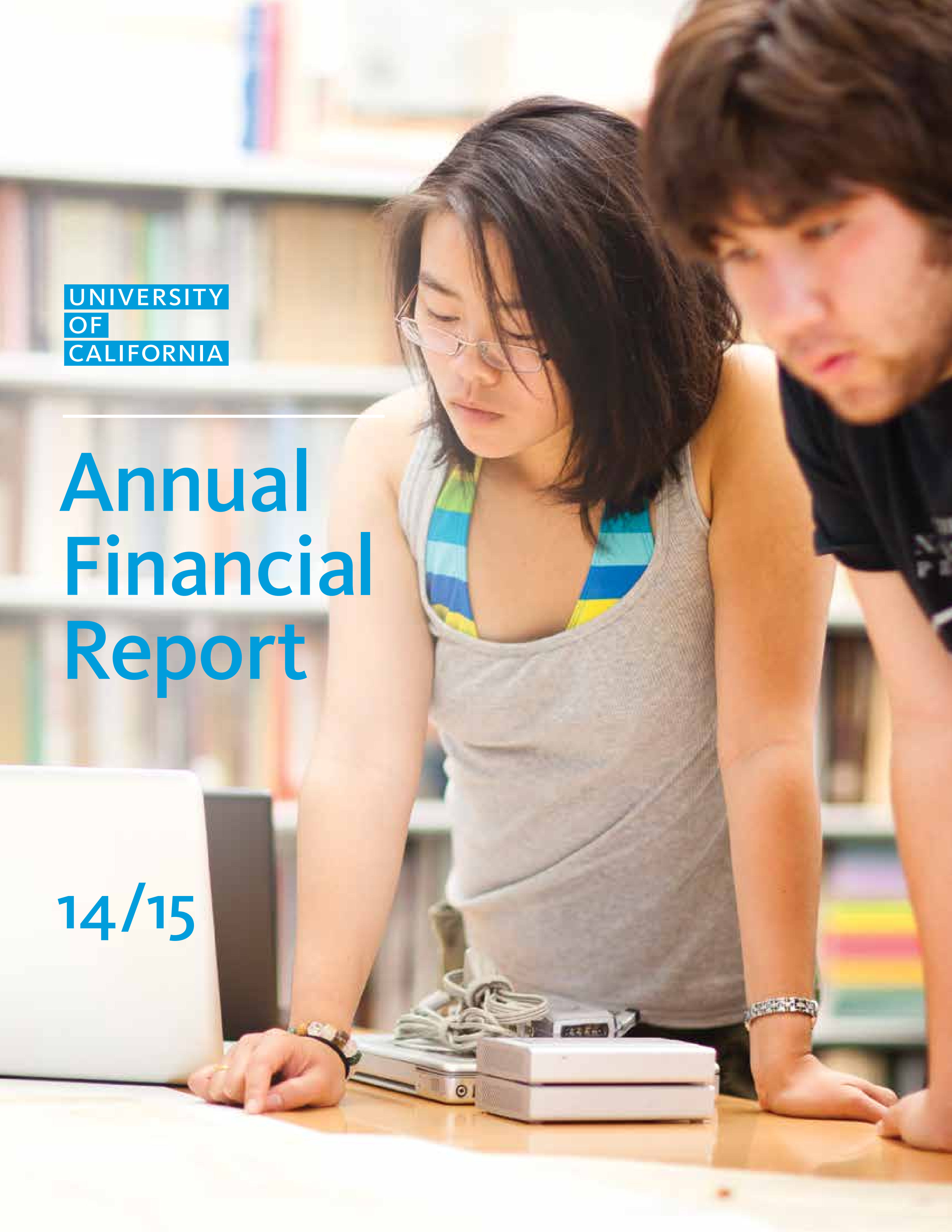

UNIVERSITY OF CALIFORNIA

Annual Financial Report

14/15

"The University of California is preeminent in educating the state's young people, in enhancing research and scholarship in every discipline, in fostering economic growth, medicine, the arts, its athletic and other programs. Simply put, UC is the gold standard."

PRESIDENT JANET NAPOLITANO

UNIVERSITY OF CALIFORNIA

14/15 Annual Financial Report

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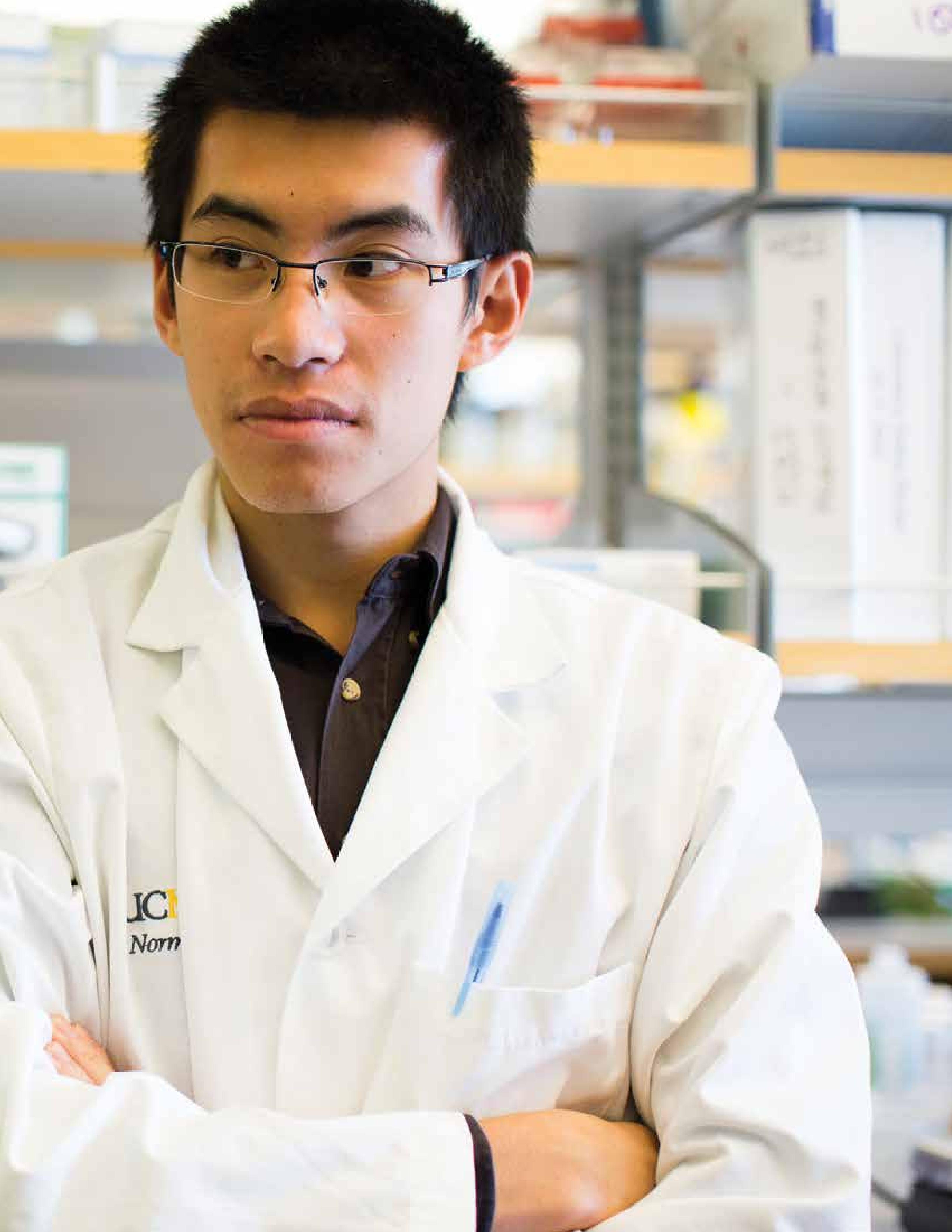


Letter from the President

My second year as President of the University of California was another challenging but exciting one. I'm pleased to say that we made significant strides in ensuring a stable and bright future for UC.

We continued our work on initiatives focused on areas of critical importance to the University, to California and to the world. These included supporting innovation, entrepreneurship and technology commercialization at UC, as well as concerted, system-wide efforts to achieve carbon neutrality by 2025.

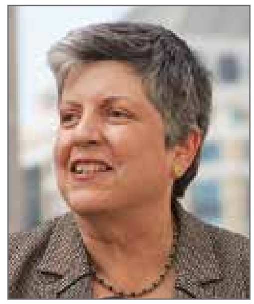
The University also focused on further streamlining the transfer process to UC for California Community College students, and reaffirmed its commitment to finding solutions for global hunger and other food-related issues.

This year was also remarkable with regard to our advocacy efforts for the University. This past spring, we reached a budget agreement with the governor and California Legislature that provides significant new revenue and more predictable funding for UC. This agreement also caps resident tuition at its current level for the next two years — a considerable benefit to California students and their families.

Our partnership with state leaders in Sacramento will continue this year as we work together to increase the enrollment of California students at UC.

As the University's chief advocate, I have made it my goal to demonstrate our ongoing contributions to the state and nation's economies, as well as the long-lasting benefits of a UC education in the lives of our students.

These impacts cannot be understated. One in 46 jobs in California is supported by UC operations, and the economic impact of the University is $46.3 billion



annually. In addition, 42 percent of UC's undergraduates are first-generation college students, and 41 percent qualify for Federal Pell Grants — meaning they come from low-income families.

The University's invaluable research and the services provided by our academic health systems are also notable. UC proudly claims 61 Nobel Prize winners, 67 National Medal of Science winners and 264 Fulbright Award recipients. UC medical centers and clinics count 4.5 million outpatient visits each year, with Medicare, Medi-Cal and uninsured patients reaching 60 percent.

The University of California will continue to be an engine of social and economic mobility in this state, on a large scale and on an individual basis. And we remain committed to our research and public service missions, all while educating thousands of California students.

Janet Napolitano

JANET NAPOLITANO
PRESIDENT, UNIVERSITY OF CALIFORNIA

Letter from the Executive Vice President, CFO

This past year has been one of positive growth and transformation for the University of California. We made important strides on many fronts, most notably with the establishment of a long-term budget framework with state lawmakers.

Successful negotiations with Gov. Jerry Brown and the California Legislature have resulted in much-needed stability to the university's financial outlook. Under the agreed upon framework, UC's base budget will increase by 4 percent over each of the next four years. Tuition will remain at current levels for two years and then rise generally by the rate of inflation. We will also receive one-time funding for UC's retirement plan, a welcome infusion that reflects the state's acknowledgment that it shares some responsibility for those costs.

For UC and its students, this framework is a big step forward: We now have predictable state support and a clear and moderate tuition plan, both of which are crucial for long-term planning.

Yet even with this historic agreement, UC faces a fiscal challenge if it is to make necessary investments in academic excellence while continuing to offer an affordable, accessible education to the growing numbers of bright California students who seek a UC education.

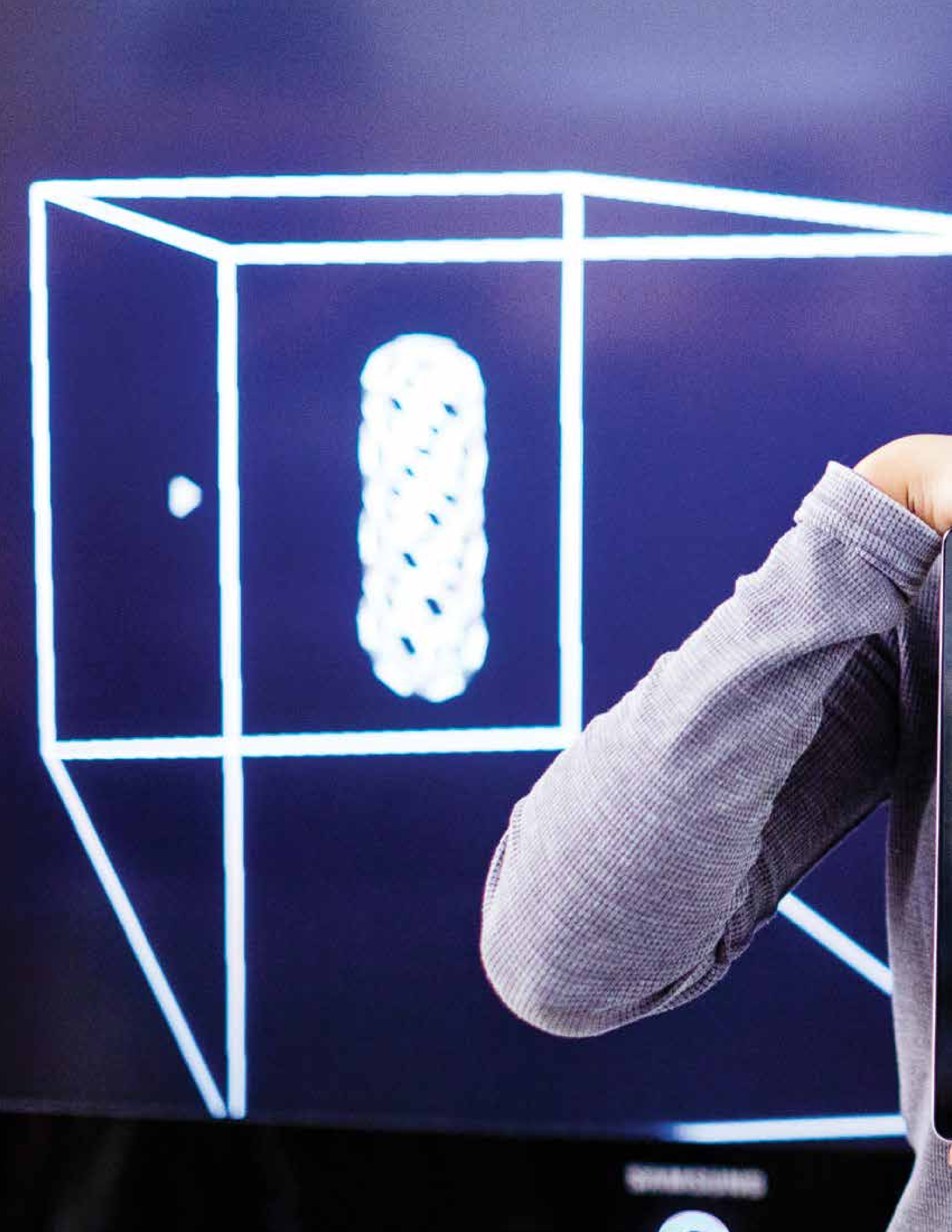
The university is working to meet the challenge by moving aggressively on two fronts.

First, we are cutting administrative costs through a variety of systemwide efficiency programs that leverage the size and scope of the university. Our systemwide procurement program, for example, captured roughly $170 million in savings this past year by harnessing the collective purchasing power of our campuses — putting UC well ahead of schedule for saving $200 million annually by 2016-17. We are also modernizing and consolidating our payroll and HR systems, an ambitious undertaking that, once complete, will result in significant operational efficiencies.

Second, we are developing alternative revenue sources that can help UC with its ongoing operational costs. Changes in how we manage operating capital, for instance, have freed up discretionary revenue for campuses. We are also developing new ways to structure private giving so that it can support UC's core operations. A Presidential Match for Endowed Chairs, launched last year, is expected to create up to 100 new endowed chairs over the next four years. Each of these will provide support, in perpetuity, for scholarly activities, faculty salaries and graduate fellowships.

Our ultimate goal, of course, is to ensure that the University of California remains one of the world's top research universities, serving as a catalyst across the state for economic growth, social mobility and scientific advancement. We enter the coming year more committed than ever to that role.

NATHAN BROSTROM
EXECUTIVE VICE PRESIDENT, CFO
UNIVERSITY OF CALIFORNIA



Facts in Brief *(Unaudited)*

	2015	2014	2013	2012	2011
STUDENTS					
Undergraduate fall enrollment	195,078	191,369	183,498	184,562	179,581
Graduate fall enrollment	57,185	52,757	55,188	52,129	54,883
Total fall enrollment	**252,263**	**244,126**	**238,686**	**236,691**	**234,464**
University Extension enrollment	374,442	367,355	343,758	321,582	302,179
FACULTY AND STAFF[1] *(full-time equivalents)*	**145,903**	**142,164**	**139,965**	**137,546**	**136,145**
SUMMARY FINANCIAL INFORMATION *(in thousands of dollars, except for retirement plan participation)*					
UNIVERSITY OF CALIFORNIA					
PRIMARY REVENUE SOURCES					
Student tuition and fees, net [2]	$ 3,784,046	$ 3,585,859	$ 3,402,946	$ 3,237,126	$ 2,811,121
Grants and contracts, net	5,153,395	5,068,233	5,078,750	5,240,289	5,249,094
Medical centers, educational activities and auxiliary enterprises, net	13,106,962	11,750,586	10,890,244	10,067,147	9,406,993
State educational, financing and capital appropriations	2,812,634	2,683,315	2,484,877	2,303,330	3,042,795
Federal Pell Grants	376,186	316,064	345,910	359,408	352,469
Private gifts, net	957,131	881,648	801,940	804,691	816,291
Capital gifts and grants, net	142,986	431,836	256,670	198,023	247,259
Department of Energy laboratories	1,234,509	1,250,820	1,032,350	1,014,199	976,294
OPERATING EXPENSES BY FUNCTION					
Instruction	5,917,933	5,477,857	5,477,776	5,509,027	4,925,863
Research	4,220,055	3,837,361	4,287,561	4,533,125	4,249,411
Public service	560,609	581,069	554,231	620,884	582,868
Academic support	1,919,266	1,835,476	2,008,866	2,003,770	1,716,006
Student services	983,275	923,284	819,209	814,340	701,800
Institutional support	2,215,700	1,463,248	1,361,439	1,207,733	1,242,786
Operation and maintenance of plant	573,323	618,030	640,712	610,968	582,315
Student financial aid [3]	553,181	580,807	603,805	600,655	600,713
Medical centers	7,726,737	7,481,938	7,201,528	6,984,842	6,078,510
Auxiliary enterprises	1,159,059	1,104,050	1,153,775	1,124,704	1,012,309
Depreciation and amortization	1,661,033	1,709,672	1,555,254	1,478,254	1,404,837
Impairment of capital assets	11,220	11,201	31,441		
Department of Energy laboratories	1,228,125	1,244,335	1,026,088	1,007,804	970,054
Other	72,198	81,061	123,513	104,576	86,252
INCREASE (DECREASE) IN NET POSITION	(80,329)	1,369,113	(1,334,155)	(3,086,015)	413,693
FINANCIAL POSITION					
Investments, at fair value	22,289,147	21,541,053	18,942,008	18,292,398	18,258,665
Capital assets, at net book value	28,374,629	27,361,525	26,179,885	25,216,265	23,743,797
Other assets and deferred outflows	13,049,229	11,565,457	14,808,621	16,447,696	7,843,699
Outstanding debt, including capital leases	(19,020,755)	(18,030,749)	(17,236,225)	(17,459,934)	(13,577,911)
Obligations for pension and retiree health benefits	(20,010,357)	(16,154,166)	(19,915,231)	(22,738,325)	(6,982,866)
Other liabilities and deferred inflows	(13,480,363)	(15,001,261)	(12,866,312)	(8,387,164)	(9,520,612)
Net position	11,201,530	11,281,859	9,912,746	11,370,936	19,764,772

[1] *As of October 31*

[2] *Scholarship allowances, including both financial aid and fee waivers that are not paid directly to students, are recorded primarily as a reduction of student tuition and fees in the statement of revenues, expenses and changes in net position.*

[3] *Includes only financial aid paid directly to students. The state-administered California grant awards are not included as expenses since the government determines grantees. College work study expenses are shown in the programs in which the student worked.*

	2015	2014	2013	2012	2011
SUMMARY FINANCIAL INFORMATION *(in thousands of dollars, except for participant information)*					
UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					
PRIMARY REVENUE SOURCES					
Private gifts, net	$ 765,445	$ 789,573	$ 711,363	$ 596,242	$ 880,889
PRIMARY EXPENSES					
Grants to campuses	827,467	958,873	632,132	559,301	496,704
INCREASE IN NET POSITION	455,416	849,091	746,263	125,506	1,226,285
FINANCIAL POSITION					
Investments, at fair value	7,084,587	6,496,649	5,799,788	5,161,217	5,151,869
Pledges receivable, net	822,530	861,005	713,710	641,134	553,900
Net position	7,550,329	7,094,913	6,245,822	5,535,441	5,409,935
UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM					
PLAN PARTICIPATION					
Plan membership	266,254	262,988	243,140	232,767	223,867
Retirees and beneficiaries currently receiving payments	67,321	64,191	58,934	56,296	53,902
PRIMARY REVENUE SOURCES					
Contributions[1]	$4,458,802	$ 3,215,712	$ 2,175,983	$ 3,101,629	$ 2,693,892
Interest, dividends and other investment income, net	1,323,449	1,344,731	1,254,981	907,739	1,316,306
Net appreciation (depreciation) in the fair value of investments	1,320,388	9,137,618	5,106,081	(597,030)	8,541,574
PRIMARY EXPENSES					
Benefit payments	2,803,627	2,583,223	2,396,577	2,184,450	2,047,747
Participant and member withdrawals	1,730,362	1,369,641	1,364,304	940,367	939,338
INCREASE IN NET POSITION	2,515,920	9,701,107	4,731,316	249,762	9,529,389
FINANCIAL POSITION					
Investments, at fair value	71,595,607	68,747,604	60,104,811	54,408,678	54,218,018
Members' defined benefit pension plan benefits	55,122,875	52,853,829	45,404,828	41,868,728	41,940,183
Participants' defined contribution plan benefits	20,291,028	20,044,154	17,792,048	16,596,832	16,275,615
ACTUARIAL INFORMATION *(as of the beginning of the year)*					
Actuarial value of assets	48,327,981	43,572,353	42,965,028	42,757,271	41,195,318
Actuarial accrued liability	60,417,177	57,380,961	54,619,620	51,831,306	47,504,309
UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST					
PLAN PARTICIPATION					
Plan membership	157,221	154,930	151,458	148,704	146,524
Retirees and beneficiaries currently receiving benefits	38,488	37,207	35,872	34,559	33,530
PRIMARY REVENUE SOURCES					
Contributions	$ 315,586	$ 343,395	$ 267,886	$ 329,529	$ 287,842
Interest, dividends and other investment income, net	41	13		14	84
PRIMARY EXPENSES					
Insurance premiums	327,019	318,490	313,105	311,297	284,010
INCREASE (DECREASE) IN NET POSITION	(14,539)	20,884	(45,219)	18,246	1,919
FINANCIAL POSITION					
Investments, at fair value	24,250	37,125	7,750	65,053	27,795
Net position for retiree health benefits	50,645	65,184	44,300	89,519	71,273
ACTUARIAL INFORMATION *(as of the beginning of the year)*					
Actuarial value of assets	65,184	44,300	97,435	77,907	74,450
Actuarial accrued liability	14,093,786	13,253,215	14,559,017	14,726,665	15,493,742

[1] *Total contributions to the University of California Retirement Plan and the University of California Retirement Savings Plan.*

Campus Facts in Brief *(Unaudited)*

	BERKELEY	DAVIS	IRVINE	LOS ANGELES	MERCED	RIVERSIDE
STUDENTS						
Undergraduate fall enrollment	27,126	27,728	24,556	29,633	5,884	18,814
Graduate fall enrollment	10,455	7,687	6,201	13,606	384	2,866
Total fall enrollment	**37,581**	**35,415**	**30,757**	**43,239**	**6,268**	**21,680**
University Extension enrollment[1]	39,259	62,236	33,882	120,937		30,412
DEGREES CONFERRED[2]						
Bachelor	7,565	6,765	5,997	7,421	1,050	4,576
Advanced	3,541	1,929	1,813	4,417	56	823
Cumulative	615,296	258,019	175,393	539,792	3,918	103,062
FACULTY AND STAFF[3] *(full-time equivalents)*	15,132	22,757	13,907	32,873	1,798	5,146
LIBRARY COLLECTIONS[4] *(volumes)*	12,548,223	4,510,293	3,430,327	10,017,525	1,357,538	3,493,927
CAMPUS LAND AREA *(in acres)*	6,679	7,309	1,527	420	7,549	2,150

CAMPUS FINANCIAL FACTS[5] *(in thousands of dollars)*	BERKELEY	DAVIS	IRVINE	LOS ANGELES	MERCED	RIVERSIDE
OPERATING EXPENSES BY FUNCTION						
Instruction	$ 820,992	$ 759,365	$ 627,694	$1,818,660	$ 52,545	$ 252,873
Research	572,707	528,573	235,458	737,086	21,835	108,631
Public service	69,328	79,323	8,495	121,828	4,034	6,326
Academic support	164,031	201,943	145,985	547,527	21,796	38,461
Student services	202,648	134,732	84,965	150,455	22,775	74,469
Institutional support	186,107	116,300	87,978	240,073	59,546	54,540
Operation and maintenance of plant	70,853	92,428	41,196	95,744	16,244	36,220
Student financial aid	134,788	52,553	73,012	12,242	13,465	60,179
Medical centers		1,588,921	799,212	1,742,970		
Auxiliary enterprises	131,095	98,240	138,242	332,143	19,418	71,960
Depreciation and amortization	201,562	195,669	185,043	347,899	25,843	67,202
Impairment of capital assets		1,082	1,803	4,124		534
Other[6]	12,345	2,789	9,944	21,848	4,278	5,217
Total	**$2,566,456**	**$3,851,918**	**$2,439,027**	**$6,172,599**	**$261,779**	**$776,612**
GRANTS AND CONTRACTS REVENUE						
Federal government	$ 417,309	$ 370,551	$ 185,543	$ 584,471	$ 16,556	$ 69,693
State government	82,952	130,157	21,577	52,738	696	7,226
Local government	8,111	12,756	4,419	60,892	120	1,920
Private	189,967	143,269	61,382	210,735	3,607	27,334
Total	**$ 698,339**	**$ 656,733**	**$ 272,921**	**$ 908,836**	**$ 20,979**	**$ 106,173**
UNIVERSITY ENDOWMENTS AND GIFTS						
Nonspendable endowments and gifts	$ 379,205	$ 116,459	$ 11,067	$ 258,610	$ 16,180	$ 12,982
Restricted endowments and gifts	1,938,001	531,179	93,754	1,337,860	20,697	52,812
Annual income distribution	80,942	23,025	3,449	37,180	1,382	1,967
CAMPUS FOUNDATIONS' ENDOWMENTS AND GIFTS						
Nonspendable endowments and gifts	$ 955,461	$ 204,504	$ 201,165	$ 961,752	$ 7,120	$ 84,538
Restricted endowments and gifts	878,939	175,535	154,724	1,366,720	3,168	56,921
CAPITAL ASSETS						
Capital assets, at net book value	$3,918,971	$3,161,199	$2,631,782	$5,891,217	$564,835	$1,126,298
Capital expenditures	373,673	228,074	181,430	492,847	49,476	65,950

[1] *For academic year 2014-15.*
[2] *As of academic year 2013-14.*
[3] *As of October 2014.*
[4] *As of June 30, 2014.*
[5] *Excludes DOE laboratories.*
[6] *Includes non-capitalized expenses associated with capital projects and write-off, cancellation and bad debt expense for loans.*

	SAN DIEGO	SAN FRANCISCO	SANTA BARBARA	SANTA CRUZ	SYSTEMWIDE[7]
STUDENTS					
Undergraduate fall enrollment	24,810		20,250	16,277	
Graduate fall enrollment	6,692	4,904	2,801	1,589	
Total fall enrollment	**31,502**	**4,904**	**23,051**	**17,866**	
University Extension enrollment[1]	61,672		7,418	18,626	
DEGREES CONFERRED[2]					
Bachelor	6,148		4,871	3,762	
Advanced	1,889	829	914	431	
Cumulative	179,246	51,779	218,536	105,705	
FACULTY AND STAFF[3] *(full-time equivalents)*	20,945	19,901	6,268	4,533	2,643
LIBRARY COLLECTIONS[4] *(volumes)*	4,569,666	1,129,336	3,123,554	2,365,077	
CAMPUS LAND AREA *(in acres)*	2,141	202	1,127	6,088	27

CAMPUS FINANCIAL FACTS[5] *(in thousands of dollars)*

	SAN DIEGO	SAN FRANCISCO	SANTA BARBARA	SANTA CRUZ	SYSTEMWIDE[7]
OPERATING EXPENSES BY FUNCTION					
Instruction	$ 760,682	$ 317,909	$ 259,754	$ 153,534	$ 93,925
Research	803,719	821,049	166,080	113,889	111,028
Public service	18,540	96,038	9,328	15,109	132,260
Academic support	340,087	231,786	72,621	34,594	120,435
Student services	115,551	21,695	84,159	69,824	22,002
Institutional support	158,620	177,273	58,370	51,231	1,025,662
Operation and maintenance of plant	67,239	79,695	42,249	35,758	(4,303)
Student financial aid	74,582	15,616	78,300	37,631	813
Medical centers	1,203,979	2,504,497			(112,842)
Auxiliary enterprises	133,676	25,982	93,625	97,513	17,165
Depreciation and amortization	238,922	258,425	73,423	55,106	11,939
Impairment of capital assets	3,119	558			
Other[6]	3,158	4,123	7,459	267	770
Total	**$3,921,874**	**$4,554,646**	**$ 945,368**	**$ 664,456**	**$1,418,854**
GRANTS AND CONTRACTS REVENUE					
Federal government	$ 649,741	$ 643,682	$ 119,052	$ 97,636	$ 22,222
State government	40,394	65,331	7,230	4,583	26,458
Local government	13,981	166,052	818	153	4,465
Private	245,364	299,561	47,096	24,758	10,837
Total	**$ 949,480**	**$1,174,626**	**$ 174,196**	**$ 127,130**	**$ 63,982**
UNIVERSITY ENDOWMENTS AND GIFTS					
Nonspendable endowments and gifts	$ 39,119	$ 101,647	$ 28,215	$ 8,109	$ 74,922
Restricted endowments and gifts	230,266	1,070,079	157,640	88,713	382,674
Annual income distribution	8,072	37,981	4,066	2,677	34,463
CAMPUS FOUNDATIONS' ENDOWMENTS AND GIFTS					
Nonspendable endowments and gifts	$ 359,765	$ 520,069	$ 91,641	$ 36,240	
Restricted endowments and gifts	360,118	906,130	75,991	51,926	
CAPITAL ASSETS					
Capital assets, at net book value	$3,996,591	$4,312,502	$1,319,707	$1,062,437	$ 389,090
Capital expenditures	492,751	586,672	118,939	92,352	83,083

[1] *For academic year 2014-15.*
[2] *As of academic year 2013-14.*
[3] *As of October 2014.*
[4] *As of June 30, 2014.*
[5] *Excludes DOE laboratories.*
[6] *Includes non-capitalized expenses associated with capital projects and write-off, cancellation and bad debt expense for loans.*
[7] *Includes expenses for systemwide education and research programs, systemwide support services and administration. Full-time equivalents counts, as of fall 2014, includes employees at all campuses involved in systemwide activities, including Agriculture and Natural Resources.*


HYMENOP

Management's Discussion and Analysis *(Unaudited)*

The objective of Management's Discussion and Analysis is to help readers of the University of California's financial statements better understand the financial position and operating activities for the year ended June 30, 2015, with selected comparative information for the years ended June 30, 2014 and 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2013, 2014, 2015 etc.) in this discussion refer to the fiscal years ended June 30.

The University of California's financial report communicates financial information for the University of California (the University), its discretely presented component units (component units), the University of California Retirement System (UCRS) and the University of California Retiree Health Benefit Trust (UCRHBT) through five primary financial statements and notes to the financial statements. Three of the primary statements, the statements of net position, the statements of revenues, expenses and changes in net position and the statements of cash flows, present the financial position, changes in financial position and cash flows for the University and its discretely presented component units. The financial statements for the campus foundations and the Children's Hospital and Research Center Oakland are presented discretely from the University. Two of the primary statements, the statements of plans' and trust's fiduciary net position and the statements of changes in plans' and trust's fiduciary net position, present the financial position and operating activities for UCRS and UCRHBT. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

THE UNIVERSITY OF CALIFORNIA

The University of California, one of the largest and most acclaimed institutions of higher learning in the world, is dedicated to excellence in teaching, research, health care and public service. The University has annual resources of nearly $28.7 billion and encompasses ten campuses, five medical schools and medical centers, four law schools and a statewide Division of Agriculture and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy (DOE).

Campuses. The ten campuses are located in Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara and Santa Cruz. All of the campuses, except San Francisco, offer undergraduate, graduate and professional education; the San Francisco campus is devoted exclusively to graduate and professional education in health sciences.

Health sciences. The University operates one of the nation's largest health science and medical training programs. The instructional program is conducted in 16 health professional schools on six campuses. Our health programs include five medical centers, two dental schools, three nursing schools, two public health schools and two pharmacy schools, in addition to a school of optometry and a school of veterinary medicine. The University's medical schools play a leading role in the development of health services and advancement of medical science and research.

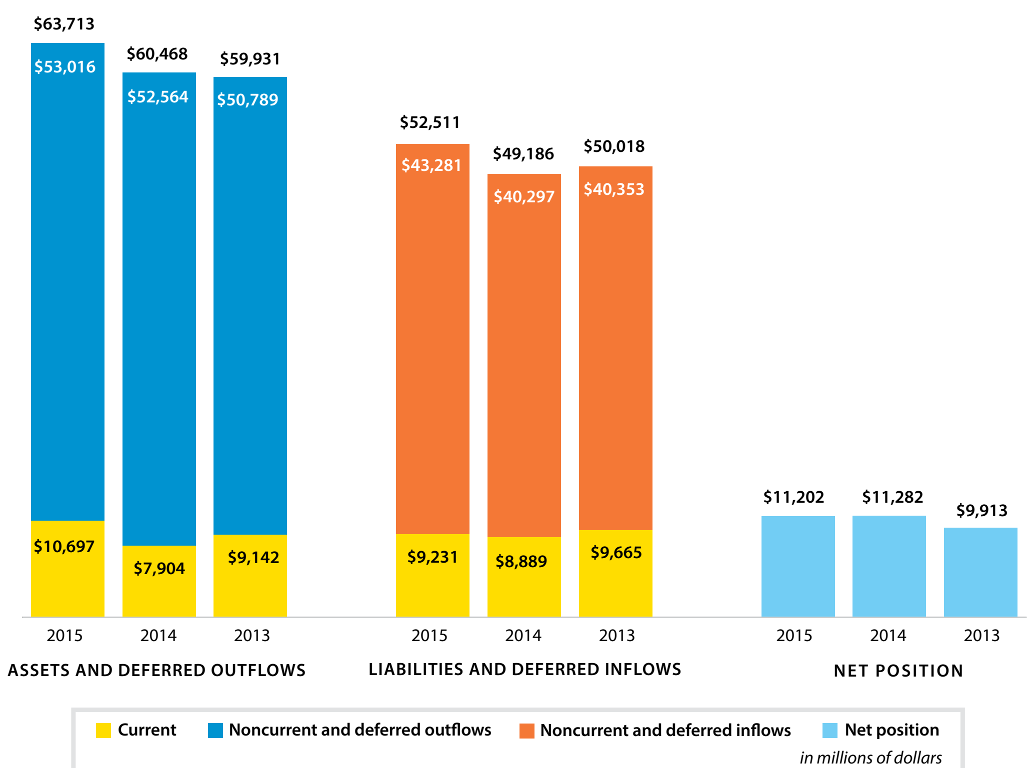
Law schools. The University has law schools at Berkeley, Davis, Irvine and Los Angeles. Also, the Hastings College of the Law in San Francisco is affiliated with the University, although not included in the financial reporting entity.

