



SFERS

San Francisco Employees' Retirement System

ANNUAL REPORT

For Fiscal Year Ended June 30, 2011



Table of Contents

THE RETIREMENT SYSTEM	3
The Retirement Board	6
A Message from the President	7
Board Actions for Fiscal Year 2010-11.....	8
Letter from the Executive Director	11
SFERS Management Staff.....	12
SFERS Organizational Chart	13
FINANCE	14
Overview.....	14
SFERS Financial Highlights.....	14
Statements of Plan Net Assets.....	17
Statements of Changes in Plan Net Assets	18
Pension Fund Investment Income	19
Pension Fund Disbursements.....	20
3-Year Comparison of Contributions.....	21
3-Year Comparison of Actual Administrative Expenses	22
ACTUARIAL	23
Overview.....	23
Assumptions and Method.....	24
INVESTMENTS	25
Overview.....	25
Performance Highlights.....	26
Summary of Investments.....	28
Investment Performance	29
RETIREMENT SERVICES	30
Overview.....	30
Plan Membership.....	31
Plan Benefits Structure	32
Membership Summary	33
Retirement Statistics.....	34
Disability Hearing Report	37
SAN FRANCISCO DEFERRED COMPENSATION PLAN (SFDCP)	38
Overview.....	38
Fund Values	39
Plan Statistics.....	40



SFERS at a Glance

AS OF JUNE 30, 2011

Plan Net Assets Market Value:	\$15.6 billion
Total Benefits Paid:	\$890 million
Average Member Contribution Rate:	7.50%
Employer Contribution Rate (during FY 2010-11):	13.56%
Annual Return on Market Value:	21.84%

Membership

Total Membership:	52,299		
Active:	28,100	Retired:	24,199
Miscellaneous:	24,708	Miscellaneous:	19,860
Police:	2,042	Police:	2,258
Fire:	1,350	Fire:	2,081

Retirements *(during fiscal year 2010-11)*

Total Retirements:	1,286
Miscellaneous:	1,109
Police:	96
Fire:	81

Average Service Credit at

Service Retirement:	24.2 years
Miscellaneous:	23.3 Years
Police:	29.3 Years
Fire:	28.0 Years

Average Age at Service

Retirement:	61.5 Years
Miscellaneous:	62.4 Years
Police:	55.9 Years
Fire:	58.0 Years

The Retirement System

HISTORY

Officially established on April 1, 1922, the San Francisco Employees' Retirement System (SFERS) is deeply rooted in the history and culture of the City and County of San Francisco (CCSF), and is profoundly 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 52,000 active 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 employees of the City and County:

- San Francisco Employees' Retirement System pension plan, a defined benefit plan.
- San Francisco Deferred Compensation Plan, an IRC §457(b) defined contribution plan.

Specific San Francisco City Charter sections and/or Administrative Code provisions mandate each of these benefit plans (see "SFERS Plan Benefits Structure" on page 32).

THE PENSION PLAN

The SFERS Pension Plan is a 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).

THE SAN FRANCISCO 457(B) DEFERRED COMPENSATION PLAN

The San Francisco Deferred Compensation Plan (SFDCP), a voluntary IRC §457(b) plan was adopted in 1979, and allows 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 offers members an opportunity to supplement pension income during retirement.

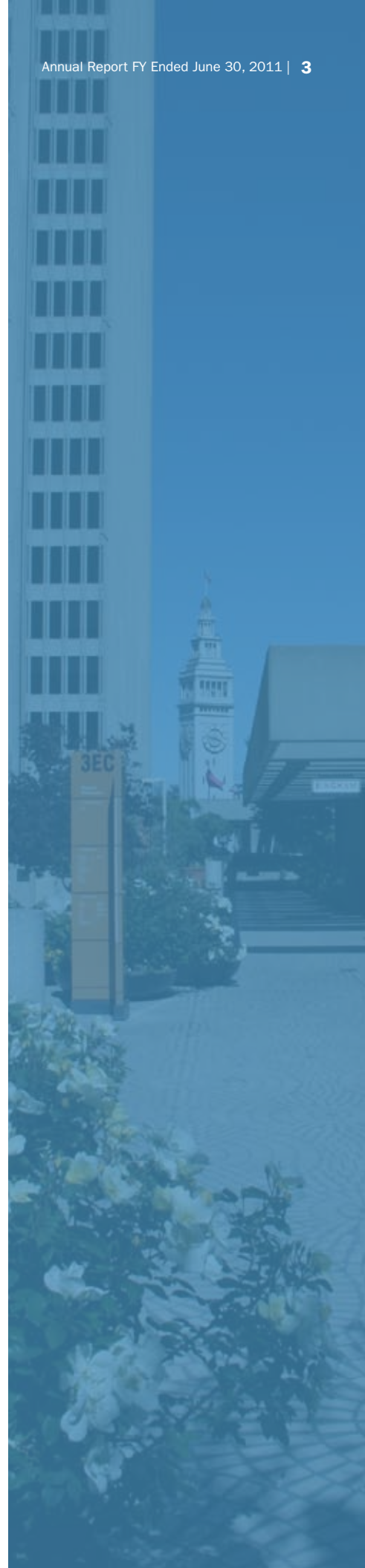
OUR MEMBERS

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 SFERS Safety Plans. Eligible civilian (non-Safety Plan) employees of the City are covered by the SFERS Miscellaneous Plan.

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.



ADMINISTRATION

The Executive Director and the senior management team comprise the Administration Division which oversees all other divisions in the department – Investments, Retirement Services, Finance, Actuarial Services, Information Systems, Communications, Human Resources, and the Deferred Compensation Plan. The Administration team manages the day-to-day activities of the System including records management, systems administration and member service.

Additionally, the Administration Division provides support to the Retirement Board in the preparation of meeting materials such as agendas and supporting documents, minutes and public notice requirements for Board and committee meetings. The senior management staff regularly interfaces with Board members, coordinating new trustee orientation and assists in facilitation of on-going educational opportunities.

In addition to oversight of the Retirement System activities and support of the Retirement Board, the Administration Division is responsible for fulfilling Public Records Requests in accordance with the City's Sunshine Act, State of California Public Records Act, and Federal Freedom of Information Act.

FINANCE

The Finance Division is responsible for operations and trust accounting, as well as providing financial information to the senior management team to facilitate short and long-term planning, control, and decision-making.

An essential role for the Finance Division is the preparation and reporting of the Retirement System's financial statements in accordance with generally accepted accounting principles applicable to public employee retirement systems.

ACTUARIAL SERVICES

The SFERS Retirement Board contracts with a consulting actuarial firm to produce and report to the Retirement Board and Retirement System staff, actuarial information related to the benefit structure and funding status of the Retirement System. The Retirement Board's current consulting actuarial firm is Cheiron.

SFERS Actuarial Services Coordinator oversees the work of the consulting actuary, participates in the presentation of actuarial reports to the Retirement Board, and provides other in-house actuarial services.

Each year, the consulting actuarial firm, conducts an actuarial valuation of the Retirement System's assets and liabilities in order to assess its funded status and to determine the appropriate level of employer contributions to the Fund for the next fiscal year. This report reflects the Plan's actuarial valuation prepared by Cheiron, based on data through June 30, 2011.

INVESTMENTS

The Retirement System's investment objective is to maximize long-term rates of return on investments within prudent guidelines.

The Investment Division's professional staff serves as a resource to the Retirement Board in the development of investment policies and practices and in the performance of its fiduciary responsibilities to the SFERS Trust.

The Investment Division's professional staff, supported by a group of professional consulting firms hired by the Retirement Board, analyzes, develops and recommends asset allocation mixes, manages investment portfolios, and monitors the activities and performance of external investment managers.

RETIREMENT SERVICES

SFERS dedicates extensive resources to serving the members. The Retirement Services Division provides a wide array of services to SFERS members and their survivors including active and retired member counseling, active and retired member recordkeeping, communications and outreach, pre-retirement education, member payroll accounting, retiree payroll and tax reporting, calculation and termination of benefits, and death payments.

Applications for disability retirement and subsequent hearings before Administrative Hearing Officers are coordinated by the Retirement Services Division. See the "Retirement Services" section to review the 2010-11 Disability Hearing Report.

In Fiscal Year 2010-11, Retirement Services enrolled 1,985 new members and added 1,286 new retirees. Annual benefit payments totaled \$890 million, paid to 24,199 retirees and their beneficiaries.

To help educate members about benefits under SFERS, Retirement Services conducted four retirement seminars for the City's miscellaneous members and three retirement seminars for the City's safety members.

THE RETIREMENT BOARD

The Retirement System and its members benefit greatly from the leadership of an experienced and long tenured Retirement Board. The Board oversees Plan administration, Trust fund investment, member benefit processing and communication, and actuarial funding on behalf of the interests of members.

Within the scope of its duties, the Board establishes and follows policies governing the administration, management, and operation of the City's retirement plans; manages the investment of the Retirement System's assets; approves disability benefit determinations; and approves actuarial assumptions used to determine long-term benefit promises of the SFERS Pension Plan.

The Retirement Board generally meets once each month to review and to approve important elements of Retirement System business. The Retirement Board is composed of seven members: three members elected by the active and retired members of SFERS; three members appointed by the Mayor in accordance with §12.100 of the San Francisco City Charter; and one member, the President of the Board of Supervisors or his or her designee, appointed from among the other members of the Board of Supervisors.

The Retirement Board as of June 30, 2011



PRESIDENT
Al Casciato
Captain, Police Department
Elected Member
Term Expires: 02/21/2015



VICE PRESIDENT
Brenda Wright
Senior Vice President
Regional Manager Community Development
Wells Fargo & Company
Appointed Member
Term Expires: 02/21/2015



Joseph D. Driscoll, CFA
Captain, Fire Department
Elected Member
Term Expires: 02/20/2016



Sean Elsbernd
Member, Board of Supervisors
Ex-Officio Member
Term Expires: 01/07/2013



Victor Makras
President
Makras Real Estate
Appointed Member
Term Expires: 02/20/2015



Herb Meiberger, CFA
Retiree
Elected Member
Term Expires: 02/20/2017



Wendy Paskin-Jordan
Partner and Managing Director
Paskin & Kahr Capital Management, LLC
Appointed Member
Term Expires: 02/20/2015

A Message From The President



On behalf of the Retirement Board and Retirement System staff, I present the Annual Report for Fiscal Year 2010-11. This report offers information about the Retirement System's Plans, its members and beneficiaries, services provided, and investments of the Trust Fund's assets.

