

RETIREMENT STATISTICS

Plan Year Ended June 30, 2017

The following tables and annotations provide statistical information regarding the types and demographics of the SFERS retirements processed during Plan Year 2016-17, as well as benefits payment summaries and comparisons.

The following table summarizes major activities of the SFERS Retirement Services Division during Plan Years 2016-17 and 2015-16:

Activity	2016-17	2015-16
Retirement Estimates Requests	1,489	1,361
Retirement Appointments Scheduled	2,598	2,542
Retirement Appointments Attended	1,956	2,014
Buyback Appointments Scheduled	1,024	867
Personnel Transactions:		
New Members (New Hires)	2,425	2,442
New Members (1040 Hours Membership)	1,016	1,106
Rehires	534	514
Police Recruits	226	475
Fire Recruits	118	173
Sheriff Recruits & Misc. Safety	138	86
Pre-Retirement Seminars	9	10
Registered Attendees At Pre-Retirement Seminars	910	913

Disability Retirement Hearing Report

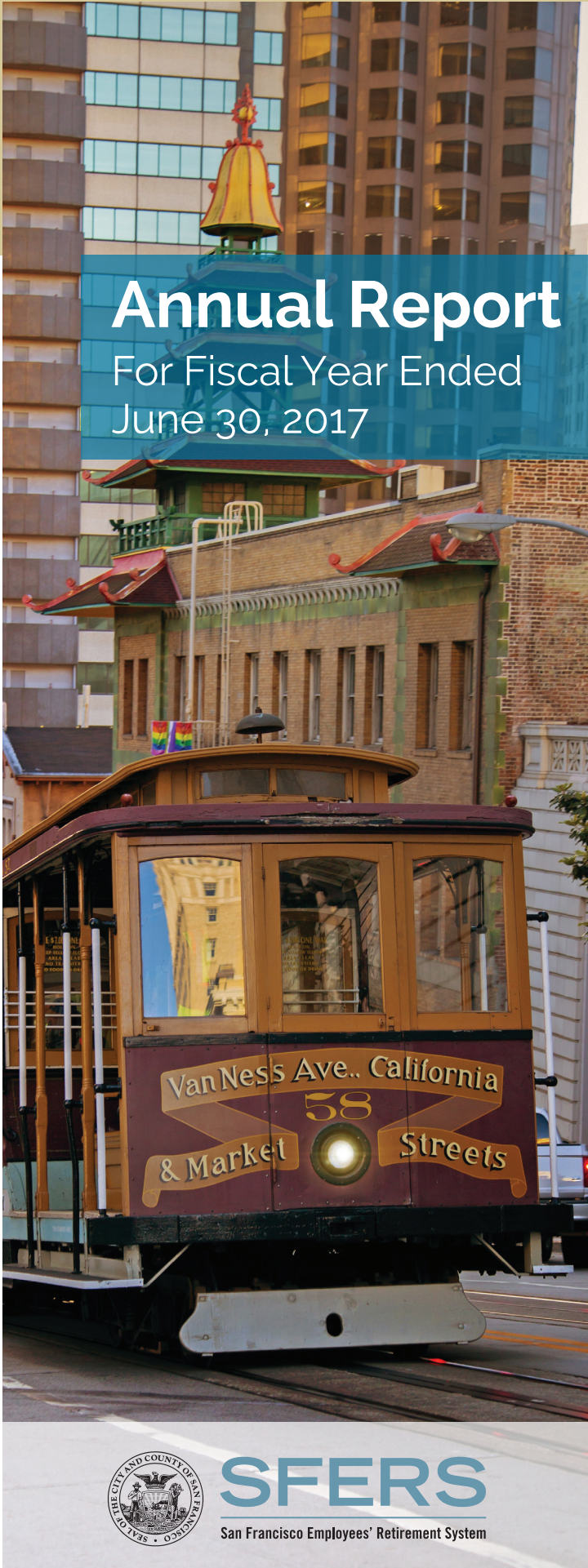
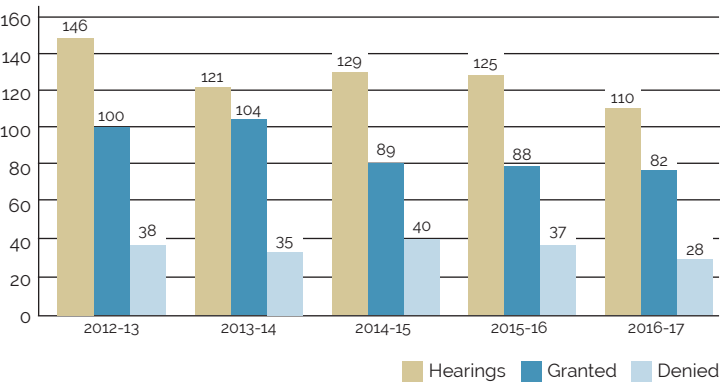
A member or legal agent, acting on behalf of a member, can initiate a claim for disability retirement (ordinary and industrial) by filing an application with the SFERS. The Retirement System gathers medical documentation related to the claim, and forwards the application with supporting medical documentation 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, 2017.

