

RETIREMENT STATISTICS

Plan Year Ended June 30, 2016

The following tables and annotations provide statistical information regarding the types and demographics of the SFERS retirements processed during Plan Year 2015-16, as well as benefits payment summaries and comparisons.

The following table summarizes major activities of the SFERS Retirement Services Division during Plan Years 2015-16 and 2014-15:

Activity	2015-16	2014-15
Retirement Estimates Requests	1,361	978
Retirement Appointments Scheduled	2,542	2397
Retirement Appointments Attended	2,014	2115
Buyback Appointments Scheduled	867	869
Personnel Transactions:		
New Members (New Hires)	2,442	2398
New Members (1040 Hours Membership)	1,106	1264
Rehires	514	418
Police Recruits	475	156
Fire Recruits	173	116
Sheriff Recruits & Misc. Safety	86	67
Pre-Retirement Seminars	10	9
Registered Attendees At Pre-Retirement Seminars	913	838

Disability Retirement Hearing Report

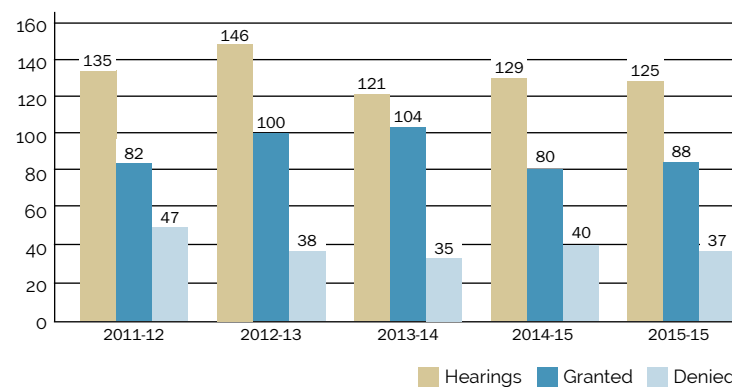
A member or legal agent, acting on behalf of a member, can initiate a claim for disability retirement (ordinary and industrial) by filing an application with the SFERS. The Retirement System gathers medical documentation related to the claim, and forwards the application with supporting medical documentation 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, 2016.

Hearing Officer Report¹

Fiscal Year Ended June 30, 2016

Cases	Total # Of Hearings	Total # Granted	Total # Denied
Industrial Disability Retirements	45	34	11
Ordinary Disability Retirements	60	44	16
Death Benefits	1	1	0
Petitions For Rehearing	9	0	9
Calpers	10	9	1
Total	125	88	37

1. The Hearing Officer Report represents cases processed in the period July 1, 2015 – June 30, 2016, and may reflect cases pending from prior periods.



Recognizing 95 Years

Annual Report

For Fiscal Year Ended
June 30, 2016



The Retirement System

ABOUT SFERS

The Retirement System

Initially established by approval of City voters on November 2, 1920 and the California State Legislature on January 12, 1921, the San Francisco Employees' Retirement System ("Retirement System" or "SFERS") is deeply rooted in the history and culture of the City and County of San Francisco and is committed to serving the retirement needs of its members. Originally established as a fund to assist families and orphans of firefighters and police, today the Retirement System serves more than 68,000 active, vested and retired employees of the City and County of San Francisco and their survivors.

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

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

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

Our Mission

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

The Pension Plan

The SFERS Pension Plan is a tax-qualified defined benefit plan that provides for the following benefits upon separation: service and disability retirement, refund or vesting allowance, and pre and post-retirement death benefits to beneficiaries. Defined benefit plans are funded through employee and employer contributions and investment earnings.

As of June 30, 2016, the Fund was valued at \$20.2 billion returning 1.29% for the fiscal year. Over the same time period, the median return for public pension plans with assets of \$1 billion or more was -0.46%. Thus, SFERS outperformed our peers by 1.75%. Annual benefit payments totaled \$1.243 billion paid to over 28,200 retirees and their beneficiaries.

