

## RETIREMENT STATISTICS

Plan Year Ended June 30, 2010

The following table summarizes major activities of the SFERS Retirement Services Division during Plan Years 2009-10 and 2008-09:

Activity	2009-10	2008-09
Retirement estimates requests	1227	938
Retirement appointments	2734	2199
Retirement applications processed	2024	1087
Buyback appointments	1326	1818
Personnel transactions:	1557	1822
New members (new hires)	700	941
New members (1040 hours membership)	634	626
Rehires	76	115
Police recruits	107	118
Fire recruits	17	22
Sheriff recruits	23	-
Pre-retirement seminars	4	6
Registered attendees at pre-retirement seminars	542	756
Mid-career retirement planning seminars	0	1
Registered attendees at mid-career seminars	0	90
New member retirement planning seminars	0	1
Registered attendees at new member seminars	0	62

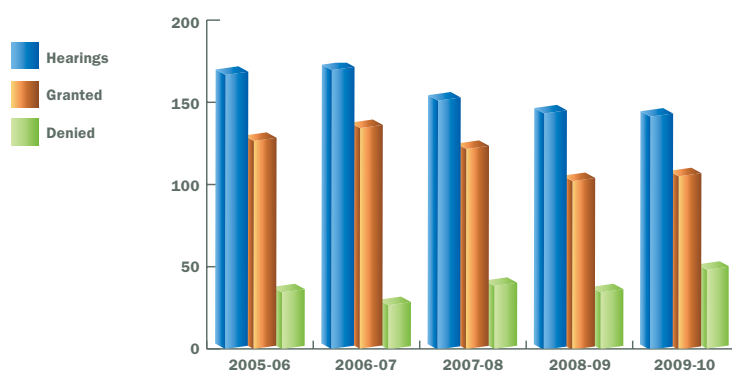
## DISABILITY RETIREMENT HEARING REPORT

The table below provides a summary of disability retirement hearings in the fiscal year ending June 30, 2010.

CASES	TOTAL # OF HEARINGS	TOTAL # GRANTED	TOTAL # DENIED
Industrial Disability Retirements	69	53	27
Ordinary Disability Retirements	71	50	9
Death Benefits	1	3	0
Petitions For Rehearing	2	0	12
CalPERS	5	4	2
Reinstatements	0	0	0
Total	148	110	50

1. The Hearing Officer Report represents cases processed in the period July 1, 2009 - June 30, 2010, and may reflect cases pending from prior periods.

Five-Year Comparison



San Francisco Employees' Retirement System

# Annual Report

For Fiscal Year Ended June 30, 2010

## Letter from the Executive Director



It is with great pride, that I present the many successful endeavors achieved by the Retirement System over this last fiscal year.

In my early tenure as Executive Director, I could not have imagined serving a more devoted group. SFERS' members firmly support the Retirement System, understanding that SFERS maintains as its highest priority, safeguarding the nest egg promised to the thousands of hard-working public employees across the City. Even now during public pension industry turmoil shaped by public scrutiny and complex reform legislation, the membership recognizes that it is these epic times that test the true strength and character of any organization.

While the past year has been marked by its fair share of economic and industry unrest, SFERS has shown great resiliency. The Trust returned 12.55% in fiscal year 2010, largely the result of an upturn in alternative and fixed income investment performance, as the Country labors toward economic recovery.

Most telling, the Fund remains sound with Plan assets valued at \$13.1 billion at fiscal year end, up more than \$1.0 billion from fiscal year 2009. The System paid more than three-quarters of a billion dollars in benefits to more than 23,000 retirees and their survivors during the fiscal year, evidence of the System's positive liquidity position.

Also, fiscal year 2010 was marked by an unprecedented number of retirements, virtually double the System's annual average. Driven by a combination of one of the most challenging budget cycles in decades running concurrent with the expiration of a major wellness benefit, staff is credited with processing more than 2,000 retirement applications for the fiscal year, nearly half of them occurring between the months of April and June.

