UNIVERSITY
OF
CALIFORNIA

Annual Financial Report

Retirement System

16/17

UC faculty and staff strive every day for excellence for the public good. We’re problem solvers, risk takers and restless pioneers. Whether we teach students or feed them, develop the latest vaccine or administer it, write books or shelve them, we all play an important role in making things better for individuals, for California and for the world.

UNIVERSITY OF CALIFORNIA

Retirement System
16/17 Annual Financial Report

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University of California Retirement System

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

SUMMARY STATEMENT

This section contains information on the University of California Retirement Plan (UCRP), which provides lifetime retirement income, disability income, death benefits and post-retirement and preretirement survivor benefits to eligible employees of the University of California (the "University") and its affiliate, Hastings College of the Law, and the survivors and beneficiaries as of and for the fiscal year ended June 30, 2017. Significant statistics relating to UCRP's financial information and membership base as of June 30, 2017, is as follows:

Net position	$62.1 billion
Net investment gain	$7.9 billion
Contributions	$3.5 billion
Benefit payments *(Excluding member withdrawals and lump sum cashouts)*	$2.9 billion
Plan administrative and other expenses	$44.1 million

ACTIVE PLAN MEMBERSHIP	
Senate Faculty and Non-Faculty Academics	24,555 members
Management/Senior Professional	11,990 members
Professional/Support Staff	92,837 members
TOTAL	**129,382 members**
AVERAGE ANNUAL SALARY	
Senate Faculty	$139,524
Non-Faculty Academics	$91,854
Management/Senior Professional	$141,030
Professional/Support Staff	$76,582
AVERAGE AGE	
Senate Faculty	50 years
Non-Faculty Academics	45 years
Management/Senior Professional	49 years
Professional/Support Staff	43 years

INACTIVE PLAN MEMBERSHIP/OTHER *(Not yet receiving benefits)*[1]	
TOTAL	**87,052 members**

RETIREE MEMBERSHIP *(Receiving benefits)*	
Faculty	6,656 members
Management/Senior Professional	10,411 members
Professional/Support Staff	45,686 members
TOTAL	**62,753 members**
AVERAGE RETIREMENT AGE	
Faculty	64 years
Management/Senior Professional	61 years
Professional/Support Staff	60 years
AVERAGE SERVICE CREDIT AT RETIREMENT	
Faculty	25 years
Management/Senior Professional	21 years
Professional/Support Staff	20 years
AVERAGE ANNUAL UCRP INCOME	
Faculty	$84,775
Management/Senior Professional	$61,004
Professional/Support Staff	$34,065
Survivor/Beneficiary	8,802 members
Disabled	1,440 members

[1] Includes terminated nonvested members eligible for a refund of Plan accumulations or CAP payment and members that transferred to the Los Alamos National Security (LANS) or Lawrence Livermore National Security (LLNS) defined benefit plans and are eligible for a CAP payment from UCRP after they separate from employment with LANS or LLNS.

PLAN OVERVIEW AND ADMINISTRATION

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

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

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

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

At June 30, 2017, active UCRP members included 129,382 employees at the University's ten campuses, five medical centers, Lawrence Berkeley National Laboratory and Hastings College of the Law.

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

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

PLAN MEMBERSHIP

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

- Members of the 1976 Tier
- Members of the 2013 Tier (including the Modified 2013 Tier)
- Members of the 2016 Tier
- Safety Members (police and firefighters)
- Tier Two Members

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

ACTIVE AND INACTIVE PLAN MEMBERSHIP

YEAR	1976 TIER	2013 TIER	MODIFIED 2013 TIER	2016 TIER	SAFETY MEMBERS	TIER TWO	TOTAL ACTIVE	INACTIVE MEMBERS/OTHERS	TOTAL ACTIVE AND INACTIVE PLAN MEMBERSHIP
2017	81,270[1]	24,531[2]	18,680[3]	4,494[4]	403[5]	4	129,382	87,052	216,434
2016	88,148	25,450	14,510		399	6	128,513	81,595	210,108
2015	96,270	17,710	9,385		395	8	123,768	75,165	198,933
2014	106,162	9,510	4,482		404	10	120,568	78,229	198,797
2013	117,922				390	9	118,321	73,589	191,910
2012	116,481				396	11	116,888	67,318	184,206
2011	115,149				404	15	115,568	60,903	176,471
2010	114,496				418	14	114,928	55,037	169,965
2009	115,302				417	26	115,745	54,883	170,628
2008	113,810				411	21	114,242	64,566	178,808

[1] *Includes 349 plan members of the 1976 Tier and Tier Two category whose service is not coordinated with Social Security.*
[2] *Includes 6 plan members whose 1976 Tier service is not coordinated with Social Security.*
[3] *Includes 1 plan member whose 1976 Tier service is not coordinated with Social Security.*
[4] *Includes 13 plan members whose 1976 Tier service is not coordinated with Social Security.*
[5] *Includes 3 plan members whose Tier Two service is not coordinated with Social Security.*

PLAN BENEFITS

UCRP paid approximately $2.9 billion in periodic retirement, disability and preretirement survivor benefits to 72,995 members and their beneficiaries and survivors during fiscal year 2016-2017. The retirement payments described include cost-of-living adjustments (COLAs) and exclude lump sum cashouts and member withdrawals. Payments to survivors include basic death payments and survivor annuities. The table below reflects total benefits paid in each category over the past 10 years.

UCRP BENEFIT PAYMENTS *($ in thousands)*

YEAR ENDED JUNE 30	RETIREMENT	DISABILITY	DEATH & SURVIVOR	TOTAL[1]
2017	$2,800,438	$30,470	$57,146	$2,888,054
2016	2,596,632	30,769	56,212	2,683,613
2015	2,412,393	32,201	53,753	2,498,347
2014	2,240,565	33,411	50,271	2,324,247
2013	2,068,402	34,376	49,212	2,151,990
2012	1,908,831	35,189	47,262	1,991,282
2011	1,761,580	35,298	45,059	1,841,937
2010	1,634,114	35,331	41,129	1,710,574
2009	1,517,717	35,984	39,949	1,593,650
2008	1,403,778	36,098	39,624	1,479,500

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

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

UCRP BENEFIT RECIPIENTS

YEAR ENDED JUNE 30	RETIRED MEMBERS	DISABLED MEMBERS	SURVIVORS	TOTAL	DECEASED MEMBERS
2017	62,753	1,440	8,802	72,995	1,671
2016	60,178	1,519	8,380	70,077	1,609
2015	57,581	1,620	8,120	67,321	1,678
2014	54,714	1,763	7,714	64,191	1,709
2013	52,300	1,897	7,518	61,715	1,406
2012	49,675	2,000	7,259	58,934	1,377
2011	47,243	2,084	6,969	56,296	1,790
2010	45,111	2,110	6,681	53,902	1,920
2009	42,969	2,157	6,527	51,653	1,659
2008	41,584	2,218	6,369	50,171	1,964

INVESTMENT AND PROXY POLICIES

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

The Office of the Chief Investment Officer (CIO) has primary responsibility for investing UCRP assets consistent with policies established by The Regents. The Regents has fiduciary responsibility for establishing investment policy for UCRP and for overseeing the implementation of that policy.

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

HISTORICAL INVESTMENT PERFORMANCE*

ANNUALIZED RATES OF RETURN AT JUNE 30, 2017 *(shown as percentage)*

	1-YEAR	3-YEAR	5-YEAR	10-YEAR
UCRP	**14.5%**	**5.4%**	**9.0%**	**5.0%**
Policy Benchmark	12.7%	4.5%	8.2%	4.4%
PUBLIC EQUITY	**22.5%**	**6.1%**	**11.6%**	**4.4%**
MSCI All Country World Index Net - IMI - Tobacco Free	19.1%	4.9%	10.8%	4.3%
U.S. Equity	**21.1%**	**8.4%**	**14.3%**	**6.9%**
Russell 3000 Tobacco Free Index	18.5%	8.9%	14.6%	7.1%
Non-U.S. Equity	**31.4%**	**3.6%**	**10.1%**	**2.1%**
MSCI World ex-U.S. Tobacco Free	19.8%	0.6%	8.1%	0.9%
Emerging Market Equity	**17.9%**	**0.7%**	**3.7%**	**1.8%**
MSCI Emerging Markets	23.7%	1.1%	4.0%	1.9%
FIXED INCOME	**2.9%**	**2.8%**	**3.0%**	**5.4%**
Policy Benchmark	2.0%	2.8%	2.6%	5.3%
Core Fixed Income	**1.3%**	**2.8%**	**2.9%**	**4.9%**
Barclays U.S. Aggregate Bond Index	-0.3%	2.5%	2.2%	4.7%
High Yield	**11.0%**	**4.4%**	**7.1%**	**7.4%**
Merrill Lynch High Yield Cash Pay Index	12.8%	4.5%	6.9%	7.5%
Emerging Market Debt	**5.1%**	**3.5%**	**3.9%**	**6.3%**
JP Morgan Emerging Markets Bond Index	6.0%	5.4%	5.7%	7.4%
TIPS	**-0.1%**	**0.8%**	**0.5%**	**4.6%**
Barclays U.S. TIPS	-0.6%	0.6%	0.3%	4.3%
OTHER INVESTMENTS				
Private Equity	**14.0%**	**11.0%**	**13.2%**	**8.2%**
Absolute Return	**4.8%**	**2.1%**	**5.9%**	**3.6%**
Custom Absolute Return Benchmark	6.4%	-0.4%	2.2%	2.4%
Real Estate	**7.7%**	**12.4%**	**12.1%**	**1.0%**
NCREIF-ODCE Index	7.4%	10.9%	11.0%	0.9%
Real Assets	**8.6%**	**-4.7%**	**0.1%**	
Cash	**1.0%**	**1.3%**	**2.1%**	

**Also applies to the UC-VERIP.*

SUMMARY STATEMENT

This section contains information about the University of California Retirement Savings Program (UCRSP) which consists of four defined contribution plans, two plans structured under §401(a) of the IRC; one plan structured under §403(b) of the IRC and a deferred compensation plan structured under IRC §457(b), collectively referred to as the "UCRSP Plans." The UCRSP Plans were created to provide savings incentives and additional retirement security for eligible University employees. The Defined Contribution Plan (DC Plan) was established by resolution of The Regents to accept after-tax contributions effective July 1, 1967, and pretax contributions effective November 1, 1990. The Regents established the Supplemental Defined Contribution Plan (SDC Plan) effective January 1, 2009 to provide retirement benefits to designated employees of the University and their beneficiaries. The 403(b) Plan, also established by Regental resolution, became effective July 1, 1969. The Regents established the 457(b) Plan effective September 1, 2004. Significant statistics relating to the UCRSP Plans' financial information and membership base as of fiscal year ending June 30, 2017 is as follows:

Net position	$22.5 billion
Total contributions	$1.3 billion
Net investment income	$2.2 billion
Program administrative expenses	$8.8 million

Significant statistics relating to the Plans and their participants as of the 2016-2017 fiscal year-end are as follows:

DEFINED CONTRIBUTION PLAN	
Pretax Participants:	
Academic Faculty	68
Management/Senior Professional/Other	83
Professional/Support Staff	34,919
Hastings College of the Law	1
Total Pretax Participants	**35,071**
Average Pretax monthly contribution	$225
Average Pretax Account value	$5,683
After-Tax Account Participants:	
Academic Faculty	707
Management/Senior Professional	602
Professional/Support Staff/Other	3,568
Hastings College of the Law	3
Total After-Tax Account Participants	**4,880**
Average After-Tax Account monthly contribution	$434
Average After-Tax Account value	$20,186
Inactive Plan Participation (Including Pretax Accounts)	**171,567**

TAX-DEFERRED 403(b) PLAN	
Participants:	
Academic Faculty	9,589
Management/Senior Professional	11,036
Professional/Support Staff/Other	48,470
Hastings College of the Law	110
Total	**69,205**
Average percent of salary contributed	8.6%
Average monthly contribution	$747
Average Plan Account value	$91,157
Outstanding Loan Program loans	18,572
Aggregate outstanding loan principal	$180.5 million
Inactive Plan Participation	**55,114**

457(b) DEFERRED COMPENSATION PLAN	
Participants:	
Academic Faculty	4,689
Management/Senior Professional	3,668
Professional/Support Staff/Other	9,904
Hastings College of the Law	40
Total	**18,301**
Average monthly contribution	$989
Average Plan Account balance	$78,247
Inactive Plan Participation	**9,414**

PLAN OVERVIEW AND ADMINISTRATION

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

A defined contribution plan was first made available to University employees in 1967. Employees could invest after-tax contributions in two University-managed annuity funds. Two years later, the 403(b) Plan was added for voluntary pretax savings. Over the years, 403(b) Plan features have been expanded to include mutual fund investment options including a brokerage window; a loan program through which participants can borrow from their 403(b) Plan savings; diverse investment options that now include 11 single, diversified investments for building retirement savings; 14 core asset class options and a brokerage window.

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

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

The fiduciary oversight structure for UCRSP Plans aligns Regental oversight of the Plans through the Governance and Compensation Committee, which oversees the administration of the Plans carried out by the Human Resources Department, and the Finance and Capital Strategies Committee through its Subcommittee on Investments which oversees the investment management function carried out by the CIO.

The Vice President — Human Resources serves as the Plan Administrator and oversees policy research, implements regulations to preserve the Plans' qualification and/or tax-advantaged status under IRC and provides administrative services as needed.

The Plans' administration and investment management activities are reviewed semiannually by the Retirement Savings Program Advisory Committee.

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

For services rendered in connection with the UCRSP Plans, an administrative fee is charged to the University-managed investment funds each day, based upon the previous day's net assets, and is paid to the University. The fee is deducted before calculating the unit values and interest factors. The fee is intended not to exceed a maximum of 0.15 percent (or $1.50 per $1,000 invested) of the fund's average market value per year, assessed on a daily basis. The administrative fee pays for the Plans' expenses, such as charges for investment management, investor education, accounting, audit, legal and recordkeeping services. There are no front-end or deferred sales loads or other marketing expenses associated with the single, diversified investments and primary asset class options managed by the CIO. Additionally, each investment option is subject to an investment management fee (expense ratio) deducted from the net asset value of the funds. Effective June 2017, the UCRSP Plans charged a per-participant administrative fee. A quarterly administrative fee of $8.75 is deducted from each participant's account to cover costs of plan administrative services.

In addition, any fees paid by participants, including loan fees and brokerage window account fees, and any credits that may be awarded for FWS' failure to meet certain performance standards, will be credited to the Plans' recordkeeping fee account.

