

## RETIREMENT STATISTICS

### Plan Year Ended June 30, 2015

The following tables and annotations provide statistical information regarding the types and demographics of the SFERS retirements processed during Plan Year 2014-15, as well as benefits payment summaries and comparisons.

The following table summarizes major activities of the SFERS Retirement Services Division during Plan Years 2014-15 and 2013-14:

Activity	2014-15	2013-14
Retirement Estimates Requests	978	1154
Retirement Appointments Scheduled	2397	2543
Retirement Appointments Attended	2115	2366
Buyback Appointments Scheduled	869	965
Personnel Transactions:		
New Members (New Hires)	2398	1452
New Members (1040 Hours Membership)	1264	1024
Rehires	418	284
Police Recruits	156	111
Fire Recruits	116	100
Sheriff Recruits & Misc. Safety	67	22
Pre-Retirement Seminars	9	9
Registered Attendees At Pre-Retirement Seminars	838	849

## Disability Retirement Hearing Report

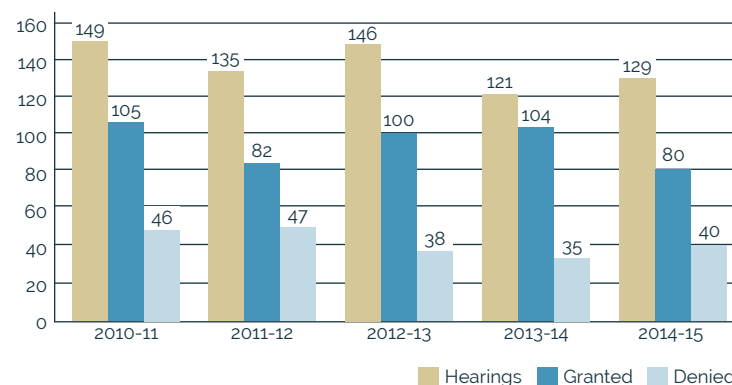
A member or legal agent, acting on behalf of a member, can initiate a claim for disability retirement (ordinary and industrial) by filing an application with the SFERS. The Retirement System gathers medical documentation related to the claim, and forwards the application with supporting medical documentation 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, 2015.

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

### Fiscal Year Ended June 30, 2015

Cases	Total # Of Hearings	Total # Granted	Total # Denied
Industrial Disability Retirements	39	30	9
Ordinary Disability Retirements	71	51	20
Death Benefits	5	5	0
Petitions For Rehearing	9	1	8
Calpers	5	2	3
<b>Total</b>	<b>129</b>	<b>89</b>	<b>40</b>

1. The Hearing Officer Report represents cases processed in the period July 1, 2014 - June 30, 2015, and may reflect cases pending from prior periods.



# ANNUAL REPORT

## For Fiscal Year Ended June 30, 2015



# SFERS

San Francisco Employees' Retirement System

## 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 58,300 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).

As of June 30, 2015, the Fund was valued at \$20.4 billion, earning nearly 4.0% over the June 30, 2014 value of \$19.9 billion. Annual benefit payments totaled \$1.119 billion paid to over 27,485 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 2014-15, SFERS enrolled 2,398 new members and added 1,062 new retirees.

## RETIREMENT SERVICES DIVISION

Providing members with information and education about retirement benefits and services

### SFERS AT A GLANCE

#### As of June 30, 2015

Plan Net Assets Market Value:	\$20.4 billion
Annualized Return on Total Fund:	3.96%
Total Benefits Paid (during FY 2014-15):	\$1.1 billion
Employer Contribution Rate (during FY 2014-15):	26.76%
Average Member Contribution Rate:	7.54%
<b>Membership</b>	
<b>Active &amp; Retired:</b>	58,324
<b>Active:</b>	30,839
<b>Retired:</b>	27,485
Miscellaneous:	27,233
Miscellaneous:	22,829
Police:	2,120
Police:	2,585
Fire:	1,486
Fire:	2,068
<b>Retirements (during fiscal year 2014-15)</b>	
<b>Total Retirements:</b>	1,062
Miscellaneous:	953
Police:	77
Fire:	32
<b>Average Service Credit</b>	
<b>at Retirement:</b>	24.0 Years
Miscellaneous:	23.6 Years
Police:	28.3 Years
Fire:	24.3 Years
<b>Average Age</b>	
<b>at Retirement:</b>	61.9 Years
Miscellaneous:	62.7 Years
Police:	56.0 Years
Fire:	57.0 Years

## Actuarial Assumptions and Method

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

Assumption	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, 2015 and 2014 (in thousands)