Hearing Officer Report¹

Plan Year Ended June 30, 2017

Cases	Total # Of Hearings	Total # Granted	Total # Denied
Industrial Disability Retirements	31	23	8
Ordinary Disability Retirements	63	49	14
Death Benefits	5	4	1
Petitions For Rehearing	5	0	5
Calpers	6	6	0
Total	110	82	28

1. The Hearing Officer Report represents cases processed in the period July 1, 2016 – June 30, 2017, and may reflect cases pending from prior periods.



Annual Report
For Fiscal Year Ended
June 30, 2017



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 70,900 active, vested and retired employees of the City and County of San Francisco and their survivors.

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

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

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

Our Mission

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

The Pension Plan

The SFERS Pension Plan is a tax-qualified defined benefit plan that provides for the following benefits upon separation: service and disability retirement, refund or vesting allowance, and pre and post-retirement death benefits to beneficiaries. Defined benefit plans are funded through employee and employer contributions and investment earnings. SFERS has a reciprocity agreement with CalPERS, California county retirement systems covered by the County Employees Retirement Law of 1937, and certain other local, independent retirement systems that have a reciprocity contract with CalPERS (listed on the CalPERS website).

As of June 30, 2017, the Fund was valued at \$22.4 billion returning 13.81% for the fiscal year. Over the same time period, the median return for public pension plans with assets of \$1 billion or more was 12.66%. SFERS outperformed our peers by 1.15%. Annual benefit payments totaled \$1.265 billion paid to over 29,100 retirees and their beneficiaries.

The San Francisco 457(b) Deferred Compensation Plan

The San Francisco Deferred Compensation Plan (SFDGP), 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 SFDGP also offers a Roth after-tax contribution option. These options offer eligible employees an opportunity to supplement pension income during retirement.

In Fiscal Year 2016-17, the SFDGP introduced a number of educational seminars for current and prospective participants, demonstrating tools and strategies that support saving for retirement.

Our Members

In Fiscal Year 2016-17, SFERS enrolled 4,457 new members and added 1,201 new retirees. SFERS members include eligible employees of the City and County of San Francisco, the San Francisco Unified School District, the San Francisco Community College District, and the San Francisco Trial Courts. Uniformed employees working for the City's Police and Fire Departments are covered by the SFERS Safety Plans. Eligible civilian (non-Safety) employees of the City are covered by the SFERS Miscellaneous Plan.

Sheriff, Undersheriff, and deputized personnel of the Sheriff's Department hired after January 7, 2012 are covered by the SFERS Sheriff's Plan. Probation Officers, District Attorney Investigators and Juvenile Court Counselors hired after January 7, 2012 are covered by the SFERS Miscellaneous Safety Plan.

SFERS AT A GLANCE
As of June 30, 2017

Plan Net Assets Market Value:	\$22.4 billion		
Annualized Return on Total Fund:	13.81%		
Total Benefits Paid (during FY 2016-17):	\$1.265 billion		
Employer Contribution Rate (during FY 2016-17):	21.40%		
Average Member Contribution Rate:	7.56%		
Membership			
Total Membership: 70,988			
	Active	Retired	Inactive
Miscellaneous	29,545	24,399	8,146
Police	2,215	2,647	192
Fire	1,609	2,075	75
Miscellaneous Safety	40	-	5
Sheriff	38	-	2
Total	33,447	29,121	8,420
Retirements (during fiscal year 2016-17)			
Total Retirements:	1,201		
Miscellaneous:	1,077		
Police:	69		
Fire:	55		
Miscellaneous Safety	-		
Sheriff	-		
Average Service Credit at Retirement:	Average Age at Retirement:		
23.1 Years	63.3 Years		
Miscellaneous:	Miscellaneous:		
23.0 Years	63.2 Years		
Police:	Police:		
25.5 Years	56.5 Years		
Fire:	Fire:		
22.7 Years	56.5 Years		
Miscellaneous Safety	Miscellaneous Safety		
-	-		
Sheriff	Sheriff		
-	-		

