UNIVERSITY OF CALIFORNIA

Annual Financial Report

Retirement System

13/14

The University of California is dedicated to serving and supporting staff and faculty, and building a work environment where employees feel involved and empowered to offer their best.

UNIVERSITY OF CALIFORNIA

Retirement System
13/14 Annual Financial Report

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UCSF

University of California Retirement System

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

SUMMARY STATEMENT

This section contains information on the University of California Retirement Plan (UCRP), which provides lifetime retirement income, disability income, death benefits and postretirement and preretirement survivor benefits to eligible employees of the University of California (the "University") and its affiliate, Hastings College of the Law, and the survivors and beneficiaries as of and for the fiscal year ended June 30, 2014. Significant statistics relating to UCRP's financial information and membership base as of June 30, 2014, is as follows:

Net position	$52.8 billion
Net investment gain	$8.0 billion
Contributions	$2.2 billion
Benefit payments *(excluding member withdrawals and lump sum cashouts)*	$2.3 billion
Plan administrative and other expenses	$37.6 million
ACTIVE PLAN MEMBERSHIP	
Senate Faculty and Non-Faculty Academics	23,807 members
Management/Senior Professional	10,122 members
Professional/Support Staff	86,639 members
TOTAL	**120,568 members**
AVERAGE ANNUAL SALARY	
Senate Faculty	$127,115
Non-Faculty Academics	$80,943
Management/Senior Professional	$130,217
Professional/Support Staff	$68,267
AVERAGE AGE	
Senate Faculty	50 years
Non-Faculty Academics	44 years
Management/Senior Professional	49 years
Professional/Support Staff	43 years
INACTIVE PLAN MEMBERSHIP / OTHER	
TOTAL	**78,229 members**
RETIREE MEMBERSHIP	
Faculty	5,863 members
Management/Senior Professional	8,675 members
Professional/Support Staff	40,176 members
TOTAL	**54,714 members**
AVERAGE RETIREMENT AGE	
Faculty	64 years
Management/Senior Professional	60 years
Professional/Support Staff	60 years
AVERAGE SERVICE CREDIT AT RETIREMENT	
Faculty	25 years
Management/Senior Professional	22 years
Professional/Support Staff	20 years
AVERAGE ANNUAL UCRP INCOME	
Faculty	$79,355
Management/Senior Professional	$57,065
Professional/Support Staff	$31,374
SURVIVOR/BENEFICIARY	**7,714 members**
DISABLED	**1,763 members**

PLAN OVERVIEW AND ADMINISTRATION

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

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

- Basic retirement income (includes post-retirement survivor benefits) and four alternative monthly payments;
- Lump sum cashout in lieu of monthly retirement income;
- Disability income;
- Death benefits;
- Preretirement survivor benefits.

Further, in lieu of lifetime retirement benefits, members may choose a refund of their accumulated employee contributions and earnings.

At June 30, 2014, active UCRP members included 120,568 employees at the University's ten campuses, five medical centers, Lawrence Berkeley National Laboratory and Hastings College of the Law.

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

Summary plan descriptions are updated periodically to reflect legislative, Plan and administrative changes. These booklets are available online on UCnet (http://ucnet.universityofcalifornia.edu/) or through the local Benefits Offices.

PLAN MEMBERSHIP

Employees participate in UCRP in one of five plan membership categories:

- Members of the 1976 Tier
- Members of the 2013 Tier
- Members of the Modified 2013 Tier
- Safety Members (police and firefighters)
- Tier Two Members

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

ACTIVE AND INACTIVE PLAN MEMBERSHIP

YEAR	1976 TIER	2013 TIER	MODIFIED 2013 TIER	SAFETY MEMBERS	TIER TWO	TOTAL ACTIVE	INACTIVE MEMBERS/OTHERS	TOTAL ACTIVE AND INACTIVE PLAN MEMBERSHIP
2014	106,162[1]	9,510[2]	4,482	404	10	120,568	78,229	198,797
2013	117,922			390	9	118,321	73,589	191,910
2012	116,481			396	11	116,888	67,318	184,206
2011	115,149			404	15	115,568	60,903	176,471
2010	114,496			418	14	114,928	55,037	169,965
2009	115,302			417	26	115,745	54,883	170,628
2008	113,810			411	21	114,242	64,566	178,808
2007	118,433			432	20	118,885	59,056	177,941
2006	121,858			425	34	122,317	52,548	174,865
2005	124,175			418	49	124,642	47,123	171,765

[1] *Includes 739 and 7 plan members of the 1976 Tier and Tier Two categories, respectively, whose service is not coordinated with Social Security.*
[2] *Includes 6 plan members whose 1976 Tier service is not coordinated with Social Security.*

PLAN BENEFITS

UCRP paid approximately $2.3 billion in periodic retirement, disability and preretirement survivor benefits to 64,191 members and their beneficiaries and survivors during fiscal year 2013-2014. The retirement payments described include cost-of-living adjustments and exclude lump sum cashouts and member withdrawals. Payments to survivors include basic death payments and survivor annuities. The table below reflects total benefits paid in each category over the past 10 years.

UCRP BENEFIT PAYMENTS *($ in thousands)*

YEAR ENDED JUNE 30	RETIREMENT	DISABILITY	DEATH & SURVIVOR	TOTAL[1]
2014	$2,240,565	$33,411	$50,271	$2,324,247
2013	2,068,402	34,376	49,212	2,151,990
2012	1,908,831	35,189	47,262	1,991,282
2011	1,761,580	35,298	45,059	1,841,937
2010	1,634,114	35,331	41,129	1,710,574
2009	1,517,717	35,984	39,949	1,593,650
2008	1,403,778	36,098	39,624	1,479,500
2007	1,260,092	35,815	36,487	1,332,394
2006	1,106,711	34,771	34,338	1,175,820
2005	984,816	33,434	33,254	1,051,504

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

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

UCRP BENEFIT RECIPIENTS

YEAR ENDED JUNE 30	RETIRED MEMBERS	DISABLED MEMBERS	SURVIVORS	TOTAL	DECEASED MEMBERS
2014	54,714	1,763	7,714	64,191	1,709
2013	52,300	1,897	7,518	61,715	1,406
2012	49,675	2,000	7,259	58,934	1,377
2011	47,243	2,084	6,969	56,296	1,790
2010	45,111	2,110	6,681	53,902	1,920
2009	42,969	2,157	6,527	51,653	1,659
2008	41,584	2,218	6,369	50,171	1,964
2007	39,261	2,269	6,152	47,682	1,817
2006	37,289	2,269	5,884	45,442	1,686
2005	33,590	2,225	5,662	41,477	1,774

INVESTMENT AND PROXY POLICIES

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

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

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

HISTORICAL INVESTMENT PERFORMANCE*

ANNUALIZED RATES OF RETURN AT JUNE 30, 2014

	1-YEAR	3-YEAR	5-YEAR	10-YEAR
UCRP	**17.42%**	**9.60%**	**12.69%**	**6.91%**
Policy Benchmark	17.12%	8.81%	11.83%	6.48%
U.S. Equity	**25.25%**	**16.66%**	**19.37%**	**7.96%**
Policy Benchmark[1]	25.38%	16.44%	19.27%	8.10%
Developed Equity	**23.02%**	**7.73%**	**12.04%**	**7.45%**
Policy Benchmark[2]	23.83%	7.45%	11.53%	7.06%
Emerging Market Equity	**12.97%**	**0.45%**	**10.37%**	**12.08%**
Policy Benchmark[3]	14.31%	(0.39%)	9.24%	11.94%
Opportunistic Equity	**24.97%**	**N/A**	**N/A**	**N/A**
Policy Benchmark[4]	22.95%	N/A	N/A	N/A
Core Fixed Income	**5.13%**	**4.38%**	**5.65%**	**5.57%**
Policy Benchmark[5]	4.37%	3.66%	4.85%	5.37%
High Yield Bond	**12.08%**	**9.89%**	**14.06%**	**N/A**
Policy Benchmark[6]	11.71%	9.24%	13.80%	N/A
Emerging Market Debt	**7.72%**	**5.20%**	**8.92%**	**N/A**
Policy Benchmark[7]	11.63%	6.42%	9.72%	N/A
TIPS	**4.42%**	**3.74%**	**5.77%**	**5.52%**
Policy Benchmark[8]	4.44%	3.55%	5.55%	5.25%
Private Equity[9]	**24.76%**	**13.98%**	**15.77%**	**13.63%**
Absolute Return Strategies	**14.90%**	**7.00%**	**8.47%**	**N/A**
Policy Benchmark[10]	6.82%	0.74%	2.05%	N/A
Cross-Asset Class Strategy	**15.49%**	**11.35%**	**N/A**	**N/A**
Policy Benchmark[11]	17.12%	8.81%	N/A	N/A
Real Assets	**12.19%**	**5.57%**	**N/A**	**N/A**
Policy Benchmark[12]	12.17%	5.12%	N/A	N/A
Public Real Estate	**12.16%**	**9.95%**	**15.70%**	**N/A**
Policy Benchmark[13]	12.49%	9.11%	17.76%	N/A
Private Real Estate	**12.99%**	**12.70%**	**4.33%**	**N/A**
Policy Benchmark[13]	12.74%	11.99%	4.16%	N/A

* *Also applies to the PERS Plus 5 Plan.*

ASSET CLASS	BENCHMARK COMPONENT	PERCENTAGE
[1] U.S. Equity	Russell 3000 TF Index	23.25
[2] Developed Equity	MSCI World ex-U.S. (net dividends) TF	15.50
[3] Emerging Market Equity	MSCI Emerging Market (net dividends)	6.75
[4] Opportunistic Equity	MSCI All Country World Index (net dividends)	6.50
[5] Core Fixed Income	Barclays U.S. Aggregate Bond Index	12.00
[6] High Yield Bond	Merrill Lynch High Yield Cash Pay Index	2.50
[7] Emerging Market Debt	JP Morgan Emerging Markets Bond Index Global Diversified	2.50
[8] TIPS	Barclays U.S. TIPS	5.50
[9] Private Equity	Actual PE Returns	7.75
[10] Absolute Return Strategies	50% HFRX Absolute Return Index + 50% HFRX Market Directional Index	6.00
[11] Cross-Asset Class Strategy	Aggregate UCRP Policy Benchmark	3.50
[12] Real Assets	Commodities: S&P GSCI Reduced Energy Index; All Other: Actual Portfolio Return	3.00
[13] Real Estate (Public and Private)	Public: FTSE EPRA NAREIT Global Index and Private: NCREIF Funds Index-Open End	5.25


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SUMMARY STATEMENT

This section contains information about the University of California Retirement Savings Program (UCRSP) which consists of four defined contribution plans, two plans structured under §401(a) of the IRC; one plan structured under §403(b) of the IRC and a deferred compensation plan structured under IRC §457(b), collectively referred to as the "UCRSP Plans." The UCRSP Plans were created to provide savings incentives and additional retirement security for eligible University employees. The Defined Contribution Plan (DC Plan) was established by resolution of The Regents to accept after-tax contributions effective July 1, 1967, and pretax contributions effective November 1, 1990. The Regents established the Supplemental Defined Contribution Plan (SDC Plan) effective January 1, 2009 to provide retirement benefits to designated employees of the University and their beneficiaries. The 403(b) Plan, also established by Regental resolution, became effective July 1, 1969. The Regents established the 457(b) Plan effective September 1, 2004. Significant statistics relating to the UCRSP Plans' financial information and membership base as of fiscal year ending June 30, 2014 is as follows:

Net position	$20.0 billion
Total contributions	$1.1 billion
Net investment income	$2.5 billion
Program administrative expenses	$8.8 million

Significant statistics relating to the Plans and their participants as of the 2013-2014 fiscal year-end are as follows:

DEFINED CONTRIBUTION PLAN **Active Plan Participation**	**Participants**
Safe Harbor:	
Academic Faculty	67
Management/Senior Professional	136
Professional/Support Staff	38,834
Total Safe Harbor Participants	**39,037**
Average Safe Harbor monthly contribution	$180
Average Safe Harbor Pretax Account value	$4,406
After-Tax Account:	
Academic Faculty	522
Management/Senior Professional	468
Professional/Support Staff/Other	2,881
Hastings College of the Law	2
Total After Tax Participants	**3,873**
Average After-Tax Account monthly contribution	$278
Average After-Tax Account value	$23,628
Inactive Plan Participation	**161,907**

TAX-DEFERRED 403(b) PLAN **Active Plan Participation**	**Participants**
Academic Faculty	8,786
Management/Senior Professional	10,191
Professional/Support Staff/Other	42,288
Hastings College of the Law	100
Total	**61,365**
Average percent of salary contributed	9.3%
Average monthly contribution	$725
Average Plan Account value	$93,744
Outstanding Loan Program loans	18,194
Aggregate outstanding loan principal	$170.2 million
Inactive Plan Participation	**51,810**

457(b) DEFERRED COMPENSATION PLAN **Active Plan Participation**	**Participants**
Academic Faculty	4,261
Management/Senior Professional	3,415
Professional/Support Staff/Other	8,773
Hastings College of the Law	43
Total	**16,492**
Average monthly contribution	$943
Average Plan Account balance	$65,682
Inactive Plan Participation	**7,768**

PLAN OVERVIEW AND ADMINISTRATION

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

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

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

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

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

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

Fidelity Workplace Services LLC (FWS) acts as the master recordkeeper for the UCRSP Plans. The master recordkeeping and participant services include daily valuation, daily exchanges, processing of distributions, plan loans and withdrawals, administration and a consolidated recordkeeping platform for the Plans and all the funds offered under UCRSP.

