

RETIREMENT STATISTICS

Plan Year Ended June 30, 2014

The following tables and annotations provide statistical information regarding the types and demographics of the SFERS retirements processed during Plan Year 2013-14, as well as benefits payment summaries and comparisons.

The following table summarizes major activities of the SFERS Retirement Services Division during Plan Years 2013-14 and 2012-13:

Activity	2013-14	2012-13
Retirement Estimates Requests	1154	1002
Retirement Appointments Scheduled	2543	2308
Retirement Appointments Attended	2366	2015
Buyback Appointments Scheduled	965	1035
Personnel Transactions:		
New Members (New Hires)	1452	1272
New Members (1040 Hours Membership)	1024	687
Rehires	284	152
Police Recruits	111	184
Fire Recruits	100	73
Sheriff Recruits & Misc. Safety	22	43
Pre-Retirement Seminars	9	10
Registered Attendees At Pre-Retirement Seminars	849	650

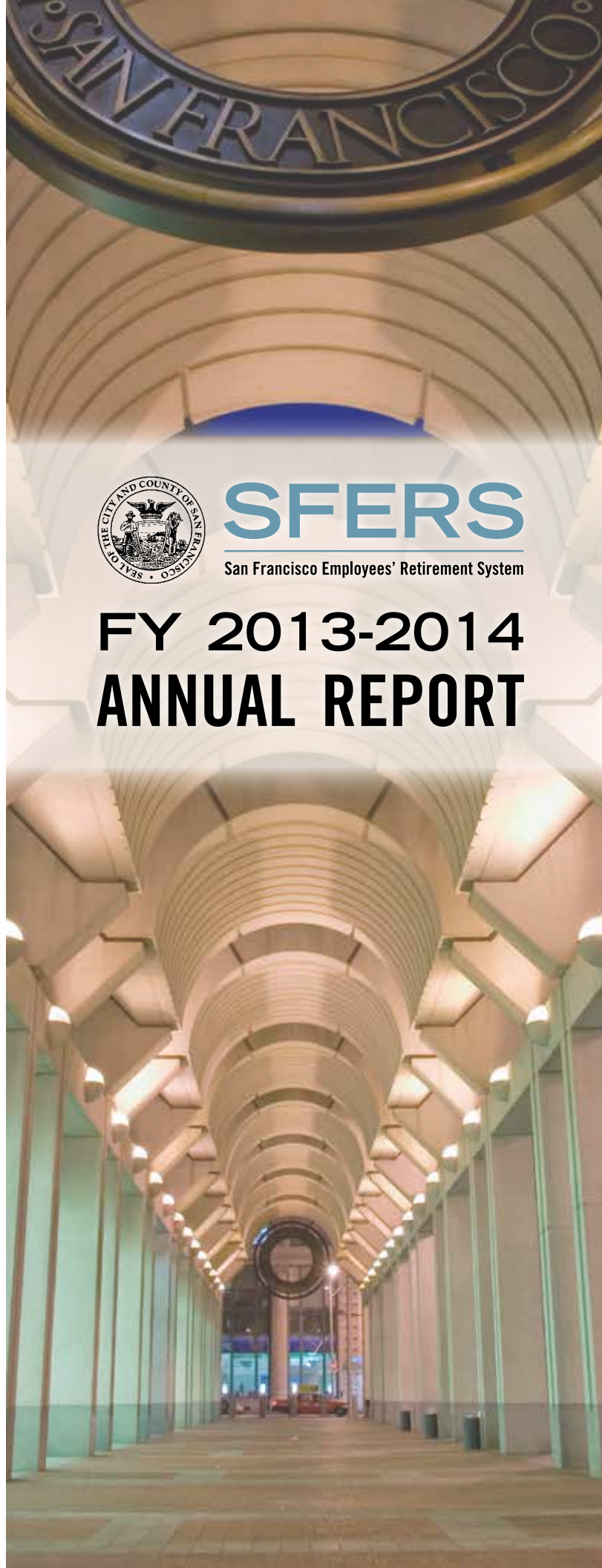
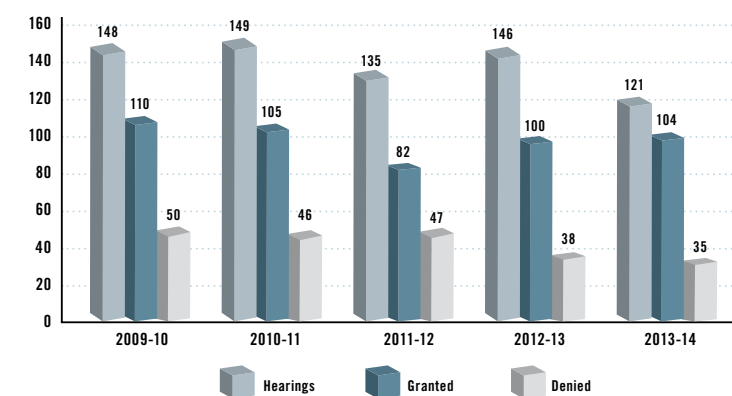
Disability Retirement Hearing Report

