MCKESSON CORP
Form 11-K
September 22, 2015

File No. 001-13252
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2015
OR
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________
A. Full title of the plan and address of the plan, if different from that of the issuer named below:
McKesson Corporation Profit-Sharing Investment Plan
B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
McKesson Corporation
McKesson Plaza
One Post Street, San Francisco, CA 94104
Telephone (415) 983-8300

McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
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All other schedules required by Section 2520.103-10 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Participants of the
McKesson Corporation Profit-Sharing Investment Plan:

We have audited the accompanying statements of net assets available for benefits of McKesson Corporation Profit-Sharing Investment Plan (the "Plan") as of March 31, 2015 and 2014, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of March 31, 2015 and 2014, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The supplemental schedule of assets (held at end of year) as of March 31, 2015 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including the form and content, is presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, such schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Deloitte & Touche LLP

San Francisco, California
September 21, 2015

McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
(In thousands)

	March 31, 2015 Participant-Directed	Non-Participant Directed	Plan Total	2014 Participant-Directed	Non-Participant Directed	Plan Total
ASSETS						
Cash and Cash Equivalents	$—	$ 7,285	$7,285	$—	$ 6,158	$6,158
Investments at Fair Value:						
Mutual funds	—	—	—	107,582	—	107,582
Fidelity BrokerageLink	224,960	—	224,960	203,150	—	203,150
Common/collective trusts	1,808,939	—	1,808,939	1,370,090	—	1,370,090
Separately managed accounts	732,216	—	732,216	662,322	—	662,322
BNY Mellon Stable Value Portfolio	250,161	—	250,161	242,692	—	242,692
McKesson Corp. common stock:						
Employer Stock Fund	—	831,913	831,913	—	733,439	733,439
Employee Stock Fund	294,797	—	294,797	221,170	—	221,170
Total Investments at Fair Value	3,311,073	831,913	4,142,986	2,807,006	733,439	3,540,445
Receivables:						
Notes receivable from participants	47,984	—	47,984	44,759	—	44,759
Employer contributions	5,806	—	5,806	3,956	—	3,956
Due from broker for securities sold	—	1	1	—	94	94
Total Receivables	53,790	1	53,791	48,715	94	48,809
Total Assets	3,364,863	839,199	4,204,062	2,855,721	739,691	3,595,412
LIABILITIES						
Accrued other	—	405	405	275	213	488
Total Liabilities	—	405	405	275	213	488
Net Assets Available for Benefits at Fair Value	3,364,863	838,794	4,203,657	2,855,446	739,478	3,594,924
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(6,011)	—	(6,011)	(3,348)	—	(3,348)
Net Assets Available for Benefits	$3,358,852	$ 838,794	$4,197,646	$2,852,098	$ 739,478	$3,591,576

See Financial Notes

McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
(In thousands)

	Years Ended March 31,					
	2015			2014		
	Participant-Directed	Non-Participant Directed	Plan Total	Participant-Directed	Non-Participant Directed	Plan Total
INVESTMENT INCOME						
Net appreciation in fair value of investments	$266,131	$ 193,106	$459,237	$409,006	$ 304,763	$713,769
Dividends and interest	23,283	3,737	27,020	22,603	4,070	26,673
Total Investment Income	289,414	196,843	486,257	431,609	308,833	740,442
SECURITIES LITIGATION SETTLEMENT PROCEEDS	—	—	—	1,120	—	1,120
CONTRIBUTIONS						
Participants	185,472	—	185,472	166,636	—	166,636
Employer	81,420	—	81,420	71,124	—	71,124
Total Contributions	266,892	—	266,892	237,760	—	237,760
DEDUCTIONS						
Benefits paid to participants	281,514	65,266	346,780	249,912	52,372	302,284
Administrative expenses	944	101	1,045	971	61	1,032
Total Deductions	282,458	65,367	347,825	250,883	52,433	303,316
Increase in Net Assets Before Transfers and Mergers	273,848	131,476	405,324	419,606	256,400	676,006
Transfers to participant-directed investments	32,160	(32,160)	—	34,021	(34,021)	—
Merger of net assets from other plans	200,746	—	200,746	31,097	—	31,097
Increase in Net Assets	506,754	99,316	606,070	484,724	222,379	707,103
Net Assets Available for Benefits at Beginning of Year	2,852,098	739,478	3,591,576	2,367,374	517,099	2,884,473
Net Assets Available for Benefits at End of Year	$3,358,852	$ 838,794	$4,197,646	$2,852,098	$ 739,478	$3,591,576