Agriculture and Natural Resources. The Division of Agriculture and Natural Resources is a statewide research and public service organization that serves a large and diverse agricultural community. The division conducts studies on the Berkeley, Davis and Riverside campuses, at nine research and extension centers and on private land in cooperation with California producers. In addition, research and educational programs are conducted in each of the state's 58 counties.

University Extension. The foremost continuing education program of its kind in size, scope and quality of instruction, University Extension offers almost 20,000 self-supporting courses statewide and in several foreign countries.

National laboratories. Under contract with the DOE, the University operates and manages the Ernest Orlando Lawrence Berkeley National Laboratory (LBNL) in California. The University is also a member in two separate joint ventures, Los Alamos National Security, LLC (LANS) and Lawrence Livermore National Security, LLC (LLNS) that operate and manage the Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL), respectively, under contracts directly with the DOE. The laboratories conduct broad and diverse basic and applied research in nuclear science, energy production, national defense and environmental and health areas.

THE UNIVERSITY'S FINANCIAL POSITION



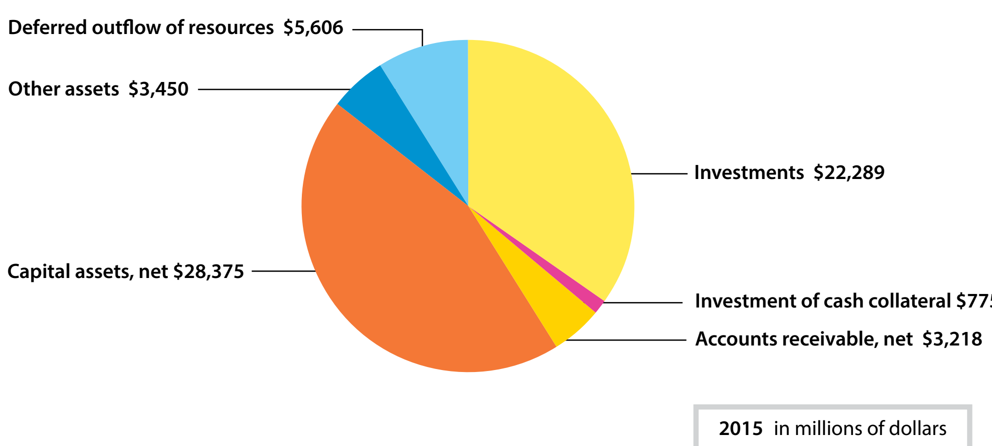
The statement of net position presents the financial position of the University at the end of each year. It displays all of the University's assets, deferred outflows, liabilities and deferred inflows. The difference between assets, deferred outflows, liabilities and deferred inflows is net position.

The major components of the assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2015, 2014 and 2013 are as follows:

(in millions of dollars)

	2015	2014	2013
ASSETS			
Investments	$22,289	$21,541	$ 18,942
Investment of cash collateral	775	1,218	1,403
Accounts receivable, net	3,218	3,001	3,744
Capital assets, net	28,375	27,362	26,180
Other assets	3,450	3,646	4,895
Total assets	**58,107**	**56,768**	**55,164**
DEFERRED OUTFLOWS OF RESOURCES	5,606	3,700	4,767
LIABILITIES			
Debt, including commercial paper	19,021	18,031	17,236
Securities lending collateral	775	1,218	1,403
Pension obligations	10,620	7,714	12,338
Obligations for retiree health benefits	9,390	8,440	7,577
Other liabilities	7,399	6,705	7,246
Total liabilities	**47,205**	**42,108**	**45,800**
DEFERRED INFLOWS OF RESOURCES	5,306	7,078	4,218
NET POSITION			
Net investment in capital assets	11,926	11,884	11,856
Restricted:			
Nonexpendable	1,087	1,057	1,027
Expendable	7,173	6,944	5,836
Unrestricted	(8,984)	(8,603)	(8,806)
Total net position	**$11,202**	**$11,282**	**$ 9,913**

The University's Assets and Deferred Outflows



The University's total assets and deferred outflows of resources have grown to $63.7 billion in 2015, compared to $60.5 billion in 2014 and $59.9 billion in 2013. Capital assets have increased due to continued investments in facilities and investments increased due to financial market returns. Deferred inflows and outflows fluctuate primarily as a result of changes in the University's pension obligations.

Investments

Investments held by the University are principally carried in three investment pools, the Short Term Investment Pool (STIP), the Total Return Investment Pool (TRIP) and the General Endowment Pool (GEP). Cash for operations and bond proceeds for construction expenditures are invested in STIP. The University uses STIP to meet operational liquidity needs. TRIP provides the opportunity to maximize the return on long-term capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. As a result of continued low interest rates, the University increased its use of TRIP to enhance investment returns, while still maintaining sufficient funds in STIP to meet operational liquidity needs. The GEP is a balanced portfolio and the primary investment vehicle for individual endowments and funds functioning as endowments.

The Regents of the University of California (The Regents) utilize asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. GEP had positive returns of 7.2 percent, 19.0 percent and 12.0 percent in 2015, 2014 and 2013, respectively. TRIP had positive returns of 2.6 percent, 14.7 percent and 8.3 percent in 2015, 2014 and 2013, respectively. STIP had positive returns of 1.4 percent, 1.6 percent and 2.1 percent in 2015, 2014 and 2013, respectively. As of June 30, 2015, an increase of $2.9 billion of short-term investments from prior year were held to facilitate the execution of asset allocation changes in the investment portfolios.

Investment of cash collateral

The University participates in a securities lending program incorporating securities owned by both the University and UCRS as a means to augment income. Cash collateral fluctuates in response to changes in demand from borrowers and the availability of securities based upon the University's asset allocation mix.

Accounts receivable, net

Receivables fluctuate based on the timing of collections and investment sales activity. Private contracts and grants receivables increased by $53.3 million, medical professional fees increased by $28.0 million and other receivables for settlements increased by $30.0 million in 2015 as compared to 2014 due to the timing of investments. Receivables from investment sales decreased by $742.6 million in 2014 as compared to 2013.

Capital assets, net

Capital spending continues at a brisk pace in order to provide the facilities necessary to support the University's teaching, research and public service mission and for patient care. Capital spending includes constructing and renovating academic buildings, research laboratories, libraries, student services, housing facilities, medical centers and clinical facilities, parking structures and infrastructure projects at all ten campuses and five medical centers. The largest projects are the medical centers in San Francisco and San Diego. Total additions of capital assets were $2.8 billion in 2015 as compared to $2.9 billion in 2014 and $2.6 billion in 2013.

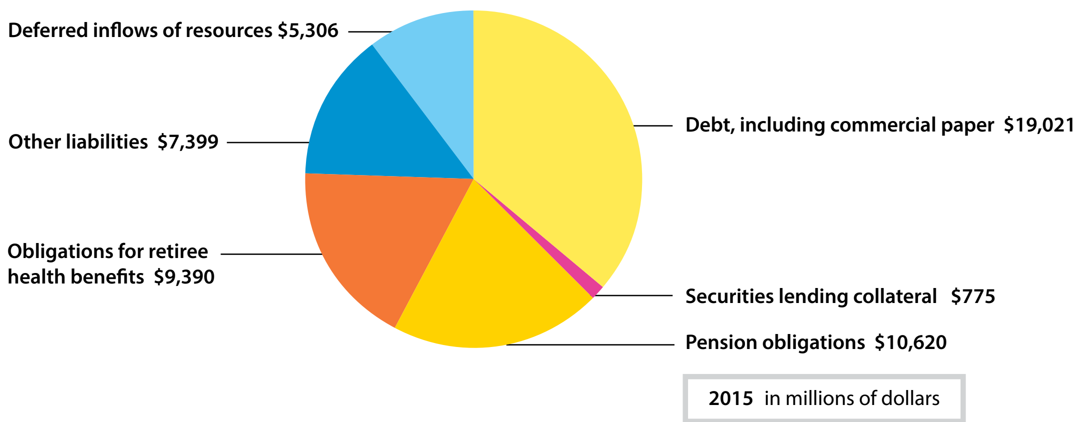
Other assets

Other assets include cash, investments held by trustees, pledge receivables, note and mortgage receivables, inventories and a receivable from the DOE. Investments held by trustees decreased by $626.2 million in 2014 related to the refinancing of debt issued by the state of California. The noncurrent receivable from the DOE, which fluctuates with the pension obligations due to the DOE's continuing responsibility to contribute for retired and terminated vested members of LLNS and LANL, decreased by $178.8 million in 2015 as compared to 2014 and decreased by $615.8 million in 2014 as compared to 2013.

Deferred outflows of resources

Changes in fair values of the University's interest rate swaps that are determined to be hedging derivatives, losses on debt refundings and certain changes in the net pension liability are reported as deferred outflows of resources. The increase of $1.9 billion in deferred outflows of resources in 2015 is primarily related to changes in the pension obligations as a result of actual earnings less than expected and changes in assumptions for mortality and expected investment returns. The decrease of $1.1 billion in deferred outflows of resources in 2014 is primarily related to the recognition of changes in the net pension liability.

The University's Liabilities and Deferred Inflows



The University's liabilities and deferred inflows of resources increased to $52.5 billion in 2015 as compared $49.2 billion in 2014 and $50.0 billion in 2013. The increase in 2015 was primarily related to issuance of additional debt to finance capital projects and the increases in the liabilities for pension obligations and retiree health benefits offset by a reduction in deferred inflows of resources. The decrease in 2014 was primarily related to the reduction in pension obligations offset by issuance of debt to finance capital projects and the increase in the liability for retiree health benefits.

Debt, including commercial paper

Capital assets are financed from a variety of sources, including University equity contributions, federal and state support, revenue bonds, bank loans, and leases or structures that involve separate legal entities. Commercial paper and bank loans provide interim financing for capital assets during the construction period.

Outstanding debt increased by $990.0 million and $795.0 million in 2015 and 2014, respectively. A summary of the activity follows:

(in millions of dollars)

	2015	2014
ADDITIONS TO OUTSTANDING DEBT		
General Revenue Bonds	$1,679	$3,429
Medical Center Pooled Revenue Bonds		650
Limited Project Revenue Bonds	1,671	
Capital leases	43	36
Other borrowings		14
Commercial paper	91	
Bond premium, net	242	186
Additions to outstanding debt	**3,726**	**4,315**
REDUCTIONS TO OUTSTANDING DEBT		
Refinancing and prepayments	(2,325)	(2,433)
Scheduled principal payments	(336)	(687)
Payments on other borrowings	(26)	(31)
Commercial paper		(326)
Other[1]	(49)	(43)
Reductions to outstanding debt	**(2,736)**	**(3,520)**
Net increase in outstanding debt	**$ 990**	**$ 795**

[1] *Amortization of bond premium.*

The University's debt, which is used to primarily finance capital assets, includes $1.1 billion, $993.7 million and $1.3 billion of commercial paper outstanding at the end of 2015, 2014 and 2013, respectively. Total debt outstanding was $19.0 billion at the end of 2015 compared to $18.0 billion and $17.2 billion at the end of 2014 and 2013, respectively.

In 2015, $3.4 billion of debt was issued. The University issued General Revenue Bonds totaling $1.7 billion and Limited Project Revenue Bonds totaling $1.7 billion to primarily finance and refinance certain facilities and projects of the University. Reductions to outstanding debt in 2015 were $2.7 billion, including $2.3 billion for one-time principal payments for the refinancing or refunding of previously outstanding debt. The refinancing and refunding of previously outstanding debt resulted in an economic gain of $276.0 million. The General Revenue Bonds issued included $500.0 million of bonds maturing in 2115 to finance capital projects of the University or for such other purposes as authorized by The Regents.

In August 2013, the University issued Medical Center Pooled Revenue Bonds totaling $650.0 million to finance and refinance certain facilities and projects. In October 2013, the University issued General Revenue Bonds of $2.5 billion to restructure Lease Revenue Bonds issued by the State Public Works Board of the state of California, reported as lease-purchase agreements by the University. General Revenues, as defined in the Indenture, were amended to include certain state appropriations as to secure payment of the General Revenue Bonds.

In April 2014, General Revenue Bonds totaling $970.4 million were issued to finance and refinance certain facilities and projects of the University. Reductions to debt in 2014 were $3.5 billion. In April 2014, the University remarketed General Revenue Bonds totaling $500 million with a scheduled mandatory tender for purchase on July 1, 2017.

The University's General Revenue Bond ratings are currently affirmed at Aa2, AA and AA by Moody's Investors Service, Standard & Poor's and Fitch, respectively, all with stable outlooks. The University's Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds are currently affirmed at Aa3, AA- and AA- by Moody's Investors Service, Standard & Poor's and Fitch, respectively, all with stable outlooks.

Commercial paper borrowings increased by $91.3 million in 2015 as compared to 2014, and decreased by $326.4 million in 2014 compared to 2013. Commercial paper is primarily used as interim financing for construction projects and equipment financing. Commercial paper fluctuates based upon the timing of refinancing construction projects with the issuance of long-term Revenue Bonds. The University has various revolving credit agreements totaling $1.2 billion with major financial institutions for the purpose of providing additional liquidity for bonds, commercial paper and for other liquidity needs.

Securities lending collateral

Under the securities lending program, the University records a liability to the borrower for cash collateral received and held by the University for securities on loan at the end of the year. 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 the securities lent. The amount of the securities lending collateral liability fluctuates directly with securities lending opportunities and the investment of cash collateral.

Pension obligations and retiree health benefits

The University has a financial responsibility for pension benefits associated with its defined benefit plans and for retiree health benefits. The University's pension obligation was $10.6 billion, $7.7 billion and $12.3 billion in 2015, 2014 and 2013, respectively. The change in net pension liability for 2015 was primarily driven by changes in assumptions from the experience study and lower than expected returns on the UCRP investment portfolio. The change in net pension liability for 2014 was primarily driven by better than expected investment performance of the UCRP investment portfolio. UCRP's total investment rate of return was 4.5 percent in 2015, 17.4 percent in 2014 and 11.7 percent in 2013. The discount rate used to estimate the net pension liability was 7.25 percent in 2015 and 7.5 percent in both 2014 and 2013.

LBNL participates in the University's defined benefit pension plan, although the DOE has an ongoing financial responsibility to reimburse the University for LBNL's share of the obligation to UCRP. In addition, under certain circumstances the University makes contributions to UCRP for LANL and LLNL retirees and, based upon contractual arrangements with the DOE, is reimbursed by the DOE. The University recorded receivables from the DOE of $1.0 billion, $1.2 billion and $1.8 billion for 2015, 2014 and 2013, respectively, representing the DOE's share of the net pension liability.

The University's obligation for retiree health benefits is based upon an actuarial determination of the annual retiree health benefit expense. The University funds the retiree health expense through UCRHBT based upon a projection of benefits on a pay-as-you-go basis. The increases of $950.0 million and $863.0 million in 2015 and 2014, respectively, in the obligation for retiree health benefits is due to the impact of amortizing the University's unfunded obligation. The unfunded liability for the campuses and medical centers as of the July 1, 2014 actuarial valuation was $14.0 billion.

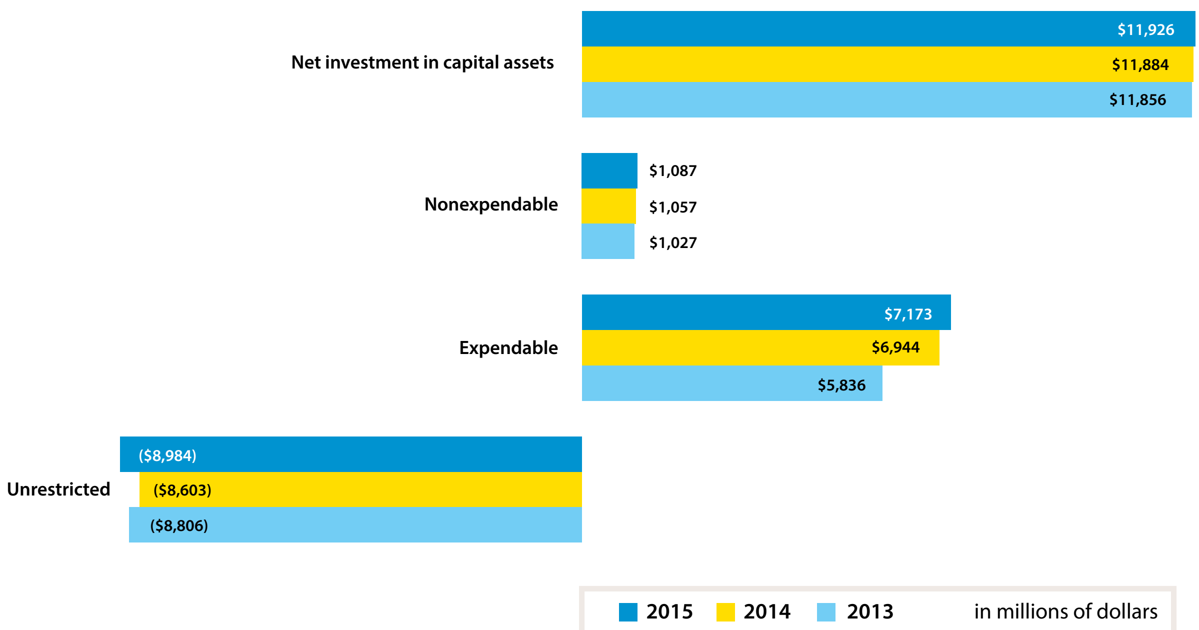
Other liabilities

Other liabilities consist of accounts payable, accrued salaries, other employee benefits, unearned revenue, funds held for others, DOE laboratories' liabilities, federal refundable loans, self-insurance and obligations under life income agreements.

Deferred inflows of resources

Deferred inflows of resources are related to the University's service concession arrangements, gains on debt refundings and certain changes in the net pension liability. Deferred inflows of resources decreased in 2015 by $1.8 billion due to changes in pension obligations as a result of changes in assumptions for inflation offset by recognition of investment gains from previous years. Deferred inflows of resources increased in 2014 by $2.9 billion due to higher than expected earnings on pension investments.

The University's Net Position



Net position represents the residual interest in the University's assets and deferred outflows after all liabilities and deferred inflows are deducted. The University's net position was $11.2 billion in 2015 compared to $11.3 billion in 2014 and $9.9 billion in 2013. Net position is reported in the following categories: net investment in capital assets; restricted, nonexpendable; restricted, expendable; and unrestricted.

Net investment in capital assets

The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction or improvement of these capital assets, was $11.9 billion for the years ended June 30, 2015, 2014 and 2013. The University continues to invest in its physical facilities to support the growth in the University.

Restricted, nonexpendable

Restricted, nonexpendable net position includes the corpus of the University's permanent endowments and the estimated fair value of certain planned giving arrangements. In 2015 and 2014, the increase in restricted nonexpendable net position was principally due to the receipt of new gifts.

Restricted, expendable

Restricted, expendable net position is subject to externally imposed restrictions governing their use. Net position may be spent only in accordance with the restrictions placed upon them and may include endowment income and gains, subject to the University's spending policy; support received from gifts, appropriations or capital projects; trustee held investments; or other third-party receipts. The increases or decreases in restricted, expendable funds are principally due to unrealized appreciation or depreciation respectively in the fair value of investments related to restricted gifts and funds functioning as endowments.

Unrestricted

Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Unrestricted net position is negative due primarily to obligations for pension and retiree health benefits exceeding University reserves. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the University's reserves are allocated for academic and research initiatives or programs and for capital and other purposes. As of June 30, 2015 and 2014, unrestricted net position is in a deficit position. The increase in the deficit in 2015 is due to increases in the University's pension and retiree health benefit obligations. The decrease in the deficit in 2014 is due to changes in the net pension obligation related to strong financial market performance.

The University's Results of Operations

The statement of revenues, expenses and changes in net position is a presentation of the University's operating results. It indicates whether the financial condition has improved or deteriorated. In accordance with the Governmental Accounting Standards Board (GASB) requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the University are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income. A summarized comparison of the operating results for 2015, 2014 and 2013, arranged in a format that matches the revenue supporting the core activities of the University with the expenses associated with core activities, is as follows:

(in millions of dollars)

	2015			2014			2013		
	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL	OPERATING	NONOPERATING	TOTAL
REVENUES									
Student tuition and fees, net	$ 3,784		$ 3,784	$ 3,586		$ 3,586	$ 3,403		$ 3,403
State educational appropriations		$ 2,792	2,792		$ 2,638	2,638		$ 2,154	2,154
Federal Pell Grants		376	376		316	316		346	346
Grants and contracts, net	5,153		5,153	5,068		5,068	5,079		5,079
Medical centers, educational activities and auxiliary enterprises, net	13,107	22	13,129	11,751	2	11,753	10,890	3	10,893
Department of Energy laboratories	1,235		1,235	1,251		1,251	1,032		1,032
Private gifts, net		957	957		882	882		802	802
Investment income, net		309	309		313	313		366	366
Other revenues	891	39	930	712	92	804	696	293	989
Revenues supporting core activities	**24,170**	**4,495**	**28,665**	**22,368**	**4,243**	**26,611**	**21,100**	**3,964**	**25,064**
EXPENSES									
Salaries and benefits	18,254		18,254	16,976		16,976	17,532		17,532
Scholarships and fellowships	547		547	577		577	592		592
Utilities	273		273	290		290	281		281
Supplies and materials	2,817		2,817	2,543		2,543	2,465		2,465
Depreciation and amortization	1,661		1,661	1,710		1,710	1,555		1,555
Department of Energy laboratories	1,228		1,228	1,244		1,244	1,026		1,026
Interest expense		662	662		616	616		666	666
Other expenses	4,022	16	4,038	3,609	2	3,611	3,394	15	3,409
Expenses associated with core activities	**28,802**	**678**	**29,480**	**26,949**	**618**	**27,567**	**26,845**	**681**	**27,526**
Income (loss) from core activities	**$ (4,632)**	**$3,817**	**$ (815)**	**$(4,581)**	**$ 3,625**	**$ (956)**	**$ (5,745)**	**$3,283**	**$(2,462)**
OTHER NONOPERATING ACTIVITIES									
Net appreciation in fair value of investments			544			1,828			727
Income (loss) before other changes in net position			(271)			872			(1,735)
OTHER CHANGES IN NET POSITION									
State capital appropriations			21			45			120
Capital gifts and grants, net			143			432			257
Permanent endowments			27			20			23
Increase (decrease) in net position			**(80)**			**1,369**			**(1,335)**
NET POSITION									
Beginning of year			11,282			9,913			11,247
End of year			**$11,202**			**$11,282**			**$ 9,912**

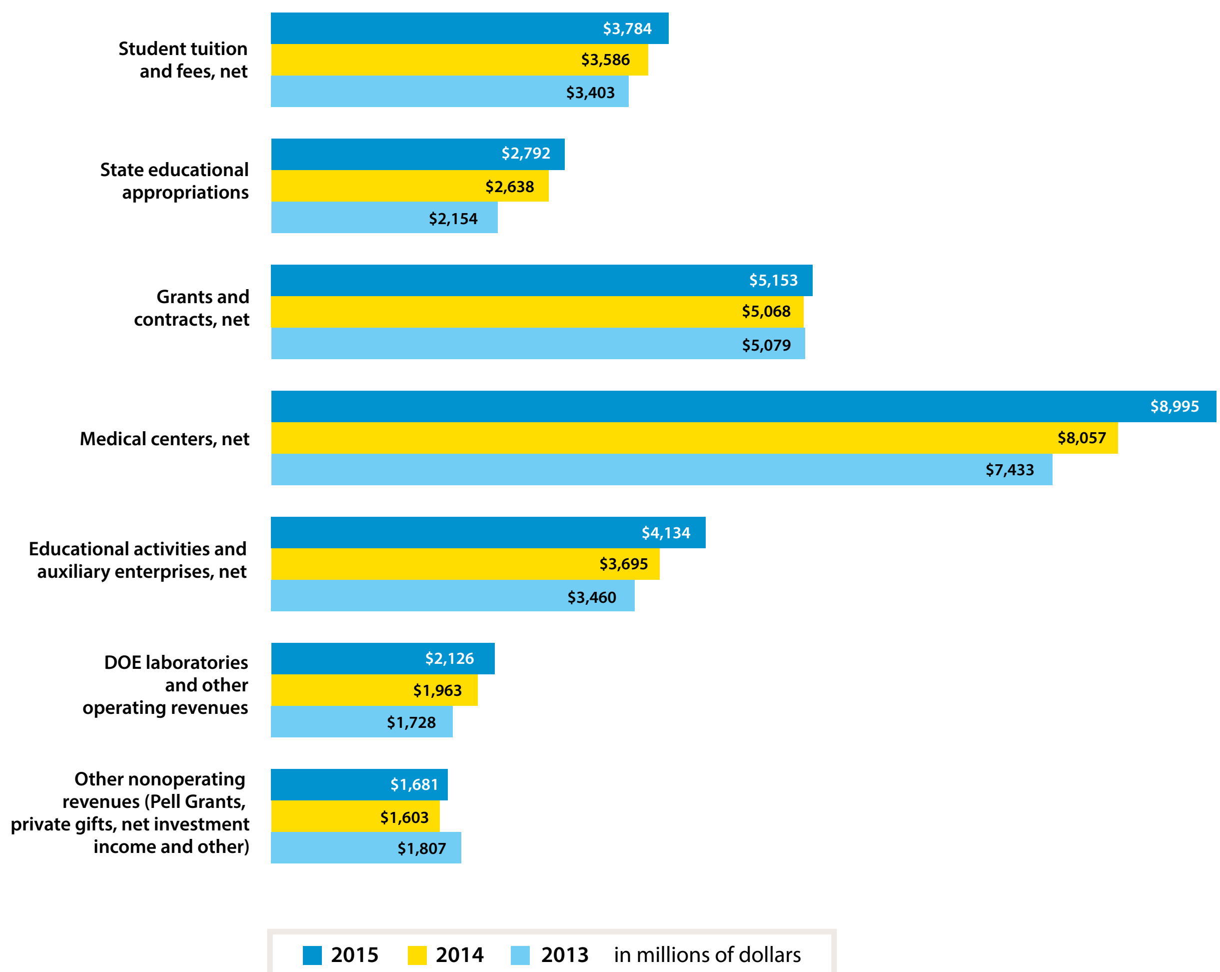
Revenues supporting core activities

Revenues to support the University's core activities, including those classified as nonoperating revenues, were $28.7 billion, $26.6 billion and $25.1 billion in 2015, 2014 and 2013, respectively. These diversified sources of revenue increased by $2.1 billion in 2015 and increased by $1.5 billion in 2014.

The state of California's educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of the University. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country.

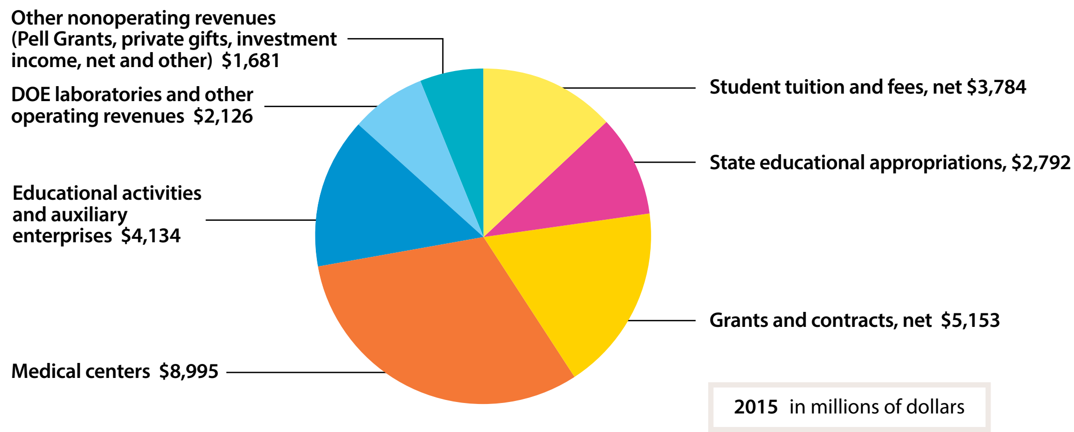
Gifts to the University allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Other significant revenues are from medical centers, educational activities and auxiliary enterprises such as student housing, food service operations and parking.

Revenues in the various categories have increased and decreased as follows:



A major financial strength of the University includes a diverse source of revenues, including those from student fees, federally sponsored grants and contracts, medical centers, the state of California, private support and self-supporting enterprises. The variety of fund sources has become increasingly important over the past several years given the effects of the state's financial crisis that required reductions in both instructional and non-instructional programs.

Categories of both operating and nonoperating revenue that supported the University's core activities in 2015 are as follows:



Student tuition and fees, net

Net student tuition and fees were $3.8 billion, $3.6 billion and $3.4 billion in 2015, 2014 and 2013, respectively. Student tuition and fees, net of scholarship allowances, increased by $198.2 million and $182.9 million in 2015 and 2014, respectively. Scholarship allowances were $1.2 billion, $1.1 billion and $1.0 billion in 2015, 2014 and 2013, respectively. Scholarship allowances are reported as an offset to revenue, not as an operating expense.

In 2015, enrollment grew by 3.3 percent. Mandatory tuition and fees for resident undergraduates were not changed in 2015 and 2014. Certain nonresident undergraduates and resident and nonresident graduate students experienced increases in mandatory tuition and fees. Professional degree supplemental tuition varies by discipline; no increases were approved for 2015 and limited increases were approved for 2014.

State educational appropriations

Educational appropriations from the state of California were $2.8 billion, $2.6 billion and $2.2 billion in 2015, 2014 and 2013, respectively. State educational appropriations increased in 2015 and 2014 by $153.8 million and $483.4 million, respectively, as a result of tax initiatives approved by the voters of California in November 2012. In connection with the passage of these tax initiatives, the University did not raise resident tuition from 2013 to 2015. Additionally, the state of California agreed to increase state educational appropriations in exchange for the reduction in state financing appropriations, which decreased when the Lease Revenue Bonds issued by the State Public Works Board of the state of California were refinanced in October 2013.

Grants and contracts, net

Revenue from federal, state, private and local government grants and contracts — including an overall facilities and administration cost recovery of $993.5 million, $978.4 million and $990.5 million in 2015, 2014 and 2013, respectively — were $5.2 billion, $5.1 billion and $5.1 billion in 2015, 2014 and 2013, respectively.

In 2015, federal grants and contracts revenue decreased $0.5 million, or 0.1 percent as compared to 2014. In 2014, federal grants and contracts revenue decreased $68.5 million, or 2.1 percent as compared to 2013. Federal grants and contracts include federal facilities and administrative cost recovery of $720.3 million, $709.6 million and $731.7 million in 2015, 2014 and 2013, respectively. Expiring federal grants and contracts funded from federal economic stimulus funds made available by the American Recovery and Reinvestment Act (ARRA) and federal budget cuts have slowed the University's growth in federal grants and contracts. Grant and contract revenue is from a variety of federal agencies as indicated below:

(in millions of dollars)

	2015	2014	2013
Department of Health and Human Services	$1,816	$1,902	$1,967
National Science Foundation	498	469	478
Department of Education	70	124	75
Department of Defense	259	256	271
National Aeronautics and Space Administration	137	102	94
Department of Energy (excluding national laboratories)	100	109	111
Other federal agencies	296	215	249
Federal grants and contracts net revenue	**$3,176**	**$3,177**	**$3,245**

Medical centers, educational activities and auxiliary enterprises, net

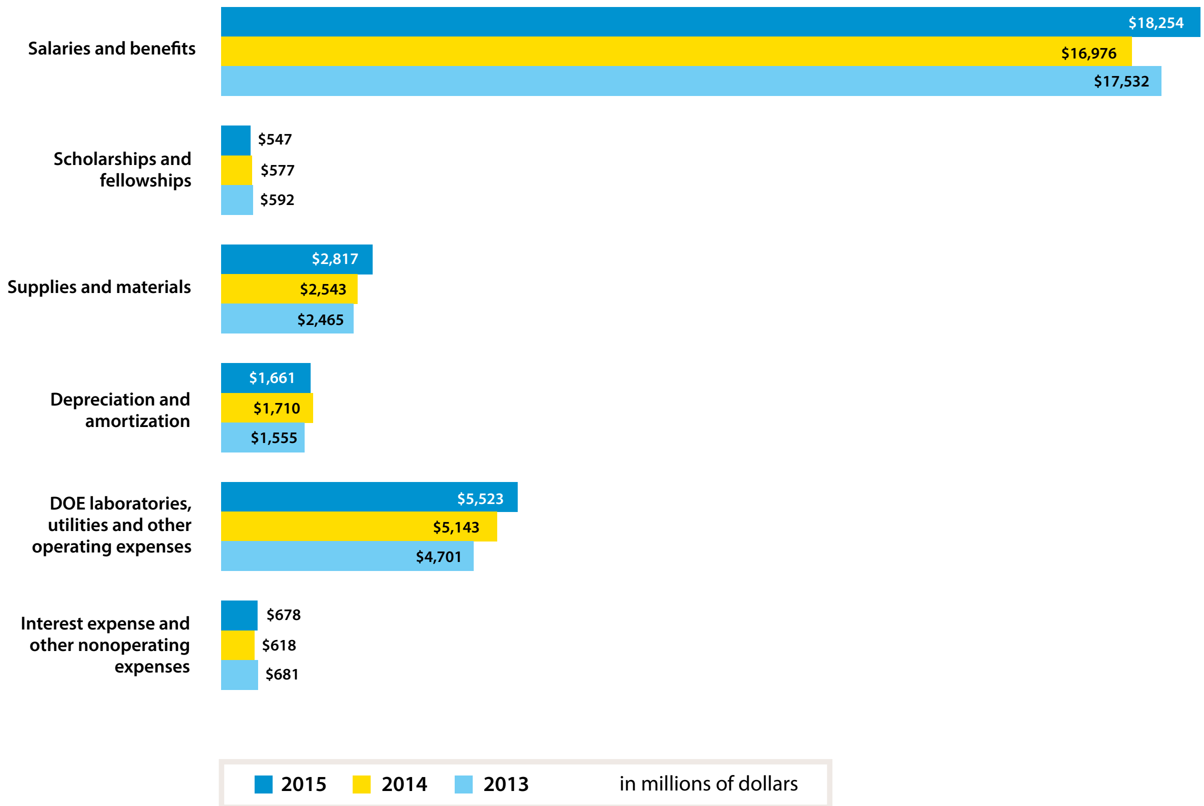
Medical center revenues, including state hospital fee grants and net of allowances, increased $937.5 million, or 11.6 percent, in 2015 and increased $624.1 million or 8.4 percent, in 2014. Revenues increased in 2015 and 2014 due to higher patient volumes, a continuing increase in the complexity of cases, slight improvements in payor mix and higher reimbursement rates. In response to health care reform and increasing employee costs, the medical centers continue to invest in expanding services and achieving efficiencies to maintain operating margins.

Revenue from education activities, primarily medical professional fees, net of allowances, grew by $361.7 million, or 15.2 percent, in 2015 and $189.2 million, or 8.4 percent, in 2014. The growth is generally associated with an expanded patient base and higher rates from third-party payors.