The three years leading up to Fiscal Year 2010-11 were challenging for the investment community. The losses suffered in the financial markets adversely impacted many pension plans, including San Francisco's. Fortunately, here in San Francisco, due to the wisdom and insight of our predecessors, the Retirement Fund is weathering the storm and remains sound.

The diversified investment portfolio cushioned the large declines in value in both U.S. and International stocks. Over the last two years, the Retirement System's investment portfolio has performed in the top quartile of public pension plans returning 12.55% and 21.84% respectively. More importantly, our System continues to implement protections for the Plan's current and future retirees and beneficiaries.

San Francisco's Retirement Plan provides its members the potential for financial security in retirement by offering both a defined benefit plan (pension) and a defined contribution plan (457(b)). Members not only have the opportunity to earn a monthly benefit by meeting years of service and age qualifications, but also to build their retirement savings by contributing to a voluntary retirement savings plan.

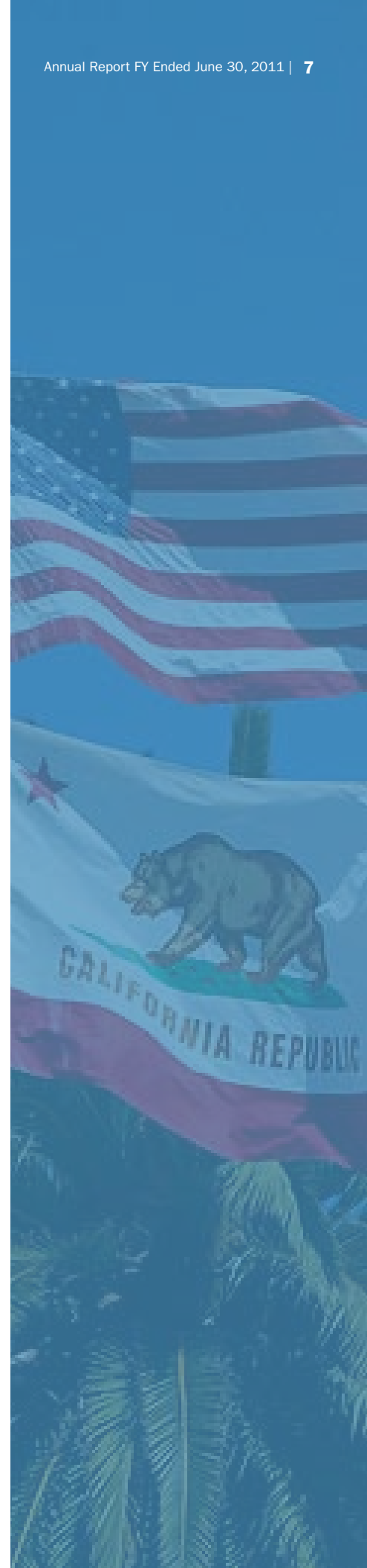
I am pleased to announce that coming next year, the 457(b) Plan will offer Target Date Funds in which members' investment portfolios are managed automatically through preset asset allocations driven by a member's targeted retirement date.

Finally, our retirees and their beneficiaries continue to receive promised pensions and regular COLAs according to Charter mandates; a trend we foresee continuing into the future.

On behalf of the entire Board and staff, I assure you that we will continue to make every effort to administer the retirement benefits effectively and efficiently and to invest the Trust Fund assets for maximum return consistent with safety and prudence.

With best wishes,

Al Casciato, President
Retirement Board, City and County of San Francisco



Retirement Board Action During Fiscal Year 2010-11

In fulfilling its duty as fiduciary of the retirement trust assets, and to ensure the health of the investment portfolio with the goal of providing benefits to members into perpetuity, the Retirement Board reviewed, approved, adopted and/or participated in the following actions during the fiscal year ended June 30, 2011:

ACTUARIAL

The Retirement System's consulting actuary, Cheiron, conducted the customary five-year Demographic Experience Study as well as the annual Economic Experience Analysis for the Retirement System. While the Demographic Experience Study examines the suitability of demographic assumptions underlying SFERS' actuarial valuations, the Economic Experience Analysis determines appropriate levels for the economic assumptions driving actuarial valuations of the trust fund.

Together, the studies help to estimate future cost and project funding levels of the pension plan each year. Based upon the results from each study, the Board adopted both the demographic and economic assumptions recommended by the consulting actuary.

Additionally, the consulting actuary determined that the trust fund realized excess earnings during the prior fiscal year and under Charter mandate, the Board approved Supplemental COLA benefits to retirees, effective July 1, 2010.

INVESTMENTS

In keeping with the annual investment plan, the investment team brings before the Board, new investment opportunities with the objectives of enhancing both the structure and diversity of the investment portfolio and sustaining long-term performance.

The Retirement Board approved and revised several policies, plans and/or guidelines essential to positioning the portfolio to benefit from opportunities in the marketplace while promoting the long-term viability of the Retirement Trust.

Additionally, during fiscal year 2010-11, under the authorization of the Board and in line with the 2011 Annual Investment Plan for the Alternative Investment Program, the investment team committed \$330 million to the program, with an additional \$50 million allocated to the Real Estate portfolio (see pages 26 and 27 for a detailed schedule of these investments).

BOARD POLICIES

The Board oversees routine as well as complex matters, in accordance with Board policies which impact the overall administration and operations of the Retirement System.

In fiscal year 2010-11, the Board reviewed and approved new regulations needed to obtain an IRS determination letter for the Plan to certify that the SFERS Plan is operating in compliance under required IRS tax laws as a "qualified" plan.

Additionally, the Board approved a new policy initiating a long-term strategic planning process for Retirement System operations, replacing the year-to-year business planning process. Subsequently, the Board approved the SFERS long-term strategic plan and budget for 2010-11, as well as revisions to Board Governance Policies relevant to monitoring and reporting, and service provider selection, significant to the general oversight of the Plan.

EDUCATION

The Retirement Board strives to improve competency and enhance understanding of institutional investing and overall Board governance through education. During fiscal year 2010-11, SFERS Trustees attended conferences, roundtables, symposiums and other educational forums offering diverse topics about fiduciary oversight, global investment trends, public employee benefits plans, and institutional real estate.

In addition, the Board participated in a Retreat commencing discussions to address new initiatives with regard to group decision making, strategic planning, and service quality for the System.

LITIGATION/LEGISLATION

The Retirement System executive staff and the Office of the City Attorney continuously review and report to the Board, on-going or anticipated litigation, and proposed legislative changes with likely or imminent affect to the SFERS. Legislation proposing amendments to the City Charter with regard to pension plan provisions is planned for the November 2011 ballot. The results as well as any impact on the Retirement System will be reported in the SFERS Annual Report for Fiscal Year 2012.

REQUESTS FOR PROPOSALS (RFP)

Running a complex business such as the Retirement System requires collaboration between SFERS staff and a network of professional consultants including technology and investment management experts. The Retirement System gains access to consultants by issuing RFPs and conducting a competitive bid process. During fiscal year 2010-11, the Board issued, reviewed and/or approved the following RFPs/RFQs:

- Investment Management Services for Active Emerging Markets Equity Management
- Investment Management Services for Deferred Compensation Plan Target Date Funds
- Commission Recapture Services
- Enterprise Content Management System

457(B) SFDCP

The Retirement System administers a 457(b) Deferred Compensation Plan whereby active members have an opportunity to accumulate additional retirement savings intended to supplement pension benefits with voluntary contributions. The SFDCP Manager oversees the San Francisco 457(b) Deferred Compensation Plan (SFDCP). The Plan is administered on a daily basis by a third party administrator, Great-West Retirement Services (GWRS). The SFDCP Manager continuously monitors the Plan for enhancement opportunities that will benefit our members as they save for retirement.

Accordingly, the SFDCP staff submits to the Board, three scheduled reports: two are prepared by the Plan's investments consultants Angeles Investment Advisors and Russell Investments, and the other an Annual Plan Review, provided by GWRS, highlighting Plan performance and activity.

During this fiscal year, the Board approved the introduction of Target Date Funds (TDF) into the SFDCP lineup of investment options. TDFs will provide participants with the ability to reallocate automatically the asset mix (stocks, bonds, cash equivalents) according to a selected time frame corresponding with a participant's anticipated retirement date. TDFs are designed as hands-off, long-term investments to help minimize the participant's need to make complex decisions concerning asset allocation and diversification for his/her retirement savings account.

Additionally, the Retirement Board engaged in discussions to introduce a Roth deferral option to the SFDCP. A Roth deferral option would allow participants additional flexibility in tax structure for retirement income. Detailed information about the SFDCP is available beginning on page 39.

Letter from the Executive Director



The past year has been shaped by consistent public scrutiny and calls for comprehensive pension reform across the nation. Yet, through it all, SFERS has maintained as its highest priority, safeguarding the nest egg promised to the thousands of hard-working public employees across the City and County of San Francisco.

I am pleased to present this annual report which reflects the distinguished achievements of the Retirement System in Fiscal Year 2011.

SFERS continues to demonstrate impressive economic endurance. The pension trust fund returned 21.84% in Fiscal Year 2011, as all asset classes boasted strong plus-side returns. Even more telling, the trust fund very nearly rebounded to the level of pre-market collapse (\$16.5 billion) with Plan assets valued at \$15.6 billion at fiscal year end. And I am pleased to announce that SFERS made benefit payments in an amount just shy of \$1 billion to more than 24,000 retirees and their survivors during the fiscal year, further confirmation of the System's sound financial position.

At the close of Fiscal Year 2011 the Deferred Retirement Option Program (DROP) sunset. As always, the committed SFERS Retirement Services staff answered the call to duty by developing and executing counseling sessions for all inquiring police members seeking eligibility and benefits information prior to the program's expiration.