See Financial Notes

McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
FINANCIAL NOTES

1. Plan Description

The following description of the McKesson Corporation Profit-Sharing Investment Plan (the “PSIP” or the “Plan”) is provided for general informational purposes only. Participants should refer to the Plan document for more complete information. The PSIP is a defined contribution plan covering all persons who have completed two months of service and are regular or part-time employees or are casual or temporary employees who have completed a year of service in which they worked at least 1,000 hours in a year at McKesson Corporation (the “Company” or “McKesson” or “Plan Sponsor”) or a participating subsidiary, except seasonal and collectively bargained employees (unless the collective bargaining agreement provides for participation). The Plan year is April 1 through March 31. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). The Company controls and manages the operation and administration of the Plan.

Fidelity Management Trust Company (“Fidelity”) is the trustee and record-keeper of the Plan.

The Plan is comprised of participant-directed and non-participant directed investments, as described below:

A. Participant-Directed Investments

Contributions: The Plan qualifies as a safe harbor plan as described in Internal Revenue Code (the “Code”) Sections 401(k) (12) and 401(m) (11). Participants may make pre-tax and/or Roth 401(k) contributions from 1% to 75% of eligible pay, limited to $18,000 and $17,500 for calendar years 2015 and 2014, respectively. Participants 50 years of age or older may also elect to make additional pre-tax and/or Roth 401(k) catch-up contributions of up to 75% of pay, limited to $6,000 and $5,500 for calendar years 2015 and 2014, respectively. Total employer and employee contributions are limited to the lesser of $53,000 and $52,000 for the Plan years ended March 31, 2015 and 2014, respectively, or 100% of taxable compensation. Participants may also contribute amounts representing distributions from other eligible retirement plans.

Participant Accounts: Individual accounts are maintained for each Plan participant. Each participant’s account is credited with the contributions and an allocation of earnings and charged with withdrawals and an allocation of losses and administrative expenses paid by the Plan. Allocations are based on participant earnings, or account balances, as defined in the Plan document. The participant is entitled to a benefit upon separation from employment based upon the vested portion of the participant's account.

Vesting: Participant contributions and earnings are 100% vested at all times.

Investment Options: Upon enrollment in the PSIP, a participant may direct contributions in 1% increments to any of the investment options offered under the Plan and change their investment options at any time. At March 31, 2015, the Plan allows participants to direct their accounts into any one or combination of the following investment options:

- PSIP International Equity Portfolio is comprised of two common/collective trusts at March 31, 2015: 20% of the portfolio is invested in the Eaton Vance Parametric Emerging Markets Equity Commingled Fund and 80% of the portfolio is invested in the Fidelity® Diversified International Commingled Pool, which replaced the Fidelity Diversified International Fund - Class K (KDIKX) Mutual Fund during the year ended March 31, 2015.
- Fidelity BrokerageLink is an investment option that provides access to a self-directed brokerage account.
- SSgA Bond Index Fund is a commingled pool that seeks to provide investment results that correspond to the return of the Barclays Capital U.S. Aggregate Bond Index. This is a common/collective trust.
- SSgA S&P 500 Index Fund is a commingled pool that seeks to provide investment results that correspond to the return of the S&P 500 Index. This is a common/collective trust.
- Vanguard Target Retirement Trusts are 12 commingled pool options designed for investors expecting to retire around the year indicated in each option’s name. The trusts, which are the Plan’s default investment options, are managed to gradually become more conservative over time. These options are common/collective trusts.
- Fisher Investments Small Cap Value Portfolio invests primarily in stocks of value companies that are part of the Russell 2000 Value Index. This is a separately managed account.
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PSIP Small Cap Growth Portfolio invests primarily in smaller growth U.S. companies that demonstrate the potential to meet certain strategic growth expectations as established by Weatherbie Capital, LLC, the investment manager. This is a separately managed account.

McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
FINANCIAL NOTES (Continued)

- Dodge & Cox Large Cap Value Portfolio primarily invests in the stock of large companies where the fund manager believes the long-term earnings prospects are not reflected in the current prices. This is a separately managed account.
- PSIP Large Cap Growth Portfolio is comprised of two separately managed accounts which invest primarily in the stock of large U.S. companies - 65% of the portfolio is managed by J.P. Morgan Asset Management, and 35% is managed by Brown Advisory.
- BNY Mellon Stable Value Portfolio (the "Stable Value Portfolio") invests in fixed income investments, insurance wrap contracts, and guaranteed investment contracts ("GICs"). This is a separately managed account.
- McKesson Employee Stock Fund (the "Employee Stock Fund") primarily represents investments in Company common stock with participant contributions and transfers from the McKesson Employer Stock Fund. See description of McKesson Employer Stock Fund in Section B, Non-Participant Directed Investments.

Loans: Participants may apply for one loan from the Plan at a time. The total amount loaned to an individual participant cannot exceed the lowest of: (i) 50% of such participant's vested account balance, (ii) $50,000 less the participant's highest outstanding loan balance under the PSIP in the 12 months preceding the loan date, or (iii) the value of the participant's account attributable to pre-tax, Roth, after-tax, catch-up, and rollover contributions. Most loans bear interest at the then current prime rate of interest on the loan date plus 1%. Loan interest rates ranged from 4.25% to 10.50% at March 31, 2015 and 2014. Generally, loans may be repaid over a period not to exceed five years, except for residential home loans, which may be repaid over a term not to exceed ten years. Certain loans under qualified plans of acquired companies that were merged into the Plan may have longer repayment terms. Principal repayments and interest are paid through payroll deduction. For participants who have been terminated or are on leave and are no longer receiving a paycheck, loan repayments may be made by electronic fund transfer or check. Notes receivable from participants totaled $47,984,000 and $44,759,000 at March 31, 2015 and 2014, respectively.

Payment of Benefits: Participants have the right to receive a full or partial distribution of their vested PSIP account balance at the time of retirement, death, disability, or termination of employment. In general, when requested by a participant, benefit payments are made in a lump sum cash amount, but participants also may elect a distribution in-kind in the form of McKesson common stock and/or in the form of installments. The Plan also provides for in-service withdrawals on account of financial hardship or attainment of age 59½. In service distributions cannot exceed a participant's vested account balance less applicable tax withholdings and penalties. Former employees may remain participants in the Plan and continue directing their investments without taking a distribution until age 70½.

Transfers from Other Qualified Plans: During the year ended March 31, 2015, $200,746,000 of net assets from the PSS World Medical, Inc. Savings Plan was merged into the PSIP. PSS World Medical, Inc., the sponsor of the PSS World Medical, Inc. Savings Plan, was acquired by McKesson in February 2013. During the year ended March 31, 2014, net assets from the MED3000 401(k) Plan totaling $31,097,000 were merged into the Plan. MED3000 Group, Inc., the sponsor of the MED3000 401(k) Plan, was acquired by McKesson in 2012.

B. Non-Participant Directed Investments

General: The McKesson Employer Stock Fund consists of an Employee Stock Ownership Plan ("ESOP") with shares of McKesson common stock that were allocated to participants through employer matching contributions made prior to April 2009 and not yet directed to other investment options by the participants. This fund is classified as "non-participant directed" because only the Company has the ability to direct contributions into this fund. Participants have the ability to transfer contributions from this fund to participant-directed investments, including the Employee Stock Fund. Total transfers to participant-directed investments for the years ended March 31, 2015 and 2014 were $32,160,000 and $34,021,000, respectively.

