RETIREMENT STATISTICS

Plan Year Ended June 30, 2018

The following tables and annotations provide statistical information regarding the types and demographics of the SFERS retirements processed during Plan Year 2017-18, as well as benefits payment summaries and comparisons.

The following table summarizes major activities of the SFERS Retirement Services Division during Plan Years 2017-18 and 2016-17:

Activity	2017-18	2016-17
Retirement Estimates Requests	1,314	1,489
Retirement Appointments Scheduled	2,480	2,598
Retirement Appointments Attended	2,024	1,956
Buyback Appointments Scheduled	787	1,024
Personnel Transactions:		
New Members (New Hires)	2,036	2,425
New Members (1040 Hours Membership)	987	1,016
Rehires	328	534
Police Recruits	219	226
Fire Recruits	120	118
Sheriff Recruits & Misc. Safety	94	138
Pre-Retirement Seminars	9	9
Registered Attendees At Pre-Retirement Seminars	816	910

Disability Retirement Hearing Report

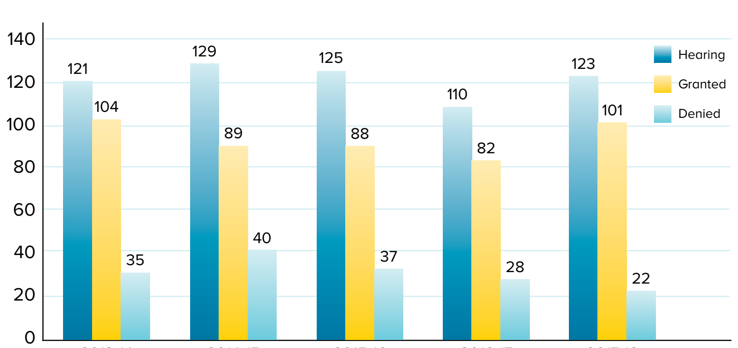
A member or legal agent, acting on behalf of a member, can initiate a claim for disability retirement (ordinary and industrial) by filing an application with the SFERS. The Retirement System gathers medical documentation related to the claim and forwards the application with supporting medical documentation to the City Attorney's office for review. All such applications are adjudicated by an independent hearing officer, in accordance with the provisions of San Francisco Charter A8.518. The table below provides a summary of disability retirement hearings in the fiscal year ending June 30, 2018.

Hearing Officer Report[1]

Plan Year Ended June 30, 2018

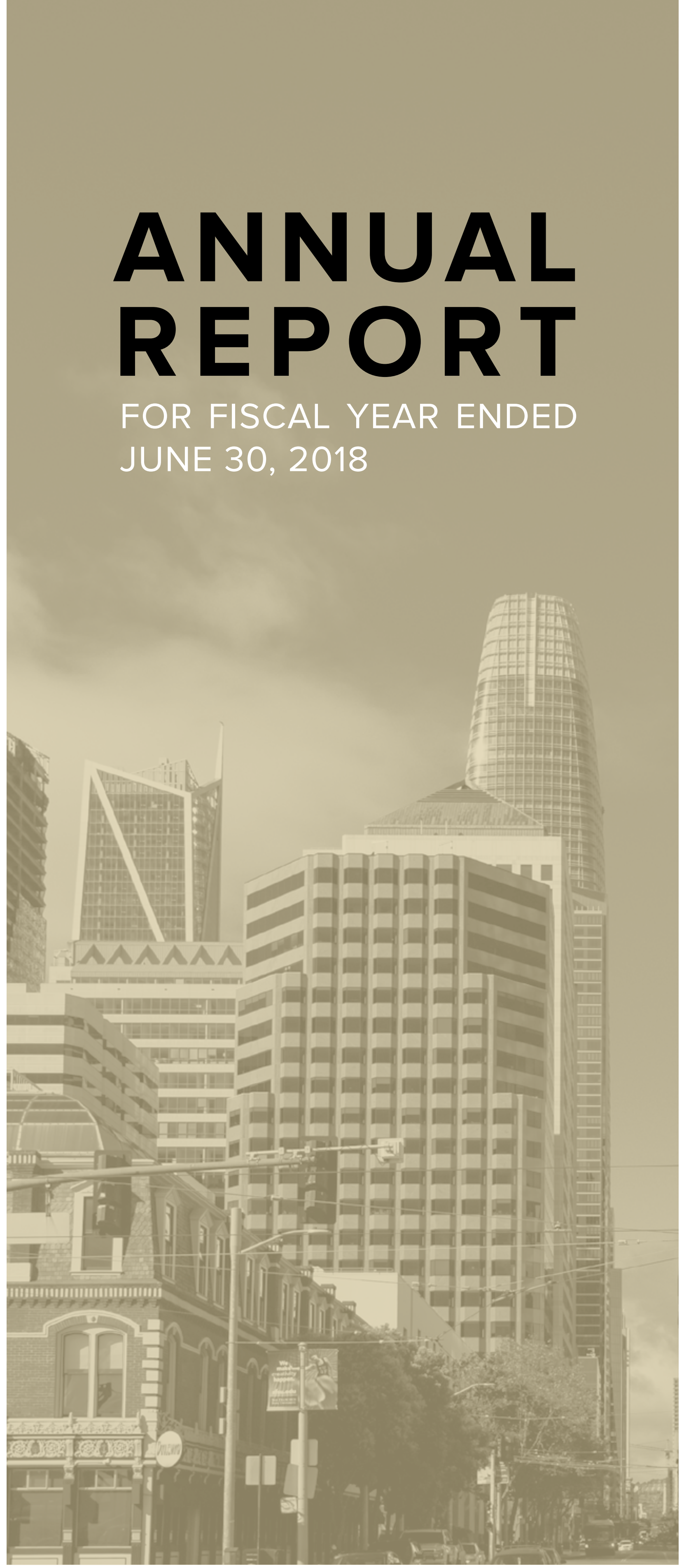
Cases	Total # Of Hearings	Total # Granted	Total # Denied
Industrial Disability Retirements	42	36	6
Ordinary Disability Retirements	58	50	8
Death Benefits	2	1	1
Petitions For Rehearing	8	1	7
Calpers	13	13	0
Total	**123**	**101**	**22**