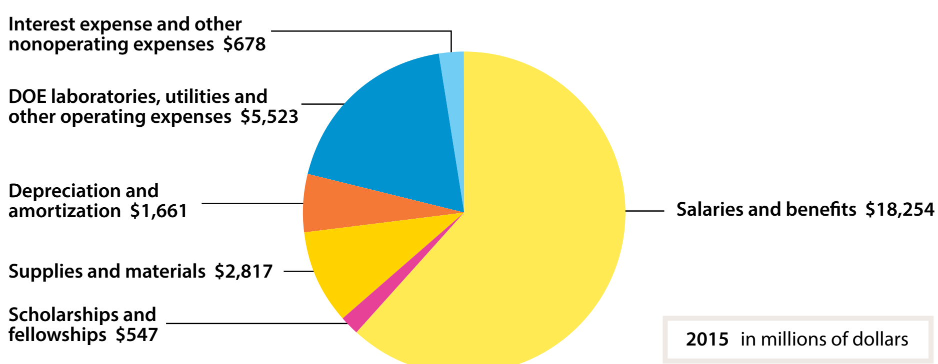
Expenses associated with core activities

Expenses associated with the University's core activities, including those classified as nonoperating expenses, were $29.5 billion, $27.6 billion and $27.5 billion in 2015, 2014 and 2013, respectively. Expenses increased in 2015 by $1.9 billion, primarily due to growth in the University's operations, principally at the medical centers. Expenses increased in 2014 by $41.0 million, primarily due to an increase in other operating expenses and depreciation, offset by a decrease in salaries and benefits.

Expenses in the various categories are as follows:



Categories of both operating and nonoperating expenses related to the University's core activities in 2015 are as follows:



Salaries and benefits

Approximately 62.0 percent of the University's expenses were related to salaries and benefits. There were 146,000 full-time equivalent (FTE) employees in the University in 2015, excluding employees who were associated with LBNL whose salaries and benefits were included as laboratory expenses as compared to 142,000 FTEs in 2014.

Salaries and benefits increased 7.5 percent in 2015 due to growth in the University's operations. In 2015, salaries increased 6.9 percent, 2.6 percent due to an increase in the number of FTEs and 4.2 percent due to an increase in the average salary per FTE. Employee benefits, excluding pension and post-retirement health care benefits, increased by 6.8 percent in 2015, due to higher health insurance costs. Pension expense increased by 17.0 percent due to lower than expected investment returns and assumption changes.

Salaries and benefits decreased 3.2 percent in 2014 due to lower pension expense. In 2014, salaries increased 5.4 percent, 1.6 percent due to an increase in the number of FTEs and 3.8 percent due to an increase in the average salary per FTE. Employee benefits, excluding pension and post-retirement health care benefits, increased by 4.3 percent in 2014, due to higher health insurance costs. Pension expense is lower due to investment gains on plan assets in excess of expected returns.

Scholarships and fellowships

The University places a high priority on student financial aid as part of its commitment to affordability. Scholarship allowances, representing financial aid and fee waivers awarded by the University, were $2.0 billion, $1.9 billion and $1.8 billion in 2015, 2014 and 2013, respectively. Scholarships and fellowships, representing payments of financial aid made directly to students and reported as an operating expense were 547.1 million, 577.2 million and 591.6 million in 2015, 2014 and 2013, respectively. On a combined basis, as the University continues its commitment to provide financial support for needy students, financial aid in all forms increased by $95.8 million, or 5.1 percent in 2015 as compared to 2014.

Supplies and materials

During 2015 and 2014, supplies and materials costs increased by $273.5 million, or 10.8 percent, and $78.2 million, or 3.2 percent, respectively. The largest increases occurred at the medical centers due to higher patient volumes. In recent years, there has been inflationary pressure on the costs for medical supplies and laboratory instruments and higher costs for general supplies necessary to support expanded research activity and increased medical patient volumes. The University continues to find opportunities to manage the costs of supplies and materials.

Other expenses

Other expenses consist of a variety of expense categories, including travel, rent, insurance, legal settlements and repairs and maintenance, plus any gain or loss on disposals of capital assets and other nonoperating expenses.

Operating losses

In accordance with the GASB's reporting standards, operating losses were $4.6 billion, $4.6 billion and $5.7 billion in 2015, 2014 and 2013, respectively. The operating losses in 2015, 2014 and 2013 were partially offset by $3.8 billion, $3.6 billion and $3.3 billion, respectively of net nonoperating revenue that clearly supports core operating activities of the University. Expenses associated with core activities in 2015, 2014 and 2013 exceeded revenue available to support core activities by $0.8 billion, $1.0 billion and $2.5 billion, respectively.

Other nonoperating activities

The University's other nonoperating activities, consisting of net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, are not available to support operating expenses. In 2015, the University recognized net appreciation in the fair value of investments of $543.7 million, as compared to $1.8 billion and $727.0 million during 2014 and 2013, respectively. The University's portfolio showed positive performance in all three years due to returns in both the equity and bond markets.

Other changes in net position

Similar to other nonoperating activities discussed above, other changes in net position are also not available to support the University's operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Only income earned from gifts of permanent endowments is available in future years to support the specified program. The University's enrollment growth requires new facilities, in addition to continuing needs for renewal, modernization and seismic correction of existing facilities. Capital appropriations, representing proceeds from bond measures approved by California voters decreased by $24.2 million and $74.7 million in 2015 and 2014, respectively. Capital gifts and grants decreased by $288.8 million in 2015 from 2014 and increased by $175.2 million in 2014 from 2013 due to large gifts received in 2014 for the construction of the San Francisco Medical Center at Mission Bay.

THE UNIVERSITY OF CALIFORNIA DISCRETELY PRESENTED COMPONENT UNITS

Separate foundations at each individual campus provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern each of the foundations, they are affiliated with, and their assets are dedicated for, the benefit of the University of California.

The Regents are the sole corporate member of Children's Hospital and Research Center Oakland (CHRCO). CHRCO is considered a discretely presented component unit of the University.

The Discretely Presented Component Units' Financial Position

The discretely presented component units' statement of net position presents their combined financial position at the end of the year. It displays all of the discretely presented component units' assets, deferred outflows, liabilities, deferred inflows and net position. The difference between assets, deferred outflows, liabilities and deferred inflows is net position, representing a measure of the current financial condition of the discretely presented component units.

The major components of the combined assets, liabilities and net position of the discretely presented component units at June 30, 2015, 2014 and 2013 are as follows:

(in millions of dollars)

	2015	2014	2013
ASSETS			
Investments	$7,159	$6,704	$6,005
Investment of cash collateral	37	51	66
Accounts receivable, net	201	103	155
Pledges receivable, net	826	865	718
Capital assets, net	268	284	242
Other assets	273	245	233
Total assets	**8,764**	**8,252**	**7,419**
DEFERRED OUTFLOW OF RESOURCES	**46**	**5**	**4**
LIABILITIES			
Accounts payable and other current liabilities	124	158	158
Securities lending collateral	37	51	66
Obligation under life income agreements and funds held for others	372	383	368
Other noncurrent liabilities	171	109	155
Total liabilities	**704**	**701**	**747**
DEFERRED INFLOWS OF RESOURCES	**24**	**30**	**11**
NET POSITION			
Net investment in capital assets	212	224	176
Restricted:			
Nonexpendable	3,447	3,180	2,854
Expendable	4,063	3,849	3,350
Unrestricted	360	273	285
Total net position	**$8,082**	**$7,526**	**$6,665**

Investments increased in 2015 and 2014 due to the positive performance of the financial markets. The Board of Trustees for each campus foundation is responsible for its specific investment policy, although asset allocation guidelines are recommended to campus foundations by the Committee on Investments of The Regents. The Boards of Trustees may determine that all or a portion of their investments will be managed by the University's Chief Investment Officer. The Chief Investment Officer managed $1.3 billion, $1.4 billion and $1.2 billion of the campus foundations' investments at the end of 2015, 2014 and 2013, respectively.

Restricted, nonexpendable net position includes the corpus of the campus foundations' permanent endowments and the estimated fair value of certain planned giving arrangements. Restricted, expendable net position is subject to externally imposed restrictions governing their use. Net position represents the residual interest in the assets and deferred outflows after all liabilities and deferred inflows are deducted. It is only available in accordance with the restrictions placed upon them and may include endowment income and investment gains, subject to each individual campus foundation's spending policy; support received from gifts; trustee held investments; or other third-party receipts. New gifts and net appreciation in the fair value of investments were the primary reasons for the changes in value in 2015 and 2014.

CHRCO operates a 190-bed inpatient acute care hospital, and outpatient facilities and clinics throughout the San Francisco Bay Area, as well as a pediatric research institute. CHRCO's assets consist primarily of patient receivables and capital assets. In 2015, CHRCO's assets increased due to strong operating results.

In 2014, capital assets increased due primarily to investments in an electronic medical record system. Liabilities include long-term debt, outstanding in 2013, which was refinanced in 2014 with $58.1 million of the University's commercial paper and pension liabilities for CHRCO's defined benefit retirement plan. CHRCO's net position increased $100.4 million and $12.3 million in 2015 and 2014, respectively.

The Discretely Presented Component Units' Results of Operations

The discretely presented component units' combined statement of revenues, expenses and changes in net position is a presentation of their operating results for the year. It indicates whether their financial condition has improved or deteriorated during the year.

A summarized comparison of the operating results for 2015, 2014 and 2013 is as follows:

(in millions of dollars)

	2015	2014	2013
OPERATING REVENUES			
Medical centers, net	$ 504	$ 358	$ 405
Grants and contracts, net	51	50	56
Private gifts and other revenues	787	814	737
Total operating revenues	**1,342**	**1,222**	**1,198**
OPERATING EXPENSES			
Salaries and benefits	311	291	272
Supplies and materials	60	42	38
Depreciation and amortization	37	30	22
Grants to campuses and other expenses	987	1,101	826
Total operating expenses	**1,395**	**1,464**	**1,158**
Operating income (loss)	**(53)**	**(242)**	**40**
NONOPERATING REVENUES (EXPENSES)			
Investment income	75	94	68
Net appreciation in fair value of investments	207	677	484
Other nonoperating revenues	9	17	11
Income before other changes in net position	**238**	**546**	**603**
OTHER CHANGES IN NET POSITION			
Capital gifts and grants, net	44	41	37
Permanent endowments	274	274	185
Increase in net position	**556**	**861**	**825**
NET POSITION			
Beginning of year	7,526	6,665	5,840
End of year	**$8,082**	**$7,526**	**$ 6,665**

Operating expenses generally consist of grants to University campuses, comprised of current-use gifts and endowment income and other expenses, including gift fees. Grants to campuses typically follow the pattern indicated by private gift revenue; however, the campuses' programmatic needs are also taken into consideration, subject to abiding by the restricted purposes of gifts to the endowment and the amounts available for grants in any particular year.

Grants to the campuses can only be made when the cash is received and, in addition, also include endowment investment income, classified as nonoperating income. Therefore, operating losses can occur when grants distributed to the campuses in any particular year exceed private gift revenue.

CHRCO's operating income for 2015 was $32.7 million as compared to an operating loss of $55.8 million in 2014. The operating results improved in 2015 as compared to 2014 due to the receipt of supplemental funds in 2015, which were not received in 2014.

CHRCO's operating loss for 2014 was $55.8 million as compared to operating income of $18.4 million in 2013. The operating loss is a result of declining revenues due to the expiration in 2013 of supplemental state health care reimbursement programs in addition to cost increases due to inflation. The operating loss is offset by gifts and investment returns.

THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

UCRS is a valuable component of the comprehensive benefits package offered to employees of the University. UCRS consists of the University of California Retirement Plan (UCRP), a defined benefit plan for members; the University of California Retirement Savings Program (UCRSP) that includes four defined contribution plans (Defined Contribution Plan, Supplemental Defined Contribution Plan, 403(b) Plan and 457(b) Plan) to complement the defined benefit plan, with several investment portfolio options for participants' elective and non-elective contributions; and the California Public Employees Retirement System (PERS) Voluntary Early Retirement Incentive Plan (PERS-VERIP) for certain University employees that were members of PERS who elected early retirement.

UCRS' Financial Position and Result of Operations

The statement of plans' fiduciary net position presents the financial position of UCRS at the end of the fiscal year. It displays all of the retirement system's assets, liabilities and net position. The difference between assets and liabilities is the net position held in trust for pension benefits. These represent amounts available to provide pension benefits to members of UCRP and participants in the defined contribution plans and PERS-VERIP. At June 30, 2015, UCRS' assets were $82.2 billion, liabilities $6.8 billion and net position held in trust for pension benefits $75.4 billion, an increase of $2.5 billion from 2014.

The major components of the assets, liabilities and net position available for pension benefits for 2015, 2014 and 2013 are as follows:

(in millions of dollars)

	2015	2014	2013
ASSETS			
Investments	$71,596	$68,748	$60,105
Participants' interests in mutual funds	4,948	5,044	3,739
Investment of cash collateral	5,177	6,563	6,540
Other assets	516	464	438
Total assets	**82,237**	**80,819**	**70,822**
LIABILITIES			
Securities lending collateral	5,178	6,562	6,540
Other liabilities	1,646	1,359	1,085
Total liabilities	**6,824**	**7,921**	**7,625**
NET POSITION HELD IN TRUST FOR PENSION BENEFITS			
Members' defined benefit plan benefits	55,123	52,854	45,405
Participants' defined contribution plan benefits	20,291	20,044	17,792
Total net position held in trust for pension benefits	**$75,414**	**$72,898**	**$63,197**

The statements of changes in the plans' fiduciary net position is a presentation of the UCRS' operating results. It indicates whether the financial condition has improved or deteriorated during the year. A summarized comparison of the operating results for 2015, 2014 and 2013 is as follows:

(in millions of dollars)

	2015	2014	2013
ADDITIONS			
Contributions	$4,459	$ 3,216	$2,176
Net appreciation in fair value of investments	1,320	9,137	5,106
Investment and other income, net	1,326	1,347	1,255
Total additions	**7,105**	**13,700**	**8,537**
DEDUCTIONS			
Benefit payments and participant withdrawals	4,534	3,953	3,761
Plan expenses	55	46	45
Total deductions	**4,589**	**3,999**	**3,806**
Increase in net position held in trust for pension benefits	**$2,516**	**$ 9,701**	**$4,731**

The Regents asset allocation strategies are intended to generate investment returns over time in accordance with investment objectives and at acceptable levels of risk. The overall investment gain based upon unit values for UCRS was 4.5 percent in 2015 as compared to investment gains of 14.0 percent in 2014 and 11.0 percent in 2013.

The participants' interests in mutual funds, representing defined contribution plan contributions to certain mutual funds on a custodial plan basis, fluctuate based upon market performance of the mutual funds and participant investment elections.

UCRS participates in the University's securities lending program as a means to augment income. All borrowers are required to provide collateral and the University records a liability to the borrower for cash collateral received and held by the University for securities on loan at the end of the year. Investments in cash collateral and the securities lending collateral liability fluctuate in response to changes in demand from borrowers and the availability of securities based upon the UCRS asset allocation mix.

Contributions to UCRP in 2015, 2014 and 2013 were $4.5 billion, $3.2 billion and $2.2 billion, respectively. Contributions increased in 2015 due to additional deposits of $700 million made by the University to UCRP in July 2014. University contribution rates to UCRP were 14.0 percent of covered payroll in 2015 and 2014 and 12.0 percent in 2013. Employee contribution rates ranged from 7.0 percent to 9.0 percent in 2015 and 2014 and between 6.5 percent and 8.6 percent in 2013.

Benefit payments and participant withdrawals were $581.0 million more in 2015 than in 2014 and $192.0 million more in 2014 than in 2013. Payments from UCRP increase each year due to a growing number of retirees receiving payments and cost-of-living adjustments. Benefit payments from UCRSP fluctuate based upon member withdrawals. At the beginning of 2015, there were 67,300 retirees and beneficiaries receiving payments from UCRS as compared to 64,200 in 2014 and 58,900 at the beginning of 2013.

The net pension liability for UCRP was $10.6 billion in 2015, $7.7 billion in 2014 and $12.4 billion in 2013. The increase in net pension liability for 2015 of $2.9 billion was due to lower than expected investment returns and assumption changes. Assumptions changes in 2015 were made based on an experience study conducted for the period July 1, 2010 through June 30, 2014. The assumption changes, including lowering the expected rate of return to 7.25 percent from 7.5 percent, lowering the inflation rate from 3.5 percent to 3.0 percent and extending the mortality tables, increased the net pension liability in 2015 by $2.1 billion. The decrease in net pension liability for 2014 of $4.7 billion was primarily due to better than expected investment returns. The ratio of plan net position to total pension liability was 83.8 percent in 2015, 87.2 percent in 2014 and 78.6 percent in 2013.

Additional information on the retirement plans can be obtained from the 2015 annual reports of the University of California Retirement System by writing to the University of California, Office of the President, Human Resources and Benefits, Post Office Box 24570, Oakland, California 94623.

THE UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)

The UCRHBT was established on July 1, 2007 to allow certain University locations — primarily campuses and medical centers — that share the risks, rewards and costs of providing for retiree health benefits to fund such benefits on a cost-sharing basis and accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. The University contributes toward retiree medical and dental benefits, although it does not contribute toward the cost of other benefits available to retirees. The DOE laboratories do not participate in the UCRHBT, therefore the DOE has no interest in the trust's assets.

UCRHBT's Financial Position and Result of Operations

The statement of trust's fiduciary net position presents the financial position of the UCRHBT at the end of the fiscal year. It displays all of the UCRHBT's assets, liabilities and net position. The difference between assets and liabilities is the net position held in trust for retiree health benefits. This represents amounts available to provide retiree health benefits to participants.

The major components of the assets, liabilities and net position available for retiree health benefits for 2015, 2014 and 2013 are as follows:

(in millions of dollars)

	2015	2014	2013
ASSETS			
Investments	$24	$37	$ 8
Other assets	39	39	40
Total assets	**63**	**76**	**48**
LIABILITIES			
Total liabilities	**12**	**11**	**4**
NET POSITION HELD IN TRUST FOR RETIREE HEALTH BENEFITS			
Total net position held in trust for retiree health benefits	**$51**	**$65**	**$44**

The statement of changes in trust's fiduciary net position is a presentation of the UCRHBT's operating results. It indicates whether the financial condition has improved or deteriorated during the year. Summarized operating results for 2015, 2014 and 2013 are as follows:

(in millions of dollars)

	2015	2014	2013
ADDITIONS			
Contributions	$316	$343	$268
Total additions	**316**	**343**	**268**
DEDUCTIONS			
Insurance premiums and payments	327	318	310
Plan expenses	3	4	3
Total deductions	**330**	**322**	**313**
Increase (decrease) in net position held in trust for retiree health benefits	**$(14)**	**$ 21**	**$ (45)**

Contributions for retiree health benefits are made by the campuses and medical centers based upon projected pay-as-you-go financing. The University acts as a third-party administrative agent on behalf of the UCRHBT to pay health care insurers and administrators amounts currently due.

The retiree health benefits provided under the University's plan and any liabilities related to the future funding requirements for the retiree health benefits are reported by the University. The unfunded actuarial accrued liability for eligible participants as of July 1, 2014, the date of the latest actuarial valuation, was $14.0 billion.

LOOKING FORWARD

The University of California is a world center of learning, known for generating a steady stream of talent, knowledge and social benefits, and has always been at the center of California's capacity to innovate. The excellence of its programs attracts the best students, leverages hundreds of millions of dollars in state, federal and private funding and promotes discovery of new knowledge that fuels economic growth.

The budget framework agreed to with the governor provides the University with base budget adjustments of four percent annually over the next four years, through 2019. The framework also calls for no tuition increases in 2016 and 2017, with tuition increases generally pegged to the rate of inflation to be implemented beginning in 2018. The Student Services Fee is to increase five percent in 2016 and each year thereafter with the customary one-third of the increase being directed to financial aid. Fifty percent of the remaining revenue generated from the increase will be used to enhance student mental health services and the remaining 50.0 percent will be distributed to support other student services programs. The framework also acknowledges the University's plan to increase nonresident supplemental tuition by up to eight percent for 2016 and 2017 and five percent thereafter. The framework also recognizes the increases in professional degree supplemental tuition approved by The Regents in November 2014 for existing and new programs and calls for no increases in law school tuition for the next four years. The framework also provides $25.0 million in one-time funding for deferred maintenance. In addition to these funding elements, the budget framework includes a number of performance-related provisions.

The University will also receive $436.0 million in one-time funds over the next three years for UCRP, including $96.0 million in 2016, $170.0 million in 2017 and $170.0 million in 2018. This funding is contingent upon The Regents' approval of a cap on pensionable salary at the same rate as the state's Public Employee Pension Reform Act (PEPRA) cap for the defined benefit plan for employees hired on or after July 1, 2016. The pension cap now in place is equivalent to the Internal Revenue Service level, currently $265,000; for employees hired on or after July 1, 2016, pensionable salaries would be capped at $117,020 in 2016, for those in the defined benefit plan. These changes will only affect new employees hired after the new options are implemented. For represented groups, retirement options will be subject to collective bargaining.

The University remains highly competitive in attracting federal grants and contracts revenue, with fluctuations in the awards received closely paralleling trends in the budgets of federal research granting agencies. Over two-thirds of the University's federal research revenue comes from two agencies, the Department of Health and Human Services, primarily through the National Institutes of Health, and the National Science Foundation. Other agencies that figure prominently in the University's awards are the Department of Education, Department of Defense, the National Aeronautics and Space Administration and the Department of Energy. The University is a unique national resource for helping the nation address competitiveness and economic initiatives.

Currently, the University does not pre-fund retiree health benefits and provides for benefits on a pay-as-you-go basis. The unfunded liability for the campuses and medical centers as of the July 1, 2015 actuarial valuation was $17.3 billion based upon using a discount rate of 4.5 percent. The Regents approved a new eligibility formula for the retiree health plan for all employees hired on or after July 1, 2013, and non-grandfathered members, that is based on a graduated formula using both a member's age and years of Retirement Plan service credit upon retirement, subject to collective bargaining for represented members. The University's retiree health benefit obligations reported in the financial statements are expected to increase as a result of new accounting pronouncements that will be effective in the future.

The University's medical centers have positive operating margins, although they continue to face financial and competitive challenges in their regional markets, along with the added costs and responsibilities related to their function as academic institutions. The demand for health care services and the cost of providing them continue to increase significantly. In addition to the rising costs of salaries, benefits and medical supplies faced by hospitals across the state, along with the costs of maintaining and upgrading facilities, the University's medical centers also face additional costs associated with new technologies, biomedical research, the education and training of health care professionals and the care for a disproportionate share of the medically underserved in California. Other than Medicare and Medi-Cal (California's Medicaid program), health insurance payments do not recognize the added cost of teaching in their payment to academic medical centers. The growth in costs of the publicly funded programs and health care reform will likely continue to reduce rates or limit payment growth, placing downward pressure on operating results for the medical centers.

The University must have a balanced array of many categories of facilities to meet its education, research and public service goals and continues to assess its long-term capital requirements. The support for the University's capital program are expected to be provided from a combination of sources, including the state of California, external financing, gifts and other sources.

Additional budget information can be found at http://universityofcalifornia.edu/news/budget/welcome.html. Additional information concerning state budget matters and the state's financial condition may be found on the website of the California Department of Finance at http://www.dof.ca.gov.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by the University, including written 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.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. The University does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

Independent Auditors' Report

THE BOARD OF REGENTS
UNIVERSITY OF CALIFORNIA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the University of California (the University), a component unit of the State of California, its aggregate discretely presented component units, the University of California Retirement System, and the University of California Retiree Health Benefit Trust, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, listed in the table of contents as pages 38 through 107.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University of California San Francisco Foundation, which statements reflect total assets constituting 19 percent and 16 percent and total revenues constituting 23 percent and 20 percent of the aggregate discretely presented component units as of June 30, 2015 and June 30, 2014, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of California San Francisco Foundation, is based solely on the report of other auditors. 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 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, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the University, its aggregate discretely presented component units, the University of California Retirement System, and the University of California Retiree Health Benefit Trust as of June 30, 2015 and 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 16 through 34, and the schedules of changes in net pension liability, net pension liability, employers' contributions and funding progress on pages 108 through 113 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 9, 2015 on our consideration of the University's internal control over 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 University's internal control over financial reporting and compliance.

KPMG LLP

IRVINE, CALIFORNIA
OCTOBER 9, 2015

UNIVERSITY OF CALIFORNIA

STATEMENTS OF NET POSITION

At June 30, 2015 and 2014 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS	
	2015	**2014**	**2015**	**2014**
ASSETS				
Cash and cash equivalents	$ 135,656	$ 140,429	$ 221,544	$ 182,282
Short-term investments	6,190,287	3,334,675	550,895	473,756
Investment of cash collateral	516,678	848,436	24,551	35,695
Investments held by trustees	46,116	24,619		
Accounts receivable, net	3,217,945	3,000,773	201,429	103,053
Pledges receivable, net	21,426	26,833	199,488	222,531
Notes and mortgages receivable, net	43,807	43,497	12	5
Inventories	201,870	189,758	5,587	4,857
Department of Energy receivable	92,938	97,342		
Other current assets	229,937	197,358	13,538	11,316
Current assets	**10,696,660**	**7,903,720**	**1,217,044**	**1,033,495**
Investments	16,098,860	18,206,378	6,607,631	6,230,614
Investment of cash collateral	258,566	369,718	12,287	15,554
Investments held by trustees	822,726	864,148		
Pledges receivable, net	26,559	34,780	626,648	642,337
Notes and mortgages receivable, net	336,606	321,665	1,375	1,296
Department of Energy receivable	1,309,871	1,488,634		
Capital assets, net	28,374,629	27,361,525	268,150	283,632
Other noncurrent assets	182,353	217,453	30,812	44,868
Noncurrent assets	**47,410,170**	**48,864,301**	**7,546,903**	**7,218,301**
Total assets	**58,106,830**	**56,768,021**	**8,763,947**	**8,251,796**
DEFERRED OUTFLOWS OF RESOURCES	**5,606,175**	**3,700,014**	**45,695**	**5,445**
LIABILITIES				
Accounts payable	1,551,666	1,357,675	39,864	44,319
Accrued salaries	1,066,072	990,371	7,456	6,894
Employee benefits	461,788	439,902	2,781	3,033
Unearned revenue	1,051,828	1,028,673	14,150	32,804
Collateral held for securities lending	775,250	1,217,834	36,838	51,249
Commercial paper	1,084,922	993,650		
Current portion of long-term debt	1,306,499	1,186,884		
Funds held for others	404,925	319,324	236,030	241,685
Department of Energy laboratories' liabilities	78,481	81,305		
Other current liabilities	1,449,363	1,273,403	59,880	70,739
Current liabilities	**9,230,794**	**8,889,021**	**396,999**	**450,723**
Federal refundable loans	244,119	232,878		
Self-insurance	477,398	443,040	18,146	16,091
Obligations under life income agreements	29,221	28,700	135,752	140,818
Long-term debt	16,629,334	15,850,215		
Pension obligations	10,620,278	7,713,863	50,675	11,212
Obligations for retiree health benefits	9,390,079	8,440,303		
Other noncurrent liabilities	584,723	510,247	102,457	81,677
Noncurrent liabilities	**37,975,152**	**33,219,246**	**307,030**	**249,798**
Total liabilities	**47,205,946**	**42,108,267**	**704,029**	**700,521**
DEFERRED INFLOWS OF RESOURCES	**5,305,529**	**7,077,909**	**23,747**	**30,653**
NET POSITION				
Net investment in capital assets	11,925,814	11,884,373	212,235	224,314
Restricted:				
Nonexpendable: Endowments and gifts	1,046,515	1,013,570	3,446,874	3,179,940
Nonexpendable: Reserved for minority interests	40,255	43,343		
Expendable: Endowments and gifts	6,350,690	6,162,192	4,060,344	3,846,291
Expendable: Other, including debt service, loans, capital projects and appropriations	822,643	781,710	2,143	2,284
Unrestricted	(8,984,387)	(8,603,329)	360,270	273,238
Total net position	**$11,201,530**	**$11,281,859**	**$8,081,866**	**$7,526,067**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30, 2015 and 2014 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS	
	2015	**2014**	**2015**	**2014**
OPERATING REVENUES				
Student tuition and fees, net	$ 3,784,046	$ 3,585,859		
Grants and contracts, net:				
Federal	3,176,456	3,176,902	$ 30,887	$ 20,364
State	439,342	460,540		416
Private	1,263,910	1,180,867	16,208	27,038
Local	273,687	249,924	4,271	1,685
Medical centers, net	8,972,683	8,055,683	504,191	357,823
Educational activities, net	2,740,212	2,378,484		
Auxiliary enterprises, net	1,394,067	1,316,419		
Department of Energy laboratories	1,234,509	1,250,820		
Campus foundation private gifts			765,445	789,573
Other operating revenues, net	891,261	712,141	21,213	24,759
Total operating revenues	**24,170,173**	**22,367,639**	**1,342,215**	**1,221,658**
OPERATING EXPENSES				
Salaries and wages	12,869,982	12,034,140	239,066	228,001
Pension benefits	1,504,777	1,285,997	10,344	5,703
Retiree health benefits	1,274,218	1,216,648	375	296
Other employee benefits	2,604,894	2,439,123	61,736	57,655
Supplies and materials	2,816,885	2,543,340	59,559	41,628
Depreciation and amortization	1,661,033	1,709,672	36,882	29,940
Department of Energy laboratories	1,228,125	1,244,335		
Scholarships and fellowships	547,072	577,212		
Utilities	273,042	290,444		
Campus foundation grants			827,467	958,873
Other operating expenses	4,021,655	3,608,153	159,726	142,016
Total operating expenses	**28,801,683**	**26,949,064**	**1,395,155**	**1,464,112**
Operating loss	**(4,631,510)**	**(4,581,425)**	**(52,940)**	**(242,454)**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	2,791,652	2,637,896		
State financing appropriations	230	458		
State hospital fee grants	22,013	1,558		
Build America Bonds federal interest subsidies	57,119	59,327		
Federal Pell Grants	376,186	316,064		
Private gifts, net	957,131	881,648	14,114	8,966
Investment income:				
Short Term Investment Pool and other, net	216,457	230,019		
Endowment, net	86,177	76,226		
Securities lending, net	6,718	6,949	409	363
Discretely presented component units			74,324	94,343
Net appreciation in fair value of investments	543,712	1,827,628	207,052	677,302
Interest expense	(662,395)	(615,556)	(119)	(1,444)
Loss on disposal of capital assets	(16,145)	(2,152)		
Other nonoperating revenues (expenses), net	(18,112)	33,440	(5,079)	9,156
Net nonoperating revenues	**4,360,743**	**5,453,505**	**290,701**	**788,686**
Income (loss) before other changes in net position	**(270,767)**	**872,080**	**237,761**	**546,232**
OTHER CHANGES IN NET POSITION				
Capital gifts and grants, net	142,986	431,836	43,850	41,628
State capital appropriations	20,752	44,961		
Permanent endowments	26,700	20,236	274,188	273,503
(Decrease) increase in net position	**(80,329)**	**1,369,113**	**555,799**	**861,363**
NET POSITION				
Beginning of year	11,281,859	9,912,746	7,526,067	6,664,704
End of year	**$11,201,530**	**$11,281,859**	**$8,081,866**	**$7,526,067**

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2015 and 2014 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS	
	2015	2014	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$ 3,785,727	$ 3,567,031		
Grants and contracts	5,607,580	5,556,286		
Medical centers	8,898,076	8,053,684	$ 473,111	$ 375,273
Educational activities	2,712,261	2,387,096		
Auxiliary enterprises	1,398,353	1,320,755		
Collection of loans from students and employees	70,838	65,731		
Campus foundation private gifts			521,110	539,013
Payments to employees	(12,732,819)	(11,933,305)	(237,829)	(196,996)
Payments to suppliers and utilities	(6,760,700)	(6,122,274)	(200,153)	(171,868)
Payments for pension benefits	(2,531,724)	(1,578,009)	(18,000)	(14,500)
Payments for retiree health benefits	(273,997)	(298,594)	(205)	(250)
Payments for other employee benefits	(2,659,931)	(2,486,814)	(63,370)	(83,132)
Payments for scholarships and fellowships	(545,800)	(576,989)		
Loans issued to students and employees	(83,366)	(75,060)		
Payments to campuses and beneficiaries			(881,402)	(972,923)
Other receipts	682,923	470,717	83,385	87,793
Net cash used by operating activities	**(2,432,579)**	**(1,649,745)**	**(323,353)**	**(437,590)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	2,794,867	2,641,928		
Federal Pell Grants	376,472	315,887		
State hospital fee grants	22,013	1,558		
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	21,687	21,527	186,120	236,969
Other private gifts	940,275	867,765	14,114	8,731
Receipt of retiree health contributions from UCRP	52,313	44,114		
Payment of retiree health contributions to UCRHBT	(51,404)	(43,695)		
Receipts from UCRHBT	318,917	304,565		
Payments for retiree health benefits made on behalf of UCRHBT	(326,173)	(306,114)		
Student direct lending receipts	903,579	908,900		
Student direct lending payments	(903,559)	(908,875)		
Commercial paper financing:				
Proceeds from issuance	8,818	15,893		
Payments of principal	(14,225)	(304,277)		
Interest paid on debt	(10,941)	(10,972)		
Other receipts (payments)	(49,914)	32,778	148,590	(9,668)
Net cash provided by noncapital financing activities	**4,082,725**	**3,580,982**	**348,824**	**236,032**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	685,182	699,999		
Payments of principal	(588,503)	(1,024,480)		
Interest paid	(2,065)	(1,715)		
State capital appropriations	31,437	55,544		
State financing appropriations	113	1,832		
Build America Bonds federal interest subsidies	58,219	56,708	(2,200)	
Capital gifts and grants	161,426	358,061	46,692	43,475
Proceeds from debt issuance	3,659,475	1,891,948		58,120
Proceeds from the sale of capital assets	63,295	14,568	239	232
Purchase of capital assets	(2,582,876)	(2,323,307)	(20,488)	(70,411)
Refinancing or prepayment of outstanding debt	(2,325,581)	(43,843)		(59,207)
Scheduled principal paid on debt and capital leases	(360,650)	(413,044)	(1,198)	(7,444)
Interest paid on debt and capital leases	(841,367)	(787,427)	(185)	(2,988)
Net cash provided (used) by capital and related financing activities	**$(2,041,895)**	**$ (1,515,156)**	**$ 22,860**	**$ (38,223)**