The San Francisco 457(b) Deferred Compensation Plan

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

The Retirement Board approved a new plan feature in fiscal year 2015-16. The SFDCP now permits participants to borrow money from their SFDCP accounts, up to \$50,000. With the exception of loans for the purchase of a home, borrowers must repay their loan with interest, within five years.

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

The 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.

In Fiscal Year 2015-16, SFERS enrolled 4,796 new members and added 1,247 new retirees.

RETIREMENT SERVICES DIVISION

Providing members with information and education about retirement benefits and services

SFERS AT A GLANCE

As of June 30, 2016

Plan Net Assets Market Value:	\$20.2 billion
Annualized Return on Total Fund:	1.29%
Total Benefits Paid (during FY 2015-16):	\$1.243 billion
Employer Contribution Rate (during FY 2015-16):	22.80%
Average Member Contribution Rate:	7.54%

Membership

Total Membership: 68,337

	Active	Retired	Inactive
Miscellaneous	28,623	23,583	7,415
Police	2,125	2,635	149
Fire	1,560	2,066	74
Miscellaneous Safety	40	1	5
Sheriff	38	1	2
Total	32,406	28,286	7,645

Retirements (during fiscal year 2015-16)

Total Retirements:	1,247
Miscellaneous:	1,136
Police:	73
Fire:	36
Miscellaneous Safety	1
Sheriff	1

Average Service Credit at Retirement:	Average Age at Retirement:
Miscellaneous: 23.9 Years	Miscellaneous: 63.0 Years
Police: 25.7 Years	Police: 55.9 Years
Fire: 25.5 Years	Fire: 57.1 Years

Actuarial Assumptions and Method

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

Assumption	July 1, 2015	July 1, 2014
Investment Return	7.50% per year	7.50% per year
Wage inflation	3.75% per year	3.75% per year
Price inflation	3.25% per year	3.25% per year
Mortality	CalPERS 2009 Mortality Tables projected generationally with modified Scale MP 2015	RP2000 Mortality 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 15 years
- unfunded liability due to actuarial gains and losses, assumption changes and miscellaneous items amortized as a level percentage of payroll over 20 years
- assets valued using a 5-year smoothing of investment return greater than or less than the expected investment return

Employer (City and County) Contribution Rates

The retirement contribution rates that will be paid by the City in Fiscal Years 2015-16 and 2016-17 as derived from the following actuarial valuation results:

	FY 2016-17 valuation results as of July 1, 2015	FY 2015-16 valuation results as of July 1, 2014
Normal Cost	18.65%	18.38%
Remaining Cost of Propositions	5.69%	5.86%
Other Unfunded Actuarial Liability	4.02%	5.65%
Employee Contributions	(7.56%)	(7.54%)
Administrative Expenses	0.60%	0.45%
Board Approved City Contribution Rate	21.40%	22.80%



SFERS

San Francisco Employees' Retirement System

Basic Financial Statements

Statements of Plan Net Position

June 30, 2016 and 2015

(Dollars in thousands)

	2016	2015
Assets		
Deposits	\$ 43,521	\$ 31,969
Contributions Receivable – Members	\$ 10,908	\$ 8,078
Investment Income Receivable:		
Interest	\$ 21,831	\$ 25,582
Dividends	\$ 20,643	\$ 13,358
Securities Lending	\$ 641	\$ 613
Receivable from Brokers, General Partners, Others	\$ 66,689	\$ 226,201
Investments at Fair Value:		
Short-Term Investments	\$ 1,009,676	\$ 656,185
City Investment Pool	6,656	-
Debt Securities:		
U. S. Government And Agency Securities	1,648,271	1,074,204
Other Debt Securities	3,068,745	3,892,924
Equity Securities:		
Domestic	4,970,838	5,320,353
International	4,304,025	5,134,177
Real Assets	2,341,500	1,975,926
Private Equity	2,750,619	2,484,299
Foreign Currency Contracts, Net	14,125	722
Invested Securities Lending Collateral	865,681	1,001,231
Total Investments	\$ 20,980,136	\$ 21,540,021
Total Assets	\$ 21,144,369	\$ 21,845,822
Liabilities		
Payable to Brokers	\$ 107,444	\$ 374,001
DROP (Deferred Retirement Option Program)	613	1,491
Other	18,273	40,715
Payable to Borrowers of Securities	863,536	1,001,546
Total Liabilities	\$ 989,866	\$ 1,417,753
Plan Net Position – restricted for pension benefits	\$ 20,154,503	\$ 20,428,069