Additionally, the 457(b) Deferred Compensation Plan (SFDCP) will introduce Target Date Funds (TDFs) into the SFDCP lineup of investment options. TDFs provide an opportunity for members to invest retirement savings in a vehicle that automatically sets the investment mix according to a member's projected retirement date.

A resourceful technology team continues its work on a new Enterprise Content Management (ECM) system that will upgrade document and knowledge management practices and streamline information retrieval processes. Also due to launch in Fiscal Year 2012 is a state-of-the-art website which will support a new level of functionality offering members a gateway to individual account data and self-service applications for estimating benefits.

This past year sets a precedent for the future of SFERS as characterized by a number of optimistic indicators. Looking ahead, SFERS continues its campaign to foster staff development, advance technologies and enrich communications with a goal to revolutionize the ways in which the Retirement System administers benefits and imparts information for our membership. And by so doing, thus achieve the priorities for SFERS.

The Retirement System is duty-bound to the members and their beneficiaries to act in the best interest of the membership. Particularly now, as the pension plan faces imminent reform, I have confidence that SFERS will implement revisions to its operational processes necessary to comply with the will of City voters in a timely and accurate manner.

In the end, the outlook for the Retirement System is encouraging. SFERS members should know that the leadership and dedicated staff strive to position the Retirement System as an industry leader in service, performance and integrity.

Respectfully,

A handwritten signature in black ink, appearing to read "Gary A. Amelio". The signature is fluid and cursive, with a large, stylized initial "G".

Gary A. Amelio

SFERS Management Staff as of June 30, 2011

SFERS EXECUTIVE STAFF

Gary A. Amelio
Executive Director

Jay Huish
Deputy Director

David E. Kushner, CFA
Deputy Director for Investments

Norm Nickens
Executive Assistant to the Executive Director

Carol Cypert, CRA, RPA
Deferred Compensation Manager

SFERS MANAGEMENT STAFF

Jim Burruel
Finance Manager

Ray Lane, ASA, EA, MAAA
Actuarial Services Coordinator

Craig Lee
Information Systems Manager

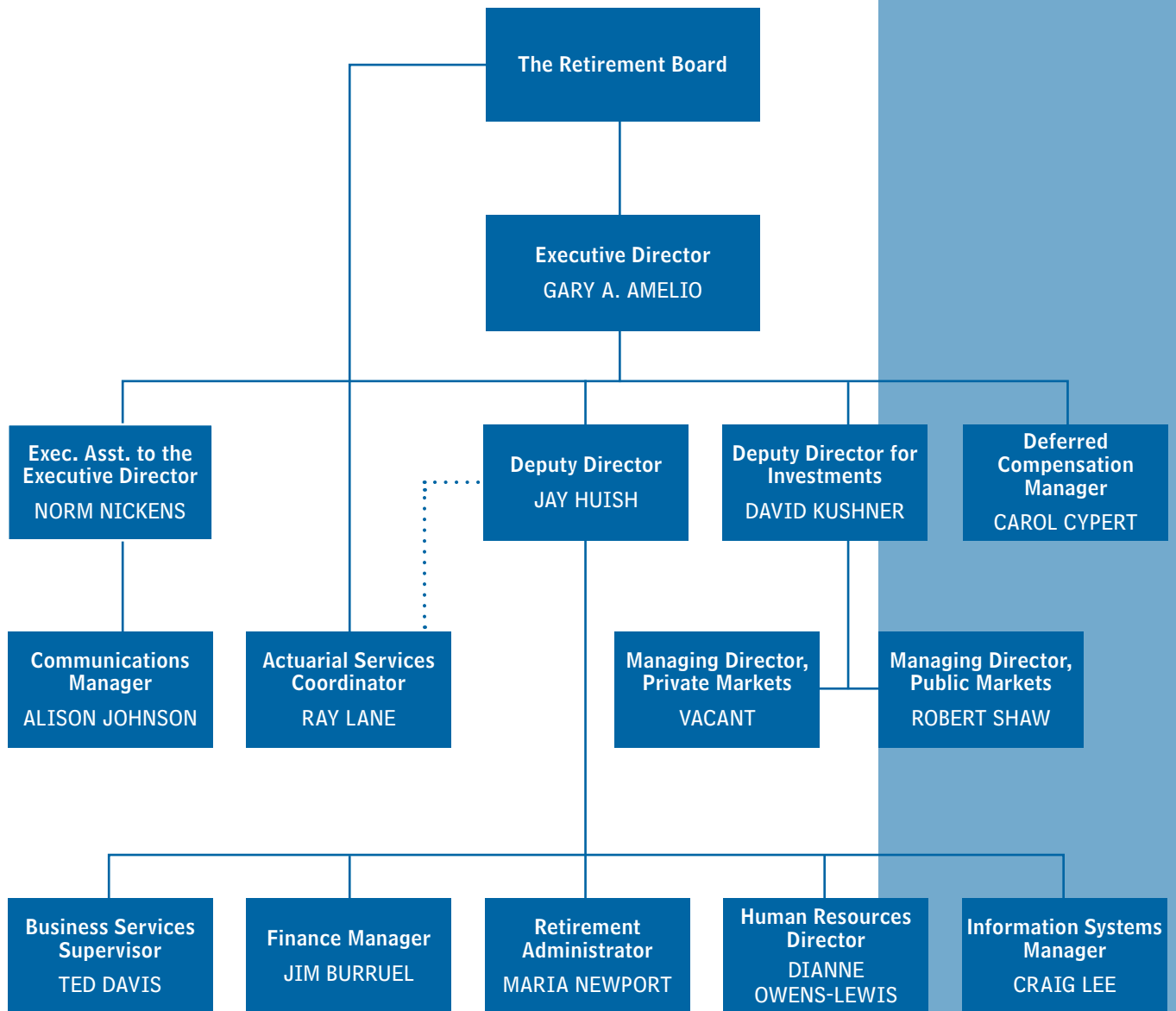
Alison Johnson
Communications Manager

Maria Newport
Retirement Administrator

Dianne Owens-Lewis
Human Resources Director

Robert L. Shaw, CFA
Managing Director, Public Markets

SFERS Organizational Chart



Finance Division

Oversees the System's Financial Position and Reports Operating Results

The Finance Division is responsible for oversight of operations and trust accounting as well as, providing management with key financial information to facilitate planning, control, and decision-making. The Finance Division also prepares and reports the Retirement System's financial statements in accordance with generally accepted accounting principles applicable to a public employee retirement system. Disclosures as required by Governmental Accounting Standards Board (GASB) are included in the financial statements and other required supplemental reports.

In addition to financial oversight, the Finance Division provides statistical and financial data used for actuarial projections, cash flow projections, and calculation of required city contributions to ensure that the Employees' Retirement System is adequately funded at all times.

The accounting and financial reporting functions are divided into several major activities:

- Investments Accounting
- Member and Employer Contributions Accounting
- Benefits Payment Accounting
- Employees' Deferred Compensation Accounting
- Budget and Appropriations Control
- General Ledger and Financial Reporting

The audited Statements of Plan Net Assets and Statements of Changes in Plan Net Assets (pages 17 and 18) for fiscal years ended June 30, 2011 and 2010, demonstrate the financial condition of the pension trust fund. These financial statements provide a general overview of the City and County of San Francisco Employees' Retirement System's finances for the Plan Year ended June 30, 2011.

Readers who have questions regarding the financial information provided in this report are encouraged to visit the SFERS website at www.sfers.org to view the full set of audited Financial Statements and Supplemental Schedule as prepared by the City's independent auditors, Macias Gini & O'Connell, LLP.

SFERS Financial Highlights

The management of the City and County of San Francisco Employees' Retirement System is pleased to provide these highlights of the financial activities of the Plan for Fiscal Year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the full Financial Statements and following supplementary information.

Fiscal Year 2011

- The assets of the Retirement System exceeded its liabilities at the close of the year ended June 30, 2011. The Plan held \$15.598 billion of net assets in trust for pension benefits. All of the net assets are available to meet the Retirement System's ongoing obligations to plan participants and their beneficiaries.

- The Retirement System's funding objective is to meet long term benefit obligations through contributions and investment income. As of July 1, 2011, the date of the last actuarial valuation, the funded ratio for the Retirement System was 91.1%. In general, this indicates that for every dollar of benefits promised, the Retirement System has approximately \$0.91 of assets available for payment.
- For the year ended June 30, 2011, the Retirement System's net investment gain of \$2.887 billion represents a 22.00% increase in plan net assets. (This return is based on plan net assets as of the beginning of the fiscal year.)
- Total net assets held in trust for pension benefits increased by \$2.462 billion or 18.70%, primarily as a result of market increases, which were slightly reduced by the net difference between contributions received by the Plan and benefit payments made from the Plan.
- Members' contributions to the Plan amounted to \$181.755 million, a decrease of \$8.193 million or 4.30% from the prior year.
- In order to maintain the fiscal soundness of the Plan, required employer contributions to the Plan totaled \$308.823 million for the year ended June 30, 2011.
- Total deductions from the Plan were \$916.100 million, an increase of 11.90% from the prior year due to increased benefits paid during the fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to the Retirement System's financial statements, which are comprised of the following components:

1. **Statements of Plan Net Assets** are snapshots of account balances as of the close of the fiscal year – June 30, 2011 and 2010. They indicate the total assets as of June 30, 2011 and 2010, total liabilities at those dates and the net assets available for future payment of retirement benefits and operating expenses.
2. **Statements of Changes in Plan Net Assets** provide a view of additions to and deductions from the Plan during the fiscal years ended June 30, 2011 and 2010.

The statements of plan net assets and the statements of changes in plan net assets report information about the Retirement System's financial activities, prepared using the accrual basis of accounting. Contributions to the Plan are recognized when due and benefits and refunds are recognized and payable in accordance with the terms of the Plan.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value derived from third party pricing services. Purchases and sales of investments are recorded on a trade date basis. Alternative investments represent the Retirement System's interest in limited partnerships. The fair values of the Retirement System's partnership interests and real estate investments are based on net asset values provided by the general partners.

