

Retirement Statistics

Plan Year Ended June 30, 2012

The following tables and annotations provide statistical information regarding the types and demographics of the SFERS retirements processed during Plan Year 2011-12, as well as benefits payment summaries and comparisons.

The following table summarizes major activities of the SFERS Retirement Services Division during Plan Years 2011-12 and 2010-11:

ACTIVITY	2011-12	2010-11
Retirement Estimates Requests	1030	1054
Retirement Appointments	2439	2565
Retirement Applications Processed	2119	2143
Buyback Appointments	942	1175
Personnel Transactions:		
New Members (New Hires)	1332	1232
New Members (1040 Hours Membership)	796	753
Rehires	180	150
Police Recruits	69	29
Fire Recruits	31	41
Sheriff Recruits	0	0
Pre-retirement Seminars	8	4
Registered Attendees at Pre-retirement Seminars	614	449

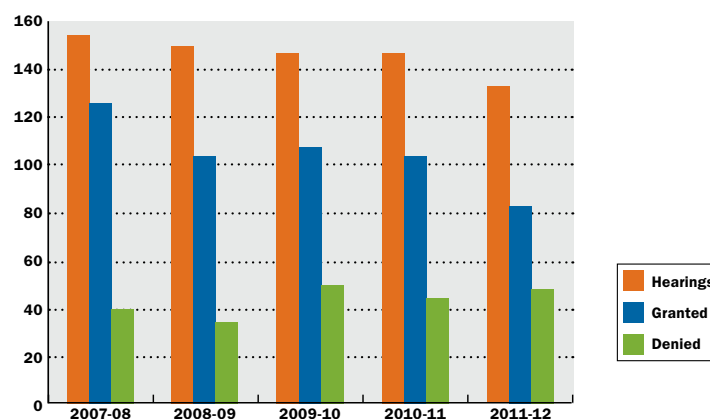
Disability Retirement Hearing Report

Fiscal Year Ended June 30, 2012

CASES	TOTAL # OF HEARINGS	TOTAL # GRANTED	TOTAL # DENIED
Industrial Disability Retirements	56	30	21
Ordinary Disability Retirements	68	43	13
Death Benefits	5	2	1
Petitions For Rehearing	0	0	12
CalPERS	6	7	0
Total	135	82	47

1. The Hearing Officer Report represents cases processed in the period July 1, 2011 - June 30, 2012, and may reflect cases pending from prior periods.

Five-Year Comparison



San Francisco Employees' Retirement System

Annual Report

For Fiscal Year Ended June 30, 2012

The Retirement System

HISTORY

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 (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 53,000 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 33).

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

SFERS at a Glance

As of June 30, 2012

Plan Net Assets Market Value:	\$15.3 billion
Total Benefits Paid:	\$968 million
Average Member Contribution Rate:	7.50%
Employer Contribution Rate: (during FY 2011-12):	18.09%
Annualized Return on Total Fund:	1.67%

Membership

Total Membership:	53,287		
Active:	28,097	Retired:	25,190
Miscellaneous:	24,878	Miscellaneous:	20,755
Police:	1,883	Police:	2,355
Fire:	1,326	Fire:	2,080

Retirements (during fiscal year 2011-12)

Total Retirements:	1,342		
Miscellaneous:	1,164		
Police:	130		
Fire:	48		

Average Service Credit at

Service Retirement:	21.7 years	Average Age at Service Retirement:	60.0 Years
Miscellaneous:	20.8 Years	Miscellaneous:	60.6 Years
Police:	28.5 Years	Police:	56.3 Years
Fire:	24.5 Years	Fire:	55.6 Years

Actuarial Assumptions and Method

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

	July 1, 2012	July 1, 2011
Investment Return	7.58% per year	7.66% per year
Wage Inflation	3.83% per year	3.91% per year
Price Inflation	3.33% per year	3.41% 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 smoothing of investment return greater than or less than the expected investment return.