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, 2014.

Hearing Officer Report¹ Fiscal Year Ended June 30, 2014

Cases	TOTAL # OF HEARINGS	TOTAL # GRANTED	TOTAL # DENIED
Industrial Disability Retirements	40	36	6
Ordinary Disability Retirements	72	61	20
Death Benefits	1	0	1
Petitions For Rehearing	0	1	8
Calpers	8	6	0
Total	121	104	35

¹ The Hearing Officer Report represents cases processed in the period July 1, 2013 – June 30, 2014, and may reflect cases pending from prior periods.



SFERS

San Francisco Employees' Retirement System

FY 2013-2014 ANNUAL REPORT

THE RETIREMENT SYSTEM

ABOUT SFERS

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 62,800 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 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. The defined benefit plan is 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 and independent retirement systems that have a reciprocity contract with CalPERS (listed on the CalPERS website).

SFERS' assets under management grew by more than \$2.9 billion over the market value for the same period last year. As of June 30, 2014, the Fund had a market value of \$19.9 billion, compared to \$17.0 billion at June 30, 2013. Annual benefit payments totaled \$1.1 billion paid to over 26,800 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 1979, 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 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 the SFERS Safety Plans.

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.

Eligible general employees of the City are covered by the SFERS Miscellaneous Plans.

In Fiscal Year 2013-14, SFERS enrolled 2,993 new members and added 1,131 new retirees.

RETIREMENT SERVICES DIVISION

Providing members with information and education about retirement benefits and services

SFERS AT A GLANCE

As of June 30, 2014

Plan Net Assets Market Value:	\$19.9 billion	
Annualized Return on Total Fund:	18.73%	
Total Benefits Paid (during FY 2013-14):	\$1.062 billion	
Employer Contribution Rate (during FY 2013-14):	24.82%	
Average Member Contribution Rate:	7.53%	
Membership		
Active & Retired:	56,378	
Active:	29,526	Retired: 26,852
Miscellaneous:	26,053	Miscellaneous: 22,224
Police:	2,058	Police: 2,552
Fire:	1,415	Fire: 2,076
Retirements (during fiscal year 2013-14)		
Total Retirements:	1,131	
Miscellaneous:	972	
Police:	123	
Fire:	36	
Average Service Credit at Retirement:		
Miscellaneous:	21.4 Years	Average Age at Retirement: 60.6 Years
Miscellaneous:	20.5 Years	Miscellaneous: 61.4 Years
Police:	27.9 Years	Police: 55.7 Years
Fire:	22.3 Years	Fire: 56.7 Years

ACTUARIAL ASSUMPTIONS AND METHOD

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

Activity	July 1, 2014	July 1, 2013
Investment Return	7.50% per year	7.58% per year
Wage Inflation	3.75% per year	3.83% per year
Price Inflation	3.25% per year	3.33% per year
Mortality	RP 2000 Mortality Tables projected with Scale AA	RP 2000 Mortality Tables projected with Scale AA

