INVESTMENTS

Tables

INVESTMENTS

Pension Consulting Alliance, Inc.

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The CalSTRS investment portfolio increased by $15.2 billion over the past twelve months, ending with a value of $165.8 billion on June 30, 2013. As highlighted below, the CalSTRS portfolio is broadly diversified, holding investments ranging from publicly traded short-term bonds to privately held partnerships. Clearly, the scale and breadth of investments make the management and oversight of these assets highly complex. In light of these factors, CalSTRS has been effective in utilizing its resources in a cost-efficient manner to ensure that benefits continue to flow to CalSTRS participants.

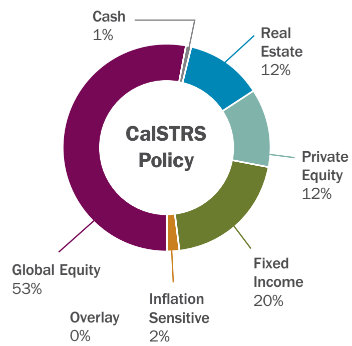
Investment Allocation

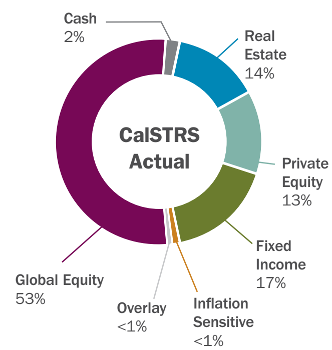
The Board adopts long-term asset allocation targets to be implemented over several years. The fiscal year-end report reflects strategic allocation guidelines for the 2012–2013 fiscal year as adopted by the Board effective July 2012 (see left pie chart). The portfolio's actual allocation is slightly different from policy. As of 6/30/2013, the Private Equity, Real Estate, Cash, and Overlay asset classes were modestly overweighted, while the Fixed Income and Inflation Sensitive asset classes were slightly underweighted (see right pie chart).

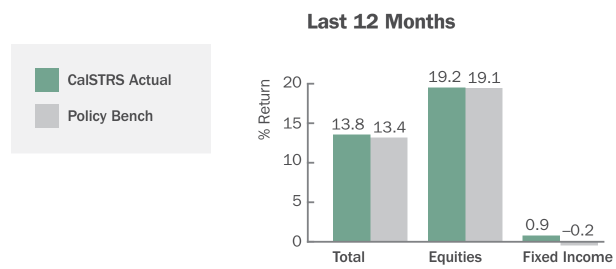
Investment Results

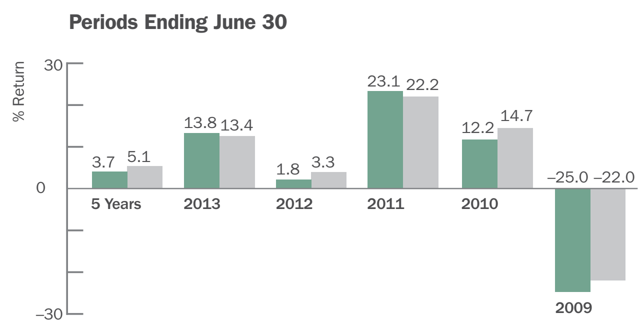
Over the last year, the CalSTRS investment portfolio produced an absolute return of 13.8 percent, ranking in the first quartile among its large public pension fund peers[1] (top bar chart). During this period, portfolio results outperformed the policy benchmark return by 40[2] basis points. Relative outperformance by the Global Equity, Fixed Income, and Real Estate asset classes contributed to this result.

During the last three years, CalSTRS' portfolio generated a 12.6 percent average annual return, underperforming the policy benchmark by 10 basis points, but ranking in the first quartile among peer funds. The marginal underperformance over this time period can be attributed to the Private Equity asset class. Over the last five years, the CalSTRS investment portfolio produced an average annual return of 3.7 percent, trailing its policy benchmark by 1.4 percent per year (bottom bar chart). These results are primarily below CalSTRS' actuarial rate of return. Successive one-year periods are presented here as well. CalSTRS' portfolio has outperformed its policy benchmark in two of the last five fiscal year periods, ending June 30.[3]









Pension Consulting Alliance, Inc.

[1]Per TUCS Universe of Master Trust Public Funds with assets in excess of $10 billion.