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

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

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

Summary plan descriptions are updated periodically to reflect legislative, Plan and administrative changes. These booklets are available online on UCnet (http://ucnet.universityofcalifornia.edu/) or through the local Benefits Offices. They are mailed directly to active participants once every five years.

CONTRIBUTIONS

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

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

Voluntary DC Plan contributions, which employees make on an after-tax basis, are held in the Plan's After-Tax Account. The maximum amount employees may contribute annually as after-tax voluntary contributions is determined by the IRC §415(c) limit. Generally, this amount is the lesser of 100 percent of the participant's adjusted gross University salary or $51,000 in 2013 and $52,000 in 2014. This limit takes into account all annual additions, including any pretax employee and University 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 UCRSP Plans.

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

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

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

INVESTMENTS

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

Proxy Voting Policy

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

Investment Options

In 2013–2014, all UCRSP participants had the following investment options:

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

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

UC CORE FUNDS INVESTMENT PERFORMANCE

UC FUND INVESTMENT PERFORMANCE FOR PERIODS ENDING JUNE 30, 2014

	1-YEAR	3-YEAR	5-YEAR
SINGLE, DIVERSIFIED INVESTMENTS:			
Balanced Growth Fund	**17.04%**	**9.88%**	**12.88%**
Policy Benchmark[1]	16.87%	9.57%	12.64%
Pathway Income Fund	**3.45%**	**2.97%**	**5.57%**
Policy Benchmark[2]	2.92%	2.43%	4.80%
Pathway Fund 2015	**5.17%**	**4.19%**	**7.91%**
Policy Benchmark[2]	4.69%	3.83%	7.38%
Pathway Fund 2020	**8.45%**	**5.63%**	**9.09%**
Policy Benchmark[2]	8.08%	5.38%	8.77%
Pathway Fund 2025	**10.02%**	**6.28%**	**9.86%**
Policy Benchmark[2]	9.68%	6.04%	9.52%
Pathway Fund 2030	**11.43%**	**6.84%**	**10.45%**
Policy Benchmark[2]	11.10%	6.63%	10.18%
Pathway Fund 2035	**12.85%**	**7.42%**	**11.10%**
Policy Benchmark[2]	12.54%	7.21%	10.79%
Pathway Fund 2040	**14.29%**	**7.95%**	**11.53%**
Policy Benchmark[2]	14.01%	7.76%	11.26%
Pathway Fund 2045	**15.77%**	**8.51%**	**12.08%**
Policy Benchmark[2]	15.51%	8.29%	11.79%
Pathway Fund 2050	**17.16%**	**8.99%**	**12.85%**
Policy Benchmark[2]	16.91%	8.79%	12.61%
Pathway Fund 2055	**18.30%**	**9.39%**	**13.62%**
Policy Benchmark[2]	18.10%	9.18%	13.34%
Pathway Fund 2060	**19.40%**	**9.75%**	**14.23%**
Policy Benchmark[2]	19.23%	9.55%	13.96%

	1-YEAR	3-YEAR	5-YEAR
PRIMARY ASSET CLASS OPTIONS:			
Savings Fund	**0.95%**	**1.18%**	**1.59%**
2-Yr U.S. Treasury Notes	0.29%	0.25%	0.47%
TIPS Fund	**4.64%**	**3.67%**	**5.77%**
Policy Benchmark[3]	4.44%	3.55%	5.55%
Bond Fund	**4.86%**	**4.28%**	**5.54%**
Policy Benchmark[4]	4.37%	3.66%	4.85%
Domestic Equity Fund	**25.42%**	**16.55%**	**19.38%**
Policy Benchmark[5]	25.38%	16.44%	19.27%
Equity Fund	**24.96%**	**15.14%**	**18.18%**
Policy Benchmark[6]	25.03%	14.97%	17.98%
International Equity Fund	**24.04%**	**7.82%**	**11.93%**
Policy Benchmark[7]	23.89%	7.47%	11.54%
SPECIALIZED ASSET CLASS OPTIONS:			
Vanguard Small Cap Index Fund	**26.52%**	**16.21%**	**22.36%**
Policy Benchmark: Spliced Small Cap Index	26.14%	16.16%	22.28%
Vanguard REIT Index Fund	**13.40%**	**11.79%**	**23.80%**
Policy Benchmark: MSCI US REIT Index	13.38%	11.85%	23.84%
Vanguard FTSE Social Index Fund	**25.23%**	**18.05%**	**19.76%**
Policy Benchmark: Spliced Social Index	25.24%	18.13%	19.87%
Dreyfus Treasury Prime Cash Management Fund	**0.00%**	**0.00%**	**0.00%**
Policy Benchmark: Lipper Inst US Trs MM IX	0.04%	0.05%	0.08%
DFA Emerging Markets Portfolio	**15.12%**	**0.06%**	**10.08%**
Policy Benchmark: MSCI Emerging Markets Index (net div.)	14.31%	(0.39%)	9.24%

POLICY BENCHMARKS

1 Consists of 48% of the UC Equity Fund, 17% of the MSCI World ex-US TF Index, 5% of the MSCI Emerging Markets Net Index, 4% of the MSCI US REIT Index, 18% of the Barclays US Aggregate Index, and 8% of the Barclays 1-3 Year US TIPS Index.

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

3 Barclays Capital U.S. TIPS Index.

4 Barclays Capital U.S. Aggregate Bond Index.

5 Russell 3000 Tobacco Free (TF) Index.

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

7 MSCI EAFE + Canada Index.

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

NET POSITION BY PLAN AND PARTICIPANT ACCOUNTS BY PLAN

The following tables show the assets, liabilities, net position and the number of participant accounts in each of the Plans as of June 30, 2014. The participant counts reflect the fact that participants may have an account in more than one Plan and may also have more than one account in one or more of the Plans.

(in thousands of dollars)

June 30, 2014	403(b) Plan	DC Plans	457(b) Plan	Total Plans
ASSETS				
UC Core Fund investments	$10,276,054	$3,552,812	$1,331,679	$15,160,545
Investment of securities lending collateral	1,511,520	767,583	116,153	2,395,256
Participants' interests in mutual funds	3,774,000	740,397	530,027	5,044,424
Participant 403(b) Plan loans	170,215			170,215
Other assets	22,424	7,641	1,593	31,658
Total Assets	**15,754,213**	**5,068,433**	**1,979,452**	**22,802,098**
LIABILITIES				
Other liabilities	297,986	54,431	10,876	363,293
Collateral held for securities lending	1,306,401	902,535	185,715	2,394,651
Total Liabilities	**1,604,387**	**956,966**	**196,591**	**2,757,944**
Net Position	**$14,149,826**	**$4,111,467**	**$1,782,861**	**$20,044,154**

PARTICIPATION

At June 30, 2014, the number of active employees contributing to the UC Retirement Savings Program, inactive accounts and the 403(b) Plan participant plan loans was as follows:

June 30, 2014	403(b) Plan	DC Plans	457(b) Plan	Total Plans
ACTIVE ACCOUNTS				
Pretax	61,365		16,492	77,857
Safe Harbor, pretax		39,037		39,037
After-tax		3,873		3,873
Total Active Accounts	**61,365**	**42,910**	**16,492**	**120,767**
Inactive Accounts	**51,810**	**161,907**	**7,768**	**221,485**
Total Participant Accounts	**113,175**	**204,817**	**24,260**	**342,252**
Participant Plan Loans	**18,194**			**18,194**

TAX-DEFERRED 403(b) PLAN LOAN PROGRAM

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

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

The interest rate is fixed at the time the loan is granted and equals the prevailing bank Prime Rate as published by The Wall Street Journal plus 1 percent. During fiscal year 2013–2014, the Loan Program interest rate for new loans was unchanged at 4.25 percent. As of June 30, 2014 the loan rate remained at 4.25 percent.

At June 30, 2014, the aggregate outstanding loan balance of 18,194 active loans was $170.2 million compared to 17,397 active loans with an aggregate outstanding balance of $160.1 million at June 30, 2013.

The following table reflects participant loans funded during ten years ended June 30:

YEAR ENDED JUNE 30	NUMBER OF LOANS FUNDED	$ IN THOUSANDS
2014	6,003	$75,361
2013	5,938	72,417
2012	5,161	62,807
2011	5,150	62,460
2010	5,560	64,253
2009	4,396	48,017
2008	4,162	47,904
2007	3,909	42,267
2006	4,208	46,728
2005	4,224	40,231

Management's Discussion and Analysis *(Unaudited)*

The University of California Retirement System ("UCRS") comprises two defined benefit pension plans and four defined contribution plans. The objective of Management's Discussion and Analysis is to help readers of UCRS' financial statements better understand the financial position and operating activities for the fiscal year ended June 30, 2014, with selected comparative information for the years ended June 30, 2013 and June 30, 2012. This discussion should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2012, 2013, 2014, etc.) in this discussion refer to the fiscal years ended June 30.

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

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

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

The Statements of Changes in Fiduciary Net Position present information showing how UCRS' net position for pension benefits changed during the years ended June 30, 2014 and 2013. It reflects contributions along with investment income (or losses) during the period from investing and securities lending activities. Deductions for retirement benefits, withdrawals, cost-of-living adjustments, survivor, disability and death benefits, and administrative expenses are also presented.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Required Supplementary Information contains schedules with actuarial information, the net pension liability and contributions for University of California Retirement Plan (UCRP) and the Voluntary Early Retirement Incentive Program (PERS Plus 5 Plan) defined benefit plans.