1. The Hearing Officer Report represents cases processed in the period July 1, 2017 – June 30, 2018 and may reflect cases pending from prior periods.



ANNUAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2018



SFERS

San Francisco Employees' Retirement System

ABOUT SFERS

The Retirement System

Initially established by approval of City voters on November 2, 1920 and the California State Legislature on January 12, 1921, the San Francisco Employees' Retirement System ("Retirement System" or "SFERS") is deeply rooted in the history and culture of the City and County of San Francisco and is committed to serving the retirement needs of its members. Originally established as a fund to assist families and orphans of firefighters and police, today the Retirement System serves more than 73,000 active, vested and retired employees of the City and County of San Francisco and their survivors.

Under the direction of the Executive Director, the System's management team administers two employee benefit programs for eligible City and County employees:

- City and County of San Francisco Employees' Retirement System pension plan, a defined benefit plan.
- San Francisco Deferred Compensation Plan, an IRC §457(b) deferred compensation plan.

Specific San Francisco City Charter sections and/or Administrative Code provisions mandate each of these benefit plans.

Our Mission

The San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits to the active and retired members of the City and County of San Francisco.

The Pension Plan

The SFERS Pension Plan is a tax-qualified defined benefit plan that provides for the following benefits upon separation:

service and disability retirement, refund or vesting allowance, and pre and post-retirement death benefits to beneficiaries. Defined benefit plans are funded through employee and employer contributions and investment earnings.

SFERS has a reciprocity agreement with CalPERS, California county retirement systems covered by the 1937 Act Retirement Law, and certain other local, independent retirement systems that have a reciprocity contract with CalPERS (listed on the CalPERS website).

As of June 30, 2018, the Fund was valued at $24.3 billion returning 11.14% for the fiscal year, significantly outperforming our peers' median return, 8.00%. SFERS Annual benefit payments totaled $1.350 billion paid to over 29,900 retirees and their beneficiaries

The San Francisco 457(b) Deferred Compensation Plan

The San Francisco Deferred Compensation Plan (SFDCP), a voluntary IRC §457(b) plan, was adopted in 1976, and allows eligible City employees to elect to voluntarily defer receipt and taxation of a portion of their regular earnings until after they retire or separate from service. The SFDCP also offers a Roth after-tax contribution option. These options offer eligible employees an opportunity to supplement pension income during retirement.

During Fiscal Year 2017-18, the SFDCP made changes to the core investment options and eliminated four fund options, improving overall diversification. The changes were implemented in March 2018.

Additionally, to align with the core investment changes mentioned above, the Retirement Board approved adjustments to the SFDCP Target Date Funds glide path, including a modest increase in the growth asset exposure for those currently in or closer to retirement.

Our Members

During the fiscal year, SFERS enrolled 3,784 new members and added 1,365 new retirees.