On October 9, 2009, the Plan received its share of the Consolidated Securities Litigation Action settlement proceeds as described in Note 7. Approximately $77 million of the proceeds was attributable to unallocated shares (the "Unallocated Proceeds") of McKesson common stock held by the Plan in an ESOP suspense account. The receipt of the Unallocated Proceeds by the Plan was a reimbursement for the loss in value of the Company's common stock held by the Plan in its ESOP suspense account during the Consolidated Securities Litigation Action class-holding period and not a contribution made by the Company to the Plan or ESOP. In accordance with Plan terms, in April 2010, the entire

$77 million of Unallocated Proceeds was allocated to all current Plan participants to fulfill the Plan's obligation for the year. Of the $77 million in Unallocated Proceeds, the Plan allocated $51 million to the ESOP as a matching contribution and $26 million as a discretionary contribution. In October 2011, the Plan received and allocated $1 million to participant-directed accounts.

McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
FINANCIAL NOTES (Continued)

In October 2013, the Plan received and allocated to participant-directed accounts an additional $1,120,000 in residual settlement proceeds. There were no settlement proceeds received by the Plan during the year ended March 31, 2015.

C. Other

Employer Matching Contributions to Participant Accounts: Each pay period, the Plan provides for Company matching contributions to all participants who make elective deferrals in an amount equal to 100% of the first 3% of pay contributed as elective deferrals to the Plan and 50% of the next 2% of pay contributed as elective deferrals to the Plan. An additional annual matching contribution may be allocated to Plan participants at the discretion of the Company. The Plan also provides for a true-up matching employer contribution in an amount equal to the difference between (1) a participant's matching contributions determined based on the participant's compensation and eligible contributions for the entire Plan year and (2) the amount of the participant's matching contributions actually contributed to the Plan for the Plan year. Employer matching contributions were $81,420,000 and $71,124,000 for the years ended March 31, 2015 and 2014, respectively.

Vesting: In general, for the Plan years ended March 31, 2015 and 2014, employer contributions were 100% vested immediately. Dividends automatically reinvested in McKesson common stock are also 100% vested at all times. Certain participants from plans that were merged into the Plan may receive employer contributions that maintain their original vesting schedules.

Forfeitures: A rehired employee who has met certain levels of service prior to termination may be entitled to have previously forfeited amounts in the PSIP reinstated. Each Plan year, forfeited amounts are used to reinstate previously forfeited amounts of rehired employees, to pay other Plan administrative expenses, or to reduce employer contributions.

For the years ended March 31, 2015 and 2014, forfeitures from non-vested accounts of $107,000 and $34,000, respectively, were utilized to reduce employer contributions. At March 31, 2015 and 2014, forfeited non-vested accounts were $121,000 and $109,000, respectively.

Diversification out of McKesson Employer Stock Fund and McKesson Employee Stock Fund: Participants may divest their accounts of McKesson common stock and invest in other investment funds at any time without restriction.

Payment of Benefits: Distributions are made only upon a participant's retirement, death (in which case, payment shall be made to the participant's beneficiary), or other termination of employment with the Company and its affiliates. Distributions are made in cash, or if a participant elects a distribution in-kind, in the form of Company common stock plus cash for any fractional share.

McKesson Employer Stock Fund: The following is information regarding the allocated shares of McKesson common stock, at fair value, held as of March 31 (in thousands):

2015			2014		
Number of Shares	Cost Basis	Fair Value of Shares	Number of Shares	Cost Basis	Fair Value of Shares
3,678	$133,179	$831,913	4,154	$150,359	$733,439

The per share fair value of McKesson common stock at March 31, 2015 and 2014 was $226.20 and $176.57, respectively.