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS *continued*

Years ended June 30, 2015 and 2014 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA 2015	UNIVERSITY OF CALIFORNIA 2014	DISCRETELY PRESENTED COMPONENT UNITS 2015	DISCRETELY PRESENTED COMPONENT UNITS 2014
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	$81,882,206	$ 67,865,326	$ 1,999,171	$ 1,557,669
Purchase of investments	(81,801,018)	(68,658,229)	(2,073,394)	(1,374,549)
Investment income, net of investment expenses	305,788	323,030	65,154	65,804
Net cash provided (used) by investing activities	**386,976**	**(469,873)**	**(9,069)**	**248,924**
Net increase (decrease) in cash and cash equivalents	**(4,773)**	**(53,792)**	**39,262**	**9,143**
Cash and cash equivalents, beginning of year	140,429	194,221	182,282	173,139
Cash and cash equivalents, end of year	**$ 135,656**	**$ 140,429**	**$ 221,544**	**$ 182,282**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating loss	$ (4,631,510)	$ (4,581,425)	$ (52,940)	$ (242,454)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation and amortization expense	1,661,033	1,709,672	36,882	29,940
Noncash gifts			(265,506)	(77,175)
Allowance for uncollectible accounts	325,104	348,037	(2,849)	21,049
Loss on impairment of capital assets	11,219	11,202		
Change in assets and liabilities:				
Investments held by trustees	(37,590)	(33,948)		
Accounts receivable	(561,080)	(451,523)	(32,097)	6,218
Pledges receivable			53,092	(159,793)
Inventories	(12,111)	(3,767)	(730)	(390)
Other assets	(10,615)	(6,093)	(436)	(371)
Accounts payable	40,362	62,006	(9,643)	2,262
Accrued salaries	75,702	64,570	562	51
Employee benefits	20,701	43,999	(252)	
Unearned revenue	21,417	78,580	(19)	2,125
Department of Energy, net	204,521	615,859		
Self-insurance	47,564	12,779	2,055	2,618
Obligations under life income agreements			(13,649)	(15,139)
Pension obligations	(755,778)	(446,924)	(9,121)	(9,704)
Obligations for retiree health benefits	949,777	862,938		
Other liabilities	218,705	64,293	(28,702)	3,173
Net cash used by operating activities	**$(2,432,579)**	**$ (1,649,745)**	**$ (323,353)**	**$ (437,590)**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired through capital leases	$43,011	$ 36,470		
Capital assets acquired with a liability at year-end	75,252	82,625	$ 2,317	
Change in fair value of interest rate swaps classified as hedging derivatives	(15,853)	(29,481)		
Gifts of capital assets	(8,451)	69,115		
Other noncash gifts	29,309	27,136	350,126	$105,779
Other borrowings from conversion of interest rate swap to hedging derivative		14,025		
Debt service for, or refinancing of, lease revenue bonds:				
Principal paid		(2,406,740)		
Interest paid		(14,000)		
Proceeds from general revenue bonds used to refinance lease revenue bonds:				
Principal received		2,389,830		
Bond premium received		185,534		
Investments held by trustee used to refinance lease revenue bonds		180,303		
Interest added to principal			15,960	27,917
Beneficial interest in charitable remainder trust			(254)	91

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM AND RETIREE HEALTH BENEFIT TRUST

STATEMENTS OF PLANS' AND TRUST'S FIDUCIARY NET POSITION

At June 30, 2015 and 2014 (in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)		UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)		TOTAL UCRS AND UCRHBT	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
ASSETS						
Investments	$71,595,607	$68,747,604	$24,250	$37,125	$71,619,857	$68,784,729
Participants' interests in mutual funds	4,947,859	5,044,424			4,947,859	5,044,424
Investment of cash collateral	5,177,490	6,563,272			5,177,490	6,563,272
Participant 403(b) loans	176,229	170,215			176,229	170,215
Accounts receivable:						
Contributions from University and affiliates	157,541	135,279	21,250	22,961	178,791	158,240
Investment income	89,877	85,911			89,877	85,911
Securities sales and other	92,870	72,006	4	3	92,874	72,009
Prepaid insurance premiums			17,192	16,390	17,192	16,390
Total assets	**82,237,473**	**80,818,711**	**62,696**	**76,479**	**82,300,169**	**80,895,190**
LIABILITIES						
Payable to University			12,051	11,295	12,051	11,295
Payable for securities purchased	1,357,366	1,083,699			1,357,366	1,083,699
Member withdrawals, refunds and other payables	288,649	275,415			288,649	275,415
Collateral held for securities lending	5,177,555	6,561,614			5,177,555	6,561,614
Total liabilities	**6,823,570**	**7,920,728**	**12,051**	**11,295**	**6,835,621**	**7,932,023**
NET POSITION HELD IN TRUST						
Members' defined benefit plan benefits	55,122,875	52,853,829			55,122,875	52,853,829
Participants' defined contribution plan benefits	20,291,028	20,044,154			20,291,028	20,044,154
Retiree health benefits			50,645	65,184	50,645	65,184
Total net position held in trust	**$75,413,903**	**$72,897,983**	**$50,645**	**$65,184**	**$75,464,548**	**$72,963,167**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM AND RETIREE HEALTH BENEFIT TRUST

STATEMENTS OF CHANGES IN PLANS' AND TRUST'S FIDUCIARY NET POSITION

Years ended June 30, 2015 and 2014 *(in thousands of dollars)*	UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)		UNIVERSITY OF CALIFORNIA RETIREE HEALTH BENEFIT TRUST (UCRHBT)		TOTAL UCRS AND UCRHBT	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
ADDITIONS (REDUCTIONS)						
Contributions:						
Members and employees	$ 1,942,364	$ 1,628,638			$ 1,942,364	$ 1,628,638
Retirees			$ 56,340	$ 47,722	56,340	47,722
University	2,516,438	1,587,074	259,246	295,673	2,775,684	1,882,747
Total contributions	**4,458,802**	**3,215,712**	**315,586**	**343,395**	**4,774,388**	**3,559,107**
Investment income (expense), net:						
Net appreciation in fair value of investments	1,320,388	9,137,618			1,320,388	9,137,618
Interest, dividends and other investment income	1,286,931	1,304,521	41	13	1,286,972	1,304,534
Securities lending income	44,583	47,664			44,583	47,664
Securities lending fees and rebates	(8,065)	(7,454)			(8,065)	(7,454)
Total investment income, net	**2,643,837**	**10,482,349**	**41**	**13**	**2,643,878**	**10,482,362**
Interest income from contributions receivable	2,047	2,361			2,047	2,361
Total additions	**7,104,686**	**13,700,422**	**315,627**	**343,408**	**7,420,313**	**14,043,830**
DEDUCTIONS						
Benefit payments:						
Retirement payments	2,016,091	1,875,734			2,016,091	1,875,734
Member withdrawals	178,446	109,486			178,446	109,486
Cost-of-living adjustments	401,384	370,000			401,384	370,000
Lump sum cash outs	300,198	253,807			300,198	253,807
Preretirement survivor payments	44,396	41,995			44,396	41,995
Disability payments	32,201	33,411			32,201	33,411
Death payments	9,357	8,276			9,357	8,276
Participant withdrawals	1,551,916	1,260,155			1,551,916	1,260,155
Total benefit payments	**4,533,989**	**3,952,864**			**4,533,989**	**3,952,864**
Insurance premiums:						
Insured plans			210,953	244,461	210,953	244,461
Self-insured plans			105,159	60,702	105,159	60,702
Medicare Part B reimbursements			10,907	13,327	10,907	13,327
Total insurance premiums, net			**327,019**	**318,490**	**327,019**	**318,490**
Other deductions:						
Plan administration	42,762	42,374	3,147	4,034	45,909	46,408
Other	12,015	4,077			12,015	4,077
Total other deductions	**54,777**	**46,451**	**3,147**	**4,034**	**57,924**	**50,485**
Total deductions	**4,588,766**	**3,999,315**	**330,166**	**322,524**	**4,918,932**	**4,321,839**
Increase in net position held in trust	**2,515,920**	**9,701,107**	**(14,539)**	**20,884**	**2,501,381**	**9,721,991**
NET POSITION HELD IN TRUST						
Beginning of year	72,897,983	63,196,876	65,184	44,300	72,963,167	63,241,176
End of year	**$75,413,903**	**$ 72,897,983**	**$ 50,645**	**$ 65,184**	**$75,464,548**	**$72,963,167**

See accompanying Notes to Financial Statements.

UNIVERSITY OF CALIFORNIA

Notes to Financial Statements

Years ended June 30, 2015 and 2014

ORGANIZATION

The University of California (the University) was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board (The Regents) is appointed by the governor and approved by the state Senate. Various University programs and capital outlay projects are funded through appropriations from the state's annual Budget Act. The University's financial statements are discretely presented in the state's basic financial statements as a component unit.

FINANCIAL REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The University's financial statements include the accounts of ten campuses, five medical centers, a statewide agricultural extension program and the operations of most student government or associated student organizations as part of the primary financial reporting entity because The Regents has certain fiduciary responsibility for these organizations. In addition, the financial position and operating results of certain other legally separate organizations are included in the University's financial reporting entity on a blended basis if The Regents is determined to be financially accountable for the organization. Organizations that are not significant or for which the University is not financially accountable, such as booster and alumni organizations, are not included in the reporting entity. However, cash invested with the University by these organizations, along with the related liability, is included in the statement of net position. The statement of revenues, expenses and changes in net position excludes the activities associated with these organizations.

The University has ten legally separate, tax-exempt, affiliated campus foundations. The economic resources received or held by the foundations are entirely for the benefit of the campuses. Because of the nature and significance of their relationship with the University, including their ongoing financial support, the campus foundations are reported under GASB requirements as discretely presented component units of the University. The Regents are the sole corporate and voting member of Children's Hospital & Research Center Oakland ("CHRCO"), a private, not-for-profit 501(c)(3) corporation. A Board of Directors comprised primarily of independent directors serves as the governing body of CHRCO. Certain corporate powers are reserved to The Regents, including the power to appoint and remove directors and to approve CHRCO's strategic plan and budget. Children's Hospital & Research Center Foundation, a nonprofit public benefit corporation, is organized and operated for the purpose of supporting CHRCO. The San Francisco campus provides certain management services for CHRCO. Since the University has the ability to impose its will on CHRCO, under accounting requirements, CHRCO combined with its foundation is reported as a discretely presented component unit of the University. The ten campus foundations and CHRCO combined are reported as discretely presented component units in the accompanying financial statements.

Specific assets and liabilities and all revenues and expenses associated with the Lawrence Berkeley National Laboratory (LBNL), a major United States Department of Energy (DOE) national laboratory operated and managed by the University under contract directly with the DOE, are included in the accompanying financial statements.

The Regents has fiduciary responsibility for the University of California Retirement System (UCRS) that includes two defined benefit plans, the University of California Retirement Plan (UCRP) and the University of California Public Employees' Retirement System (PERS) Voluntary Early Retirement Incentive Plan (PERS–VERIP), and four defined contribution plans in the University of California Retirement Savings Program (UCRSP), consisting of the Defined Contribution Plan (DC Plan), the Supplemental Defined Contribution Plan (SDC Plan), the Tax-Deferred 403(b) Plan (403(b) Plan) and the 457(b) Deferred Compensation Plan (457(b) Plan). As a result, the UCRS statements of plans' fiduciary net position and changes in plans' fiduciary net position are shown as a fiduciary fund in the University's financial statements.

The Regents also has fiduciary responsibility for the University of California Retiree Health Benefit Trust (UCRHBT). The UCRHBT statements of trust's fiduciary net position and changes in trust's fiduciary net position are shown separately in the University's financial statements. UCRHBT allows certain University locations and affiliates, primarily campuses and medical centers that share the risks, rewards and costs of providing for retiree health benefits, to fund such benefits on a cost-sharing basis and accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. The Regents serves as Trustee of UCRHBT and has the authority to amend or terminate the Trust.

Significant Accounting Policies

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. The University follows accounting principles issued by the Governmental Accounting Standards Board (GASB).

The significant accounting policies of the University are as follows:

Cash and cash equivalents. The University and the discretely presented component units consider all balances in demand deposit accounts to be cash. The University classifies all other highly liquid cash equivalents with original maturities less than one year, as short-term investments. Certain campus foundations classify their deposits in the University's Short Term Investment Pool as a cash equivalent.

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

Investments also include private equities, absolute return funds and real estate. Private equities include venture capital partnerships, buyout and international funds. Fair values for interests in private equity, absolute value partnerships and real estate partnerships are based on valuations provided by the general partners of the respective partnerships. Interests in certain direct investments in real estate are estimated based upon independent appraisals. Because the private equity, real estate and absolute return partnerships, along with direct investments in real estate, are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would be used had a ready market for such investments existed.

Investments in registered investment companies are valued based upon the reported net asset value of those companies. Mortgage loans, held as investments, are valued on the basis of their future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Insurance contracts are valued at contract value, plus reinvested interest, which approximates fair value.

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 University's statement of revenues, expenses and changes in net position.

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

Campus foundations may invest all or a portion of their investments in University-managed investment pools. Securities in these investment pools are included in the University's security lending program. Accordingly, the campus foundations' investments in University-managed investment pools and their allocated share of the securities lending activities have been excluded from the University's financial statements and displayed in the discretely presented component units' column.

Funds held by trustees. The University and its discretely presented component units have been named the irrevocable beneficiary for charitable remainder trusts for which the University and its discretely presented component units are not the trustee. Upon maturity of each trust, the remainder of the trust corpus will be transferred to the University or the campus foundation. These funds cannot be sold, disbursed or consumed until a specified number of years have passed or a specific event has occurred. The University and its discretely presented component units are also an income beneficiary of certain trusts where the assets are invested and administered by outside trustees.

Consistent with the University's and its discretely presented component units recognition policy for pledges of endowments, receivables and contribution revenue associated with these trusts are not reflected in the accompanying financial statements. The University and its discretely presented component units recognize contribution revenue when all eligibility requirements have been met.

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

The University has entered into interest rate swap agreements to limit the exposure of its variable-rate debt to changes in market interest rates. Interest rate swap agreements involve the exchange with a counterparty of fixed- and variable-rate interest payments periodically over the life of the agreement without exchange of the underlying notional principal amounts. The net differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. The University's counterparties are major financial institutions.

Derivatives are recorded at estimated fair value as either assets or liabilities in the statement of net position. Certain derivatives are determined to be hedging derivatives and designated as either a fair value or cash flow hedge. Under hedge accounting, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values).

Changes in the fair value of derivatives that are not hedging derivatives are recorded as net appreciation or depreciation in fair value of investments in the statement of revenues, expenses and changes in net position.

Participants' interests in mutual funds. Participants in the University's defined contribution retirement plans may invest their account balances in funds managed by the University's Chief Investment Officer or in certain mutual funds.

Accounts receivable, net. Accounts receivable, net of allowance for uncollectible amounts, include reimbursements due from state and federal sponsors of externally funded research, patient billings, accrued income on investments and other receivables. Other receivables include local government and private grants and contracts, educational activities and amounts due from students, employees and faculty for services.

Pledges receivable, net. Unconditional pledges of private gifts to the University or to the discretely presented component units, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year promised at the net present value of expected cash flows. Conditional pledges, including all pledges of endowments and intentions to pledge, are recognized as receivables and revenues when the specified conditions are met. Receivables and contribution revenue associated with externally held investment trusts are not reflected in the accompanying financial statements. The University recognizes contribution revenue when all eligibility requirements have been met.

Notes and mortgages receivable, net. Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other University sources. Home mortgage loans, primarily to faculty, are provided from the University's Short Term Investment Pool and from other University sources. Mortgage loans provided by the Short Term

Investment Pool are classified as investments and loans provided by other sources are classified as mortgages receivable in the statements of net position.

Inventories. Inventories for the campuses, consisting primarily of supplies and merchandise for resale, are valued at cost, typically determined under the weighted average method, which is not in excess of estimated net realizable value. Inventories for the medical centers consist primarily of pharmaceuticals and medical supplies which are stated on a first-in, first-out basis at the lower of cost or market.

DOE national laboratories. The University operates and manages LBNL under a contract directly with the DOE. Specific assets and liabilities and all revenues and expenses associated with LBNL are included in the financial statements. Other assets, such as cash, property and equipment and other liabilities of LBNL are owned by the United States government rather than the University and, therefore, are not included in the statement of net position. The statement of cash flows excludes the cash flows associated with LBNL other than reimbursements, primarily related to pension and health benefits, since all other cash transactions are recorded in bank accounts owned by the DOE.

The University is a member in two separate joint ventures, Los Alamos National Security, LLC (LANS), and Lawrence Livermore National Security, LLC (LLNS), that operate and manage two other DOE laboratories, Los Alamos National Laboratory (LANL) and Lawrence Livermore National Laboratory (LLNL), respectively, under contracts directly with the DOE. The University's investment in LANS and LLNS is accounted for using the equity method. Accordingly, the University's statement of net position includes its equity interest in LANS and LLNS, adjusted for the equity in undistributed earnings or losses and the statement of revenues, expenses and changes in net position includes its equity in the current earnings or losses of LANS and LLNS.

The DOE is financially responsible for substantially all of the current and future costs incurred at any of the national laboratories, including pension and retiree health benefit costs. Accordingly, to the extent there is a liability on the University's statement of net position for pension or retiree health obligations related to these laboratories, the University records a receivable from the DOE.

Capital assets, net. Land, infrastructure, buildings and improvements, intangible assets, equipment, libraries, collections and special collections are recorded at cost at the date of acquisition, or estimated fair value at the date of donation in the case of gifts. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual value. Intangible assets include easements, land rights, trademarks, patents and other similar arrangements. Capital leases are recorded at the estimated present value of future minimum lease payments. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized if the cost exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 and a useful life of more than one year is capitalized. Incremental costs, including salaries and employee benefits, directly related to the acquisition, development and installation of major software projects are included in the cost of the capital assets. All costs of land, library collections and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated economic life of the asset. Equipment under capital leases is amortized over the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the economic life of the asset.

Estimated economic lives are generally as follows:

	YEARS
Infrastructure	25
Buildings and improvements	15–33
Equipment	2–20
Computer software	3–7
Intangible assets	2 – indefinite
Library books and collections	15

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are also capitalized and depreciated.

Inexhaustible capital assets, such as land or special collections that are protected, preserved and held for public exhibition, education or research, including art, museum, scientific and rare book collections are not depreciated.

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned on tax-exempt borrowings during the temporary investment of project related borrowings.

Service concession arrangements. The University has entered into service concession arrangements with third parties for student housing and certain other faculty and student services. Under these arrangements, the University enters into ground leases with third parties at minimal or no cost, and gives the third party the right to construct, operate and maintain a facility, primarily for the benefit of students and faculty at competitive rates. Rate increases for use of the facilities are subject to certain constraints and ownership of the facilities reverts to the University upon expiration of the ground lease. The facilities are reported as capital assets by the University when placed in service, and a corresponding deferred inflow of resources is reported. The University has not provided guarantees on financing obtained by the third parties under these arrangements.

Unearned revenue. Unearned revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees for housing and dining services.

Funds held for others. Funds held for others result from the University or the discretely presented component units acting as an agent, or fiduciary, on behalf of organizations that are not significant or financially accountable to the University or the discretely presented component units.

Federal refundable loans. Certain loans to students are administered by the University with funding primarily supported by the federal government. The University's statement of net position includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Bond premium. The premium received in the issuance of long-term debt is amortized as a reduction to interest expense over the term of the related long-term debt.

Self-insurance programs. The University is self-insured or insured through a wholly owned captive insurance company for medical malpractice, workers' compensation, employee health care and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. The estimated liabilities are based upon an independent actuarial determination of the present value of the anticipated future payments. Settlements did not exceed insurance coverage for each of the past three fiscal years.

Obligations under life income agreements. Obligations under life income agreements represent trusts with living income beneficiaries where the University has a residual interest. The investments associated with these agreements are recorded at fair value. The discounted present value of any income beneficiary interest is reported as a liability in the statement of net position. Gifts subject to such agreements are recorded as revenue, net of the income beneficiary share, at the date of the gift. Actuarial gains and losses are included in other nonoperating income (expense) in the statement of revenues, expenses and changes in net position. Resources that are expendable upon maturity are classified as restricted, expendable net position; all others are classified as restricted, nonexpendable net position.

Pollution remediation obligations. Upon an obligating event, the University estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as a liability. Pollution remediation liabilities generally involve groundwater, soil and sediment contamination at certain sites where state and other regulatory agencies have indicated that the University is among the responsible parties. The liabilities are revalued annually and may increase or decrease the cost of recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2015 reducing the pollution remediation liability.

Deferred outflows of resources and deferred inflows of resources. The University classifies gains on retirement of debt as deferred inflows of resources and losses as deferred outflows of resources and amortizes such amounts as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter.

The University classifies an increase in the fair value of the hedging derivatives as deferred inflows of resources, and a decrease as deferred outflows of resources. Payments received or to be received by the University from service concession arrangements are reported as deferred inflows of resources.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Net position. Net position is required to be classified for accounting and reporting purposes into the following categories:

Net investment in capital assets. This category includes all of the University's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction or improvement of those assets.

Restricted. The University and the discretely presented component units classify the net position resulting from transactions with purpose restrictions as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable. The net position subject to externally imposed restrictions, which must be retained in perpetuity by the University or the discretely presented component units, are classified as nonexpendable net position. This includes the University and campus foundation permanent endowment funds.

Also included in nonexpendable net position are minority interests, which include the net position of legally separate organizations attributable to other participants.

Expendable. The net position whose use by the University or the discretely presented component units are subject to externally imposed restrictions that can be fulfilled by actions of the University or the discretely presented component units pursuant to those restrictions or that expire by the passage of time are classified as expendable net position.

Unrestricted. The net position that is not subject to externally imposed restrictions governing their use are classified as unrestricted net position. The University's unrestricted net position may be designated for specific purposes by management or The Regents. The discretely presented component units' unrestricted net position may be designated for specific purposes by their Boards of Trustees. Substantially, all of the University's unrestricted net position is allocated for academic and research initiatives or programs, for capital programs or for other purposes.

Expenses are charged to either restricted or unrestricted net position based upon a variety of factors, including consideration of prior and future revenue sources, the type of expense incurred, the University's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost.

Revenues and expenses. Operating revenues of the University include receipts from student tuition and fees, grants and contracts for specific operating activities and sales and services from medical centers, educational activities and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of the University are presented in the statement of revenues, expenses and changes in net position as operating activities. The University's equity in current earnings or losses of LANS and LLNS is also an operating transaction.

Certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the University are mandated by the GASB to be recorded as nonoperating revenues, including state educational appropriations, certain federal grants for student financial aid, private gifts and investment income, since the GASB does not consider them to be related to the principal operating activities of the University.

Campus foundations are established to financially support the University. Private gifts to campus foundations are recognized as operating revenues since, in contrast to the University, such contributions are fundamental to the core mission of the campus foundations. Foundation grants to the University are recognized as operating expenses by the foundations. Private gift or capital gift revenues associated with campus foundation grants to the University are recorded by the University as gifts when the foundations transfer the gifts to the University.

Nonoperating revenues and expenses include state educational appropriations, state financing appropriations, state hospital fee grants, Build America Bonds federal interest subsidies, Federal Pell Grants, private gifts for other than capital purposes, investment income, net appreciation in the fair value of investments, interest expense and the loss on the disposal of capital assets.

State capital appropriations, capital gifts and grants and gifts for endowment purposes are classified as other changes in net position.

Student tuition and fees. Substantially, all student tuition and fees provide for the current operations of the University. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student union and recreational centers.

The University recognizes scholarship allowances as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center and other fees, and the amount that is paid by the student and third parties on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances are netted against student tuition and fees in the statement of revenues, expenses and changes in net position for the years ended June 30 are as follows:

(in thousands of dollars)

	2015	2014
Student tuition and fees	$1,187,999	$1,075,948
Auxiliary enterprises	217,137	205,340
Other operating revenues	30,956	28,836
Scholarship allowances	**$1,436,092**	**$1,310,124**

State appropriations. The state of California provides appropriations to the University on an annual basis. State educational appropriations are recognized as nonoperating revenue; however, the related expenses for educational or other specific operating purposes are reported as operating expenses. State financing appropriations provide for principal and interest payments associated with lease-purchase agreements with the State Public Works Board and are also reported as nonoperating revenue. State appropriations for capital projects are recorded as revenue under other changes in net position when the related expenditures are incurred. Special state appropriations for AIDS, tobacco and breast cancer research are reported as grant operating revenue.

Grant and contract revenue. The University receives grant and contract revenue from governmental and private sources. The University recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with the University's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2015, the facilities and administrative cost recovery totaled $993.5 million, $720.3 million from federally sponsored programs and $273.2 million from other sponsors. For the year ended June 30, 2014, the facilities and administrative cost recovery totaled $982.5 million, $712.6 million from federally sponsored programs and $269.9 million from other sponsors.

Medical center revenue. Medical center revenue is reported at the estimated net realizable amounts from patients and third-party payors, including Medicare, Medi-Cal and others, for services rendered, as well as estimated retroactive adjustments under reimbursement agreements with third-party payors. Laws and regulations governing Medicare and Medi-Cal are complex and subject to interpretation. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that estimated amounts accrued could change significantly based upon settlement, or as additional information becomes available.

Pension obligations. The University records pension obligations equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans has been measured consistent with the accounting policies used by the plans. 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 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.

Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Both current employees and retirees at LBNL participate in UCRP. The University makes contributions to UCRP for LBNL employees and is reimbursed by the DOE based upon rates that are identical to those authorized by The Regents for campus and medical center employees. The University also makes contributions to UCRP for LANL and LLNL retirees and terminated vested members, whose benefits were retained in UCRP at the time the joint ventures were formed. The University records a receivable for the net pension liability that is expected to be collected from the DOE. The University deposits funds in UCRP when the DOE makes payments for these contributions. The contributions from the DOE and deposits into UCRP on behalf of DOE are included as DOE laboratory expense and revenue, respectively, in the statement of revenues, expenses and changes in net position.

Retiree health benefits and obligations for retiree health benefits. The University's cost for campus and medical center retiree health benefits expense is based upon the annual required contribution to the retiree health plan, as actuarially determined. Campus and medical center contributions toward retiree health benefits, at rates determined by the University, are made to UCRHBT and reduce the obligation for retiree health benefits in the statement of net position.

LBNL participates in the University's retiree health plans. The annual required contribution for LBNL is actuarially determined independently from the University's campuses and medical centers, and is included with the DOE laboratory expense in the statement of revenues, expenses and changes in net position. The University directly pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees who previously worked at LBNL, and is reimbursed by the DOE. These contributions, in the form of direct payments, also reduce the University's obligation for retiree health benefits in the statement of net position. The reimbursement from the DOE is included as DOE laboratory revenue in the statement of revenues, expenses and changes in net position.

The University records a receivable from the DOE for the DOE's portion of the University's obligation for retiree health benefits attributable to LBNL. The University does not have any obligation for LANL or LLNL retiree health benefit costs since they do not participate in the University's retiree health plans.

Campus and medical center contributions toward retiree health costs made to UCRHBT, the University's LBNL-related payments made directly to health care insurers and administrators and the corresponding reimbursements from the DOE, are shown as operating activities in the statement of cash flows. Cash flows resulting from retiree health contributions from retirees are shown as noncapital financing activities in the statement of cash flows.

University of California Retiree Health Benefit Trust. UCRHBT receives the University's contributions toward retiree health benefits from campuses, medical centers and University affiliates. The University receives retiree health contributions from University affiliates and campus and medical center retirees that are deducted from their UCRP benefit payments. The University also remits these retiree contributions to UCRHBT.

The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees who previously worked at a campus or medical center. UCRHBT reimburses the University for these amounts.

LBNL does not participate in UCRHBT; therefore, the DOE has no interest in the Trust's assets.

Compensated absences. The University accrues annual leave, including employer-related costs, for employees at rates based upon length of service and job classification and compensatory time based upon job classification and hours worked.

Endowment spending. Under provisions of California law, the Uniform Prudent Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of University programs.

Tax exemption. The University is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). Because the University is a state institution, related income received by the University is also exempt from federal tax under IRC Section 115(a). In addition, the University is exempt from state income taxes imposed under the California Revenue and Taxation Code. UCRS plans are qualified under IRC Section 401(a) and the related trusts are tax-exempt under Section 501(c)(3). The campus foundations are exempt under Section 501(c)(3). CHRCO and its component unit, the Children's Hospital and Research Center Foundation, are exempt under Section 501(c)(3). Income received by UCRHBT is tax-exempt under Section 115(a).

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

Reclassifications. Certain reclassifications have been made to the 2014 financial information to conform to the 2015 financial statement presentation.

New accounting pronouncements. In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, effective for the University's fiscal year beginning July 15, 2015. This Statement establishes standards for accounting and financial reporting for fair value measurements. The Statement requires investments to be measured at fair value and permits the use of net asset value as the fair value when an investment does not have a readily determinable fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Statement No. 72 also requires certain disclosures related to all fair value measurements. The University is evaluating the effect that Statement No. 72 will have on its financial statements.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for the University's fiscal year beginning July 1, 2015. This Statement establishes requirements for those pensions and pension plans that were not covered by Statements 67 and 68, specifically those not administered through a trust meeting specified criteria. The University is evaluating the effect that Statement 73 will have on its financial statements.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the University's fiscal year beginning July 1, 2016. This Statement addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires note disclosures and required supplementary information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Additionally, Statement 74 sets forth note disclosure requirements for defined contribution OPEB plans. Statement 74 will affect the information presented in the footnotes to the financial statements and required supplementary information for UCRHBT. The University is evaluating the effect that Statement 74 will have on its financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the University's fiscal year beginning July 1, 2017. This Statement revises existing standards for measuring and reporting retiree health benefits provided by the University to its employees. This Statement requires recognition of a liability equal to the net retiree health benefit liability, which is measured as the total retiree health benefit liability, less the amount of the UCRHBT's fiduciary net position. The total retiree health benefit liability is determined based upon discounting projected benefit payments based on claims costs, the benefit terms and legal agreements existing at the UCRHBT's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. The Statement requires that most changes in the net retiree health benefit liability be included in retiree health benefit expense in the period of change. As of June 30, 2015, the University reported a retiree health benefit obligation of $9.4 billion. Under Statement No. 75, the University's OPEB obligation is expected to increase. The University is evaluating the effect that Statement 75 will have on its financial statements.

In June 2015, the GASB issued Statement No. 76, T*he Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the University's fiscal year beginning July 1, 2015. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The University is evaluating the effect that Statement 76 will have on its financial statements.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, effective for the University's fiscal year beginning July 1, 2016. This Statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments that reduce the reporting government's tax revenues. The purpose of this Statement is to increase transparency in regards to tax abatements governments enter into and make the impact of these agreements more apparent to users of the financial statements. The University is evaluating the effect that Statement 77 will have on its financial statements.

1. CASH AND CASH EQUIVALENTS

The University maintains centralized management for substantially all of its cash and cash equivalents. Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis.

Under University policy, deposits are only held at financial institutions that maintain an issuer rating on long-term debt of A3 or higher by Moody's, A- or higher by Standard & Poor's or an Asset Peer Group rating of 65 or higher as defined by Sheshunoff Bank Rating Reports. In 2012, ratings for one of the University's banks were lowered below these thresholds. The University approved an exception for this institution and continues to monitor the institution's financial condition. At June 30, 2015 and 2014, the carrying amount of the University's demand deposits, generally held in five nationally recognized banking institutions, was $135.7 million and $140.4, respectively, compared to bank balances of $93.2 million and $110.3, respectively. Deposits in transit and cash awaiting investment are the primary differences. The University's deposits are uninsured and uncollateralized.

The University does not have significant exposure to foreign currency risk in demand deposit accounts. Accounts held in foreign countries maintain minimum operating balances with the intent to reduce potential foreign exchange risk while providing an adequate level of liquidity to meet the obligations of the academic programs established abroad. The equivalent U.S. dollar balances required to support research groups and education abroad programs in foreign countries was $7.1 million at June 30, 2015 and $4.2 million at June 30, 2014.

The carrying amount of the discretely presented component units' cash and cash equivalents at June 30, 2015 and 2014 was $221.5 million and $182.3, respectively, compared to bank balances of $127.5 million and $142.6 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Included in bank balances are deposits in the University's Short Term Investment Pool of $29.5 million and $28.7 at June 30, 2015 and 2014 respectively, with the remaining uncollateralized bank balances insured by the Federal Deposit Insurance Corporation (FDIC). Uncollateralized bank balances include $5.0 million and $2.7 million in excess of the FDIC limits at June 30, 2015 and 2014, respectively. The discretely presented component units do not have exposure to foreign currency risk in their cash and cash equivalents.

2. INVESTMENTS

The Regents, as the governing Board, is responsible for the oversight of the University's, UCRS' and UCRHBT's investments and establishes an investment policy, which is carried out by the Chief Investment Officer. These investments are associated with the Short Term Investment Pool (STIP), Total Return Investment Pool (TRIP), General Endowment Pool (GEP), UCRS, UCRHBT and other investment pools managed by the Chief Investment Officer, or are separately invested. Pursuant to The Regents' policies on campus foundations, the Board of Trustees for each campus foundation may determine that all or a portion of their investments will be managed by the Chief Investment Officer. Asset allocation guidelines are provided to the campus foundations by the Committee on Investments of The Regents.

STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities and is managed to maximize current earned income. Cash to provide for payroll, construction expenditures and other operating expenses for campuses and medical centers is invested in STIP. The available cash in UCRS or endowment investment pools awaiting investment, or cash 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. In addition, for STIP, The Regents has also authorized loans, primarily to faculty members residing in California, under the University's Mortgage Origination Program with terms of up to 40 years.

TRIP allows participants the opportunity to maximize the return on their long-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. Investments authorized by The Regents for TRIP include a diversified portfolio of equity and fixed-income securities.

GEP is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio and the primary investment vehicle for endowed gift funds. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements.

Other investment pools primarily facilitate annuity and life income arrangements. Separate investments are those that cannot be pooled due to investment restrictions or income requirements.

Investments authorized by The Regents for GEP, UCRS, other investment pools and separate investments 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 exposure to private equities. The University's 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 all pools except for STIP. Absolute return strategies, which may incorporate short sales, plus derivative positions to implement or hedge an investment position, are also authorized for all pools except for STIP.

Derivative instruments, including futures, forward contracts, options and swap contracts are authorized for portfolio rebalancing in accordance with The Regents' asset allocation policy and as substitutes for physical securities. Derivatives are not used for speculative purposes.

The Regents has also authorized certain employee account balances in defined contribution plans included as part of UCRS' investments to be invested in mutual funds. The participants' interests in mutual funds is not managed by the Chief Investment Officer and totaled $4.9 billion and $5.0 billion at June 30, 2015 and 2014, respectively.

Investments authorized by The Regents for the UCRHBT are restricted to a portfolio of high-quality money market instruments in a commingled fund that is managed externally. The average credit quality of the portfolio is A-1/P-1 with an average maturity of 24 days and 41 days at June 30, 2015 and 2014, respectively. The fair value of UCRHBT's investment in this portfolio was $24.2 million and $37.1 million at June 30, 2015 and 2014, respectively.