Investments in forward currency contract investments are commitments to purchase and sell stated amounts of foreign currency. Changes in fair value of open contracts are immediately recognized as gains or losses. The fair values of forward currency contracts are determined by quoted currency prices from national exchanges.

Additional information on the Retirement System's investments can be found in Note 4 of SFERS full audited financial statements.

Fiscal Year 2011

- Member contributions for the year ended June 30, 2011 decreased by \$8.193 million, or 4.30% from the prior year. This is primarily due to the reduction in Plan covered compensation as a result of workforce reductions implemented by the City and County of San Francisco (City and County) as well as compensation give-backs negotiated by and between the City and County and labor organizations representing Plan members in response to the City and County's budget shortfall.
- In order to maintain the fiscal soundness of the Plan, \$308.823 million in required employer contributions were made during the year ended June 30, 2011. The increase resulted from increased employer contribution rate from 9.49% in fiscal year 2010 to 13.56% in fiscal year 2011.
- Net appreciation in fair value of investments increased by \$1.223 billion. Securities lending income decreased by \$29.033 million or 83.60% due to reduced participation in lending activities.
- Investment expenses for the year increased by \$373,000 or 0.80%, reflective of the overall increase in investment portfolio assets, which resulted in a corresponding increase in fees paid to investment managers during the year ended June 30, 2011.
- Benefit payments to Plan participants increased by \$96.968 million or 12.20%, consistent with the unprecedented increase in the number of retirement allowances initiated and paid during the year as well as the Basic COLA paid to most retired members effective July 1, 2010.
- Refunds of contributions decreased by \$449,000 or 3.70%, primarily as a result of fewer workforce reductions implemented by the City and County.
- Administrative expenses increased by \$889,000 or 7.00%, consistent with Retirement System budgeted positions that were filled during the fiscal year.
- Other administrative expenses for other postemployment benefits (OPEB) increased by \$86,000 or 7.30%. These OPEB expenses reflect the Retirement System's annual required contribution (ARC), interest on net OPEB obligation, and adjustment to the ARC, as allocated by the City and County based on city-wide payroll expenses for fiscal year 2011.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Retirement System's finances for the years ended June 30, 2011 and 2010. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to:

**Norm Nickens,
Executive Assistant to the Executive Director
City and County of San Francisco
Employees' Retirement System
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102**

Statements of Plan Net Assets

YEARS ENDED JUNE 30, 2011 AND 2010

ASSETS	2011	2010
	<i>(in thousands)</i>	
Deposits	\$43,981	\$16,433
Accounts Receivable:		
Contributions Receivable – Members	9,017	11,088
Contributions Receivable – City and County	16,022	8,075
Investment Income Receivable:		
Interest	26,057	25,681
Dividends	12,410	10,060
Securities Lending	637	1,219
Receivable from Brokers, General Partners, Others	60,566	155,528
Investments at Fair Value:		
Short-Term Investments	726,811	583,208
Debt Securities:		
U. S. Government Securities	1,050,322	1,177,473
Other Debt Securities	3,218,676	2,881,362
Equity Securities:		
Domestic	4,009,762	3,090,448
International	3,357,059	2,643,145
Real Estate	1,266,863	1,009,001
Venture Capital	1,977,187	1,763,500
Foreign currency contracts, Net	(16,046)	6,387
Investments in Lending Agents' Short-Term Investment Pool	892,579	964,858
Total Investments:	\$ 16,483,213	\$ 14,119,382
Total Assets:	\$ 16,651,903	\$ 14,347,466
LIABILITIES	2011	2010
Payable to brokers	\$126,903	\$219,697
DROP (Deferred Retirement Option Program)	17,641	8,653
Other liabilities	15,063	15,828
Payable to borrowers of securities	893,457	966,502
Total Liabilities:	\$ 1,053,064	\$ 1,210,680
Net Assets Held in Trust for Pension Benefits:	\$ 15,598,839	\$ 13,136,786

Statements of Changes in Plan Net Assets

YEARS ENDED JUNE 30, 2011 AND 2010

ADDITIONS	2011	2010
	<i>(in thousands)</i>	
Member contributions:		
Miscellaneous	\$149,148	\$157,416
Police	19,453	19,467
Firefighter	13,154	13,065
Total Member Contributions	181,755	189,948
Employer contributions:		
Miscellaneous	250,367	182,899
Police	34,887	24,326
Firefighter	23,569	16,389
Total Employer Contributions	308,823	223,614
Investment income (expenses):		
Interest	208,400	195,166
Dividends	159,671	139,161
Net Appreciation (depreciation) in Fair Value of investments	2,557,950	1,334,257
Securities lending income	5,697	34,730
Investment Expenses	(44,579)	(44,206)
Securities Lending Borrower Rebates and Expenses	436	(4,007)
Investment gain, net	2,887,575	1,655,101
Total Additions	\$3,378,153	\$2,068,663
DEDUCTIONS	2011	2010
Benefits	889,744	792,776
Refunds of Contributions	11,548	11,997
Administrative Expenses	13,544	12,655
Other Admin. Expenses - OPEB	1,264	1,178
Total Deductions	\$916,100	\$818,606
Net Increase	\$2,462,053	\$1,250,057
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	\$13,136,786	\$11,886,729
End of Year	\$15,598,839	\$13,136,786

Pension Fund Investment Income

FISCAL YEAR 2010-11

	REALIZED GAIN/LOSS	UNREALIZED GAIN/LOSS	TOTAL (in thousands)
INCOME			
Interest Earned			\$208,400
Dividends Earned			159,671
Securities Lending Income – Net			6,133
Recaptured Commission Income			354
Real Estate Income			66,243
Alternative Investment Income			41,720
Investment Expenses			(44,579)
TOTAL INCOME¹:			\$437,942
NET APPRECIATION IN FAIR VALUES			
Short-Term Securities	\$2,321	\$42	\$2,363
Equities	289,925	1,058,076	1,348,001
Debt Securities	65,949	117,775	183,724
Real Estate	(35,414)	179,750	144,335
Alternative Investments	170,850	172,578	343,429
Other Assets	183,171	244,610	427,781
TOTAL NET APPRECIATION:	\$676,802	\$1,772,831	\$2,449,633
TOTAL INCOME (including Net Appreciation):			\$2,887,575

1. Total investment income excludes employee and employer contributions.

Pension Fund Disbursements

PLAN YEAR 2010-11

PAYMENTS/EXPENSES	AMOUNT <i>(in thousands)</i>
Service Retirement Payments	\$ 662,276
Disability Retirement Payments	154,631
Proposition C – Cost of Living Adjustment	48,514
Death Allowance Payments	4,023
Death Benefits	2,191
Normal Contributions Paid as Death Benefit	3,276
Retired Annuitant Rolls (Option 1 Death Benefit)	2,021
DROP Program Accrued Retirement Benefits	16,088
Refunds of Contributions	8,272
Administrative Expenses: Retirement Services/Administration	14,808
TOTAL PAYMENTS & EXPENSES	\$916,100
INCREASE/(DECREASE) FROM FY 2009-10:	\$97,494

3 Year Comparison Of Contributions

EMPLOYER (CITY AND COUNTY) CONTRIBUTIONS (in thousands)

MEMBER PLAN	PLAN YEAR 2010-11	PLAN YEAR 2009-10	PLAN YEAR 2008-09
MISCELLANEOUS PLAN	\$250,367	\$182,899	\$98,306
FIREFIGHTER PLAN	23,569	16,389	8,535
POLICE PLAN	34,887	24,326	12,909
TOTAL	\$308,823	\$223,614	\$119,750

EMPLOYEE CONTRIBUTIONS (in thousands)

MEMBER PLAN	PLAN YEAR 2010-11	PLAN YEAR 2009-10	PLAN YEAR 2008-09
MISCELLANEOUS PLAN	\$149,148	\$157,416	\$161,386
FIREFIGHTER PLAN	13,154	13,065	13,012
POLICE PLAN	19,453	19,467	24,917
TOTAL	\$181,755	\$189,948	\$199,315

3 Year Comparison of Actual Administrative Expenditures

RETIREMENT SERVICES & ADMINISTRATION DIVISIONS (in thousands)

DESCRIPTION OF EXPENDITURES	RETIREMENT SERVICES/ADMINISTRATION		
	2010-11	2009-10	2008-09
Personnel Services	\$9,763	\$9,271	\$ 8,624
Equipment Purchase	40	19	0
Materials and Supplies	139	163	167
Services of Other Departments	2,238	1,822	1,676
Other Services	2,628	2,558	2,484
TOTAL	\$14,808	\$13,833	\$12,951

INVESTMENT DIVISION (in thousands)

DESCRIPTION OF EXPENDITURES	INVESTMENT DIVISION		
	2010-11	2009-10	2008-09
Personnel Services	\$1,853	\$ 1,978	\$1,595
Equipment Purchase	0	0	0
Materials and Supplies	6	2	2
Services of Other Departments	298	728	825
Other Services	41,631	40,899	37,202
TOTAL	\$43,788	\$43,607	\$39,624

Actuarial Services Division

Measuring the Actuarial Value of Plan Assets and Liabilities in Accordance with a Legally Mandated and Actuarially Prudent Funding Plan

OVERVIEW

The Board appoints the Actuarial Services Coordinator (in-house actuary) and contracts with an independent consulting actuary to provide actuarial expertise for the operation of the Retirement System. The Consulting Actuary prepares and signs all professional actuarial valuations needed for prudent administration of the System, including the annual Actuarial Valuation. The actuarial valuation measures the funding status of the plan, and recommends the level of City contributions for the coming fiscal year, both in accordance with the actuarial method and assumptions previously approved by the Board. The Board has final responsibility for approving the City contribution rate each year. The Actuarial Services Coordinator is directly responsible to the Board for managing and overseeing the actuarial function for the System, including the Actuarial Valuation and other activities including:

- Compiling and testing of membership data submitted to the consulting actuary for the actuarial valuation.
- Coordinating the consulting actuary's preparation of the annual Actuarial Valuation presented to the Retirement Board at its January meeting.
- Preparation of required disclosures of actuarial information required by the Governmental Accounting Standards Board (GASB) for SFERS financial statements.
- Coordinating the consulting actuary's preparation of actuarial factors and other data needed to administer benefits, including benefit conversion factors, cost of living increases and the credited interest rate applied to member accounts.
- Coordinating the consulting actuary's preparation of experience studies to evaluate and select actuarial assumptions and methods used in the annual actuarial valuation.
- Preparation and presentation of educational sessions on actuarial subjects for Board members and executive management, as needed.