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

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

CONTRIBUTIONS AND INVESTMENTS

Effective July 1, 2016, UCRP was amended to provide a new tier of pension benefits under the Retirement Choice Program. The new program tier provides eligible University employees hired (or becoming eligible) on or after July 1, 2016 (and certain eligible rehires who return to work after a tier break in service) a choice between two primary retirement benefits options: (1) “Pension Choice,” which is the UCRP pension benefit with covered compensation for new hires capped at the California Public Employees’ Pension Reform Act (PEPRA) salary pensionable compensation limit or, (2) “Savings Choice,” which is a defined contribution plan-only option on eligible pay up to the Internal Revenue Service compensation limit. For eligible employees who elect Pension Choice and who are subject to the PEPRA maximum for members coordinated with Social Security, both the University and eligible participants make mandatory DC Plan retirement contributions on a pretax basis for the supplemental defined contribution plan benefit. For designated faculty, the University contributes 5.0 percent on all eligible pay up to the IRS limit and for staff contributes 3.0 percent on eligible pay above the PEPRA maximum up to the IRS limit. Both designated faculty and staff contribute 7.0 percent on eligible pay above the PEPRA maximum up to the IRS limit.

Voluntary DC Plan contributions, which employees make on an after-tax basis, are held in the Plan’s After-Tax Account. The maximum amount employees may contribute annually as after-tax voluntary contributions is determined by the IRC §415(c) limit. Generally, this amount is the lesser of 100 percent of the participant’s adjusted gross University salary or $53,000 in 2016 and $54,000 in 2017. This limit takes into account all annual additions, including any pretax employee and University contributions to the DC Plan. After-tax contributions are deducted from net income and also may be invested in and transferred among any of the investment options available to the UCRSP Plans.

The University makes DC Plan retirement contributions on the summer salaries of eligible academic appointees who teach, conduct research or provide administrative service during the summer session or an equivalent term. To be eligible, the academic appointee must hold an academic year appointment, be an active member of UCRP or another defined benefit plan to which the University contributes, be a Savings Choice participant, or be eligible for a primary retirement benefit option under the Retirement Choice Program even if not yet participating. The contribution rate, through October 31, 2016, is 7.0 percent of eligible summer salary, of which 3.5 percent is University-paid and 3.5 percent is employee-paid, both on a pretax basis.

The 403(b) Plan includes voluntary employee salary deferral contributions that are made on a pretax basis. Within IRC limits, a 403(b) Plan participant may make contributions as a percentage of salary or in flat dollar amounts. Contributions to the 403(b) Plan may be invested in and transferred among any of the investment options available to the Plans. Effective November 1, 2016, contributions for summer salary are directed to the 403(b) Plan. The University may also contribute on behalf of eligible senior managers.

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

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

INVESTMENTS

The Chief Investment Officer (CIO) has primary responsibility for selecting appropriate asset classes and specific investment options, establishing investment guidelines and benchmarks against which performance is measured, and making changes in the UC Funds menu as it deems appropriate based on its periodic evaluations. The CIO’s selection and monitoring responsibilities do not extend to the mutual funds available through the Fidelity brokerage account option. The Regents has fiduciary responsibility for establishing broad investment policy and overseeing the performance of the investment functions.

Proxy Voting Policy

The CIO has instructed The Regents’ custodian bank to vote all proxies on behalf of The Regents according to its guidelines.

Investment Options

In 2016–2017, all UCRSP participants had the following investment options:

Tier 1: Pathway, a Target Date Fund with 11 specific target dates
Tier 2: 14 Core Asset Class choices
Tier 3: Fidelity Brokerage Window

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

UC Funds Investment Performance

UC FUND INVESTMENT PERFORMANCE FOR PERIODS ENDING JUNE 30, 2017

(shown as percentage)

	1-YEAR	3-YEAR	5-YEAR
TARGET DATE FUNDS			
Pathway Income Fund	**6.2%**	**2.7%**	**2.1%**
Policy Benchmark[1]	5.8%	2.4%	1.7%
Pathway Fund 2015	**6.2%**	**2.8%**	**2.8%**
Policy Benchmark[1]	5.8%	2.5%	2.4%
Pathway Fund 2020	**8.8%**	**3.9%**	**4.6%**
Policy Benchmark[1]	8.5%	3.6%	4.2%
Pathway Fund 2025	**10.4%**	**4.1%**	**5.3%**
Policy Benchmark[1]	10.2%	3.9%	5.0%
Pathway Fund 2030	**11.9%**	**4.4%**	**6.0%**
Policy Benchmark[1]	11.8%	4.2%	5.7%
Pathway Fund 2035	**13.3%**	**4.6%**	**6.7%**
Policy Benchmark[1]	13.3%	4.4%	6.4%
Pathway Fund 2040	**14.7%**	**4.8%**	**7.4%**
Policy Benchmark[1]	14.8%	4.6%	7.1%
Pathway Fund 2045	**16.2%**	**5.0%**	**8.1%**
Policy Benchmark[1]	16.3%	4.8%	7.8%
Pathway Fund 2050	**17.5%**	**5.1%**	**8.7%**
Policy Benchmark[1]	17.7%	5.0%	8.5%
Pathway Fund 2055	**17.9%**	**5.2%**	**9.2%**
Policy Benchmark[1]	17.9%	5.0%	9.0%
Pathway Fund 2060	**17.8%**	**5.2%**	**9.7%**
Policy Benchmark[1]	17.9%	5.0%	9.5%
BALANCED FUND			
UC Balanced Growth Fund	**12.7%**	**4.3%**	**8.4%**
Policy Benchmark[2]	12.6%	4.2%	8.2%
U.S. LARGE EQUITY			
UC Domestic Equity Index Fund	**18.7%**	**9.1%**	**14.7%**
Russell 3000 TF Index	18.5%	8.9%	14.6%
Vanguard FTSE Social Index Fund	**22.8%**	**10.7%**	**16.8%**
FTSE Spliced Social Index	22.9%	10.9%	16.9%

	1-YEAR	3-YEAR	5-YEAR
U.S. SMALL/MID CAP EQUITY			
Vanguard Small Cap Index Fund	**22.8%**	**7.9%**	**14.9%**
CRSP Small Cap Index	22.8%	7.8%	14.8%
GLOBAL/WORLD EX-U.S. EQUITY			
UC Global Equity Fund	**18.7%**	**7.8%**	**13.7%**
Policy Benchmark[1]	18.3%	7.6%	13.4%
UC International Equity Index Fund	**20.3%**	**1.0%**	**8.5%**
MSCI World ex-U.S. TF Index	19.5%	0.7%	8.2%
CAPITAL PRESERVATION			
UC Savings Fund	**1.3%**	**1.2%**	**1.2%**
Two-Year U.S. Treasury Notes Income Return	1.0%	0.8%	0.6%
INFLATION SENSITIVE			
UC Short Term TIPS Fund	**0.5%**	**0.1%**	
Barclays 1-3 Year U.S. TIPS Index	0.2%	-0.3%	
UC TIPS Fund	**0.0%**	**1.0%**	**0.6%**
Barclays U.S. TIPS Index	-0.6%	0.6%	0.3%
DIVERSIFIED FIXED INCOME			
UC Bond Fund	**0.5%**	**2.8%**	**2.8%**
Barclays Aggregate Fixed Income Benchmark	-0.3%	2.5%	2.2%
NEW LARGE EQUITY			
Fidelity Growth Company Fund	**32.6%**	**13.5%**	**17.5%**
S&P 500 TF Index	17.9%	9.6%	14.6%
WORLD EX-U.S. EQUITY			
Fidelity Diversified Intl. Fund	**18.0%**	**2.7%**	**9.5%**
MSCI World ex-U.S. TF Index	20.5%	1.3%	8.9%
DFA Emerging Markets Portfolio	**22.5%**	**1.4%**	**4.2%**
MSCI Emerging Markets Index	23.8%	1.1%	4.0%
REAL ESTATE			
Vanguard REIT Index Fund	**-1.9%**	**8.1%**	**9.3%**
REIT Spliced Index	-1.8%	8.2%	9.4%

POLICY BENCHMARKS

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

[2] Consists of 28.5% times the Benchmark of the UC Equity Fund, 22% times the MSCI World ex-U.S. TF Index, 15% times the MSCI Emerging Markets Net Index, 11% times the MSCI U.S. REIT Index, 20% times the Barclays U.S. Aggregate Index and 3.5% times the Barclays 1-3 Year U.S. TIPS Index.

NET POSITION BY PLAN

The following tables show the assets, liabilities, net position and number of participant accounts in each of the Plans as of June 30, 2017. The participant counts reflect the fact that participants may have an account in more than one Plan and may also have more than one account in one or more of the Plans.

(in thousands of dollars)

June 30, 2017	403(B) PLAN	DC PLANS	457(B) PLAN	TOTAL PLANS
ASSETS				
UC Fund investments	$13,557,256	$3,966,608	$1,979,401	$19,503,265
Investment of securities lending collateral	2,133,382	767,583	116,153	3,017,118
Participants' interests in mutual funds	2,382,304	415,718	553,432	3,351,454
Participant 403(b) Plan loans	180,511			180,511
Other assets	76,249	7,561	1,593	85,403
Total Assets	**18,329,702**	**5,157,470**	**2,650,579**	**26,137,751**
LIABILITIES				
Other liabilities	574,068	54,431	10,876	639,375
Collateral held for securities lending	1,927,494	902,535	185,715	3,015,744
Total Liabilities	**2,501,562**	**956,966**	**196,591**	**3,655,119**
Net Position	**$15,828,140**	**$4,200,504**	**$2,453,988**	**$22,482,632**

PARTICIPANT ACCOUNTS BY PLAN

At June 30, 2017, the participant counts for active employees contributing to the UC Retirement Savings Program, inactive accounts and the 403(b) Plan participant plan loans were as follows:

(number of accounts)

June 30, 2017	403(B) PLAN	DC PLANS	457(B) PLAN	TOTAL PLANS
ACTIVE ACCOUNTS				
Pretax	69,205	35,071	18,301	122,577
After-tax		4,880		4,880
Total Active Accounts	**69,205**	**39,951**	**18,301**	**127,457**
Inactive Accounts	**55,114**	**171,567**	**9,414**	**236,095**
Total Participant Accounts	**124,319**	**211,518**	**27,715**	**363,552**
Participant Plan Loans	**18,572**			**18,572**

TAX-DEFERRED 403(b) PLAN LOAN PROGRAM

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

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

The interest rate is fixed at the time the loan is granted and equals the prevailing bank Prime Rate as published by The Wall Street Journal plus 1 percent. During fiscal year 2016–2017, the Loan Program interest rate for new loans increased to 5.25 percent. As of June 30, 2017, the loan rate remained at 5.25 percent.

At June 30, 2017, the aggregate outstanding loan balance of 18,572 active loans was $180.5 million compared to 18,707 active loans with an aggregate outstanding balance of $178.7 million at June 30, 2016.

The following table reflects participant loans funded during 10 years ended June 30:

YEAR ENDED JUNE 30	NUMBER OF LOANS FUNDED	$ IN THOUSANDS
2017	6,116	$74,081
2016	5,839	71,857
2015	5,876	73,465
2014	6,003	75,361
2013	5,938	72,417
2012	5,161	62,807
2011	5,150	62,460
2010	5,560	64,253
2009	4,396	48,017
2008	4,162	47,904

Management's Discussion and Analysis *(Unaudited)*

The University of California Retirement System ("UCRS") comprises two defined benefit pension plans and four defined contribution plans. The objective of Management's Discussion and Analysis is to help readers of UCRS' financial statements better understand the financial position and operating activities for the fiscal year ended June 30, 2017, with selected comparative information for the years ended June 30, 2016 and June 30, 2015. This discussion should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2015, 2016, 2017, etc.) in this discussion refer to the fiscal years ended June 30.

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

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

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

The Statements of Changes in Fiduciary Net Position present information showing how UCRS' net position for pension benefits changed during the years ended June 30, 2017 and 2016. It reflects contributions along with investment income (or losses) during the period from investing and securities lending activities. Deductions for retirement benefits, withdrawals, cost-of-living adjustments, survivor, disability and death benefits, and administrative expenses are also presented.

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

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

Financial Highlights, Results and Analysis

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

(in thousands of dollars)

	UCRP			UCRSP			UC-VERIP		
JUNE 30	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
ASSETS									
Investments (including Short Term Investment Pool)	$63,004,945	$55,283,722	$55,999,293	$19,503,265	$17,850,612	$15,527,386	$65,809	$62,601	$ 68,928
Investment of securities lending collateral	3,820,399	3,735,547	3,083,734	3,017,118	3,011,723	2,089,973	4,013	4,222	3,783
Participants' interests in mutual funds				3,351,454	2,767,673	4,947,859			
Participant 403(b) Plan loans				180,511	178,664	176,229			
Receivables	936,331	305,772	311,106	85,403	86,378	29,058	1,068	160	124
Total Assets	**67,761,675**	**59,325,041**	**59,394,133**	**26,137,751**	**23,895,050**	**22,770,505**	**70,890**	**66,983**	**72,835**
LIABILITIES									
Payable for securities purchased, member withdrawals, refunds and other payables	1,828,757	1,426,055	1,254,910	639,375	527,559	389,478	1,900	1,706	1,627
Collateral held for securities lending	3,818,660	3,734,454	3,083,773	3,015,744	3,010,844	2,089,999	4,012	4,221	3,783
Total Liabilities	**5,647,417**	**5,160,509**	**4,338,683**	**3,655,119**	**3,538,403**	**2,479,477**	**5,912**	**5,927**	**5,410**
Net Position	**$62,114,258**	**$54,164,532**	**$55,055,450**	**$22,482,632**	**$20,356,647**	**$20,291,028**	**$64,978**	**$61,056**	**$67,425**

(in thousands of dollars)

	UCRP			UCRSP			UC-VERIP		
YEAR ENDED JUNE 30	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
ADDITIONS									
University and state contributions	$2,556,576	$2,522,683	$2,510,046	$16,433	$7,497	$6,392			
Member and participant contributions	891,987	845,036	793,012	1,314,468	1,175,936	1,149,352			
Investment income (loss)	7,864,809	(1,106,426)	1,991,755	2,178,224	123,934	649,532	$8,666	$(1,425)	$2,550
Other income	1,472	1,771	2,047						
Total Additions	**11,314,844**	**2,263,064**	**5,296,860**	**3,509,125**	**1,307,367**	**1,805,276**	**8,666**	**(1,425)**	**2,550**
DEDUCTIONS									
Retirement, cost-of-living adjustments, lump sum cashouts, survivor, disability and death payments	3,180,324	2,969,393	2,798,546				4,738	4,938	5,081
Member withdrawals	140,666	136,249	178,446						
UCRSP benefit payments and participant withdrawals				1,374,324	1,231,279	1,551,916			
Administrative and other expenses	44,128	48,340	48,285	8,816	10,469	6,486	6	6	6
Total Deductions	**3,365,118**	**3,153,982**	**3,025,277**	**1,383,140**	**1,241,748**	**1,558,402**	**4,744**	**4,944**	**5,087**
Increase (decrease) in net position for pension benefits	**7,949,726**	**(890,918)**	**2,271,583**	**2,125,985**	**65,619**	**246,874**	**3,922**	**(6,369)**	**(2,537)**
Net Position									
Beginning of Year	54,164,532	55,055,450	52,783,867	20,356,647	20,291,028	20,044,154	61,056	67,425	69,962
End of Year	**$62,114,258**	**$54,164,532**	**$55,055,450**	**$22,482,632**	**$20,356,647**	**$20,291,028**	**$64,978**	**$61,056**	**$67,425**

UCRP

UCRP's net position at June 30, 2017 was $62.1 billion compared to $54.2 billion at June 30, 2016 and $55.1 billion at June 30, 2015. The net position is available to meet UCRP's ongoing obligations to plan members, retirees and their beneficiaries. The net position of UCRP increased by $7.9 billion, or 14.7 percent, in 2017 compared to a decrease of $890.9 million, or 1.6 percent, in 2016 and an increase of $2.3 billion, or 4.3 percent, in 2015.