Statements of Plan Net Assets

Years Ended June 30, 2012 and 2011

ASSETS	2012	2011
(in thousands)		
Deposits	\$33,296	\$43,981
Accounts Receivable:		
Contributions Receivable – Members	10,854	9,017
Contributions Receivable – City and County	23,234	16,022
Investment Income Receivable:		
Interest	23,080	26,057
Dividends	9,816	12,410
Securities lending	571	637
Receivable from brokers, general partners, others	317,884	60,566
Investments at Fair Value:		
Short-Term Investments	706,721	726,811
Debt Securities:		
U.S. Government Securities	1,036,859	1,050,322
Other Debt Securities	3,010,690	3,218,676
Equity Securities	7,220,971	7,366,821
Real Estate	1,403,412	1,266,863
Alternative Investments	2,021,472	1,977,187
Foreign currency contracts, Net	(15,790)	(16,046)
Investments in Lending Agents' Short-Term Investment Pool	914,105	892,579
Total Investments:	\$16,298,440	\$16,483,213
Total Assets:	\$16,717,175	\$16,651,903
LIABILITIES	2012	2011
Payable to brokers	\$463,386	\$126,903
DROP (Deferred Retirement Option Program)	27,257	17,641
Other liabilities	15,438	15,063
Payable to borrowers of securities	917,390	893,457
Total Liabilities:	\$1,423,451	\$1,053,064
Net Assets Held in Trust for Pension Benefits:	\$15,293,724	\$15,598,839

Key Results

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

Funded Status as of July 1, 2012

Actuarial Liability	\$19.394 billion
Actuarial Value of Assets	\$16.028 billion
Unfunded Actuarial Liability <Surplus>	\$3.366 billion
Funded Status (assets / liabilities)	82.6%

The assets were valued using a 5-year smoothing of investment return greater than or less than the expected investment return.

Statements of Changes in Plan Net Assets

Years Ended June 30, 2012 and 2011

ADDITIONS	2012	2011
(in thousands)		
Member Contributions:		
Miscellaneous	\$152,090	\$149,148
Police	27,258	19,453
Firefighter	18,542	13,154
Total Member Contributions	198,160	181,755
Employer Contributions:		
Miscellaneous	344,942	250,367
Police	39,389	34,887
Firefighter	26,466	23,569
Total Employer Contributions	410,797	308,823
Investment Income (Expenses):		
Interest	195,517	208,400
Dividends	170,759	159,671
Net Appreciation (Depreciation) in Fair Value of Investments	(246,965)	2,557,950
Securities Lending Income	4,718	5,697
Investment Expenses	(44,540)	(44,579)
Securities Lending Borrower Rebates and Expenses	913	436
Investment Gain, Net	80,402	2,887,575
Total Additions	\$689,359	\$3,378,153
DEDUCTIONS	2012	2011
Benefits	968,528	889,744
Refunds of Contributions	11,030	11,548
Administrative Expenses	13,661	13,544
Other Admn. Expenses - OPEB	1,255	1,264
Total Deductions	\$994,474	\$916,100
Net Increase	\$(305,115)	\$2,462,053
Net Assets Held in Trust for Pension Benefits		
Beginning of year	\$15,598,839	\$13,136,786
End of year	\$15,293,724	\$15,598,839

Employer (City and County) Contribution Rates

The retirement contribution rates that will be paid by the City in Fiscal Years 2012-13 and 2013-14 as derived from the following actuarial valuation results:

	FY 2013-14	FY 2012-13
Normal Cost	17.91%	17.90%
Unfunded Actuarial Liability	7.88%	3.66%
Remaining Cost of Propositions	6.11%	6.21%
Employee Contributions	(7.53%)	(7.51%)
Administrative Expenses	0.45%	0.45%
Board Approved City Contribution Rate	24.82%	20.71%