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 (15 years effective July 1, 2014)
- 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 (20 years fixed effective July 1, 2014)
- 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 2014-15 and 2015-16 as derived from the following actuarial valuation results:

	FY 2015-16 valuation results as of July 1, 2014	FY 2014-15 valuation results as of July 1, 2013
Normal Cost	18.38%	18.26%
Remaining Cost of Propositions	5.86%	5.99%
Other Unfunded Actuarial Liability	5.65%	9.60%
Employee Contributions	(7.54%)	(7.54%)
Administrative Expenses	0.45%	0.45%
Board Approved City Contribution Rate	22.80%	26.76%

BASIC FINANCIAL STATEMENTS
Statements of Plan Net Position
June 30, 2014 and 2013 (in thousands)

Assets	2014	2013
Deposits	\$ 82,283	\$ 60,874
Contributions Receivable – Members	17,224	14,317
Contributions Receivable – City and County	32,419	25,276
Investment Income Receivable:		
Interest	51,449	22,618
Dividends	11,800	11,744
Securities Lending	719	599
Receivable from Brokers, General Partners, Others	281,319	315,076
Investments at Fair Value:		
Short-Term Investments	\$ 838,466	\$ 572,556
City Investment Pool	5,227	7,769
Debt Securities:		
U. S. Government And Agency Securities	882,574	966,411
Other Debt Securities	3,648,458	3,324,166
Equity Securities:	10,441,661	8,621,434
Real Estate	1,582,169	1,430,711
Alternative Investments	2,424,678	2,129,578
Foreign Currency Contracts, Net	829	(7,403)
Invested Securities Lending Collateral	911,577	1,004,266
Total Investments	\$ 20,735,639	\$ 18,049,488
Total Assets	\$ 21,212,852	\$ 18,499,992
Liabilities		
Payable to Brokers	\$ 356,990	\$ 445,447
DROP (Deferred Retirement Option Program)	3,096	20,502
Other	19,273	17,337
Payable to Borrowers of Securities	912,886	1,005,161
Total Liabilities	\$ 1,292,245	\$ 1,448,447
Plan Net Position – restricted for pension benefits	\$ 19,920,607	\$ 17,011,545

STATEMENTS OF CHANGES IN PLAN NET POSITION
Years Ended June 30, 2014 and 2013
(in thousands)

	2014	2013
Additions:		
Member Contributions:		
Miscellaneous	\$ 235,797	\$ 211,545
Police	31,238	27,633
Firefighter	21,985	19,548
Total Member Contributions	\$ 289,020	\$ 258,726
Employer Contributions:		
Miscellaneous	\$ 443,773	\$ 364,503
Police	52,219	46,314
Firefighter	36,890	32,053
Total Employer Contributions	\$ 532,882	\$ 442,870
Investment Income (Expenses):		
Interest	\$ 177,425	\$ 182,160
Dividends	195,503	188,644
Net Appreciation (Depreciation) in Fair Value of Investments	2,844,279	1,729,781
Securities Lending Income	4,871	5,096
Investment Expenses	(47,599)	(41,654)
Securities Lending Borrower Rebates and Expenses	952	523
Net Investment Income	\$ 3,175,431	\$ 2,064,550
Total Additions	\$ 3,997,333	\$ 2,766,146
Deductions:		
Benefits	\$ 1,062,229	\$ 1,023,354
Refunds of Contributions	10,297	9,453
Administrative Expenses	14,550	14,169
Other Administrative Expenses - OPEB	1,195	1,349
Total Deductions	\$ 1,088,271	\$ 1,048,325
Net (Decrease)/Increase	\$ 2,909,062	\$ 1,717,821
Plan Net Position – restricted for pension benefits:		
Beginning of Year	17,011,545	15,293,724
End of Year	\$ 19,920,607	\$ 17,011,545

SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM
Summary of Investments
June 30, 2014

Asset Class	Market Value (in thousands)	% of Portfolio
Global Equity	10,681,661	54.3%
Global Fixed Income	4,531,828	23.0%
Alternative Investments		
Buyout	1,070,669	5.4%
Venture	749,547	3.8%
Special Situations	486,709	2.5%
Total Alternative Investments	2,306,925	11.7%
Real Assets	1,774,743	9.0%
Cash	371,808	1.9%
Total Investment Portfolio	19,666,964	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.