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

The net pension liability for UCRP was $10.7 billion in 2017, $15.1 billion in 2016 and $10.6 billion in 2015. The decrease in net pension liability for 2017 of $4.4 billion was primarily due to the 14.5 percent return on the market value of assets during 2017, that exceeded the assumed return of 7.25 percent. The increase in net pension liability for 2016 of $4.4 billion was primarily due to the (2.0) percent return on market value of assets during 2016, that was less than the assumed return of 7.25 percent. The ratio of plan net position to total pension liability was 85.2 percent in 2017, 78.3 percent in 2016 and 83.8 percent in 2015. For June 30, 2017, this indicates that, for every dollar of total pension liability, plan assets of $0.85 are available to cover such obligations as compared to $0.78 at July 1, 2016 and $0.84 at July 1, 2015.

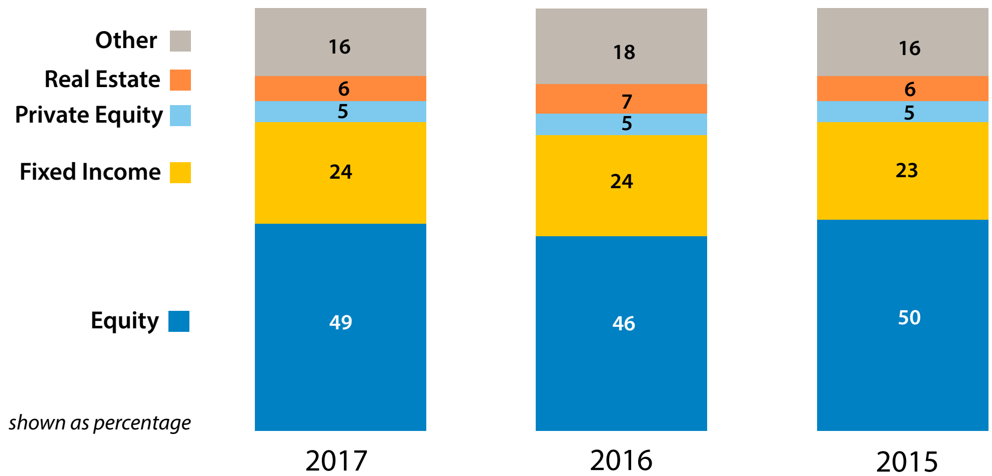
An analysis of the funding progress and University contributions and a discussion of actuarial assumptions and methods is set forth in the required supplementary information section of the financial statements. While all of UCRP's assets are available to pay any member's benefits, assets and liabilities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

Investments

UCRP's total investment rate of return was 14.5 percent in 2017, (2.0) percent in 2016 and 4.5 percent in 2015, compared to UCRPs' total fund policy benchmark returns of 12.7 percent, (0.8) percent and 2.2 percent, respectively.

The total UCRP investment portfolio returned 14.5 percent (net of fees) for the fiscal year, 9.0 percent annually for five years and 5.0 percent annually for ten years. Approximately 86 percent of the UCRP investment portfolio risk is explained by the equity portfolios, as driven by economic growth factors. The key driver of the investment performance was the UCRP investment portfolio's stake in the public equity markets. Approximately 60 percent of the public equity portfolio is managed actively. The MSCI All Country World Investable Market Index Tobacco Free Index (MSCI ACWI IMI-TF), a global passive index of equities, was up 19.1 percent from June 30, 2016 to June 30, 2017, while the public equity portfolio was up 22.5 percent. The fiscal year proved to be a strong year for public equities. Equity markets reached all-time highs with double digit returns for most regions. Developed international markets led the pack, posting returns of over 20 percent year over year. Not surprisingly, the performance of UCRP was driven almost entirely by public equities.

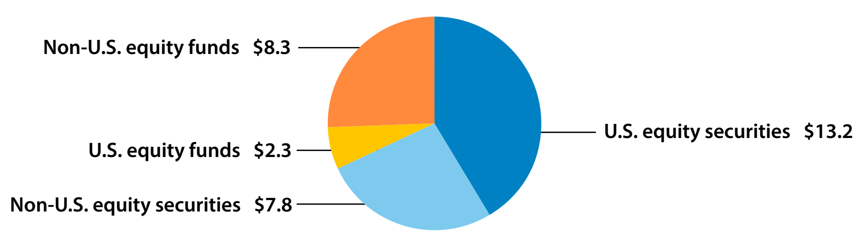
The asset allocation for UCRP's investment portfolio as of June 30, 2017, 2016 and 2015 is as follows:



Equity Portfolio

The $31.6 billion equity portfolio (including commingled equity funds) is diversified across multiple strategic global economic and industry sectors within actively managed accounts of equity securities and passively managed index funds. Of the equity portfolio, $21.0 billion, or 66.4 percent, was invested in U.S. and non-U.S. equity securities and $10.6 billion, or 33.6 percent, was invested in U.S. and non-U.S. equity commingled funds. Combined, U.S. equity securities and U.S. equity funds totaled $15.5 billion, or 49.0 percent, and foreign equity securities and non-U.S. equity commingled funds totaled $16.1 billion, or 51.0 percent.

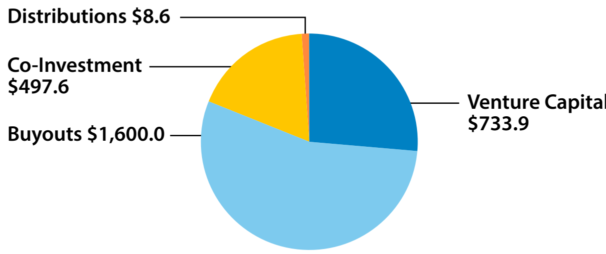
The U.S. equity portfolio return was 21.1 percent in 2017, (2.0) percent in 2016 and 7.5 percent in 2015, compared to the domestic equity policy benchmark returns of 18.5 percent, (1.7) percent and 7.3 percent, respectively. The non-U.S. equity (developed countries) portfolio return was 31.4 percent in 2017, (12.3) percent in 2016 and (3.6) percent in 2015, compared to the non-U.S. equity policy benchmark returns of 19.8 percent, (10.3) percent and (5.3) percent, respectively. The non-U.S. equity (emerging market countries) portfolio return was 17.9 percent in 2017, (13.5) percent in 2016 and (0.1) percent in 2015, compared to the benchmark returns of 23.7 percent, (12.1) percent and (5.1) percent, respectively.



2017 *in billions of dollars*

Private Equity Portfolio

The $2.8 billion private equity segment is invested in venture capital partnerships, buyout funds and international private equity. The private equity segment includes $733.9 million in venture capital, $1.6 billion in buyout funds, $497.6 million in co-investment and $8.6 million in common stock distributions. The private equity portfolio return was 14.0 percent in 2017, 6.2 percent in 2016 and 12.9 percent in 2015.



2017 *in millions of dollars*

Fixed Income Portfolio

The fixed income portfolio of $15.0 billion is invested primarily in high-quality, call-protected, global bonds. The fixed income portfolio is comprised of U.S. government-guaranteed, fixed-income securities of $2.8 billion, or 18.5 percent, other U.S. dollar-denominated fixed-income securities of $8.8 billion, or 58.7 percent, foreign currency-denominated corporate fixed-income securities of $2.3 million, or 15.7 percent, and U.S. and non-U.S. bond funds of $1.1 billion, or 7.1 percent.

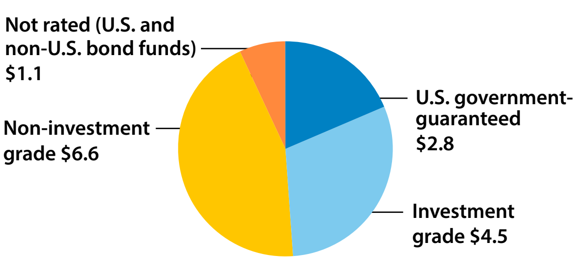
At June 30, 2017, UCRP held $9.3 billion in U.S. government securities (excluding the TIPS portfolio), and other U.S. dollar-denominated and non-U.S. fixed-income securities, compared to $9.7 billion at June 30, 2016 and $8.7 billion at June 30, 2015. The U.S. Core Fixed Income portfolio (excluding TIPS portfolio) earned a total return of 1.3 percent in 2017, 6.1 percent in 2016 and 1.8 percent in 2015, compared to UCRPs' fixed-income policy benchmark returns of (0.3) percent, 6.0 percent and 1.9 percent, respectively.

At June 30, 2017, UCRP held $1.8 billion in the TIPS portfolio, compared to $2.1 billion at June 30, 2016 and $2.6 billion at June 30, 2015. The TIPS portfolio earned a total return of (0.1) percent in 2017, 4.1 percent in 2016 and (1.4) percent in 2015, compared to UCRP's TIPS policy benchmark returns of (0.3) percent, 4.4 percent and (1.7) percent, respectively.

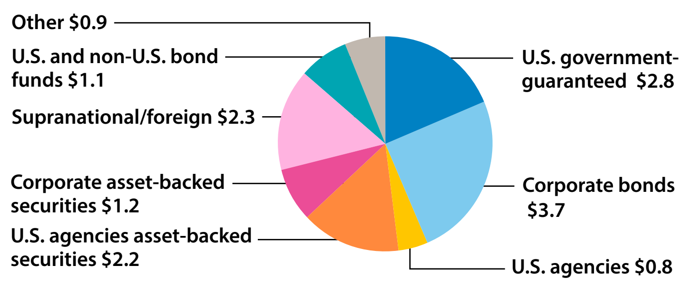
Approximately 18.5 percent of the $15.0 billion fixed income portfolio consists of U.S. government-guaranteed securities, and 81.5 percent of the portfolio consists of high-quality corporate issues rated investment-grade or better and government agency and asset-backed securities. The balance of the fixed income portfolio is comprised of U.S. and non-U.S. bond funds and other lower quality fixed-income securities.

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

QUALITY*



DIVERSIFICATION



2017 *in billions of dollars*

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

Standard & Poor's (S&P):

- Investment grade: AAA through BBB rated considered extremely strong capacity to adequate capacity to meet financial commitments.
- Non-investment grade: BB through CCC or below. Less vulnerable in the near-term to currently highly vulnerable.

Alternative Investments

At June 30, 2017, UCRP held $3.5 billion in institutional real estate investments compared to $3.4 billion in 2016 and 2015. The private real estate portfolio earned a total return of 7.7 percent in 2017, 11.6 percent in 2016 and 18.1 percent in 2015, compared to policy benchmark returns of 7.4 percent, 12.6 percent and 12.9 percent, respectively.

At June 30, 2017, UCRP also held $5.0 billion in absolute return diversified investments compared to $4.6 billion in 2016 and $3.4 billion in 2015. The absolute return diversified segment earned a total return of 4.8 percent in 2017, (4.1) percent in 2016 and 6.7 percent in 2015, compared to policy benchmark returns of 6.4 percent, (9.4) percent and 2.3 percent, respectively.

Separately, at June 30, 2017, UCRP held $0.9 billion in real asset investments compared to $1.0 billion in 2016 and $1.1 billion in 2015. The real asset segment earned a total return of 8.6 percent in 2017 compared to (14.6) percent in 2016 and (6.6) percent in 2015.

For liquidity purposes, UCRP held $4.2 billion in money market funds and the UC Short Term Investment Pool (STIP) in 2017 compared to $4.1 billion in 2016 and $4.6 billion in 2015.

UCRSP PLANS

UCRSP Plans provide savings incentives and the opportunity for additional retirement security for all eligible University of California employees. The University make contributions to UCRSP for Savings Choice participants. Participants' interests in the Plans from contributions and investment income are fully and immediately vested. University contributions for Savings Choice participants vest after one year of service.

UCRSP Plans' net position as of June 30, 2017 amounted to $22.5 billion compared to $20.4 billion at June 30, 2016 and $20.3 billion at June 30, 2015. Additions to UCRSP Plans' net position include contributions, rollovers and investment income. Participant and University contributions, and rollovers for 2017, amounted to $1.3 billion compared to $1.2 billion in 2016 and $1.2 billion in 2015.

UCRSP Plans recognized net investment income of $2.2 billion in 2017 compared to net investment income of $123.9 million in 2016 and net investment income of $649.5 million in 2015. The fiscal year proved to be a strong year for public equities. Equity markets reached all-time highs with double digit returns for most regions. Developed international markets led the pack, posting returns of over 20 percent year over year. The investment gains for the fiscal year reflect the strong global equity markets.

Deductions from UCRSP Plans' net position include benefit payments to participants, participant withdrawals and administrative expenses. For 2017, deductions were $1.4 billion compared to $1.2 billion in 2016 and $1.6 billion in 2015. The deductions fluctuate based upon withdrawals due to retirements and other factors including minimum required distributions and rollovers out of the UCRSP Plans.

The investments of UCRSP, overseen by the Office of the CIO, are available to the securities lending program as a means to augment income. Cash collateral fluctuates in response to changes in demand from borrowers and the availability of securities. UCRSP Plans' investment of cash collateral received for securities lending totaled $3.0 billion at June 30, 2017, compared to $3.0 billion at June 30, 2016 and $2.1 billion at June 30, 2015. Securities lending activity contributed $19.3 million in net investment income, after fees and rebates, in 2017, compared to $17.0 million in 2016 and $12.7 million in 2015.

UC-VERIP

The UC-VERIP provides retirement benefits to UC-VERIP members who elected early retirement under the provisions of the Plan. The net position is available to meet the Plan's ongoing obligations to Plan retirees and their beneficiaries. Plan benefits are funded by investment income. There were no University contributions during the fiscal years ending 2015 through 2017. Retirement benefit payments and other administrative expenses were the only deductions from the UC-VERIP net position. For 2017, deductions were $4.7 million compared to $4.9 million in 2016 and $5.1 million in 2015.