Actuarial Assumptions and Method

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

Assumption	July 1, 2016	July 1, 2015
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	CalPERS 2009 Mortality Tables projected generationally with modified Scale MP 2015

The actuarial funding methods used are as follows:

- entry age normal cost method
- unfunded liability due to benefit increases amortized as a level percentage of payroll over 15 years
- unfunded liability due to actuarial gains and losses, assumption changes and miscellaneous items amortized as a level percentage of payroll over 20 years
- assets valued using a 5-year smoothing of investment return greater than or less than the expected investment return

Employer (City and County) Contribution Rates

The retirement contribution rates that will be paid by the City in Fiscal Years 2016-17 and 2017-18 as derived from the following actuarial valuation results: valuation results:

	FY 2017-18 valuation results as of July 1, 2016	FY 2016-17 valuation results as of July 1, 2015
Normal Cost	18.56%	18.65%
Remaining Cost of Propositions	5.12%	5.69%
Other Unfunded Actuarial Liability	6.75%	4.02%
Employee Contributions	(7.57%)	(7.56%)
Administrative Expenses	0.60%	0.60%
Board Approved City Contribution Rate	23.46%	21.40%

Basic Financial Statements
Statements of Fiduciary Net Position

June 30, 2017 and 2016
(Dollars in thousands)

	2017	2016
Assets		
Deposits	\$ 65,697	\$ 43,521
Contributions Receivable – Members	\$ 11,594	\$ 10,908
Investment Income Receivable:		
Interest	\$ 20,988	\$ 21,831
Dividends	\$ 12,496	\$ 20,643
Securities Lending	\$ 287	\$ 641
Receivable from Brokers, General Partners, Others	\$ 145,795	\$ 66,689
Investments at Fair Value:		
Short-Term Investments	\$ 347,744	\$ 1,009,676
City Investment Pool	11,800	6,656
Debt Securities:		
U. S. Government And Agency Securities	1,555,180	1,648,271
Other Debt Securities	2,891,222	3,068,745
Equity Securities:		
Domestic	5,666,244	4,970,838
International	4,891,772	4,304,025
Real Assets	2,975,974	2,341,500
Private Equity	3,401,547	2,750,619
Absolute Return	577,967	--
Foreign Currency Contracts, Net	164	14,125
Invested Securities Lending Collateral	201	865,681
Total Investments	\$ 22,319,815	\$ 20,980,136
Total Assets	\$ 22,576,672	\$ 21,144,369
Liabilities		
Payable to Brokers	\$ 147,095	\$ 107,444
DROP (Deferred Retirement Option Program)	313	613
Other	18,808	18,273
Payable to Borrowers of Securities	106	863,536
Total Liabilities	\$ 166,322	\$ 989,866
Fiduciary Net Position – restricted for pension benefits	\$ 22,410,350	\$ 20,154,503

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

Statements of Changes in Fiduciary Net Position

Years Ended June 30, 2017 and 2016
(Dollars in thousands)

	2017	2016
Additions		
Member Contributions:		
Miscellaneous	\$ 262,647	\$ 266,929
Police	31,085	32,345
Firefighter	23,112	23,490
Total Member Contributions	\$ 316,844	\$ 322,764
Employer Contributions:		
Miscellaneous	\$ 465,671	\$ 442,184
Police	49,640	49,164
Firefighter	36,498	35,457
Total Employer Contributions	\$ 551,809	\$ 526,805
Investment Income (Expenses):		
Interest	\$ 159,065	\$ 188,292
Dividends	209,951	219,529
Net Appreciation (Depreciation) in Fair Value of Investments	2,356,332	(216,852)
Securities Lending Income	9,004	7,562
Investment Expenses	(47,395)	(47,026)
Securities Lending Borrower Rebates and Expenses	(3,489)	(1,315)
Net Investment Income	\$ 2,683,468	\$ 150,190
Total Additions	\$ 3,552,121	\$ 999,759
Deductions		
Benefits	\$ 1,264,633	\$ 1,243,260
Refunds of Contributions	13,507	12,886
Administrative Expenses	16,586	16,079
Other Administrative Expenses - OPEB	1,548	1,100
Total Deductions	\$ 1,296,274	\$ 1,273,325
Net (Decrease)/Increase	\$ 2,255,847	\$ (273,566)
Fiduciary Net Position – restricted for pension benefits:		
Beginning of Year	20,154,503	20,428,069
End of Year	\$ 22,410,350	\$ 20,154,503

