

## Retirement Statistics

Plan Year Ended June 30, 2020

The following tables and annotations provide statistical information regarding the types and demographics of the SFERS retirements processed during Plan Year 2019-20, as well as benefits payment summaries and comparisons.

The following table summarizes major activities of the SFERS Retirement Services Division during Plan Years 2019-20 and 2018-19:

Activity	2019-20	2018-19
Retirement Estimates Requests	854	1,390
Retirement Appointments Scheduled	2,240	2,613
Retirement Appointments Attended	2,045	2,134
Buyback Appointments Scheduled	723	585
Personnel Transactions:		
New Members (New Hires)	1,736	2,010
New Members (1040 Hours Membership)	938	925
Rehires	335	485
Police Recruits	138	278
Fire Recruits	20	75
Sheriff Recruits & Misc. Safety	141	64
Pre-Retirement Seminars	16	10
Registered Attendees At Pre-Retirement Seminars	755	785
Pre-Retirement Webinars	3	-
Registered Attendees At Pre-Retirement Webinars	483	-

## 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, 2020.

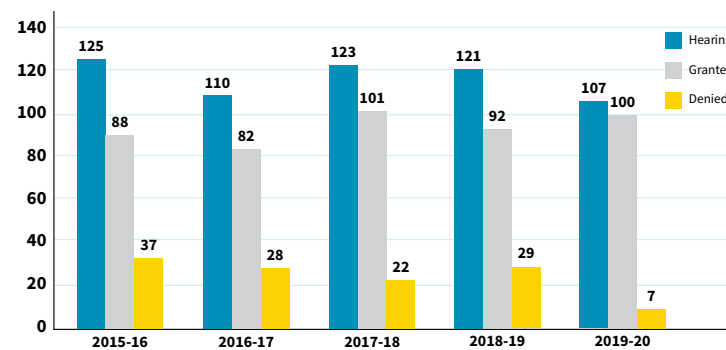
## Hearing Officer Report<sup>1</sup>

Plan Year Ended June 30, 2020

Cases	Total # Of Hearings	Total # Granted	Total # Denied
Industrial Disability Retirements	51	46	5
Ordinary Disability Retirements	36	34	2
Death Benefits	3	3	0
Petitions For Rehearing	0	0	0
Calpers	17	17	0
<b>Total</b>	<b>107</b>	<b>100</b>	<b>7</b>

1. The Hearing Officer Report represents cases processed in the period July 1, 2019 – June 30, 2020 and may reflect cases pending from prior periods.

## Five-Year Comparison



# ANNUAL REPORT

## For Fiscal Year Ended June 30, 2020

## 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 74,000 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, 2020, the Trust was valued at \$26.6 billion returning 2.41% for the fiscal year, outperforming our peers' median return, 1.26%. SFERS annual benefit payments totaled \$1.55 billion paid to over 30,100 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.

In September 2019, the SFDCP transitioned from Prudential Retirement to a new recordkeeper, Voya Financial. Also, during the fiscal year, the Retirement Board approved offering advisory services to participants through Voya Retirement Advisors (VRA). The SFDCP is able to provide participants no-cost advisory services including access to an investment advisor and online advice. The SFDCP also offers access to professional account management for an additional cost.

### Our Members

During the fiscal year, SFERS enrolled 3,837 new members and added 1,362 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.

## Retirement Services Division

Delivering professional, high-quality service to our members before and after retirement

### SFERS at a Glance As of June 30, 2020

Plan Net Assets Market Value:	\$26.0 billion
Annualized Return on Total Fund:	2.41%
Total Benefits Paid (during FY 2019-20):	\$1.555 billion
Employer Contribution Rate (during FY 2019-20):	25.19%
Average Member Contribution Rate:	7.59%

### Membership

Total Membership: 75,198

	Active	Retired	Inactive
Miscellaneous:	30,327	25,234	10,191
Police:	2,161	2,725	240
Fire:	1,660	2,164	83
Miscellaneous Safety	112	4	24
Sheriff	261	1	11
<b>Total</b>	<b>34,521</b>	<b>30,128</b>	<b>10,549</b>

### Retirements (during fiscal year 2019-20)

	Retirement	Average Service Credit at Service Retirement	Average Age at Service Retirement
Miscellaneous:	896	22.9 Years	63.0 Years
Police:	43	24.8 Years	55.4 Years
Fire:	60	25.6 Years	57.7 Years
Miscellaneous Safety	1	6.2 Years -	59.3 Years
Sheriff	0	-	-
<b>Total / Average</b>	<b>1,000</b>	<b>23.1 years</b>	<b>62.3 Years</b>

## Actuarial Assumptions and Method

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

Assumption	July 1, 2019	July 1, 2018
Investment Return	7.40% per year	7.40% per year
Wage Inflation	3.50% per year	3.50% per year
Price Inflation	2.75% per year	2.75% 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 unadjusted employer contribution rates are calculated at the valuation date prior to the fiscal year in which the contributions are paid. Employees will share in the cost of the employer rate depending on their pay rate at the beginning of the fiscal year:

Fiscal Year Contributions Due: Valuation Date	FY 2020-21 July 1, 2019	FY 2019-20 July 1, 2018
Normal Cost	17.72%	17.71%
Remaining Cost of Propositions	4.74%	4.80%
Other Unfunded Actuarial Liability	11.45%	9.67%
Employee Contributions	(7.61%)	(7.59%)
Administrative Expenses	0.60%	0.60%
<b>Board Approved Employer Contribution Rate</b>	<b>26.90%</b>	<b>25.19%</b>



# SFERS

San Francisco Employees' Retirement System

**Basic Financial Statements Statements of Fiduciary Net Position**  
June 30, 2020 and 2019  
(Dollars in thousands)

	2020	2019
Assets:		
Deposits	\$ 44,386	\$ 62,375
Contributions receivable – members	17,959	14,532
Investment income receivable:		
Interest	10,931	17,435
Dividends	2,482	5,497
Securities lending	490	-
Receivable from brokers, general partners, others	463,531	145,829
Investments at fair value:		
Short-term investments	526,053	479,876
City investment pool	32,391	31,264
Debt securities:		
U. S. Government and agency securities	1,094,201	1,461,178
Other debt securities	958,424	1,321,937
Equity securities:		
Domestic	6,204,312	5,585,777
International	2,402,026	2,869,805
Real assets	3,840,427	4,334,229
Private credit	1,291,763	758,662
Private equity	6,105,532	5,604,023
Absolute return	3,702,667	3,574,622
Foreign currency contracts, net	(116)	96
Invested securities lending collateral	547,047	-
Total investments	26,704,727	26,021,469
Total assets	27,244,506	26,267,137
Deferred outflows of resources:		
Other postemployment benefits	1,587	1,027
Total assets and deferred outflows of resources	27,246,093	26,268,164
Liabilities		
Payable to brokers	35,774	148,518
Deferred retirement option program	-	45
Other	41,833	39,859
Payable to borrowers of securities	547,029	-
Total liabilities	624,636	188,422
Deferred inflows of resources:		
Other postemployment benefits	1,239	1,093
Total liabilities and deferred inflows of resources	625,875	189,515
Fiduciary net position – restricted for pension benefits	\$ 26,620,218	\$ 26,078,649

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

**Statements of Changes in Fiduciary Net Position**  
June 30, 2020 and 2019  
(Dollars in thousands)

	2020	2019
Additions:		
Member contributions		
Miscellaneous	\$ 330,197	\$ 315,059
Police	41,514	38,418
Firefighter	28,938	27,503
Total member contributions	400,649	380,980
Employer contributions:		
Miscellaneous	630,730	548,319
Police	65,059	55,533
Firefighter	47,196	41,204
Total employer contributions	742,985	645,056
Investment income (expenses):		
Interest	80,729	95,100
Dividends	108,344	203,047
Net appreciation (depreciation) in fair value of investments	822,342	1,720,605
Securities lending income	1,313	-
Investment expenses	(46,671)	(48,440)
Securities lending borrower rebates and expenses	225	-
Net investment income	966,282	1,970,312
Total additions	2,109,916	2,996,348
Deductions:		
Benefits	1,531,041	1,438,935
Refunds of contributions	17,036	17,747
Administrative expenses	19,670	18,204
Other administrative expenses - other postemployment benefits	600	779
Total deductions	1,568,347	1,475,665
Net increase in net position	541,569	1,520,683
Fiduciary net position – restricted for pension benefits:		
Beginning of year	26,078,649	24,557,966
End of year	\$ 26,620,218	\$ 26,078,649

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

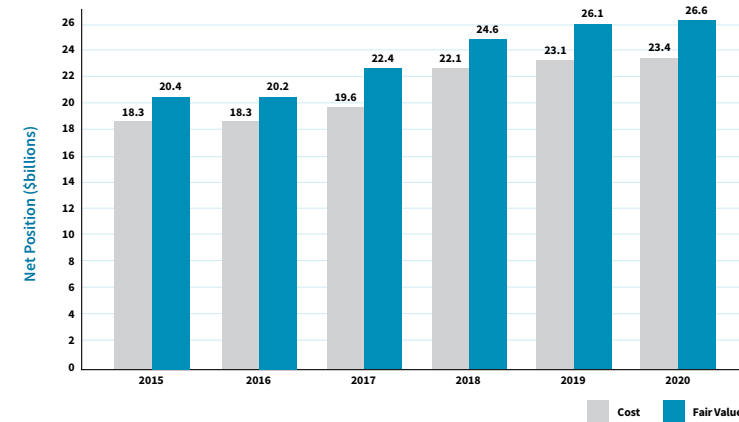
**San Francisco Employees' Retirement System**  
**Summary of Investments**