SFERS members include eligible employees of the City and County of San Francisco, the San Francisco Unified School District, the San Francisco Community College District, and the San Francisco Trial Courts. Uniformed employees working for the City's Police and Fire Departments are covered by the SFERS Safety Plans. Eligible civilian (non- Safety) employees of the City are covered by the SFERS Miscellaneous Plan.

Sheriff, Undersheriff, and deputized personnel of the Sheriff's Department hired after January 7, 2012 are covered by the SFERS Sheriff's Plan. Probation Officers, District Attorney Investigators and Juvenile Court Counselors hired after January 7, 2012 are covered by the SFERS Miscellaneous Safety Plan.

SFERS at a Glance

As of June 30, 2018

Plan Net Assets Market Value:	$24.3 billion
Annualized Return on Total Fund:	11.14%
Total Benefits Paid (*during FY 2017-18*):	$1.350 billion
Employer Contribution Rate (*during FY 2017-18*):	23.46%
Average Member Contribution Rate:	7.57%

Membership
Total Membership: 73,094

	Active	Retired	Inactive
Miscellaneous	29,910	25,168	8,898
Police	2,185	2,676	193
Fire	1,642	2,117	71
Miscellaneous Safety	98	3	18
Sheriff	111	1	3
Total	**33,946**	**29,965**	**9,183**

Retirements *(during fiscal year 2017-18)*

Total Retirements:	**1,365**
Miscellaneous:	1,204
Police:	88
Fire:	73
Miscellaneous Safety	-
Sheriff	-

Average Service Credit at Retirement:	**24.2 Years**	**Average Age at Retirement:**	**62.5 Years**
Miscellaneous:	23.9 Years	Miscellaneous:	63.3 Years
Police:	26.5 Years	Police:	56.1 Years
Fire:	26.2 Years	Fire:	57.1 Years
Miscellaneous Safety	-	Miscellaneous Safety	-
Sheriff	-	Sheriff	-

Actuarial Assumptions and Method

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

Assumption	July 1, 2017	July 1, 2016
Investment Return	7.50% per year	7.50% per year
Wage Inflation	3.50% per year	3.75% per year
Price Inflation	3.00% per year	3.25% per year
Mortality	CalPERS 2009 Mortality Tables projected generationally with modified Scale MP 2015	CalPERS 2009 Mortality Tables projected generationally with modified Scale MP 2015

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 15 years
- unfunded liability due to actuarial gains and losses, assumption changes and miscellaneous items amortized as a level percentage of payroll over 20 years
- assets valued using a 5-year smoothing of investment return greater than or less than the expected investment return

Employer (City and County) Contribution Rates

The retirement contribution rates that will be paid by the City in Fiscal Years 2017-18 and 2018-19 as derived from the following actuarial valuation results:

	FY 2018-19 valuation results as of July 1, 2018	FY 2017-18 valuation results as of July 1, 2017
Normal Cost	17.25%	18.56%
Remaining Cost of Propositions	5.07%	5.12%
Other Unfunded Actuarial Liability	7.97%	6.75%
Employee Contributions	(7.58%)	(7.57%)
Administrative Expenses	0.60%	0.60%
Board Approved City Contribution Rate	23.31%	23.46%

BASIC FINANCIAL STATEMENTS

Statements of Fiduciary Net Position, June 30, 2018 and 2017

(Dollars in thousands)

	2018	2017
Assets:		
Deposits	$ 105,525	$ 65,697
Contributions receivable – members	13,557	11,594
Investment income receivable:		
Interest	20,828	20,988
Dividends	10,342	12,496
Securities lending	-	287
Receivable from brokers, general partners, others	178,936	145,795
Investments at fair value:		
Short-term investments	521, 870	$ 347,744
City investment pool	24,275	11,800
Debt securities:		
U. S. Government and agency securities	1,593,955	1,555,180
Other debt securities	1,712,045	2,504,017
Equity securities:		
Domestic	5,233,524	5,666,244
International	4,240,318	4,891,772
Real assets	3,578,379	2,975,974
Private credit	454,199	387,205
Private equity	4,344,306	3,401,547
Absolute return	2,625,376	577,967
Foreign currency contracts, net	(1,157)	164
Invested securities lending collateral	-	201
Total investments	$ 24,327,090	$ 22,319,815
Total assets	$ 24,656,278	$ 22,576,672
Deferred outflows of resources:		
Employer's contributions - other postemployment benefits	641	-
Total assets and deferred outflows of resources	$ 24,656,919	$ 22,576,672
Liabilities		
Payable to brokers	60,297	147,095
Deferred retirement option program	313	313
Other	38,324	18,808
Payable to borrowers of securities	-	106
Total liabilities	$ 98,934	166,322
Deferred inflows of resources:		
Net investment earnings - other postemployment benefits	19	-
Total liabilities and deferred inflows of resources	$ 98,953	$ 166,322
Fiduciary net position – restricted for pension benefits	**$ 24,557,966**	**$ 22,410,350**

The accompanying Notes are an integral part of these financial statements.