[2]The policy benchmark consists of passively managed asset class portfolios weighted by CalSTRS' policy allocations. The difference between actual results and the benchmark are due to two factors: i) deviations from policy and ii) active decisions on the part of CalSTRS and its investment managers.

[3]CalSTRS' investment performance is calculated using a daily time-weighted return geometrically linked to calculate a monthly return. Periods longer than one month are geometrically linked to calculate annualized "time-weighted" rates of return.

INVESTMENTS

Investments and the related returns for the CalSTRS Investment Portfolio are presented differently within the Investments and Financial sections of the CAFR. On the preceding pages, in news releases, and on the Internet, the investment and related returns are presented using common industry practices that reflect the way in which CalSTRS manages its investment portfolio. The presentation based on industry practices provides timely information that is easily compared to benchmarks and peer results. Within the Financial section, the same information is reported in accordance with generally accepted accounting principles. The primary difference between the presentations is in the way investments are categorized. Additional differences result from the timing of recognition of performance for long-term investments in the portfolio. In accordance with industry practices, private asset performance is reported with a quarter lag, while for financial reporting purposes, adjustments are made to bring results current through fiscal year end.

As shown on Table 3, performance information in the CAFR is reported as gross returns and is calculated using a time-weighted return methodology. You will find current investment portfolio information at CalSTRS.com/investments. The investments information on the CalSTRS website is reported consistent with investment industry standards and is comparable to the global financial markets and other pension plans and institutional investors.

The returns for fiscal year 2012—13 were very strong considering the U.S. government fiscal cliff and European banking problems. The returns of 13.80 percent for the fiscal year and 12.57 percent for the three years ending June 30, 2013, were well above the actuarial assumed rate. CalSTRS' returns over the one- and three-year periods ranked in the top quartile of the U.S. public pension plans and ranked even higher among large multibillion portfolios. This is a testament to the CalSTRS Investment Committee and Investment staff's ability to help rebound from the global financial meltdown of 2008.

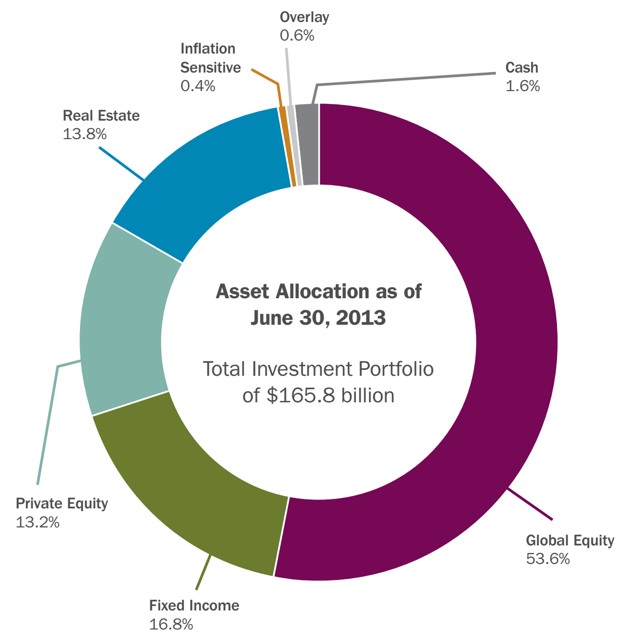
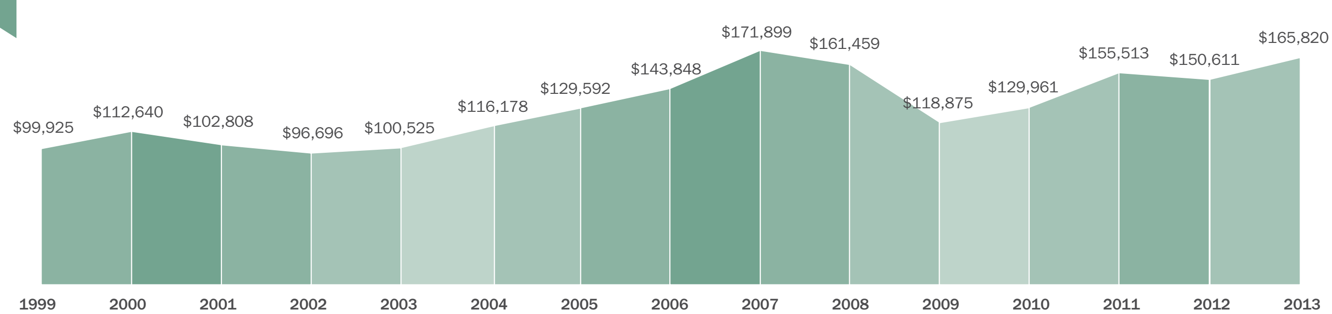