Key results from the most recent Actuarial Valuation, as of July 1, 2011 are available on page 24.

Actuarial Assumptions and Method

The main actuarial assumptions used to measure the System's liabilities for future benefits payments were changed as of July 1, 2011:

	July 1, 2011	July 1, 2010
Investment Return	7.66% per year	7.75% per year
Wage Inflation	3.92% per year	4.00% per year
Price Inflation	3.42%	3.50% per year
Mortality	RP 2000 Mortality Tables	RP 2000 Mortality Tables

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 beginning on the valuation date

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

KEY RESULTS

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

FUNDED STATUS AS OF JULY 1, 2011

Actuarial Liability	\$18,598,700,000
Actuarial Value of Assets	\$16,313,100,000
Unfunded Actuarial Liability	\$2,285,600,000
Funded Status (assets / liabilities)	87.7%

EMPLOYER (CITY AND COUNTY) CONTRIBUTION RATES

The retirement contribution rates that will be paid by the City in Fiscal Year 2011-12 were derived from the following actuarial valuation results as of July 1, 2010:

Normal Cost	17.90%
Unfunded Actuarial Liability	0.73%
Remaining Cost of Propositions	6.51%
Employee Contributions	(7.50%)
Administrative Expenses	0.45%
Board Approved City Contribution Rate	18.09%

Investments

Dedicated to securing, protecting and prudently investing the Pension trust assets

OUTLOOK

Despite growing concerns over sovereign debt deterioration in Europe, accommodative monetary and fiscal policies in the United States resulted in a continued rebound in the financial markets. For the Fiscal Year ended June 30, 2011, the San Francisco Employees' Retirement System ("the System") recorded a 21.84% return on investments. However, due to record low interest rates, continued sluggish economic growth, a high unemployment rate, and a contentious political landscape, financial markets remain unsettled. In addition, uncertainty with respect to tax and fiscal policy continues to raise concerns on both Main Street and Wall Street alike –contributing to the enduring fragile and highly volatile market conditions. For that reason, the System continues to adhere to investment policies and programs designed to take a longer term view and manage through both difficult and prosperous times with a disciplined approach to the investment of the System's assets.

During the fiscal year, staff and consultants reviewed the Fund's sub-asset class allocation in the Public Market (Equities and Fixed Income) segments and made several minor adjustments.

OVERVIEW

The Retirement System's investment strategies and the composition of its aggregate portfolio have changed considerably over the years since its inception. However, the Retirement System's investment objective has essentially remained the same: ***to maximize long-term rates of return on investments within prudent guidelines.***

In order to achieve the investment objective, the Retirement Board approved the following asset allocation policy in September 2010:

Asset Class	Policy Target	Policy Range	Actual
US Equity	26%	22-30%	27.0%
International Equity	23%	20-26%	23.3%
Global Fixed Income	25%	20-35%	27.7%
Alternative Assets	14%	10-18%	12.5%
Real Estate	12%	9-15%	8.5%
Cash	0%	0-1%	1.0%

Percentages based on total plan assets minus dedicated cash, STEP segregated cash and currency overlay.

INVESTMENT PERFORMANCE HIGHLIGHTS FOR FISCAL YEAR ENDED JUNE 30, 2011

The Retirement System investment portfolio returned 21.84% for the Fiscal Year ended June 30, 2011, but lagged the policy benchmark return of 23.64%. All asset classes posted positive returns for the fiscal year.

EQUITY

The combined public equity portfolio returned 31.27% for the fiscal year, underperforming the total equity policy benchmark return of 31.44% by 17 basis points. The US equity portfolio climbed 32.36% and lagged the Russell 3000 benchmark return of 32.37% by 1 basis point as the non-benchmark allocation to convertible securities hampered performance. The International equity portfolio rose 30.05%, but underperformed the benchmark return of 30.26% by 21 basis points.

2010-11 Equity Manager Changes:

- **Armstrong Shaw.** In June 2011, Armstrong Shaw was terminated as an active U.S. Large Cap Value Equity manager for SFERS. The assets, approximately \$320 million, were transitioned to the Blackrock Russell 1000 Value index fund.
- **Ashmore Emerging Markets Equity.** In May 2011, Ashmore Investment Management was terminated as an Emerging Markets equity manager for SFERS. The assets, approximately \$45 million, were transitioned to the Emerging Markets ETF account.
- **Dimensional Fund Advisors.** In February 2011, Dimensional Fund Advisors was added to the System's line-up of international equity managers with a mandate to manage international small cap equities with an initial allocation of \$350 million.

FIXED INCOME

The Fixed Income Portfolio posted a 9.50% return for the Fiscal Year ending June 30, 2011, almost doubling the policy benchmark's return of 4.78%

During the fiscal year, approximately \$178 million was raised from various Fixed Income Portfolios for the purpose of providing for the System's retirement benefit payments and to accommodate the continuous process of adjusting the Fixed Income Portfolio to the Retirement Board approved Fixed Income asset allocation target of 25%.

During the course of the fiscal year, the Retirement Board approved a \$25 million investment in Oaktree Mezzanine Fund III and an additional \$25 million investment in ABRY Advanced Securities Fund II. There were no other changes made to the lineup of Fixed Income managers.

The Retirement Board approved several changes in investment guidelines for two of the System's Core Plus Fixed Income Managers (Artio Global Investors and Western Asset Management). These changes were made for the purpose of clarifying eligible investment instruments.

ALTERNATIVE INVESTMENTS

In December 2010, the Retirement Board approved the annual investment plan for the Alternative Investment Program recommending an investment pace of \$300 million for Calendar Year 2011. During the fiscal year, new commitments were invested in a diversified set of private equity limited partnerships sponsored by investment management firms currently managing money for SFERS or newly selected investment management firms

with strategies aimed at enhancing the portfolio. At fiscal year-end, the market value for alternative investments was \$1.9 billion or 12.5% of the total fund investment assets.

The alternative investment portfolio returned 22.7% for the fiscal year. Over a ten-year period, the portfolio earned an annualized return of 11.05%, exceeding the performance benchmark (the S&P 500 + 5% over a rolling ten-year period) by 304 basis points.

FY 2010-11 ALTERNATIVE INVESTMENTS COMMITMENTS:

Buy Out:

- ABRY VII, LP, \$30 Million: March 2011
- Baring Asia Private Equity Fund V, LP, \$30 Million: November 2010
- BC European Capital IX, LP, \$30 Million: October 2010
- Blackstone Capital Partners VI, LP, \$30 Million: September 2010
- Chequers Capital Partners XVI, LP: \$15 Million: June 2011
- GTCR X, LP, \$20 Million: January 2011
- Vestar Capital Partners VI, LP, \$25 Million: March 2011

Venture:

- Menlo Ventures XI, LP, \$40 Million: August 2010
- Sofinnova Venture Partners VIII, LP, \$15 Million: June 2011
- Summit Partners Growth Equity Fund VIII, LP, \$20 Million: March 2011
- Weathergag Venture Capital II, LP, \$20 Million: December 2010
- Weathergag Micro – Venture Capital Overage Fund, LP, \$20 Million: December 2010
- Weathergag Project A, LP, \$50 Million: December 2010

REAL ESTATE

In May 2011, the Retirement Board approved the Annual Real Estate Investment Strategy. The Strategy provides for a target allocation of \$400 million in private real estate investments and an additional \$50 million allocation in public real estate investments.

For the Fiscal Year ended June 30, 2011, the real estate portfolio had one-year and five-year returns of 19.62% and (1.44%), respectively. SFERS' benchmark is 1.5% above the NCREIF Property Index, as reported by the National Council of Real Estate Investment Fiduciaries ("NCREIF"). SFERS' one-year return is above the 17.53% benchmark and its five-year return is below the 4.95% benchmark. The five-year underperformance reflects the impact of unrealized losses taken from appraisals performed by certified professionals from Third Quarter 2008 through Fourth Quarter 2010, and the negative impact of leverage on assets with declining values. At fiscal year-end, the market equity value for the real estate investments was \$1.3 billion, or 8.6% of the total fund assets.

SFERS continues to review investment opportunities that fit strategically with the existing portfolio, as well as anticipate global demographic, technological, and government regulatory trends, and offer attractive risk adjusted returns for the targeted hold period.

2010-2011 REAL ESTATE COMMITMENTS:

- Bristol Value II, \$25 million
- Harrison Street Real Estate Partners III, L.P., \$25 million

As of June 30, 2011, approximately 13% of SFERS trust assets were managed internally, including \$565 million in domestic bonds and \$1.03 billion in domestic equities. The balance of the portfolio was managed externally by investment firms that specialize in specific asset classes including international and domestic equities, global fixed income, alternative investments and real estate.

SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM

Summary of Investments

at June 30, 2011

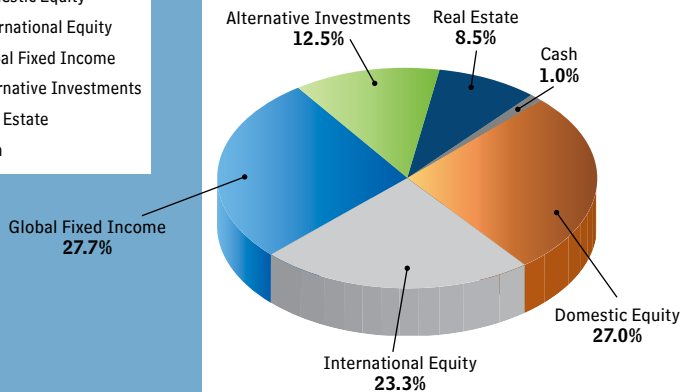
at June 30, 2010

ASSET CLASS	MARKET VALUE	% OF PORTFOLIO	MARKET VALUE	% OF PORTFOLIO
Equities	(in thousands)		(in thousands)	
U.S. Equities	4,167,179	27.0%	3,159,882	24.2%
International Equities	3,593,150	23.3%	2,838,828	21.8%
Total Equities	7,760,329	50.3%	5,998,710	46.0%
Global Fixed Income	4,277,257	27.7%	4,064,841	31.2%
Alternative Investments				
Buyout	979,089	6.3%	897,290	6.9%
Venture	531,889	3.4%	493,640	3.8%
Special Situations	423,589	2.7%	346,670	2.7%
Total Alternative	1,934,567	12.5%	1,737,600	13.3%
Real Estate	1,318,989	8.5%	1,055,932	8.1%
Cash	149,320	1.0%	186,035	1.4%
Total Investment Portfolio	\$15,440,462	100.0%	\$13,043,118	100.0%

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.