	2015	2014
<b>Assets</b>		
Deposits	\$ 31,969	\$ 82,283
Contributions Receivable – Members	\$ 8,078	\$ 17,224
Contributions Receivable – City and County	-	\$ 32,419
Investment Income Receivable:		
Interest	\$ 25,582	\$ 51,449
Dividends	\$ 13,358	\$ 11,800
Securities Lending	\$ 613	\$ 719
Receivable from Brokers, General Partners, Others	\$ 226,201	\$ 281,319
<b>Investments at Fair Value:</b>		
Short-Term Investments	\$ 656,185	\$ 38,466
City Investment Pool	-	5,227
Debt Securities:		
U. S. Government And Agency Securities	1,074,204	882,574
Other Debt Securities	3,892,924	3,648,458
Equity Securities:		
Domestic	5,320,353	5,225,847
International	5,134,177	5,215,814
Real Assets	1,975,926	1,784,244
Private Equity	2,484,299	2,222,603
Foreign Currency Contracts, Net	722	829
Invested Securities Lending Collateral	1,001,231	911,577
<b>Total Investments</b>	<b>\$ 21,540,021</b>	<b>\$ 20,735,639</b>
<b>Total Assets</b>	<b>\$ 21,845,822</b>	<b>\$ 21,212,852</b>
<b>Liabilities</b>		
Payable to Brokers	\$ 374,001	\$ 356,990
DROP (Deferred Retirement Option Program)	1,491	3,096
Other	40,715	19,273
Payable to Borrowers of Securities	1,001,546	912,886
<b>Total Liabilities</b>	<b>\$ 1,417,753</b>	<b>\$ 1,292,245</b>
<b>Plan Net Position – restricted for pension benefits</b>	<b>\$ 20,428,069</b>	<b>\$ 19,920,607</b>

## Statements of Changes in Plan Net Position

### Years Ended June 30, 2014 and 2013

(in thousands)

	2015	2014
<b>Additions:</b>		
Member Contributions:		
Miscellaneous	\$ 248,084	\$ 235,797
Police	30,977	31,238
Firefighter	22,621	21,985
<b>Total Member Contributions</b>	<b>\$ 301,682</b>	<b>\$ 289,020</b>
Employer Contributions:		
Miscellaneous	\$ 494,353	\$ 443,773
Police	57,950	52,219
Firefighter	40,340	36,890
<b>Total Employer Contributions</b>	<b>\$ 592,643</b>	<b>\$ 532,882</b>
<b>Investment Income (Expenses):</b>		
Interest	\$ 209,520	\$ 177,425
Dividends	214,636	195,503
Net Appreciation (Depreciation) in Fair Value of Investments	378,519	2,844,279
Securities Lending Income	4,869	4,871
Investment Expenses	(44,911)	(47,599)
Securities Lending Borrower Rebates and Expenses	796	952
Net Investment Income	\$ 763,429	\$ 3,175,431
<b>Total Additions</b>	<b>\$ 1,657,754</b>	<b>\$ 3,997,333</b>
<b>Deductions:</b>		
Benefits	\$ 1,118,691	\$ 1,062,229
Refunds of Contributions	12,339	10,297
Administrative Expenses	18,108	14,550
Other Administrative Expenses - OPEB	1,154	1,195
<b>Total Deductions</b>	<b>\$ 1,150,292</b>	<b>\$ 1,088,271</b>
<b>Net (Decrease)/Increase</b>	<b>\$ 507,462</b>	<b>\$ 2,909,062</b>
<b>Plan Net Position – restricted for pension benefits:</b>		
Beginning of Year	19,920,607	17,011,545
End of Year	\$ 20,428,069	\$ 19,920,607

## San Francisco Employees' Retirement System

### Summary of Investments

June 30, 2015		
Asset Class	Market Value (in thousands)	% of Portfolio
<b>Global Equity</b>	<b>10,649,781</b>	<b>52.4%</b>
<b>Global Fixed Income</b>	<b>4,934,837</b>	<b>24.3%</b>
Alternative Investments		
Buyout	1,031,209	5.1%
Venture	1,045,336	5.2%
Special Situations	313,749	1.5%
<b>Total Alternative Investments</b>	<b>2,390,295</b>	<b>11.8%</b>
<b>Real Assets</b>	<b>2,149,841</b>	<b>10.6%</b>
<b>Cash</b>	<b>193,907</b>	<b>1.0%</b>
<b>Total Investment Portfolio</b>	<b>20,318,661</b>	<b>100.0%</b>