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

San Francisco Employees' Retirement System
Summary of Investments

June 30, 2017		
Asset Class	Market Value (\$thousands)	% of Portfolio
Public Equity	\$ 10,680,079	48.0%
Fixed Income	\$ 4,457,944	20.0%
Absolute Return	\$ 577,978	2.6%
Private Equity	\$ 3,297,907	14.8%
Real Assets	\$ 3,108,591	14.0%
Cash	\$ 125,415	0.6%
Total Investment Portfolio	\$ 22,247,914	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 Performance

For the fiscal year ended June 30, 2017, the investment portfolio of the Retirement System returned 13.81%. The table below shows annualized returns for major categories of investments compared to benchmarks for various return periods:

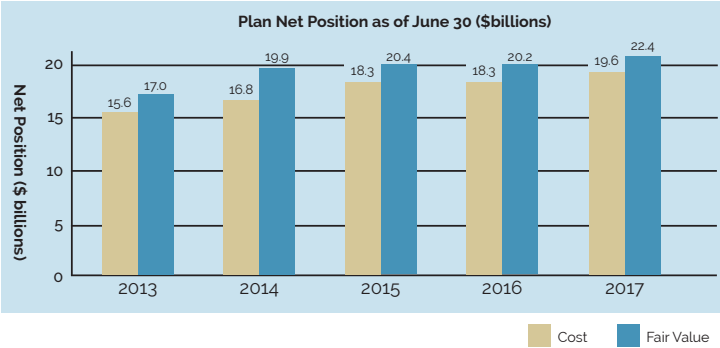
Investment Portfolio Performance

Annualized Returns for the Periods ending 6/30/2017
(Net of fees and expenses)

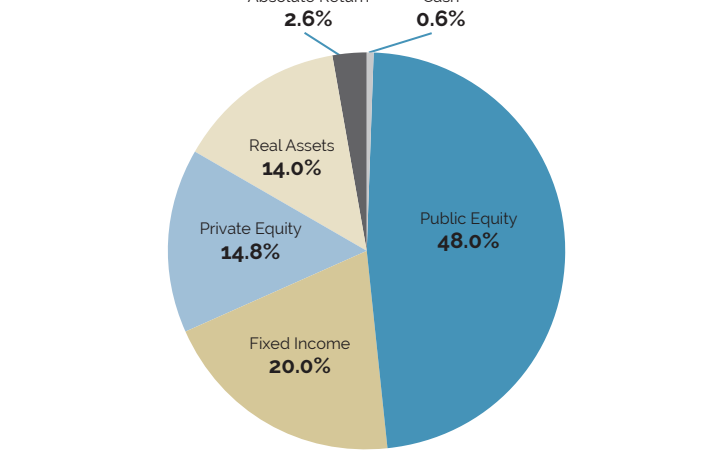
Description	1-Year	10-Years	20-Years
Global Equity Benchmark: Global Equity Policy¹	20.15% 19.02%	4.27% 4.36%	6.46% 6.22%
Global Fixed Income Benchmark: Fixed Income Policy²	3.44% 0.91%	5.06% 4.72%	5.99% 5.43%
Absolute Return³ Benchmark: Absolute Return Policy⁴	6.47% 4.12%	N/A	N/A
Private Equity Benchmark: Alternative Investments Policy⁵	12.78% 23.68%	10.83% 12.52%	14.58% 12.78%
Real Assets Benchmark: Real Assets Policy⁶	14.77% 8.00%	5.55% 5.73%	10.57% 9.82%
Total Fund Weighted Policy Benchmark⁷	13.81% 13.63%	5.40% 6.18%	7.46% 7.08%

Source: BNY Mellon

Pension Fund Net Assets
as of June 30, 2017 (\$ billions)



Asset Allocation
as of June 30, 2017



- 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.
- Absolute Return performance begins 10/01/2016.
- Absolute Return Policy consists of the 90 Day T-Bill + 500bps.
- Alt. Inv. 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.

Annual Rates of Return Last Ten Years

Periods ending June 30