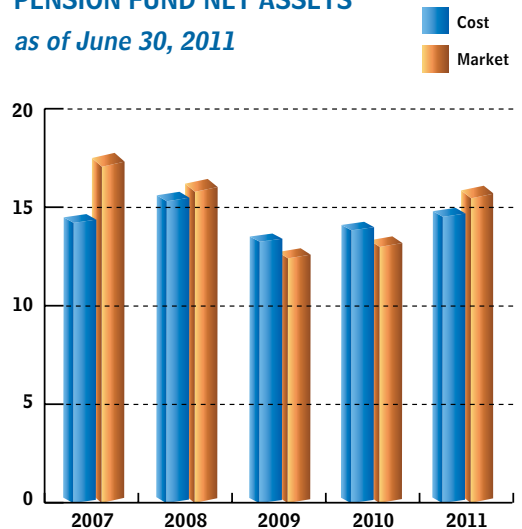
ASSET ALLOCATION

as of June 30, 2011



PENSION FUND NET ASSETS

as of June 30, 2011



For the Fiscal Year ended June 30, 2011, the Investment portfolio of the Retirement System enjoyed a strong rebound as markets continued to improve. All asset classes rose – led by Domestic and International Equity (+32.36%) and (+30.05%), respectively. Alternative Assets and Real Estate grew convincingly at (+22.70%) and (+19.62%), respectively, while Fixed Income climbed 9.50%.

INVESTMENT PORTFOLIO PERFORMANCE

Annualized Returns for the Periods ending 6/30/2011

(Net of fees and expenses)

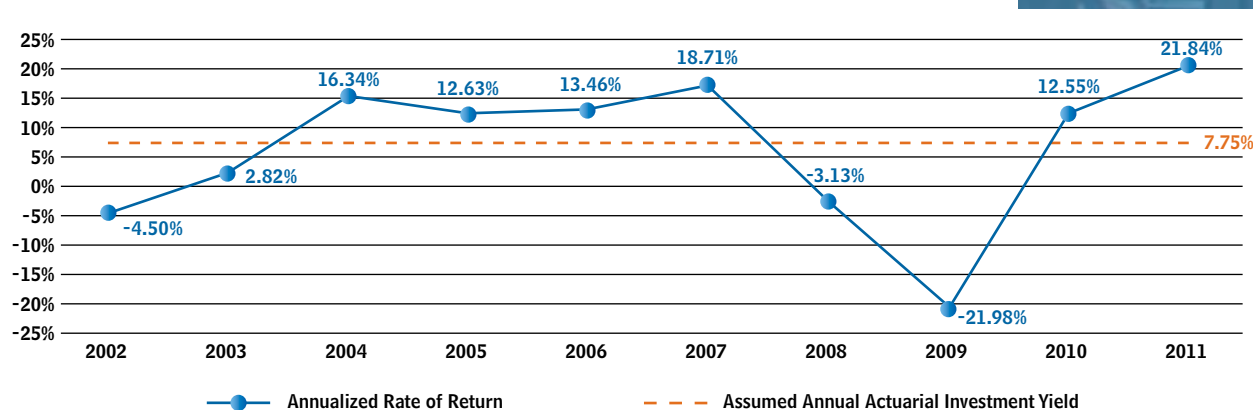
	1-YEAR	5-YEARS	10-YEARS
Domestic Equity <i>Benchmark: Russell 3000</i>	32.36% 32.37%	2.98% 3.35%	3.46% 3.44%
International Equity <i>Benchmark: International Equity Policy¹</i>	30.05% 30.26%	2.74% 4.18%	7.08% 7.74%
Global Fixed Income <i>Benchmark: Fixed Income Policy²</i>	9.50% 4.78%	5.70% 6.52%	6.78% 5.91%
Real Estate <i>Benchmark: Gross NPI +1.5%³</i>	19.62% 17.53%	-1.44% 4.95%	4.49% 8.98%
Alternative Assets <i>Benchmark: Alternative Investments Policy⁴</i>	22.70% 37.09%	11.78% 8.09%	11.05% 8.01%
TOTAL FUND <i>Weighted Policy Benchmark⁵</i>	21.84% 23.64%	4.20% 5.54%	6.01% 6.22%

Source: The Northern Trust Company

- 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.

ANNUAL RATES OF RETURN LAST TEN YEARS

Periods ending June 30



Retirement Services Division

Providing members with information and education about retirement benefits and services

OVERVIEW

SFERS employs a dedicated team of knowledgeable professionals who offer extensive services to SFERS members and their beneficiaries. Under the direction of the Deputy Director, the Retirement Services Division conducts new member enrollments, prepares benefits calculations, counsels active and retired members, provides pre-retirement education, as well as oversees member communications, retiree payroll and tax reporting, termination benefits and death payments.

DIVISION REPORT

The Retirement Services team is the face of the organization—the front line and back bone of Retirement System operations, each year providing thousands of SFERS members with information and tools to help them effectively plan and prepare for retirement. SFERS strives to provide this flagship group the resources best suited to serve the needs of SFERS dynamic membership.

As of June 30, 2011, the Deferred Retirement Option Program (DROP) established in June 2008 for eligible police members, was allowed to sunset by the Board of Supervisors. In response, SFERS Retirement Services staff developed and executed group and individual counseling sessions to assist interested police members in determining eligibility for and/or efficacy of the DROP prior to its sunset. In addition, during fiscal year 2010-11, Retirement Services staff enrolled over 2,200 new members, counseled more than 3,700 members on retirement and buyback opportunities, and conducted four educational seminars for 400 plus members planning to retire within five years.

Currently, SFERS is preparing to launch a new and improved website to provide members broader access to SFERS information, forms and services.

SFERS Plan Membership

The Retirement System administers six benefit structures for the City and County of San Francisco's pension plan according to employee group: Police New Plan and Old Plan, Firefighter New Plan and Old Plan, and Miscellaneous New Plan and Old Plan. Generally, employees who became members of SFERS prior to City Charter amendments passed by the voters in November 1976 are covered under the Old Plans, whereas employees who became SFERS members after the November 1976 Charter amendments are covered by the New Plans.

While the November 1976 Charter amendments established the New Plans, New Plan benefits currently in effect for Miscellaneous members were established by Charter amendments passed in November 2000 and June 2010, while New Plan benefits currently in effect for Safety members were established by Charter amendments passed in November 2002 and June 2010. A description of each Plan by Charter section is found on page 32.

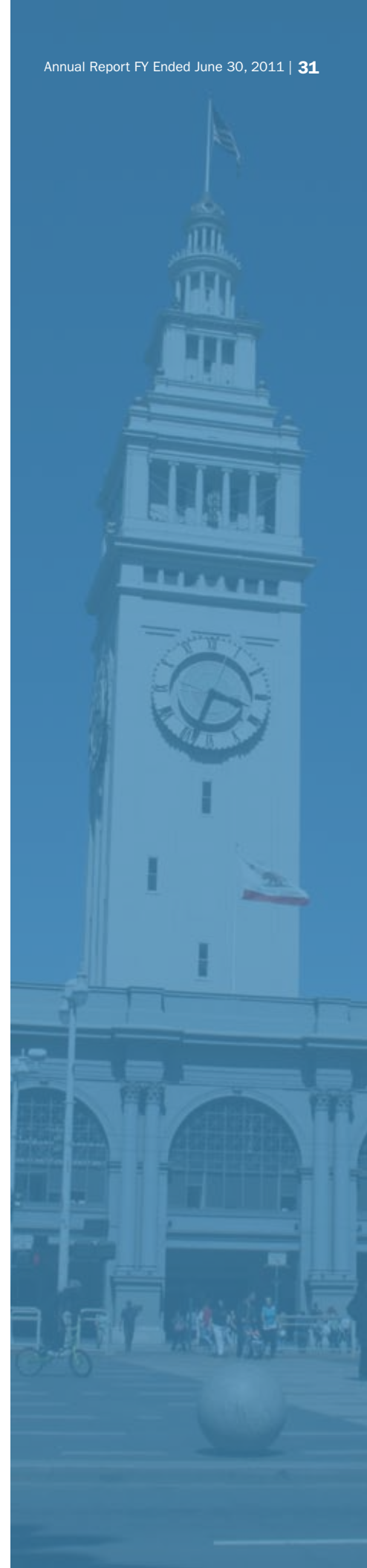
SFERS members include employees of the City and County of San Francisco, the San Francisco Unified School District, the San Francisco Community College District, as well as Trial Courts.

Beginning on September 5, 1995, employees hired into positions not eligible for SFERS membership, who earn 1040 hours of compensation or more during any 12-month period, become eligible for retirement membership on the first day of the pay period following the pay period in which the member earns 1040 hours of compensation.

On January 1, 2003, members of the Safety Old Plans were eligible to become members of SFERS under San Francisco Charter Sections A8.595 and A8.596 respectively, while members of the Safety New Plans automatically became members of SFERS under San Francisco Charter Sections A8.597 and A8.598 under provisions of Proposition H passed by the voters in November 2002.

Members of the Miscellaneous Plan became eligible for Social Security coverage under the Federal Old-Age and Survivors Disability Insurance (FICA), beginning September 1959 (San Francisco Charter Section A8.514). In the past, members covered under Social Security were able to elect to reduce their contributions to the Retirement System by a portion of the amount contributed to Social Security annually. These members accrued account shortages and will have reduced pensions upon retirement if the shortages are not paid prior to retirement. This reduced contribution provision is no longer available to SFERS members.