2. Significant Accounting Policies

Basis of Accounting: The financial statements of the Plan are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Investments held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts. The contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Statement of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

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McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
FINANCIAL NOTES (Continued)

Cash and Cash Equivalents: The Plan considers all highly liquid debt instruments with remaining maturities of less than three months at the date of purchase to be cash equivalents.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires Plan management to make estimates and assumptions that affect the reported amount of net assets available for benefits and changes therein. Actual results could differ from those estimates.

Risks and Uncertainties: The Plan maintains various investment options including mutual funds, Fidelity BrokerageLink, common/collective trusts, separately managed accounts, BNY Mellon Stable Value Portfolio, and McKesson common stock. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment Valuation and Income Recognition: The Plan’s investments are stated at fair value or Net Asset Value ("NAV") as a practical expedient for fair value. Fair value of a financial instrument is 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. Investments in mutual funds are stated at quoted market prices, which represent the NAV of shares held by the Plan at year-end. Investments entered into through Fidelity BrokerageLink are primarily stated at quoted market prices. Investments in common/collective trusts are stated at NAV. Interests in separately managed accounts are valued based on the underlying net assets, which are actively traded and primarily valued using quoted market prices. Within the BNY Mellon Stable Value Portfolio, traditional GICs are stated at estimated fair value using discounted cash flows. Fixed maturity synthetic GICs, constant duration synthetic GICs, and separate account GICs are stated at estimated fair value based on the fair values of their underlying fixed income assets. Short term investment funds (“STIF”) represent a fund’s cash balance equal to NAV at $1, the face value of cash.

Shares of McKesson common stock are valued at quoted market prices on March 31, 2015 and 2014. Certain administrative expenses are allocated to the individual investment options based upon daily balances invested in each option and are reflected as a reduction of net appreciation in fair market value of investments. Consequently, these management fees and operating expenses are reflected as a reduction of investment return for such investments. All other activities are recorded in the Plan based on the elections of the individual participants in the Plan. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan’s gains and losses on investments bought and sold as well as held during the year.

Administrative Expenses: Administrative expenses of the Plan are paid by the Plan. The Company, in its discretion, may pay all, a portion, or none of such expenses from time to time.

Benefits: Benefits are recorded when paid.

Notes Receivable: Notes receivable from participants are valued at the unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are recorded as distributions based on the terms of the Plan document.

New Accounting Pronouncements: In July 2015, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2015-12, Plan Accounting: (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient, which amends Accounting Standards Codification (“ASC”) 960, Plan Accounting – Defined Benefit Pension Plans, ASC 962, Plan Accounting – Defined Contribution Pension Plans, and ASC 965, Plan Accounting – Health and Welfare Benefit Plans. Part I and Part II of the ASU simplify financial reporting requirements for benefit plans by eliminating or reducing certain investment disclosures. Part III provides an alternative method for measuring investments for plans having fiscal year-ends that do not fall on a month-end date. The new guidance is effective for reporting periods beginning after December 15, 2015 and shall be applied retrospectively for Part I and Part II and prospectively for Part III. Only Part I and Part II are applicable to the Plan. Upon adoption, the amended guidance is expected to have an impact on certain investment disclosures and no impact on net assets available for benefits.

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McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
FINANCIAL NOTES (Continued)

In May 2015, the FASB issued ASU No. 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent), which amends ASC 820, Fair Value Measurement. Under this ASU, the carrying values of investments measured using the NAV per share practical expedient are no longer required to be categorized within the fair value hierarchy. The ASU also eliminates certain disclosure requirements for investments that are eligible for fair value measurement using the NAV per share practical expedient. The new guidance is effective for reporting periods beginning after December 15, 2016 and shall be applied retrospectively. Upon adoption, the amended guidance is expected to have a limited impact on certain fair value disclosures and no impact on net assets available for benefits.