Statements of Changes in Fiduciary Net Position
June 30, 2018 and 2017

(Dollars in thousands)

	2018	2017
Additions:		
Member contributions		
Miscellaneous	$ 302,865	$ 262,647
Police	35,791	31,085
Firefighter	26,040	23,112
Total member contributions	$ 364,696	$ 316,844
Employer contributions:		
Miscellaneous	$ 525,315	$ 465,671
Police	54,150	49,640
Firefighter	39,602	36,498
Total employer contributions	$ 619,067	$ 551,809
Investment income (expenses):		
Interest	$ 132,988	$ 159,065
Dividends	244,721	209,951
Net appreciation (depreciation) in fair value of investments	2,221,453	2,356,332
Securities lending income	393	9,004
Investment expenses	(49,881)	(47,395)
Securities lending borrower rebates and expenses	-	(3,489)
Net investment income	$ 2,549,674	$ 2,683,468
Total additions	$ 3,533,437	$ 3,552,121
Deductions:		
Benefits	$ 1,350,009	$ 1,264,633
Refunds of contributions	14,578	13,507
Administrative expenses	17,762	16,586
Other administrative expenses - other postemployment benefits	476	1,548
Total deductions	$ 1,382,825	$ 1,296,274
Net increase in net position	$ 2,150,612	$ 2,255,847
Fiduciary net position – restricted for pension benefits:		
Beginning of year (as previously reported)	22,410,350	20,154,503
Cumulative effect of change in accounting principle due to adoption of GASB 75 [1]	(2,996)	-
Beginning of year (as restated)	22,407,354	20,154,503
End of year	$ 24,557,966	$ 22,410,350

1 Refer to Note 2 in the Notes to Financial Statements for discussion of the cumulative effect of change in accounting principle to beginning net position due to the adoption of GASB Statement No. 75.

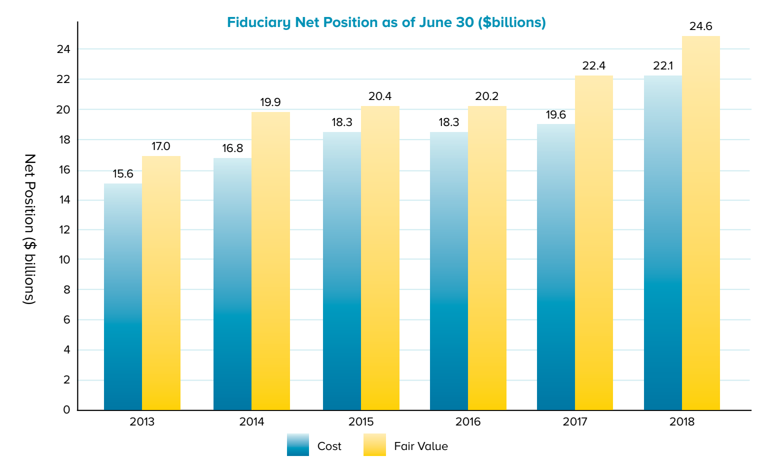
The accompanying Notes are an integral part of these financial statements.

San Francisco Employees' Retirement System
Summary of Investments

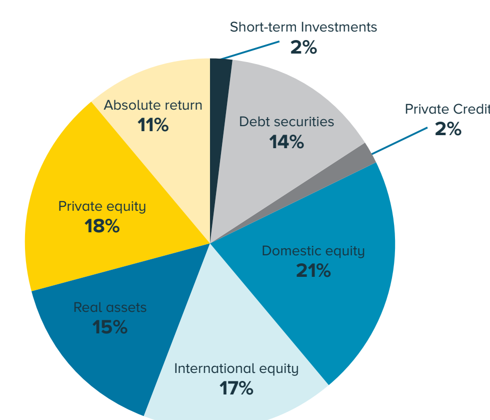
2018	Market Value ($thousands)	Weight (%)
Public Equity	$ 10,236,408	42.1%
Private Equity	4,203,964	17.3%
GROWTH ASSETS	**14,440,372**	**59.4%**
Real Assets	3,535,531	14.5%
Absolute Return	2,623,813	10.8%
DIVERSIFYING ASSETS	**6,159,344**	**25.3%**
Fixed Income	3,148,152	12.9%
Private Credit	446,172	1.8%
INCOME GENERATING ASSETS	**3,594,324**	**14.8%**
Cash	116,596	0.5%
Total Investment Portfolio	**$ 24,310,636**	**100.0%**

Investment portfolio totals are net of management fees and expenses and therefore do not track to pension net assets reported in SFERS audited financial statements. Source: BNY Mellon.