Additionally, employees in certain job classifications of the City and County of San Francisco are eligible for membership in other retirement systems. For example, deputized personnel of the Sheriff's Department, institutional police officers, district attorney investigators, and probation officers are members of CalPERS; full-time school teachers hired after June 30, 1972 are members of the State Teachers Retirement System.



SFERS PLAN BENEFITS STRUCTURE:

MEMBERSHIP GROUP	SERVICE RETIREMENT BENEFIT
Miscellaneous Old Plan A8.509 <ul style="list-style-type: none"> Miscellaneous employees who became members before November 2, 1976 	2.3% @ age 62; maximum benefit 75% of final compensation
Miscellaneous New Plan Tier I A8.587 <ul style="list-style-type: none"> Miscellaneous employees who became members on or after November 2, 1976 	2.3% @ age 62; maximum benefit 75% of final compensation
Miscellaneous New Plan Tier II A8.600 <ul style="list-style-type: none"> Miscellaneous employees who became members on or after July 1, 2010 	2.3% @ age 62; maximum benefit 75% of final compensation
Police Old Plan A8.595 <ul style="list-style-type: none"> Police officers who became members before November 2, 1976 and elected Proposition H benefits effective January 1, 2003 	3.0% @ age 55; maximum benefit 90% of final compensation
Police New Plan Tier I A8.597 <ul style="list-style-type: none"> Police officers who became members on or after November 2, 1976 and were eligible for Proposition H benefits effective January 1, 2003 	3.0% @ age 55; maximum benefit 90% of final compensation
Police New Plan Tier II A8.602 <ul style="list-style-type: none"> Police officers who became members on or after July 1, 2010 	3.0% @ age 55; maximum benefit 90% of final compensation
Fire Plan A8.588 <ul style="list-style-type: none"> Firefighters who were members on January 1, 2003, who did not elect Proposition H 	2.7% @ age 55; maximum benefit 75% of final compensation
Fire Old Plan A8.596 <ul style="list-style-type: none"> Firefighters who became members before November 2, 1976 and elected Proposition H benefits effective January 1, 2003 	3.0% @ age 55; maximum benefit 90% of final compensation
Fire New Plan Tier I A8.598 <ul style="list-style-type: none"> Firefighters who became members on or after November 2, 1976 and were eligible for 2002 Proposition H benefits effective January 1, 2003 	3.0% @ age 55; maximum benefit 90% of final compensation
Fire New Plan Tier II A8.601 <ul style="list-style-type: none"> Firefighters who became members on or after July 1, 2010 	3.0% @ age 55; maximum benefit 90% of final compensation

SFERS Membership Summary

SFERS active membership falls within three categories:

1. Active Members who are currently on City and County Payroll
2. Vested Members who have left City and County employment with five or more years of SFERS service, but have left their contributions on account with SFERS and elected to receive a vested retirement allowance at a later date
3. Reciprocal Members who, after leaving City and County employment, have accepted employment with a reciprocal employer and elected to leave their contributions on account with SFERS regardless of SFERS service to be eligible to receive a reciprocal benefit when they retire concurrently from both employers

As of June 30, 2011, there were 29,974 members of the Miscellaneous Plans, 2,163 members of the Police Plans and 1,413 members of the Firefighter Plans.

SFERS ACTIVE MEMBERSHIP

as of June 30, 2011

PLAN MEMBERSHIP GROUP	NUMBER OF MEMBERS			
	ACTIVE	VESTED	RECIPROCAL	TOTAL
MISCELLANEOUS OLD PLAN MEMBERS BEFORE NOVEMBER 2, 1976	178	24	4	206
MISCELLANEOUS NEW PLAN MEMBERS ON AND AFTER NOVEMBER 2, 1976	24,530	4,303	935	29,768
POLICE OLD PLAN MEMBERS BEFORE NOVEMBER 2, 1976	6	0	0	6
POLICE NEW PLAN MEMBERS ON AND AFTER NOVEMBER 2, 1976	2,036	104	17	2,157
FIREFIGHTER OLD PLAN MEMBERS BEFORE NOVEMBER 2, 1976	6	0	0	6
FIREFIGHTER NEW PLAN MEMBERS ON AND AFTER NOVEMBER 2, 1976	1,344	41	22	1,407
TOTALS:	28,100	4,472	978	33,550

RETIREMENT STATISTICS

Plan Year Ended June 30, 2011

The following tables and annotations provide statistical information regarding the types and demographics of the SFERS retirements processed during Plan Year 2010-11, as well as benefits payment summaries and comparisons.

The following table summarizes major activities of the SFERS Retirement Services Division during Plan Years 2010-11 and 2009-10:

ACTIVITY	2010-11	2009-10
RETIREMENT ESTIMATES REQUESTS	1,054	1,227
RETIREMENT APPOINTMENTS SCHEDULED	2,565	2,734
RETIREMENT APPOINTMENTS ATTENDED	2,143	2,024
BUYBACK APPOINTMENTS SCHEDULED	1,175	1,326
PERSONNEL TRANSACTIONS:		
NEW MEMBERS (NEW HIRES)	1,232	700
NEW MEMBERS (1040 HOURS MEMBERSHIP)	753	634
REHIRES	150	76
POLICE RECRUITS	29	107
FIRE RECRUITS	41	17
SHERIFF RECRUITS	0	23
PRE-RETIREMENT SEMINARS	4	4
REGISTERED ATTENDEES AT PRE-RETIREMENT SEMINARS	449	542

The Retirement Services Division sponsored and conducted four pre-retirement seminars during Plan Year 2010-11. These seminars provided individualized benefits counseling for 449 Miscellaneous Plan members considering retirement within the next five years. Retirement staff also participated in three retirement seminars sponsored by the Police Officers Association and by the Fire Department.

NEW RETIREMENTS

Effective During Plan Year Ended June 30, 2011

MEMBER GROUP	SERVICE	VESTING	INDUSTRIAL DISABILITY	ORDINARY DISABILITY	TOTAL
MISCELLANEOUS	901	189	N/A	19	1,109
POLICE	91	2	2	1	96
FIREFIGHTER	76	3	2	0	81
TOTALS	1,068	194	4	20	1,286

The total number of new retirements effective during Plan Year 2010-11 was 16.5% lower than retirements in Plan Year 2009-2010. Service retirements represent 83.0% of the total of new retirements processed.

Miscellaneous retirements represented 86.2% of the total retirements processed in Plan Year 2010-11, a decrease from 91.6% in Plan Year 2009-2010.

Police retirements represented 7.5% of the total retirements processed in Plan Year 2010-11, an increase from 4.1% in Plan Year 2009-2010.

Firefighter retirements represented 8.3% of the total retirements processed in Plan Year 2010-11, an increase from 4.4 % in Plan Year 2009-2010.

DEFERRED RETIREMENT OPTION PROGRAM (DROP)

Effective During Plan Year Ended June 30, 2011

RANK	ELECTED PARTICIPATION	TERM OF DROP	EXITED PARTICIPATION
POLICE OFFICER	137	36 months	23
SERGEANT	44	24 months	17
INSPECTOR	59	24 months	22
LIEUTENANT	16	12 months	10
CAPTAIN	8	12 months	6
TOTALS	264		78

1. Total service retirements in Plan Year 2010-11 include applications for industrial or ordinary disability which have qualified for service retirement but are pending decision on disability application.

TOTAL RETIREMENT ALLOWANCES*Retired Members and Survivor Continuation Benefits*

as of June 30, 2011

MEMBER CATEGORY	SERVICE RETIREMENTS	DISABILITY RETIREMENTS ¹	DEATH IN LINE OF DUTY	TOTAL
MISCELLANEOUS	17,889	1,914	N/A	19,803
MEMBER	15,332	1,408	N/A	16,740
CONTINUATION	2,557	506	N/A	3,063
POLICE	1,352	876	38	2,266
MEMBER	1,059	516	0	1,575
CONTINUATION	293	360	38	691
FIREFIGHTER	1,020	1,004	32	2,056
MEMBER	744	728	0	1,472
CONTINUATION	276	276	32	584
TOTAL	20,261	3,794	70	24,125

MONTHLY RETIREMENT BENEFITS PAYABLE (in thousands)*Retired Members and Survivor Continuation Benefits*

as of June 30, 2011

MEMBER CATEGORY	SERVICE RETIREMENTS	DISABILITY RETIREMENTS ¹	DEATH IN LINE OF DUTY	TOTAL
MISCELLANEOUS	\$43,465	\$3,338	N/A	\$46,803
POLICE	8,851	4,066	189	13,106
FIREFIGHTER	7,074	6,376	130	13,580
TOTAL	\$59,390	\$13,780	\$319	\$73,489

1. Includes Ordinary Disability (Miscellaneous, Police, and Fire) and Industrial Disability (Police and Fire).

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 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 shall be 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, 2011.

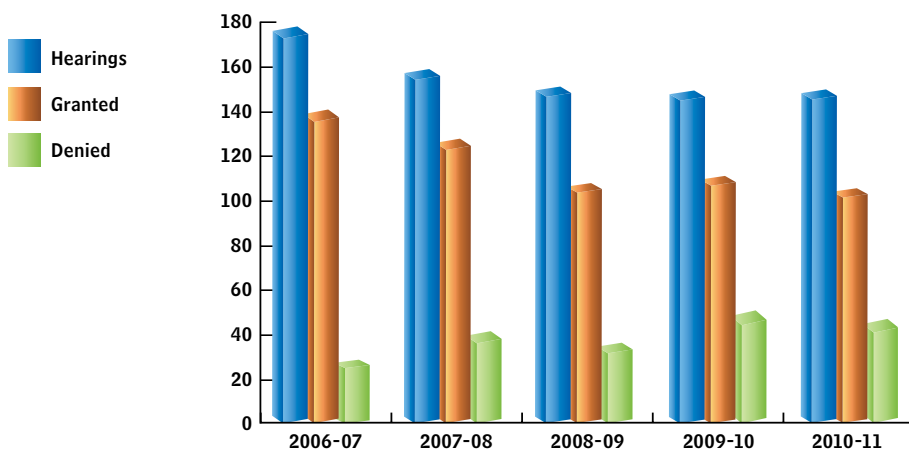
HEARING OFFICER REPORT¹

Fiscal Year Ended June 30, 2011

CASES	TOTAL # OF HEARINGS	TOTAL # GRANTED	TOTAL # DENIED
INDUSTRIAL DISABILITY RETIREMENTS	62	45	18
ORDINARY DISABILITY RETIREMENTS	79	54	14
DEATH BENEFITS	2	2	0
PETITIONS FOR REHEARING	2	1	13
CaIPERS	4	2	1
REINSTATEMENTS	0	1	0
TOTAL	149	105	46

HEARING OFFICER REPORT

Five-Year Comparison



1. The Hearing Officer Report represents cases processed in the period July 1, 2010 – June 30, 2011, and may reflect cases pending from prior periods.