As of June 30, 2017, 2016 and 2015, the UC-VERIP net pension surplus was $32.4 million, $26.1 million and $29.4 million, respectively. The net position of the UC-VERIP at June 30, 2017, was $65.0 million, compared to $61.1 million at June 30, 2016 and $67.4 million at June 30, 2015. The ratio of plan net position to total pension liability was 199.9 percent, 174.4 percent and 177.1 percent as of June 30, 2017, 2016 and 2015, respectively. For June 30, 2017, this indicates that, for every dollar of total pension liability, plan assets of $2.00 are available to cover such obligations as compared to $1.74 at June 30, 2016 and $1.77 at June 30, 2015.

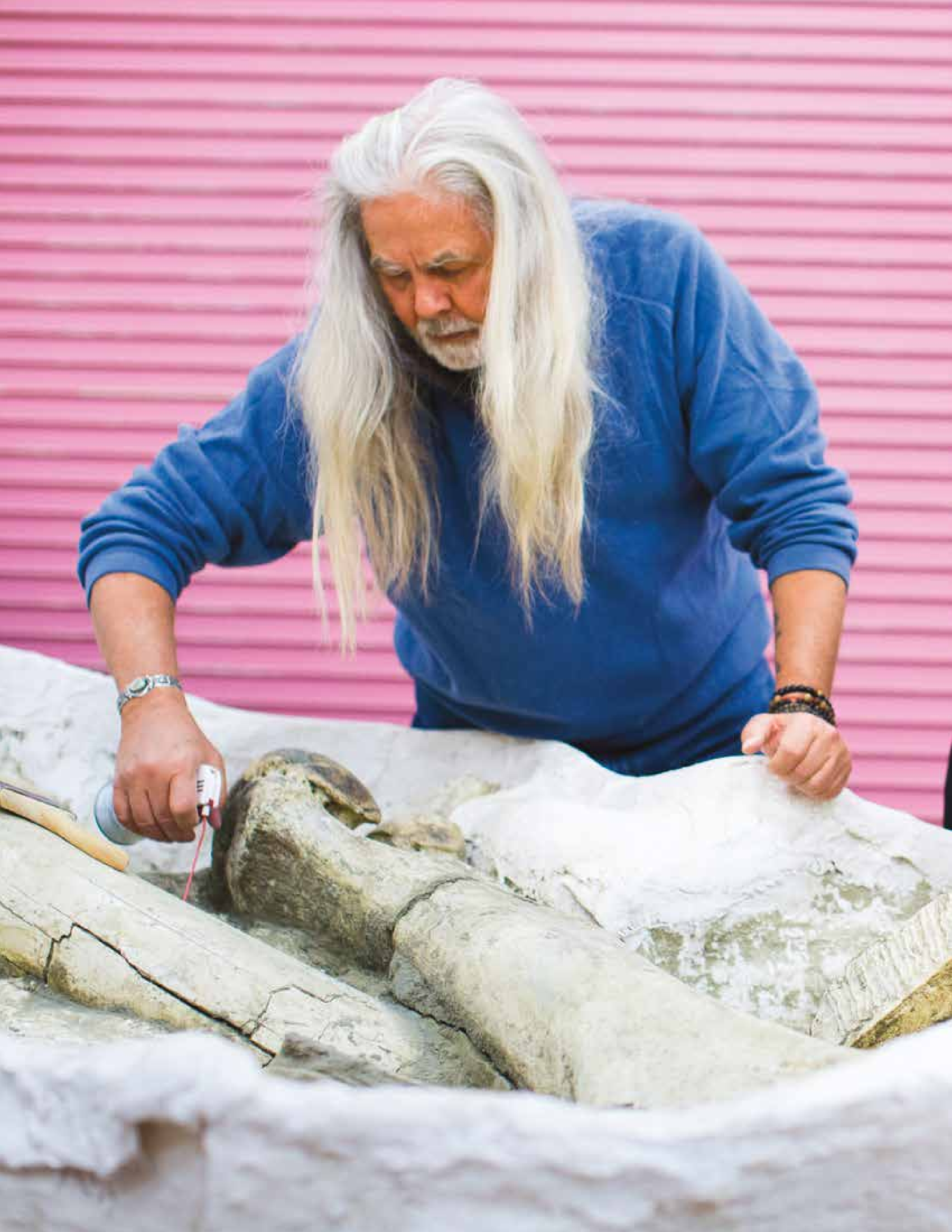
The changes in net pension liability have been primarily driven by the investment performance of the UC-VERIP investment portfolio. The UC-VERIP's total investment rate of return was 14.5 percent in 2017, (2.0) percent in 2016 and 4.5 percent in 2015. The discount rate used to estimate the net pension liability as of June 30, 2017, 2016 and 2015 was 7.25 percent.

LOOKING FORWARD

In July 2017, the Regents approved increasing the University contribution rate for UCRP to 15.0 percent (from 14.0 percent) effective July 1, 2018. Additionally, the state budget for 2018 includes $169 million of one-time funds for UCRP.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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




UC MERCED

Report of Independent Auditors

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

We have audited the accompanying individual financial statements of the University of California Retirement Plan ("UCRP"), the University of California Voluntary Early Retirement Incentive Program ("PERS Plus 5 Plan") and the University of California Retirement Savings Program ("UCRSP"), of which includes four defined contribution plans known as the Defined Contribution Plan, the Supplemental Defined Contribution Plan, the UC Tax-Deferred 403(b) Plan and the 457(b) Deferred Compensation Plan, collectively referred to herein as the "Plans," which comprise the individual statements of fiduciary net position as of June 30, 2017 and June 30, 2016, and the related individual statements of changes in fiduciary net position for the years then ended, and the related notes to the individual financial statements.

Management's Responsibility for the Individual Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the individual financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Plans' 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 Plans' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the individual financial positions of the University of California Retirement Plan, the University of California Voluntary Early Retirement Incentive Program and the University of California Retirement Savings Program as of June 30, 2017 and June 30, 2016, and the changes in their individual fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the individual financial statements of the Plans are intended to present the fiduciary net position and the changes in fiduciary net position of only that portion of activities that are attributable to the Plans. They do not purport to, and do not, present fairly the financial position of the University of California as of June 30, 2017 and June 30, 2016, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matter

The management's discussion and analysis on pages 17 through 23 and the Required Supplementary Information included on pages 57 to 60 related to Actuarial Information, Net Pension Liability, Required Schedule of Employer and Employee Contributions for the Plans are required by accounting principles generally accepted in the United States of America to supplement the Plans' individual financial statements. Such information, although not a part of the individual financial statements of the Plans, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the individual financial statements of the Plans in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the individual financial statements, and other knowledge we obtained during our audit of the individual 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
San Francisco, California
October 12, 2017

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM

STATEMENTS OF FIDUCIARY NET POSITION

At June 30, 2017 and 2016 (in thousands of dollars)

	UCRP		UCRSP		UC-VERIP	
	2017	2016	2017	2016	2017	2016
ASSETS						
Investments, at fair value:						
Equity securities:						
Domestic	$13,160,726	$10,064,966	$6,134,138	$5,414,222	$13,824	$11,376
Foreign	7,821,819	5,898,092	2,294,397	1,950,469	8,217	6,666
Fixed-income securities:						
U.S. government	2,767,877	2,925,332	2,381,734	2,190,901	2,907	3,306
Other U.S. dollar-denominated	11,129,041	8,833,430	6,185,915	6,152,194	11,689	9,985
Foreign		3,886				4
Commingled funds	25,867,475	24,101,536	2,213,689	1,848,285	26,800	27,358
Real estate	1,832,307	2,975,587			1,925	3,363
Publicly traded real estate investment trusts	427,679	455,862	294,413	293,679	449	515
Investment derivatives	(1,979)	25,031	(1,021)	862	(2)	28
Total Investments	**63,004,945**	**55,283,722**	**19,503,265**	**17,850,612**	**65,809**	**62,601**
Investment of cash collateral	3,820,399	3,735,547	3,017,118	3,011,723	4,013	4,222
Participants' interests in mutual funds			3,351,454	2,767,673		
Participant 403(b) Plan loans			180,511	178,664		
Receivables:						
Contributions	13,932	118,236	43,620	10		
Interest and dividends	53,506	70,494	26,922	25,036	165	80
Securities sales and other	868,893	117,042	14,861	61,332	903	80
Total Receivables	**936,331**	**305,772**	**85,403**	**86,378**	**1,068**	**160**
Total Assets	**67,761,675**	**59,325,041**	**26,137,751**	**23,895,050**	**70,890**	**66,983**
LIABILITIES						
Payable for securities purchased	1,745,473	1,132,743	633,135	524,206	1,834	1,281
Member withdrawals, refunds and other payables	83,284	293,312	6,240	3,353	66	425
Collateral held for securities lending	3,818,660	3,734,454	3,015,744	3,010,844	4,012	4,221
Total Liabilities	**5,647,417**	**5,160,509**	**3,655,119**	**3,538,403**	**5,912**	**5,927**
Net Position	**$62,114,258**	**$54,164,532**	**$22,482,632**	**$20,356,647**	**$64,978**	**$61,056**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

For the years ended June 30, 2017 and 2016 (in thousands of dollars)

	UCRP		UCRSP		UC-VERIP	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
ADDITIONS						
Contributions:						
University	$2,385,576	$2,426,683	$16,433	$7,497		
State of California	171,000	96,000				
Members	891,987	845,036				
Participants			1,314,468	1,175,936		
Total Contributions	**3,448,563**	**3,367,719**	**1,330,901**	**1,183,433**		
Investment Income:						
Net appreciation (depreciation) in fair value of investments	6,906,968	(1,937,245)	1,701,958	(360,269)	$7,474	$(2,519)
Interest, dividends and other investment income	928,658	803,887	457,014	467,191	1,162	1,063
Securities lending income	53,635	37,001	35,384	23,372	56	42
Less securities lending fees and rebates	(24,452)	(10,069)	(16,132)	(6,360)	(26)	(11)
Total Investment Income (Loss)	**7,864,809**	**(1,106,426)**	**2,178,224**	**123,934**	**8,666**	**(1,425)**
Interest income from contributions receivable	1,472	1,771				
Total Additions	**11,314,844**	**2,263,064**	**3,509,125**	**1,307,367**	**8,666**	**(1,425)**
DEDUCTIONS						
Benefit Payments and Withdrawals:						
Retirement payments	2,325,623	2,165,837			4,738	4,938
Member withdrawals	140,666	136,249				
Cost-of-living adjustments	474,815	430,795				
Lump sum cashouts	292,270	285,780				
Preretirement survivor payments	47,778	46,835				
Disability payments	30,470	30,769				
Death payments	9,368	9,377				
UCRSP benefit payments and participant withdrawals			1,374,324	1,231,279		
Total Benefit Payments and Withdrawals	**3,320,990**	**3,105,642**	**1,374,324**	**1,231,279**	**4,738**	**4,938**
Expenses:						
Plan administration	31,001	37,906	8,816	10,469	6	6
Other	13,127	10,434				
Total Expenses	**44,128**	**48,340**	**8,816**	**10,469**	**6**	**6**
Total Deductions	**3,365,118**	**3,153,982**	**1,383,140**	**1,241,748**	**4,744**	**4,944**
Increase (Decrease) in Net Position	**7,949,726**	**(890,918)**	**2,125,985**	**65,619**	**3,922**	**(6,369)**
NET POSITION						
Beginning of Year	54,164,532	55,055,450	20,356,647	20,291,028	61,056	67,425
End of Year	**$62,114,258**	**$54,164,532**	**$22,482,632**	**$20,356,647**	**$64,978**	**$61,056**

See accompanying notes to financial statements.

Notes to Financial Statements

Years ended June 30, 2017 and 2016

NOTE 1 — DESCRIPTION OF THE PLANS AND SIGNIFICANT ACCOUNTING POLICIES

General Introduction

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

UCRP

UCRP is a single-employer defined benefit pension plan providing lifetime retirement income, disability protection, death benefits and post-retirement and preretirement survivor benefits to certain eligible employees of the University and its affiliate, Hastings College of the Law and their survivors and beneficiaries.

UCRP was established in 1961, and prior to July 1, 2016 membership was required for all employees appointed to work at least 50 percent time for one year or more, or for an indefinite period, and certain academic employees are eligible for UCRP membership (or the Retirement Choice Program effective July 1, 2016) after working 1,000 hours (750 hours for the Non-Senate Instructional Unit) in a continuous 12-month period. Lawrence Berkeley National Laboratory (LBNL) is a member of the national laboratory system supported by the U.S. Department of Energy (DOE) through its Office of Science. It is managed by the University of California and is charged with conducting unclassified research across a wide range of scientific disciplines. Certain academic employees become eligible for UCRP membership (or the Retirement Choice Program effective July 1, 2016) after working 1,000 hours (750 hours for the Non-Senate Instructional Unit) in a continuous 12-month period.

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

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

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

Effective July 1, 2016, UCRP was amended to provide a new tier of pension benefits under the Retirement Choice Program. The new program tier provides eligible University employees hired (or becoming eligible) on or after July 1, 2016 (and certain eligible rehires who return to work after a tier break in service) a choice between two primary retirement benefits options: (1) "Pension Choice," which is the UCRP pension benefit with covered compensation for new hires capped at the California Public Employees' Pension Reform Act (PEPRA) salary pensionable compensation limit ($117,020 for 2017 and $140,424 for 2017 for members not coordinated with Social Security) plus for new hires subject to the PEPRA maximum a supplemental defined contribution plan benefit on eligible pay up to the Internal Revenue Service compensation limit ($270,000 for calendar year 2017 and $265,000 for calendar year 2016); or (2) "Savings Choice," which is a defined contribution plan-only option on eligible pay up to the Internal Revenue Service compensation limit.

Members' contributions are recorded separately and accrue interest at a rate determined by The Regents. Currently, member contributions accrue interest at an annual compounded rate of 6.0 percent, credited monthly. Upon termination, members may elect a refund of their contributions plus accumulated interest (and their Capital Accumulation Payment (CAP) balance if any); vested terminated members who are eligible to retire may also elect a lump sum payment (excluding 2013 Tier and 2016 Tier) equal to the actuarially equivalent present value of their accrued benefits. Both actions forfeit the member's right to monthly benefits based on the same service credit.

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

Certain UCRP members may also have a balance in UCRP consisting of CAP allocations, which were credited on behalf of eligible members on various dates in 1992, 1993, 1994, 2002 and 2003. Provided to supplement basic UCRP benefits, the allocations were equal to a percentage of the eligible member's covered compensation paid during the specified period. The CAP balance is generally payable in a lump sum at retirement or separation from service and includes interest credited monthly equal to an annual percentage yield (APY) of 8.5 percent for allocations made in 1992, 1993 and 1994. For allocations made in 2002 and 2003, the interest credited monthly is equal to UCRP's investment rate of return, which currently equates to an APY of 7.25 percent. The APY applied to the 2002 and 2003 allocation will vary according to changes in the assumed earnings rate for UCRP.