The dedicated SFERS Member Services staff demonstrated great ingenuity in developing and delivering tools which streamlined the preparation and presentation of benefits calculations for members desiring retirement by fiscal year-end, pulling off an extraordinary accomplishment in the history of the Plan. It is the people at SFERS who represent the most significant facet of what truly makes the SFERS brand special!

Moving forward, SFERS will carry out plans to further cultivate its staff, upgrade technology and enhance communications as ways of innovating the administration of benefits for our membership, and to achieve the immediate and on-going priorities for the System.

Innovation is embedded in the SFERS vision making the outlook for the future very exciting on many fronts. For one, the technology team is leading the way for a new Enterprise Content Management (ECM) system that will upgrade document and knowledge management practices and streamline information retrieval processes. Additionally, development of a state-of-the-art website is in the pipeline which will support a new level of functionality, offering members a gateway to individual account data, self-service applications for estimating benefits, and on-line learning tools.

Members may be rest assured that providing high quality service to our members at a reasonable cost is pivotal as we strive to carry out our mission.

Respectfully,

Gary A. Amelio

## SFERS AT A GLANCE

AS OF JUNE 30, 2010

Plan Net Assets Market Value:	\$13.1 billion
Total Benefits Paid:	\$804.8 million
Average Member Contribution Rate:	7.50%
Employer Contribution Rate:	9.49%

### Membership

<b>Total Membership:</b>	<b>51,722</b>		
<b>Active:</b>	<b>28,222</b>	<b>Retired:</b>	<b>23,500</b>
Miscellaneous:	24,689	Miscellaneous:	19,227
Police:	2,139	Police:	2,214
Fire:	1,394	Fire:	2,059

### Retirements (during fiscal year 2009-10)

<b>Total Retirements:</b>	<b>1,540</b>
Miscellaneous:	1,410
Police:	63
Fire:	67

### Average Service Credit at

<b>Service Retirement:</b>	<b>23.7 years</b>
Miscellaneous:	23.4 Years
Police:	26.1 Years
Fire:	27.3 Years

### Average Age at Service

<b>Retirement:</b>	<b>61.5 Years</b>
Miscellaneous:	62.1 Years
Police:	55.0 Years
Fire:	56.0 Years



Retirement Board members from left to right: Victor Makras, appointed; Joseph Driscoll, elected; Al Casciato, President, elected; Wendy Paskin-Jordan, appointed; Herb Meiberger, elected; and Sean Elsbernd, Board of Supervisors; (not pictured, Brenda Wright, Vice President, appointed).

## ACTUARIAL ASSUMPTIONS AND METHOD

The main actuarial assumptions used to measure the System's liabilities for future benefits payments were:

<b>Investment Return</b>	<b>7.75% per year</b>
<b>Wage Inflation</b>	<b>4.00% per year</b>
<b>Price Inflation</b>	<b>3.50% per year</b>
<b>Mortality</b>	<b>RP 2000 Mortality Tables</b>

The actuarial funding methods used are as follows:

- entry age normal cost method
- unfunded liability due to benefit increases amortized as a level percentage of payroll over 20 years
- unfunded liability due to actuarial gains and losses, assumption changes and miscellaneous items amortized as a level percentage of payroll over 15 years