3. Investments

The fair values of individual investments that represent 5% or more of the Plan's net assets at March 31 were as follows (in thousands):

	2015	2014
McKesson Corporation Stock (Employer and Employee Stock Fund) *	$1,126,710	$954,609
SSgA S&P 500 Index Fund	471,335	422,815
Dodge & Cox Large Cap Value Portfolio **	274,198	259,856
BNY Mellon Stable Value Portfolio **	250,161	242,692
PSIP Large Cap Growth Portfolio **	243,439	209,111
Fidelity BrokerageLink **	224,960	203,150

* Non-participant directed and participant-directed
** None of the underlying investments in the account exceed 5% of net assets available for benefits

The Stable Value Portfolio contains investment contracts with insurance companies and financial institutions with the objective of providing participants a stable return on investment and protection of principal from changes in market interest rates.

Traditional GICs are unsecured general account obligations of insurance companies. The obligation is backed by the general account assets of the insurance company that writes the investment contract. The traditional GIC crediting rate is based upon the rate that is agreed to when the insurance company writes the contract and is generally fixed for the life of the contract.

Separate account GICs are group annuity contracts that pay a rate of return that is reset periodically (typically quarterly), offer book value accounting, and provide benefit responsiveness for participant-directed withdrawals. The crediting rate reflects the experience of assets that are separated from the insurance company's general account assets. The liabilities associated with an insurance company separate account are paid from the assets held in that separate account. The insurance company's general account assets back the separate accounts to fulfill separate account obligations. Separate account assets cannot be used to satisfy general account liabilities. The fair value of the wrap contract is the present value of the wrap cost applying replacement fees less the present value of the wrap cost applying current contractual fees. The replacement fees are determined by a pricing matrix that incorporates the current underwriting standards used by issuers.

Fixed maturity synthetic GICs consist of an asset or pool of assets that are owned by the fund (or plan) and a benefit-responsive, book value wrap contract purchased for the portfolio. The wrap contract provides contract value accounting for the asset and assures that contract value, benefit-responsive payments will be made for participant-directed withdrawals.

Constant duration synthetic GICs consist of a portfolio of securities owned by the fund (or plan) and a benefit-responsive, book value wrap contract purchased for the portfolio. The wrap contract amortizes gains and losses of the underlying securities over the portfolio duration and assures that contract value payments will be made for participant-directed withdrawals.

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McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
FINANCIAL NOTES (Continued)

The fixed maturity synthetic and constant duration synthetic GICs use wrap contracts in order to manage market risks and to alter the return characteristics of the underlying portfolio of securities owned by the Stable Value Portfolio to match certain fund objectives. There are no reserves against these contract values for credit risk of the contract issuer or otherwise. For both fixed maturity synthetic and constant duration synthetic GICs, the fair values of wrap contracts provided by issuers are valued using the combination of a cost and income approach. The methodology uses the cost approach to determine the replacement value of each contract based on a pricing matrix at March 31, 2015 and 2014. The methodology then uses the income approach to determine the present value of the fee payments related to the contract, using both the current contractual fees and the replacement fees generated by the matrix pricing. The fee payments over the duration of the contract are discounted by using comparable duration swap rates. The carrying value of the contract is the present value of the wrap cost applying replacement fees less the present value of the wrap cost applying current contractual fees.

The initial crediting rates for both the fixed maturity synthetic and constant duration synthetic GICs are established based on the market interest rates at the time the initial asset is purchased and are guaranteed to have an interest crediting rate of not less than zero percent. The fixed maturity synthetic GIC crediting rate is set at the start of the contract and typically resets on a quarterly basis. The constant duration synthetic GIC crediting rate resets every quarter based on the contract value, the market yield to maturity, the market value, and the average duration of the underlying assets. The crediting rate for constant duration synthetic GICs aims at converging the contract value with the market value; therefore, it will be affected by interest rate and market changes.

