978
Fixed income securities:		
U.S. government	94,548	23,676
Lent for Securities Collateral	**142,175**	**54,653**
Total Securities Lent	**4,230,486**	**4,184,994**
Collateral Received		
Cash	$ 4,180,415	$ 4,219,515
Securities	147,655	55,654
Total Collateral Received	**$4,328,070**	**$4,275,169**
Investment of Cash Collateral		
Fixed income securities:		
Other U.S. dollar-denominated:		
Corporate bonds	$ 838,710	$ 636,202
Commercial paper	-	1,020,794
Repurchase agreements	755,217	686,026
Corporate asset-backed securities	1,225,162	630,783
Certificates of deposit/time deposits	1,056,967	766,378
Supranational/foreign	284,189	468,077
Other assets, net	2,021	11,198
Total Investment of Cash Collateral	**$4,162,266**	**$4,219,458**

The securities lending income and fees and rebates for the years ended June 30, 2008 and 2007 are as follows:

($ in thousands)

Investment type	2008	2007
Securities lending income	$172,238	$172,925
Securities lending fees and rebates	(147,166)	(167,686)
Securities lending investment income, net	$ 25,072	$ 5,239

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.

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

Credit Risk

The 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, 2008 and 2007 is as follows:

($ in thousands)

Investment type	2008	2007
Fixed income securities:		
Other U.S. dollar-denominated:		
AAA	$1,448,308	$ 651,390
AA	663,276	199,687
A	236,475	432,286
A1+	-	1,687,704
A1/P1/F1	1,812,186	1,237,192
Other assets, net: Not rated	2,021	11,198

Custodial Credit Risk

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

Concentration of Credit Risk

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

Investments in issuers other than U.S. government securities that represent five percent or more of the total investment of cash collateral at June 30, 2008 and 2007 are as follows:

($ in thousands)

Investment type	2008	2007
JP Morgan Chase	$396,927	$ -
Lehman Brothers, Inc.	266,458	-

Interest Rate Risk

The nature of individual securities in the collateral pools allow for the use of weighted average maturity as an effective risk management measure. The Plans' investment policy with respect to the interest rate risk associated with the investment of cash collateral in the separately managed collateral pools require 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, 2008 and 2007 is as follows:

	(in days)	
Investment type	**2008**	**2007**
Fixed income securities:		
Other U.S. dollar-denominated:		
Corporate bonds	48	44
Commercial paper	35	141
Repurchase agreements	1	2
Corporate-asset-backed securities	39	25
Certificates of deposit/time deposits	38	84
Supranational/foreign	83	60
Commingled funds:		
Money market funds	1	2

Investment of cash collateral may include various asset-backed securities, structured notes and variable-rate securities that are considered to be highly sensitive to changes in interest rates.

At June 30, 2008 and 2007, the fair value of such investments is as follows:

	($ in thousands)	
Investment type	**2008**	**2007**
Variable rate securities	$ 1,122,899	$735,679
Other asset-backed securities	1,225,163	630,783

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.

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.

Foreign Currency Risk

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

Note 4 — Plan Termination

The Regents intends and expects to continue the Plans indefinitely, but reserves the right to amend or discontinue the Plans at any time by Regental action. The rights of all affected participants to the value of their accounts are nonforfeitable at all times.

The benefits of the Plans 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.

Plan Oversight—The Board of Regents of the University of California

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Chair, Committee on Compensation and member of Committee on Education Policy	Monica Lozano
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University President	Mark G. Yudof

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Chief Investment Officer and Vice President—Investments and Acting Treasurer	Marie N. Berggren
Associate Chief Investment Officer—Investments and Chief Operating Officer	Melvin L. Stanton
Communications Director	Susan Rossi

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Plan Administration Oversight and Executive Vice President—Business Operations	Katherine N. Lapp
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Executive Director—Policy and Program Design	Randolph R. Scott
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Director—Communications	Andy Evangelista

Plan Financial Reporting and Oversight—Financial Management

Assistant Vice President	John Plotts

University Counsel
Barbara A. Clark

Plan Actuary
The Segal Company

Independent Plan Auditor
PricewaterhouseCoopers LLP

Requests for Information

This financial report is designed to provide the Regents, Plans' retirees and others with a general overview of the Plans' financial postures. Questions concerning this report should be addressed to:

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