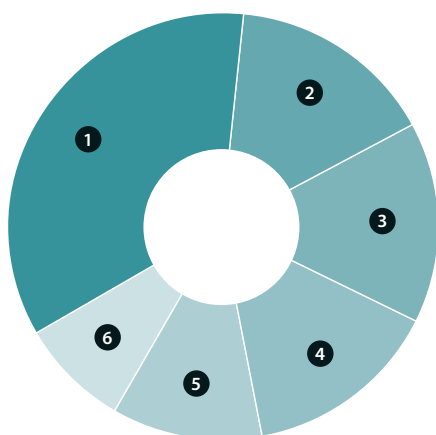


**Defined Benefit
Systems Investments
at Fair Value**



- 1 Equity Securities (35.2%)
- 2 Absolute Return (15.6%)
- 3 Debt Securities (15.0%)
- 4 Real Assets (14.7%)
- 5 Private Equity (11.3%)
- 6 Short Term (8.2%)

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 Statements of Net Position. Investment gains or losses are reported in the 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, 2016, URS Defined Benefit Systems had total net position of \$28.5 billion, an increase of \$1.9 billion from calendar year 2015 investment totals. The combined investment portfolio experienced a return of 8.79% compared with the URS investment benchmark return of 7.62%. Investment results over time compared with URS benchmarks are presented on page 134 in the Investment Section.

Because the investment gain in all of the retirement systems was about 8.79% of net position, further investment performance will not be evaluated in each respective system.

Equity Securities

As of December 31, 2016, URS Defined Benefit Systems held \$10.2 billion in U.S. and international equity securities, an increase of \$1.0 billion from year 2015. Equity securities had a return of 11.17% for calendar year 2016 compared with the URS benchmark return of 8.39%.

Debt Securities

As of December 31, 2016, URS Defined Benefit Systems held \$4.4 billion in U.S. debt and international debt securities, an increase of \$74.8 million from year 2015. Debt securities returned 4.62% in calendar year 2016 compared with the URS benchmark return of 4.71%.

Real Assets

As of December 31, 2016, URS Defined Benefit Systems held \$4.3 billion in real assets investments, an increase of \$243.6 million from year 2015. Real assets investments returned 11.32% in calendar year 2016 compared with the URS benchmark return of 6.99%.

Private Equity

As of December 31, 2016, URS Defined Benefit Systems held \$3.3 billion in private equity investments, an increase of \$76.1 million from year 2015. Private equity investments returned 9.12% in calendar year 2016. The URS benchmark for private equity investments was 16.07%.

Management’s Discussion and Analysis (Continued)

Short Term

As of December 31, 2016, URS Defined Benefit Systems held \$2.4 billion in short-term investments, an increase of \$162.4 million from year 2015. Short-term investments returned 0.54% in calendar year 2016 which compared with the URS benchmark return of 0.33%.

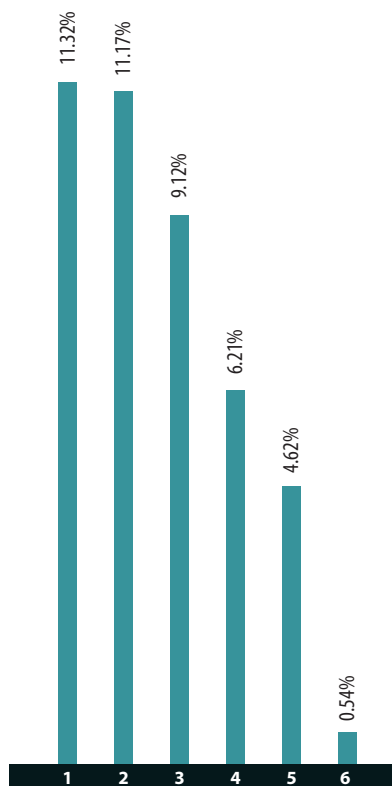
Absolute Return

As of December 31, 2016, URS Defined Benefit Systems held \$4.5 billion in absolute return investments, an increase of \$367.5 million from year 2015. Absolute return investments returned a 6.21% in calendar year 2016 compared with the URS benchmark return of 5.33%.

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, 2016, the Systems had \$658 million on loan secured by collateral of \$699 million. For calendar year 2016, net securities lending income to the Systems amounted to \$8.0 million, a decrease of \$1.1 million over calendar year 2015. In order to mitigate risk, security lending was restricted to high yield low risk lending which resulted in lower revenue for 2016.

Defined Benefit Systems Investment Rates of Return by Investment Type for 2016
(in percents)



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

