

RETIREMENT STATISTICS

Plan Year Ended June 30, 2013

The following tables and annotations provide statistical information regarding the types and demographics of the SFERS retirements processed during Plan Year 2012-13, as well as benefits payment summaries and comparisons.

The following table summarizes major activities of the SFERS Retirement Services Division during Plan Years 2012-13 and 2011-12:

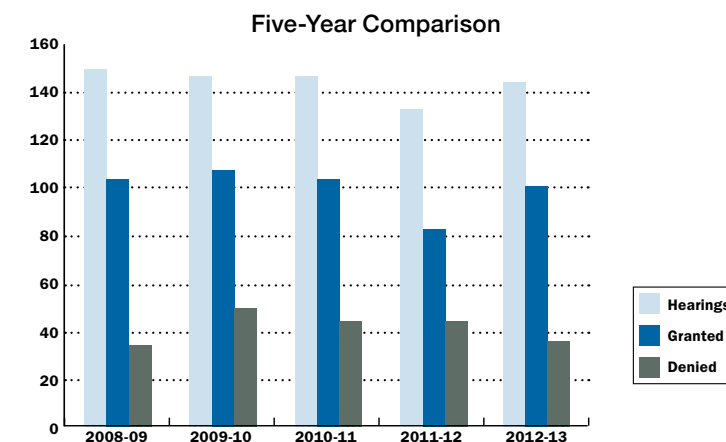
Activity	2012-13	2011-12
Retirement Estimates Requests	1002	1030
Retirement Appointments	2308	2439
Retirement Applications Processed	2015	2119
Buyback Appointments	1035	942
Personnel Transactions:		
New Members (New Hires)	1272	1332
New Members (1040 Hours Membership)	687	796
Rehires	152	180
Police Recruits	184	69
Fire Recruits	73	31
Sheriff Recruits & Misc. Safety	43	0
Pre-retirement Seminars	10	8
Registered Attendees at Pre-retirement Seminars	650	614

DISABILITY RETIREMENT HEARING REPORT

Fiscal Year Ended June 30, 2013

Cases	Total # of Hearings	Total # Granted	Total # Denied
Industrial Disability Retirements	50	38	10
Ordinary Disability Retirements	81	52	17
Death Benefits	4	2	0
Petitions For Rehearing	0	0	9
CalPERS	11	8	2
Total	146	100	38

1. The Hearing Officer Report represents cases processed in the period July 1, 2012 – June 30, 2013, and may reflect cases pending from prior periods.



Annual Report

For Fiscal Year Ended June 30, 2013

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 (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 60,796 active, inactive 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.

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

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.

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, 2013

Plan Net Assets Market Value:		\$17.0 billion
Total Benefits Paid:		\$1.0 billion
Average Member Contribution Rate:		7.51%
Employer Contribution Rate: (during FY 2012-13):		20.71%
Annualized Return on Total Fund:		13.01%
Membership		
Active & Retired:	54,823	
Active:	28,789	Retired: 26,034
Miscellaneous:	25,392	Miscellaneous: 21,470
Police:	2,039	Police: 2,481
Fire:	1,358	Fire: 2,083
Retirements (during fiscal year 2012-13)		
Total Retirements:	1,419	
Miscellaneous:	1,156	
Police:	204	
Fire:	59	
Average Service Credit at Retirement:		Average Age at Retirement:
Miscellaneous:	22.2 years	59.1 Years
Police:	21.1 Years	Miscellaneous: 60.5 Years
Fire:	27.9 Years	Police: 53.4 Years
	23.8 Years	Fire: 52.5 Years

ACTUARIAL ASSUMPTIONS AND METHOD

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

	July 1, 2013	July 1, 2012
Investment Return	7.58% per year	7.58% per year
Wage Inflation	3.83% per year	3.83% per year
Price Inflation	3.33% 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
- > 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.

EMPLOYER (CITY AND COUNTY) CONTRIBUTION RATES

The retirement contribution rates that will be paid by the City in Fiscal Years 2013-14 and 2014-15 as derived from the following actuarial valuation results: actuarial valuation results:

	FY 2014-15 valuation results as of July 1, 2013	FY 2013-14 valuation results as of July 1, 2012
Normal Cost	18.26%	17.91%
Unfunded Actuarial Liability	9.60%	7.88%
Remaining Cost of Propositions	5.99%	6.11%
Employee Contributions	(7.54%)	(7.53%)
Administrative Expenses	0.45%	0.45%
Board Approved City Contribution Rate	26.76%	24.82%

STATEMENTS OF PLAN NET ASSETS

Years Ended June 30, 2013 and 2012 (in thousands)

Assets	2013	2012
Deposits	\$60,874	\$28,516
Contributions Receivable – Members	14,317	10,854
Contributions Receivable – City and County	25,276	23,234
Investment Income Receivable:		
Interest	22,618	23,080
Dividends	11,744	9,816
Securities Lending	599	571
Receivable from Brokers, General Partners, Others	315,076	317,884
Investments at Fair Value:		
Short-Term Investments	572,556	706,721
City Investment Pool	7,769	4,780
Debt Securities:		
U. S. Government Securities	966,411	1,036,859
Other Debt Securities	3,324,166	3,010,690
Equity Securities:		
Domestic	4,576,833	4,025,320
International	4,044,601	3,195,651
Real Estate	1,430,711	1,403,412
Alternative Investments	2,129,578	2,021,472
Foreign currency contracts, Net	(7,403)	(15,790)
Investments in Lending Agents' Short-Term Investment Pool	1,004,266	914,105
Total Investments:	\$18,049,488	\$16,303,220
Total Assets:	\$18,499,992	\$16,717,175
Liabilities	2013	2012
Payable to brokers	\$445,447	\$463,386
DROP (Deferred Retirement Option Program)	20,502	27,257
Other liabilities	17,337	15,438
Payable to borrowers of securities	1,005,161	917,390
Total Liabilities	\$1,488,447	\$1,423,451
Net Assets Held in Trust for Pension Benefits:	\$17,011,545	\$15,293,724