Table 1 Market Value of Investments (dollars in millions)



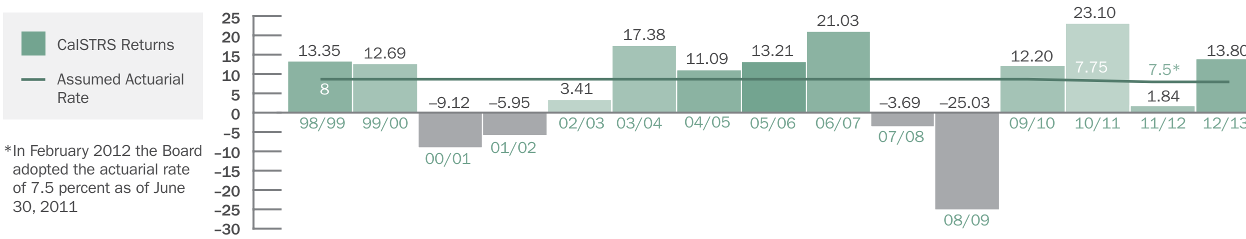
Portfolio values and performance results may vary from information presented in the Basic Financial Statements due to rounding, portfolio management requirements and Generally Accepted Accounting Principles.

INVESTMENTS

The U.S. and Europe are going through a multiyear deleveraging after the first decade of the 2000s. Corporations deleveraged fairly quickly after the 2008 meltdown, but individual households and government entities are taking three to five years. This has resulted in a very slow anemic economy, which in turn, holds down the global financial markets and limits investment returns for long-term investors like CalSTRS.

While this annual report provides a significant amount of information regarding the CalSTRS Investment Portfolio, it only represents one point in time—June 30, 2013. It is difficult to compare this time measurement to the movement and complexity of the investment portfolio in this highly dynamic global financial market. As previously mentioned, you will find current information on CalSTRS investment objectives, policies and other investment related topics at CalSTRS.com.

Table 2 Annual Performance Returns (percent)



*In February 2012 the Board adopted the actuarial rate of 7.5 percent as of June 30, 2011

Table 3 Time-Weighted Performance Returns for Major Asset Categories

Portfolio Type/Associated Indicies	1 Yr	3 Yr	5 Yr	10 Yr
Total Fund	13.80%	12.57%	3.72%	7.53%
Global Equity	**19.18**	**15.07**	**4.60**	**8.23**
Global Equity Custom(1)	19.12	14.92	4.46	8.07
U.S. Equity	**21.84**	**18.52**	**7.04**	**7.75**
Russell 3000	21.75	18.50	7.10	7.66
Non-U.S. Equity	**14.34**	**8.30**	**(0.18)**	**8.96**
MSCI All Country World Index ex-U.S.	13.77	7.83	(0.94)	8.68
MSCI Europe, Australia, Far East & Canada	17.27	9.26	(0.98)	7.67
MSCI Emerging Market	2.88	3.27	(0.57)	13.73
Fixed Income	**0.92**	**4.52**	**6.03**	**5.00**
U.S. Debt Custom(2)	(0.20)	3.86	5.51	4.72
Barclays Capital U.S. Aggregate	(0.69)	3.51	5.19	4.52
Barclays Capital High Yield Cash Pay	9.46	10.71	11.00	8.94
Real Estate	**14.13**	**13.55**	**(6.09)**	**7.26**
Real Estate NCRIEF (lagged 1 quarter)	10.52	13.30	2.32	8.55
Private Equity	**13.94**	**13.91**	**5.41**	**14.76**
Private Equity Custom (lagged 1 quarter)(3)	17.99	16.13	9.62	9.18
Inflation Sensitive	**2.19**	**6.80**	**—**	**—**
Inflation Sensitive Custom(4)	4.02	7.83	—	—
Barclays Global Inflation Linked	(1.05)	6.05	2.46	5.71
Infrastructure Custom Index(5)	6.83	7.43	6.38	7.47
Overlay(6)	**0.27**	**0.03**	**—**	**—**
Overlay Custom(7)	1.13	—	—	—
Liquidity(8)	**2.00**	**6.15**	**(0.52)**	**3.77**
Barclays Capital 3-Month Treasury Bill(9)	0.13	0.13	0.32	1.74

CalSTRS' investment performance is calculated using a daily time-weighted return geometrically linked to calculate a monthly return. Periods longer than one month are geometrically linked to calculate annualized 'time-weighted' rates of return. Footnote 1 and 3 effective 05/01/2013, benchmarks are firearm free.