At June 30, 2017 and 2016, the Plan membership included:

	UCRP RETIREES AND MEMBERS	
	2017	**2016**
Retirees and beneficiaries receiving benefits	72,995	70,077
Inactive plan members entitled to, but not yet receiving benefits	87,052	81,595
Active plan members:		
Vested	76,064	75,298
Nonvested	53,318	53,215
Total active plan members	129,382	128,513
Total membership	**289,429**	**280,185**

Employer contributions are made to UCRP on behalf of all members. The annual rate of University contributions is established pursuant to The Regents' funding policy.

UCRSP

The CIO oversees the investment choices of the UCRSP. The fund choices are segmented into 3 tiers. Participants may direct investment of their contributions and transfer Plan accumulations to any of these funds.

Tier 1: Pathway, a Target Date Fund with 11 specific target dates:

· Income, 2015, 2020, 2025, 2030, 2035, 2040, 2045, 2050, 2055 and 2060

Tier 2: 14 Core Asset Class options including:

· Balanced Growth Fund
· Savings Fund
· Bond Fund
· TIPS Fund
· Short Term TIPS Fund
· Domestic Equity Fund
· Global Equity Fund
· International Equity Fund
· Vanguard Small Cap Index Fund
· Vanguard FTSE Social Index Fund
· Vanguard REIT Index Fund
· DFA Emerging Markets Portfolio
· Fidelity Growth Company Fund
· Fidelity Diversified International Fund

Tier 3: Fidelity Brokerage Window Transfers and investment changes must be made in accordance with plan provisions, and all contributions made to UCRSP Plans are allocated to the designated plan and invested in one or more of the available investment options, as directed by the participants.

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

Defined Contribution Plan

Under the Retirement Choice Program, for employees who elect Savings Choice both the University and the participants make mandatory DC Plan retirement contributions, on a pretax basis, on eligible pay up to the IRS compensation limit. The participant contributes 7.0 percent and the University contributes 8.0 percent. University contributions under Savings Choice are fully vested after one year of service credit. For employees who elect Pension Choice and who are subject to the PEPRA maximum, both the University and the participants make mandatory DC Plan retirement contributions on a pretax basis. University contributions under Pension Choice are fully vested after five years of service credit. For designated faculty, the University contributes 5.0 percent on all eligible pay up to the IRS limit. For staff, the University contributes 3.0 percent on eligible pay above the PEPRA maximum up to the IRS limit. Both designated faculty and staff contribute 7.0 percent on eligible pay above the PEPRA maximum up to the IRS limit.

The University also makes DC Plan retirement contributions on the summer or equivalent term salaries of eligible academic appointees who teach, conduct research or provide administrative service during the summer session or an equivalent term. To be eligible, the academic appointees must hold an academic year appointment, be an active member of UCRP or another defined benefit plan to which the University contributes, be a Savings Choice participant, or be eligible for a primary retirement benefit option under the Retirement Choice Program even if not yet participating. The contribution rate, through October 31, 2016, is 7.0 percent of eligible summer salary, of which 3.5 percent is University-paid and 3.5 percent is employee-paid, both on a pretax basis. Effective November 1, 2016, contributions for summer salary are directed to the 403(b) Plan. The University may also contribute on behalf of eligible senior managers.

The DC Plan Pretax Account also includes mandatory contributions from part-time, seasonal and temporary employees at the University who are not currently participating in UCRP or another defined benefit plan to which the University contributes (Pretax Account participants). Pretax participation includes certain University student employees and resident aliens with F-1 and J-1 visa status. Pretax 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 their 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. Effective July 1, 2016, the UC offers all eligible new employees a choice of primary retirement benefits — Pension Choice and Savings Choice. Savings Choice works much like a 401(k) plan. The mandatory pretax contribution from participants is 7.0 percent, and University contributions of 8.0 percent (based on eligible pay and any investment earnings) accumulate in the DC plan. Under Pension Choice, the University also contributes 6.0 percent towards the UCRP unfunded liability.

Tax-Deferred 403(b) Plan

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

Annual salary deferral contribution limits for the 403(b) Plan during fiscal year 2016–2017 were as follows: the maximum annual contribution limit for participants under age 50 for the calendar year 2016 and for calendar year 2017 was $18,000 (or 100 percent of adjusted gross salary, if less). For participants age 50 or older, the total annual contribution limit for calendar year 2016 and for calendar year 2017 was $24,000, (or 100 percent of adjusted gross salary, if less). Participants with 15 or more years of service may be able to increase their limit under additional catch-up provisions.

Effective November 1, 2016, the University makes 403(b) Plan retirement contributions on the summer salaries of eligible academic appointees who teach, conduct research or provide administrative service during the summer session or an equivalent term. To be eligible, the academic appointee must hold an academic year appointment and be an active member of UCRP or another defined benefit plan to which the University contributes, be a Savings Choice participant, or be eligible for a primary retirement benefit option under the Retirement Choice Program even if not yet participating. The contribution rate, effective November 1, 2016, is 7.0 percent of eligible summer salary, of which 3.5 percent is University-paid and 3.5 percent is employee-paid, both on a pretax basis.

457(b) Deferred Compensation Plan

The 457(b) Plan is available to all University employees except students who normally work less than 20 hours per week. Taxes on contributions (deferred compensation) and earnings thereon are deferred until the accumulations are withdrawn. The University may also make 457(b) Deferred Compensation Plan contributions on behalf of eligible senior managers. The deferred compensation limits for the 457(b) Deferred Compensation Plan were the same as the 403(b) Plan limits (described in the previous paragraph) during fiscal year 2016-2017.

University of California Voluntary Early Retirement Incentive Program

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

Generally, to participate in the UC-VERIP, an eligible employee was required to elect concurrent retirement under CalPERS and the UC-VERIP effective October 1, 1991, and must have had a combined age plus service credit equal to 80 years as of September 30, 1991, if classified as a Qualified Academic Senate Faculty Member, or equal to 75 years if not classified as a Qualified Academic Senate Faculty Member. Of 1,579 eligible employees, 879 elected to retire under the UC-VERIP. As of June 30, 2017 and 2016, there were 522 and 553 retirees and beneficiaries, respectively, receiving benefits under the UC-VERIP. After eligible employees elected to participate, the UC-VERIP was closed to future participation.

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

Effective April 1, 2011, the UC-VERIP was amended to provide a 15.2 percent ad hoc COLA to all monthly benefits. Effective July 1, 2011, the UC-VERIP was amended, subject to funding availability, to provide annual COLAs to monthly benefits according to a specified formula based on the Consumer Price Index. Ad hoc COLAs may also be granted subject to funding availability.

Basis of Accounting

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

Valuation of Investments

Investments are measured and 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 by 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 or exchange who regularly trades in the security being valued. Investment in non-exchange traded debt and equity investments are valued using inputs provided by independent pricing services or by broker/dealers who actively trade in these markets. Certain securities may be valued on a basis of a price provided by a single source.

Investments also include private equities, absolute return funds, real estate, real asset and certain corporate asset-backed securities. Private equities include venture capital partnerships, buyout and international funds. Fair values for interests in private equity, absolute return partnerships and real estate partnerships are based on valuations provided by the general partners of the respective partnerships. The valuations are primarily based on the Net Asset Value (NAV) of the underlying investments. The NAV is reported by the external investment managers, including general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV is adjusted for capital calls, distributions and significant known valuation changes, if any, of its related portfolio through June 30, 2017 and 2016, respectively.

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. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

For other investments, the Plans consider various factors to estimate fair value, such as the timing of the transaction, the market in which the company operates, comparable transactions, company performance and projections as well as discounted cash flow analysis. The selection of an appropriate technique may be affected by the availability and general reliability of relevant inputs. In some cases, one valuation technique may provide the best indication of fair value while in other circumstances, multiple valuation techniques may be appropriate. Furthermore, the Plans may review the investment's underlying portfolio as well as engage external appraisers, depending on the nature of the investment.

The Plans exercise due diligence in assessing the external managers' use of and adherence to fair value principles. In conjunction with these procedures, estimated fair value is determined by consideration of a wide range of factors, including market conditions, redemption terms and restrictions and risks inherent in the inputs of the external investment managers' valuation. In situations where the information provided by the external manager is deemed to not be representative of the fair value as of the measurement date, management evaluates specific features of the investment and utilizes supplemental fair value information provided by the external manager along with any relevant market data to measure the investment's fair value.

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 Plans' 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 based on fair value at the date of donation.

Derivative Financial Instruments

Derivative instruments are recorded at fair value. Futures contracts, foreign currency exchange contracts, stock rights and warrants, options and swaptions are valued at the settlement 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.

Administrative Expenses

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

UCRP administrative expenses totaled approximately $44.1 million, or approximately 0.1 percent, and $48.3 million or approximately 0.1 percent, of the fiduciary net position for fiscal years 2017 and 2016, respectively.

Under UCRSP prior to June 2017, plan administrative fees were deducted from income on University-managed investment funds before calculating unit values and interest factors. Administrative fees are used to pay for investment management and investor education, accounting, audit, legal, custodial and recordkeeping services. Revenue sharing from certain mutual funds is also applied against recordkeeping costs.

Effective June 2017, the UCRSP Plans charged a per-participant administrative fee; previously, a percent-of-assets administrative fee was imposed. A quarterly administrative fee of $8.75 is deducted from each participant's account to cover costs of plan administrative services. The single quarterly fee applies regardless of how many plan accounts a participant holds. The first single administrative fee was deducted from participants' accounts beginning in July 2017 for the month of June 2017.

For the fiscal years ended June 30, 2017 and 2016, administrative expenses totaled $8.8 million and $10.5 million of the fiduciary net position for fiscal years 2017 and 2016, respectively.

Administrative expenses are assessed to the UC-VERIP through an annual account servicing charge of $10 per retiree.

Status Under the IRC

UCRP is intended to qualify under IRC §401(a) and the regulations thereunder and the UCRP trust is intended to be exempt from taxation under IRC §501(a). In a letter to the University dated November 8, 2007, the Internal Revenue Service (IRS) confirmed its determination that the form of UCRP, as amended through December 11, 2002 (other than amendments authorized by the Economic Growth and Tax Relief Reconciliation Act of 2001), met the requirements for qualification under IRC §401(a). Since then, UCRP has been amended to comply with subsequent tax acts and state laws and to make certain design changes recommended by the President and approved by The Regents. A request for a determination on UCRP, as amended, was submitted to the IRS on January 29, 2016 within Cycle E for governmental plans. The University received a favorable determination letter dated April 5, 2017.

The form of the UC-VERIP is intended to satisfy the qualification requirements under IRC §401(a) and the regulations thereunder, and the UC-VERIP trust is intended to be exempt from taxation under IRC §501(a).

On August 12, 2013, the IRS confirmed its determination that the form of the DC Plan met the requirements for qualification under IRC §401(a). Since then, the DC Plan has been amended to comply with subsequent tax acts and state laws and to make certain design changes recommended by the President and approved by The Regents. The University has requested that the IRS issue an updated determination letter on the DC Plan, as amended. A request for an updated determination letter was submitted to the IRS on January 29, 2016. The University received a favorable determination letter dated April 5, 2017.

Separately, the University has requested that the IRS issue a favorable determination letter on the SDC Plan. The form of the SDC Plan is intended to satisfy the qualification requirements of IRC §401(a) and its trust intended to be exempt from taxation under IRC §501(a). The SDC Plan was intended to be used in conjunction with a defined contribution 415(m) Plan described in Section 415(m) of the IRC. However, the IRS declined to rule on the 415(m) Plan so the University opted to withdraw its request for a determination on the SDC Plan.

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

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

Use of Estimates in the Preparation of Financial Statements

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

NOTE 2 — INVESTMENTS

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

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

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

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

The following was The Regents' adopted target asset allocation policy for the UCRP investment pool (including the UC-VERIP assets) as of June 30, 2017:

(shown as percentage)	TARGET ALLOCATION
Asset class	
U.S. Equity	28.5%
Developed International Equity	18.5
Emerging Market Equity	8.0
Core Fixed Income	12.5
High Yield Bonds	2.5
Emerging Market Debt	2.5
TIPS	4.5
Real Estate	5.5
Private Equity	8.0
Absolute Return	6.5
Real Assets	3.0
Total	**100.0%**

Annual Money-Weighted Rates of Return

A money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The annual money-weighted rates of return, net of investment expenses, adjusted for changing amounts actually invested were 14.5 percent and (2.0) percent for the years ended June 30, 2017 and 2016, respectively.

The composition of investments and derivative instruments, by investment type, at June 30, 2017 and 2016 is as follows:

(in thousands of dollars)

	UCRP		UCRSP		UC-VERIP	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Equity securities:						
Domestic	$13,160,726	$10,064,966	$6,134,138	$5,414,222	$13,824	$11,376
Foreign	7,821,819	5,898,092	2,294,397	1,950,469	8,217	6,666
Equity Securities	**20,982,545**	**15,963,058**	**8,428,535**	**7,364,691**	**22,041**	**18,042**
Fixed-income securities:						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	377,926	495,380	1,441,385	1,390,773	396	560
U.S. Treasury strips	554,067	329,029	345,417	239,204	582	372
U.S. TIPS	1,828,270	2,092,679	592,408	560,924	1,921	2,365
U.S. government-backed asset-backed securities	7,614	8,244	2,524		8	9
Fixed-Income Securities	**2,767,877**	**2,925,332**	**2,381,734**	**2,190,901**	**2,907**	**3,306**
Other U.S. dollar-denominated:						
Corporate bonds	3,711,091	3,220,786	1,035,537	931,073	3,897	3,640
Commercial paper	917,125	142,977			963	162
U.S. agencies	708,561	642,456	3,445,920	3,612,831	744	726
U.S. agencies asset-backed securities	2,225,485	1,883,276	1,095,844	928,904	2,338	2,129
Corporate asset-backed securities	1,218,599	1,132,249	387,547	503,043	1,280	1,280
Supranational/foreign	2,328,200	1,790,751	214,072	168,920	2,446	2,024
Other	19,980	20,935	6,995	7,423	21	24
Other U.S. Dollar-Denominated	**11,129,041**	**8,833,430**	**6,185,915**	**6,152,194**	**11,689**	**9,985**
Foreign currency-denominated:						
Corporate		3,886				4
Foreign Currency-Denominated		**3,886**				**4**
Commingled funds:						
Absolute return	4,982,121	4,620,847			5,234	5,223
U.S. equity funds	2,338,845	3,278,220			2,457	3,705
Non-U.S. equity funds	8,283,542	6,645,925	972,538	848,942	8,702	7,511
U.S. bond funds	1,054,503	1,675,978			1,108	1,894
Non-U.S. bond funds	15					
Private equity	2,839,057	2,664,265	97,485	155,417	2,982	3,011
Real assets	865,336	959,838			909	1,085
Real estate investment trusts	1,267,081	163,740	364,711	352,035	1,331	185
Money market funds*	4,236,975	4,092,723	778,955	491,891	4,077	4,744
Commingled Funds*	**25,867,475**	**24,101,536**	**2,213,689**	**1,848,285**	**26,800**	**27,358**
Real estate	1,832,307	2,975,587			1,925	3,363
Publicly traded real estate investment trusts	427,679	455,862	294,413	293,679	449	515
Investment derivatives	(1,979)	25,031	(1,021)	862	(2)	28
Total Investments	**$63,004,945**	**$55,283,722**	**$19,503,265**	**$17,850,612**	**$65,809**	**$62,601**

** Includes investment of $2,224,574 and $2,011,069 by UCRP, and $451,996 and $314,390 by UCRSP and $1,962 and $2,391 by UC-VERIP in the Short Term Investment Pool as of June 30, 2017 and 2016, respectively.*

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed-income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed-income securities are particularly sensitive to credit risks and changes in interest rates. Alternative investment strategies and their underlying assets and rights are also subject to an array of economic and market vagaries that can limit or erode value.

