

RETIREMENT STATISTICS

Plan Year Ended June 30, 2019

The following tables and annotations provide statistical information regarding the types and demographics of the SFERS retirements processed during Plan Year 2018-19, as well as benefits payment summaries and comparisons.

The following table summarizes major activities of the SFERS Retirement Services Division during Plan Years 2018-19 and 2017-18:

Activity	2018-19	2017-18
Retirement Estimates Requests	1,390	1,314
Retirement Appointments Scheduled	2,613	2,480
Retirement Appointments Attended	2,134	2,024
Buyback Appointments Scheduled	585	787
Personnel Transactions:		
New Members (New Hires)	2,010	2,036
New Members (1040 Hours Membership)	925	987
Rehires	485	328
Police Recruits	278	219
Fire Recruits	75	120
Sheriff Recruits & Misc. Safety	64	94
Pre-Retirement Seminars	10	9
Registered Attendees At Pre-Retirement Seminars	785	816

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, 2019.

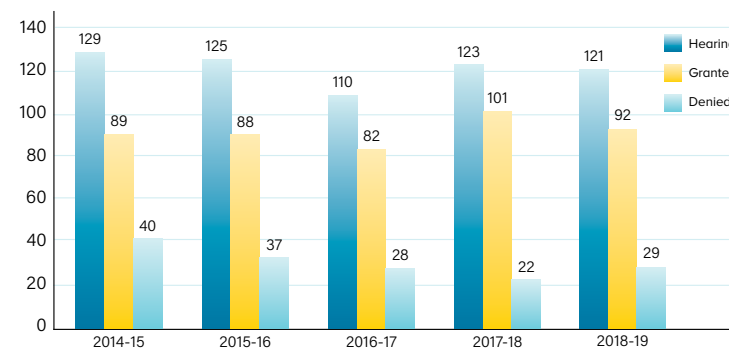
Hearing Officer Report¹

Plan Year Ended June 30, 2019

Cases	Total # Of Hearings	Total # Granted	Total # Denied
Industrial Disability Retirements	45	34	11
Ordinary Disability Retirements	47	40	7
Death Benefits	3	3	0
Petitions For Rehearing	8	0	8
CalPERS	18	15	3
Total	121	92	29

1. The Hearing Officer Report represents cases processed in the period July 1, 2018 – June 30, 2019 and may reflect cases pending from prior periods.

Five-Year Comparison



Annual Report

FOR FISCAL YEAR ENDED June 30, 2019



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 74,000 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.

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).

As of June 30, 2019, the Fund was valued at \$26.1 billion returning 8.18% for the fiscal year, significantly outperforming our peers' median return, 5.39%. SFERS annual benefit payments totaled \$1.44 billion paid to over 29,900 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.

During the fiscal year, the Retirement Board selected Voya Financial to provide third party administration for the SFDCP. The Program transitioned to the new Third Party Administrator (TPA) in September 2019.

Our Members

During the fiscal year, SFERS enrolled 3,837 new members and added 1,362 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, 2019

Plan Net Assets Market Value:	\$26.1 billion
Annualized Return on Total Fund:	8.18%
Total Benefits Paid (during FY 2018-19):	\$1.457 billion
Employer Contribution Rate (during FY 2018-19):	23.31%
Average Member Contribution Rate:	7.58%

Membership

Total Membership: 74,094

	Active	Retired	Inactive
Miscellaneous	30,056	25,393	9,636
Police	2,187	2,558	214
Fire	1,675	1,982	82
Miscellaneous Safety	103	3	20
Sheriff	181	1	3
Total	34,202	29,937	9,955

Retirements (during fiscal year 2018-19)

Total Retirements:	1,362
Miscellaneous:	1,235
Police:	66
Fire:	61
Miscellaneous Safety	0
Sheriff	0

Average Service Credit at Retirement:	Average Age at Retirement:
Miscellaneous: 23.9 Years	Miscellaneous: 62.7 Years
Police: 23.9 Years	Police: 56.0 Years
Fire: 24.9 Years	Fire: 57.6 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, 2018	July 1, 2017
Investment Return	7.40% per year	7.50% per year
Wage Inflation	3.50% per year	3.50% per year
Price Inflation	2.75% per year	3.00% 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 2017-18 and 2018-19 as derived from the following actuarial valuation results:

	FY 2019-20 valuation results as of July 1, 2018	FY 2018-19 valuation results as of July 1, 2017
Normal Cost	17.71%	17.25%
Remaining Cost of Propositions	4.80%	5.07%
Other Unfunded Actuarial Liability	9.67%	7.97%
Employee Contributions	(7.59%)	(7.58%)
Administrative Expenses	0.60%	0.60%
Board Approved City Contribution Rate	25.19%	23.31%



SFERS
San Francisco Employees' Retirement System

BASIC FINANCIAL STATEMENTS

Statements of Fiduciary Net Position, June 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Assets:		
Deposits	\$ 62,375	\$ 105,525
Contributions receivable – members	14,532	13,557
Investment income receivable:		
Interest	17,435	20,828
Dividends	5,497	10,342
Receivable from brokers, general partners, others	145,829	178,936
Investments at fair value:		
Short-term investments	479,876	521, 870
City investment pool	31,264	24,275
Debt securities:		
U. S. Government and agency securities	1,461,178	1,593,955
Other debt securities	1,321,937	1,712,045
Equity securities:		
Domestic	5,585,777	5,233,524
International	2,869,805	4,240,318
Real assets	4,334,229	3,578,379
Private credit	758,662	454,199
Private equity	5,604,023	4,344,306
Absolute return	3,574,622	2,625,376
Foreign currency contracts, net	96	(1,157)
Total investments	\$ 26,021,469	\$ 24,327,090
Total assets	\$ 26,267,137	\$ 24,656,278
Deferred outflows of resources:		
Employer's contributions - other postemployment benefits	1,027	641
Total assets and deferred outflows of resources	\$ 26,268,164	\$ 24,656,919
Liabilities		
Payable to brokers	148,518	60,297
Deferred retirement option program	45	313
Other	39,859	38,324
Total liabilities	\$ 188,422	\$ 98,934
Deferred inflows of resources:		
Net investment earnings - other postemployment benefits	1,093	19
Total liabilities and deferred inflows of resources	\$ 189,515	\$ 98,953
Fiduciary net position – restricted for pension benefits	\$ 26,078,649	\$ 24,557,966

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

Statements of Changes in Fiduciary Net Position, Years Ended June 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Additions:		
Member contributions		
Miscellaneous	\$ 315,059	\$ 302,865
Police	38,418	35,791
Firefighter	27,503	26,040
Total member contributions	\$ 380,980	\$ 364,696
Employer contributions:		
Miscellaneous	\$ 548,319	\$ 525,315
Police	55,533	54,150
Firefighter	41,204	39,602
Total employer contributions	\$ 645,056	\$ 619,067
Investment income (expenses):		
Interest	\$ 95,100	\$ 132,988
Dividends	203,047	244,721
Net appreciation in fair value of investments	1,720,605	2,221,453
Securities lending income	-	393
Investment expenses	(48,440)	(49,881)
Net investment income	\$ 1,970,312	\$ 2,549,674
Total additions	\$ 2,996,348	\$ 3,533,437
Deductions:		
Benefits	\$ 1,438,935	\$ 1,350,009
Refunds of contributions	17,747	14,578
Administrative expenses	18,204	17,762
Other administrative expenses - other postemployment benefits	779	476
Total deductions	\$ 1,475,665	\$ 1,382,825
Net increase in net position	\$ 1,520,683	\$ 2,150,612
Fiduciary net position – restricted for pension benefits:		
Beginning of year	24,557,966	22,407,354
End of year	\$ 26,078,649	\$ 24,557,966

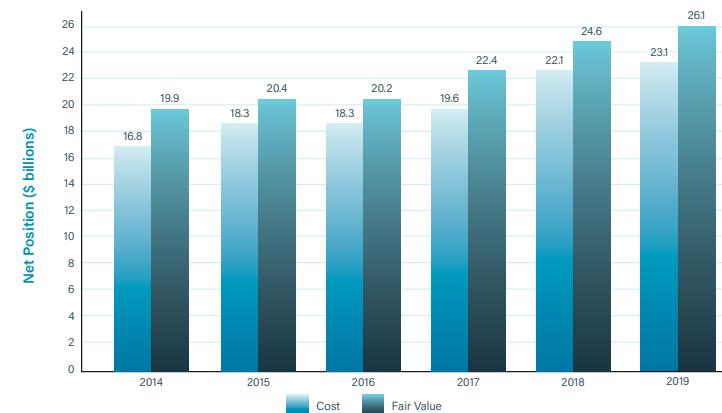
The accompanying Notes are an integral part of these financial statements.