The composition of investments, by investment type at June 30, is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Equity securities:						
Domestic	$ 1,812,120	$ 1,996,677	$ 270,821	$ 266,321	$ 14,935,130	$ 15,013,705
Foreign	1,505,925	1,661,853	21,843	20,507	9,897,297	9,105,760
Equity securities	**3,318,045**	**3,658,530**	**292,664**	**286,828**	**24,832,427**	**24,119,465**
Fixed- or variable-income securities:						
U.S. government guaranteed:						
U.S. Treasury bills, notes and bonds	392,590	673,558	212,168	217,439	2,283,017	2,602,611
U.S. Treasury strips	81,403	90,350	188	172	637,914	562,694
U.S. TIPS	256,545	154,120			3,398,395	3,484,007
U.S. government-backed securities			939	939	10,330	11,288
U.S. government-backed-asset-backed securities			1,071	710		
U.S. government guaranteed	**730,538**	**918,028**	**214,366**	**219,260**	**6,329,656**	**6,660,600**
Other U.S. dollar denominated:						
Corporate bonds	5,512,051	5,500,224	65,632	85,929	3,475,411	3,070,552
Commercial paper	4,266,669	1,932,764				
U.S. agencies	1,466,085	1,058,009	4,542	3,999	3,084,590	2,886,644
U.S. agencies-asset-backed securities	483,166	88,096	81,738	80,374	2,441,742	2,258,922
Corporate-asset-backed securities	93,711	35,014	58,158	90,562	1,263,608	1,119,923
Supranational/foreign	1,800,495	1,906,414	9,608	12,005	1,786,297	1,754,917
Other	12,088	12,740	4,974	10,358	24,633	24,846
Other U.S. dollar denominated	**13,634,265**	**10,533,261**	**224,652**	**283,227**	**12,076,281**	**11,115,804**
Foreign currency denominated:						
Corporate	1,278	2,174			10,717	17,840
Foreign currency denominated	**1,278**	**2,174**			**10,717**	**17,840**
Commingled funds:						
Absolute return funds	2,905,174	3,094,059	1,922,649	1,618,057	3,400,328	3,457,058
Non-U.S. equity funds	1,879,085	1,976,805	918,189	943,892	6,734,853	6,475,644
Private equity	780,704	918,186	515,813	501,079	3,011,615	3,791,134
Money market funds	1,207,108	692,512	651,864	583,660	5,510,922	3,768,742
U.S. equity funds	975,865	849,020	634,332	647,610	3,640,995	3,118,198
Real estate investment trusts		290,589	57,772	58,479	296,793	451,697
Real assets	200,646	240,773			1,087,780	1,377,695
U.S. bond funds	65,704	188,223	125,598	115,058	1,286,633	1,126,897
Non-U.S. bond funds	23,984	28,415	71,521	57,683	133,018	158,339
Balanced funds			1,072,382	1,065,668		
Commingled funds	**8,038,270**	**8,278,582**	**5,970,120**	**5,591,186**	**25,102,937**	**23,725,404**
Investment derivatives	9,014	13,044	(5,185)	(3,369)	26,981	41,036
Publicly traded real estate investment trusts		342,674		1,218		104,867
Mortgage loans	223,997	133,556		91		
Insurance contracts					17,811	119,797
Real estate	903,191	653,449	261,522	127,163	3,198,797	2,842,791
Other investments	12,890	13,145	200,387	198,766		
Campus foundations' investments with the University	(1,336,810)	(1,352,725)				
UCRS investment in STIP	(3,245,531)	(1,652,665)				
Total investments	**22,289,147**	**21,541,053**	**7,158,526**	**6,704,370**	**$71,595,607**	**$68,747,604**
Less: Current portion	(6,190,287)	(3,334,675)	(550,895)	(473,756)		
Noncurrent portion	**$16,098,860**	**$18,206,378**	**$6,607,631**	**$6,230,614**		

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 subject to an array of economic and market vagaries that can limit or erode value.

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, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are considered to have minimal 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 is the the two-year Treasury). 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.

The University recognizes that credit risk is appropriate in balanced investment pools such as TRIP, UCRS and GEP by virtue of the benchmarks chosen for the fixed-income portion of those pools.

Fixed-income benchmarks for TRIP include the Barclays Capital Aggregate Credit Index, the JP Morgan Emerging Markets Bond Index Global Diversified, the Merrill Lynch High-Yield Cash Pay Index and the Barclays Capital Aggregate Government Index. The TRIP fixed-income benchmark is comprised of 72.5 percent high grade corporate bonds and government bonds, and 27.5 percent below investment grade securities, all of which carry some degree of credit risk.

The core fixed-income benchmark for UCRS and GEP, Barclays Capital U.S. Aggregate Bond Index, is comprised of 23.0 percent high grade corporate bonds and 33.0 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 44.0 percent is government-issued bonds.

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

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

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

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2015	2014	2015	2014	2015	2014
Fixed- or Variable-income securities:						
U.S. government guaranteed	$ 730,538	$ 918,028	$214,366	$219,260	$6,329,656	$6,660,600
Other U.S. dollar denominated:						
AAA	1,390,053	1,262,960	20,991	49,549	6,495,587	6,017,280
AA	1,451,758	1,068,822	90,908	99,622	230,988	261,055
A	2,794,979	3,047,350	17,111	35,412	1,095,458	922,851
BBB	2,825,348	2,462,057	41,335	37,891	2,003,785	1,855,949
BB	547,555	438,244	10,518	9,474	1,053,699	937,227
B	249,337	221,338	3,304	1,680	677,350	668,780
CC or below	73,589	82,203	26,691	29,404	370,640	424,520
A-1 / P-1/ F-1	4,266,668	1,932,764				
Not rated	34,978	17,523	13,794	20,195	148,774	28,142
Foreign currency denominated:						
BB	50	20			422	166
B	860	1,153			7,209	9,463
C or below	368	1,001			3,086	8,211
Investment Derivatives:						
AAA	(10)	(3,615)				
Commingled funds:						
U.S. bond funds: Not rated	65,704	188,223	125,598	115,058	1,286,633	1,126,897
Non-U.S. bond funds: Not rated	23,984	28,415	71,521	57,683	133,018	158,339
Money market funds: Not rated	1,207,108	692,512	651,864	583,660	5,510,922	3,768,742
Mortgage loans: Not rated	223,997	133,556		91		
Insurance contracts: Not rated					17,811	119,797

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 University's, discretely presented component units' and UCRS' securities are registered in the University's name by the custodial bank as an agent for the University. 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 the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

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

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

Each discretely presented component unit may have its own individual investment policy designed to limit exposure to a concentration of credit risk. Securities issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, other investment pools or investments that are invested by the University for the discretely presented component units are not subject to concentration of credit risk. Most of the discretely presented component units that hold other types of investments have policies to limit the exposure to an individual issuer.

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

(in thousands of dollars)

	DISCRETELY PRESENTED COMPONENT UNITS	
	2015	**2014**
Silchester International Value Equity Trust		$56,700
Bayside Partners, LP	$88,747	
iShares MSCI EAFE ETF	76,556	

Interest Rate Risk

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

Interest rate risk for 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 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 TRIP limit weighted average effective duration to the effective duration of the benchmarks (Barclays Capital Aggregate Credit Index, JP Morgan Emerging Markets Bond Index Global Diversified, the Merrill Lynch High-Yield Cash Pay Index and Barclays Capital Aggregate Government Index), plus or minus 10 percent. Similarly, portfolio guidelines for the fixed-income portion of UCRS and GEP limit weighted average effective duration to the effective duration of their benchmarks (Barclay's Capital US Aggregate 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 durations for fixed- or variable-income securities at June 30 are as follows:

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2015	2014	2015	2014	2015	2014
Fixed- or variable-income securities:						
U.S. government guaranteed:						
U.S. Treasury bills, notes and bonds	1.0	1.4	3.1	2.9	1.8	1.5
U.S. Treasury strips	11.5	8.8			6.9	8.3
U.S. TIPS	4.8	6.7			5.0	5.9
U.S. government-backed securities			3.0	2.9	7.1	4.4
U.S. government-backed-asset-backed securities			7.0	3.4		
Other U.S. dollar denominated:						
Corporate bonds	3.0	3.2	5.3	4.2	5.8	5.0
U.S. agencies	2.3	2.1	5.3	4.2	2.2	2.5
U.S. agencies-asset-backed securities	4.6	3.7	4.4	3.6	3.9	4.1
Corporate-asset-backed securities	7.0	2.0	0.6	0.9	3.0	2.8
Supranational/foreign	3.9	4.3	0.2	1.7	6.1	6.2
Other	16.7	17.5	6.8	6.3	16.0	16.7
Foreign currency denominated:						
Corporate	3.9	1.5			3.9	1.5
Commingled funds:						
U.S. bond funds*	5.4	4.4	4.4	5.0	5.6	5.3
Non-U.S. bond funds	4.8		6.4	5.3	4.8	
Money market funds**			1.5	2.2		2.2
Investment derivatives		0.9				

** University considers the modified durations for commingled funds*
*** Foundation and UCRS investment in STIP*

The University considers the effective durations for commercial paper, mortgage loans, insurance contracts and money market funds to be zero. The terms of the mortgage loans include variable interest rates. Insurance contracts can be liquidated without loss of principal and money market funds consist of underlying securities that are of a short-term, liquid nature.

Investments 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 these securities may be low.

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

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2015	2014	2015	2014	2015	2014
Mortgage-backed securities	$ 512,740	$ 93,052	$ 71,665	$ 53,782	$2,341,520	$ 2,613,162
Collateralized mortgage obligations			41,112	49,728	266,693	214,735
Other asset-backed securities	51,646	30,186	26,804	40,386	268,415	490,351
Variable-rate securities	57,508	52,608			877,879	131,005
Callable bonds	2,034,857	1,599,256	17,531	12,740	4,081,880	3,487,903
Convertible bonds		706				5,413
Total	**$2,656,751**	**$1,775,808**	**$157,112**	**$156,636**	**$7,836,387**	**$ 6,942,569**

Mortgage-Backed Securities. These securities are issued primarily 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 either the payment of interest or principal on mortgages in an underlying pool. The relationship between interest rates and prepayments makes 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 rising interest rate environments, the opposite is true.

Other Asset-Backed Securities. Other asset-backed securities also generate a return based upon either the payment of 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 makes 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 University must then replace the called bond with a bond that may have a lower yield than the original. The call feature causes the fair value to be highly sensitive to changes in interest rates.

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

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2015	2014	2015	2014	2015	2014
Mortgage-backed securities	5.1	3.8	5.2	2.4	4.4	4.1
Collateralized mortgage obligations			1.6	1.1	3.0	3.1
Other asset-backed securities	3.8	1.7	2.7	1.3	2.5	1.5
Variable-rate securities	2.5	4.5			1.7	4.8
Callable bonds	3.7	3.7	0.3	2.4	3.6	3.3
Convertible bonds		6.7		2.3		7.0

Foreign Currency Risk

The University's strategic asset allocation policy for TRIP, UCRS and GEP includes 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 University's 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, the foreign currency risk expressed in U.S. dollars, organized by currency denomination and investment type, are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Equity securities:						
Euro	$ 430,087	$ 468,620	$ 1,072		$ 2,922,920	$ 2,674,506
British pound	307,390	298,175	2,418	$ 1,858	2,032,925	1,769,937
Japanese yen	284,131	284,806	816		1,774,562	1,577,457
Canadian dollar	77,290	104,600	578	546	521,044	651,190
Swiss franc	149,954	128,303	1,253	4,326	1,015,032	792,002
Australian dollar	61,046	79,876	245		412,077	499,441
Hong Kong dollar	52,065	103,754			339,843	314,471
Swedish krona	39,205	41,289			273,990	239,421
Singapore dollar	19,839	33,735			135,218	165,002
Danish krone	26,474	16,949			184,198	104,944
Norwegian krone	10,400	16,561			72,313	82,108
South Korean won	22,835	11,676	14,135		82,779	42,059
Brazilian real	3,600	21,860			16,531	44,096
Other	21,609	51,649	1,326	13,777	113,865	149,126
Subtotal	**1,505,925**	**1,661,853**	**21,843**	**20,507**	**9,897,297**	**9,105,760**
Fixed-income securities:						
Euro	577	1,772			4,928	14,168
Other	701	402			5,789	3,672
Subtotal	**1,278**	**2,174**			**10,717**	**17,840**
Commingled funds (various currency denominations):						
Non-U.S. equity funds	1,879,085	1,976,805	616,493	687,937	6,734,853	6,475,644
Balanced funds			238,309	229,473		
U.S. bond funds			7,855	8,788		
Non-U.S. bond funds	23,984	28,415	54,953	43,788	133,018	158,339
Real estate investment trusts			13,039	10,889		
Absolute Return funds			54,635	64,971		
Subtotal	**1,903,069**	**2,005,220**	**985,284**	**1,045,846**	**6,867,871**	**6,633,983**
Investment derivatives:						
Australian dollar	18	(14)			96	(359)
Canadian dollar	(20)	175			(108)	278
British pound	(295)	112			(2,092)	(29)
Japanese yen	(100)	319			(708)	809
Hong Kong dollar	(23)	165			(121)	143
Other	146	(101)			1,007	(33)
Subtotal	**(274)**	**656**			**(1,926)**	**809**
Private equity:						
Euro	15,419	18,602	17,816	10,468	87,372	105,329
Other	730	3,491	8,817	3,697	4,136	19,780
Publicly traded real estate investment trusts:						
Australian dollar		44,190				13,489
Euro		22,680				6,924
British pound		18,558				5,665
Japanese yen		10,279				3,138
South African rand		8,250				2,519
Singapore dollar		6,580				2,009
Canadian dollar		5,046				
Mexican peso		4,209				1,285
Other		5,224				3,135
Subtotal	**16,149**	**147,109**	**26,633**	**14,165**	**91,508**	**163,273**
Total exposure to foreign currency risk	**$3,426,147**	**$3,817,012**	**$1,033,760**	**$1,080,518**	**$16,865,467**	**$15,921,665**

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 funds. Additionally, certain asset-backed securities are thinly traded and subject to liquidity risk.

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

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 University's portfolio includes the following investments subject to liquidity risk as of June 30:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2015	2014	2015	2014	2015	2014
Absolute return funds	$2,905,174	$3,094,059	$1,922,649	$1,618,057	$ 3,400,328	$ 3,457,058
Private equity funds	780,704	918,186	515,813	501,079	3,011,615	3,791,134
Real estate funds	903,191	653,449	261,522	127,163	3,198,797	2,842,791
Real assets funds	200,646	240,773			1,087,780	1,377,695
Total	**$4,789,715**	**$4,906,467**	**$2,699,984**	**$2,246,299**	**$10,698,520**	**$11,468,678**

The University's Investment Pools

The composition of the University's investments at June 30, 2015, by investment pool, are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				
	STIP	TRIP	GEP	OTHER	TOTAL
Equity securities:					
Domestic		$1,047,989	$ 663,974	$100,157	$ 1,812,120
Foreign		589,834	877,691	38,400	1,505,925
Fixed- or variable-income securities:					
U.S. government guaranteed	$ 231,794	207,998	282,575	8,171	730,538
Other U.S. dollar denominated	10,199,934	2,829,970	579,787	24,574	13,634,265
Foreign currency denominated			1,278		1,278
Commingled funds	751	2,705,588	4,294,526	56,055	7,056,920
Investment derivatives		6,905	2,131	(22)	9,014
Private equity			768,366	12,338	780,704
Mortgage loans	26,690			197,307	223,997
Real assets			200,646		200,646
Real estate		156,580	716,851	29,760	903,191
Other investments				12,890	12,890
Subtotal	**10,459,169**	**7,544,864**	**8,387,825**	**479,630**	**26,871,488**
Discretely presented component units' investments with the University	(547,738)	(19,844)	(641,751)	(127,477)	(1,336,810)
UCRS investment in STIP	(3,245,531)				(3,245,531)
Total investments	**$6,665,900**	**$7,525,020**	**$7,746,074**	**$352,153**	**$22,289,147**

The composition of the University's investments at June 30, 2014, by investment pool, are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				
	STIP	TRIP	GEP	OTHER	TOTAL
Equity securities:					
Domestic		$ 1,057,374	$ 841,524	$ 97,779	$ 1,996,677
Foreign		809,780	817,068	35,005	1,661,853
Fixed- or variable-income securities:					
U.S. government guaranteed	$ 326,297	344,209	238,629	8,893	918,028
Other U.S. dollar denominated	7,919,885	2,016,480	572,019	24,877	10,533,261
Foreign currency denominated			2,174		2,174
Commingled funds	1,690	2,997,569	4,055,380	64,984	7,119,623
Investment derivatives		9,813	6,828	(3,597)	13,044
Publicly traded real estate investment trusts		328,320	14,354		342,674
Private equity		791	899,617	17,778	918,186
Mortgage loans	76,888			56,668	133,556
Real assets			240,773		240,773
Real estate			625,668	27,781	653,449
Other investments				13,145	13,145
Subtotal	**8,324,760**	**7,564,336**	**8,314,034**	**343,313**	**24,546,443**
Discretely presented component units' investments with the University	(554,053)	(10,109)	(648,621)	(139,942)	(1,352,725)
UCRS investment in STIP	(1,652,665)				(1,652,665)
Total investments	**$6,118,042**	**$7,554,227**	**$7,665,413**	**$203,371**	**$21,541,053**

The total investment return based upon unit values, representing the combined income plus net appreciation or depreciation in the fair value of investments, for the years ended June 30, 2015 and 2014, were 2.6 and 14.7 percent, respectively for TRIP, 7.2 and 19.0 percent, respectively for GEP and 4.5 and 16.7 percent, respectively for UCRS. The investment return for STIP distributed to participants, representing combined income and realized gains or losses, during the same periods, was 1.4 and 1.6 percent, respectively. Other investments consist of numerous, small portfolios of investments or individual securities, each with its own individual rate of return.

Related Party Relationships with the University

UCRS and the discretely presented component units may invest available cash in STIP. Shares are purchased or redeemed in STIP at a constant value of $1 per share. Actual income earned, including any realized gains or losses on the sale of STIP investments, is allocated to UCRS and the discretely presented component units based upon the number of shares held. Unrealized gains and losses associated with the fluctuation in the fair value of investments included in STIP are recorded by the University as the manager of the pool. The net asset value for STIP is held at a constant value of $1 and is not adjusted for unrealized gains and losses associated with the fluctuation in the fair value of investments included in STIP.

The discretely presented component units may purchase or redeem shares in GEP, TRIP or other investment pools at the unitized value of the portfolio at the time of purchase or redemption. Actual income earned is allocated to the discretely presented component units based upon the number of shares held.

Discretely Presented Component Units

The discretely presented component units' cash and cash equivalents and investments that are invested with the University and managed by the Chief Investment Officer are excluded from the University's statement of net position and included in the discretely presented component units' statement of net position. Under the accounting policies elected by each discretely presented component unit, certain component units classify all or a portion of their investment in STIP and TRIP as cash and cash equivalents, rather than investments. Substantially, all of the discretely presented component units' investments managed by the Chief Investment Officer are categorized as commingled funds or commingled money market funds by the discretely presented component units in the composition of investments.

The fair value of the discretely presented component units' cash and cash equivalents and investments that are invested with the University, by investment pool at June 30 are as follows:

(in thousands of dollars)	2015	2014
STIP	$ 547,738	$ 554,053
TRIP	19,844	10,109
GEP	641,751	648,621
Other investment pools	127,477	139,942
Discretely presented component units' investments with the University	**1,336,810**	**1,352,725**
Classified as cash and cash equivalents by discretely presented component units	(28,279)	(27,776)
Classified as investments by discretely presently component units	**$1,308,531**	**$1,324,949**

Endowment investment income in the University's statement of revenues, expenses and changes in net position is net of income earned by, and distributed to, the discretely presented component units totaling $18.1 million and $17.6 million for the years ended June 30, 2015 and 2014, respectively.

UCRS

UCRS had $3.2 billion and $1.7 billion invested in STIP at June 30, 2015 and 2014, respectively. These investments are excluded from the University's statement of net position and are included in UCRS' statement of plans' fiduciary net position. They are categorized as commingled money market funds in the composition of investments for UCRS. STIP investment income in the University's statement of revenues, expenses and changes in net position is net of income earned by, and distributed to, UCRS totaling $19.5 million and $23.5 million for the years ended June 30, 2015 and 2014, respectively.

Agency Relationships with the University

STIP and GEP are external investment pools and include investments on behalf of external organizations that are associated with the University, although not financially accountable to the University. These organizations are not required to invest in these pools. Participants purchase or redeem shares in STIP at a constant value of $1 per share and purchase or redeem shares in GEP at the unitized value of the portfolio at the time of purchase or redemption. Actual income earned is allocated to participants based upon the number of shares held.

The fair value of these investments in each investment pool and the related liability associated with these organizations that are included in the University's statement of net position at June 30 are as follows:

(in thousands of dollars)	2015	2014
Short-term investments:		
STIP	$ 151,041	$ 84,411
GEP	236,543	216,964
Other investment pools	17,341	17,949
Total agency assets	**$404,925**	**$319,324**
Funds held for others	**$404,925**	**$319,324**

The composition of the net position at June 30 for STIP and GEP are as follows:

(in thousands of dollars)	STIP		GEP	
	2015	2014	2015	2014
Investments	$10,459,169	$ 8,324,760	$8,387,825	$8,314,034
Investment of cash collateral	81,985	218,971	315,992	381,673
Securities lending collateral	(81,986)	(218,916)	(315,992)	(381,576)
Other assets (liabilities), net	1,799,088	1,162,560	533,537	(130,747)
Net position	**$12,258,256**	**$9,487,375**	**$8,921,362**	**$8,183,384**

Other assets include amounts receivable for pension benefits from the campuses and medical centers of $1.7 billion and $1.1 billion at June 30, 2015 and 2014, respectively.

The changes in net position for STIP and GEP for the years ending June 30 are as follows:

(in thousands of dollars)	STIP		GEP	
	2015	2014	2015	2014
Net position, beginning of year	$ 9,487,375	$10,608,027	$8,183,384	$6,999,293
Investment income	153,964	159,607	92,263	80,525
Net appreciation (depreciation) in fair value of investments	122,683	(128,857)	381,189	1,255,060
Transfer to TRIP	(199,252)	(2,226,959)		
Participant contributions (withdrawals), net	2,693,486	1,075,557	264,526	(151,494)
Net position, end of year	**$12,258,256**	**$ 9,487,375**	**$8,921,362**	**$8,183,384**

3. SECURITIES LENDING

The University and UCRS jointly participate in a securities lending program as a means to augment income. The discretely presented component units' investments that are invested with the University and managed by the Chief Investment Officer are included in the University's investment pools that participate in the securities lending program.

The campus foundations' allocated share of the program's cash collateral received, investment of cash collateral and collateral held for securities lending is determined based upon their equity in the investment pools. The Board of Trustees for each campus foundation may also authorize participation in a direct securities lending program.

Securities are lent to selected brokerage firms for which collateral received equals or exceeds the fair value of such investments lent during the period of the loan. Securities loans immediately terminate upon notice by either the University 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. Securities collateral cannot be pledged or sold by the University 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 University, in investment pools in the name of the University, with guidelines approved by the University. These investments are shown as investment of cash collateral in the statement of net position. At June 30, 2015 and 2014, the securities in these pools had a weighted average maturity of 17 days and 30 days, respectively. The University records a liability for the return of the cash collateral shown as collateral held for securities lending in the statement of net position. Securities collateral received from the borrower is held in investment pools by the University's custodial bank.

At June 30, 2015 and 2014, the University had insignificant exposure to borrowers because the amounts the University owed the borrowers were substantially the same as the amounts the borrowers owed the University. The University is indemnified by its lending agents against any losses incurred as a result of borrower default.

The composition of the securities lending programs at June 30 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
SECURITIES LENT						
For cash collateral:						
Equity securities:						
Domestic	$ 293,784	$ 403,073			$ 2,009,500	$ 1,890,525
Foreign	72,330	126,557			486,710	656,426
Fixed-income securities:					1,252,787	
U.S. government guaranteed	64,780	67,567			1,302,171	2,112,140
Other U.S. dollar denominated	361,701	642,358				1,754,525
Discretely presented component units	(36,838)	(51,249)	$36,838	$51,249		
Lent for cash collateral	**755,757**	**1,188,306**	**36,838**	**51,249**	**5,051,168**	**6,413,616**
For securities collateral:						
Equity securities:						
Domestic	194,858	188,486			1,406,557	1,209,300
Foreign	199,333	186,121			1,258,242	954,801
Fixed-income securities:						
U.S. government guaranteed	99,811	117,036			3,480,076	3,694,573
Other U.S. dollar denominated	75,839	12,722			104,341	17,246
Lent for securities collateral	**569,841**	**504,365**			**6,249,216**	**5,875,920**
Total securities lent	**$1,325,598**	**$1,692,671**	**$36,838**	**$51,249**	**$11,300,384**	**$12,289,536**
COLLATERAL RECEIVED						
Cash	$ 812,088	$1,269,083			$ 5,177,555	$ 6,561,614
Discretely presented component units' share	(36,838)	(51,249)	$36,838	$51,249		
Total cash collateral received	**775,250**	**1,217,834**	**36,838**	**51,249**	**5,177,555**	**6,561,614**
Securities	617,384	544,981			6,770,599	6,349,117
Total collateral received	**$1,392,634**	**$1,762,815**	**$36,838**	**$51,249**	**$11,948,154**	**$12,910,731**
INVESTMENT OF CASH COLLATERAL						
Fixed-income securities:						
Other U.S. dollar denominated:						
Corporate bonds	$ 104,369	$ 141,554			$ 665,409	$ 731,891
Commercial paper	4,474	102,751			28,526	531,262
Repurchase agreements	334,265	380,043			2,131,138	1,964,957
Corporate-asset-backed securities	176,873	280,122			1,127,664	1,448,330
Certificates of deposit/time deposits	29,149	106,966			185,840	553,052
Supranational/foreign	163,103	252,637			1,039,876	1,306,222
Other assets (liabilities), net*	(151)	5,330			(963)	27,558
Discretely presented component units' share	(36,838)	(51,249)	$ 36,838	$51,249		
Investment of cash collateral	**775,244**	**1,218,154**	**36,838**	**51,249**	**$ 5,177,490**	**$ 6,563,272**
Less: Current portion	(516,678)	(848,436)	(24,551)	(35,695)		
Noncurrent portion	**$ 258,566**	**$ 369,718**	**$12,287**	**$15,554**		

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

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

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2015	2014	2015	2014	2015	2014
Securities lending income	$8,215	$8,237	$501	$431	$44,583	$47,664
Securities lending fees and rebates	(1,497)	(1,288)	(92)	(68)	(8,065)	(7,454)
Securities lending investment income, net	**$6,718**	**$6,949**	**$409**	**$363**	**$36,518**	**$40,210**

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 University's and UCRS' investment policies and other information related to each of these risks are summarized below. Discretely presented component units that participate in a securities lending program may have their own individual investment policies designed to limit the same risks.

Credit Risk

The University's and UCRS' investment policies for the investment of cash collateral maintained in separately managed collateral pools restrict the credit rating of issuers at the time of purchase 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 at the time of purchase.

The credit risk profile for fixed- or variable-income securities associated with the investment of cash collateral at June 30 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2015	2014	2015	2014	2015	2014
Fixed- or variable-income securities:						
Other U.S. dollar denominated:						
AAA	$183,379	$285,038			$ 1,169,144	$1,473,753
AA+	23,763	24,358			151,501	125,939
AA	18,034	5,346			114,979	27,639
AA-	112,203	192,176			715,356	993,620
A+	209,468	85,278			1,335,479	440,918
A	192,525	66,443			1,227,458	343,534
A-	54,829				349,569	
A-1 / P-1 / F-1	18,032	605,434			114,967	3,130,311
Other assets (liabilities), net* : Not rated	(151)	5,330			(963)	27,558
Discretely presented component units' share	(36,838)	(51,249)	$36,838	$51,249		

** Other assets (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 University's lending agents. The Universitys' and UCRS' securities related to the investment of cash collateral are registered in the University's name by the lending agents. Securities collateral received for securities lent are held in investment pools by the University's lending agents. As a result, custodial credit risk is remote.

Concentration of Credit Risk

The University's and UCRS' investment policy 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. Discretely presented component units that directly participate in a securities lending program do not have specific investment policies related to concentration of credit risk, although the lending agreements with the agents establish restrictions for the type of investments and minimum credit ratings.

Investments in issuers other than U.S. government guaranteed securities that represent 5 percent or more of the total investment of cash collateral held by individual component units at June 30 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2015	**2014**	**2015**	**2014**
Citibank		$91,499		$473,081
JP Morgan Chase	$43,664		$278,385	

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 University's and UCRS' 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 for fixed- or variable-income securities associated with the investment of cash collateral at June 30 are as follows:

(in days)

	UNIVERSITY OF CALIFORNIA		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2015	**2014**	**2015**	**2014**
Fixed- or variable-income securities:				
Other U.S. dollar denominated:				
Corporate bonds	50	37	50	37
Commercial paper	1	29	1	29
Repurchase agreements	1	7	1	7
Corporate-asset-backed securities	17	20	17	20
Certificates of deposit/time deposits	30	87	30	87
Supranational/foreign	28	51	28	51

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

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

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS		UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Other asset-backed securities	$183,378	$297,469			$1,169,145	$1,538,022
Variable-rate investments	543,651	141,555			3,466,109	731,891
Discretely presented component units' share	(33,902)	(17,965)	$33,902	$17,965		
Total	**$693,127**	**$421,059**	**$33,902**	**$17,965**	**$4,635,254**	**$2,269,913**

At June 30, 2015 and 2014, the weighted average maturity expressed in days for asset-backed securities was 17 days and 19 days, respectively, and for variable-rate investments was 20 days and 37 days, respectively.

Foreign Currency Risk

The University's and UCRS' investment policy 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.

4. DERIVATIVE FINANCIAL INSTRUMENTS

The University may use derivatives including futures, forward contracts, options and interest rate swap contracts as a substitute for investment in equity and fixed-income securities, to reduce the effect of fluctuating foreign currencies on foreign currency-denominated investments, or to limit its exposure of variable-rate bonds to changes in market interest rates. The Board of Trustees for each campus foundation may also authorize derivatives in its investment policy.

The University enters into futures contracts for the purpose of acting as a substitute for investment in equity and fixed-income securities. A futures contract is an agreement between two parties to buy and sell a security or financial index, interest rate or foreign currency at a set price on a future date. They are standardized contracts that can be easily bought and sold and are exchange-traded. Upon entering into such a contract, the University is required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the exchange on which the contract is traded. Pursuant to the contract, the University agrees 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 the University 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 University is limited to the premium originally paid for covered options. The University initially records premiums paid for the purchase of these options in the statement 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 statement of revenues, expenses and changes in net position.

Rights and warrants provide the holder with the right, but not the obligation, to buy a stock at a predetermined price for a finite period of time. Warrants usually have a longer time period to expiration. The holder of a right or warrant is permitted to buy at a price that may be below the actual market price for that stock. Warrants and rights cease to exist and become worthless if not used by their expiration date.

An interest rate swap is a contractual agreement entered into between the University 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, an interest rate or to currency. A credit default swap is an agreement whereby the seller will compensate the buyer in the event of a loan default. A swaption is an option granting its owner the right but not the obligation to enter into an underlying swap. The University considers its futures, forward contracts, options, credit default swaps, swaptions, rights, warrants and certain interest rate swaps to be investment derivatives.

As a means to lower the University's borrowing costs, when compared against fixed-rate bonds at the time of issuance, the University entered into interest rate swap agreements in connection with certain of its variable-rate Medical Center Pooled Revenue Bonds and General Revenue Bonds. The University has determined that certain of its interest rate swaps are derivative instruments that meet the criteria for an effective hedge. Certain of the interest rate swaps are considered hybrid instruments since, at the time of execution, the fixed rate on each of the swaps was off-market and the University received an up-front payment. As such, these swaps are comprised of a derivative instrument, an at-the-market swap that is an effective hedge, and a companion instrument, a borrowing represented by the up-front payment. The unamortized amount of the borrowing under the companion instruments was $41.0 million and $42.1 million at June 30, 2015 and 2014, respectively.

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

University of California

(in thousands of dollars)

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	**2015**	**2014**	**CLASSIFICATION**	**2015**	**2014**	**CLASSIFICATION**	**2015**	**2014**
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	1,433	705,119	Investments	$ (6,981)	$ 765	Net appreciation (depreciation)	$ (6,954)	$148,657
Short positions	(429)	(463)	Investments	(4)	(7)	Net appreciation (depreciation)		(79)
Foreign futures:								
Long positions	317	68,905	Investments	(150)	91	Net appreciation (depreciation)	50,457	10,484
Short positions	(62)		Investments	(1)		Net appreciation (depreciation)	(21)	
Futures contracts, net				**(7,136)**	**849**		**43,482**	**159,062**
Foreign currency exchange contracts, net:*								
Long positions	531,262	1,021,285	Investments	26	456	Net appreciation (depreciation)	2,648	(1,921)
Short positions	(4,983,512)	(28,599)	Investments	(155)	(158)	Net appreciation (depreciation)	(10,234)	(8,435)
Futures currency exchange contracts, net				**(129)**	**298**		**(7,586)**	**(10,356)**
Swaps:								
Credit default swaps			Investments			Net appreciation (depreciation)	7	
Fixed interest rate swaps	500,453	500,000	Investments	(18)	(3,505)	Net appreciation (depreciation)	3,597	2,066
Total return swaps equity		6,382	Investments		(5)	Net appreciation (depreciation)	(61)	(66)
Swaps, net				**(18)**	**(3,510)**		**3,543**	**2,000**
Stock rights/warrants	1,498	1,772	Investments	16,297	11,353	Net appreciation (depreciation)	2,601	2,565
Options/swaptions		11,046	Investments		4,054	Net appreciation (depreciation)	797	1,923
Total investment derivatives				**$ 9,014**	**$13,044**		**$42,837**	**$155,194**
CASH FLOW HEDGES								
Effective interest rate swaps:								
Pay fixed, receive variable	848,885	851,995	Other assets (liabilities)	$(91,093)	$(75,240)	Deferred (inflows) outflows	$ (15,853)	$ (29,481)

**Notional amount reported in local currency.*

University of California Discretely Presented Component Units

(in thousands of dollars)

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	**2015**	**2014**	**CLASSIFICATION**	**2015**	**2014**	**CLASSIFICATION**	**2015**	**2014**
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic commodity futures:								
Short positions	(3,800)	(2,800)	Investments	$(5,185)	$(3,603)	Net appreciation (depreciation)	$ (64)	$ (8)
Foreign equity futures:								
Long positions			Investments			Net appreciation (depreciation)		(1,118)
Short positions			Investments			Net appreciation (depreciation)		(2,974)
Futures contracts, net				**(5,185)**	**(3,603)**		**(64)**	**(4,100)**
Options/swaptions		19,950	Investments		234	Net appreciation (depreciation)	(234)	(1,234)
Total investment derivatives				**$(5,185)**	**$(3,369)**		**$(298)**	**$(5,334)**

University of California Retirement System

(in thousands of dollars)

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	**2015**	**2014**	**CLASSIFICATION**	**2015**	**2014**	**CLASSIFICATION**	**2015**	**2014**
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	15,078	1,548,947	Investments	$(25,633)	$ 1,647	Net appreciation (depreciation)	$(25,425)	$ 311,241
Short positions	(5,472)	(1,807)	Investments	(49)	(12)	Net appreciation (depreciation)	(11)	(118)
Foreign equity futures:								
Long positions	2,130	175,412	Investments	(1,015)	315	Net appreciation (depreciation)	107,999	26,328
Short positions	(718)		Investments	(10)		Net appreciation (depreciation)	(311)	
Futures contracts, net				**(26,707)**	**1,950**		**82,252**	**337,451**
Foreign currency exchange contracts, net:*								
Long positions	3,883,496	2,574,058	Investments	282	619	Net appreciation (depreciation)	46,407	4,809
Short positions	(37,037,304)	(190,984)	Investments	(2,498)	(1,019)	Net appreciation (depreciation)	(88,287)	(7,170)
Foreign currency exchange contracts, net				**(2,216)**	**(400)**		**(41,880)**	**(2,361)**
Swaps:								
Credit default swaps			Investments			Net appreciation (depreciation)	84	
Fixed interest rate swaps	5,247		Investments	(100)	1,194	Net appreciation (depreciation)	(102)	673
Total return swaps equity		7,818	Investments		(6)	Net appreciation (depreciation)	(75)	(81)
Swaps, net				**(100)**	**1,188**		**(93)**	**592**
Stock rights/warrants	6,252	4,550	Investments	56,004	33,332	Net appreciation (depreciation)	8,547	7,215
Options/swaptions		13,534	Investments		4,966	Net appreciation (depreciation)	976	2,355
Total investment derivatives				**$26,981**	**$41,036**		**$49,802**	**$345,252**

**Notional amount reported in local currency.*

Objectives and Terms of Hedging Derivative Instruments

The objectives and terms of the hedging derivative instruments outstanding at June 30, along with the credit rating of the associated counterparty, are as follows:

(in thousands of dollars)

TYPE	OBJECTIVE	NOTIONAL AMOUNT		EFFECTIVE DATE	MATURITY DATE	CASH PAID OR RECEIVED	TERMS	COUNTERPARTY CREDIT RATING	FAIR VALUE	
		2015	2014						2015	2014
UNIVERSITY OF CALIFORNIA										
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	74,110	77,220	2007	2032	None	Pay fixed 3.5897%; receive 58% of 1-Month LIBOR* plus 0.48%	A1/A	$(11,108)	$(10,862)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	124,775	124,775	2008	2030 through 2043	None	Pay fixed 4.6359%; receive 67% of 3-Month LIBOR* plus 0.69%**	A3/BBB+	(40,212)	(35,966)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	400,000	400,000	2013	2023	None	Pay fixed 1.8982%; receive 70% of 1-Month LIBOR*	Aa2/AA-	(12,769)	(7,196)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	100,000	100,000	2013	2023	None	Pay fixed 1.9057%; receive 70% of 1-Month LIBOR*	Aa2/AA-	(3,250)	(1,863)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate General Revenue Bonds	100,000	100,000	2013	2023	None	Pay fixed 1.8980%; receive 70% of 1-Month LIBOR*	Aa2/AA-	(3,190)	(1,797)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	24,250	24,250	2013	2045	None	Pay fixed 4.741%; receive 67% of 3-Month LIBOR* +0.79%**	A3/BBB+	(9,809)	(8,400)
Pay fixed, receive variable interest rate swap	Hedge of changes in cash flows on variable-rate Medical Center Pooled Revenue Bonds	25,750	25,750	2013	2047	None	Pay fixed 4.741%; receive 67% of 3-Month LIBOR* +0.79%**	A3/BBB+	(10,755)	(9,156)
Interest rate swaps, net		**848,885**	**851,995**						**$(91,093)**	**$(75,240)**

** London Interbank Offered Rate (LIBOR)*
***Weighted average spread*

Hedging Derivative Instrument Risk Factors

Credit Risk

The University could be exposed to credit risk if the interest rate swap counterparties to the contracts are unable to meet the terms of the contracts. Contracts with positive fair values are exposed to credit risk. The University faces a maximum possible loss equivalent to the amount of the derivative's fair value, less any collateral held by the University provided by the counterparty. Contracts with negative fair values are not exposed to credit risk.