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

Financial Highlights, Results and Analysis

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

(in thousands of dollars)

	UCRP			UCRSP			PERS PLUS 5		
JUNE 30	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
ASSETS									
Investments (including Short Term Investment Pool)	$53,515,771	$45,894,422	$42,066,296	$15,160,545	$14,145,161	$12,279,193	$71,288	$65,228	$63,189
Investment of securities lending collateral	4,162,452	4,229,966	5,409,671	2,395,256	2,304,152	2,127,626	5,564	6,010	8,141
Participants' interests in mutual funds				5,044,424	3,738,538	4,426,842			
Participant 403(b) Plan loans				170,215	160,068	146,055			
Receivables	261,451	243,895	1,125,409	31,658	34,415	292,803	87	105	1,141
Total Assets	**57,939,674**	**50,368,283**	**48,601,376**	**22,802,098**	**20,382,334**	**19,272,519**	**76,939**	**71,343**	**72,471**
LIABILITIES									
Payable for securities purchased, member withdrawals, refunds and other payables	994,407	797,860	1,387,208	363,293	286,279	548,843	1,414	1,231	2,090
Collateral held for securities lending	4,161,400	4,229,697	5,407,683	2,394,651	2,304,007	2,126,844	5,563	6,010	8,138
Total Liabilities	**5,155,807**	**5,027,557**	**6,794,891**	**2,757,944**	**2,590,286**	**2,675,687**	**6,977**	**7,241**	**10,228**
Net Position	**$52,783,867**	**$45,340,726**	**$41,806,485**	**$20,044,154**	**$17,792,048**	**$16,596,832**	**$69,962**	**$64,102**	**$62,243**

(in thousands of dollars)

	UCRP			UCRSP			PERS PLUS 5		
YEAR ENDED JUNE 30	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**	**2014**	**2013**	**2012**
ADDITIONS									
University contributions	$ 1,580,876	$ 810,056	$ 1,851,459	$ 6,198	$ 2,877	$ 6,252			
Member and participant contributions	577,466	415,641	272,421	1,051,172	947,409	971,497			
Investment income	8,007,619	4,830,307	112,209	2,463,695	1,520,579	198,409	$11,035	$ 7,144	$ 91
Other	2,361	3,032	3,652						
Total Additions	**10,168,322**	**6,059,036**	**2,239,741**	**3,521,065**	**2,470,865**	**1,176,158**	**11,035**	**7,144**	**91**
DEDUCTIONS									
Retirement, cost-of-living adjustments, lump sum cashouts, survivor, disability and death payments	2,578,054	2,391,299	2,179,081				5,169	5,278	5,369
Member withdrawals	109,486	96,070	93,992						
Other benefit payments				1,260,155	1,268,234	846,375			
Administrative and other expenses	37,641	37,426	32,838	8,804	7,415	8,566	6	7	7
Total Deductions	**2,725,181**	**2,524,795**	**2,305,911**	**1,268,959**	**1,275,649**	**854,941**	**5,175**	**5,285**	**5,376**
Increase (Decrease) in Net Position	7,443,141	3,534,241	(66,170)	2,252,106	1,195,216	321,217	5,860	1,859	(5,285)
Net Position									
Beginning of Year	45,340,726	41,806,485	41,872,655	17,792,048	16,596,832	16,275,615	64,102	62,243	67,528
End of Year	**$52,783,867**	**$45,340,726**	**$41,806,485**	**$20,044,154**	**$17,792,048**	**$16,596,832**	**$69,962**	**$64,102**	**$62,243**

The Plan adopted the provisions of Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans, during the year ended June 30, 2014. The adoption of this standard resulted in changes to the information presented in the footnotes to the financial statements and required supplementary information for the Plan, therefore, the footnotes and supplementary information for 2013 and 2012 have been revised to conform to the current year presentation.

UCRP

UCRP's net position at June 30, 2014, was $52.8 billion compared to $45.3 billion at June 30, 2013 and $41.8 billion at June 30, 2012. The net position is available to meet UCRP's ongoing obligations to plan members, retirees and their beneficiaries. The net position of UCRP increased by $7.5 billion or 16.4 percent in 2014 compared to an increase of $3.5 billion or 8.5 percent in 2013 and a decrease of $66.2 million or (0.2) percent in 2012.

The net pension liability is measured as the total pension liability, less the Plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the Plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

As of June 30, 2014, 2013 and 2012, the net pension liability was $7.7 billion, $12.4 billion and $16.3 billion, respectively. The ratio of plan net position to total pension liability was 87.2 percent, 78.6 percent and 72.0 percent as of June 30, 2014, 2013 and 2012, respectively. For June 30, 2014, this indicates that, for every dollar of total pension liability, Plan assets of $0.87 are available to cover such obligations as compared to $0.79 at July 1, 2013 and $0.72 at July 1, 2012.

The changes in net pension liability have been primarily driven by the investment performance of the Plan's investment portfolio. The Plan's total investment rate of return was 17.4 percent in 2014, 11.7 percent in 2013 and 0.4 percent in 2012. The discount rate used to estimate the net pension liability as of June 30, 2014, 2013 and 2012 was 7.5 percent, 7.5 percent and 7.0 percent, respectively.

An analysis of the funding progress and University contributions and a discussion of actuarial assumptions and methods is set forth in the required supplementary information section of the financial statements. While all of UCRP's assets are available to pay any member's benefits, assets and liabilities for the campus and medical center segment of UCRP are internally tracked separately from the Department of Energy (DOE) national laboratory segment of UCRP and the DOE has a continuing obligation to fund UCRP benefits for the laboratory segment retirees.

Investments

The Office of the Chief Investment Officer provides quarterly investment performance reports to The Regents that include investment performance returns related to each specific asset class as approved under UCRP's investment policy. UCRP's total investment rate of return was 17.4 percent in 2014 compared to 11.7 percent in 2013 and 0.4 percent in 2012, compared to UCRPs' total fund policy benchmark returns of 17.1 percent, 10.7 percent and (0.6) percent, respectively.

During the first fiscal year quarter ended September 30, 2013, UCRP investments rose 5.4 percent, and riskier assets outperformed other assets as the Federal Reserve Board postponed tapering of its quantitative easing program. Non-U.S. developed country equities were the strongest performers followed by U.S. equity and emerging market equities. Fixed income markets posted mild gains after being down for most of the quarter.

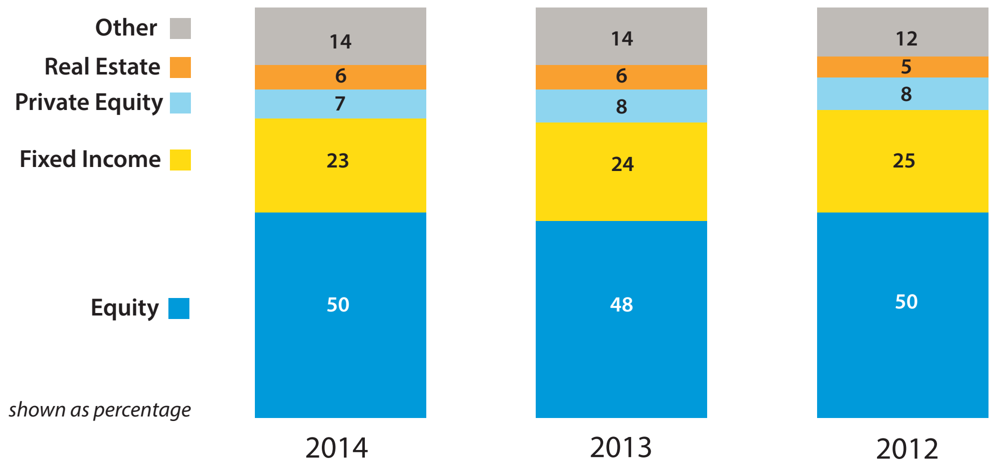
By the end of the second quarter ended December 31, 2013, UCRP investments had risen 5.1 percent because of improving economic fundamentals and government resolutions, and forward guidance from the Federal Reserve Board strengthened investor sentiment and led to increases in the broad markets through year end. In October, equity markets were at new highs given the resolution over the government shutdown and debt ceiling. In November 2013, the equities markets continued the upward trend and in December 2013, the Federal Reserve Board announced it would begin to taper in January. This news was positively received and most of the markets closed out the year with a rally.

As the third quarter began, the euphoria of 2013 didn't carry into the start of the year as markets posted losses for the month of January, given concerns over emerging markets and central bank policies. In February 2014, there was a reversal and markets erased most of their losses as the Fed affirmed its stance on accommodative monetary policy.

In March 2014, performance was relatively flat across most of the equity markets, resulting in modest gains for the quarter resulting in a 1.8 percent return for UCRP. Despite a difficult start in April 2014, with a troubling global environment from conflicts in Russia-Ukraine and the Middle East, U.S. and global equities continued to rally in the quarter ended

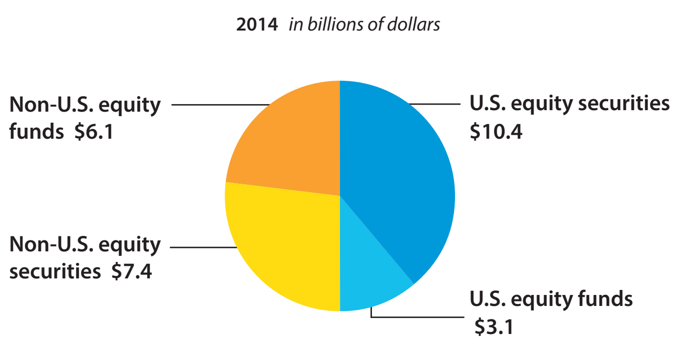
June 30, 2014. Emerging markets led the way as the best performing asset class. Global bond yields declined near historic lows with the background of mixed U.S. economic data and global conflict. The UCRP investment return for the quarter was 4.1 percent.

The asset allocation for UCRP's investment portfolio as of June 30, 2014, 2013 and 2012 is as follows:



Equity Portfolio

The $27.0 billion equity portfolio (including commingled equity funds) is diversified across multiple strategic global economic and industry sectors within actively managed accounts of equity securities and passively managed index funds. Of the equity portfolio, $17.8 billion, or 66.0 percent, was invested in U.S. and non-U.S. equity securities and $9.2 billion, or 34.0 percent, was invested in U.S. and non-U.S. equity commingled funds. Combined, U.S. equity securities and U.S. equity funds totaled $13.5 billion, or 50.0 percent and foreign equity securities and non-U.S. equity commingled funds totaled $13.5 billion, or 50.0 percent.

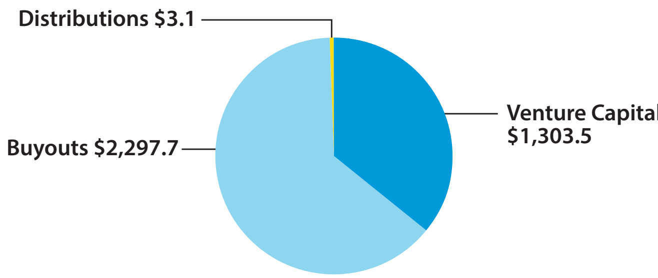


The U.S. equity portfolio return was 25.3 percent in 2014, 22.1 percent in 2013 and 3.8 percent in 2012, compared to the domestic equity policy benchmark returns of 25.4 percent, 21.8 percent and 3.4 percent, respectively. The non-U.S. equity (developed countries) portfolio return was 23.0 percent in 2014, 17.8 percent in 2013 and (13.7) percent in 2012, compared to the non-U.S. equity policy benchmark returns of 23.8 percent, 17.3 percent and (14.6) percent, respectively. The non-U.S. equity (emerging market countries) portfolio return was 13.0 percent in 2014, 4.04 percent in 2013 and (13.8) percent in 2012, compared to the benchmark returns of 14.3 percent, 2.9 percent and (16.0) percent.

Private Equity Portfolio

The $3.6 billion private equity segment is invested in venture capital partnerships, buyout funds and international private equity. The private equity segment includes $1.3 billion in venture capital, $2.3 billion in buyout funds and $3.1 million in common stock distributions. The private equity portfolio return was 24.8 percent in 2014, 9.0 percent in 2013 and 8.9 percent in 2012.

2014 *in millions of dollars*



Fixed Income Portfolio

The Fixed Income Portfolio of $12.3 billion is invested primarily in high quality, call-protected, global bonds. The Fixed Income Portfolio is comprised of U.S. government-guaranteed, fixed-income securities of $3.9 billion, or 32.0 percent, other U.S. dollar-denominated fixed-income securities of $7.0 billion, or 57.4 percent, foreign currency-denominated corporate fixed-income securities of $17.8 million, or 0.1 percent and U.S. and non-U.S. bond funds of $1.3 billion, or 10.5 percent.

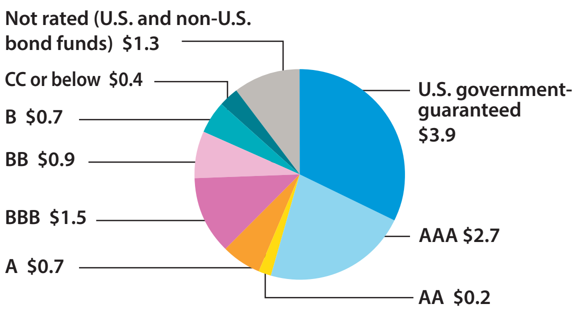
At June 30, 2014, UCRP held $8.1 billion in U.S. government (excluding the TIPS portfolio), and other U.S. dollar-denominated and non-U.S. fixed-income securities, compared to $6.9 billion at June 30, 2013 and $6.8 billion at June 30, 2012. The U.S. Core Fixed Income Portfolio (excluding TIPS portfolio) earned a total return of 5.1 percent in 2014, 1.0 percent in 2013 and 7.1 percent in 2012, compared to UCRPs' fixed-income policy benchmark returns of 4.4 percent, (0.7) percent and 7.5 percent, respectively.