**STATEMENTS OF PLAN NET ASSETS**  
YEARS ENDED JUNE 30, 2010 AND 2009

ASSETS	2010	2009
	(in thousands)	
Deposits	\$ 16,433	\$ 34,170
Accounts Receivable		
Accounts Receivable-Airport Police Transfer from CalPERS	0	6,351
Contributions Receivable – Members	11,088	8,286
Contributions Receivable – City and County	8,075	5,344
Investment Income Receivable:		
Interest	25,681	27,526
Dividends	10,060	9,026
Securities lending	1,219	7,859
Receivable from brokers, general partners, others	155,528	185,725
Investments at Fair Value:		
Short-Term Investments	583,208	504,096
Debt Securities:		
U.S. Government Securities	1,177,473	1,053,552
Other Debt Securities	2,881,362	2,662,681
Equity Securities	5,733,593	5,114,484
Real Estate	1,009,001	1,181,932
Venture Capital	1,763,500	1,511,250
Forward Currency Contracts, Net	6,387	2,094
Investments in Lending Agents' Short-Term Investment Pool	964,858	837,074
<b>TOTAL INVESTMENTS:</b>	<b>\$ 14,119,382</b>	<b>\$ 12,867,163</b>
<b>TOTAL ASSETS:</b>	<b>\$ 14,347,466</b>	<b>\$ 13,151,450</b>
<b>LIABILITIES</b>	<b>2010</b>	<b>2009</b>
Payable to Brokers	\$ 219,697	\$366,728
DROP	8,653	4,143
Other Liabilities	15,828	12,020
Payable to Borrowers of Securities	966,502	881,830
<b>TOTAL LIABILITIES:</b>	<b>\$ 1,210,680</b>	<b>\$ 1,264,721</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:</b>	<b>\$ 13,136,786</b>	<b>\$ 11,886,729</b>

**KEY ACTUARIAL RESULTS**

Using the method and assumptions detailed above, the key findings of the latest valuation were:

**FUNDED STATUS AS OF JULY 1, 2010**

Actuarial Liability	\$17,643,400,000
Actuarial Value of Assets	\$16,069,100,000
Unfunded Actuarial Liability <Surplus>	\$ 1,574,300,000
Funded Status (assets/liabilities)	91.1%

The assets were valued using a 5-year phase-in of investment return greater than or less than the actuarial assumed investment return.

**STATEMENTS OF CHANGES IN PLAN NET ASSETS**  
YEARS ENDED JUNE 30, 2010 AND 2009

ADDITIONS	2010	2009
	(in thousands)	
Member Contributions:		
Miscellaneous	\$ 157,416	\$ 161,386
Police	19,467	18,566
Police-Airport Transfer from CalPERS	0	6,350
Firefighter	13,065	13,012
<b>Total Member Contributions</b>	<b>189,948</b>	<b>199,314</b>
City and County Contributions:		
Miscellaneous	182,899	98,306
Police	24,326	12,910
Firefighter	16,389	8,535
<b>Total City &amp; County Contributions</b>	<b>223,614</b>	<b>119,751</b>
Investment Income (Expenses):		
Interest	195,166	232,926
Dividends	139,161	144,815
Net Appreciation (Depreciation) in Fair Value of Investments	1,334,257	(3,815,666)
Securities Lending Income	34,730	(25,493)
Fixed Coupon Dollar Repurchase Agreement Income	0	(9,104)
Investment Expenses	(44,206)	(37,110)
Securities Lending Borrower Rebates and Expenses	(4,007)	(1,568)
Fixed Coupon Dollar Repurchase Agreement Finance Charges and Expenses	0	(1,650)
<b>Investment Gain/(Loss), Net</b>	<b>1,655,101</b>	<b>(3,512,850)</b>
<b>Total Additions/(Deductions)</b>	<b>\$ 2,068,663</b>	<b>\$ (3,193,785)</b>
<b>DEDUCTIONS</b>		
Benefits	792,776	732,342
Refunds of contributions	11,997	6,714
Administrative expenses	12,655	12,951
Other Admn. Expenses - OPEB	1,178	1,231
<b>Total Deductions</b>	<b>\$ 818,606</b>	<b>\$ 752,007</b>
<b>Net increase/(decrease)</b>	<b>\$ 1,250,057</b>	<b>\$ (3,945,792)</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>		
Beginning of year	\$ 11,886,729	\$ 15,832,521
End of year	\$ 13,136,786	\$ 11,886,729

**EMPLOYER (CITY AND COUNTY) CONTRIBUTION RATES**

The retirement contribution rates paid by the City in Fiscal Year 2009-10 were derived from the following actuarial valuation results as of July 1, 2008:

Normal Cost	18.16%
Unfunded Actuarial Liability	(7.03)%
Remaining cost of propositions	5.41%
Employee Contributions	7.50%
Administrative Expenses	0.45%
Board Approved City Contribution Rate	9.49%

**SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM**  
Summary of Investments

Asset Class	at June 30, 2010		at June 30, 2009	
	Market Value	% of Portfolio	Market Value	% of Portfolio
Equities				
U.S. Equities	3,159,882	24.2%	2,982,072	25.1%
International Equities	2,838,828	21.8%	2,291,524	19.3%
<b>Total Equities</b>	<b>5,998,710</b>	<b>46.0%</b>	<b>5,273,596</b>	<b>44.4%</b>
<b>Global Fixed Income</b>	<b>4,064,841</b>	<b>31.2%</b>	<b>3,557,122</b>	<b>29.9%</b>
Alternative Investments				
Buyout	897,290	6.9%	737,490	6.2%
Venture	493,640	3.8%	479,066	4.0%
Special Situations	346,670	2.7%	294,694	2.5%
<b>Total Alternative</b>	<b>1,737,600</b>	<b>13.3%</b>	<b>1,511,250</b>	<b>12.7%</b>
<b>Real Estate</b>	<b>1,055,932</b>	<b>8.1%</b>	<b>1,181,932</b>	<b>9.9%</b>
<b>Cash</b>	<b>186,035</b>	<b>1.4%</b>	<b>362,829</b>	<b>3.1%</b>
<b>Total Investment Portfolio</b>	<b>13,043,118</b>	<b>100.0%</b>	<b>11,886,729</b>	<b>100.0%</b>

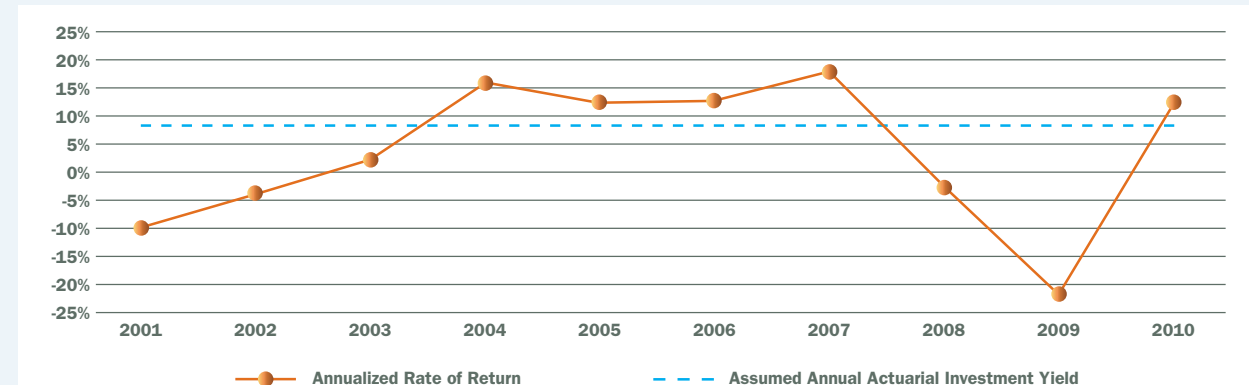
Investment portfolio totals are net of management fees and expenses and therefore does not foot to pension net assets reported in SFERS audited financial statements.