	Market Value (\$thousands)	Weight (%)
Public Equity	8,979,291	34.5
Private Equity	5,545,276	21.3
GROWTH ASSETS	14,524,567	55.8
Real Assets	3,874,050	14.9
Absolute Return	3,703,261	14.2
DIVERSIFYING ASSETS	7,577,312	29.1
Fixed Income	1,879,265	7.2
Private Credit	1,259,996	4.8
INCOME GENERATING ASSETS	3,139,261	12.1
Cash	782,419	3.0
Total Investment Portfolio	26,023,559	100.0

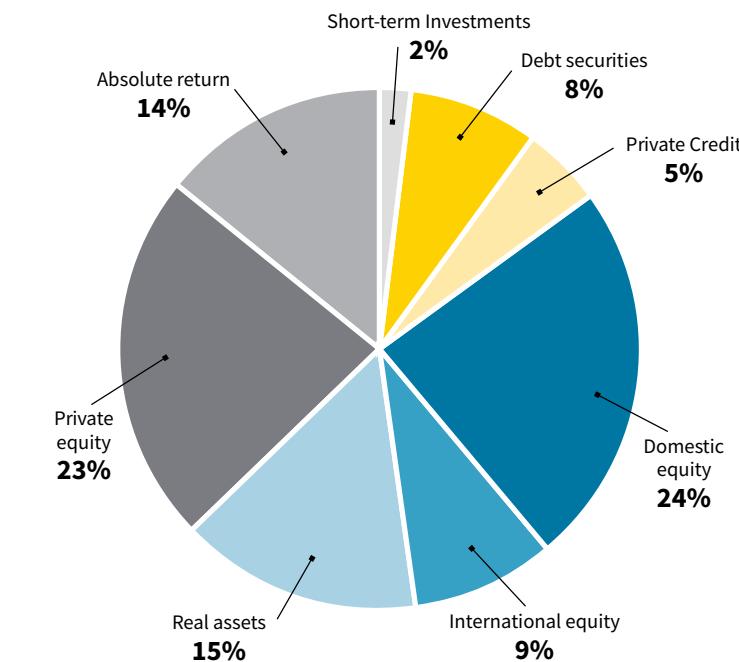
Investment portfolio totals are net of management fees and expenses and therefore does not track to pension net assets reported in SFERS audited financial statements.

Source: BNY Mellon.

**Plan Net Position as of June 30, 2020 (\$billions)**



**Investment Allocation as of June 30, 2020 - Fair Value**



**Investment Performance**

For the fiscal year ended June 30, 2020, the investment portfolio of the Retirement System returned 2.41%. 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 June 30, 2020  
(Net of fees and expenses)

Description	1-Year	10-Years	20-Years
Public Equity	7.91	10.67	5.05
Public Equity Policy Benchmark <sup>1</sup>	1.17	9.28	4.71
Private Equity	6.04	14.05	8.88
Private Equity Policy Benchmark <sup>2</sup>	6.74	18.12	10.62
Real Assets	-5.57	12.12	7.85
Real Assets Policy Benchmark <sup>3</sup>	-13.73	6.38	7.56
Absolute Return	-3.21		
Absolute Return Policy Benchmark <sup>4</sup>	6.63		
Fixed Income	4.28	4.87	5.81
Fixed Income Policy Benchmark <sup>5</sup>	7.84	4.04	5.26
Private Credit	-0.05	10.07	8.85
Private Credit Policy Benchmark <sup>6</sup>	0.63	7.02	
Cash	1.50	0.76	1.83
Total Fund	2.41	9.39	6.05
Total Fund Policy Benchmark <sup>7</sup>	1.64	9.17	6.19

Source: BNY Mellon.

- The current Public Equity Policy (starting 10/1/2012) consists of 100% MSCI ACWI IMI (ND).
- The current Private Equity Policy (starting 1/1/2018) consists of 25% MSCI ACWI Ex-US (ND) and 75% Russell 3000 plus 300 bps.
- The current Real Assets Policy (starting 1/1/2018) consists of 50% NCREIF ODCE and 50% Cambridge Associates NR Quarter Lag.
- The Absolute Return Policy consists of the 90-day Treasury Bill plus 500 bps.
- The current Fixed Income Policy (starting 7/1/2019) consists of 45% Bloomberg Barclays US Aggregate and 55% Bloomberg Barclays Intermediate Treasury.
- The 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.
- The current SFERS policy benchmark (starting 10/1/2019) consists of 35% Public Equity Policy, 6% Bloomberg Barclays Intermediate US Treasury, 5% Bloomberg Barclays Capital US Aggregate, 4% Private Credit Policy, 17% Real Assets Policy, 18% Private Equity Policy and 15% 90-day Treasury Bill plus 500 bps.

**SFERS Rolling 10-Year Returns (July 1, 1985 to June 30, 2020)**



Source: BNY Mellon.