Pension Fund Net Assets as of June 30, 2018 ($ billions)



Investment Allocation as of June 30, 2018 - Fair Value



Investment Performance

For the fiscal year ended June 30, 2018, the investment portfolio of the Retirement System returned 11.14%. The table below shows annualized returns for major categories of investments compared to benchmarks for various return periods:

Investment Portfolio Performance

Annualized Returns for the Periods ending 6/30/2018
(Net of fees and expenses)

Description	1-Year	10-Years	20-Years
Public Equity Public Equity Policy Benchmark [1]	12.31% 11.14%	6.83% 6.60%	6.18% 5.79%
Private Equity Private Equity Policy Benchmark [2]	17.33% 17.51%	10.66% 15.39%	14.16% 11.89%
Real Assets Real Assets Policy Benchmark [3]	15.16% 8.51%	5.90% 5.41%	8.82%
Absolute Return Absolute Return Policy Benchmark [4]	4.73% 6.47%	N/A	N/A
Fixed Income Fixed Income Policy Benchmark [5]	0.02% -0.02%	4.90% 4.09%	5.60% 4.25%
Private Credit Private Credit Policy Benchmark [6]	13.49% 4.81%	8.36% 7.79%	
Cash	1.45%	0.45%	2.20%
Total Fund **Total Fund Policy Benchmark [7]**	**11.14%** **9.38%**	**6.87%** **7.42%**	**7.22%** **6.93%**

1 Public Equity Policy consists of 100% MSCI ACWI IMI (ND) from 10/1/2012 through current, 47% MSCI ACWI IMI Ex-US (ND) and 53% Russell 3000 from 10/1/2008 through 9/30/2012, 42% MSCI ACWI Ex-US (ND) and 58% Russell 3000 from 9/1/2005 through 9/30/2008, 33% MSCI ACWI Ex-US (ND) and 67% Russell 3000 from 10/1/2002 to 8/31/2005, 36% MSCI ACWI Ex-US (ND) and 64% Russell 3000 from 4/1/2000 to 9/30/2002, 36% MSCI EAFE (ND) and 64% Russell 3000 from 12/1/1989 to 3/31/2000.

2 Private Equity Policy consists of 25% MSCI ACWI Ex-US (ND) and 75% Russell 3000 plus 300 bps from 1/1/2018 through current, S&P 500 plus 500 bps prior to 12/31/2017.

3 Real Assets Policy consists of 50% NCREIF ODCE and 50% Cambridge Associates NR Quarter Lag from 1/1/2018 through current, 8% annual return from 10/1/2011 to 12/31/2017, NCREIF Property Index plus 150 bps from 10/1/1999 to 9/30/2011.

4 Absolute Return Policy consists of the 90-day Treasury Bill plus 500 bps.

5 Fixed Income Policy consists of 71.43% Bloomberg Barclays US Aggregate and 28.57% Bloomberg Barclays Intermediate Treasury from 4/1/2018 through current, 81.25% Bloomberg Barclays US Aggregate and 18.75% Bloomberg Barclays Intermediate Treasury from 1/1/2018 to 3/31/2018, Bloomberg Barclays US Universal from 7/1/2007 to 12/31/2017, 75% Bloomberg Barclays Universal and 25% Bloomberg Barclays Global Aggregate from 10/1/2005 to 6/30/2007, 80% Bloomberg Barclays Universal and 20% Bloomberg Barclays Global Aggregate from 10/1/2002 to 9/30/2005, Bloomberg Barclays Universal from 10/1/2000 to 9/30/2002, Bloomberg Barclays Aggregate 12/1/1984 to 9/30/2002.

6 Private Credit Policy consists of 50% Bank of America Merrill Lynch US High Yield BB/B Constrained Index and 50% Credit Suisse Leveraged Loan Index plus 150bps.

7 The current SFERS policy benchmark (starting 4/1/2018) consists of 43% MSCI-ACWI IMI (ND), 4% Bloomberg Barclays Intermediate US Treasury, 10% Bloomberg Barclays Capital US Aggregate, 2% Private Credit Policy, 15% Real Assets Policy, 16% Private Equity Policy and 10% 90-day Treasury Bill plus 500 bps.

SFERS Rolling 10-Year Returns (July 1, 1985 to June 30, 2018)