**INVESTMENT PORTFOLIO PERFORMANCE**  
Annualized Returns for the Periods ending 6/30/2010  
(Net of fees and expenses)

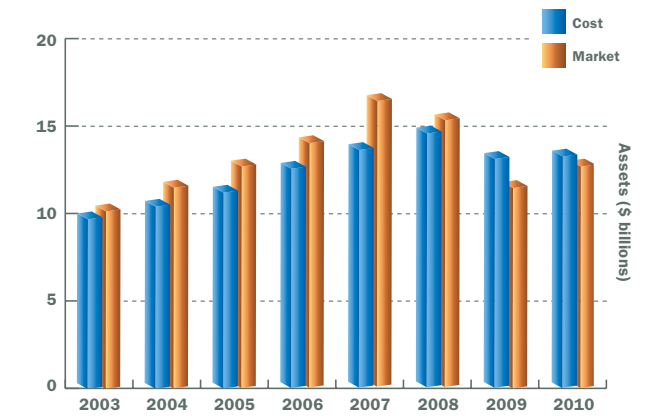
	1-YEAR	5-YEARS	10-YEARS
<b>Domestic Equity</b> Benchmark: Russell 3000	15.64%	-1.00%	-0.90%
	15.72%	-0.48%	-0.92%
<b>International Equity</b> Benchmark: International Equity Policy <sup>1</sup>	12.02%	2.23%	0.80%
	11.49%	3.80%	2.09%
<b>Global Fixed Income</b> Benchmark: Fixed Income Policy <sup>2</sup>	19.84%	4.17%	6.78%
	10.60%	5.48%	6.51%
<b>Real Estate</b> Benchmark: Gross NPI +1.5% <sup>3</sup>	-21.65%	-1.67%	3.73%
	-8.10%	5.69%	8.62%
<b>Alternative Assets</b> Benchmark: Alternative Investments Policy <sup>4</sup>	20.27%	14.70%	6.48%
	20.09%	4.18%	3.60%
<b>TOTAL FUND</b> Weighted Policy Benchmark <sup>5</sup>	12.55%	2.73%	2.80%
	11.38%	3.40%	3.28%

Source: The Northern Trust Company

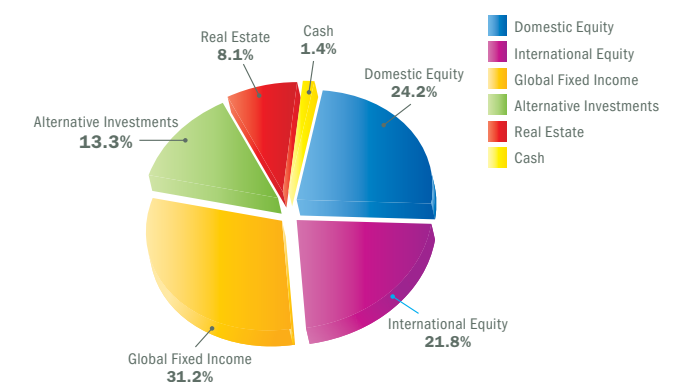
**TEN-YEAR ANNUALIZED RATES OF RETURN**  
Periods ending June 30



**PENSION FUND NET ASSETS**  
as of June 30, 2010



**ASSET ALLOCATION BY MARKET VALUE**  
as of June 30, 2010



- Int'l Equity Policy consists of 100% MSCI ACWI IMI Ex-US (ND) from 09/30/08 through current, 100% MSCI ACWI Ex-US (ND) from 01/31/2001 through 09/30/2008, 100% MSCI ACWI Ex-US (GD) previous to 01/31/2001.
- Total Fixed Income Policy consists of 100% BC Universal from 6/30/07 through current, 75% BC Universal/25% BC Global Aggregate from 9/30/05 to 6/30/07, 80%/20% from 9/30/02 to 9/30/05, 100% BC Universal 9/30/00 to 9/30/02, and 100% BC Aggregate previous to 9/30/00.
- NPI (NCREIF Property Index) Returns are lagged one quarter. The benchmark NPI+150 bps applies to all return periods. For periods less than one year, the excess 150 basis points are prorated.
- Alt. Inv. Policy consists of the S&P500 + 600 bps through 12/31/02, + 500 bps thereafter. For periods less than one year, the excess 500 basis points are prorated.
- The current SFERS Weighted Policy consists of 26% Russell 3000, 23% MSCI ACWI IMI Ex-US (ND), 25% BC US Universal, 12% SFERS Real Estate Benchmark and 14% SFERS Alternative Investments Benchmark.