

Management’s Discussion and Analysis (Continued)

accounting policies, management’s use of estimates, information regarding the implementation of new accounting pronouncements, and other significant accounting policies.

- Note 3 describes deposits, investment risk disclosures, and additional information about cash, securities lending, and derivatives.
- Note 4 explains property and equipment of URS including depreciation and net carrying amounts.
- Note 5 provides information about net pension liability of employers.
- Note 6 provides information about contributions to the defined benefit systems administered by URS.
- Note 7 explains transfers to or from affiliated systems.
- Note 8 describes supplemental benefits.
- Note 9 provides information about litigation.
- Note 10 describes commitments for investment funding.
- Note 11 provides information about pension plan participation.
- Note 12 provides information about URS post-employment benefits.
- Note 13 describes compensated absences and insurance reserves.
- Note 14 describes required supplementary information.
- Note 15 provides information about risk management of URS.
- Note 16 provides information about real estate liabilities.

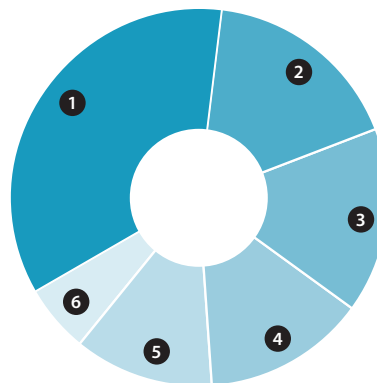
### 3) Required Supplementary Information

The required supplementary information consists of four schedules of changes of employers’ net pension liability, employers’ net pension liability, employer contributions, and the money-weighted rate of investment returns of the defined benefit pension systems administered by URS.

### 4) Other Supplementary Schedules

Other schedules include more detailed information pertaining to the Systems and Plans as well as schedules of administrative expenses.

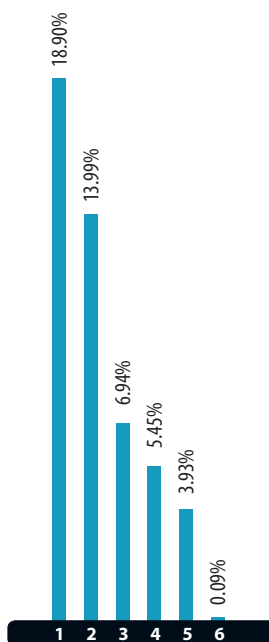
### Defined Benefit Systems Investments at Fair Value



1 Equity Securities (35.5%)    4 Real Assets (14.0%)  
 2 Absolute Return (17.2%)    5 Private Equity (11.8%)  
 3 Debt Securities (15.7%)    6 Short Term (5.8%)

### Defined Benefit Systems Investment Rates of Return by Investment Type for 2014

(in percents)



1 Private Equity  
 2 Real Assets  
 3 Debt Securities  
 4 Absolute Return  
 5 Equity Securities  
 6 Short Term



## Financial Analysis of the Systems — Defined Benefit Plans

### Investments

Investments of the URS Defined Benefit Systems are combined in a commingled investment pool as authorized by state statute. Each system owns an equity position in the pool and receives proportionate investment income from the pool in accordance with each respective ownership percentage.

Each system's allocated share of each type of investment in the pool is shown in the Combined Statements of Net Position. Investment gains or losses are reported in the Combined Statements of Changes in Fiduciary Net Position. The rate of return on investments is therefore approximately the same for each of the systems.

#### Systems' Total Investments —

As of December 31, 2014, URS Defined Benefit Systems had total net position of \$26.6 billion, an increase of \$1.5 billion from calendar year 2013 investment totals. The combined investment portfolio experienced a return of 7.52% compared with the URS investment benchmark return of 6.01%. Investment results over time compared with URS benchmarks are presented on page 117 in the Investment Section.

Because the investment gain in all of the retirement systems was about 7.52% of net position, further investment performance will not be evaluated in each respective system.

**Equity Securities** — As of December 31, 2014, URS Defined Benefit Systems held \$9.6 billion in U.S. and international equity securities, a decrease of \$97.8 million from year 2013. Equity securities had a return of 3.93% for calendar year 2014 compared with the URS benchmark return of 3.94%.

**Debt Securities** — As of December 31, 2014, URS Defined Benefit Systems held \$4.2 billion in U.S. debt and international debt securities, an increase of \$118.6 million from year 2013. Debt securities returned 6.94% in calendar year 2014 compared with the URS benchmark return of 7.07%.

**Real Assets** — As of December 31, 2014, URS Defined Benefit Systems held \$3.8 billion in real assets investments, an increase of \$633.3 million from year 2013. Real assets

investments returned 13.99% in calendar year 2014 compared with the URS benchmark return of 5.33%.

**Private Equity** — As of December 31, 2014, URS Defined Benefit Systems held \$3.2 billion in private equity investments, an increase of \$330.4 million from year 2013. Private equity investments returned 18.90% in calendar year 2014. The URS benchmark for private equity investments was 15.90%.

**Short Term** — As of December 31, 2014, URS Defined Benefit Systems held \$1.6 billion in short-term investments, a decrease of \$139.1 million from year 2013. Short-term investments returned 0.09% in calendar year 2014 which compared with the URS benchmark return of 0.03%.

**Absolute Return** — As of December 31, 2014, URS Defined Benefit Systems held \$4.6 billion in absolute return investments, an increase of \$345.2 million from year 2013. Absolute return investments returned 5.45% in calendar year 2014 compared with the URS benchmark return of 5.03%.

**Securities Lending** — The Systems earn additional investment income by lending investment securities to brokers. This is done on a pooled basis by URS' custodial bank, The Northern Trust Company (TNT). The brokers provide collateral to TNT and generally use the borrowed securities to cover short sales and failed trades. TNT invests the cash collateral received from the brokers in order to earn interest. As of December 31, 2014, the Systems had \$2.2 billion on loan secured by collateral of \$2.3 billion. For calendar year 2014, net securities lending income to the Systems amounted to \$8.8 million, an increase of \$117 thousand over calendar year 2013. The increase in security lending revenue for year 2014 represents mainly an increase in demand by brokers to borrow available securities.