(1) Weighted blend of Russell 3000 tobacco and firearm free combined with the MSCI All Country World Index (ex-U.S.) tobacco and firearm free.

(2) 95% Barclays Capital U.S. Aggregate tobacco free + 5% U.S. High Yield Cash Pay 2% Issuer Constrained Index tobacco free. Previously LB U.S. Aggregate tobacco free through 03/31/2007.

(3) Blend of the Russell 3000 + 3% tobacco and firearm free & State Street Private Equity Index cumulative pooled internal rate of return data weighted by sub-asset type; Previously Russell 3000 + 5% + Barclays Capital 3-Month Treasury Bill from 04/01/1999 through 09/30/2008.

(4) Weighted blend of Barclay's Global Inflation Linked and Infrastructure Index effective 07/01/2012.

(5) Consumer Price Index (CPI) + 5%

(6) Overlay asset class was approved by the Board in April 2012. A portion of assets in this program have been held by CalSTRS more than three years.

(7) Barclays Capital 3-Month Treasury Bill plus 1%. Benchmark approved by the Board in April 2012; returns not available for 3,5,10 year periods.

(8) Includes the Securities Lending Program loss incurred in FY 2008–2009 and income earned in subsequent years.

(9) Barclays Capital 3-Month Treasury Bill. Previously Citigroup 3-Month Treasury Bill prior to 07/01/2006

Overlay

The Overlay asset class was approved by the board in April 2012, and consists of three separate areas: Innovation, Overlay and Stable Return.

Innovation and Risk (Innovation)

The Innovation portfolio, managed by the Innovation and Risk unit, is a subset of the Overlay asset class with a long-range target not to exceed the lesser of 1.5 percent of the total plan assets or $2 billion. As of June 30, 2013, the Innovation portfolio had total assets of $632.6 million. The Innovation Portfolio Policy was approved in March 2009 with the primary goal to identify, research and incubate investment opportunities that the fund does not currently use. Each new strategy is expected to improve the risk/return efficiency of the total plan or an asset class by increasing its return, decreasing its risk or achieving both. The Innovation portfolio returned 7.91 percent, outperforming its policy benchmark by 378 basis points (7.91 vs. 4.13 percent) for the fiscal year ending June 30, 2013. For more detailed information on the type and commitment size of strategies being incubated, refer to the Innovation & Risk – Quarterly Activity Reports in the Investments section of the CalSTRS website. In addition, the unit is building a fund-wide risk management process. This new framework will help CalSTRS monitor risk factors driving performance of the investment portfolio. The framework will help improve CalSTRS' investment process and provide tools to lessen the impact of a severe macroeconomic or market event.

Currency Management Program (Overlay)

The Currency Management Program, managed by the Fixed Income unit, is designed to address the global nature of all the fund's assets and attempts to add value on a fund-wide basis. The currency markets are some of the most liquid and volatile markets within which CalSTRS operates. The internally managed Core strategy performance was flat for the year while the Opportunistic external strategy added 87 basis points in value for the year. Some of this outperformance can be attributed to the managers taking advantage of a nearly 20 percent depreciation in the yen relative to the U.S. dollar over the fiscal year. Since inception, the Currency Management Program has added 58 basis points to the fund's value.

Home Loan Program (Stable Return)

The CalSTRS Home Loan Program, managed by the Investments Executive unit, was established by legislation in 1984 and provides the opportunity for home ownership to qualified participants, while meeting CalSTRS' investment goals by generating a mortgage asset. Mortgage originations were temporarily suspended on October 1, 2011. As of June 30, 2013, the Home Loan Program had total assets of $392.5 million.

Credit Enhancement (Stable Return)

CalSTRS enters into agreements with a number of domestic issuers of debt to provide credit support and/or liquidity support on specific debt obligations. In return, CalSTRS earns fee income for these commitments. As of June 30, 2013, the Credit Enhancement Program had commitments of approximately $1.5 billion and fee income earned during the fiscal year was approximately $11.8 million.