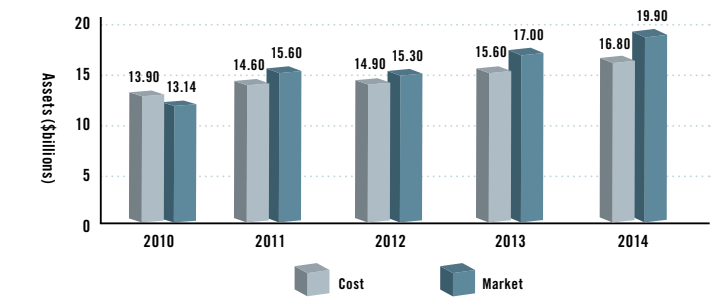
INVESTMENT PORTFOLIO PERFORMANCE

Annualized Returns for the Periods ending 6/30/2014
(Net of fees and expenses)

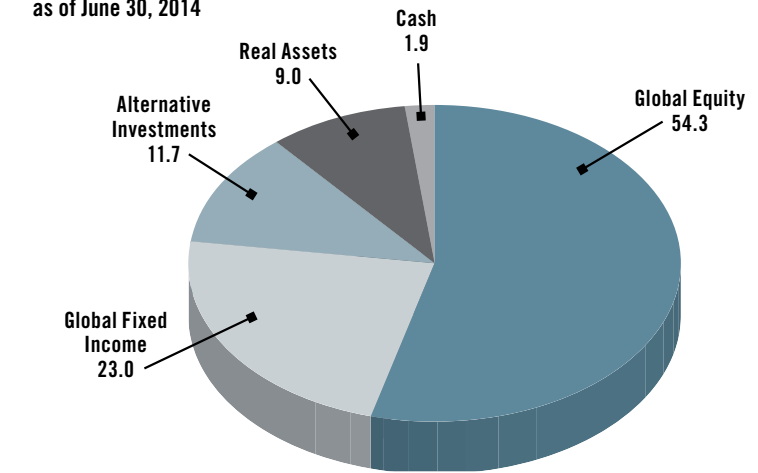
	1-Year	10-Years	20-Years
Global Equity Benchmark: Global Equity Policy ¹	23.41% 23.35%	7.51% 7.85%	9.07% 8.48%
Global Fixed Income Benchmark: Fixed Income Policy ²	8.09% 5.20%	6.11% 5.24%	7.13% 6.30%
Alternative Assets Benchmark: Alternative Investments Policy ³	23.29% 30.73%	15.69% 13.15%	N/A N/A
Real Assets Benchmark: Real Assets Policy ⁴	17.66% 8.00%	7.12% 8.88%	N/A N/A
Total Fund Weighted Policy Benchmark ⁵	18.73% 17.91%	7.91% 8.25%	8.91% N/A

Source: The Northern Trust Company

PENSION FUND NET ASSETS
as of June 30, 2014



ASSET ALLOCATION
as of June 30, 2014



1. Global Equity Policy consists of 100% MSCI ACWI IMI (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.
2. 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.
3. Alt. Inv. Policy consists of the S&P500 + 500 bps 1/1/03 through current; + 600 bps through 12/31/02.
4. The Real Assets Policy consists of NPI (NCREIF Property Index) +1.5% from inception to 09/30/2011 and a flat 8% thereafter.
5. The current SFERS weighted policy consists of 47% MSCI ACWI IMI (ND), 25% BC US Universal, 12% SFERS Real Estate Benchmark and 16% SFERS Alternative Investment Benchmark.

ANNUAL RATES OF RETURN LAST TEN YEARS

Periods ending June 30