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

Statements of Changes in Plan Net Position

Years Ended June 30, 2016 and 2015

(Dollars in thousands)

	2016	2015
Additions:		
Member Contributions:		
Miscellaneous	\$ 266,929	\$ 248,084
Police	32,345	30,977
Firefighter	23,490	22,621
Total Member Contributions	\$ 322,764	\$ 301,682
Employer Contributions:		
Miscellaneous	\$ 442,184	\$ 494,353
Police	49,164	57,950
Firefighter	35,457	40,340
Total Employer Contributions	\$ 526,805	\$ 592,643
Investment Income (Expenses):		
Interest	\$ 188,292	\$ 209,520
Dividends	219,529	214,636
Net Appreciation (Depreciation) in Fair Value of Investments	(216,852)	378,519
Securities Lending Income	7,562	4,869
Investment Expenses	(47,026)	(44,911)
Securities Lending Borrower Rebates and Expenses	(1,315)	796
Net Investment Income	\$ 150,190	\$ 763,429
Total Additions	\$ 999,759	\$ 1,657,754
Deductions:		
Benefits	\$ 1,243,260	\$ 1,118,691
Refunds of Contributions	12,886	12,339
Administrative Expenses	16,079	18,108
Other Administrative Expenses - OPEB	1,100	1,154
Total Deductions	\$ 1,273,325	\$ 1,150,292
Net (Decrease)/Increase	\$ (273,566)	\$ 507,462
Plan Net Position – restricted for pension benefits:		
Beginning of Year	20,428,069	19,920,607
End of Year	\$ 20,154,503	\$ 20,428,069

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

San Francisco Employees' Retirement System

Summary of Investments

June 30, 2016

Asset Class	Market Value (\$thousands)	% of Portfolio
Public Equity	9,486,642	47.6%
Fixed Income	4,654,925	23.3%
Private Equity		
Buyout	802,455	4.0%
Venture	1,100,973	5.5%
Special Situations	791,620	4.0%
Total Private Equity	2,695,048	13.5%
Real Assets	2,344,822	11.8%
Cash	760,536	3.8%
Total Investment Portfolio	19,941,973	100.0%

Investment Performance

For the Fiscal Year ended June 30, 2016, the investment portfolio of the Retirement System returned 1.29%. Real Assets (+12.95%) continued its historically solid performance followed by Private Equity (+8.63%). In an environment of slow growth, Public Markets essentially finished flat as Fixed Income returned +4.39% while Global Equities declined 4.14%.