Inflation Sensitive

At the end of fiscal year 2012–13, the $710.4 million Inflation Sensitive portfolio represented 0.4 percent of the total fund with a short-term allocation goal of 2 percent. Global Inflation Protection Securities (Linkers) make up 42 percent of this asset class with the balance consisting of Infrastructure. The long-term allocation target for the Inflation Sensitive portfolio is 6 percent evenly allocated between Linkers and Infrastructure.

The Inflation Sensitive portfolio returned 2.19 percent for the fiscal year ending June 30, 2013. The Linkers portfolio had a negative return of –0.97 percent, which slightly outperformed its benchmark by 8 basis points. The Infrastructure portfolio, which holds its assets in limited partnership structures, returned –2.64 percent. This portfolio was very sensitive to cash flows and asset allocations made over the course of the year and even though the two components had negative returns for the year, in aggregate, the portfolio produced a positive return due to the variable change in weighted market value of the components during this period. Short-term results for the Infrastructure portion of this portfolio are not particularly significant, as performance expectations will be better measured over the long term as investments mature and achieve their full cash flow potential. Therefore, performance over a three- to five-year time period is a more appropriate measure of performance. Since the first infrastructure investment was made in April 2011, three- to five-year returns are not available. For more information about the Inflation Sensitive portfolio, visit CalSTRS.com/investments.

Fixed Income

At June 30, 2013, the Fixed Income portfolio had total assets of $27.8 billion representing 16.8 percent of the total fund. The Fixed Income unit operates a hybrid model portfolio that takes advantage of the benefits and efficiencies of both internal and external asset management. Eighty-three percent of the portfolio's assets are managed by internal staff in a core style with a moderate level of risk. The remaining 17 percent is managed by external managers with a higher level of risk and therefore a higher level of expected return. The Fixed Income portfolio outperformed its benchmark by 112 basis points (.92 percent vs. –.20 percent). The three, five, and 10-year returns were positive and have outperformed the benchmark by 66, 52 and 28 basis points, respectively. For further information, see the Fixed Income Quarterly Activity Report at CalSTRS.com/investments.

The Fixed Income unit manages two additional programs: Currency Management, which is discussed in the Overlay section, and Securities Lending discussed here.

Securities Lending Program

The Securities Lending Program is a low-risk strategy that allows the fund to use its existing asset base and lending expertise to generate additional income. Over the past year, demand to borrow "specials"—individual securities with larger spreads—continued to rise and was a large contributor to earnings for the period. However, as interest rates declined, cash collateral yields also fell during the fiscal year causing a decline in reinvestment opportunities. In addition, higher yielding securities matured and were reinvested at lower short-term interest rates. All of these factors led to lower reinvestment rates and lower overall securities lending returns. For the fiscal year ended June 30, 2013, the Securities Lending Program earned approximately $100.3 million in additional net income for the fund. For additional information on the Securities Lending Program, see the Fixed Income – Securities Lending Program 2012 Annual Report available at CalSTRS.com under Teachers' Retirement Board: Public Meeting Notices and Agendas, June 2013.

Table 4 **Largest Fixed Income Holdings as of June 30, 2013**
(CalSTRS maintains a complete list of portfolio holdings)

Issue	Maturity Date	Interest Rate	Par	Market Value	Average Cost	Unrealized Gain(Loss)
US TREASURY N/B	3/31/16	2.375%	380,000,000	$398,597,189	$398,288,141	$309,048
US TREASURY N/B	4/30/15	0.125	378,000,000	376,559,831	377,130,391	(570,560)
US TREASURY N/B	5/31/14	2.250	335,000,000	341,283,774	336,918,408	4,365,366
US TREASURY N/B	5/15/16	0.250	333,730,000	330,175,769	332,378,683	(2,202,914)
US TREASURY N/B	1/31/20	1.375	320,000,000	311,065,600	320,743,841	(9,678,241)
US TREASURY N/B	2/28/17	3.000	245,000,000	263,223,110	254,968,404	8,254,706
US TREASURY N/B	12/31/14	2.625	250,000,000	258,867,492	260,371,093	(1,503,601)
US TREASURY N/B	5/15/23	1.750	267,260,000	250,243,564	262,696,799	(12,453,235)
US TREASURY N/B	11/15/40	4.250	185,000,000	212,583,507	182,871,873	29,711,634
US TREASURY N/B	7/15/14	0.625	200,000,000	200,863,998	200,181,028	682,970

Private Equity

The Private Equity portfolio ended the June 30, 2013, fiscal year with a market value of $21.9 billion or 13.2 percent of the total fund. The portfolio consists of investments in limited partnerships that account for 94 percent of the allocation with the remaining assets consisting of co-investments.