Although the University has entered into the interest rate swaps with creditworthy financial institutions to hedge its variable-rate debt, there is credit risk for losses in the event of non-performance by counterparties or unfavorable interest rate movements.

There are no collateral requirements related to the interest rate swap with the $74.1 million notional amount. Depending on the fair value related to the swaps with the combined $174.8 million notional amount, the University may be entitled to receive collateral from the counterparty to the extent the positive fair value exceeds $15.0 million, or be obligated to provide collateral to the counterparty if the negative fair value of the swap exceeds $125.0 million or the cash and investments held by the medical centers fall below $250.0 million.

Depending on the fair value related to the swaps with the counterparty that is currently rated Aa2/AA- with a combined notional amount of $500.0 million and the swap with the counterparty that is currently rated Aa2/AA- with a notional amount of $100.0 million, the University may be entitled to receive collateral from each counterparty to the extent the positive fair value of the swap or swaps with each counterparty exceeds $30.0 million. As of June 30, 2015 and 2014, there was no collateral required.

Interest Rate Risk

There is a risk that the value of the interest rate swaps will decline because of changing interest rates. The values of the interest rate swaps with longer maturities tend to be more sensitive to changing interest rates and, therefore, more volatile than those with shorter maturities.

Basis Risk

There is a risk that the basis for the variable payment received on interest rate swaps will not match the variable payment on the bonds. This exposes the University to basis risk whenever the interest rates on the bonds are reset. The interest rate on the bonds is a tax-exempt interest rate, while the basis of the variable receipt on the interest rate swaps is taxable. Tax-exempt interest rates can change without a corresponding change in the LIBOR rate due to factors affecting the tax-exempt market which do not have a similar effect on the taxable market. However, there is no basis or tax risk related to the swap with the $149.0 million notional amount since the variable rate the University pays to the bondholders matches the variable-rate payments received from the swap counterparty and the interest rates are reset at the same intervals.

Termination Risk

There is termination risk for interest rate swaps associated with variable-rate bonds in the event of non-performance by counterparties in an adverse market resulting in cancellation of the synthetic interest rate and returning the interest rate payments to the variable interest rates on the bonds. In addition, depending on the agreement, certain interest rate swaps may be terminated if a counterparty's credit quality rating, as issued by Moody's or Standard & Poor's, falls below certain thresholds. For the interest rate swaps with the combined $74.1 million notional amount, the termination threshold is reached when the credit quality rating for either the underlying Medical Center Pooled Revenue Bonds or swap counterparty falls below Baa2 or BBB. For the swap with the $174.8 million notional amount, the termination threshold is reached when the credit quality rating for the underlying Medical Center Pooled Revenue Bonds falls below Baa3/BBB-, or the interest rate swap counterparty's rating falls below Baa2 or BBB.

For the swaps with notional amounts of $400.0 million and $100.0 million with a counterparty that is currently rated Aa2/AA-, the termination threshold is reached when the credit quality rating for the underlying General Revenue Bonds falls below Baa2 or BBB, or the swap counterparty's rating falls below A3 or A-. For the swap with a notional amount of $100.0 million with a counterparty that is currently rated Aa2/AA-, the termination threshold is reached when the credit quality rating for the underlying General Revenue Bonds falls below Baa2 or BBB, or the swap counterparty's rating falls below A3 or A-. Upon termination, the University may also owe a termination payment if there is a realized loss based on the fair value of each interest rate swap.

Rollover Risk

The University is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the University will be re-exposed to the risks being hedged by the hedging derivative instruments. The University is exposed to rollover risk on the interest rate swaps that mature in October 2023 because the hedged debt is scheduled to mature in May 2048.

5. INVESTMENTS HELD BY TRUSTEES

The University has entered into agreements with trustees to maintain trusts for the University's self-insurance programs, long-term debt requirements, capital projects and certain other requirements. In addition, the state of California retained on deposit certain proceeds from the sale of lease-revenue bonds to be used for capital projects.

Self-Insurance Programs

Investments held by trustees for self-insurance programs include separate trusts for the workers' compensation and professional medical and hospital liability programs. Securities are held by the trustees in the name of the University. The trust agreements permit the trustees to invest in equity securities, long-term and short-term debt securities, commercial paper and other securities including any common or commingled trust funds.

The composition of cash and investments and the modified duration associated with fixed-income securities for self-insurance programs at June 30 are as follows:

(in thousands of dollars)

	INVESTMENTS AT FAIR VALUE		MODIFIED DURATION	
	2015	2014	2015	2014
Cash	$ (1,567)	$ (368)		
Commingled funds:				
U.S. bond funds	568,429	535,515	5.9	6.0
Money market funds	74,819	71,289		
U.S. equity funds	106,402	103,898		
Total	**$748,083**	**$710,334**		

Self-insurance investments are held in externally managed commingled funds with underlying credit ratings ranging from B to AAA, where applicable.

Long-Term Debt

Investments held by trustees for future payment of principal and interest in accordance with various Indenture and other long-term debt requirements totaled $28.4 million and $2.9 million at June 30, 2015 and 2014, respectively. Securities held by trustees are held in the name of the University and these trust agreements permit trustees to invest in U.S. and state government or agency obligations, commercial paper or other corporate obligations meeting certain credit rating requirements.

Capital Projects

Proceeds from the sale of the state of California's lease revenue bonds to be used for financing certain University capital projects were deposited in a commingled U.S. bond fund managed by the state of California Treasurer's Office, as trustee, and distributed to the University as the projects are constructed. The fair value of these deposits was $26.1 million and $109.2 million at June 30, 2015 and 2014, respectively.

In addition, proceeds from the sale of bonds and certain University funds are held by trustees to be used for financing and operating third-party capital projects. The fair value of these investments was $63.1 million at June 30, 2015 and 2014. Substantially, all of these investments are of a highly liquid, short-term nature.

6. ACCOUNTS RECEIVABLE

Accounts receivable and the allowance for accounts are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA							DISCRETELY PRESENTED COMPONENT UNITS
	STATE AND FEDERAL GOVERNMENT	MEDICAL CENTERS	INVESTMENT INCOME	PRIVATE GRANTS AND CONTRACTS	MEDICAL PROFESSIONAL FEES	OTHER	TOTAL	
At June 30, 2015								
Accounts receivable	$574,165	$1,874,114	$67,486	$351,747	$306,750	$413,713	$3,587,975	$213,828
Allowance for uncollectible accounts	(3,525)	(297,658)		(6,624)	(36,560)	(25,663)	(370,030)	(12,399)
Accounts receivable, net	**$570,640**	**$1,576,456**	**$67,486**	**$345,123**	**$270,190**	**$388,050**	**$3,217,945**	**$201,429**
At June 30, 2014								
Accounts receivable	$577,852	$ 1,753,698	$ 63,320	$297,441	$279,510	$351,697	$ 3,323,518	$115,755
Allowance for uncollectible accounts	(2,333)	(251,066)		(5,605)	(37,272)	(26,469)	(322,745)	(12,702)
Accounts receivable, net	**$575,519**	**$1,502,632**	**$63,320**	**$291,836**	**$242,238**	**$325,228**	**$ 3,000,773**	**$103,053**

The University's other accounts receivable are primarily related to investment sales, tuition and fees, auxiliary enterprises, insurance rebates and legal settlements. Other receivables included $55.9 million and $58.1 million loaned by the University to CHRCO at June 30, 2015 and 2014, respectively.

The campus foundations' accounts receivable are primarily related to investment income. CHRCO's receivables primarily include patient receivables.

The expense for uncollectible accounts have either increased (decreased) the following revenues for the years ended June 30:

(in thousands of dollars)

	2015	2014
Student tuition and fees	$ (1,191)	$ (2,257)
Grants and contracts:		
Federal	(2,312)	(208)
State	(153)	342
Private	(1,622)	(1,113)
Local	69	7
Medical centers	(256,079)	(309,085)
Educational activities	(17,711)	(8,595)
Auxiliary enterprises	308	(501)
Other operating revenues	(35)	(1,960)
Expense for uncollectible accounts	**$(278,726)**	**$ (323,370)**

Retirement System Contribution

The state of California agreed to make contributions related to certain prior years to the University for UCRP in annual installments over 30 years. During the years ended June 30, 2015 and 2014, under the terms of these agreements, the state of California contributed $5.3 million and $6.1 million, respectively, including interest at rates ranging from 8.0 percent to 8.5 percent. At June 30, 2015 and 2014, the remaining amount owed to UCRP by the state was $20.9 million and $24.3 million, respectively. These amounts are recorded in the University's statement of net position as a receivable from the state of California and as a liability owed to UCRP.

7. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30 are summarized as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS	
	2015	2014	2015	2014
Total pledges receivable outstanding	$68,509	$85,542	$1,034,561	$1,064,170
Less: Unamortized discount to present value	(1,185)	(2,754)	(137,702)	(112,116)
Allowance for uncollectible pledges	(19,339)	(21,175)	(70,723)	(87,186)
Total pledges receivable, net	**47,985**	**61,613**	**826,136**	**864,868**
Less: Current portion of pledges receivable	(21,426)	(26,833)	(199,488)	(222,531)
Noncurrent portion of pledges receivable	**$26,559**	**$34,780**	**$ 626,648**	**$ 642,337**

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2015 and thereafter are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS
Year Ending June 30		
2016	$35,886	$ 234,868
2017	12,779	132,632
2018	9,324	99,735
2019	4,045	80,289
2020	2,955	64,226
2021 - 2025	2,520	155,998
Beyond 2025	1,000	266,813
Total payments on pledges receivable	**$68,509**	**$1,034,561**

Adjustments to the allowance for uncollectible pledges for the University have increased (decreased) the following revenues for the years ended June 30, 2015 and 2014:

(in thousands of dollars)

	2015	2014
Private gifts	$ (718)	$(11,526)
Capital gifts and grants	7,987	353

8. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2014, along with the allowance for uncollectible amounts, are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				DISCRETELY PRESENTED COMPONENT UNITS	
		NONCURRENT				
	CURRENT	NOTES	MORTGAGES	TOTAL	CURRENT	NONCURRENT
At June 30, 2015						
Notes and mortgages receivable	$51,010	$331,518	$24,449	$355,967	$12	$1,375
Allowance for uncollectible amounts	(7,203)	(19,227)	(134)	(19,361)		
Notes and mortgages receivable, net	**$43,807**	**$312,291**	**$24,315**	**$336,606**	**$12**	**$1,375**
At June 30, 2014						
Notes and mortgages receivable	$49,986	$317,930	$24,713	$342,643	$5	$1,296
Allowance for uncollectible amounts	(6,489)	(20,838)	(140)	(20,978)		
Notes and mortgages receivable, net	**$43,497**	**$297,092**	**$24,573**	**$321,665**	**$5**	**$1,296**

9. DOE NATIONAL LABORATORY CONTRACTS

Los Alamos National Security, LLC (LANS)

LANS operates and manages the DOE's LANL. LANS' current earnings or losses are dependent on the percentage of base and incentive fees earned under the terms of the contract, offset by any unallowable or disallowed costs. While the University has a 50 percent membership interest in LANS, its equity in the current earnings or losses is subject to certain limitations and special allocations of both the fees and costs. As a result, the University's equity in the current earnings or losses may range from 17.0 to 50.0 percent. For the years ended June 30, 2015 and 2014, the University recorded $1.8 million and $12.7 million, respectively, as its equity in the current earnings of LANS and received $3.3 million and $13.3 million in cash distributions.

Lawrence Livermore National Security, LLC (LLNS)

LLNS manages and operates the DOE's LLNL. LLNS' current earnings or losses are dependent on the percentage of base and incentive fees earned under the terms of the contract, offset by any unallowable or disallowed costs. While the University has a 50 percent membership interest in LLNS, its equity in the current earnings or losses is 36.3 percent as of June 30, 2015 and 2014. For the years ended June 30, 2015 and 2014, the University recorded $11.4 million and $12.4 million, respectively, as its equity in the current earnings of LLNS and received $11.5 million and $12.0 million, respectively, in cash distributions.

10. CAPITAL ASSETS

The University's capital asset activity for the years ended June 30 is as follows:

(in thousands of dollars)

	2013	ADDITIONS	DISPOSALS	2014	ADDITIONS	DISPOSALS	2015
ORIGINAL COST							
Land	$ 840,050	$ 11,825	$ (4,710)	$ 847,165	$ 111,685	$ (1,810)	$ 957,040
Infrastructure	585,270	18,349	(51)	603,568	43,546		647,114
Buildings and improvements	29,514,691	1,509,912	(27,254)	30,997,349	2,618,867	(137,935)	33,478,281
Equipment, software and intangibles	6,237,146	494,632	(337,050)	6,394,728	677,145	(349,188)	6,722,685
Libraries and collections	3,699,125	138,486	(20,178)	3,817,433	137,829	(23,422)	3,931,840
Special collections	354,109	28,304	(136)	382,277	3,800	(1,856)	384,221
Construction in progress	2,898,206	718,076		3,616,282	(827,625)		2,788,657
Capital assets, at original cost	**$44,128,597**	**$2,919,584**	**$(389,379)**	**$46,658,802**	**$2,765,247**	**$(514,211)**	**$48,909,838**

	2013	DEPRECIATION AND AMORTIZATION	DISPOSALS	2014	DEPRECIATION AND AMORTIZATION	DISPOSALS	2015
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	$ 284,911	$ 20,454	$ (22)	$ 305,343	$ 21,037	$ (13)	$ 326,367
Buildings and improvements	10,958,368	1,099,747	(13,615)	12,044,500	991,251	(93,020)	12,942,731
Equipment, software and intangibles	4,007,422	463,231	(297,079)	4,173,574	519,794	(306,515)	4,386,853
Libraries and collections	2,698,011	126,240	(50,391)	2,773,860	128,951	(23,553)	2,879,258
Accumulated depreciation and amortization	**17,948,712**	**$1,709,672**	**$(361,107)**	**19,297,277**	**$1,661,033**	**$(423,101)**	**20,535,209**
Capital assets, net	**$26,179,885**			**$27,361,525**			**$28,374,629**

Service concession arrangements, reported as buildings and improvements, are $91.1 million of original cost and $19.1 million of accumulated depreciation at June 30, 2015. Service concession arrangements, reported as buildings and improvements, are $48.3 million of original cost and $17.6 million of accumulated depreciation at June 30, 2014.

The discretely presented component units' capital asset activity for the years ended June 30 is as follows:

(in thousands of dollars)

	2013	ADDITIONS	DISPOSALS	2014	ADDITIONS	DISPOSALS	2015
ORIGINAL COST							
Land	$ 16,290			$ 16,290	$ (376)		$ 15,914
Buildings and improvements	255,317	$ 15,320	$ (70)	270,567	2,967	$ (355)	273,179
Equipment, software and intangibles	141,973	104,947	(4,191)	242,729	7,098	(8,885)	240,942
Construction in progress	74,215	(48,332)		25,883	12,133		38,016
Capital assets, at original cost	**$487,795**	**$71,935**	**$(4,261)**	**$555,469**	**$21,822**	**$(9,240)**	**$568,051**

	2013	DEPRECIATION AND AMORTIZATION	DISPOSALS	2014	DEPRECIATION AND AMORTIZATION	DISPOSALS	2015
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Buildings and improvements	$142,483	$ 7,940	$ (50)	$150,373	$ 8,754		$159,127
Equipment, software and intangibles	103,439	22,000	(3,975)	121,464	28,128	$(8,818)	140,774
Accumulated depreciation and amortization	**245,922**	**$29,940**	**$(4,025)**	**271,837**	**$36,882**	**$(8,818)**	**299,901**
Capital assets, net	**$241,873**			**$283,632**			**$268,150**

11. SELF-INSURANCE, OBLIGATIONS UNDER LIFE INCOME AGREEMENTS AND OTHER LIABILITIES

The University's self-insurance and other liabilities at June 30 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA				DISCRETELY PRESENTED COMPONENT UNITS			
	2015		2014		2015		2014	
	CURRENT	NONCURRENT	CURRENT	NONCURRENT	CURRENT	NONCURRENT	CURRENT	NONCURRENT
Self-insurance programs	$ 214,744	**$477,398**	$ 201,538	**$443,040**		**$ 18,146**		**$ 16,091**
Obligations under life income agreements	1,075	**$ 29,221**	1,010	**$ 28,700**	$19,576	**$135,752**	$20,710	**$140,818**
Other liabilities:								
Compensated absences	523,789	$274,373	485,105	$262,593	22,076		21,149	
UCRP*	3,258	17,391	3,258	20,925				
Accrued interest	111,869		92,142					
Fair value of interest rate swaps		91,093		75,239				
Payable to University					6,234	$ 53,715	2,205	$ 55,915
Other	594,628	201,866	490,350	151,490	11,994	48,742	26,675	25,762
Total	**$1,449,363**	**$584,723**	**$1,273,403**	**$510,247**	**$59,880**	**$102,457**	**$70,739**	**$ 81,677**

** UCRP has an equivalent amount recorded as a contribution receivable from the University in its statement of fiduciary net position.*

CHRCO's long-term debts were defeased or retired with advances from the University's commercial paper program in June 2014.

Self-Insurance Programs

Changes in liabilities for self-insurance or insured through a wholly owned captive insurance company changed as follows for the years ended June 30:

(in thousands of dollars)

	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE & STUDENT HEALTH CARE	GENERAL LIABILITY	TOTAL
Year Ended June 30, 2015					
Liabilities at June 30, 2014	$176,705	$311,714	$ 68,382	$87,777	$644,578
Claims incurred and changes in estimates	47,513	106,148	533,636	49,146	736,443
Claim payments	(41,409)	(75,921)	(529,107)	(42,442)	(688,879)
Liabilities at June 30, 2015	**$182,809**	**$341,941**	**$ 72,911**	**$94,481**	**$692,142**
Discount rate	**5.0%**	**5.0%**	**Undiscounted**	**2.0%**	
Year Ended June 30, 2014					
Liabilities at June 30, 2013	$190,594	$311,581	$ 39,685	$89,938	$631,798
Claims incurred and changes in estimates	41,522	74,114	329,892	21,663	467,191
Claim payments	(55,411)	(73,981)	(301,195)	(23,824)	(454,411)
Liabilities at June 30, 2014	**$176,705**	**$311,714**	**$ 68,382**	**$87,777**	**$644,578**
Discount rate	**5.0%**	**5.0%**	**Undiscounted**	**2.0%**	
Year Ended June 30, 2013					
Liabilities at June 30, 2012	$178,289	$299,193	$ 34,876	$86,818	$599,176
Claims incurred and changes in estimates	63,767	87,378	250,270	20,417	421,832
Claim payments	(51,462)	(74,990)	(245,461)	(17,297)	(389,210)
Liabilities at June 30, 2013	**$190,594**	**$311,581**	**$ 39,685**	**$89,938**	**$631,798**
Discount rate	**5.0%**	**5.0%**	**Undiscounted**	**2.0%**	

Changes in self-insurance or insured liabilities for the discretely presented component units for the years ended June 30 are as follows:

(in thousands of dollars)

	MEDICAL MALPRACTICE	WORKERS' COMPENSATION	EMPLOYEE HEALTH CARE	TOTAL
Year Ended June 30, 2015				
Liabilities at June 30, 2014	$4,619	$ 9,341	$ 2,131	$16,091
Claims incurred and changes in estimates	562	5,337	9,359	15,258
Claim payments	(754)	(3,481)	(8,968)	(13,203)
Liabilities at June 30, 2015	**$4,427**	**$11,197**	**$ 2,522**	**$18,146**
Discount rate	**5.0%**	**5.0%**	**Undiscounted**	
Year Ended June 30, 2014				
Liabilities at June 30, 2013	$4,078	$ 7,523	$ 1,872	$13,473
Claims incurred and changes in estimates	700	4,113	10,247	15,060
Claim payments	(159)	(2,295)	(9,988)	(12,442)
Liabilities at June 30, 2014	**$4,619**	**$ 9,341**	**$ 2,131**	**$16,091**
Discount rate	**5.0%**	**5.0%**	**Undiscounted**	
Year Ended June 30, 2013				
Liabilities at June 30, 2012	$4,050	$ 5,229	$ 2,077	$11,356
Claims incurred and changes in estimates	244	4,993	9,919	15,156
Claim payments	(216)	(2,699)	(10,124)	(13,039)
Liabilities at June 30, 2013	**$4,078**	**$ 7,523**	**$ 1,872**	**$13,473**
Discount rate	**5.0%**	**5.0%**	**Undiscounted**	

Obligations Under Life Income Agreements

Changes in current and noncurrent obligations under life income agreements for the years ended June 30 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA		DISCRETELY PRESENTED COMPONENT UNITS	
	ANNUITIES	LIFE BENEFICIARIES	ANNUITIES	LIFE BENEFICIARIES
Year Ended June 30, 2015				
Balance at June 30, 2014	$13,558	$16,152	$51,972	$109,556
New obligations to beneficiaries and change in liability, net	2,450	1,467	5,478	6,746
Payments to beneficiaries	(1,974)	(1,357)	(6,827)	(11,597)
Obligations under life income agreements at June 30, 2015	**14,034**	**16,262**	**50,623**	**104,705**
Less: Current portion	(598)	(477)	(6,975)	(12,601)
Noncurrent portion at June 30, 2015	**$13,436**	**$15,785**	**$43,648**	**$ 92,104**
Year Ended June 30, 2014				
Balance at June 30, 2013	$14,271	$ 15,530	$ 53,388	$116,379
New obligations to beneficiaries and change in liability, net	1,265	3,097	5,491	4,862
Payments to beneficiaries	(1,978)	(2,475)	(6,907)	(11,685)
Obligations under life income agreements at June 30, 2014	**13,558**	**16,152**	**51,972**	**109,556**
Less: Current portion	(540)	(470)	(7,050)	(13,660)
Noncurrent portion at June 30, 2014	**$13,018**	**$ 15,682**	**$44,922**	**$ 95,896**

12. DEBT

The University directly finances the construction, renovation and acquisition of facilities and equipment, or for such other purposes as are authorized by The Regents through the issuance of debt obligations or indirectly through structures that involve legally separate entities reported as blended component units. Commercial paper and bank loans provide interim financing. Long-term financing includes revenue bonds, capital lease obligations and other borrowings.

The University's outstanding debt at June 30 is as follows:

(in thousands of dollars)

	WEIGHTED AVERAGE INTEREST RATE	INTEREST RATE RANGE	MATURITY YEARS	2015	2014
INTERIM FINANCING:					
Commercial paper		0.1 - 0.2%	2015	$ 1,084,922	$ 993,650
LONG-TERM FINANCING:					
University of California General Revenue Bonds					
Fixed Rate	4.8%	0.5 - 7.6%	2016-2115	8,653,000	9,222,595
Variable Rate	0.3%	0.1 - 0.7%	2037-2048	1,250,000	1,250,000
University of California Limited Project Revenue Bonds	4.9%	0.6 - 6.3%	2016-2050	3,301,505	1,966,650
University of California Medical Center Pooled Revenue Bonds					
Fixed Rate	5.7%	3.0 - 6.6%	2016-2049	2,484,940	2,523,200
Variable Rate	0.6%	0.0 - 1.0%	2016-2047	254,435	257,545
University of California Medical Center Revenue Bonds	5.1%	5.0 - 5.5%	2016-2039	44,970	47,265
Unamortized bond premium				788,314	595,728
University of California revenue bonds	**4.5%**			**16,777,164**	**15,862,983**
Capital lease obligations		0.0 - 7.8%	2015-2042	131,278	113,224
Other University borrowings		Various	2015-2049	337,169	362,823
Blended component unit revenue bonds, net	5.9%	4.0 - 6.5%	2015-2049	690,222	698,069
Total outstanding debt				**19,020,755**	**18,030,749**
Less: Commercial paper				(1,084,922)	(993,650)
Current portion of outstanding debt				(1,306,499)	(1,186,884)
Noncurrent portion of outstanding debt				**$16,629,334**	**$15,850,215**

Interest expense associated with financing projects during construction, net of any investment income earned on tax-exempt bond proceeds during construction, is capitalized. Total interest expense during the years ended June 30, 2015 and 2014 was $755.4 million and $692.4 million, respectively. Interest expense, net of investment income, totaling $93.0 million and $76.8 million was capitalized during the years ended June 30, 2015 and 2014, respectively. The remaining $662.4 million and $615.6 million in 2015 and 2014, respectively, is reported as interest expense in the statements of revenues, expenses and changes in net position.

Outstanding Debt Activity

The activity with respect to the University's current and noncurrent debt, including the revenue bonds associated with blended component units, for the years ended June 30 is as follows:

(in thousands of dollars)

	UNIVERSITY REVENUE BONDS	CAPITAL LEASE OBLIGATIONS	OTHER UNIVERSITY BORROWINGS	BLENDED COMPONENT UNIT REVENUE BONDS	TOTAL
Year Ended June 30, 2015					
Long-term debt and capital leases at June 30, 2014	$ 15,862,983	$ 113,224	$ 362,823	$ 698,069	$ 17,037,099
New obligations	3,350,290	43,010	129		3,393,429
Bond premium	241,520				241,520
Refinancing or prepayment of outstanding debt	(2,325,530)		(51)		(2,325,581)
Scheduled principal payments	(303,165)	(24,956)	(25,732)	(7,767)	(361,620)
Amortization of bond premium	(48,934)			(80)	(49,014)
Long-term debt and capital leases at June 30, 2015	**16,777,164**	**131,278**	**337,169**	**690,222**	**17,935,833**
Less: Current portion	(1,157,117)	(21,682)	(118,327)	(9,373)	(1,306,499)
Noncurrent portion at June 30, 2015	**$15,620,047**	**$ 109,596**	**$218,842**	**$680,849**	**$16,629,334**
Year Ended June 30, 2014					
Long-term debt and capital leases at June 30, 2013	$ 12,233,122	$ 2,582,411	$ 395,279	$ 705,413	$ 15,916,225
New obligations	4,078,840	36,470	13,904		4,129,214
Bond premium	185,534				185,534
Refinancing or prepayment of outstanding debt	(28,295)	(2,389,830)	(15,383)		(2,433,508)
Scheduled principal payments	(564,085)	(115,827)	(30,977)	(6,706)	(717,595)
Amortization of bond premium	(42,133)			(638)	(42,771)
Long-term debt and capital leases at June 30, 2014	**15,862,983**	**113,224**	**362,823**	**698,069**	**17,037,099**
Less: Current portion	(1,128,456)	(24,602)	(25,738)	(8,088)	(1,186,884)
Noncurrent portion at June 30, 2014	**$14,734,527**	**$ 88,622**	**$337,085**	**$689,981**	**$15,850,215**

Commercial Paper

The University has available a $2.0 billion commercial paper program, issued in two series, with tax-exempt and taxable components. Commercial paper may be issued for interim/permanent financing for capital projects, interim financing of equipment, financing of working capital for the medical centers, standby or interim financing for gift financed projects and working capital for the University. Proceeds from commercial paper of $58.1 million were loaned to CHRCO by the University as of June 30, 2014. The balance loaned to CHRCO as of June 30, 2015 was $55.9 million.

The program's liquidity is primarily supported by available investments in STIP and TRIP. Commercial paper is collateralized by a pledge of the revenues derived from the ownership or operation of the projects financed and constitute limited obligations of the University. There is no encumbrance, mortgage or other pledge of property securing commercial paper and the paper does not constitute general obligations of the University.

Commercial paper outstanding, including interest rates, at June 30 is as follows:

(in thousands of dollars)

	2015		2014	
	INTEREST RATES	OUTSTANDING	INTEREST RATES	OUTSTANDING
Taxable	.08-0.19%	$ 1,084,922	0.08-0.2%	$ 993,650
Total outstanding		**$1,084,922**		**$993,650**

The expectation is that the University will continue to utilize available investments for liquidity support for the commercial paper program. Alternatively, the University may utilize lines of credit from external banks for the purpose of providing additional liquidity support for the commercial paper program. As of June 30, 2015, the University has two revolving credit agreements totaling $700.0 million. There were no borrowings against the revolving credit lines as of June 30, 2015 and 2014.

University of California Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic, medical center and research facilities of the University. They generally have annual principal and semiannual or monthly interest payments, serial and term maturities, contain sinking fund requirements and may have optional redemption provisions. Revenue bonds are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues, and do not constitute general obligations of The Regents. Revenue Bond Indentures require the University to use the facilities in a way which will not cause the interest on the tax-exempt bonds to be included in the gross income of the bondholders for federal tax purposes.

General Revenue Bonds are collateralized solely by General Revenues as defined in the Indenture. General Revenues are certain operating and nonoperating revenues of the University consisting of gross student tuition and fees; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary and other activities; and other revenues, including unrestricted investment income. The General Revenue Bond Indenture requires the University to set rates, charges and fees each year sufficient for General Revenues to pay for the annual principal and interest on the bonds and certain other financial covenants. General Revenues, as defined in the Indenture, have been amended to include certain state appropriations as to secure payment of the General Revenue Bonds. General Revenues for the years ended June 30, 2015 and 2014 were $14.0 billion and $13.0 billion, respectively. The pledge of General Revenues for interest rate swap agreements is on a parity basis with the University's General Revenue Bonds.

Limited Project Revenue Bonds are issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of the specific projects. The Indenture requires the University to achieve the sum of gross project revenues equal to 1.1 times debt service and maintain certain other financial covenants. Pledged revenues for the years ended June 30, 2015 and 2014 were $1.2 billion and $729.8 million, respectively.

Medical Center Pooled Revenue Bonds are issued to finance the University's medical center facilities and are collateralized by a joint and several pledges of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from General Revenues. The Medical Center Pooled Revenue Bond Indenture requires the medical centers to set rates, charges and fees each year sufficient for the Medical Centers' total operating and non-operating revenues to pay for the annual principal and interest on the bonds and certain other financial covenants. Pledged revenues of the medical centers for the years ended June 30, 2015 and 2014 were $9.7 billion and $8.6 billion, respectively.

Medical Center Revenue Bonds have also financed certain facilities of one medical center and are collateralized by a pledge of the specific gross revenues associated with the medical center. That Medical Center Revenue Bond Indenture requires that medical center to achieve debt service coverage of 1.1 times, set limitations on encumbrances, indebtedness, disposition of assets and transfer services, as well as maintain certain other financial covenants.

The pledge of revenues under Limited Project Revenue Bonds is subordinate to the pledge of revenues associated with General Revenue Bonds, but senior to pledges under commercial paper agreements or bank loans.

Medical center gross revenues are pledged under the Indentures for the Medical Center Pooled Revenue Bonds and the UCLA Medical Center Revenue Bonds and certain interest rate swap agreements. The pledge of medical center revenues under Medical Center Pooled Revenue Bonds is subordinate to the specific Medical Center Revenue Bonds.

The pledge of medical center revenues for interest rate swap agreements may be at parity with or subordinate to specific Medical Center Revenue Bonds and Medical Center Pooled Revenue Bonds.

All Indentures permit the University to issue additional bonds as long as certain conditions are met.

2015 Activity

In March 2015, General Revenue Bonds totaling $1.2 billion, including $381.8 million of taxable bonds and $797.0 million of tax-exempt bonds, were issued to finance or refinance certain facilities and projects of the University. The bonds mature at various dates through 2045. Proceeds, including a bond premium of $116.1 million, were used to pay for project construction and issuance costs and to refund $972.2 million of outstanding General Revenue Bonds. The taxable bonds have a stated weighted average interest rate of 3.8 percent. The tax-exempt bonds have a stated weighted average interest rate of 4.6 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refunding resulted in a loss of $39.1 million, recorded as a deferred outflow of resources, that will be amortized as interest expense over the remaining life of the refunded bonds. The refinancing and refunding of previously outstanding General Revenue Bonds resulted in cash flow savings of $140.8 million and an economic gain of $117.2 million.

In March 2015, Limited Project Revenue Bonds totaling $1.7 billion, including $436.5 million of taxable bonds and $1.2 billion of tax-exempt bonds, were issued to finance or refinance the acquisition, construction, improvement and renovation of certain athletic, parking, recreational, dining and student and faculty housing facilities of the University. The bonds mature at various dates through 2050. Proceeds, including a bond premium of $188.9 million, were used to pay for project construction and issuance costs and refund $1.4 billion of outstanding General Revenue Bonds and Limited Project Revenue Bonds. The taxable bonds have a weighted average interest rate of 4.1 percent. The tax-exempt bonds have a stated weighted average interest rate of 4.8 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refunding resulted in a loss of $55.0 million, recorded as a deferred outflow of resources, that will be amortized as interest expense over the remaining life of the refunded bonds. The refinancing and refunding of previously outstanding General Revenue Bonds and Limited Project Revenue Bonds resulted in cash flow savings of $183.1 million and an economic gain of $158.8 million.

In April 2015, General Revenue Bonds totaling $500.0 million were issued to finance capital projects of the University or for such purposes as authorized by The Regents. The taxable bonds have a stated interest rate of 4.8 percent, maturing in 2115.