San Francisco Employees' Retirement System

Summary of Investments

ASSET CLASS	at June 30, 2012		at June 30, 2011	
	Market	% of Portfolio	Market	% of Portfolio
(in thousands)				
Equities				
U.S. Equities	4,169,625	27.3%	4,167,179	27.0%
International Equities	3,286,774	21.5%	3,593,150	23.3%
Total Equities	7,456,399	48.8%	7,760,329	50.3%
Global Fixed Income	4,110,599	26.9%	4,277,257	27.7%
Alternative Investments				
Buyout	984,280	6.4%	979,089	6.3%
Venture	580,610	3.8%	531,889	3.4%
Special Situations	463,790	3.0%	423,589	2.7%
Total Alternative	2,028,680	13.3%	1,934,567	12.5%
Real Estate	1,538,946	10.1%	1,318,989	8.5%
Cash	154,535	1.0%	149,320	1.0%
Total Investment Portfolio	15,289,159	100.0%	15,440,462	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 6/30/2012

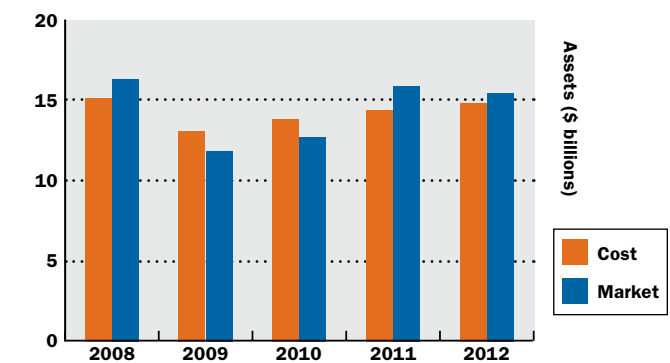
(Net of fees and expenses)

	1-YEAR	5-YEARS	10-YEARS
Domestic Equity Benchmark: Russell 3000	2.61%	0.00%	5.22%
	3.84%	0.39%	5.81%
International Equity Benchmark: International Equity Policy ¹	-14.18%	-5.47%	6.49%
	-14.79%	-4.21%	6.97%
Global Fixed Income Benchmark: Fixed Income Policy ²	7.37%	5.73%	6.72%
	7.36%	6.76%	5.88%
Real Estate Benchmark: Gross NPI +1.5% ³	5.76%	7.38%	13.09%
	10.70%	5.24%	10.64%
Alternative Assets Benchmark: Alternative Investments Policy ⁴	20.11%	-1.38%	5.83%
	10.51%	3.52%	9.28%
TOTAL FUND Weighted Policy Benchmark ⁵	1.67%	1.02%	6.67%
	2.33%	2.55%	7.12%

Source: The Northern Trust Company

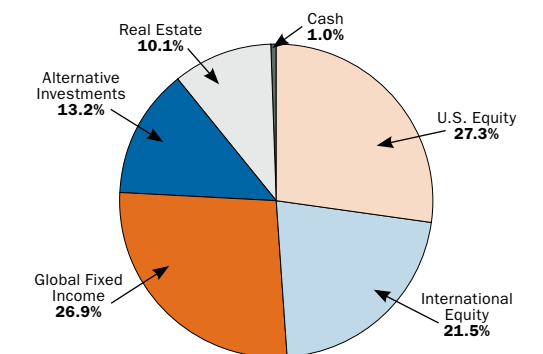
Pension Fund Net Assets

as of June 30, 2012



Asset Allocation

as of June 30, 2012



- 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.
- 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 Real Estate benchmark consists of NPI (NCREIF Property Index) + 150 basis points through 9/30/2011 and a flat 8% annual return thereafter.
- The current SFERS weighted policy consists of 23.5% Russell 3000, 23.5% MSCI-ACWI IMI ex-US (ND), 25% Barclays US Universal, 12% SFERS Real Estate Benchmark and 16% SFERS Alternatives Investment Benchmark.

Annual Rates of Return Last Ten Years

Periods ending June 30