Private equity is a long-term asset class with performance results influenced by various factors. As shown on Table 3, performance for the period ended June 30, 2013 was mid-single digit returns for the five-year time period and double digit returns for the one, three and 10-year periods. The program underperformed its benchmark for the one, three and five-year periods but significantly outperformed its benchmark for the 10-year period.

This mixed performance pattern relative to the program benchmark (for the shorter time periods) is attributable to several factors including: 1) a benchmark that is tied to the volatile public markets; 2) an over-concentration of limited partnership investments in the pre-financial crisis vintage years (2006–2008); and 3) continuing slow economic growth throughout much of the world.

For current information on the CalSTRS Private Equity portfolio, see the Private Equity business plan, quarterly and semiannual reports at CalSTRS.com/investments.

Real Estate

The Real Estate portfolio ended the fiscal year 2012-13 with a market value of $22.9 billion or 13.8 percent of the total fund. The portfolio holds real estate investments in limited partnership funds, joint ventures, separate accounts, and other investments which account for 45.7 percent, 37.6 percent, and 14.8 percent, respectively. Over the last three years, staff has emphasized an increase in joint ventures and separate accounts in order to increase control and lower fees. In addition, staff has emphasized an increase in investments in core assets over higher risk strategies.

Real Estate is a long-term asset with performance results influenced by various factors. As shown on Table 3, performance for the period ending June 30, 2013 has been very strong over the one and three year periods and has exceeded its benchmark. The positive returns are due to the general recovery of the real estate markets. The outperformance over the benchmark can be attributed to: 1) improved performance of value add assets, predominantly apartments: 2) higher leverage in the portfolio than the benchmark; and 3) high returns on recent investments that were purchased at distressed pricing. The suboptimal performance relative to the program benchmark in the five and 10-year period is attributable to other factors including: 1) a low-risk benchmark that is based on unleveraged core real estate that has outperformed higher risk investments; 2) an over-concentration of higher risk limited partnership investments in the pre-financial crisis vintage years between 2005–2008; and 3) high leverage on the underlying assets.

For current information on the CalSTRS Real Estate portfolio, see the Real Estate business plan, as well as the quarterly and semiannual reports, at CalSTRS.com/investments.

INVESTMENTS

Global Equity

At the end of fiscal year 2012–13, the $88.8 billion Global Equity portfolio represented 53.6 percent of the total fund. U.S. Equity accounted for 68 percent of the total equity allocation, while Non-U.S. Equity accounted for the remaining 32 percent.

The Global Equity portfolio returned 19.18 percent, outperforming its policy benchmark by 6 basis points (19.18 vs. 19.12 percent) for the fiscal year ending June 30, 2013. The relative outperformance was driven by the U.S. equity portfolio, which outperformed the Russell 3000 ex-tobacco ex-firearm Index by 9 basis points (21.84 percent vs. 21.75 percent). The Non-U.S. equity portfolio had a positive relative return, outperforming the MSCI ACWI ex-U.S. ex-tobacco ex firearm Index by 57 basis points (14.34 percent vs. 13.77 percent). For more information about the Global Equity portfolio, see the comprehensive Quarterly Investment Reports at CalSTRS.com/investments.

During fiscal year 2012–13, the Global Equity team focused on two key initiatives: 1) staff fully implemented a new trade and risk management system, Aladdin. This system automates trade order management, compliance, accounting and risk management oversight; 2) staff continues to carefully evaluate current and potential investment managers. Through this process, assets are rebalanced between investment managers to maximize the risk-adjusted return of the Global Equity portfolio.

Corporate Governance

During fiscal year 2012–13, CalSTRS staff voted on 66,670 proxy proposals submitted by 6,441 corporations that were held in the portfolio. The 66,670 proposals represented a 0.66 percent decrease from the 67,113 proposals voted on in 2011–12.