STATEMENTS OF CHANGES IN PLAN NET ASSETS

Years Ended June 30, 2013 and 2012 (in thousands)

	2013	2012
Additions		
Member contributions:		
Miscellaneous	\$211,545	\$152,090
Police	27,633	27,258
Firefighter	19,548	18,542
Total Member Contributions	258,726	198,160
Employer contributions:		
Miscellaneous	364,503	344,942
Police	46,314	39,389
Firefighter	32,053	26,466
Total Employer Contributions	442,870	410,797
Investment income (expenses):		
Interest	182,160	195,517
Dividends	188,644	170,759
Net appreciation (depreciation) in Fair Value of investments	1,729,781	(246,965)
Securities lending income	5,096	4,718
Investment Expenses	(41,654)	(44,540)
Securities Lending Borrower Rebates and Expenses	523	913
Investment gain, net	2,064,550	80,402
Total Additions	\$2,766,146	\$689,359
Deductions		
Benefits	1,023,354	968,528
Refunds of Contributions	9,453	11,030
Administrative Expenses	14,169	13,661
Other Admin. Expenses - OPEB	1,349	1,255
Total Deductions	\$1,048,325	\$994,474
Net (Decrease)/Increase	\$1,717,821	\$(305,115)
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	15,293,724	15,598,839
End of Year	\$17,011,545	\$15,293,724

Key Results

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

Funded Status as of July 1, 2013

Actuarial Liability	\$20.225 billion
Actuarial Value of Assets	\$16.303 billion
Unfunded Actuarial Liability <Surplus>	\$3.921 billion
Funded Status (assets / liabilities)	80.6%

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

SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM

Summary of Investments at June 30, 2013

Asset Class	Market Value (in thousands)	% of Portfolio
Equities		
U.S. Equities	4,718,616	28.0%
International Equities	4,099,529	24.3%
Total Equities	8,818,145	52.2%
Global Fixed Income	4,230,030	25.1%
Alternative Investments		
Buyout	1,008,597	6.0%
Venture	577,480	3.4%
Special Situations	477,647	2.8%
Total Alternative Investments	2,063,724	12.2%
Real Estate	1,558,109	9.2%
Cash	210,169	1.2%
Total Investment Portfolio	16,880,177	100.0%

Investment portfolio totals are net of management fees and expenses and therefore do not track to pension net assets reported in SFERS audited financial statements.

INVESTMENT PORTFOLIO PERFORMANCE

Annualized Returns for the Periods ending 6/30/2013

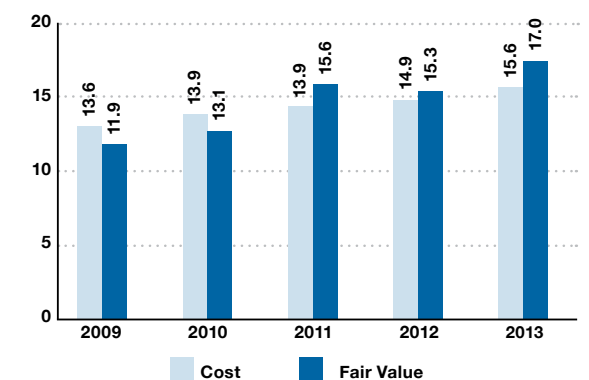
(Net of fees and expenses)

	1-Year	5-Years	10-Years
Domestic Equity	21.79%	7.09%	7.51%
Benchmark: Russell 3000	21.46%	7.25%	7.81%
International Equity	17.05%	-0.61%	8.64%
Benchmark: International Equity Policy ¹	13.91%	-0.32%	8.88%
Global Fixed Income	4.63%	6.61%	5.62%
Benchmark: Fixed Income Policy ²	0.24%	5.53%	4.80%
Alternative Assets	10.13%	5.74%	15.63%
Benchmark: Alternative Investments Policy ³	26.53%	12.34%	12.64%
Real Estate	8.97%	-1.83%	6.25%
Benchmark: Gross NPI +1.5% ⁴	8.00%	2.20%	9.21%
Total Fund	13.01%	4.19%	7.69%
Weighted Policy Benchmark ⁵	13.05%	5.66%	8.01%

Source: The Northern Trust Company

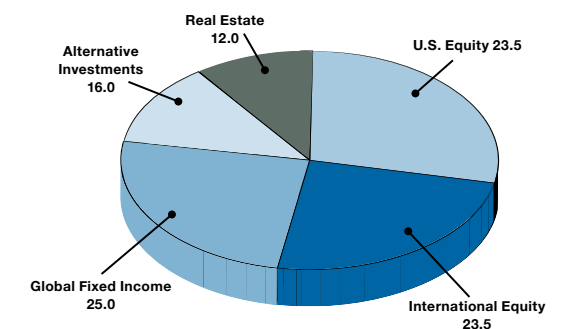
PENSION FUND NET ASSETS

as of June 30, 2013 (\$ billions)



TARGET ASSET ALLOCATION

as of June 30, 2013



- 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) +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)