At June 30, 2014, UCRP held $2.9 billion in the TIPS portfolio, compared to $2.7 billion at June 30, 2013 and $2.8 billion at June 30, 2012. The TIPS portfolio earned a total return of 4.4 percent in 2014, (4.4) percent in 2013 and 11.8 percent in 2012, compared to UCRPs' TIPS policy benchmark returns of 4.4 percent, (4.8) percent and 11.7 percent, respectively.

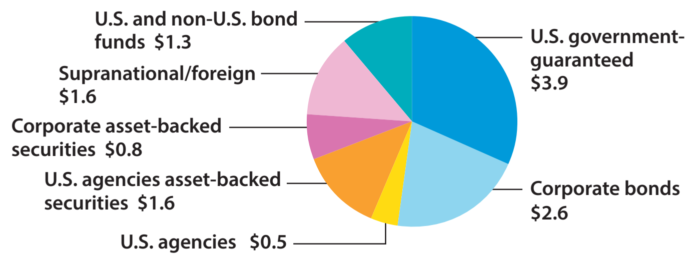
Approximately 32.0 percent of the $12.3 billion Fixed Income Portfolio consists of U.S. government-guaranteed securities, and 57.4 percent of the portfolio consists of high quality corporate issues rated investment-grade or better and government agency and asset-backed securities. The balance of the Fixed Income Portfolio is comprised of U.S. and non-U.S. bond funds and other lower quality fixed-income securities.

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

QUALITY*



DIVERSIFICATION



2014 *in billions of dollars*

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

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

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

The effective duration of the fixed-income securities rated AAA to A as of June 30, 2014, was 4.8, and the weighted average quality rating was AA/A. The high-yield fixed-income securities had an effective duration of 3.8, and weighted average quality of BB/B. The emerging market fixed-income securities had an effective duration of 6.3, and weighted average quality of BBB/BB.

Real Estate and Other Portfolios

At June 30, 2014, UCRP held $2.9 billion in institutional private and public real estate investments compared to $2.4 billion in 2013 and $2.3 billion in 2012. The private real estate portfolio earned a total return of 13.0 percent in 2014 compared to 10.5 percent in 2013 and 14.7 percent in 2012, compared to policy benchmark returns of 12.7 percent, 9.7 percent and 13.6 percent, respectively. The public real estate portfolio earned a total return of 12.2 percent in 2014, 12.7 percent in 2013 and 5.1 percent in 2012, compared to UCRP's public real estate policy benchmark returns of 12.5 percent, 14.19 percent and 1.1 percent, respectively.

At June 30, 2014, UCRP also held $3.5 billion in absolute return diversified and cross-asset class investments compared to $4.0 billion in 2013 and $3.2 billion in 2012. The absolute return diversified segment earned a total return of 14.9 percent in 2014 compared to 8.8 percent in 2013 and (2.0) percent in 2012, compared to policy benchmark returns of 6.8 percent, 5.5 percent and (9.3) percent, respectively. The absolute return cross-asset class segment earned a total return of 15.5 percent in 2014, 7.3 percent in 2013 and 11.1 percent in 2012 compared to UCRP's absolute return cross-asset class policy benchmark returns of 17.1 percent, 10.7 percent and (0.6) percent, respectively. Separately, at June 30, 2014, UCRP held $1.4 billion in real asset investments compared to $872.3 million in 2013 and $531.9 million in 2012. The real asset segment earned a total return of 12.2 percent in 2014 compared to 4.2 percent in 2013 and 1.5 percent in 2012, compared to real asset policy benchmark returns of 12.2 percent in 2014 and 2.3 percent in 2013 and 1.7 percent in 2012. For liquidity purposes, UCRP held $2.7 billion in money market funds in 2014 compared to $2.5 billion in 2013 and $1.3 billion in 2012.

UCRSP PLANS

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

UCRSP Plans' net position as of June 30, 2014 amounted to $20.0 billion compared to $17.8 billion at June 30, 2013 and $16.6 billion at June 30, 2012. Additions to UCRSP Plans' net position include contributions, rollovers and investment income. Participant and University contributions, and rollovers for 2014 amounted to $1.1 billion compared to $950.3 million in 2013 and $977.7 million in 2012.

UCRSP Plans recognized net investment income of $2.5 billion in 2014 compared to net investment income of $1.5 billion in 2013 and net investment income of $198.4 million in 2012. The investment gains for 2013 and 2012 reflect positive investment performance in the global equity markets.

Deductions from UCRSP Plans' net position includes benefit payments to participants, participant withdrawals and administrative expenses. For 2014, deductions were $1.3 billion compared to $1.3 billion in 2013 and $854.9 million in 2012. The deductions fluctuate based upon withdrawals due to retirements and other factors including minimum required distributions and rollovers out of UCRSP Plans.

The investments of UCRSP, overseen by the Chief Investment Officer, are available to the securities lending program as a means to augment income. Cash collateral fluctuates in response to changes in demand from borrowers and the availability of securities. UCRSP Plans' investment of cash collateral received for securities lending totaled $2.4 billion at June 30, 2014, compared to $2.3 billion at June 30, 2013 and $2.1 billion at June 30, 2012. Securities lending activity contributed $13.0 million in net investment income, after fees and rebates, in 2014, compared to $11.9 million in 2013 and $15.3 million in 2012.

PERS PLUS 5 PLAN

The PERS Plus 5 Plan provides retirement benefits to UC-PERS members who elected early retirement under the provisions of the Plan. The net position is available to meet the Plan's ongoing obligations to Plan retirees and their beneficiaries. Plan benefits are funded by investment income. There were no University contributions during the fiscal years ending 2012 through 2014. Retirement benefit payments and other administrative expenses were the only deductions from the PERS Plus 5 Plan net position. For 2014, deductions were $5.2 million compared to $5.3 million in 2013 and $5.4 million in 2012.

As of June 30, 2014, 2013 and 2012, the PERS Plus 5 net pension surplus was $31.6 million, $23.0 million and $18.7 million, respectively. The net position of the PERS Plus 5 Plan at June 30, 2014, was $70.0 million, compared to $64.1 million at June 30, 2013 and $62.2 million at June 30, 2012. The ratio of plan net position to total pension liability was 182.4 percent, 155.9 percent and 142.8 percent as of June 30, 2014, 2013 and 2012, respectively. For June 30, 2014, this indicates that, for every dollar of total pension liability, Plan assets of $1.82 are available to cover such obligations as compared to $1.56 at July 1, 2013 and $1.43 at July 1, 2012.

The changes in net pension liability have been primarily driven by the investment performance of the PERS Plus 5 investment portfolio. The PERS Plus 5's total investment rate of return was 17.4 percent in 2014, 11.7 percent in 2013 and 0.4 percent in 2012. The discount rate used to estimate the net pension liability as of June 30, 2014, 2013 and 2012 was 7.5 percent for all years.

LOOKING FORWARD

UCRP costs are funded by a combination of investment earnings, employee member and employer contributions. The unfunded liability for the campuses and medical centers as of the July 1, 2014 actuarial valuation on a market value basis is estimated to be $7 billion or 86 percent funded. Total funding policy contributions as of the July 1, 2014 actuarial valuation are estimated to be 29 percent of covered compensation in July 2013. Member contributions for the employees in the new benefit tier are 7.0 percent, and the employer rate is uniform across all members. On July 1, 2014 employer contributions increased to 14.0 percent and employee contributions for most employees to 8.0 percent. In July 2014, The Regents authorized additional contributions of $700 million to UCRP, representing the difference between the contribution rates and the funding requirements, to improve the Plan's funded status. The additional $700 million contribution to UCRP is projected to result in a 95 percent funded status by July 1, 2042.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

Independent Auditors' Report

THE BOARD OF REGENTS
UNIVERSITY OF CALIFORNIA

We have audited the accompanying financial statements of the University of California Retirement Plan (UCRP), the University of California Retirement Savings Program (UCRSP), and the University of California Voluntary Early Retirement Incentive Program (PERS Plus 5), (individually referred to as the Plans), administered by the University of California Retirement System (the System) which comprise the statements of fiduciary net position as of June 30, 2014, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements for each plan.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on the respective financial statements for each plan based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements for each plan are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the University of California Retirement Plan (UCRP), the University of California Retirement Savings Program (UCRSP), and the University of California Voluntary Early Retirement Incentive Program (PERS Plus 5) as of June 30, 2014, and the respective changes in fiduciary net position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2014, the Plans adopted the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. Our opinions are not modified with respect to this matter.

Other Matters

June 30, 2013 Financial Statements

The accompanying financial statements of the University of California Retirement Plan (UCRP), the University of California Retirement Savings Program (UCRSP), and the University of California Voluntary Early Retirement Incentive Program (PERS Plus 5) as of June 30, 2013, and for the year then ended were audited by other auditors whose report thereon dated October 9, 2013, expressed unmodified opinions on those financial statements.

As part of our audits of the 2014 financial statements of UCRP and PERS Plus 5, we also audited the 2013 disclosures related to the net pension liability discussed in Note 7 that resulted from the adoption of a new accounting pronouncement as described in Note 1. In our opinion, such disclosures are appropriate and have been properly presented. We were not engaged to audit, review, or apply any procedures to the 2013 financial statements of the Plans other than with respect to the disclosure of the net pension liability and, accordingly, we do not express opinions or any other form of assurance on the 2013 financial statements.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 17 through 23, the schedules of changes in net pension liability, net pension liability, contributions and investment returns on pages 53 through 56 be presented to supplement the respective basic financial statements for each plan. Such information, although not a part of the respective basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the respective basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the respective basic financial statements, and other knowledge we obtained during our audits of the respective basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2014, on our consideration of the System's internal control over the Plans' financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over the Plan's financial reporting and compliance.

KPMG LLP

LOS ANGELES, CALIFORNIA
NOVEMBER 5, 2014

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM

STATEMENTS OF FIDUCIARY NET POSITION

At June 30, 2014 and 2013 (in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2014	2013	2014	2013	2014	2013
ASSETS						
Investments, at fair value:						
Equity securities:						
Domestic	$10,433,375	$ 9,177,832	$ 4,566,381	$ 3,542,214	$13,949	$13,041
Foreign	7,358,212	6,411,684	1,737,712	1,149,350	9,836	9,111
Fixed-income securities:						
U.S. government	3,925,473	3,333,771	2,729,880	2,715,334	5,247	4,736
Other U.S. dollar-denominated	7,046,381	6,096,659	4,060,002	3,887,973	9,421	8,664
Foreign	17,816	249,555			24	355
Commingled funds	21,750,053	18,178,400	1,946,506	2,513,399	28,845	25,845
Real estate	2,839,019	2,407,865			3,772	3,421
Publicly traded real estate investment trusts	104,727				140	
Insurance company contracts (at contract value)			119,797	337,678		
Investment derivatives	40,715	38,656	267	(787)	54	55
Total Investments	**53,515,771**	**45,894,422**	**15,160,545**	**14,145,161**	**71,288**	**65,228**
Investment of cash collateral for securities lending	4,162,452	4,229,966	2,395,256	2,304,152	5,564	6,010
Participants' interests in mutual funds			5,044,424	3,738,538		
Participant 403(b) Plan loans			170,215	160,068		
Receivables:						
Contributions	135,269	111,395	10	70		
Interest and dividends	61,440	63,675	24,389	30,096	82	90
Securities sales and other	64,742	68,825	7,259	4,249	5	15
Total Receivables	**261,451**	**243,895**	**31,658**	**34,415**	**87**	**105**
Total Assets	**57,939,674**	**50,368,283**	**22,802,098**	**20,382,334**	**76,939**	**71,343**
LIABILITIES						
Payable for securities purchased	725,929	552,897	356,805	283,203	965	785
Member withdrawals, refunds and other payables	268,478	244,963	6,488	3,076	449	446
Collateral held for securities lending	4,161,400	4,229,697	2,394,651	2,304,007	5,563	6,010
Total Liabilities	**5,155,807**	**5,027,557**	**2,757,944**	**2,590,286**	**6,977**	**7,241**
Net Position Restricted for Pension Benefits	**$52,783,867**	**$45,340,726**	**$20,044,154**	**$17,792,048**	**$69,962**	**$64,102**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the years ended June 30, 2014 and 2013 (in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2014	2013	2014	2013	2014	2013
ADDITIONS						
Contributions:						
University	$ 1,580,876	$ 810,056	$ 6,198	$ 2,877		
Members	577,466	415,641				
Participants			1,051,172	947,409		
Total Contributions	**2,158,342**	**1,225,697**	**1,057,370**	**950,286**		
Investment Income:						
Net appreciation in fair value of investments	7,170,667	3,990,041	1,957,077	1,110,169	$ 9,874	$ 5,871
Interest, dividends and other investment income	809,821	809,226	493,576	398,557	1,124	1,228
Securities lending income	32,160	40,049	15,460	15,294	44	58
Less securities lending fees and rebates	(5,029)	(9,009)	(2,418)	(3,441)	(7)	(13)
Total Investment Income	**8,007,619**	**4,830,307**	**2,463,695**	**1,520,579**	**11,035**	**7,144**
Interest income from contributions receivable	2,361	3,032				
Total Additions	**10,168,322**	**6,059,036**	**3,521,065**	**2,470,865**	**11,035**	**7,144**
DEDUCTIONS						
Benefit Deductions:						
Retirement payments	1,870,565	1,730,325			5,169	5,278
Member withdrawals	109,486	96,070				
Cost-of-living adjustments	370,000	338,077				
Lump sum cashouts	253,807	239,309				
Preretirement survivor payments	41,995	40,424				
Disability payments	33,411	34,376				
Death payments	8,276	8,788				
UCRSP benefit payments and participant withdrawals			1,260,155	1,268,234		
Total Benefit Deductions	**2,687,540**	**2,487,369**	**1,260,155**	**1,268,234**	**5,169**	**5,278**
Other Deductions:						
Plan administration	33,564	33,349	8,804	7,354	6	7
Other	4,077	4,077		61		
Total Other Deductions	**37,641**	**37,426**	**8,804**	**7,415**	**6**	**7**
Total Deductions	**2,725,181**	**2,524,795**	**1,268,959**	**1,275,649**	**5,175**	**5,285**
Increase in Net Position	**7,443,141**	**3,534,241**	**2,252,106**	**1,195,216**	**5,860**	**1,859**
NET POSITION RESTRICTED FOR PENSION BENEFITS						
Beginning of Year	45,340,726	41,806,485	17,792,048	16,596,832	64,102	62,243
End of Year	**$52,783,867**	**$45,340,726**	**$20,044,154**	**$17,792,048**	**$69,962**	**$64,102**