1. Election of Directors:

CalSTRS generally votes in favor of a director unless the proxy statement shows circumstances contrary to policy. Examples of such circumstances include: potential conflict of interest due to other directorships or employment; providing legal or investment banking advice; and poor board meeting attendance (less than 75 percent).

- Number voted: 18,444
- Voted for: 12,220 (66 percent)
- Voted against: 6,224 (34 percent)

2. Selection of Auditors:

CalSTRS will vote in favor of the independent auditors recommended by management unless the auditor provides services that run contrary to what CalSTRS policy allows. Examples of such services are: consulting; information system design and implementation; investment banking support; and excessive non audit fees (greater than 30 percent of the total fees billed).

Table 5 Largest Equity Holdings as of June 30, 2013
(CalSTRS maintains a complete list of portfolio holdings)

Issue	Shares	Market Value	Average Cost	Unrealized Gain (Loss)
EXXON MOBIL CORP	12,734,223	$1,150,537,048	$980,471,837	$170,065,211
APPLE INC	2,805,408	1,111,166,001	1,316,346,518	(205,180,517)
MICROSOFT CORP	25,588,150	883,558,820	746,272,305	137,286,515
JOHNSON + JOHNSON	8,684,573	745,657,438	553,749,594	191,907,844
CHEVRON CORP	6,256,667	740,413,973	595,722,415	144,691,558
GOOGLE INC CL A	809,807	712,929,789	496,923,259	216,006,530
GENERAL ELECTRIC CO	28,825,921	668,473,108	553,716,631	114,756,477
AT+T INC	17,614,379	623,549,017	561,419,730	62,129,287
INTL BUSINESS MACHINES CORP	3,218,516	615,090,593	578,308,568	36,782,025
PFIZER INC	21,762,523	609,568,269	490,256,680	119,311,589

- Number voted: 2,954
- Voted for: 2,677 (91 percent)
- Voted against: 277 (9 percent)

3. Compensation Plans (Stock Option Plans, Employee Stock Purchase Plans, etc.):

Companies provide a variety of compensation plans for executives, employees and nonemployee directors. Many of these plans provide for the issuance of long-term incentives to attract, reward and retain key employees. Compensation plans are evaluated based on CalSTRS Financial Executive Compensation Model Guidelines.

- Number voted: 1,320
- Voted for: 1,079 (82 percent)
- Voted against: 241 (18 percent)

4. Advisory Vote on Compensation:

More commonly known as say on pay, these are votes that provide shareholders the opportunity to ratify the compensation of the executives named in the proxy. CalSTRS votes on these proposals on a case-by-case basis.

- Number voted: 2,494
- Voted for: 2,144 (86 percent)
- Voted against: 350 (14 percent)

5. Approve Merger/Acquisition—Management:

CalSTRS evaluates mergers and acquisitions on a case-by-case basis using a total portfolio view.

- Number voted: 151
- Voted for: 145 (96 percent)
- Voted against: 6 (4 percent)

6. Corporate Actions/Corporate Governance Issues:

These are issues related to spin-offs, incorporation, stock issuance and stock splits. CalSTRS votes on these proposals on a case-by case basis.

- Number voted: 806
- Voted for: 606 (75 percent)
- Voted against: 200 (25 percent)

7. Miscellaneous Issues—Management:

CalSTRS will vote in favor of other miscellaneous business recommended by management unless the issue to be voted on is contrary to policy. These issues are voted on a case-by-case basis.

- Number voted: 481
- Voted for: 246 (51 percent)
- Voted against: 235 (49 percent)

8. Frequency of Advisory Vote on Compensation:

More commonly known as say-when-on-pay, this vote is a requirement of the Dodd Frank Act and allows shareholders to vote on the frequency of future advisory votes on compensation. Under the rule, shareholders can choose to vote every one-, two- or three-years. CalSTRS routinely supports annual say-on-pay votes.

- Number voted: 182
- One-year: 182 (100 percent)
- Two-year: 0
- Three-year: 0

9. Shareholder Proposals:

CalSTRS votes on a variety of shareholder proposals. Examples of the issues voted on include: removing classified boards of directors; requiring an independent board chair, eliminating poison pills; tying compensation plans to company performance; and requiring shareholder approval for large severance packages.