It is probable that withdrawals and transfers resulting from the following events will limit the ability of the portfolio to transact at book or contract value. Instead, fair value will likely be used in determining the payouts to the participants, should any of the following occur:

- Employer-initiated events — events within the control of the Plan or the Plan Sponsor which would have a material and adverse impact on the fund
- Employer communications designed to induce participants to transfer from the fund
- Competing fund transfer or violation of equity wash or equivalent rules in place
- Changes of qualification status of employer or Plan

Issuers may terminate the GICs and settle at other than contract value if there is a change in the qualification status of employer or Plan, a breach of material obligations under the contract, misrepresentation by the contract holder, or failure of the underlying portfolio to conform to the pre-established investment guidelines.

The average yield of the entire Stable Value Portfolio based on actual earnings was 2.08% and 2.00% at March 31, 2015 and 2014, respectively. The average yield of the portfolio based on the interest rate credited to participants was 2.01% and 1.89% at March 31, 2015 and 2014, respectively. To calculate the yield, the amount credited to participants for the last day of the period is annualized and divided by the fair value of the investment portfolio on that date.

As required by ASC 962-325-35, Plan Accounting – Defined Contribution Pension Plans, the Stable Value Portfolio is presented in the Statements of Net Assets Available for Benefits at fair value in the investments total and adjusted to contract value in determining the net assets available for benefits.

McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
FINANCIAL NOTES (Continued)

The portfolio holdings in the BNY Mellon Stable Value Portfolio as of March 31 are shown below (in thousands):

	2015			
	Rating S&P/Moody's *	Investment at Fair Value	Wrap Contract at Fair Value	Adjustment to Contract Value
Cash/Cash Equivalents:				
Fidelity Management Trust Company (STIF)	Cash/Cash	$6,065	$—	$ —
Traditional GIC:				
Metropolitan Life Insurance Company	AA-/Aa3	4,037	—	(3)
Fixed Maturity Synthetic GIC:				
American General Life	AA+/Aaa	24,978	(15)	(183)
Constant Duration Synthetic GIC:				
Pacific Life	AA/Aa2	52,154	17	(1,792)
RGA Reinsurance Company	AA/Aa2	21,200	—	(587)
Prudential	AA/Aa1	53,873	19	(1,840)
Transamerica Premier Life	AA/Aa2	45,013	(30)	(855)
Separate Account GIC:				
New York Life	AA+/Aaa	21,892	—	(593)
Voya Retirement Insurance & Annuity Company	A/A2	20,958	—	(158)
Total		$250,170	$(9)	$ (6,011)

	2014			
	Rating S&P/Moody's *	Investment at Fair Value	Wrap Contract at Fair Value	Adjustment to Contract Value
Cash/Cash Equivalents:				
Fidelity Management Trust Company (STIF)	Cash/Cash	$4,376	$—	$ —
Traditional GIC:				
Metropolitan Life Insurance Company	AA-/Aa3	4,034	—	—
Fixed Maturity Synthetic GIC:				
American General Life	AA+/Aaa	21,657	(19)	(287)
Constant Duration Synthetic GIC:				
Pacific Life	AA/Aa2	50,362	—	(1,228)
RGA Reinsurance Company	AA/Aa2	15,517	(5)	(356)
Prudential	AA/Aa1	61,524	—	(897)
Monumental Life (Aegon)	AA/Aa2	43,480	(45)	(151)
Separate Account GIC:				
ING Life & Annuity Company	A-/A3	20,573	—	(42)
New York Life	AA+/Aaa	21,238	—	(387)
Total		$242,761	$(69)	$ (3,348)

* Ratings represent those of the issuer in the case of traditional GICs and separate account GICs or a weighted average of the credit ratings of the underlying assets held in the case of fixed maturity synthetic GICs and constant duration synthetic GICs.

McKESSON CORPORATION PROFIT-SHARING INVESTMENT PLAN
FINANCIAL NOTES (Continued)

During the years ended March 31, 2015 and 2014, the Plan's net appreciation/(depreciation) in fair value of investments (including gains and losses on investments bought and sold as well as held during the year) was as follows (in thousands):