See accompanying notes to financial statements.

Notes to Financial Statements

Years ended June 30, 2014 and 2013

NOTE 1 — DESCRIPTION OF THE PLANS AND SIGNIFICANT ACCOUNTING POLICIES

General Introduction

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

UCRP

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

Established in 1961, membership in UCRP is required for all employees appointed to work at least 50 percent time for one year or more or for an indefinite period. Employees with limited appointments, employees in contract positions, employees in "non-career" positions at the Department of Energy's (DOE) Lawrence Berkeley National Laboratory (LBNL). LBNL is a member of the national laboratory system supported by the U.S. Department of Energy through its Office of Science. It is managed by the University of California and is charged with conducting unclassified research across a wide range of scientific disciplines. Certain academic employees are eligible for UCRP membership after working 1,000 hours (750 hours for the Non-Senate Instructional Unit) in a continuous 12-month period.

Generally, five years of service are required for entitlement to UCRP benefits. The amount of the monthly pension benefit is determined under the basic formula of covered compensation times age factor times years of service credit. The maximum monthly benefit cannot exceed 100 percent of the employee's eligible highest average plan compensation over a 36-month period. The annual benefit is also subject to limitations established by IRC §415. Annual cost-of-living adjustments (COLAs) are made to monthly retirement benefits according to a specified formula based on the Consumer Price Index (CPI). Ad hoc COLAs may be granted subject to funding availability. Service accrued by a member with coordinated or noncoordinated benefits before July 1, 2013 is deemed to have been accrued in the "1976 Tier". If the member continues as an eligible employee after June 30, 2013, the member continues to accrue in the 1976 Tier until they incur a break of service.

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

Effective July 1, 2013, UCRP was amended to provide a new tier of pension benefits applicable to employees hired, or who returned to work after a break in service, on or after July 1, 2013 ("2013 Tier"). In the 2013 Tier, the earliest retirement age was increased from 50 to 55 and the age for the maximum age factor was increased to 65. There are no lump sum cashouts, inactive member COLAs or subsidized survivor annuities for spouses and domestic partners for 2013 Tier members.

Members' contributions are recorded separately and accrue interest at a rate determined by The Regents. Currently, member contributions accrue interest at an annual compounded rate of 6.0 percent, credited monthly. Upon termination, members may elect a refund of their contributions plus accumulated interest (and their Capital Accumulation Payment (CAP) balance if any); vested terminated members who are eligible to retire may also elect a lump sum payment (excluding 2013 Tier) equal to the actuarially equivalent present value of their accrued benefits. Both actions forfeit the member's right to monthly benefits based on the same service credit.

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

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

At June 30, 2014 and 2013, the plan membership included:

	UCRP RETIREES AND MEMBERS	
	2014	2013
Retirees and beneficiaries receiving benefits	64,191	61,715
Inactive plan members entitled to, but not yet receiving benefits	78,229	73,589
Active plan members:		
Vested	75,948	75,091
Nonvested	44,620	43,230
Total active plan members	120,568	118,321
Total membership	**262,988**	**253,625**

Employer contributions are made to UCRP on behalf of all members. The annual rate of University contributions is established pursuant to The Regents' funding policy (see Note 5 on page 50).

UCRSP

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

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

The primary asset class options include:

- Savings Fund
- ICC Fund
- Bond Fund
- TIPS ("Treasury Inflation Protected Securities") Fund
- Short Term TIPS Fund
- Domestic Equity Index Fund
- Equity Fund
- International Equity Index Fund

The specialized asset class options include:

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

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

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

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

Defined Contribution Plan

The University makes DC Plan retirement contributions on the summer or equivalent term salaries of eligible academic employees who teach, conduct research or provide administrative service during the summer session or an equivalent term. To be eligible, employees must hold academic year appointments and be active members of UCRP or another defined benefit plan to which the University contributes. The contribution rate is 7.0 percent of eligible salary, of which 3.5 percent is University-paid and 3.5 percent is employee-paid, both on a pretax basis. The University may also contribute 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 their gross salary (up to the Social Security wage base) to the Plan in lieu of deductions for Social Security taxes.

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

Tax-Deferred 403(b) Plan

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

Annual salary deferral contribution limits for the 403(b) Plan during fiscal year 2013–2014, were as follows: the maximum annual contribution limit for participants under age 50 for the calendar years 2013 and 2014, was $17,500, (or 100 percent of adjusted gross salary, if less). For participants age 50 or older, the annual contribution limit was $23,000 for calendar years 2013 and 2014, (or 100 percent of adjusted gross salary, if less). Participants with 15 or more years of service may be able to increase their limit under additional catch-up provisions.

457(b) Deferred Compensation Plan

The 457(b) Plan is available to all University employees except students who normally work less than 20 hours per week. Taxes on contributions (deferred compensation) and earnings thereon are deferred until the accumulations are withdrawn. The University may also make 457(b) Deferred Compensation Plan contributions on behalf of eligible senior managers. The deferred compensation limits for the 457(b) Deferred Compensation Plan were the same as the 403(b) Plan limits (described in the previous paragraph) during fiscal year 2013-2014.

University of California Voluntary Early Retirement Incentive Program

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

Generally, to participate in the PERS Plus 5 Plan, an eligible employee was required to elect concurrent retirement under CalPERS and the PERS Plus 5 Plan effective October 1, 1991, and must have had a combined age plus service credit equal to 80 years as of September 30, 1991, if classified as a Qualified Academic Senate Faculty Member, or equal to 75 years if not classified as a Qualified Academic Senate Faculty Member. Of 1,579 eligible employees, 879 elected to retire under the PERS Plus 5 Plan. As of June 30, 2014 and 2013, there were 614 and 634 retirees and beneficiaries, respectively, receiving benefits under the PERS Plus 5 Plan.

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

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

Basis of Accounting

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles using the economic resources measurement focus and the accrual basis of accounting. The Plans follow accounting principles issued by the Governmental Accounting Standards Board (GASB).

The provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, was adopted during the year ended June 30, 2014. Statement No. 67 revises existing standards for financial reporting for pension plans by changing the approach to measuring the net pension liability. The net pension liability is measured as the total defined benefit pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are projected to be available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not projected to be available. The adoption of the provisions of Statement No. 67 resulted in changes to the information presented in the footnotes to the financial statements and required supplementary information for UCRP and the PERS Plus 5 Plan.

Valuation of Investments

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

Investments authorized by The Regents for the UCRS Plans include equity securities, fixed-income securities and certain other asset classes. The equity portion of the investment portfolios include both domestic and foreign common and preferred stocks which may be included in actively or passively managed strategies, along with a modest exposure to private equities. The UCRS Plans' investment portfolios may include 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. Real estate investments are authorized for the UCRS Plans. Absolute return strategies, which may incorporate short sales, plus derivative positions to implement or hedge an investment position, are also authorized for the UCRS Plans.

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

Derivative instruments are reported at fair value. Futures contracts that are traded on an exchange are valued at the last sales price on the last day of the fiscal year, as quoted on a recognized exchange or utilizing an industry standard pricing service, when available. Foreign currency contracts, interest rate swaps and total return swaps are valued using industry standard pricing service when available or by discounted expected future net cash flows.

Accounting for Investments

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Dividend income is recorded on the ex-dividend date and interest income is accrued as earned.

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

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

Administrative Expenses

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

UCRP administrative expenses totaled approximately $37.6 million or 0.07 percent and $37.4 million or 0.08 percent, of the fiduciary net position for fiscal years 2014 and 2013, respectively.

Under UCRSP, plan administrative fees are deducted from income on University managed investment funds before calculating unit values and interest factors. Administrative fees are used to pay investment management and investor education, accounting, audit, legal, custodial and recordkeeping services. Revenue sharing from certain mutual funds is also applied against recordkeeping costs. For the fiscal years ended June 30, 2014 and 2013, administrative expenses totaled $8.8 million and $7.4 million, respectively.

Reasonable administrative expenses are assessed to the PERS Plus 5 Plan through an annual account servicing charge of $10 per retiree.

Status under the IRC

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

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

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

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

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

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

Use of Estimates in the Preparation of Financial Statements

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

NOTE 2 — INVESTMENTS

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

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

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

The fixed-income portion of the investment portfolios may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities. Fixed-income investment guidelines permit the use of futures and options on fixed-income instruments in the ongoing management of the portfolios. Real estate investments are authorized for the UCRS Plans. Absolute return strategies, which may incorporate short sales, plus derivative positions to implement or hedge an investment position, are also authorized for the UCRS Plans.

The following was The Regents' adopted target asset allocation policy for the UCRP investment pool (including the PERS Plus 5 Plan assets) as of June 30, 2014:

	TARGET ALLOCATION
Asset class	
U.S. Equity	23.3%
Developed Equity	15.5%
Emerging Market Equity	6.7%
U.S. Core Fixed Income	12.0%
High Yield Debt	2.5%
Emerging Market Debt	2.5%
TIPS	5.5%
Private Equity	7.7%
Absolute Return Strategies	6.0%
Cross-Asset Class Strategy	3.5%
Opportunistic Equity	6.5%
Real Assets	3.0%
Real Estate (Public and Private)	5.3%
Total	**100.0%**