Investment Portfolio Performance

Annualized Returns for the Periods ending 6/30/2016

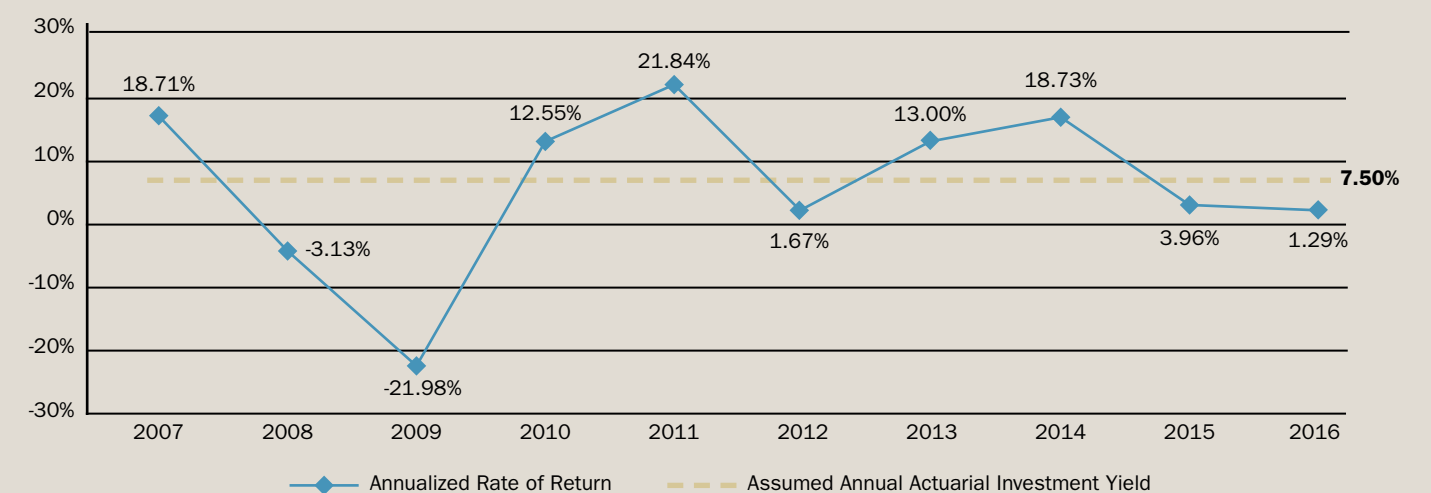
(Net of fees and expenses)

Description	1-Year	10-Years	20-Years
Global Equity Benchmark: Global Equity Policy ¹	-4.14% -3.87%	4.61% 4.79%	6.72% 6.45%
Global Fixed Income Benchmark: Fixed Income Policy ²	4.39% 5.82%	5.44% 5.26%	6.50% 5.80%
Private Equity Benchmark: Private Equity Policy ³	8.63% 9.18%	12.36% 12.77%	15.58% 13.58%
Real Assets Benchmark: Real Assets Policy ⁴	12.95% 8.00%	6.00% 6.70%	8.81% 9.93%
Total Fund Weighted Policy Benchmark ⁵	1.29% 2.17%	5.85% 6.60%	7.66% 7.16%

Source: The Northern Trust Company

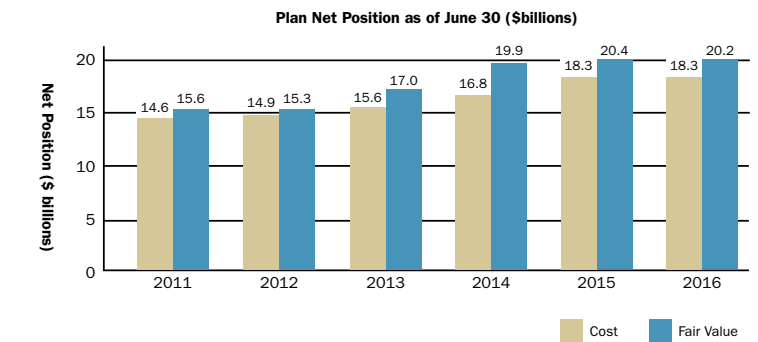
Annual Rates of Return Last Ten Years

Periods ending June 30



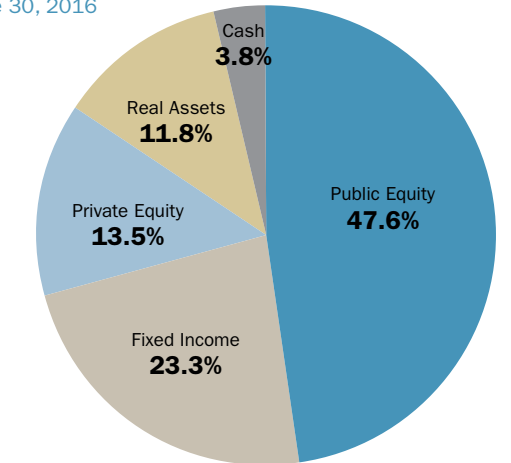
Pension Fund Net Assets

as of June 30, 2016



Asset Allocation

as of June 30, 2016



- 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.