Credit Risk

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

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

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

Asset-backed securities are debt obligations that represent claims to the cash flows from pools of commercial, mortgage, credit card or student loans. Mortgage-backed securities issued by Ginnie Mae are backed by the full faith and credit of the U.S. government.

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

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

The Barclays Capital Aggregate Bond Index is the fixed-income benchmark for the UCRS Plans, and is comprised of approximately 25.3 percent corporate bonds and 30.5 percent mortgage/asset-backed securities, all of which carry some degree of credit risk. The remaining 44.2 percent is comprised of government-issued bonds.

Credit risk in UCRS Plans is managed primarily by diversifying across issuers. In addition, portfolio guidelines for UCRS Plans through May 2016 mandate that no more than 10 percent of the market value of fixed-income securities may be invested in issues with a credit rating below investment grade, and thereafter, new guidelines were approved that limit the amount below investment grade to 15 percent. Further, the weighted average credit rating must be A or higher.

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

The credit risk profile for fixed- or variable-income securities at June 30, 2017 and 2016 is as follows:

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

	UCRP		UCRSP		UC-VERIP	
	2017	2016	2017	2016	2017	2016
U.S. government-guaranteed	$2,767,877	$2,925,332	$2,381,734	$2,190,901	$2,907	$3,306
Other U.S. dollar-denominated:						
AAA	1,057,299	807,564	406,912	367,532	1,111	914
AA	313,906	194,357	3,076,458	3,224,891	330	220
A	880,486	694,516	362,582	344,783	925	785
BBB	2,206,313	1,910,831	738,147	693,445	2,317	2,160
BB	1,197,517	1,129,137	44,076	61,963	1,258	1,276
B	1,054,432	869,220	1,758	1,853	1,107	982
CCC or below	192,748	331,868		26,269	202	375
A-1 / P-1/F-1		1,947				2
Not rated	4,226,340	2,893,990	1,555,982	1,431,458	4,439	3,271
Foreign currency-denominated:						
Not rated		3,886				4
Commingled funds:						
U.S. bond funds: Not rated	1,054,503	1,675,978			1,108	1,894
Non-U.S. bond funds: Not rated	15					
Money market funds: Not rated	4,236,975	4,092,723	778,955	491,891	4,077	4,744

Custodial Credit Risk

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

Concentration of Credit Risk

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

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

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

Investments in issuers other than U.S. government-guaranteed securities that represent 5 percent or more of fixed-income investments held at June 30, 2017 and 2016 are as follows:

(in thousands of dollars)

	UCRSP	
	2017	2016
Federal National Mortgage Association	$1,590,726	$1,371,563
Federal Home Loan Mortgage Corporation	971,499	1,157,609

Interest Rate Risk

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

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

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

The effective duration for fixed-income securities at June 30, 2017 and 2016 are as follows:

Fixed- or variable-income securities (in years)

	UCRP		UCRSP		UC-VERIP	
	2017	2016	2017	2016	2017	2016
Fixed-income securities:						
U.S. government-guaranteed:						
U.S. Treasury bills, notes and bonds	4.3	2.1	2.5	1.5	4.3	2.1
U.S. Treasury strips	11.1	6.5	9.8	9.3	11.1	6.5
U.S. TIPS	4.3	5.1	2.1	3.1	4.3	5.1
U.S. government-backed asset-backed securities	2.8	1.9	3.7	1.9	2.8	1.9
Other U.S. dollar-denominated:						
Corporate bonds	5.8	5.8	7.2	7.2	5.8	5.8
U.S. agencies	3.7	4.0	1.8	1.4	3.7	4.0
U.S. agencies asset-backed securities	3.6	2.5	3.7	2.5	3.6	2.5
Corporate asset-backed securities	2.5	2.6	2.4	2.4	2.5	2.6
Supranational/foreign	5.8	5.9	5.5	5.1	5.8	5.9
Other	15.7	16.2	16.0	16.5	15.7	16.2
Foreign currency-denominated:						
Corporate		4.7		2.7		4.7
Commingled funds:						
U.S. bond funds	1.9	3.7			1.9	3.7
Non-U.S. bond funds	7.0				7.0	

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

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

At June 30, 2017 and 2016, the fair values of such investments are as follows:

(in thousands of dollars)

	UCRP		UCRSP		UC-VERIP	
	2017	2016	2017	2016	2017	2016
Mortgage-backed securities	$2,057,991	$2,077,917	$1,034,686	$996,687	$2,162	$2,349
Collateralized mortgage obligations	256,846	345,928	51,003	161,207	270	391
Other asset-backed securities	659,607	476,812	268,628	241,589	693	539
Variable-rate securities	1,301,387	58,540	372,220	10,667	1,367	66
Callable bonds	4,219,294	2,292,159	4,057,431	3,587,366	4,432	2,591
Convertible Bonds	2,526				3	
Total	**$ 8,497,651**	**$5,251,356**	**$5,783,968**	**$4,997,516**	**$8,927**	**$5,936**

Mortgage-Backed Securities

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

Collateralized Mortgage Obligations

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

Other Asset-Backed Securities

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

Variable-Rate Securities

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

Callable Bonds

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

At June 30, 2017 and 2016, the effective durations for these securities are as follows:

(in years)

	UCRP		UCRSP		UC-VERIP	
	2017	2016	2017	2016	2017	2016
Mortgage-backed securities	3.7	2.8	3.8	2.8	3.7	2.8
Collateralized mortgage obligations	2.5	2.4	2.9	1.8	2.5	2.4
Other asset-backed securities	1.0	1.3	0.9	1.5	1.0	1.3
Variable-rate securities	1.2	3.1	1.8	2.3	1.2	3.1
Callable bonds	5.2	6.2	2.8	2.2	5.2	6.2
Convertible bonds	2.5				2.5	

Liquidity Risks

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

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

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

The UCRS Plans' investment portfolios include the following investments subject to liquidity risk as of June 30, 2017 and 2016:

(in thousands of dollars)

	UCRP		UCRSP		UC-VERIP	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Absolute return funds	$4,982,121	$4,620,847			$5,234	$5,223
Private equity	2,839,057	2,664,265	$97,485	$155,417	2,982	3,011
Real estate	1,832,307	2,975,587			1,925	3,363
Real estate investment trusts	1,267,081	163,740	364,711	352,035	1,331	185
Real assets	865,336	959,838			909	1,085
Total	**$11,785,902**	**$11,384,277**	**$462,196**	**$507,452**	**$12,381**	**$ 12,867**

Foreign Currency Risk

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

At June 30, 2017 and 2016, the U.S. dollar-denominated balances organized by currency denominations and investment type are as follows:

(in thousands of dollars)

	UCRP		UCRSP		UC-VERIP	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Equity securities:						
Euro	$2,287,739	$1,633,148	$696,463	$540,074	$2,403	$1,845
British Pound	1,142,693	1,106,052	355,258	365,766	1,200	1,250
Japanese Yen	1,047,815	974,740	501,555	322,340	1,101	1,102
Swiss Franc	484,477	434,099	178,991	143,554	509	491
South Korean Won	473,214	221,124		73,125	497	250
Canadian Dollar	439,285	350,369	193,815	115,865	461	396
New Taiwan Dollar	204,591	93,549		30,936	215	106
Indian Rupee	255,970	113,131		37,412	269	128
Australian Dollar	287,156	257,367	143,257	85,110	302	291
Hong Kong Dollar	239,214	124,237	68,510	41,085	252	140
Swedish Krona	199,802	149,143	63,067	49,321	210	169
South African Rand	147,318				155	
Thailand Baht	115,272				121	
Danish Krone	102,830	64,038	39,802	21,177	108	72
Singapore Dollar	55,538	48,924	25,770	16,179	58	55
Norwegian Krone	43,587	37,656	13,711	12,453	46	43
Brazilian Real	29,694				31	
Other	265,624	290,515	14,198	96,072	279	328
Subtotal	**7,821,819**	**5,898,092**	**2,294,397**	**1,950,469**	**8,217**	**6,666**
Fixed-income securities:						
Euro		1,777				2
Other		2,109				2
Subtotal		**3,886**				**4**
Commingled funds						
Various currency denominations:						
Non-U.S. equity funds	8,283,542	6,645,925	972,538	848,942	8,702	7,511
Real assets	80,970	51,761	6,012		85	59
Private equity	108,274	115,347			114	131
Non-U.S. bond funds	15					
Subtotal	**8,472,801**	**6,813,033**	**978,550**	**848,942**	**8,901**	**7,701**
Investment derivatives:						
Hong Kong Dollar		134	(7)	69		
Australian Dollar	(1)	40	(9)	24		
Canadian Dollar	(24)	242	(16)	24		
British Pound	(135)	16,407	(109)	632		19
Japanese Yen	(374)	853	(210)	(790)		1
Other	131	879	(234)	339		1
Subtotal	**(403)**	**18,555**	**(585)**	**298**		**21**
Real estate:						
Publicly traded real estate investment trusts						
Euro	34,480	30,230	7,539	9,113	36	34
Australian Dollar	32,199	33,902	12,134	10,220	34	38
British Pound	25,085	21,213	5,435	6,395	26	24
Japanese Yen	23,737	22,668	6,094	6,833	25	26
Singapore Dollar	10,122	4,187	2,308	1,262	11	5
South African Rand	10,089	5,667		1,708	11	6
Canadian Dollar	5,191	4,550	1,146	1,372	5	5
Mexican Peso	3,044	2,306		695	3	3
Other	3,117	2,889	2,793	871	3	3
Subtotal	**147,064**	**127,612**	**37,449**	**38,469**	**154**	**144**
Total exposure to foreign currency risk	**$16,441,281**	**$12,861,178**	**$3,309,811**	**$2,838,178**	**$17,272**	**$14,536**

NOTE 3 — SECURITIES LENDING

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

Loans of domestic equities and all fixed-income securities are initially collateralized at 102 percent of the fair value of securities lent. Loans of foreign equities are initially collateralized at 105 percent. All borrowers are required to provide additional collateral by the next business day if the value of the collateral falls to less than 100 percent of the fair value of securities lent.

Cash collateral received from the borrower is invested by lending agents, as agents for the UCRS Plans, in investment pools in the name of the UCRS Plans, with guidelines approved by the Plans. These investments are shown as investment of cash collateral in the statements of net position. At June 30, 2017 and 2016, the securities in these pools had a weighted average maturity of 20 and 34 days, respectively. UCRS Plans record a liability for the return of the cash collateral shown as collateral held for securities lending in the statements of net position. Securities collateral received from the borrower is held in an investment pool by the UCRS Plans' custodial bank.

At June 30, 2017 and 2016, the UCRS Plans had little exposure to borrowers because the amounts the UCRS Plans owed the borrowers were substantially the same as the amounts the borrowers owed the UCRS Plans. UCRS Plans are fully indemnified by their lending agents against any losses incurred as a result of borrower default.

Securities lending transactions at June 30, 2017 and 2016 are as follows:

(in thousands of dollars)

	UCRP		UCRSP		UC-VERIP	
	2017	2016	2017	2016	2017	2016
SECURITIES LENT						
For cash collateral:						
Equity securities:						
Domestic	$1,772,670	$2,256,175	$1,015,179	$1,651,452	$1,862	$2,550
Foreign	97,566	124,636	32,156	19	102	141
Fixed-income securities:						
U.S. government	253,930	644,980	549,234	344,453	267	729
Other U.S. dollar-denominated	1,500,873	664,721	1,354,322	973,756	1,577	751
Foreign currency denominated	109,682				115	
Lent for Cash Collateral	**3,734,721**	**3,690,512**	**2,950,891**	**2,969,680**	**3,923**	**4,171**
For securities collateral:						
Equity securities:						
Domestic	1,942,598	1,236,592	1,080,580	585,990	2,041	1,398
Foreign	532,853	666,639	293,368	21	560	753
Fixed-income securities:						
U.S. government	1,076,940	1,314,183	1,054,722	1,211,082	1,131	1,485
Other U.S. dollar-denominated	199,850	203,304	305,550	306,556	210	230
Foreign currency-denominated	15,065				16	
Lent for Securities Collateral	**3,767,306**	**3,420,718**	**2,734,220**	**2,103,649**	**3,958**	**3,866**
Total Securities Lent	**$7,502,027**	**$7,111,230**	**$5,685,111**	**$5,073,329**	**$7,881**	**$8,037**
COLLATERAL RECEIVED						
Cash	$3,818,660	$3,734,454	$3,015,744	$3,010,844	$4,012	$4,221
Securities	4,051,839	3,676,294	2,940,725	2,260,822		4,155
Total Collateral Received	**$7,870,499**	**$7,410,748**	**$5,956,469**	**$5,271,666**	**$4,012**	**$8,376**
INVESTMENT OF CASH RECEIVED						
Fixed- or variable-income securities:						
Other U.S. dollar-denominated:						
Corporate bonds	$358,958	$454,108	$283,483	$366,116	$377	$513
Commercial paper	264,650		209,004		278	
Repurchase agreements		838,468		676,002		948
Corporate asset-backed securities	1,052,968	306,891	831,570	247,426	1,106	347
Certificates of deposit/time deposits	98,216	1,982,011	77,565	1,597,964	103	2,240
Supranational/foreign	1,847,673	153,904	1,459,180	124,083	1,941	174
U.S. Agencies	199,975		157,927		210	
Assets (liabilities), net*	(2,041)	165	(1,611)	132	(2)	
Total Investment of Cash Collateral	**$3,820,399**	**$3,735,547**	**$3,017,118**	**$3,011,723**	**$4,013**	**$4,222**

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

UCRS Plans earn interest and dividends on the collateral held during the loan period, as well as a fee from the brokerage firm, and are obligated to pay a fee and rebate to the borrower. UCRS receives the net investment income. The securities lending income and fees and rebates for the years ended June 30, 2017 and 2016 are as follows:

(in thousands of dollars)