The composition of investments and derivative instruments, by investment type at June 30, 2014 and 2013 is as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2014	2013	2014	2013	2014	2013
Equity securities:						
Domestic	$10,433,375	$ 9,177,832	$ 4,566,381	$ 3,542,214	$13,949	$13,041
Foreign	7,358,212	6,411,684	1,737,712	1,149,350	9,836	9,111
Equity Securities	**17,791,587**	**15,589,516**	**6,304,093**	**4,691,564**	**23,785**	**22,152**
Fixed-income securities:						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	601,063	195,164	2,000,745	1,962,174	803	277
U.S. Treasury strips	462,106	394,907	99,970	91,418	618	561
U.S. TIPS	2,851,031	2,731,391	629,165	661,742	3,811	3,881
U.S. government-backed securities	11,273	12,309			15	17
Fixed-Income Securities	**3,925,473**	**3,333,771**	**2,729,880**	**2,715,334**	**5,247**	**4,736**
Other U.S. dollar-denominated:						
Corporate bonds	2,559,743	2,049,222	507,386	407,942	3,423	2,912
U.S. agencies	468,143	854,845	2,417,875	2,409,685	626	1,215
U.S. agencies asset-backed securities	1,556,392	1,358,813	700,449	706,098	2,081	1,931
Corporate asset-backed securities	833,628	614,168	285,181	202,731	1,114	873
Supranational/foreign	1,610,295	1,203,167	142,469	155,531	2,153	1,710
Other	18,180	16,444	6,642	5,986	24	23
Other U.S. Dollar-Denominated	**7,046,381**	**6,096,659**	**4,060,002**	**3,887,973**	**9,421**	**8,664**
Foreign currency-denominated:						
Corporate	17,816	249,555			24	355
Foreign Currency-Denominated	**17,816**	**249,555**			**24**	**355**
Commingled funds:						
Absolute Return	3,452,443	3,016,295			4,615	4,286
Balanced funds		34,657				49
U.S. equity funds	3,055,222	1,983,068	58,892	21,979	4,084	2,818
Non-U.S. equity funds	6,096,957	4,711,616	370,537	114,944	8,150	6,695
U.S. bond funds	1,125,393	1,126,235			1,504	1,600
Non-U.S. bond funds	158,128	110,703			211	157
Private equity	3,596,382	3,670,104	189,945	194,511	4,807	5,215
Real assets	1,375,874	872,266			1,821	1,239
Real estate investment trusts	167,186	138,055	284,288	120,312	223	196
Money market funds*	2,722,468	2,515,401	1,042,844	2,061,653	3,430	3,590
Commingled Funds*	**21,750,053**	**18,178,400**	**1,946,506**	**2,513,399**	**28,845**	**25,845**
Real Estate	2,839,019	2,407,865			3,772	3,421
Publicaly Traded Real Estate Investment Trusts	104,727				140	
Insurance Contracts			119,797	337,678		
Investment Derivatives	40,715	38,656	267	(787)	54	55
Total Investments	**$53,515,771**	**$45,894,422**	**$15,160,545**	**$14,145,161**	**$71,288**	**$65,228**

** Includes investment of $773,481 and $419,974 by UCRP, and $878,358 and $769,219 by UCRSP and $825 and $612 by PERS Plus 5 in the Short Term Investment Pool as of June 30, 2014 and 2013, respectively.*

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. Alternative investment strategies and their underlying assets and rights are also subject to an array of economic and market vagaries that can limit or erode value. Participants' interests in mutual funds are subject to a variety of investment risks. A participant can obtain information on risks by reviewing the fund prospectus available on the Fidelity Investments website (netbenefits.com).

Credit Risk

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

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

Certain fixed-income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

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

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

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

The fixed-income benchmark for UCRS Plans, the Barclays Capital U.S. Aggregate Bond Index, is comprised of approximately 25.9 percent corporate bonds and 33 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 41.1 percent is comprised of government-issued bonds.

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

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

The credit risk profile for fixed- or variable-income securities at June 30, 2014 and 2013 is as follows:

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

	UCRP		UCRSP		PERS PLUS 5	
	2014	2013	2014	2013	2014	2013
U.S. government-guaranteed	$3,925,473	$3,333,771	$2,729,880	$2,715,334	$5,247	$4,736
Other U.S. dollar-denominated:						
AAA	2,684,215	836,218	3,329,477	371,637	3,588	1,190
AA	199,514	1,791,777	61,274	2,841,167	267	2,546
A	689,451	737,789	232,478	290,542	922	1,048
BBB	1,486,432	1,057,174	367,530	283,266	1,987	1,502
BB	905,413	363,710	30,604	24,208	1,210	517
B	664,818	1,135,990	3,073	1,400	889	1,614
CC or below	388,628	170,711	35,372	35,310	520	243
A1/P1/F1				40,199		
Not rated	27,910	3,290	194	244	38	5
Foreign currency-denominated:						
BBB		230,420				327
BB	166					
B	9,450	19,135			13	27
C or below	8,200				11	
Commingled funds:						
U.S. bond funds: Not rated	1,125,393	1,126,235			1,504	1,600
Non-U.S. bond funds: Not rated	158,128	110,703			211	157
Money market funds	2,722,468	2,515,401	1,042,844	2,061,653	3,430	3,590
Investment derivatives:						
AA		2,081				3
Insurance contracts			119,797	337,678		

Custodial Credit Risk

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

Concentration of Credit Risk

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

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

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

Investments in issuers other than U.S. government-guaranteed securities that represent 5 percent or more of fixed income investments held at June 30, 2014 and 2013 are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2014	2013	2014	2013	2014	2013
Federal National Mortgage Association			$1,578,668	$1,716,873		
Federal Home Loan Mortgage Corporation				847,369		
Federal Farm Credit Bank				313,914		

Interest Rate Risk

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

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

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

The effective duration for fixed-income securities at June 30, 2014 and 2013 are as follows:

Fixed- or variable-income securities (in years)

	UCRP		UCRSP		PERS PLUS 5	
	2014	2013	2014	2013	2014	2013
Fixed-income securities:						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	1.5	0.9	1.5	1.6	1.5	0.9
U.S. Treasury strips	6.9	6.7	14.5	14.1	6.9	6.7
U.S. TIPS	6.5	7.7	3.2	6.9	6.5	7.7
U.S. government-backed securities	4.4	4.8			4.4	4.8
Other U.S. dollar-denominated:						
Corporate bonds	4.6	5.5	7.0	6.5	4.6	5.5
U.S. agencies	5.1	3.4	2.0	3.6	5.1	3.4
U.S. agencies asset-backed securities	4.2	4.4	3.9	4.4	4.2	4.4
Corporate asset-backed securities	2.8	2.6	2.5	2.2	2.8	2.6
Supranational/foreign	6.2	6.1	6.1	6.1	6.2	6.1
Other	16.6	15.7	17.0	16.0	16.6	15.7
Foreign currency-denominated:						
Corporate	1.5	2.9			1.5	2.9
Commingled funds:						
U.S. bond funds	5.3	5.2			5.3	5.2
Money market funds	2.2	2.6		2.6	2.2	2.6
Investment derivatives		9.5				9.5

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

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

At June 30, 2014 and 2013, the fair values of such investments are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2014	2013	2014	2013	2014	2013
Mortgage-backed securities	$1,823,440	$1,630,846	$ 787,284	$ 956,943	$2,437	$2,317
Collateralized mortgage obligations	140,602	170,063	73,945	123,968	188	242
Other asset-backed securities	373,622	155,869	116,230	73,966	499	221
Structured notes		768				1
Variable-rate securities	114,884	26,271	15,967	8,139	154	37
Callable bonds	1,352,636	1,215,911	2,133,460	2,031,351	1,808	1,728
Convertible bonds	5,406	2,471			7	4
Total	**$3,810,590**	**$3,202,199**	**$3,126,886**	**$3,194,367**	**$5,093**	**$4,550**

Mortgage-backed securities

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

Collateralized mortgage obligations

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

Other asset-backed securities

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

Variable-rate securities

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

Callable bonds

Although bonds are issued with clearly defined maturities, an issuer may be able to redeem, or call, a bond earlier than its maturity date. The called bond must then be replaced with a bond that may have a lower yield than the original. The call feature causes the fair value to be highly sensitive to changes in interest rates.

At June 30, 2014 and 2013, the effective durations for these securities are as follows:

(in years)

	UCRP		UCRSP		PERS PLUS 5	
	2014	2013	2014	2013	2014	2013
Mortgage-backed securities	4.2	4.2	4.0	4.1	4.2	4.2
Collateralized mortgage obligations	3.5	2.9	2.4	0.4	3.5	2.9
Other asset-backed securities	1.6	1.0	1.3	2.8	1.6	1.0
Structured notes		4.8				4.8
Variable-rate securities	4.8	4.5	4.9	0.3	4.8	4.5
Callable bonds	5.1	5.3	2.2	3.9	5.1	5.3
Convertible bonds	7.0	4.7			7.0	4.7

Liquidity Risks

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

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

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

The UCRS Plans' investment portfolios include the following investments subject to liquidity risk as of June 30, 2014 and 2013:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Absolute return funds	$ 3,452,443	$3,016,295			$ 4,615	$ 4,286
Private equities	3,596,382	3,670,104	$189,945	$194,511	4,807	5,215
Real estate	2,839,019	2,407,865			3,772	3,421
Real assets	1,375,874	872,266			1,821	1,239
Total	**$11,263,718**	**$9,966,530**	**$189,945**	**$194,511**	**$15,015**	**$14,161**

UCRS Plans also made commitments to make investments in certain investment partnerships pursuant to provisions in the various partnership agreements. These commitments at June 30, 2014 totaled $2.9 billion.

Foreign Currency Risk

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

At June 30, 2014 and 2013, the U.S. dollar-denominated balances organized by currency denominations and investment type are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Equity securities:						
Euro	$ 2,173,456	$ 1,666,935	$ 498,144	$ 299,026	$ 2,906	$ 2,368
British pound	1,443,867	1,223,726	324,140	216,933	1,930	1,738
Japanese yen	1,259,465	1,271,675	316,308	235,382	1,684	1,807
Swiss franc	646,385	580,653	144,753	94,723	864	825
Canadian dollar	481,991	390,552	168,555	108,728	644	555
Australian dollar	376,046	357,364	122,892	85,053	503	508
Hong Kong dollar	269,298	277,069	44,813	32,385	360	394
Swedish krona	191,387	169,279	47,778	32,544	256	241
Singapore dollar	142,444	122,947	22,368	17,342	190	175
Danish krone	80,995	68,180	23,841	11,455	108	97
Norwegian krone	68,239	63,294	13,778	8,773	91	90
Brazilian real	44,037				59	
South Korean won	42,003				56	
other	138,599	220,010	10,342	7,006	185	313
Subtotal	**7,358,212**	**6,411,684**	**1,737,712**	**1,149,350**	**9,836**	**9,111**
Fixed-income securities:						
Brazilian real	14,149	29,617				42
Mexican peso		29,117				41
South African rand		24,987				36
Turkish lira		24,550				35
New Russian ruble		23,249				33
Malaysian ringgit		22,432				32
Polish zloty		21,657				31
Indonesian rupiah		20,146				29
Euro		17,091			19	24
Other	3,667	36,709			5	52
Subtotal	**17,816**	**249,555**			**24**	**355**
Commingled funds						
Non-U.S. equity funds:	6,096,957	4,711,616	370,537	114,944	8,150	6,695
Non-U.S. bond funds:	158,128	110,703			211	157
Subtotal	**6,255,085**	**4,822,319**	**370,537**	**114,944**	**8,361**	**6,852**
Investment derivatives:						
Japanese yen	675	1,353	133	323	1	2
Canadian dollar	216	708	62	34		1
Hong Kong dollar	114		29			
Euro		2,222		172		3
Australian dollar	(359)	1,317		2		2
Swedish krona		(53)		17		
British pound	(27)	(176)	(2)	125		
Other	17	122	(50)	17		
Subtotal	**636**	**5,493**	**172**	**690**	**1**	**8**
Private equity:						
Euro	99,013	97,644	6,184	5,751	132	139
Other	18,591	20,089	1,164	1,090	25	29
Real estate:						
Australian dollar	13,471	5,380			18	8
Euro	6,915	5,250			9	7
British pound	5,657	3,471			8	5
Japanese yen	3,134	9,971			4	14
South African rand	2,516				3	
Singapore dollar	2,006	2,526			3	4
Mexican peso	1,283				2	
Hong Kong dollar		12,948				18
Other	3,131	17,537			4	25
Subtotal	**155,717**	**174,816**	**7,348**	**6,841**	**208**	**249**
Total exposure to foreign currency risk	**$13,787,466**	**$11,663,867**	**$2,115,769**	**$1,271,825**	**$18,430**	**$16,575**

The annual money-weighted rates of return, net of investment expense adjusted for changing amounts actually invested were 17.3 percent and 11.3 percent for the years ended June 30, 2014 and 2013.

NOTE 3 — SECURITIES LENDING

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

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

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

Cash collateral received from the borrower is invested by lending agents, as agents for the UCRS Plans, in investment pools in the name of the UCRS Plans, with guidelines approved by the Plans. These investments are shown as investment of cash collateral in the statements of net position. At June 30, 2014 and 2013, the securities in these pools had a weighted average maturity of 30 and 44 days, respectively. UCRS Plans record a liability for the return of the cash collateral shown as collateral held for securities lending in the statements of net position. Securities collateral received from the borrower is held in an investment pool by the UCRS Plans' custodial bank.