- Number voted: 502
- Voted for: 359 (72 percent)
- Voted against: 143 (28 percent)

The Corporate Governance unit continues to manage eight governance funds, accounting for a combined $3.5 billion in assets under management. All funds invest in governance-poor companies and engage management in securing governance and shareholder value improvement. For the year ending June 30, 2013, the Corporate Governance funds returned 28.33 percent.

INVESTMENTS

Cash Balance Benefit Program

The Cash Balance Benefit Program contributions were invested into pooled funds from inception in February 1997 through June 2001. Sixty percent of the contributions were allocated to the S&P 500 Portfolio and 40 percent to the Government Index Portfolio. Beginning July 2001, the program's contributions are invested in the California Teachers' Retirement Fund, excluding Private Equity and Real Estate investments. As of June 30, 2013, the market value was $188.5 million and the rate of return for the Cash Balance Benefit Program for the fiscal year was 13.90 percent.

Defined Benefit Supplemental Program

The Defined Benefit Supplement Program contributions were invested in the California Teachers' Retirement Fund, excluding Private Equity and Real Estate investments from January 2001 through June 2011. Beginning July 2011, the program's contributions were invested in the California Teachers Retirement total fund. As of June 30, 2013, the market value was $8.9 billion and the rate of return for the Defined Benefit Supplement Program for the fiscal year was 13.80 percent.

For further information on the Cash Balance Benefit Program or the Defined Benefit Supplement Program, see the supplemental program information at CalSTRS.com.

Table 6 Investment Summary for the Current and Previous Fiscal Year
(dollars in millions)

	June 30, 2012		June 30, 2013			
Portfolio Type	**Book Value**	**Net Asset Value**	**Book Value**	**Net Asset Value**	**% of Net Asset Value**	**Net Value Change**
Global Equity	$71,613	$75,058	$75,430	$88,769	53.6%	$13,711
Fixed Income	26,677	27,564	27,791	27,813	16.8%	249
Private Equity	22,347	22,589	21,647	21,878	13.2%	(711)
Real Estate	27,890	21,771	27,119	22,918	13.8%	1,147
Inflation Sensitive	308	315	697	710	0.4%	395
Overlay	580	618	982	1,037	0.6%	419
Cash	2,696	2,696	2,694	2,695	1.6%	(1)
Portfolio Total	**$152,111**	**$150,611**	**$156,360**	**$165,820**	**100%**	**$15,209**
Adjustments:[1]						
Securities Lending Collateral		23,690		23,216		
Accruals		1,674		1,693		
Cash & Cash Equiv		(1633)		(1,827)		
STRS PLAN ASSETS-INVESTMENTS		**$174,342**		**$188,902**		

Table 7 Schedule of Investment Expenses

July 1, 2012 through June 30, 2013 (dollars in thousands)

Investment Categories	Net Asset Value	Investment Expenses	Basis Points
Global Equity	$88,769,365	$102,896	11.6
Fixed Income	27,812,881	16,509	5.9
Private Equity	21,878,435	9,315	4.3
Real Estate	22,918,187	26,947	11.8
Inflation Sensitive	710,426	140	2.0
Overlay	1,036,737	12,593	**
Cash	2,694,868	559	2.1
Total Assets And Expenses	**$165,820,899**	**$168,959**	**10.2**

* Investment Expenses reflected in this table generally represent direct costs associated with investing. Certain indirect costs related to private assets, such as carried interest and management fees, are included on a best efforts basis and are not comprehensive.

**Overlay includes the Currency Management Program (CMP) which calculates basis points using notional values instead of net asset values.

Table 8 Global Equity Broker Commissions July 1, 2012 Through June 30, 2013

Broker Name	Commission	Shares	Commission Per Share
JP Morgan	$2,858,725	379,434,168	$0.008
Citigroup	2,174,791	435,231,694	0.005
UBS AG	1,844,904	307,602,215	0.006
Credit Suisse First Boston	1,649,276	200,859,872	0.008
Merrill Lynch	1,647,885	163,184,101	0.010
Goldman Sachs	1,319,279	176,968,248	0.007
State Street Bank and Trust Company	1,196,218	168,038,312	0.007
Deutsche Bank	1,035,335	160,910,140	0.006
Instinet	962,622	79,214,926	0.012
Barclays Capital	884,160	80,826,421	0.011
Other Brokers	9,087,723	820,646,324	0.013
TOTAL COMMISSIONS	**$24,660,918**	**2,972,916,421**	**$0.008**