	UCRP		UCRSP		UC-VERIP	
	2017	2016	2017	2016	2017	2016
Securities lending income	$53,635	$37,001	$35,384	$23,372	$56	$42
Securities lending fees and rebates	(24,452)	(10,069)	(16,132)	(6,360)	(26)	(11)
Securities lending income, net	**$29,183**	**$26,932**	**$19,252**	**$17,012**	**$30**	**$31**

Investment Risk Factors

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

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

Credit Risk

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

The credit risk profile for fixed- or variable-income securities and commingled funds associated with the investment of cash collateral at June 30, 2017 and 2016 is as follows:

(in thousands of dollars)

	UCRP		UCRSP		UC-VERIP	
	2017	2016	2017	2016	2017	2016
Other U.S. dollar-denominated:						
AAA	$286,677	$385,681	$226,400	$310,947	$301	$436
AA	497,428	538,059	392,837	433,801	523	608
A	1,036,337	1,054,721	818,434	850,351	1,090	1,192
A1/P1/F1	949,031	918,454	749,485	740,489	997	1,038
Assets (liabilities), net: Not rated[1]	(2,041)	165	(1,611)	132	(2)	

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Investments in issuers other than U.S. government-guaranteed securities that represent 5 percent or more of the total investment of cash collateral held at June 30, 2017 and 2016 were as follows:

(in thousands of dollars)

	UCRP		UCRSP		UC-VERIP	
	2017	2016	2017	2016	2017	2016
Goldman Sachs & Company	$215,870		$170,482		$227	
Morgan Stanley & Co LLC	287,827		227,309		302	
Svenska Handelsbanken AB		$242,732		$195,699		$274

Interest Rate Risk

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

The weighted average maturity expressed in days outstanding for fixed- or variable-income securities associated with the investment of cash collateral at June 30, 2017 and 2016 is as follows:

(in days)

	UCRP		UCRSP		UC-VERIP	
	2017	2016	2017	2016	2017	2016
Other U.S. dollar-denominated:						
Corporate bonds	38	44	38	44	38	44
Commercial paper	19		19		19	
Repurchase agreements	9	8	9	8	9	8
Corporate asset-backed securities	97	18	97	18	97	18
Certificates of deposit/time deposits	19	46	19	46	19	46
Supranational/foreign	17	26	17	26	17	26

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

At June 30, 2017 and 2016, the fair value of investments that are considered to be highly sensitive to changes in interest rates is as follows:

(in thousands of dollars)

	UCRP		UCRSP		UC-VERIP	
	2017	2016	2017	2016	2017	2016
Other asset-backed securities	$298,167	$385,681	$235,492	$310,947	$337	$436
Variable-rate investments	2,731,260	2,313,565	2,157,153	1,865,274	3,087	2,615

At June 30, 2017 and 2016, the weighted average maturity expressed in days for asset-backed securities was 43 days and 18 days, respectively and for variable-rate investments was 19 days and 23 days, respectively.

Foreign Currency Risk

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

NOTE 4 — FINANCIAL DERIVATIVE INSTRUMENTS

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

UCRS Plans enter into futures contracts for the purpose of acting as a substitute for investment in equity and fixed-income securities. A futures contract is an agreement between two parties to buy and sell a security or financial index, interest rate or foreign currency at a set price on a future date. They are standardized contracts that can be easily bought and sold and are exchange-traded. Upon entering into such a contract, UCRS Plans are required to pledge to the broker an amount of cash or securities equal to the minimum initial margin requirements of the exchange on which the contract is traded. Pursuant to the contract, UCRS Plans agree to receive from, or pay to, the counterparty an amount of cash equal to the daily fluctuation in the value of the contract. These contracts are settled on a daily basis, with the resulting realized gain or loss included in the statement of changes in fiduciary 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 UCRS Plans the right, but not the obligation, to buy or sell a specified security or index at a fixed price during a specified period for a nonrefundable fee (the "premium"). The maximum loss to the UCRS Plans is limited to the premium originally paid for covered options. The UCRS Plans record premiums paid for the purchase of these options in the statements of fiduciary net position as an investment which is subsequently adjusted to reflect the fair value of the options, with unrealized gains and losses included in the statements of changes in fiduciary net position. UCRS held no option contracts at June 30, 2017 and 2016.

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

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2017 and 2016, categorized by type, and the changes in fair value of such derivatives for the years then ended are as follows:

UCRP *(in thousands of dollars)*

	NOTIONAL AMOUNT		FAIR VALUE–POSITIVE (NEGATIVE)			CHANGES IN FAIR VALUE		
CATEGORY	**2017**	**2016**	**CLASSIFICATION**	**2017**	**2016**	**CLASSIFICATION**	**2017**	**2016**
INVESTMENT DERIVATIVES								
Futures contracts:								
Domestic equity futures:								
Long positions	$8,635	$163	Investments	$(1,885)	$6,318	Net appreciation (depreciation)	$(1,884)	$47,793
Short positions	(17,382)	(8,303)	Investments	(19)	133	Net appreciation (depreciation)	(19)	229
Foreign equity futures:								
Long positions	504	23,947	Investments	(565)	(15,400)	Net appreciation (depreciation)	103,421	(34,434)
Short positions			Investments			Net appreciation (depreciation)	(10,484)	(328)
Futures contracts, net				**(2,469)**	**(8,949)**		**91,034**	**13,260**
Foreign currency exchange contracts, net:*								
Long positions	1,526,266	33,227,672	Investments	(318)	16,259	Net appreciation (depreciation)	28,157	(22,749)
Short positions	(1,609)	(4,490,605)	Investments	(26)	17,170	Net appreciation (depreciation)	54,433	131,073
Foreign currency exchange contracts, net				**(344)**	**33,429**		**82,590**	**108,324**
Swaps:								
Credit Default swaps			Investments			Net appreciation (depreciation)		(37)
Swaps, net								**(37)**
Other, net:								
Stock rights/warrants	1,349	3,922	Investments	834	551	Net appreciation (depreciation)	(7)	870
Options/swaps			Investments			Net appreciation (depreciation)		1
Other, net				**834**	**551**		**(7)**	**871**
Total investment derivatives				**$(1,979)**	**$25,031**		**$173,617**	**$122,418**

**Notional amounts reported in local currency.*

UCRSP *(in thousands of dollars)*

CATEGORY	NOTIONAL AMOUNT 2017	NOTIONAL AMOUNT 2016	FAIR VALUE–POSITIVE (NEGATIVE) CLASSIFICATION	FAIR VALUE 2017	FAIR VALUE 2016	CHANGES IN FAIR VALUE CLASSIFICATION	CHANGES 2017	CHANGES 2016
Futures contracts:								
Domestic equity futures:								
Long positions	$44	$32	Investments	$(436)	$561	Net appreciation (depreciation)	$(437)	$2,371
Foreign equity futures:								
Long positions	732	1,065	Investments	(494)	180	Net appreciation (depreciation)	22,597	(8,829)
Futures contracts, net				**(930)**	**741**		**22,160**	**(6,458)**
Foreign currency exchange contracts:*								
Long positions	954,381	1,161,087	Investments	(210)		Net appreciation (depreciation)	(1,840)	3,065
Short positions		(5,035)	Investments			Net appreciation (depreciation)	1,014	(3,651)
Foreign currency exchange contracts, net				**(210)**			**(826)**	**(586)**
Other, net:								
Stock rights/warrants	233	778	Investments	119	121	Net appreciation (depreciation)	(26)	(587)
Other, net				**119**	**121**		**(26)**	**(587)**
Total investment derivatives				**$(1,021)**	**$862**		**$21,308**	**$(7,631)**

**Notional amounts reported in local currency.*

UC-VERIP *(in thousands of dollars)*

CATEGORY	NOTIONAL AMOUNT 2017	NOTIONAL AMOUNT 2016	FAIR VALUE–POSITIVE (NEGATIVE) CLASSIFICATION	FAIR VALUE 2017	FAIR VALUE 2016	CHANGES IN FAIR VALUE CLASSIFICATION	CHANGES 2017	CHANGES 2016
Futures contracts:								
Domestic equity futures:								
Long positions	$9		Investments	$(2)	$7	Net appreciation (depreciation)	$(2)	$54
Short positions	(18)	$(9)	Investments			Net appreciation (depreciation)		
Foreign equity futures:								
Long positions	1	27	Investments	(1)	(17)	Net appreciation (depreciation)	109	(39)
Short positions			Investments			Net appreciation (depreciation)	(11)	
Futures contracts, net				**(3)**	**(10)**		**96**	**15**
Foreign currency exchange contracts, net:*								
Long positions	1,603	37,555	Investments		18	Net appreciation (depreciation)	30	(26)
Short positions	(2)	(5,075)	Investments		19	Net appreciation (depreciation)	57	148
Foreign currency exchange contracts, net					**37**		**87**	**122**
Other, net:								
Stock rights/warrants	1	4	Investments	1	1	Net appreciation (depreciation)		1
Other, net				**1**	**1**			**1**
Total investment derivatives				**$(2)**	**$28**		**$183**	**$138**

**Notional amounts reported in local currency.*

NOTE 5 — FAIR VALUE

Fair value is defined in the accounting standards 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. Assets and liabilities reported at fair value are organized into a hierarchy based on the levels of inputs observable in the marketplace that are used to measure fair value. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Prices based on unadjusted quoted prices in active markets that are accessible for identical assets or liabilities are classified as Level 1. Level 1 investments include equity securities, commingled funds (exchange traded funds and mutual funds), certain exchange traded derivatives (warrants, rights, options, futures) and other publicly traded securities.

Level 2 – Quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly are classified as Level 2. Level 2 investments include fixed- or variable-income securities, commingled funds (institutional funds not listed in active markets), certain non-exchange traded derivatives (warrants, rights, options, futures, repurchase agreements, swaptions and swaps) and other assets that are valued using market information.

Level 3 – Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information in the circumstance and may require significant management judgment. Level 3 investments include private equity investments and real estate.

Net Asset Value (NAV) – Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV. Investments measured at NAV include hedge funds, private equity investments and commingled funds.

Not Leveled – Cash and cash equivalents are not measured at fair value and, thus, are not subject to the fair value disclosure requirements.

The following tables summarize the investments and other assets reported at fair value within the fair value hierarchy as of June 30, 2017 and 2016:

UCRP 2017 *(in thousands of dollars)*

	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	OTHER OBSERVABLE INPUTS (LEVEL 2)	UNOBSERVABLE INPUTS (LEVEL 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$20,982,545	$20,139,526		$1,095	$841,924	
Fixed- or variable-income securities:						
U.S. government-guaranteed	2,767,877		$2,767,877			
Other U.S. dollar-denominated	11,129,041		11,078,050	50,991		
Foreign currency-denominated						
Commingled funds	25,867,475	2,010,250	1,896	272,866	23,581,977	$486
Investment derivatives	(1,979)	(1,635)	(344)			
Publicly traded real estate investment trusts	427,679	427,679				
Real estate	1,832,307			10,085	1,822,222	
Total investments	**$63,004,945**	**$22,575,820**	**$13,847,479**	**$335,037**	**$26,246,123**	**$486**
Securities lending investments of cash collateral	**$3,820,399**		**$3,822,440**			**$(2,041)**

UCRP 2016 *(in thousands of dollars)*

	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	OTHER OBSERVABLE INPUTS (LEVEL 2)	UNOBSERVABLE INPUTS (LEVEL 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$15,963,058	$15,962,030		$1,028		
Fixed- or variable-income securities:						
U.S. government-guaranteed	2,925,332		$2,925,332			
Other U.S. dollar-denominated	8,833,430		8,783,288	50,142		
Foreign currency-denominated	3,886		3,886			
Commingled funds	24,101,536	1,963,565	83,966	637,449	$21,379,982	$36,574
Investment derivatives	25,031	(8,398)	33,429			
Publicly traded real estate investment trusts	455,862	455,862				
Real estate	2,975,587			1,598,996	1,376,591	
Total investments	**$55,283,722**	**$18,373,059**	**$11,829,901**	**$2,287,615**	**$22,756,573**	**$36,574**
Securities lending investments of cash collateral	**$3,735,547**		**$3,349,702**	**$385,680**		**$165**

UCRSP 2017 *(in thousands of dollars)*

	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	OTHER OBSERVABLE INPUTS (LEVEL 2)	UNOBSERVABLE INPUTS (LEVEL 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$8,428,535	$8,428,450		$85		
Fixed- or variable-income securities:						
U.S. government-guaranteed	2,381,734		$2,381,734			
Other U.S. dollar-denominated	6,185,915		6,185,915			
Commingled funds	2,213,689	1,664,208		2,737	$546,744	
Investment derivatives	(1,021)	(812)	(209)			
Publicly traded real estate investment trusts	294,413	294,413				
Total investments	**$19,503,265**	**$10,386,259**	**$8,567,440**	**$2,822**	**$546,744**	
Securities lending investments of cash collateral	**$3,017,118**		**$3,018,729**			**$(1,611)**

UCRSP 2016 *(in thousands of dollars)*

	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	OTHER OBSERVABLE INPUTS (LEVEL 2)	UNOBSERVABLE INPUTS (LEVEL 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$7,364,691	$7,364,545		$146		
Fixed- or variable-income securities:						
U.S. government-guaranteed	2,190,901		$2,190,901			
Other U.S. dollar-denominated	6,152,194		6,152,194			
Commingled funds	1,848,285	1,354,405	22,773		$469,806	$1,301
Investment derivatives	862	862				
Publicly traded real estate investment trusts	293,679	293,679				
Total investments	**$17,850,612**	**$9,013,491**	**$8,365,868**	**$146**	**$469,806**	**$1,301**
Securities lending investments of cash collateral	**$3,011,723**		**$2,700,643**	**$310,948**		**$132**

UC-VERIP 2017 *(in thousands of dollars)*

	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	OTHER OBSERVABLE INPUTS (LEVEL 2)	UNOBSERVABLE INPUTS (LEVEL 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$22,041	$21,156		$1	$884	
Fixed- or variable-income securities:						
U.S. government-guaranteed	2,907		$2,907			
Other U.S. dollar-denominated	11,689		11,636	53		
Commingled funds	26,800	2,111	2	287	24,399	$1
Investment derivatives	(2)	(2)				
Publicly traded real estate investment trusts	449	449				
Real estate	1,925			11	1,914	
Total investments	**$65,809**	**$23,714**	**$14,545**	**$352**	**$27,197**	**$1**
Securities lending investments of cash collateral	**$4,013**		**$4,015**			**$(2)**

UC-VERIP 2016 *(in thousands of dollars)*

	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	OTHER OBSERVABLE INPUTS (LEVEL 2)	UNOBSERVABLE INPUTS (LEVEL 3)	NET ASSET VALUE (NAV)	NOT LEVELED
Equity securities	$18,042	$18,041		$1		
Fixed- or variable-income securities:						
U.S. government-guaranteed	3,306		$3,306			
Other U.S. dollar-denominated	9,985		9,928	57		
Foreign currency-denominated	4		4			
Commingled funds	27,358	2,219	95	720	$24,283	$41
Investment derivatives	28	(9)	37			
Publicly traded real estate investment trusts	515	515				
Real estate	3,363			1,807	1,556	
Total investments	**$62,601**	**$20,766**	**$13,370**	**$2,585**	**$25,839**	**$41**
Securities lending investments of cash collateral	**$4,222**		**$3,786**	**$436**		

The following tables presents significant terms of certain investments at June 30, 2017:

UCRP *(in thousands of dollars)*

Investment Type	Fair Value	Unfunded Commitments	Remaining life (years)	Redemption Terms and Restrictions
Absolute return	$4,982,121	$395,257	0 to 5	Generally, lock up provisions ranging from 0 to 3 years. After initial lock-up expires, redemptions are available on a rolling basis and require 5 to 95 days' prior notification.
Private equity	2,839,057	1,124,124	0 to 15	Not eligible for redemption.
Real assets	865,336	389,326	0 to 15	Not eligible for redemption.
Real estate and real estate investment trusts	3,099,388	354,670	0 to 6	Not eligible for redemption.