At June 30, 2014, the UCRS Plans had little exposure to borrowers because the amounts the UCRS Plans owed the borrowers were substantially the same as the amounts the borrowers owed the UCRS Plans. UCRS Plans are fully indemnified by their lending agents against any losses incurred as a result of borrower default.

Securities lending transactions at June 30, 2014 and 2013 are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2014	2013	2014	2013	2014	2013
SECURITIES LENT						
For cash collateral:						
Equity securities:						
Domestic	$1,396,156	$1,657,163	$ 492,501	$ 534,593	$ 1,866	$ 2,355
Foreign	513,486	409,697	142,255	63,404	686	582
Fixed-income securities:						
U.S. government	1,384,952	1,153,954	725,338	541,674	1,851	1,640
Other U.S. dollar-denominated	769,033	893,060	984,464	1,112,134	1,028	1,269
Lent for Cash Collateral	**4,063,627**	**4,113,874**	**2,344,558**	**2,251,805**	**5,431**	**5,846**
For securities collateral:						
Equity securities:						
Domestic	866,812	595,183	341,329	197,475	1,159	846
Foreign	753,818	830,203	199,975	133,662	1,008	1,180
Fixed-income securities:						
U.S. government	1,979,230	1,989,932	1,712,697	1,451,962	2,646	2,827
Other U.S. dollar-denominated	16,540	2,256	684		22	3
Foreign currency-denominated						
Lent for Securities Collateral	3,616,400	3,417,574	2,254,685	1,783,099	4,835	4,856
Total Securities Lent	**$7,680,027**	**$7,531,448**	**$4,599,243**	**$4,034,904**	**$10,265**	**$10,702**
COLLATERAL RECEIVED						
Cash	4,161,400	$4,229,697	$2,394,651	$ 2,304,007	$5,563	$6,010
Securities	3,907,634	3,712,402	2,436,260	1,936,923	5,224	5,275
Total Collateral Received	**$8,069,034**	**$7,942,099**	**$4,830,911**	**$4,240,930**	**$10,787**	**$11,285**
INVESTMENT OF CASH RECEIVED						
Fixed- or variable-income securities:						
Other U.S. dollar-denominated:						
Corporate bonds	$ 464,168	$ 293,317	$ 267,103	$ 159,776	$ 620	$ 417
Commercial paper	336,929	220,839	193,883	120,296	450	314
Repurchase agreements	1,246,182	1,832,687	717,108	998,302	1,667	2,604
Corporate asset-backed securities	918,536	732,852	528,565	399,199	1,228	1,041
Certificates of deposit/time deposits	350,748	105,633	201,835	57,541	469	150
Supranational/foreign	828,411	1,046,313	476,704	569,949	1,107	1,487
Assets (liabilities), net*	17,478	(1,675)	10,058	(911)	23	(3)
Total Investment of Cash Collateral	**$4,162,452**	**$4,229,966**	**$2,395,256**	**$2,304,152**	**$ 5,564**	**$ 6,010**

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

UCRS Plans earn interest and dividends on the collateral held during the loan period, as well as a fee from the brokerage firm, and are obligated to pay a fee and rebate to the borrower. UCRS receives the net investment income. The securities lending income and fees and rebates for the years ended June 30, 2014 and 2013 are as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2014	2013	2014	2013	2014	2013
Securities lending income	$32,160	$40,049	$15,460	$15,294	$44	$58
Securities lending fees and rebates	(5,029)	(9,009)	(2,418)	(3,441)	(7)	(13)
Securities lending income, net	**$27,131**	**$31,040**	**$13,042**	**$11,853**	**$37**	**$45**

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

Credit Risk

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

The credit risk profile for fixed- or variable-income securities and commingled funds associated with the investment of cash collateral at June 30, 2014 and 2013 is as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2014	2013	2014	2013	2014	2013
Other U.S. dollar-denominated:						
AAA	$ 934,658	$ 789,537	$ 537,843	$ 430,075	$1,250	$1,121
AA	727,557	528,543	418,669	287,908	972	751
A	497,503	95,061	286,284	51,782	665	135
A1/P1/F1	1,985,256	2,818,502	1,142,402	1,535,298	2,654	4,005
Assets (liabilities), net: Not rated[1]	17,478	(1,677)	10,058	(911)	23	(2)

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Investments in issuers other than U.S. government-guaranteed securities that represent 5 percent or more of the total investment of cash collateral held at June 30, 2014 and 2013 were as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2014	2013	2014	2013	2014	2013
Citibank	$300,029		$172,651		$401	

Interest Rate Risk

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

The weighted average maturity expressed in days outstanding for fixed- or variable-income securities associated with the investment of cash collateral at June 30, 2014 and 2013 is as follows:

(in days)

	UCRP		UCRSP		PERS PLUS 5	
	2014	2013	2014	2013	2014	2013
Other U.S. dollar-denominated:						
Corporate bonds	37	34	37	34	37	34
Commercial paper	29	24	29	24	29	24
Repurchase agreements	7	69	7	69	7	69
Corporate asset-backed securities	20	17	20	17	20	17
Certificates of deposit/time deposits	87	101	87	101	87	101
Supranational/foreign	51	23	51	23	51	23

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

At June 30, 2014 and 2013, the fair value of investments that are considered to be highly sensitive to changes in interest rates is as follows:

(in thousands of dollars)

	UCRP		UCRSP		PERS PLUS 5	
	2014	2013	2014	2013	2014	2013
Other asset-backed securities	$975,419	$732,852	$561,299	$399,199	$1,304	$1,041
Variable-rate investments	464,168	293,317	267,103	159,776	620	417

At June 30, 2014 and 2013, the weighted average maturity expressed in days outstanding for asset-backed securities was 30 days and 17 days, respectively; 44 days and 34 days, respectively, for variable-rate investments or to limit its exposure of variable-rate bonds to changes in market interest rates.

Foreign Currency Risk

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

NOTE 4 — FINANCIAL DERIVATIVE INSTRUMENTS

The UCRS Plans' investments, overseen by the Chief Investment Officer, may use derivatives including futures, foreign currency exchange contracts, options, forward contracts, stock rights and warrants as a substitute for investment in equity and fixed-income securities or to reduce the effect of fluctuating foreign currencies on foreign currency-denominated investments or to limit their exposure of variable-rate bonds to changes in market interest rates.

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

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

An option contract gives UCRS Plans the right, but not the obligation, to buy or sell a specified security or index at a fixed price during a specified period for a nonrefundable fee (the "premium"). The maximum loss to the UCRS Plans is limited to the premium originally paid for covered options. UCRS Plans record premiums paid for the purchase of these options in the statements of net position as an investment which is subsequently adjusted to reflect the fair value of the options, with unrealized gains and losses included in the statements of changes in net position. UCRS held no option contracts at June 30, 2014 and 2013.

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

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014 and 2013, categorized by type, and the changes in fair value of such derivatives for the years then ended are as follows:

UCRP *(in thousands of dollars)*

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	**2014**	**2013**	**CLASSIFICATION**	**2014**	**2013**	**CLASSIFICATION**	**2014**	**2013**
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	1,466,992	1,795,787	Investments	$ 1,550	$ (7,260)	Net appreciation (depreciation)	$292,898	$ (13,123)
Short positions	(1,805)	(6,951)	Investments	(12)	32	Net appreciation (depreciation)	(118)	400
Foreign equity futures:								
Long positions	148,420	237,378	Investments	223	1,551	Net appreciation (depreciation)	21,722	264,750
Short positions			Investments			Net appreciation (depreciation)		(1,019)
Futures contracts, net				**1,761**	**(5,677)**		**314,503**	**251,008**
Foreign currency exchange contracts, net:								
Long positions	2,570,622	8,457,802		618	(1,348)	Net appreciation (depreciation)	4,802	9,657
Short positions	(190,729)	(9,139,464)		(1,018)	3,092	Net appreciation (depreciation)	(7,160)	(7,652)
Foreign currency exchange contracts, net				**(399)**	**1,744**		**(2,359)**	**2,005**
Swaps								
Fixed interest rate swaps				1,192	2,081	Net appreciation (depreciation)	672	2,221
Total return swaps equity	7,808	37		(6)	(439)	Net appreciation (depreciation)	(81)	(28)
Swaps, net				**1,186**	**1,642**		**591**	**2,193**
Stock rights/warrants	4,393	3,747		33,208	35,186	Net appreciation (depreciation)	7,186	3,167
Options/swaps	13,516	22,160		4,959	5,761	Net appreciation (depreciation)	2,352	(2,684)
Total investment derivatives				**$40,715**	**$38,656**		**$322,273**	**$255,689**

UCRSP *(in thousands of dollars)*

CATEGORY	NOTIONAL AMOUNT 2014	NOTIONAL AMOUNT 2013	FAIR VALUE–POSITIVE (NEGATIVE) CLASSIFICATION	FAIR VALUE–POSITIVE (NEGATIVE) 2014	FAIR VALUE–POSITIVE (NEGATIVE) 2013	CHANGES IN FAIR VALUE CLASSIFICATION	CHANGES IN FAIR VALUE 2014	CHANGES IN FAIR VALUE 2013
Futures contracts:								
Domestic equity futures:								
Long positions	79,993	354,073	Investments	$ 94	$(1,478)	Net appreciation (depreciation)	$17,952	$ 4,322
Foreign equity futures:								
Long positions	26,794	32,881	Investments	92	617	Net appreciation (depreciation)	4,577	18,668
Futures contracts, net				**186**	**(861)**		**22,529**	**22,990**
Foreign currency exchange contracts:								
Long positions		15	Investments			Net appreciation (depreciation)		10
Short positions			Investments			Net appreciation (depreciation)		(3)
Futures currency exchange contracts, net							**19**	**7**
Stock rights/warrants	151	136		81	74	Net appreciation (depreciation)		(339)
Total investment derivatives				**$267**	**$ (787)**		**$22,548**	**$22,658**

PERS PLUS 5 *(in thousands of dollars)*

CATEGORY	NOTIONAL AMOUNT 2014	NOTIONAL AMOUNT 2013	FAIR VALUE–POSITIVE (NEGATIVE) CLASSIFICATION	FAIR VALUE–POSITIVE (NEGATIVE) 2014	FAIR VALUE–POSITIVE (NEGATIVE) 2013	CHANGES IN FAIR VALUE CLASSIFICATION	CHANGES IN FAIR VALUE 2014	CHANGES IN FAIR VALUE 2013
Futures contracts:								
Domestic equity futures:								
Long positions	1,961	2,552	Investments	$ 3	$ (9)	Net appreciation (depreciation)	$392	$ (19)
Short positions	(2)	(10)	Investments			Net appreciation (depreciation)		1
Foreign equity futures:								
Long positions	198	337	Investments		2	Net appreciation (depreciation)	29	376
Short positions			Investments			Net appreciation (depreciation)		(1)
Futures contracts, net				**3**	**(7)**		**421**	**357**
Foreign currency exchange contracts:								
Long positions	3,436	12,018	Investments	1	(2)	Net appreciation (depreciation)	6	14
Short positions	(255)	(12,987)	Investments	(1)	4	Net appreciation (depreciation)	(10)	(11)
Futures currency exchange contracts, net				**(1)**	**2**		**(3)**	**4**
Swaps								
Fixed interest rate swaps				2	3	Net appreciation (depreciation)	1	3
Total return swaps equity	10				(1)	Net appreciation (depreciation)		
Swaps, net				**2**	**2**		**1**	**3**
Stock rights/warrants	6	5		43	50	Net appreciation (depreciation)	10	5
Options/swaps	18	31		7	8	Net appreciation (depreciation)	3	(4)
Total investment derivatives				**$54**	**$55**		**$431**	**$364**

NOTE 5 — CONTRIBUTIONS

Contributions to UCRP are based upon rates determined by The Regents. The Regents' funding policy provides for contributions at rates to maintain UCRP on an actuarially sound basis. While the University's independent actuary annually determines the total funding policy contributions, the University is not required to contribute an amount equal to the total funding contribution. The actual contributions and the contribution rates of the University and employees are based on numerous factors, including the availability of funds to the University, the impact of employee contributions on the competitiveness of the University's total remuneration package, and collective bargaining agreements.

The Regents determines the portion of the total contribution to be made by the employer (University) and by the employees (members). Effective July 1, 2013, the University pays a uniform contribution rate of 12.0 percent of covered payroll on behalf of all UCRP members. Effective July 1, 2014, this rate will increase to 14.0 percent of covered payroll.