2014 Activity

In August 2013, tax-exempt Medical Center Pooled Revenue Bonds totaling $649.9 million, including $618.6 million of fixed-rate bonds and $31.3 million of variable-rate demand bonds, were issued to finance and refinance certain facilities and projects of the medical centers. Proceeds, including a bond premium of $6.3 million, were used to pay for project construction and issuance costs and to refund $28.3 million of outstanding Medical Center Revenue Bonds. The fixed-rate bonds mature at various dates through 2048 and the variable-rate bonds mature in 2047. The interest rates on the variable-rate demand bonds reset weekly and an interest rate swap, previously classified as an investment derivative, is being used to limit exposure to changes in market interest rates. In the event of a failed remarketing, the variable-rate demand bonds can be put back to The Regents for tender. The tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding Medical Center Revenue Bonds resulted in cash flow savings of $5.1 million and an economic gain of $3.6 million.

In October 2013, General Revenue Bonds totaling $2.5 billion, including $1.1 billion tax-exempt bonds, $712.3 million taxable bonds, and $600.0 million tax-exempt variable-rate demand bonds, were used to refinance debt issued by the state of California or for such other purposes as authorized by The Regents. Proceeds, including a bond premium of $124.9 million, were used to pay $2.4 billion in Lease Revenue Bonds issued by the State Public Works Board of the state of California, which are reported as lease-purchase agreements by the University and bond issuance costs. The fixed-rate bonds mature at various dates through 2048 and the variable-rate demand bonds mature at 2048. The tax-exempt bonds have a stated weighted average interest rate of 3.5 percent. The taxable bonds have a stated weighted average interest rate of 4.3 percent. The interest rates on the variable-rate demand bonds reset weekly and, in the event of a failed remarketing, can be put back to The Regents for tender. Interest rate swap agreements were executed to limit exposure to changes in market interest rates. General Revenues, as defined in the Indenture, have been amended to include certain state appropriations to secure payment of the General Revenue Bonds. The refunding resulted in a loss of $253.5 million, recorded as a deferred outflow of resources, that will be amortized as interest expense over the remaining life of the refunded bonds. The refinancing and refunding of previously outstanding Lease Revenue Bonds issued by the State Public Works Board of the state of California resulted in additional cash flow requirements of $1.0 billion and an economic gain of $27.7 million. Bonds were issued to achieve estimated annual cash flow savings of $17.6 million to $100.0 million between 2014 and 2030.

In April 2014, General Revenue Bonds totaling $970.4 million, including $559.2 million tax-exempt bonds and $411.2 million taxable bonds, were used to finance and refinance certain facilities and projects of the University. The bonds mature at various dates through 2049. The tax-exempt bonds have a stated weighted average interest rate of 5.0 percent. The taxable bonds have a stated weighted average interest rate of 4.5 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In April 2014, the University remarketed General Revenue Bonds totaling $500.0 million of taxable bonds which were used to finance pension contributions to UCRP and operating costs on an interim basis. The scheduled mandatory tender for purchase is on July 1, 2017. The University pays an interest rate equal to 1-month LIBOR plus of 0.50% on these remarketed bonds starting on May 1, 2014.

Capital Leases

The University entered into lease-purchase agreements with the state of California that were recorded as capital leases. The state sold lease revenue bonds to finance construction of certain state-owned buildings to be used by the University. At the conclusion of the lease term, ownership transferred to the University. In October 2013, the University refinanced all the lease revenue bonds issued by the state of California with University General Revenue Bonds and ownership of all the properties transferred to the University.

The state of California financing appropriation to the University under the terms of the lease-purchase agreements, recorded as nonoperating revenue, for the year ended June 30, 2014 was $0.5 million. The scheduled principal and interest, including accrued interest, reported in the University's financial statements for the year ended June 30, 2014 contain amounts related to these lease-purchase agreements with the state of California as follows:

(in thousands of dollars)	
Capital lease principal	$16,910
Capital lease interest	7,942
Total	**$24,852**

Capital leases entered into with other lessors, typically for equipment, totaled $43.0 million and $36.5 million for the years ended June 30, 2015 and 2014, respectively.

Other University Borrowings

Other University borrowings consist of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities, along with the borrowing component associated with a hybrid derivative instrument.

The University may use uncollateralized revolving lines of credit with commercial banks for general corporate purposes and to provide interim financing for buildings and equipment. Lines of credit commitments for general corporate purposes, with various expiration dates through December 5, 2017, totaled $445.0 million at June 30, 2015 and $345.0 million at June 30, 2014. Outstanding borrowings under these bank lines totaled $262.0 million at June 30, 2015 and 2014. A line of credit that provides interim financing for buildings and equipment, with an expiration date of April 30, 2016, totaled $3.0 million. There were no outstanding borrowings under this bank line at June 30, 2015 and 2014.

Certain of the interest rate swaps are considered hybrid instruments. As such, the interest rate swaps are comprised of a derivative instrument and a companion instrument recorded as a borrowing. The unamortized amount of the borrowing was $41.0 million and $42.1 million at June 30, 2015 and 2014, respectively.

Blended Component Unit Revenue Bonds

Student Housing

The University has entered into ground leases with a legally separate, non-profit corporation that develops and owns student housing projects and related amenities and improvements on a University campus through the use of a single-project limited liability corporation (LLC). The LLC manages the premises. The University's reversionary interest in the land is not subordinated. All costs associated with the ownership, operation and management of the improvements are the obligation of the LLC. Student rental rates are established in order to provide for operating expenses and maintain the required debt service coverage ratios. The University is not responsible for any payments related to the ownership, operation or financing of the student housing. However, under accounting requirements, the financial position and operating results of this legally separate organization are blended into the University's financial reporting entity.

The LLC, through its conduit issuer, has outstanding Student Housing LLC Revenue Bonds to finance the construction of the student housing facilities. The bonds generally have annual principal and semiannual interest payments, serial and term maturities, certain sinking fund requirements and optional redemption provisions. They are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues of the student housing projects, and do not constitute general obligations of The Regents.

At June 30, 2015 and 2014, the LLC, through its conduit issuer, has outstanding Student Housing LLC Revenue Bonds totaling $404.1 million and $410.5 million, respectively. The bonds mature at various dates through 2040 and have a weighted average interest rate of 5.6 percent.

Research Facilities

The University has a public/private partnership, for the purpose of developing, constructing and managing a neuroscience research laboratory building with a legally separate, non-profit corporation. In connection with the research laboratory building, the University entered into a ground lease with the corporation. The corporation has entered into a sub-ground lease with a developer to construct, own and manage the building. The University agreed to lease all of the space in the building from the developer. The University's base rent payments are equal to the principal and interest payments on the bonds issued by the corporation to finance the construction of the building. As security on the bonds, the developer has assigned all payments received from the University for the space lease to the bond trustee.

All of the board members of the non-profit corporation are appointed by the University and the University has the authority to determine the budget for the corporation. Under accounting requirements, the financial position and operating results of this legally separate organization are blended into the University's financial reporting entity.

The corporation, through a conduit issuer, has outstanding tax-exempt revenue bonds totaling $19.7 million and taxable revenue bonds totaling $188.0 million. The tax-exempt revenue bonds mature at various dates from 2021 through 2025 and have a weighted average interest rate of 5.0 percent. They generally have annual serial maturities, semi-annual interest payments and optional redemption provisions. The taxable bonds mature in 2049 and have an interest rate of 6.5 percent. The taxable bonds were issued as Build America Bonds, under which the U.S. Treasury is expected to send the non-profit corporation 35.0 percent of the semi-annual interest cost on the taxable bonds, making the net interest rate 4.2 percent post-subsidy. The bonds have a term maturity with various certain annual sinking fund requirements, semi-annual interest payments and optional redemption provisions.

In addition, the University entered into a ground lease with a legally separate, non-profit corporation (the Consortium). The Consortium entered into an agreement with a developer to develop and own a research laboratory facility designed to expand collaborative work in stem cell research and facilitate its translation into tools and techniques to diagnose and treat degenerative diseases and other ailments. The developer constructed the research laboratory facility. All costs associated with the ownership, operation and management of the laboratory research facility are the obligation of the Consortium. The University, along with the other collaborative research partners, will lease space in the building. Under accounting requirements, the financial position and operating results of this legally separate organization are blended into the University's financial reporting entity.

The Consortium, through its conduit issuer, has outstanding revenue bonds totaling $57.5 million. The bonds mature at various dates through 2040 and have a weighted average interest rate of 5.0 percent. The bonds generally have annual principal and semiannual interest payments, serial and term maturities, certain sinking fund requirements and optional redemption provisions. Lease payments from the occupants of the building are pledged as collateral on the bonds. To the extent the lease payments are not sufficient to pay the debt service, the University is obligated to pay the shortfall.

Future Debt Service and Hedging Derivative Interest Rate Swaps

Future debt service payments for the University's fixed- and variable-rate debt and net receipts or payments on associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2015, and thereafter are as presented below. Although not a prediction by the University of the future interest cost of the variable-rate bonds or the impact of the hedging derivative interest rate swaps, these amounts assume that current interest rates on variable-rate bonds and the current reference rates of the hedging derivative interest rate swaps will remain the same. As these rates vary, variable-rate bond interest payments and net hedging derivative interest rate swap payments will vary.

(in thousands of dollars)

	COMMERCIAL PAPER	UNIVERSITY REVENUE BONDS	CAPITAL LEASES	OTHER UNIVERSITY BORROWINGS	BLENDED COMPONENT UNIT REVENUE BONDS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year Ending June 30								
2016	$1,085,191	$ 1,060,149	$ 25,792	$118,978	$ 48,122	$ 2,338,232	$ 1,547,621	$ 790,611
2017		1,029,698	21,172	174,418	62,752	1,288,040	530,314	757,726
2018		1,017,375	16,014	4,122	48,209	1,085,720	341,992	743,728
2019		1,017,953	12,420	3,482	48,210	1,082,065	351,830	730,235
2020		1,307,122	10,906	2,106	48,208	1,368,342	655,606	712,736
2021-2025		5,070,411	23,949	6,987	258,842	5,360,189	2,116,168	3,244,021
2026-2030		4,770,642	25,674	7,276	258,253	5,061,845	2,436,948	2,624,897
2031-2035		4,414,417	31,238	7,419	255,310	4,708,384	2,709,500	1,998,884
2036-2040		4,046,727	38,005	7,195	222,410	4,314,337	3,016,216	1,298,121
2041-2045		2,837,303	14,079	5,544	71,507	2,928,433	2,221,773	706,660
2046-2050		1,291,026		972	53,053	1,345,051	940,517	404,534
2051-2115		5,499,561				5,499,561	1,360,000	4,139,561
Total future debt service	**1,085,191**	**33,362,384**	**219,249**	**338,499**	**1,374,876**	**36,380,199**	**$18,228,485**	**$18,151,714**
Less: Interest component of future payments	(269)	(17,373,534)	(85,559)	(1,330)	(691,022)	(18,151,714)		
Principal portion of future payments	**1,084,922**	**15,988,850**	**133,690**	**337,169**	**683,854**	**18,228,485**		
Adjusted by:								
Unamortized bond premium		788,314			6,368	794,682		
Present value of net minimum leases included in long-term debt			(2,412)			(2,412)		
Total debt	**$1,084,922**	**$16,777,164**	**$131,278**	**$337,169**	**$690,222**	**$19,020,755**		

Long-term debt does not include $3.2 billion of defeased liabilities at June 30, 2015. Investments that have maturities and interest rates sufficient to fund retirement of these liabilities are being held in irrevocable trusts for the debt service payments. Neither the assets of the trusts nor the outstanding obligations are included in the University's statement of net position.

General Revenue Bonds of $750.0 million are variable-rate demand bonds which reset weekly and, in the event of a failed remarketing, can be put back to The Regents for tender. The University has classified $750.0 million of these bonds as current liabilities as of June 30, 2015.

Medical Center Pooled Revenue Bonds of $105.4 million are variable-rate demand bonds which give the debt holders the ability to tender the bonds back to the University upon demand. In connection with $74.1 million of these outstanding variable-rate demand bonds, the University has entered into a bank standby bond purchase agreement to provide funds for the purchase of the bonds that have been tendered and not remarketed. The standby bond purchase agreement is scheduled to terminate on June 30, 2017. The University is required to repurchase any bonds held by the bank on the termination date of the agreement. The University has classified $31.3 million of these bonds as current liabilities as of June 30, 2015.

As rates vary, variable-rate bond interest payments and net swap payments will vary. Although not a prediction by the University of the future interest cost of the variable-rate bonds or the impact of the interest rate swaps, using rates as of June 30, 2015, combined debt service requirements of the variable-rate debt and net swap payments are as follows:

(in thousands of dollars)

	VARIABLE-RATE BONDS		INTEREST RATE SWAP, NET	TOTAL PAYMENTS
	PRINCIPAL	INTEREST		
Year Ending June 30				
2016	$ 3,230	$ 1,681	$ 19,462	$ 24,373
2017	3,340	1,676	19,357	24,373
2018	3,465	1,676	19,255	24,396
2019	3,590	1,675	19,150	24,415
2020	3,725	1,680	19,045	24,450
2021-2025	31,295	8,283	75,321	114,899
2026-2030	45,855	7,538	33,391	86,784
2031-2035	37,565	6,505	25,580	69,650
2036-2040	37,040	5,225	19,637	61,902
2041-2045	282,540	2,986	10,375	295,901
2046-2050	402,790	434	595	403,819
Total	**$854,435**	**$39,359**	**$261,168**	**$1,154,962**

13. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The composition of deferred outflows and inflows of resources at June 30 are summarized as follows:

(in thousands of dollars)

	SERVICE CONCESSION ARRANGEMENTS	NET PENSION LIABILITY	LOSS ON DEBT REFUNDING	INTEREST RATE SWAP AGREEMENTS	TOTAL
At June 30, 2015					
Deferred outflows of resources		$5,133,515	$381,567	$91,093	$5,606,175
Deferred inflows of resources	$72,024	5,233,505			5,305,529
At June 30, 2014					
Deferred outflows of resources		$3,285,031	$339,743	$75,240	$3,700,014
Deferred inflows of resources	$30,701	7,047,208			7,077,909

The deferred inflows and outflows of resources for the discretely presented component units are primarily related to the net pension liability for the CHRCO pension plan.

14. THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

Most University employees participate in UCRS. UCRS consists of UCRP, a defined benefit plan funded with University and employee contributions; UCRSP that includes defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee non-elective and elective contributions; PERS-VERIP, a defined benefit plan for University employees who were members of PERS and who elected early retirement; and the Children's Hospital & Research Center at Oakland (CHRCO) Pension Plan, a defined benefit plan fully funded with CHRCO contributions. The Regents has the authority to establish and amend the benefit plans except for the CHRCO Pension Plan. Administration authority with respect to UCRS plans is vested with the President of the University as plan administrator and the President has redelegated that authority within UCRS to the Vice President — Human Resources. CHRCO administers the CHRCO Pension Plan as the Sponsor and plan assets are held by Union Bank, N.A. (the Trustee).

Condensed financial information related to each plan in UCRS and the changes in pension liability for UCRP, PERS-VERIP and the CHRCO Pension Plan for the year ended June 30, 2015 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA					DISCRETELY PRESENTED COMPONENT UNITS
	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN	UNIVERSITY OF CALIFORNIA PERS-VERIP	SUBTOTAL	UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM	TOTAL	CHILDREN'S HOSPITAL & RESEARCH CENTER AT OAKLAND PENSION PLAN
CONDENSED STATEMENT OF PLAN FIDUCIARY NET POSITION						
Investments at fair value	$55,999,293	$ 68,928	$56,068,221	$15,527,386	$71,595,607	$340,557
Participants' interests in mutual funds				4,947,859	4,947,859	
Investment of cash collateral	3,083,734	3,783	3,087,517	2,089,973	5,177,490	
Other assets	311,106	124	311,230	205,287	516,517	
Total assets	**59,394,133**	**72,835**	**59,466,968**	**22,770,505**	**82,237,473**	**340,557**
Collateral held for securities lending	3,083,773	3,783	3,087,556	2,089,999	5,177,555	
Other liabilities	1,254,910	1,627	1,256,537	389,478	1,646,015	
Total liabilities	**4,338,683**	**5,410**	**4,344,093**	**2,479,477**	**6,823,570**	
Net position held in trust	**$55,055,450**	**$67,425**	**$55,122,875**	**$20,291,028**	**$75,413,903**	**$340,557**
CONDENSED STATEMENT OF CHANGES IN PLANS' FIDUCIARY NET POSITION						
Contributions	$ 3,303,058		$ 3,303,058	$ 1,155,744	$ 4,458,802	$ 18,000
Net appreciation (depreciation) in fair value of investments	1,177,626	$ 1,184	$1,178,810	141,578	1,320,388	
Investment and other income, net	816,176	1,366	817,542	507,954	1,325,496	11,797
Total additions	**5,296,860**	**2,550**	**5,299,410**	**1,805,276**	**7,104,686**	**29,797**
Benefit payment and participant withdrawals	2,976,992	5,081	2,982,073	1,551,916	4,533,989	8,082
Other deductions	48,285	6	48,291	6,486	54,777	1,222
Total deductions	**3,025,277**	**5,087**	**3,030,364**	**1,558,402**	**4,588,766**	**9,304**
Increase in net position held in trust	**2,271,583**	**(2,537)**	**2,269,046**	**246,874**	**2,515,920**	**20,493**
Net position held in trust						
Beginning of year	52,783,867	69,962	52,853,829	20,044,154	72,897,983	320,064
End of year	**$55,055,450**	**$67,425**	**$55,122,875**	**$20,291,028**	**$75,413,903**	**$340,557**
CHANGES IN TOTAL PENSION LIABILITY						
Service cost	$ 1,589,267		$ 1,589,267			$ 9,448
Interest	4,538,846	$ 2,704	4,541,550			24,682
Difference between expected and actual experience	(112,155)	242	(111,913)			762
Changes of benefit terms						40
Changes of assumptions or other inputs	2,136,793	1,837	2,138,630			33,105
Benefits paid, including refunds of employee contributions	(2,976,992)	(5,081)	(2,982,073)			(8,081)
Net change in total pension liability	**5,175,759**	**(298)**	**5,175,461**			**59,956**
Total pension liability						
Beginning of year	60,529,332	38,360	60,567,692			331,276
End of year	**$65,705,091**	**$38,062**	**$65,743,153**			**$391,232**
Net pension liability (asset), end of year	**$10,649,641**	**$(29,363)**	**$10,620,278**			**$ 50,675**

Additional information on the retirement plans can be obtained from the 2014-2015 annual reports of the University of California Retirement System which can be obtained at http://reportingtransparency.universityofcalifornia.edu/.

University of California Retirement Plan

UCRP provides lifetime retirement income, disability protection, death benefits, and post-retirement and pre-retirement survivor benefits to eligible employees of the University, and its affiliates. Membership is required in UCRP for all employees appointed to work at least 50 percent time for one year or more or for an indefinite period or for a definite period of a year or more. An employee may also become eligible by completing 1,000 hours within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of pension benefit is determined under the basic formula of covered compensation times age factor times years of service credit. The maximum monthly benefit cannot exceed 100 percent of the employee's highest average plan compensation over a 36-month period, subject to certain limits imposed under the Internal Revenue Code. Annual cost-of-living adjustments (COLAs) are made to monthly benefits according to a specified formula based on the Consumer Price Index. Ad hoc COLAs may be granted subject to funding availability.

The University's membership in UCRP consisted of the following at June 30, 2015:

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	54,227	13,094	67,321
Inactive members entitled to , but not receiving benefits	63,956	11,209	75,165
Active members:			
Vested	73,493	1,665	75,158
Nonvested	47,686	924	48,610
Total active members	**121,179**	**2,589**	**123,768**
Total membership	**239,362**	**26,892**	**266,254**

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 and by the employees, and employee contribution rates for represented employees are subject to collective bargaining. Effective July 1, 2014, employee member and employer contributions were 8.0 percent and 14.0 percent, respectively. Member contributions for the employees in the new benefit tier applicable to employees hired on or after July 1, 2013 are 7.0 percent and the employer rate is uniform across all members.

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

Both current employees and retirees at LBNL participate in UCRP. The University makes contributions to UCRP for LBNL employees and is reimbursed by the DOE based upon rates that are identical to those authorized by The Regents for campus and medical center employees. The University also makes contributions to UCRP for LANL and LLNL retirees and terminated vested members, whose benefits were retained in UCRP at the time the joint ventures were formed. The contributions for the LANL and LLNL are actuarially determined based upon a contractual arrangement with the DOE that incorporates a formula targeted to maintain the LANL and LLNL segments within UCRP at a 100 percent funded level. The University is reimbursed by the DOE for these contributions. To the extent the University has recorded a net pension liability, deferred inflows of resources and deferred outflows of resources that will be reimbursed under DOE contracts, a receivable from the DOE is recorded. As of June 30, 2015 and 2014, the University reported $1.0 billion and $1.2 billion, respectively, as other non-current Department of Energy receivables for pension liabilities. Contributions of $450.3 million and $487.3 million, reported as DOE laboratory revenue and expense in the statement of revenues, expenses and changes in net position, were deposited into UCRP on behalf of DOE for the years ended June 30, 2015 and 2014, respectively.

Net Pension Liability

All UCRP assets are available to pay any member's benefit. However, assets and liabilities for the campus and medical center segment of UCRP are internally tracked separately from the DOE national laboratory segments of UCRP. The net pension liability for UCRP was as follows:

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
At June 30, 2015			
UCRP net position	$ 46,628,550	$ 8,426,897	$ 55,055,450
Total pension liability	56,271,192	9,433,896	65,705,091
Net pension liability	**$ 9,642,642**	**$1,006,999**	**$10,649,641**
At June 30, 2014			
UCRP net position	$ 44,484,494	$8,299,373	$ 52,783,867
Total pension liability	51,509,640	9,019,692	60,529,332
Net pension liability	**$ 7,025,146**	**$ 720,319**	**$ 7,745,465**

The University's net pension liability was measured as of June 30 based upon rolling forward the results of the actuarial valuations as of July 1. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. The University's net pension liability was calculated using the following methods and assumptions:

	2015	2014
Inflation	3.0%	3.5%
Investment rate of return	7.25	7.5
Projected salary increases	3.8 - 6.2	4.3 - 6.8
Cost-of-living adjustments	2.0	2.0

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions were changed in 2015 based upon the results of an experience study conducted for the period of July 1, 2010 through June 30, 2014. For active members, inactive members and healthy retirees, the RP-2014 White Collar Mortality Tables are used (separate tables for males and females), projected with the two-dimensional MP2014 projection scale to 2029, and with ages then set forward one year. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table, projected with the two-dimensional MP2014 projection scale to 2029, and with ages then set back one year for males and set forward five years for females.

The actuarial assumptions used in 2014 were based upon the results of an experience study conducted for the period of July 1, 2006 through June 30, 2010. 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 Mortality 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 based on a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected expenses and a risk margin. 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	28.5%	6.1%
Developed International Equity	18.5	7.0
Emerging Market Equity	8.0	8.6
Core Fixed Income	12.5	0.8
High Yield Bonds	2.5	3.0
Emerging Market Debt	2.5	3.9
TIPS	4.5	0.4
Real Estate	5.5	4.8
Private Equity	8.0	11.2
Absolute Return/Hedge Funds/Real Assets	9.5	4.2
Total	**100.0%**	**5.6%**

Discount Rate

The discount rate used to estimate the net pension liability as of June 30, 2015 and 2014 was 7.25 and 7.5 percent. To calculate the discount rate, cash flows into and out of UCRP were projected in order to determine whether UCRS has sufficient cash in future periods for projected benefit payments for current members. For this purpose, University contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected University contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2015 and 2014.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the June 30, 2015 net pension liability of the University calculated using the June 30, 2015 discount rate assumption of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% DECREASE (6.25%)	CURRENT DISCOUNT (7.25%)	1% INCREASE (8.25%)
UCRP	$18,201,009	$10,649,641	$4,458,805
PERS-VERIP	(27,197)	(29,363)	(31,310)

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources:

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	PERS-VERIP	TOTAL
At June 30, 2015					
DEFERRED OUTFLOWS OF RESOURCES					
Changes of assumptions or other inputs	$ 2,815,280	$ 158,089	$ 2,973,369		$ 2,973,369
Net difference between projected and actual earnings on pension plan investments	1,803,216	353,970	2,157,186	$2,960	2,160,146
Total	**$4,618,496**	**$512,059**	**$5,130,555**	**$2,960**	**$5,133,515**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$ 390,467	$ 4,004	$ 394,471		$ 394,471
Changes of assumptions or other inputs	1,375,693		1,375,693		1,375,693
Net difference between projected and actual earnings on pension plan investments	2,916,324	542,095	3,458,419	$4,922	3,463,341
Total	**$4,682,484**	**$546,099**	**$5,228,583**	**$4,922**	**$5,233,505**
At June 30, 2014					
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience		$ 3,418	$ 3,418		$ 3,418
Changes of assumptions or other inputs	$2,072,600		2,072,600		2,072,600
Net difference between projected and actual earnings on pension plan investments	995,092	212,012	1,207,104	$1,909	1,209,013
Total	**$3,067,692**	**$215,430**	**$3,283,122**	**$1,909**	**$3,285,031**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$ 407,640		$ 407,640		$ 407,640
Changes of assumptions or other inputs	1,874,132		1,874,132		1,874,132
Net difference between projected and actual earnings on pension plan investments	4,018,023	$ 740,671	4,758,694	$6,742	4,765,436
Total	**$6,299,795**	**$740,671**	**$7,040,466**	**$6,742**	**$7,047,208**

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2015 related to pensions that will be recognized in pension expense during the next five years are as follows:

(in thousands of dollars)	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	PERS-VERIP	TOTAL
2016	$ 160,111	$ 123,506	$ 283,617	$ (363)	$ 283,254
2017	(357,802)	(136,587)	(494,389)	(1,317)	(495,706)
2018	(595,635)	(82,950)	(678,585)	(783)	(679,368)
2019	605,998	61,991	667,989	501	668,490
2020	123,340		123,340		123,340
Total	**$ (63,988)**	**$ (34,040)**	**$ (98,028)**	**$ (1,962)**	**$ (99,990)**

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. Employer contributions to the DC Plan were $4.9 million and $4.7 million for the years ended June 30, 2015 and 2014, respectively.

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.

The Supplemental Defined Contribution Plan (SDC Plan) accepts employer contributions in behalf of certain designated employees. Employer contributions are fully vested and there is no provision for employee contributions. There were no assets or employer contributions to the SDC Plan for the years ended June 30, 2015 and 2014.

Tax Deferred 403(b) Plan

The University's Tax-Deferred 403(b) Plan (403(b) Plan) accepts pretax employee contributions. The University may also make contributions in behalf of certain members of management. Employer contributions to the 403(b) Plan were $1.5 million each for the years ended June 30, 2015 and 2014.

457(b) Deferred Compensation Plan

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions. The University may also make contributions in behalf of certain members of management. There were no employer contributions to the 4 57(b) Plan for the years ended June 30, 2015 and 2014.

Participants in the DC Plan, the SDC Plan, the 403(b) Plan and the 457(b) Plan may direct their elective and nonelective contributions to investment funds managed by the Chief Investment Officer. They may also invest account balances in certain mutual funds. The participants' interests in mutual funds is shown separately in the statement of plans' fiduciary net position.

University of California PERS–VERIP

The University of California PERS–VERIP is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to UC–PERS members who elected early retirement under provisions of the Plan. The University contributed to PERS on behalf of these UC–PERS members. As of July 1, 2015, there are 584 retirees or beneficiaries receiving benefits under this voluntary early retirement program.

The University and the DOE laboratories previously made contributions to the Plan sufficient to maintain the promised benefits. The annual required contribution, net obligation to PERS–VERIP and any changes or adjustments to that obligation, are all zero for the years ended June 30, 2015 and 2014.

Children's Hospital and Research Center at Oakland Pension Plan

CHRCO has a noncontributory defined benefit plan subject to the single employer defined benefit under ERISA rules that substantially covers all full-time employees if they work 1,000 hours or more in a twelve-month eligibility period.

The net pension liability for the Plan was calculated based upon the following assumptions as of June 30, 2015: 3.0 percent inflation, 7.0 percent investment rate of return, 3.5 percent projected salary increases through 2017, 4.0 percent afterward and no cost-of-living adjustments. The net pension liability for the Plan was calculated based upon the following assumptions as of June 30, 2014: 3.0 percent inflation, 7.2 percent investment rate of return, 3.5 percent projected salary increases and no cost of living adjustments.

Membership in the CHRCO Plan consisted of the following at June 30, 2015:

Retirees and beneficiaries receiving benefits	737
Inactive members entitled to, but not yet receiving benefits	1,057
Active members	1,976
Total membership	**3,770**

Contributions

Employer contributions are determined under IRC Section 430. Employees are not required or permitted to contribute to the Plan.

Net Pension Liability

The net pension liability for Children's Hospital was measured as of June 30, 2015, and the total pension liability was determined by an actuarial valuation as of January 1, 2015 updated to June 30, 2015. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an experience review conducted during FY 2015. The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption for each major asset class are as follows:

	PORTFOLIO PERCENTAGE	PROJECTED REAL RATE OF RETURN
Asset class		
U.S. Equity	59.5%	5.4%
Developed International Equity	8.2%	5.9%
Emerging Market Equity	7.7%	9.5%
Core Fixed Income	24.6%	1.5%
Total	**100.0%**	

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent and 7.25 percent for June 30, 2015 and 2014, respectively. The projection of cash flows used to determine the discount rate assumes that Children's Hospital will make contributions to the Plan under IRC Section 430's minimum requirements for a period of eight years, and that all future assumptions are met. Based on these assumptions, the pension Plan's fiduciary net position is projected to be available to make all projected future benefit payments for current active and inactive employees.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the June 30, 2015 net pension liability calculated using the June 30, 2015 discount rate assumption of 7.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% DECREASE (6.0%)	CURRENT DISCOUNT (7.0%)	1% INCREASE (8.0%)
Net pension liability (asset)	$108,478	$50,675	$3,162

Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, deferred outflows of resources and deferred inflows of resources were as follows:

(in thousands of dollars)	2015	2014
Deferred Outflows of Resources		
Difference between expected and actual experience	$ 4,720	$ 5,445
Changes of benefit terms	317	
Changes of assumptions	30,373	
Net difference between projected and actual earnings on pension plan investments	10,285	
Total	**$45,695**	**$ 5,445**
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$22,319	$30,653
Total	**$22,319**	**$30,653**

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions that will be recognized in pension expense during the next five years and thereafter is as follows:

(in thousands of dollars)	
Year Ending June 30	
2016	$ 785
2017	785
2018	3,470
2019	8,783
2020	6,423
Thereafter	3,130
Total	**$23,376**

15. RETIREE HEALTH BENEFIT COSTS AND OBLIGATIONS

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees and their eligible family members (retirees) of the University of California and its affiliates. The Regents has the authority to establish and amend the plans.

Membership in UCRP is required to become eligible for retiree health benefits. Participation in the retiree health benefit plans consisted of the following at July 1, 2014, the date of the latest actuarial valuation:

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Retirees who are currently receiving benefits	38,488	1,747	40,235
Employees who may receive benefits at retirement	118,733	3,168	121,901
Total membership	**157,221**	**4,915**	**162,136**

Contribution Policy

The contribution requirements of the University and eligible retirees are established and may be amended by the University. The contribution requirements are based upon projected pay-as-you-go financing. University and retiree contributions toward premiums made under purchased plan arrangements are determined by applying the health plan contract rates across the number of participants in the respective plans. Premium rates for the self-insured plan contributions are set by the University based upon a trend analysis of the historic cost, utilization, demographics and administrative expenses to provide for the claims incurred and the actuarially determined level of incurred but not reported liability.

Contributions toward medical and dental benefits are shared between the University and the retiree. Contributions toward wellness benefits are made by the University. The University does not contribute toward the cost of other benefits available to retirees. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years of service. Retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least 5 years of service. Retirees employed by the University after 1989 are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum University contribution, increasing to 100 percent after 20 years of service.

Active employees do not make any contributions toward the retiree health benefit plans. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

In addition to the explicit University contribution provided to retirees, there is an "implicit subsidy." The gross premiums for members that are not currently eligible for Medicare benefits are the same for active employees and retirees, based on a blend of their health costs. Retirees, on average, are expected to have higher health care costs than active employees. This is primarily due to the older average age of retirees. Since the same gross premiums apply to both groups, the premiums paid for active employees by the University are subsidizing the premiums for retirees. This effect is called the implicit subsidy. The implicit subsidy associated with retiree health costs paid during the past year is also considered to be a contribution from the University.

Retiree Health Benefit Expense and Obligation for Retiree Health Benefits

The University's retiree health benefit expense is independently calculated for the campuses and medical centers and LBNL based upon the actuarially determined annual required contribution. The annual required contribution represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize unfunded actuarial liabilities over a period of up to 30 years.

The University's annual retiree health benefit expense and related information for the year ended June 30, 2015, segregated between the University and the DOE responsibility, is as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS		LBNL		UNIVERSITY OF CALIFORNIA	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Actuarial valuation date	July 1, 2014	July 1, 2013	July 1, 2014	July 1, 2013	July 1, 2014	July 1, 2013
Annual required contribution	$1,776,060	$1,639,263	$ 57,510	$ 55,310	$1,833,570	$1,694,573
Interest on obligations for retiree health benefits	450,848	404,837	13,370	11,918	464,218	416,755
Adjustment to annual required contribution	(952,690)	(827,452)	(28,154)	(24,290)	(980,844)	(851,742)
Annual retiree health benefit cost	**1,274,218**	**1,216,648**	**42,726**	**42,938**	**1,316,944**	**1,259,586**
University contributions:						
To UCRHBT	(258,597)	(294,899)			(258,597)	(294,899)
To health care insurers and administrators			(12,793)	(12,643)	(12,793)	(12,643)
Implicit subsidy	(91,602)	(85,192)	(4,176)	(3,915)	(95,778)	(89,107)
Total contributions	**(350,199)**	**(380,091)**	**(16,969)**	**(16,558)**	**(367,168)**	**(396,649)**
Increase in obligations for retiree health benefits	**924,019**	**836,557**	**25,757**	**26,380**	**949,776**	**862,937**
Obligations for retiree health benefits						
Beginning of year	8,197,230	7,360,673	243,073	216,693	8,440,303	7,577,366
End of year	**$9,121,249**	**$8,197,230**	**268,830**	**243,073**	**9,390,079**	**8,440,303**
Retiree health care reimbursement from the DOE during the year			**12,793**	**12,643**	**12,793**	**12,643**
DOE receivable for obligations for retiree health benefits:						
Noncurrent			268,830	243,073	268,830	243,073
Total			**$268,830**	**$243,073**	**$ 268,830**	**$ 243,073**

The annual retiree health benefit cost, percentage of the annual retiree health benefit cost contributed to the retiree health benefit plan and the net obligation for retiree health benefits for the University for the year ended June 30, 2015, and the preceding years are as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Annual retiree health benefit cost:			
June 30, 2015	$1,274,218	$42,726	$1,316,944
June 30, 2014	1,216,648	42,938	1,259,586
June 30, 2013	1,409,198	48,644	1,457,842
Percentage of annual cost contributed:			
June 30, 2015	27.5%	39.7%	27.9%
June 30, 2014	31.2%	38.6%	31.6%
June 30, 2013	22.1%	34.8%	22.6%
Net obligation to the health benefit plan:			
June 30, 2015	$9,121,249	$268,830	$9,390,079
June 30, 2014	8,197,230	243,073	8,440,303
June 30, 2013	7,360,673	216,693	7,577,366

Funded Status

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. Examples include assumptions about future employment, mortality, investment return and health care cost trends. The projection of benefits does not explicitly incorporate the potential effects of the results of collective bargaining discussions on the contribution rate. Actuarially determined amounts are subject to periodic revisions as actual rates are compared with past expectations and new estimates are made about the future.