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

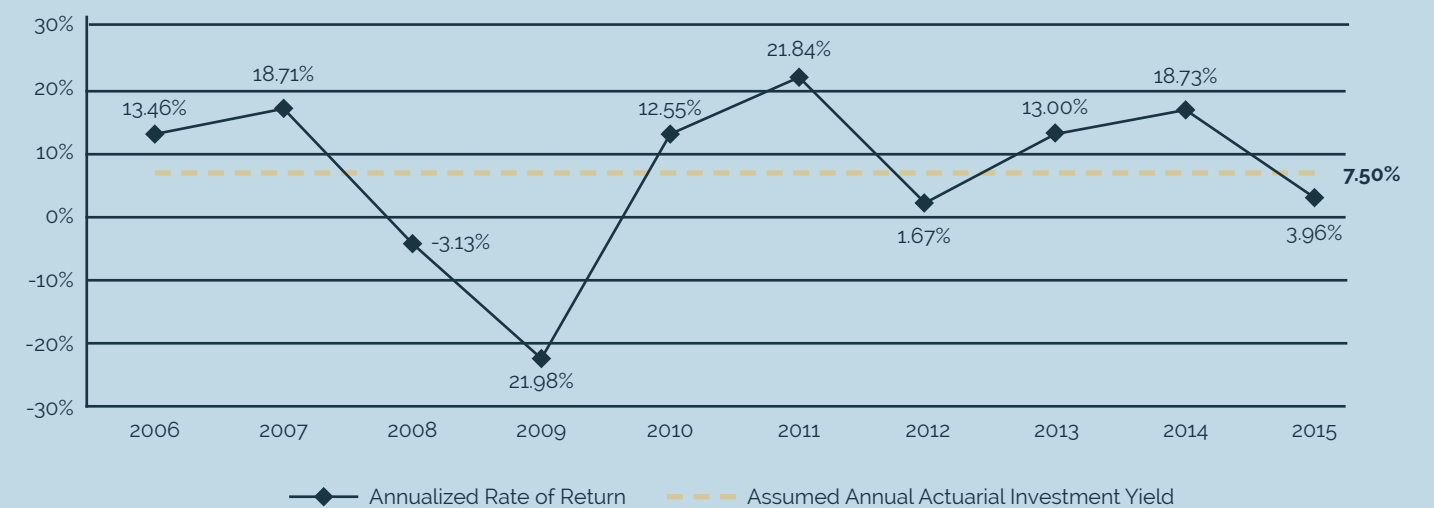
Annualized Returns for the Periods ending 6/30/2015 (Net of fees and expenses)

	1-Year	10-Years	20-Years
<b>Global Equity</b> Benchmark: Global Equity Policy <sup>1</sup>	<b>1.40%</b> 0.81%	<b>6.52%</b> 6.84%	<b>8.11%</b> 7.71%
<b>Global Fixed Income</b> Benchmark: Fixed Income Policy <sup>2</sup>	<b>1.01%</b> 1.61%	<b>5.21%</b> 4.64%	<b>6.55%</b> 5.76%
<b>Private Equity</b> Benchmark: Private Equity Policy <sup>3</sup>	<b>17.77%</b> 12.76%	<b>15.21%</b> 13.26%	<b>16.46%</b> 14.59%
<b>Real Assets</b> Benchmark: Real Assets Policy <sup>4</sup>	<b>10.70%</b> 8.00%	<b>6.49%</b> 8.00%	<b>8.75%</b> 9.51%
<b>Total Fund</b> Weighted Policy Benchmark <sup>5</sup>	<b>3.96%</b> 3.82%	<b>7.07%</b> 7.54%	<b>8.33%</b> 7.70%

Source: The Northern Trust Company

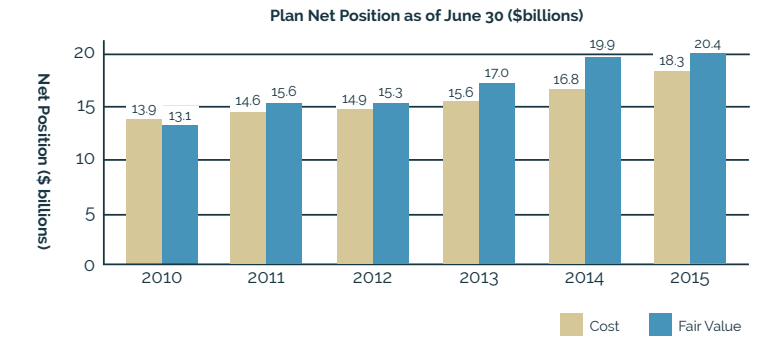
### Annual Rates of Return Last Ten Years

Periods ending June 30



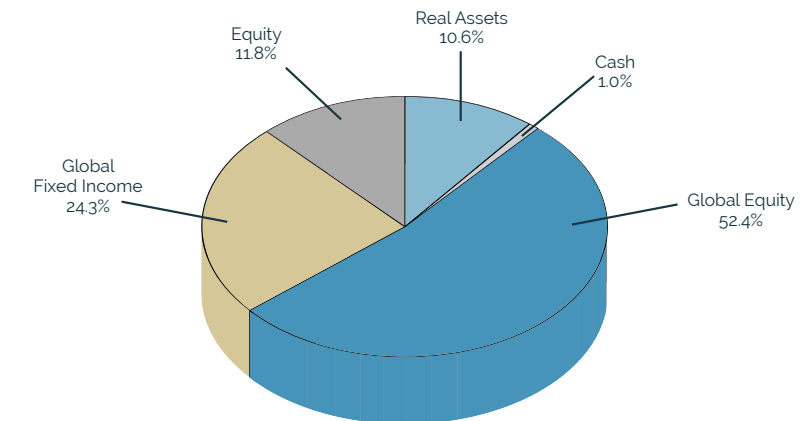
## Pension Fund Net Assets

as of June 30, 2015



### Asset Allocation

as of June 30, 2015



- 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.
- 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.
- Private Equity Policy consists of the S&P500 + 500 bps 1/1/03 through current; + 600 bps through 12/31/02.
- The Real Assets Policy consists of NPI (NCREIF Property Index) +1.5% from inception to 09/30/2011 and a flat 8% thereafter.
- 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.