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

EFFECTIVE	1976 TIER*	2013 AND MODIFIED 2013 TIER	SAFETY*
7/1/2014**	8.0%, 9.0%***	7.0%, 9.0%***	9.0%
3/1/2014**	6.5% - 8.6%***	7.0% - 8.6%***	7.5%
2/1/2014**	6.5%, 8.0%***	7.0%, 8.0%***	7.5%
7/1/2013**	6.5%	7.0%	7.5%
*7/1/2012***	5.0%	N/A	6.0%

** Contributions offset by $19 per month*

*** Subject to collective bargaining*

****Rate negotiated through collective bargaining*

Under current collective bargaining agreements, employees represented by several unions participate in a modified version of the 2013 Tier ("Modified 2013 Tier"), where the retirement ages and age factors are not increased and lump sum cashouts are available. In exchange for these modifications, all employees represented by these unions (including those who are not 2013 Tier members) pay 9.0 percent of their covered pay gross employee contribution rate effective July 1, 2014.

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

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

NOTE 6 — CONTRIBUTIONS RECEIVABLE FROM THE STATE OF CALIFORNIA

Contributions receivable includes $24.2 million and $27.9 million at June 30, 2014 and 2013, respectively, related to agreements between the state of California and the University on behalf of UCRP. In 1984, the state agreed to pay the University for contributions due to UCRP of $66.5 million in 30 annual installments of approximately $5.9 million, including interest at 8.00 percent, based on the discount rate used in the 1984 actuarial valuation. Similarly, in fiscal year 1990, the state agreed to pay the University for contributions due to UCRP of $57.2 million in 30 annual installments of approximately $5.3 million, including interest at 8.46 percent, based on the discount rate used in the 1990 actuarial valuation.

NOTE 7 — NET PENSION LIABILITY

The components of the net pension liability of UCRP and the PERS Plus 5 plan at June 30, 2014 and 2013, were as follows:

(in thousands of dollars)

	UCRP		PERS PLUS 5	
	2014	2013	2014	2013
Total pension liability	$60,529,332	$57,701,585	$ 38,360	$ 41,108
Plan net position	52,783,867	45,340,726	69,962	64,102
Net pension liability (surplus)	**$ 7,745,465**	**$12,360,859**	**$(31,602)**	**$(22,994)**
Ratio of plan net position to total pension liability	87%	79%	182%	156%
Covered-employee payroll***	$ 9,372,583	$ 8,921,077		
Net pension liability as a percentage of covered-employee payroll	83%	139%	N/A	N/A

Actuarial Assumptions

The net pension liability was measured as of June 30, 2014 and June 30, 2013. Plan fiduciary net position (plan assets) was valued as of the measurement date while the total pension liability was determined based upon rolling forward the total pension liability from the July 1, 2013 and July 1, 2012 actuarial valuations. The actuarial assumptions used were based on the results of an experience study for the period July 1, 2006 through June 30, 2010. They are the same as the assumptions used in the July 1, 2013 funding actuarial valuation for UCRP. In particular, the following key actuarial assumptions were applied to all periods included in the measurement:

	2014	2013
Inflation	3.5 percent	3.5 percent
Investment rate of return	7.5 percent	7.5 percent
Projected salary increases	4.3 - 6.8 percent	4.3 - 6.8 percent
Cost-of-living adjustments	2.0 percent	2.0 percent

For active members, inactive members and healthy retirees, the RP-2000 Combined Healthy Mortality Table, projected with scale AA to 2025, with ages set back two years is used. For disabled members, rates are based on the RP-2000 Disabled Retiree Table, projected with Scale AA to 2025, with ages set back two years for males.

The long-term expected investment rate of return assumption for UCRP was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset class		
U.S. Equity	23.0%	6.8%
Developed International Equity	24.0	6.9
Emerging Market Equity	5.0	9.3
Core Fixed Income	12.0	1.5
High Yield Bonds	2.5	3.7
Emerging Market Debt	2.5	4.0
TIPS	8.0	1.3
Real Estate	7.0	5.4
Private Equity	6.0	10.4
Absolute Return/Hedge Funds/Real Assets	10.0	4.1
Total	**100.0 %**	

Discount Rate

The discount rate used to estimate the net pension liability as of June 30, 2014 and 2013 was 7.5 percent. To calculate the discount rate, cash flows into and out of the Plans were projected in order to determine whether the Plan has sufficient cash in future periods for projected benefit payments for current members. For this purpose, University contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected University contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. The Plan was projected to have assets sufficient to make projected benefit payments for current members for all future years as of both June 30, 2014 and 2013.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the current-period net pension liability (surplus) of the UCRP and the PERS Plus 5 Plans calculated using the current-period discount rate assumption of 7.5 percent, as well as what the net pension liability (surplus) would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	**1% DECREASE (6.5%)**	**CURRENT ASSUMPTION (7.5%)**	**1% INCREASE (8.5%)**
UCRP	$15,123,395	$7,745,465	$1,540,576
PERS Plus 5	$(29,387)	$(31,602)	$(33,591)

NOTE 8 — PLAN TERMINATION

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

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

REQUIRED SUPPLEMENTARY INFORMATION — UCRP

Actuarial Information

The schedule of changes in net pension liability includes multi-year trend information about whether the pension assets are increasing or decreasing over time relative to the pension liabilities. The schedule of changes in the net pension liability for the Plan as of June 30 is:

(in thousands of dollars)	**2014**	**2013**	**2012**
TOTAL PENSION LIABILITY			
Service cost	$ 1,519,183	$ 1,456,761	$ 1,531,094
Interest on the total pension liability	4,316,728	4,112,461	3,871,146
Difference between expected and actual experience	(320,624)	(183,253)	(212,758)
Changes of assumptions or other inputs		(3,312,815)	4,923,778
Benefits paid, including refunds of employee contributions	(2,687,540)	(2,487,369)	(2,273,071)
Net change in total pension liability	**2,827,747**	**(414,215)**	**7,840,189**
Total pension liability - beginning of year	57,701,585	58,115,800	50,275,611
Total pension liability - end of year	**60,529,332**	**57,701,585**	**58,115,800**
PLAN NET POSITION			
Contributions - employer	1,580,876	810,056	1,851,460
Contributions - member	577,466	415,641	272,420
Net investment income	8,009,980	4,833,339	115,863
Benefits paid, including refunds of employee contributions	(2,687,540)	(2,487,369)	(2,273,071)
Administrative expense	(37,641)	(37,426)	(32,839)
Net change in plan net position	**7,443,141**	**3,534,241**	**(66,167)**
Plan net position - beginning of year	45,340,726	41,806,485	41,872,652
Plan net position - end of year	**52,783,867**	**45,340,726**	**41,806,485**
Net pension liability - end of year	**$7,745,465**	**$12,360,859**	**$16,309,315**

Net Pension Liability

All Plan assets are available to pay any member's benefit. The Plan's net pension liability was measured as of June 30, 2014 and June 30, 2013. Plan fiduciary net position (plan assets) was valued as of the measurement date while the total pension liability was determined based upon rolling forward the total pension liability from the July 1, 2013 and July 1, 2012 actuarial valuations.

(in thousands of dollars)	**2014**	**2013**	**2012**
Total pension liability	$60,529,332	$ 57,701,585	$ 58,115,800
Plan net position	52,783,867	45,340,726	41,806,485
Net pension liability	**$ 7,745,465**	**$12,360,859**	**$16,309,315**
Ratio of plan net position to total pension liability	87%	79%	72%
Covered-employee payroll	$ 9,372,583	$ 8,921,077	$ 8,594,147
Net pension liability as a percentage of covered-employee payroll	83%	139%	190%

Required Schedule of Employer and Employee Contributions

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

The total funding policy contribution is determined based on various amortization periods (up to 30 years) for different components of the deficit as of July 1, 2013. Employee contributions by represented employees are subject to collective bargaining agreements. During the year ended June 30, 2010, University and employee contributions were reinstated.

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

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

The annual contribution deficiency (excess) as June 30 is:

(in thousands of dollars)

Year Ended June 30	Actuarially Determined Contributions	Contriubtions in Relation to Actuarial Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014	$2,472,697	$1,580,876	$891,821	$9,372,583	17%
2013	2,062,022	810,056	1,251,966	8,921,077	9%
2012	1,806,205	1,851,459	(45,254)	8,594,147	22%
2011	1,695,137	1,677,921	17,216	8,140,629	21%
2010	454	148,445	(147,991)	7,973,921	2%
2009	2,657	454	2,203	7,468,809	0%
2008	23,934	2,657	21,277	7,612,726	0%
2007		23,934	(23,934)	8,258,985	0%
2006				8,149,640	0%
2005				7,835,249	0%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Valuation date:	Actuarially calculated contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age actuarial cost method
Amortization method	Level dollar, closed
Remaining amortization period	24.26 years The July 1, 2010 amortization bases were combined into a single amortization base and amortized over 30 years. Any changes in UAAL due to actuarial experience gains or losses after July 1, 2010 will be separately amortized over a fixed (closed) 30-year period effective with that valuation. Any changes in UAAL due to a change in actuarial assumptions or plan provisions will be separately amortized over a fixed (closed) 15-year period.
Asset valuation method	The market value of asset less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected returns on a market value basis and is recognized over a five-year period.
Inflation	3.50%
Investment rate of return	7.50%, net of investment expenses, includes inflation
Projected salary increases	4.30 - 6.75%, includes inflation
Cost-of-living adjustments	2.00%
Mortality	Healthy: RP-2000 Combined Healthy Mortality Table projected with scale AA to 2025, set back two years. Disabled: RP-2000 Disabled Retiree Mortality Table projected with scale AA to 2025. Ages are set back two years for males.
Other assumptions	Same as those used in the July 1, 2013 funding actuarial valuation and were also used in the July 1, 2012 funding actuarial valuation.

Annual money-weighted rates of return, net of investment expense adjusted for changing amounts actually invested for the years ended June 30 were as follows:

Last 10 Fiscal Years	Annual money-weighted rate of return, net of investment expense
2014	17.3%
2013	11.3%
2012	0.9%
2011	22.3%
2010	13.2%
2009	(19.3%)
2008	(5.7%)
2007	18.0%
2006	6.2%
2005	10.5%

REQUIRED SUPPLEMENTARY INFORMATION — PERS PLUS 5 PLAN

Actuarial Information

The schedule of changes in net pension liability includes multi-year trend information about whether the pension assets are increasing or decreasing over time relative to the pension liabilities. The schedule of changes in the net pension liability for the PERS Plus 5 Plan as of June 30 is:.

(in thousands of dollars)	**2014**	**2013**	**2012**
TOTAL PENSION LIABILITY			
Interest on the total pension liability	$ 2,857	$ 3,052	$ 3,227
Changes of benefit terms			11,186
Difference between expected and actual experience	(436)	(241)	172
Changes of assumptions or other inputs			1,268
Benefits paid, including refunds of employee contributions	(5,169)	(5,278)	(5,369)
Net change in total pension liability	**(2,748)**	**(2,467)**	**10,484**
Total pension liability - beginning of year	41,108	43,575	33,091
Total pension liability - end of year	**38,360**	**41,108**	**43,575**
PLAN NET POSITION			
Net investment income	11,035	7,144	90
Benefits paid, including refunds of employee contributions	(5,169)	(5,278)	(5,369)
Administrative expense	(6)	(7)	(7)
Net change in plan net position	**5,860**	**1,859**	**(5,286)**
Plan net position - beginning of year	64,102	62,243	67,529
Plan net position - end of year	**69,962**	**64,102**	**62,243**
Net pension liability - end of year	**$(31,602)**	**$(22,994)**	**$(18,668)**

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

Net Pension Liability

There is no covered payroll for the PERS Plus 5 Plan. The schedule of net pension liability for the PERS Plus 5 Plan as of June 30 is:

(in thousands of dollars)	**2014**	**2013**	**2012**
Total pension liability	$ 38,360	$ 41,108	$ 43,575
Plan net position	69,962	64,102	62,243
Net pension surplus	**$(31,602)**	**$(22,994)**	**$(18,668)**
Ratio of plan net position to total pension liability	182%	156%	143%
Covered-employee payroll***			
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A

Required Schedule of University Contributions

Since 1996, the University has not been required to contribute to the PERS Plus 5 Plan due to its fully funded status.

Note to Required Supplementary Information

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

UNIVERSITY OF CALIFORNIA

Plan Oversight —The Board of Regents

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

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