UCRSP *(in thousands of dollars)*

Investment Type	Fair Value	Unfunded Commitments	Remaining life (years)	Redemption Terms and Restrictions
Private equity	$97,485	$27,069	0 to 15	Not eligible for redemption.

UC-VERIP *(in thousands of dollars)*

Investment Type	Fair Value	Unfunded Commitments	Remaining life (years)	Redemption Terms and Restrictions
Absolute return	$5,234	$415	0 to 5	Generally, lock up provisions ranging from 0 to 3 years. After initial lock-up expires, redemptions are available on a rolling basis and require 5 to 95 days' prior notification.
Private equity	2,982	1,181	0 to 15	Not eligible for redemption.
Real assets	909	409	0 to 15	Not eligible for redemption.
Real estate and real estate investment trusts	3,256	373	0 to 6	Not eligible for redemption.

NOTE 6 — CONTRIBUTIONS

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

The Regents determines the portion of the total contribution to be made by the employer (University) and by the employees (members). Effective July 1, 2014, the University paid a uniform contribution rate of 14.0 percent of covered payroll on behalf of all UCRP members. For members who elect the Savings Choice, the University maintains a 6.0 percent contribution rate on pensionable salary up to the IRC limit towards paying down the unfunded liability of UCRP.

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

EFFECTIVE	1976 TIER*	2013/MODIFIED 2013 TIER, AND 2016 TIER	SAFETY*
7/1/2017	8.00%, 9.00%	7.00%, 9.00%	9.00%
7/1/2016	8.00%, 9.00%	7.00%, 9.00%	9.00%
7/1/2015	8.00%, 9.00%	7.00%, 9.00%	9.00%
7/1/2014	8.00%, 9.00%	7.00%, 9.00%	9.00%
3/1/2014	6.50%, 8.60%	7.00%, 8.60%	7.50%
2/1/2014	6.50%, 8.00%	7.00%, 8.00%	7.50%

** Contributions offset by $19 per month.*

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

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

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

NOTE 7 — CONTRIBUTIONS RECEIVABLE FROM THE STATE OF CALIFORNIA

Contributions receivable includes $13.6 million and $17.4 million at June 30, 2017 and 2016, respectively, related to agreements between the state of California and the University on behalf of UCRP. In 1990, the state agreed to pay the University for contributions due to UCRP of $57.2 million in 30 annual installments of approximately $5.3 million, including interest at 8.46 percent, based on the discount rate used in the 1990 actuarial valuation.

NOTE 8 — NET PENSION LIABILITY

The components of the net pension liability of UCRP and the UC-VERIP at June 30, 2017 and 2016, were as follows:

(in thousands of dollars)

	UCRP		UC-VERIP	
	2017	**2016**	**2017**	**2016**
Total pension liability	$72,826,846	$69,230,762	$32,544	$35,008
Plan net position	62,114,258	54,164,532	64,978	61,056
Net pension liability (surplus)	**$10,712,588**	**$15,066,230**	**$(32,434)**	**$(26,048)**
Ratio of plan net position to total pension liability	85%	78%	200%	174%
Covered-employee payroll	11,301,506	$10,689,424		
Net pension liability as a percentage of covered-employee payroll	95%	141%		

Actuarial Assumptions

The net pension liability was measured as of June 30, 2017 and June 30, 2016. Plan net position was valued as of the measurement date (June 30), while the total pension liability was determined based upon rolling forward the total pension liability from the July 1, 2016 and 2015 actuarial valuations. The actuarial assumptions used as of June 30, 2017 and June 30, 2016 were based on the results of an experience study for the period of July 1, 2010 through June 30, 2014. The following assumptions were used:

(shown as percentage)	
Inflation	3.0%
Investment rate of return	7.25
Projected salary increases	3.8 - 6.2
Cost-of-living adjustments	2.0

For preretirement mortality rates, the RP-2014 White Collar Employee Mortality Tables (separate table for males and females) projected with the two-dimensional MP-2014 projection scale to 2029 were used. For post-retirement, healthy mortality rates are based on the RP-2014 White Collar Healthy Annuitant Mortality Table projected with the two-dimensional MP-2014 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 MP-2014 projection scale to 2029, and with ages then set back one year for males and set forward five years for females.

The long-term expected investment rate of return assumption for UCRP was determined in 2015 using 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 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:

(shown as percentage)	PROJECTED REAL RATE OF RETURN
Asset class	
U.S. Equity	6.1%
Developed International Equity	7.0
Emerging Market Equity	8.6
Core Fixed Income	0.8
High Yield Bonds	3.0
Emerging Market Debt	3.9
TIPS	0.4
Real Estate	4.8
Private Equity	11.2
Absolute Return	4.2
Real Assets	4.4
Weighted average	**5.6%**

Discount Rate

The discount rate used to estimate the net pension liability as of June 30, 2017 and 2016 was 7.25 percent. To calculate the discount rate, cash flows into and out of the Plans were projected in order to determine whether the Plan has sufficient cash in future periods for projected benefit payments for current members. For this purpose, University, state and member contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected University, state and member contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. The Plan was projected to have assets sufficient to make projected benefit payments for current members for all future years.

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

The following presents the current-period net pension liability (surplus) of the UCRP and the UC-VERIP's calculated using the current-period discount rate assumption of 7.25 percent, as well as what the net pension liability (surplus) would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% DECREASE (6.25%)	CURRENT ASSUMPTION (7.25%)	1% INCREASE (8.25%)
UCRP	$19,885,642	$10,712,588	$3,125,799
UC-VERIP	(30,667)	(32,434)	(33,952)

NOTE 9 — PLAN TERMINATION

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

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

REQUIRED SUPPLEMENTARY INFORMATION — UCRP

Actuarial Information

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

(in thousands of dollars)	2017	2016	2015	2014	2013	2012
TOTAL PENSION LIABILITY						
Service cost	$1,807,143	$1,710,241	$1,589,267	$1,519,183	$1,456,761	$1,531,094
Interest on the total pension liability	5,035,267	4,784,904	4,538,846	4,316,728	4,112,461	3,871,146
Difference between expected and actual experience	74,664	136,167	(112,155)	(320,624)	(183,253)	(212,758)
Changes of assumptions or other inputs			2,136,793		(3,312,815)	4,923,778
Benefits paid, including refunds of employee contributions	(3,320,990)	(3,105,641)	(2,976,992)	(2,687,540)	(2,487,369)	(2,273,071)
Net change in total pension liability	**3,596,084**	**3,525,671**	**5,175,759**	**2,827,747**	**(414,215)**	**7,840,189**
Total pension liability - beginning of year	69,230,762	65,705,091	60,529,332	57,701,585	58,115,800	50,275,611
Total pension liability - end of year	**72,826,846**	**69,230,762**	**65,705,091**	**60,529,332**	**57,701,585**	**58,115,800**
PLAN NET POSITION						
Contributions - employer	1,904,576	1,863,154	2,510,046	1,580,876	810,056	1,851,460
Contributions - member	891,987	845,036	793,012	577,466	415,641	272,420
Contributions - STIP transfer	481,000	563,529				
Contributions - state funding	171,000	96,000				
Net investment income (loss)	7,866,281	(1,104,655)	1,993,801	8,009,980	4,833,339	115,863
Benefits paid, including refunds of employee contributions	(3,320,990)	(3,105,642)	(2,976,993)	(2,687,540)	(2,487,369)	(2,273,071)
Administrative expense	(44,128)	(48,340)	(48,283)	(37,641)	(37,426)	(32,839)
Net change in plan net position	**7,949,726**	**(890,918)**	**2,271,583**	**7,443,141**	**3,534,241**	**(66,167)**
Plan net position - beginning of year	54,164,532	55,055,450	52,783,867	45,340,726	41,806,485	41,872,652
Plan net position - end of year	**62,114,258**	**54,164,532**	**55,055,450**	**52,783,867**	**45,340,726**	**41,806,485**
Net pension liability - end of year	**$ 10,712,588**	**$15,066,230**	**$10,649,641**	**$7,745,465**	**$12,360,859**	**$16,309,315**

Net Pension Liability

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

(in thousands of dollars)	2017	2016	2015	2014	2013	2012
Total pension liability	$72,826,846	$69,230,762	$65,705,091	$60,529,332	$57,701,585	$58,115,800
Plan net position	62,114,258	54,164,532	55,055,450	52,783,867	45,340,726	41,806,485
Net pension liability	**$10,712,588**	**$15,066,230**	**$10,649,641**	**$ 7,745,465**	**$12,360,859**	**$16,309,315**
Ratio of plan net position to total pension liability	85%	78%	84%	87%	79%	72%
Covered-employee payroll	$11,301,506	$10,689,424	$10,047,570	$9,372,583	$8,921,077	$8,594,147
Net pension liability as a percentage of covered-employee payroll	95%	141%	106%	83%	139%	190%

Required Schedule of Employer and Employee Contributions

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

The total funding policy contribution is determined based on various amortization periods (up to 30 years) for different components of the Unfunded Actuarial Accrued Liability (UAAL). Employee contributions by represented employees are subject to collective bargaining agreements. During the year ended June 30, 2010, University and employee contributions were reinstated. Effective March 2011, The Regents delegated to the President discretion to fully fund the modified annual required contribution (ARC) for the Plan. The "modified ARC" is the "Normal Cost," or the cost for future UCRP benefits allocated to each year of service for active members, plus interest on the unfunded liability.

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

The annual contribution deficiency (excess) as 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
2017	$2,654,710	$2,556,576	$98,134	$11,301,506	23%
2016	2,610,953	2,522,683	88,270	10,689,424	24
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	1,851,459	(45,254)	8,594,147	22
2011	1,695,137	1,677,921	17,216	8,140,629	21
2010	454	148,445	(147,991)	7,973,921	2
2009	2,657	454	2,203	7,468,809	
2008	23,934	2,657	21,277	7,612,726	

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age actuarial cost method.
Amortization method	Level dollar, closed periods.
Remaining amortization period	20.86 years as of July 1, 2016. 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 are 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 are 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.
Asset valuation method	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 return on a market value basis and is recognized over a five-year period.
Inflation	3.00%.
Investment rate of return	7.25%, net of investment expenses, includes inflation.
Projected salary increases	3.75 - 6.15%, includes inflation.
Cost-of-living adjustments	2.00%.
Mortality	For active and inactive members, mortality rates are based on the RP-2014 White Collar Employee Mortality Table, projected with the two-dimensional MP-2014 projection scale to 2029. For healthy retirees, mortality rates are based on the RP-2014 White Collar Healthy Annuitant Mortality Table, projected with the two-dimensional MP-2014 projection scale to 2029 with ages set forward one year. For disabled retirees, mortality rates are based on the RP-2014 Disabled Retiree Mortality Table, projected with the two-dimensional MP-2014 projection scale to 2029 with ages set back one year for males and set forward 5 years for females.

A money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The annual money-weighted rates of return, net of investment expense adjusted for changing amounts actually invested for the years ended June 30 were as follows:

(shown as percentage)

LAST 10 FISCAL YEARS	ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE
2017	14.5%
2016	(2.0)
2015	3.4
2014	17.3
2013	11.2
2012	0.9
2011	22.3
2010	13.2
2009	(19.3)
2008	(5.7)

REQUIRED SUPPLEMENTARY INFORMATION — UC-VERIP

Actuarial Information

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

(in thousands of dollars)	2017	2016	2015	2014	2013	2012
TOTAL PENSION LIABILITY						
Interest on the total pension liability	$2,463	$2,533	$2,704	$2,857	$3,052	$3,227
Changes of benefit terms						11,186
Difference between expected and actual experience	(189)	(650)	242	(436)	(241)	172
Changes of assumptions or other inputs			1,837			1,268
Benefits paid, including refunds of employee contributions	(4,738)	(4,937)	(5,081)	(5,169)	(5,278)	(5,369)
Net change in total pension liability (surplus)	**(2,464)**	**(3,054)**	**(298)**	**(2,748)**	**(2,467)**	**10,484**
Total pension liability - beginning of year	35,008	38,062	38,360	41,108	43,575	33,091
Total pension liability - end of year	**32,544**	**35,008**	**38,062**	**38,360**	**41,108**	**43,575**
PLAN NET POSITION						
Net investment income (loss)	8,666	(1,425)	2,550	11,035	7,144	90
Benefits paid, including refunds of employee contributions	(4,738)	(4,937)	(5,081)	(5,169)	(5,278)	(5,369)
Administrative expense	(6)	(7)	(6)	(6)	(7)	(7)
Net change in plan net position	**3,922**	**(6,369)**	**(2,537)**	**5,860**	**1,859**	**(5,286)**
Plan net position - beginning of year	61,056	67,425	69,962	64,102	62,243	67,529
Plan net position - end of year	**64,978**	**61,056**	**67,425**	**69,962**	**64,102**	**62,243**
Net pension surplus - end of year	**$(32,434)**	**$(26,048)**	**$(29,363)**	**$(31,602)**	**$(22,994)**	**$(18,668)**

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

Net Pension Liability

There is no covered payroll for the UC-VERIP. The schedule of net pension liability for the UC-VERIP as of June 30 is:

(in thousands of dollars)	2017	2016	2015	2014	2013	2012
Total pension liability	$(32,544)	$35,008	$38,062	$38,360	$41,108	$43,575
Plan net position	64,978	61,056	67,425	69,962	64,102	62,243
Net pension surplus	**$(32,434)**	**$(26,048)**	**$(29,363)**	**$(31,602)**	**$(22,994)**	**$(18,668)**
Ratio of plan net position to total pension liability	200%	174%	177%	182%	156%	143%

Required Schedule of University Contributions

Since 1996, the University has not been required to contribute to the UC-VERIP due to its fully funded status.

Note to Required Supplementary Information

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

UNIVERSITY OF CALIFORNIA

Plan Oversight —The Board of Regents

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Plan Actuary

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Independent Plan Auditor

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

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