San Francisco 457(B) Deferred Compensation Plan

Providing members with opportunities to maximize retirement savings

The San Francisco 457(b) Deferred Compensation Plan (SFDCP) was adopted in 1979 and allows City employees to voluntarily elect to defer receipt and taxation of a portion of their regular earnings until after they retire or separate from service. This method of tax deferral has become an increasingly popular vehicle utilized by City employees as they save for their future.

The Plan offers a diverse selection of 18 core investment funds and access to a self-directed brokerage option. During the past year the SFDCP grew in deferrals.

The Deferred Compensation Division oversees and monitors the City's 457(b) Deferred Compensation Plan through a third-party plan administrator, Great-West Retirement Services (GWRS).

GWRS offers SFDCP participants improved plan features including lower participant fees, a customized website and communications, enhanced online transactions, and a local service center in San Francisco.

Additionally, the Deferred Compensation Division administers the hardship withdrawal program, qualified domestic relations orders, payroll deferrals, requests for proposals, SFDCP News, and review of investment fund assessments.

As of June 30, 2011, there were 24,705 participants in the SFDCP with Plan assets valued at \$2 billion. The tables on pages 39-42 provide detailed information about the 18 core investment funds that make up the City's 457(b) Deferred Compensation Plan, as well as customer service activity and participation for Fiscal Year 2010-11.

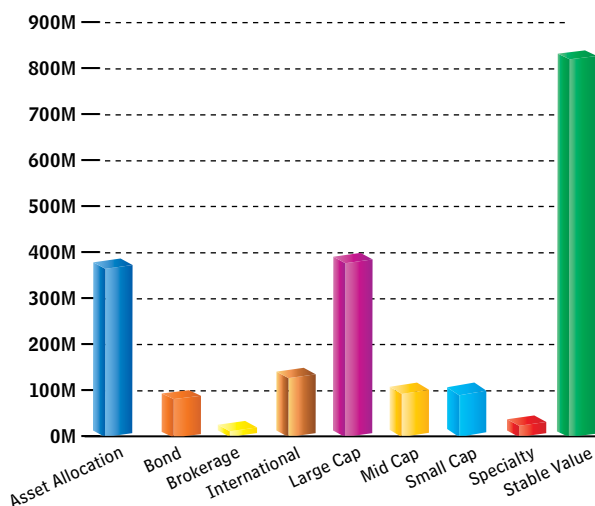
SFDCP VALUES AS OF JUNE 30, 2011

SFDCP FUND NAME	TOTAL ASSETS	PERCENTAGE OF ASSETS	ANNUAL PERFORMANCE
SFDCP Stable Value Portfolio	\$853,140	41.34%	3.43%
SFDCP Large Cap Growth Equity Portfolio	237,044	11.49%	30.87%
SFDCP Mid Term Portfolio	231,471	11.22%	21.64%
SFDCP International Equity	133,618	6.47%	29.41%
SFDCP Long Term Portfolio	129,912	6.29%	27.51%
SFDCP Large Cap Core Equity - S&P 500 Index	98,815	4.79%	30.67%
SFDCP Core Bond Portfolio	78,107	3.78%	5.93%
SFDCP Mid Cap Core Equity Portfolio	52,497	2.54%	34.29%
SFDCP Small Cap Value Equity Portfolio	43,780	2.12%	33.45%
SFDCP Small Cap Growth Equity Portfolio	33,972	1.65%	43.09%
SFDCP Real Estate Portfolio	28,101	1.36%	33.87%
SFDCP Near Term Portfolio	25,369	1.23%	12.61%
SFDCP Large Cap Value Equity Portfolio	25,485	1.23%	26.97%
SFDCP Large Cap Core Equity Active Portfolio	23,209	1.12%	28.21%
SFDCP Mid Cap Value Equity Portfolio	18,329	0.89%	39.31%
SFDCP Mid Cap Growth Equity Portfolio	15,741	0.76%	39.46%
TD Ameritrade	14,358	0.70%	
SFDCP Small Cap Core Equity Portfolio	11,461	0.56%	38.21%
SFDCP Large Cap Social Equity Portfolio	9,458	0.46%	26.57%
Total Assets At Great-West Retirement Services	\$2,063,867	100.00%	
Total Retiree Annuity Assets At ING	0		
Total Retiree Annuity Assets At The Hartford	0		
TOTAL PLAN ASSETS	\$2,063,867		

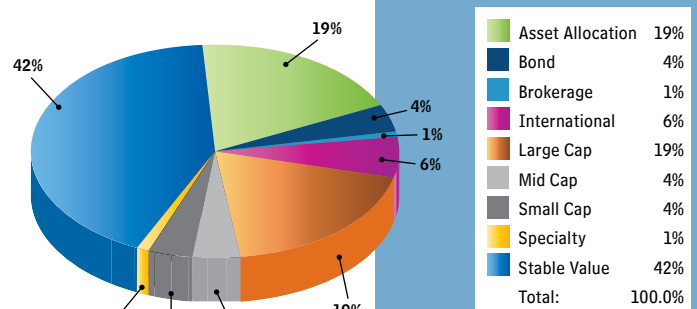
* Assets are rounded up to the nearest dollar

SFDCP ASSET SUMMARY AS OF JUNE 30, 2011

Participation by Asset Class - Investment Value



Participation by Asset Class - Percent of Assets



SFDGP PARTICIPATION BY DEPARTMENT

DEPARTMENT NAME	PARTICIPATION	DEPARTMENT NAME	PARTICIPATION
Academy of Sciences	38%	Health Service Systems	61%
Adult Probation	63%	Human Resources	39%
Airport	48%	Human Rights Commission	19%
Animal Care, Control	60%	Human Services	58%
Art Commission	27%	Juvenile Probation	32%
Asian Arts Museum	36%	Law Library	50%
Assessor/ Recorder	54%	Mayor	40%
Board of Supervisors	45%	MTA Administration	44%
Building Inspection Commission	60%	Permit Appeals	15%
Business & Economic	16%	Police	78%
Child Support Services	70%	Port of San Francisco	58%
Children & Family Commission	33%	Public Defender	60%
Children, Youth & Families	53%	Public Health	58%
City Attorney	64%	Public Library	33%
City Planning	59%	Public Utilities Commission	59%
Civil Service	33%	Public Works	46%
Clean Water Program	54%	PUC - Water Department	56%
Commission on Status of Women	21%	PUC - Hetch Hetchy	59%
Controller	57%	Recreation & Park	28%
District Attorney	60%	Rent Arbitration Board	43%
Emergency Communication	50%	Retirement System	76%
Environment Commission	21%	Sheriff	65%
Ethics Commission	30%	Telecom & Info Services	54%
Fine Arts Museum	18%	Treasurer/Tax Collector	46%
Fire	81%	Trial Courts & County Clerk	51%
General Services Department	39%	War Memorial	32%

SFDGP CUSTOMER SERVICE ACTIVITY

GWRs LOCAL OFFICE ACTIVITY					
MONTH	PHONE CALLS	OFFICE APPOINTMENTS	GROUP MEETINGS	INDIVIDUAL MEETINGS	ACCOUNT REVIEWS
January	1,166	30	44	228	113
February	1,194	45	22	167	121
March	1,084	47	30	502	306
April	1,739	20	28	395	210
May	1,659	41	53	335	185
June	905	39	11	256	164
July	978	49	10	293	188
August	896	59	38	440	274
September	1,142	51	38	502	326
October	1,071	62	17	397	271
November	1,005	45	20	455	224
December	1,264	43	19	501	264
TOTAL	14,103	531	330	4,471	2,646

VOICE RESPONSE (KEYTALK)						
MONTH	ACCOUNT BALANCE	FUND TRANSFER	CHANGE PASSCODE	ORDER PASSCODE	TRANSFER TO REP.	TOTAL CALLS
July	192	11	1	39	126	1,080
August	213	16	3	30	117	1,044
September	239	12	3	36	94	1,225
October	267	21	3	33	102	1,330
November	191	26	4	26	73	1,080
December	294	11	9	23	90	1,339
January	288	32	8	39	136	1,391
February	218	12	5	27	103	1,243
March	197	25	8	31	95	1,196
April	254	27	6	33	103	1,262
May	173	26	9	26	75	927
June	166	27	3	27	63	865
TOTAL	2,692	246	62	370	1,177	13,982

INTERNET

MONTH	ACCOUNT BALANCE	FUND TRANSFER	INVESTMENT CHANGE	CHANGE PASSCODE	STATEMENT ON DEMAND	TOTAL CALLS
July	2,692	421	159	307	2,236	15,464
August	2,599	398	178	300	2,171	14,977
September	2,979	372	123	295	2,417	17,079
October	3,417	399	154	406	2,445	18,833
November	2,729	420	116	270	1,831	16,052
December	3,469	443	166	265	2,363	19,883
January	3,844	540	216	426	2,731	20,663
February	3,477	575	212	311	2,602	19,472
March	3,636	575	187	316	2,788	20,085
April	4,014	499	186	390	3,343	21,004
May	2,718	421	150	261	2,338	16,645
June	2,591	444	150	218	2,169	15,310
TOTAL	38,165	5,507	1,997	3,765	29,434	215,467