The funded status of the plan as of July 1, 2014 was as follows:

(in thousands of dollars)

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Actuarial value of plan assets	$ 65,184		$ 65,184
Actuarial accrued liability	(14,093,786)	$(490,134)	(14,583,920)
Unfunded actuarial accrued liability	**$(14,028,602)**	**$(490,134)**	**$(14,518,736)**
Value of the implicit subsidy included in the actuarial accrued liability	$ 2,713,867	$ 97,508	$ 2,811,375
Funded ratio	0.5%	0.0%	0.5%
Covered payroll	$ 9,034,755	$ 265,062	$ 9,299,817
Unfunded actuarial accrued liability as a percentage of covered payroll	(155.3)%	(184.9)%	(156.1)%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, includes multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based upon the plan as understood by the University and plan members, and include the types of benefits provided at the time of each valuation and the historical cost pattern of sharing of benefit costs between the University and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant actuarial methods and assumptions used in the valuation were:

- assumed return on investment of 5.5 percent per year, representing the return on the University's assets expected to be used to finance benefits;
- market value of assets smoothed over a five-year period;
- health care cost trend rate ranging from 7.3 to 10.0 percent for non-Medicare and 6.6 to 8.3 percent for Medicare initially, depending on the type of plan, reduced by increments to an ultimate rate of 5 percent over 15 years;
- projected inflation at 3.5 percent;
- amortization of the initial unfunded actuarial accrued liability over 30 years as a flat dollar amount on a closed basis;
- amortization of future actuarial gains and losses over 15 years as a flat dollar amount on a closed basis;
- amortization of the effects of changes in the plan design, or changes in assumptions, over 30 years as a flat dollar amount on a closed basis;
- entry age normal level-dollar actuarial cost method;
- future life expectancy based upon recent group mortality experience; and
- assumed retirement ages, employee turnover and disability rates based on actual plan experience and future expectations.

16. ENDOWMENTS AND GIFTS

Endowments and gifts are held and administered either by the University or by the discretely presented component units.

University of California

The value of endowments and gifts held and administered by the University, exclusive of income distributed to be used for operating purposes, at June 30, 2015 and 2014 are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA			
	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2015				
Endowments	$ 1,028,070	$ 2,751,560	$ 4,935	$ 3,784,565
Funds functioning as endowments		2,451,238	2,208,311	4,659,549
Annuity and life income	18,445	9,279		27,724
Gifts		1,138,613	24,531	1,163,144
University endowments and gifts	**$1,046,515**	**$6,350,690**	**$2,237,777**	**$9,634,982**
At June 30, 2014				
Endowments	$1,001,502	$2,658,492	$ 5,040	$3,665,034
Funds functioning as endowments		2,388,077	1,774,858	4,162,935
Annuity and life income	12,068	17,233		29,301
Gifts		1,098,390	25,188	1,123,578
University endowments and gifts	**$1,013,570**	**$6,162,192**	**$1,805,086**	**$8,980,848**

The University's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The University's policy is to retain the realized and unrealized appreciation with the endowment after the annual income distribution has been made. The net appreciation available to meet future spending needs is subject to the approval of The Regents and amounted to $2.3 billion and $2.1 billion at June 30, 2015 and 2014, respectively.

The portion of investment returns earned on endowments held by the University and distributed at the end of each year to support current operations for the following year is based upon a rate that is approved by The Regents. The annual income distribution transferred to the campuses from endowments held by the University was $235.2 million and $228.7 million for the years ended June 30, 2015 and 2014, respectively. The portion of this annual income distribution from accumulated capital gains, in addition to the dividend and interest income earned during the year, was $196.7 million and $197.8 million for the years ended June 30, 2015 and 2014, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was $549.0 million and $527.4 million at June 30, 2015 and 2014, respectively.

Discretely Presented Component Units

The value of endowments and gifts held by the discretely presented component units and administered by each of their independent Board of Trustees at June 30 are as follows:

(in thousands of dollars)

	DISCRETELY PRESENTED COMPONENT UNITS			
	RESTRICTED NONEXPENDABLE	RESTRICTED EXPENDABLE	UNRESTRICTED	TOTAL
At June 30, 2015				
Endowments	$3,371,727	$1,205,679		$4,577,406
Funds functioning as endowments		1,406,221		1,406,221
Annuity and life income	75,147	60,168		135,315
Gifts		1,388,276	$259,441	1,647,717
Discretely presented component units' endowments and gifts	**$3,446,874**	**$4,060,344**	**$259,441**	**$7,766,659**
At June 30, 2014				
Endowments	$3,081,899	$1,205,117		$4,287,016
Funds functioning as endowments		1,333,831		1,333,831
Annuity and life income	98,041	57,342		155,383
Gifts		1,251,864	$272,054	1,523,918
Discretely presented component units' endowments and gifts	**$3,179,940**	**$3,848,154**	**$272,054**	**$7,300,148**

17. SEGMENT INFORMATION

The University's medical centers', and CHRCO's revenues, are pledged in support of the outstanding University of California Medical Center Pooled Revenue Bonds. The medical centers' operating revenues and expenses consist primarily of revenues associated with patient care and the related costs of providing that care.

Condensed financial statement information related to each of the University's medical centers for the year ended June 30, 2015 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS					DISCRETELY PRESENTED COMPONENT UNITS
	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	CHRCO
Year Ended June 30, 2015						
Revenue bonds outstanding	$300,269	$273,415	$ 709,915	$663,852	$836,894	
Related debt service payments	$33,180	$24,017	$44,709	$40,197	$51,127	
Bonds due serially through	2047	2049	2049	2048	2049	
CONDENSED STATEMENT OF NET POSITION						
Current assets	$ 734,783	$ 496,762	$ 1,128,849	$ 727,802	$ 834,366	$229,081
Capital assets, net	1,003,080	727,311	1,845,365	1,284,776	2,136,862	268,150
Other assets	21,540		301,555	82,161	9,190	218,654
Total assets	**1,759,403**	**1,224,073**	**3,275,769**	**2,094,739**	**2,980,418**	**715,885**
Total deferred outflows of resources	**338,097**	**162,808**	**433,959**	**211,728**	**452,960**	**45,695**
Current liabilities	351,615	260,713	326,049	179,233	366,633	76,893
Long-term debt	294,564	271,824	810,389	693,410	833,600	
Other noncurrent liabilities	801,568	393,664	1,026,374	501,574	1,004,772	130,831
Total liabilities	**1,447,747**	**926,201**	**2,162,812**	**1,374,217**	**2,205,005**	**207,724**
Total deferred inflows of resources	**317,284**	**165,393**	**343,940**	**203,140**	**401,293**	**22,319**
Net investment in capital assets	683,085	441,838	1,027,330	648,136	1,299,326	212,235
Restricted			12,213		7,329	56,934
Unrestricted	(350,616)	(146,551)	163,433	80,974	(479,575)	262,368
Total net position	**$ 332,469**	**$ 295,287**	**$1,202,976**	**$ 729,110**	**$ 827,080**	**$531,537**

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS					DISCRETELY PRESENTED COMPONENT UNITS
	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	CHRCO
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION						
Operating revenues	$1,723,966	$ 933,164	$2,253,866	$1,486,641	$2,683,452	$575,546
Operating expenses	(1,587,012)	(806,732)	(1,887,671)	(1,235,574)	(2,486,844)	(505,957)
Depreciation expense	(85,078)	(57,710)	(130,946)	(56,647)	(128,034)	(36,882)
Operating income	**51,876**	**68,722**	**235,249**	**194,420**	**68,574**	**32,707**
Nonoperating revenues (expenses), net	(5,262)	(5,170)	(11,833)	2,789	5,391	23,421
Income before other changes in net position	**46,614**	**63,552**	**223,416**	**197,209**	**73,965**	**56,128**
Health systems support	(32,323)	(60,899)	(130,170)	(100,651)	(73,813)	(2,437)
Transfers from University, net	(10,563)			6,558		
Changes in allocation for pension payable to University	3,137	2,715	2,822	(1,136)	(11,704)	
Other, including donated assets	1,398	729	4,146	11,329	55,963	46,692
Increase in net position	**8,263**	**6,097**	**100,214**	**113,309**	**44,411**	**100,383**
Net position - beginning of year	324,206	289,190	1,102,762	615,801	782,669	431,154
Net position - June 30, 2015	**$ 332,469**	**$ 295,287**	**$1,202,976**	**$ 729,110**	**$ 827,080**	**$531,537**

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS					DISCRETELY PRESENTED COMPONENT UNITS
	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	CHRCO
CONDENSED STATEMENT OF CASH FLOWS						
Net cash provided (used) by:						
Operating activities	$ 235,172	$139,743	$421,423	$281,999	$231,506	$28,126
Noncapital financing activities	(41,048)	(57,665)	(125,942)	(90,238)	(67,981)	11,677
Capital and related financing activities	(88,396)	(78,963)	(144,019)	(198,873)	(318,002)	22,860
Investing activities	5,521	7,610	(237,783)	154,497	17,910	(51,069)
Net increase (decrease) in cash and cash equivalents	**111,249**	**10,725**	**(86,321)**	**147,385**	**(136,567)**	**11,594**
Cash and cash equivalents* – June 30, 2014	298,005	272,032	821,098	254,660	495,361	11,674
Cash and cash equivalents* – June 30, 2015	**$409,254**	**$282,757**	**$734,777**	**$402,045**	**$358,794**	**$23,268**

**Cash and cash equivalents on the medical centers' financial statements are included in the University's Short Term Investment Pool, except for CHRCO as of June 30, 2014.*

Condensed financial statement information related to each of the University's medical centers for the year ended June 30, 2014 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS					DISCRETELY PRESENTED COMPONENT UNITS
	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	CHRCO
Year Ended June 30, 2014						
Revenue bonds outstanding	$ 318,059	$ 281,310	$ 719,140	$ 668,847	$ 840,654	
Related debt service payments	$33,198	$23,885	$72,696	$33,413	$54,214	
Bonds due serially through	2047	2049	2049	2048	2049	
CONDENSED STATEMENT OF NET POSITION						
Current assets	609,403	460,431	1,230,184	588,347	894,050	$129,743
Capital assets, net	1,044,562	734,373	1,871,926	1,117,283	1,913,427	283,632
Other assets	20,638	3,232	45,603	231,812	16,703	217,857
Total assets	**1,674,603**	**1,198,036**	**3,147,713**	**1,937,442**	**2,824,180**	**631,232**
Total deferred outflows of resources	**251,415**	**124,238**	**329,765**	**139,639**	**256,587**	**5,445**
Current liabilities	259,435	231,659	308,007	167,397	283,370	82,943
Long-term debt	323,879	285,473	820,828	677,705	837,536	
Other noncurrent liabilities	600,375	301,596	787,976	353,201	681,826	91,927
Total liabilities	**1,183,689**	**818,728**	**1,916,811**	**1,198,303**	**1,802,732**	**174,870**
Total deferred inflows of resources	**418,123**	**214,356**	**457,905**	**262,977**	**495,366**	**30,653**
Net investment in capital assets	697,588	431,649	1,042,789	634,869	1,075,700	224,314
Restricted		3,232	12,670		9,959	53,353
Unrestricted	(373,382)	(145,691)	47,303	(19,068)	(302,990)	153,487
Total net position	**$ 324,206**	**$ 289,190**	**$1,102,762**	**$ 615,801**	**$ 782,669**	**$431,154**

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA MEDICAL CENTERS					DISCRETELY PRESENTED COMPONENT UNITS
	DAVIS	IRVINE	LOS ANGELES	SAN DIEGO	SAN FRANCISCO	CHRCO
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION						
Operating revenues	$ 1,590,227	$ 888,775	$ 1,988,037	$ 1,292,864	$ 2,390,273	$428,176
Operating expenses	(1,447,553)	(746,475)	(1,738,753)	(1,089,799)	(2,132,346)	(454,066)
Depreciation expense	(85,928)	(65,366)	(126,069)	(56,149)	(98,523)	(29,940)
Operating income (loss)	**56,746**	**76,934**	**123,215**	**146,916**	**159,404**	**(55,830)**
Nonoperating revenues (expenses), net	(9,761)	(10,940)	(20,098)	(2,810)	22,400	26,474
Income (loss) before other changes in net position	**46,985**	**65,994**	**103,117**	**144,106**	**181,804**	**(29,356)**
Health systems support	(38,256)	(60,386)	(117,082)	(57,007)	(61,279)	
Transfers from University, net	(5,077)	(546)		(8,530)		
Changes in allocation for pension payable to University	(29)	44	(4,759)	(645)	8,973	
Other, including donated assets	944	36,339	7,592	17,230	254,529	41,628
Increase (decrease) in net position	**4,567**	**41,445**	**(11,132)**	**95,154**	**384,027**	**12,272**
Net position - beginning of year	319,639	247,745	1,113,894	520,647	398,642	418,882
Net position – June 30, 2014	**$ 324,206**	**$ 289,190**	**$ 1,102,762**	**$ 615,801**	**$ 782,669**	**$431,154**
CONDENSED STATEMENT OF CASH FLOWS						
Net cash provided (used) by:						
Operating activities	$ 181,224	$ 223,315	$ 357,784	$ 196,541	$ 287,903	$ (15,152)
Noncapital financing activities	(50,406)	(60,923)	(116,865)	(65,537)	(61,279)	9,194
Capital and related financing activities	(101,334)	(70,113)	(135,114)	154,569	(170,831)	(38,223)
Investing activities	13,912	20,923	14,550	(216,465)	26,082	22,503
Net increase (decrease) in cash and cash equivalents	**43,396**	**113,202**	**120,355**	**69,108**	**81,875**	**(21,678)**
Cash and cash equivalents* – June 30, 2013	254,609	158,830	700,743	185,552	413,486	33,352
Cash and cash equivalents* – June 30, 2014	**$ 298,005**	**$ 272,032**	**$ 821,098**	**$ 254,660**	**$ 495,361**	**$ 11,674**

**Cash and cash equivalents on the medical centers' financial statements are included in the University's Short Term Investment Pool, except for CHRCO as of June 30, 2014.*

Summarized financial information for each medical center is from their separately issued audited financial statements. Certain revenue, such as financial support from the state for clinical teaching programs, is classified as state educational appropriations rather than medical center revenue in the University's statement of revenues, expenses and changes in net position. However, in the medical centers' audited financial statements and for segment reporting purposes, these revenues are classified as operating revenue. Additional information on the individual University of California medical centers can be obtained from their audited financial statements which are available at http://reportingtransparency.universityofcalifornia.edu/.

Multiple purpose and housing system projects (including student and faculty housing, parking facilities, student centers, recreation and events facilities, student health service facilities and certain academic and administrative facilities) are also financed by revenue bonds; however, assets and liabilities are not required to be accounted for separately.

18. DISCRETELY PRESENTED COMPONENT UNIT INFORMATION

Under University policies approved by The Regents, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern these foundations, their assets are dedicated for the benefit of the University of California.

The Regents are the sole corporate member of CHRCO, now known as UCSF Benioff Children's Hospital Oakland. CHRCO operates a 190-bed inpatient acute care hospital, a neonatal intensive care unit at another medical facility, and outpatient facilities and clinics throughout the Bay Area, as well as a pediatric research institute. CHRCO serves as the primary safety net health care provider for children in Contra Costa and Alameda counties, and is one of only two pediatric trauma centers in the greater San Francisco Bay Area. Following its affiliation with UCSF, CHRCO has retained its separate corporate status, its federal and state tax exemptions, separate hospital licensure, and Medicare and Medi-Cal enrollment. San Francisco Medical Center also provides certain management services to CHRCO.

Condensed financial statement information related to the University's discretely presented component units, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the year ended June 30, 2015 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					DISCRETELY PRESENTED COMPONENT UNIT	
	BERKELEY	SAN FRANCISCO	LOS ANGELES	ALL OTHER	SUBTOTAL	CHRCO	TOTAL
CONDENSED STATEMENT OF NET POSITION							
Current assets	$ 95,926	$ 265,038	$ 417,901	$ 209,098	$ 987,963	$ 229,081	$1,217,044
Noncurrent assets	1,831,878	1,219,128	2,263,466	1,745,627	7,060,099	486,804	7,546,903
Total assets	**1,927,804**	**1,484,166**	**2,681,367**	**1,954,725**	**8,048,062**	**715,885**	**8,763,947**
Total deferred outflows of resources						**45,695**	**45,695**
Current liabilities	15,759	20,149	239,404	44,794	320,106	76,893	396,999
Noncurrent liabilities	76,437	37,383	31,641	30,738	176,199	130,831	307,030
Total liabilities	**92,196**	**57,532**	**271,045**	**75,532**	**496,305**	**207,724**	**704,029**
Total deferred inflows of resources			**1,428**		**1,428**	**22,319**	**23,747**
Net investment of capital assets						212,235	212,235
Restricted	1,834,400	1,426,199	2,328,472	1,863,356	7,452,427	56,934	7,509,361
Unrestricted	1,208	435	80,422	15,837	97,902	262,368	360,270
Total net position	**$1,835,608**	**$1,426,634**	**$2,408,894**	**$1,879,193**	**$7,550,329**	**$531,537**	**$8,081,866**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION							
Operating revenues	$ 104,850	$ 319,621	$ 192,269	$ 149,929	$ 766,669	$ 575,546	$ 1,342,215
Operating expenses	(155,007)	(235,131)	(249,873)	(212,305)	(852,316)	(542,839)	(1,395,155)
Operating income (loss)	**(50,157)**	**84,490**	**(57,604)**	**(62,376)**	**(85,647)**	**32,707**	**(52,940)**
Nonoperating revenues	49,820	52,803	103,935	60,722	267,280	23,421	290,701
Income (loss) before other changes in net position	**(337)**	**137,293**	**46,331**	**(1,654)**	**181,633**	**56,128**	**237,761**
Permanent endowments	65,937	68,190	66,981	72,675	273,783	405	274,188
Other						43,850	43,850
Increase in net position	**65,600**	**205,483**	**113,312**	**71,021**	**455,416**	**100,383**	**555,799**
Net position – June 30, 2014	1,770,008	1,221,151	2,295,582	1,808,172	7,094,913	431,154	7,526,067
Net position – June 30, 2015	**$1,835,608**	**$1,426,634**	**$2,408,894**	**$1,879,193**	**$7,550,329**	**$531,537**	**$8,081,866**

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					DISCRETELY PRESENTED COMPONENT UNIT	
	BERKELEY	SAN FRANCISCO	LOS ANGELES	ALL OTHER	SUBTOTAL	CHRCO	TOTAL
CONDENSED STATEMENT OF CASH FLOWS							
Net cash provided (used) by:							
Operating activities	$(62,613)	$(168,396)	$(55,011)	$(65,459)	$(351,479)	$28,126	$(323,353)
Noncapital financing activities	59,807	183,893	38,018	55,429	337,147	11,677	348,824
Capital and related financing activities						22,860	22,860
Investing activities	3,770	10,835	18,476	8,919	42,000	(51,069)	(9,069)
Net increase (decrease) in cash and cash equivalents	**964**	**26,332**	**1,483**	**(1,111)**	**27,668**	**11,594**	**39,262**
Cash and cash equivalents – June 30, 2014	1,704	132,740	2,615	33,549	170,608	11,674	182,282
Cash and cash equivalents – June 30, 2015	**$ 2,668**	**$159,072**	**$ 4,098**	**$32,438**	**$198,276**	**$23,268**	**$221,544**

Condensed financial statement information related to the University's discretely presented component units, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the year ended June 30, 2014 is as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					DISCRETELY PRESENTED COMPONENT UNIT	
	BERKELEY	SAN FRANCISCO	LOS ANGELES	ALL OTHER	SUBTOTAL	CHRCO	TOTAL
CONDENSED STATEMENT OF NET POSITION							
Current assets	$ 95,977	$ 194,935	$ 398,955	$ 213,885	$ 903,752	$ 129,743	$ 1,033,495
Noncurrent assets	1,767,054	1,107,410	2,157,731	1,684,617	6,716,812	501,489	7,218,301
Total assets	**1,863,031**	**1,302,345**	**2,556,686**	**1,898,502**	**7,620,564**	**631,232**	**8,251,796**
Total deferred outflows of resources						**5,445**	**5,445**
Current liabilities	15,823	65,550	227,458	58,949	367,780	82,943	450,723
Noncurrent liabilities	77,200	15,644	33,646	31,381	157,871	91,927	249,798
Total liabilities	**93,023**	**81,194**	**261,104**	**90,330**	**525,651**	**174,870**	**700,521**
Total deferred inflows of resources						**30,653**	**30,653**
Net investment of capital assets						224,314	224,314
Restricted	1,769,961	1,220,718	2,191,645	1,792,838	6,975,162	53,353	7,028,515
Unrestricted	47	433	103,937	15,334	119,751	153,487	273,238
Total net position	**$1,770,008**	**$1,221,151**	**$2,295,582**	**$1,808,172**	**$7,094,913**	**$431,154**	**$7,526,067**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION							
Operating revenues	$ 113,007	$ 283,049	$ 284,583	$ 112,843	$ 793,482	$ 428,176	$ 1,221,658
Operating expenses	(142,268)	(399,134)	(238,890)	(199,814)	(980,106)	(484,006)	(1,464,112)
Operating income (loss)	**(29,261)**	**(116,085)**	**45,693**	**(86,971)**	**(186,624)**	**(55,830)**	**(242,454)**
Nonoperating revenues	201,198	125,832	201,134	234,048	762,212	26,474	788,686
Income (loss) before other changes in net position	**171,937**	**9,747**	**246,827**	**147,077**	**575,588**	**(29,356)**	**546,232**
Permanent endowments	89,467	38,467	74,000	71,569	273,503		273,503
Other						41,628	41,628
Increase in net position	**261,404**	**48,214**	**320,827**	**218,646**	**849,091**	**12,272**	**861,363**
Net position – June 30, 2013	1,508,604	1,172,937	1,974,755	1,589,526	6,245,822	418,882	6,664,704
Net position – June 30, 2014	**$1,770,008**	**$1,221,151**	**$2,295,582**	**$1,808,172**	**$7,094,913**	**$431,154**	**$7,526,067**

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA CAMPUS FOUNDATIONS					DISCRETELY PRESENTED COMPONENT UNIT	
	BERKELEY	SAN FRANCISCO	LOS ANGELES	ALL OTHER	SUBTOTAL	CHRCO	TOTAL
CONDENSED STATEMENT OF CASH FLOWS							
Net cash provided (used) by:							
Operating activities	$(40,660)	$(222,490)	$(85,375)	$(73,913)	$(422,438)	$(15,152)	$(437,590)
Noncapital financing activities	78,311	33,547	62,714	52,266	226,838	9,194	236,032
Capital and related financing activities						(38,223)	(38,223)
Investing activities	(38,690)	222,584	23,145	19,382	226,421	22,503	248,924
Net increase (decrease) in cash and cash equivalents	**(1,039)**	**33,641**	**484**	**(2,265)**	**30,821**	**(21,678)**	**9,143**
Cash and cash equivalents – June 30, 2013	2,743	99,099	2,131	35,814	139,787	33,352	173,139
Cash and cash equivalents – June 30, 2014	**$ 1,704**	**$132,740**	**$ 2,615**	**$ 33,549**	**$170,608**	**$11,674**	**$182,282**

Additional information on the foundations or CHRCO can be found in the annual reports, which can be obtained by contacting the individual foundation or CHRCO.

19. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled $516.1 million at June 30, 2015.

The University and UCRS have also made commitments to make investments in certain investment partnerships pursuant to provisions in the various partnership agreements. These commitments at June 30, 2015 totaled $2.3 billion: $0.4 billion and $1.9 billion for the University and UCRS, respectively.

The University leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the year ended June 30, 2015 were $243.1 million. The terms of operating leases extend through December 2040.

Future minimum payments on operating leases with an initial or remaining non-cancelable term in excess of one year are as follows:

(in thousands of dollars)

	UNIVERSITY OF CALIFORNIA	DISCRETELY PRESENTED COMPONENT UNITS
Year Ending June 30		
2016	$180,383	$3,864
2017	156,799	2,965
2018	139,933	1,861
2019	103,179	1,230
2020	81,155	13
2021-2025	175,624	
2026-2030	31,890	
2031-2035	5,956	
2036-2040	4,657	
Total	**$879,576**	**$9,933**

Contingencies

Substantial amounts are received and expended by the University, including its medical centers, under federal and state programs, and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations and other programs. University management believes that any liabilities arising from such audits will not have a material effect on the University's financial position.

The University and the discretely presented component units are contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, University management and general counsel are of the opinion that the outcome of such matters will not have a material effect on the University's financial position.

As of June 30, 2015, CHRCO had no amounts outstanding under its revolving credit facility for $25.0 million. The interest rate on the credit facility is 1.4 percent as of June 30, 2015 and the facility expires on August 31, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

UCRP

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 University's schedule of changes in the net pension liability for UCRP as of June 30 is:

(in thousands of dollars)	2015	2014	2013	2012
TOTAL PENSION LIABILITY				
Service cost	$ 1,589,267	$ 1,519,183	$ 1,456,761	$ 1,531,094
Interest on the total pension liability	4,538,846	4,316,728	4,112,461	3,871,146
Difference between expected and actual experience	(112,155)	(320,624)	(183,253)	(212,758)
Changes of assumptions or other inputs	2,136,793		(3,312,815)	4,923,778
Benefits paid, including refunds of employee contributions	(2,976,992)	(2,687,540)	(2,487,369)	(2,273,071)
Net change in total pension liability	**5,175,759**	**2,827,747**	**(414,215)**	**7,840,189**
Total pension liability - beginning of year	60,529,332	57,701,585	58,115,800	50,275,611
Total pension liability - end of year	**65,705,091**	**60,529,332**	**57,701,585**	**58,115,800**
PLAN NET POSITION				
Contributions - employer	2,510,046	1,580,876	810,056	1,851,460
Contributions - member	793,012	577,466	415,641	272,420
Net investment income	1,993,801	8,009,980	4,833,339	115,863
Benefits paid, including refunds of employee contributions	(2,976,993)	(2,687,540)	(2,487,369)	(2,273,071)
Administrative expense	(48,283)	(37,641)	(37,427)	(32,839)
Net change in plan net position	**2,271,583**	**7,443,141**	**3,534,240**	**(66,167)**
Plan net position - beginning of year	52,783,867	45,340,726	41,806,486	41,872,653
Plan net position - end of year	**55,055,450**	**52,783,867**	**45,340,726**	**41,806,486**
Net pension liability - end of year	**$10,649,641**	**$ 7,745,465**	**$12,360,859**	**$16,309,314**

The University's schedule of net pension liability for UCRP as of June 30 is:

(in thousands of dollars)	2015	2014	2013	2012
Total pension liability	$65,705,091	$60,529,332	$57,701,585	$58,115,800
Plan net position	55,055,450	52,783,867	45,340,726	41,806,486
Net pension liability	**$10,649,641**	**$ 7,745,465**	**$12,360,859**	**$16,309,314**
Ratio of plan net position to total pension liability	84%	87%	79%	72%
Covered-employee payroll	$10,047,570	$ 9,372,583	$ 8,921,077	$ 8,594,147
Net pension liability as a percentage of covered-employee payroll	106.0%	82.6%	138.6%	189.8%

The University's schedule of employer contributions for UCRP as of June 30 is:

(in thousands of dollars)

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to Actuarial Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	$2,664,384	$2,510,046	$ 154,338	$10,047,570	25%
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	1,851,460	(45,255)	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%

Notes to Schedule

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.

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry age normal cost.
Amortization method	Level dollar, closed.
	24.26 years.
	The July 1, 2010 amortization bases were combined into a single amortization base and amortized over 30 years. Any changes in unfunded actuarial accrued liability ("UAAL") due to actuarial experience gains or losses after July 1, 2010 will be separately amortized over a fixed (closed) 30-year period effective with that valuation. Any changes in UAAL due to a change in actuarial assumptions or plan provisions will be separately amortized over a fixed (closed) 15-year period. Any changes in UAAL due to actuarial experience gains or losses or a change in actuarial assumptions after July 1, 2014 are separately amortized over a fixed (closed) 20-year period.
Remaining amortization period	The market value of assets less unrecognized returns in each of the last five years. An 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	3.5%.
Investment rate of return	7.5%, net of investment expenses, includes inflation.
Projected salary increases	4.3-6.75%, 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.

PERS - VERIP

The University's schedule of changes in net pension liability for PERS-PLUS 5 Plan as of June 30 is:

(in thousands of dollars)	**2015**	**2014**	**2013**	**2012**
TOTAL PENSION LIABILITY				
Interest on the total pension liability	$ 2,704	$ 2,857	$ 3,052	$ 3,227
Changes of benefit terms				11,186
Difference between expected and actual experience	242	(436)	(241)	172
Changes of assumptions or other inputs	1,837			1,267
Benefits paid, including refunds of employee contributions	(5,081)	(5,169)	(5,278)	(5,368)
Net change in total pension liability	**(298)**	**(2,748)**	**(2,467)**	**10,484**
Total pension liability - beginning of year	38,360	41,108	43,575	33,091
Total pension liability - end of year	**38,062**	**38,360**	**41,108**	**43,575**
PLAN NET POSITION				
Net investment income	2,550	11,035	7,144	90
Benefits paid, including refunds of employee contributions	(5,081)	(5,169)	(5,278)	(5,368)
Administrative expense	(6)	(6)	(7)	(7)
Net change in plan net position	**(2,537)**	**5,860**	**1,859**	**(5,285)**
Plan net position - beginning of year	69,962	64,102	62,243	67,528
Plan net position - end of year	**67,425**	**69,962**	**64,102**	**62,243**
Net pension liability (asset) - end of year	**$(29,363)**	**$(31,602)**	**$(22,994)**	**$(18,668)**

The University's schedule of net pension liability (asset) for PERS-PLUS 5 Plan as of June 30 is:

(in thousands of dollars)	**2015**	**2014**	**2013**	**2012**
Total pension liability	**$ 38,062**	$ 38,360	$ 41,108	$ 43,575
Plan net position	67,425	69,962	64,102	62,243
Net pension liability (asset)	**$(29,363)**	**$(31,602)**	**$(22,994)**	**$(18,668)**
Ratio of plan net position to total pension liability (asset)	177.1%	182.4%	155.9%	142.8%

The University is not required to make contributions to the PERS-Plus 5 Plan due to its fully funded status.

CHRCO PENSION PLAN

The schedule of changes in the net pension liability for the CHRCO Pension Plan as of June 30:

(in thousands of dollars)	2015	2014
TOTAL PENSION LIABILITY		
Service cost	$ 9,448	$ 9,274
Interest on the total pension liability	24,683	22,453
Changes of benefit terms	40	142
Difference between expected and actual experience	762	2,487
Changes of assumptions or other inputs	33,105	
Benefits paid, including refunds of employee contributions	(8,082)	(6,994)
Other Changes		
Net change in total pension liability	**59,956**	**27,362**
Total pension liability - beginning of year	331,276	303,914
Total pension liability - end of year	**391,232**	**331,276**
PLAN NET POSITION		
Contributions - employer	18,000	14,500
Contributions - member		
Net investment income	11,797	48,704
Benefits paid, including refunds of employee contributions	(8,082)	(6,994)
Administrative expense	(1,222)	(718)
Net change in plan net position	**20,493**	**55,492**
Total plan net position - beginning of year	320,064	264,572
Total plan net position - end of year	**340,557**	**320,064**
Net pension liability - end of year	**$ 50,675**	**$ 11,212**

The schedule of net pension liability for the CHRCO Pension Plan as of June 30 is:

(in thousands of dollars)	2015	2014
Total pension liability	$ 391,232	$331,276
Plan net position	340,557	320,064
Net pension liability	**$ 50,675**	**$ 11,212**
Ratio of plan net position to total pension liability	87.0%	96.6%
Covered-employee payroll	$177,986	$175,189
Net pension liability as a percentage of covered-employee payroll	28.5%	6.4%

The schedule of employer contributions for the CHRCO Pension Plan as of June 30 is:

(in thousands of dollars)	**2015**	**2014**
Actuarially calculated employer contributions	$ 12,200	$ 21,300
Contributions in relation to the actuarially calculated employer contribution	18,000	14,500
Annual contribution deficiency (excess)	**$ (5,800)**	**$ 6,800**
Covered-employee payroll	$177,986	$175,189
Actual contributions as a percentage of covered-employee payroll	10.1%	8.3%

Notes to schedule

Valuation date:

Actuarially calculated contribution rates are calculated as of January 1 of the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarially determined contribution	The Plan is subject to funding requirements under ERISA. The contribution shown is the IRC Section 430 minimum contribution prior to offset by credit balances prorated for the number of months in the fiscal year. For the period January 1, 2014 to June 30, 2014, the amount shown does not reflect changes in the Highway and Transportation Funding Act of 2014 (HATFA). The contribution for July 1, 2014 to June 30, 2015 includes HATFA.
Contributions in relation to the actuarially determined contribution	The amount shown is equal to the contributions contributed to the Plan during the fiscal year shown.
Actuarial cost method	Unit Credit Actuarial Cost Method.
Amortization method	Level dollar, closed amortization.
Remaining amortization period	7 years for changes in unfunded liabilities that occur each valuation date.
Asset valuation method	The actuarial value of assets is equal to the two-year average of Plan asset values as of the valuation date. The two-year average is the average of the two prior years' adjusted market value of assets and the current year's market value of assets. For this purpose, the prior years' market value of assets is adjusted to reflect benefit payments, administrative expenses, contributions and expected returns for the prior years. The resulting actuarial value of assets is adjusted to be within 10% of the market value of assets at the valuation date, as required by IRC Section 430.
Inflation	3.00%.
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation.
Projected salary increases	3.5%, including inflation through 2017, 4.0% afterward.
Cost-of-living adjustments	N/A
Mortality	RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with generational adjustments for mortality improvements based on Scale AA.

Retiree Health Plan

(in thousands of dollars)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	(DEFICIT)	FUNDED RATIO	COVERED PAYROLL	(DEFICIT) PAYROLL	IMPLICIT SUBSIDY INCLUDED IN ACTUARIAL ACCRUED LIABILITY
University of California							
July 1, 2014	$65,184	$14,583,920	$(14,518,736)	0.4%	$9,299,817	(156.1)%	$2,811,375
July 1, 2013	44,300	13,725,248	(13,680,948)	0.3%	8,836,770	(154.8)%	2,666,877
July 1, 2012	97,435	15,070,721	(14,973,286)	0.6%	8,598,114	(174.1)%	2,784,276
Campuses and Medical Centers							
July 1, 2014	$65,184	$14,093,786	$(14,028,602)	0.5%	$9,034,755	(155.3)%	$2,713,867
July 1, 2013	44,300	13,253,215	(13,208,915)	0.3%	8,569,794	(154.1)%	2,571,587
July 1, 2012	97,435	14,559,017	(14,461,582)	0.7%	8,333,654	(173.5)%	2,686,521
DOE National Laboratories							
July 1, 2014		$490,134	$(490,134)	0.0%	$265,062	(184.9)%	$97,508
July 1, 2013		472,033	(472,033)	0.0%	266,976	(176.8)%	95,290
July 1, 2012		511,704	(511,704)	0.0%	264,460	(193.5)%	97,755

UNIVERSITY OF CALIFORNIA

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