San Francisco Employees' Retirement System Summary of Investments

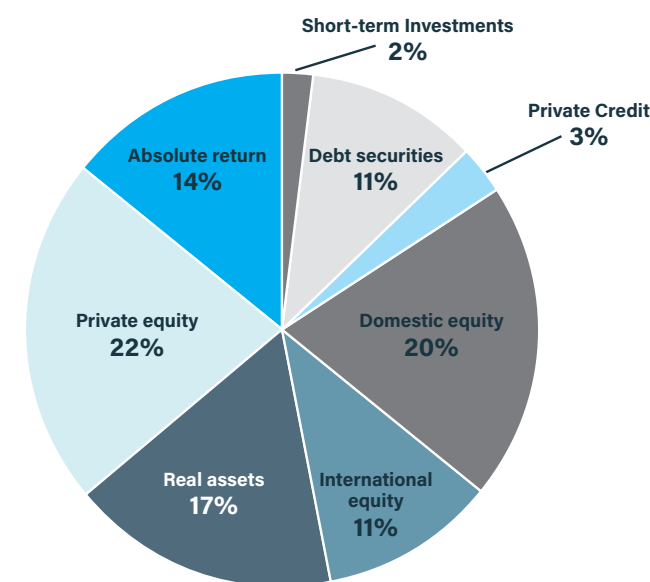
	Market Value (\$thousands)	Weight (%)
Public Equity	\$ 8,970,143	34.7
Private Equity	5,356,449	20.7
GROWTH ASSETS	14,326,592	55.5
Real Assets	4,284,504	16.6
Absolute Return	3,575,151	13.8
DIVERSIFYING ASSETS	7,859,655	30.4
Fixed Income	2,589,930	10.0
Private Credit	837,775	3.2
INCOME GENERATING ASSETS	3,427,705	13.3
Cash	210,708	0.8
Total Investment Portfolio	\$ 25,824,660	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. Source: BNY Mellon.

Pension Fund Net Assets as of June 30, 2019 (\$ billions)



Investment Allocation as of June 30, 2019 - Fair Value



Investment Performance

For the fiscal year ended June 30, 2019, the investment portfolio of the Retirement System returned 11.14%. 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 6/30/2019 (Net of fees and expenses)

Description	1-Year	10-Years	20-Years
Public Equity	5.63	11.24	5.62
Public Equity Policy Benchmark ¹	4.56	10.58	5.26
Private Equity	18.39	15.54	12.25
Private Equity Policy Benchmark ²	10.27	19.52	10.97
Real Assets	9.32	10.05	8.81
Real Assets Policy Benchmark ³	3.50	7.95	8.76
Absolute Return	3.03	N/A	N/A
Absolute Return Policy Benchmark ⁴	7.37		
Fixed Income	7.22	6.31	5.85
Fixed Income Policy Benchmark ⁵	7.07	4.30	5.10
Private Credit	9.42	13.63	N/A
Private Credit Policy Benchmark ⁶	7.98	9.06	
Cash	2.24	0.94	2.04
Total Fund	8.19	10.43	7.02
Total Fund Policy Benchmark ⁷	6.40	10.17	6.62

Source: BNY Mellon.

- Public Equity Policy consists of 100% MSCI ACWI IMI (ND) from 10/1/2012 through current, 47% MSCI ACWI IMI Ex-US (ND) and 53% Russell 3000 from 10/1/2008 through 9/30/2012, 42% MSCI ACWI Ex-US (ND) and 58% Russell 3000 from 9/1/2005 through 9/30/2008, 33% MSCI ACWI Ex-US (ND) and 67% Russell 3000 from 10/1/2002 to 8/31/2005, 36% MSCI ACWI Ex-US (ND) and 64% Russell 3000 from 4/1/2000 to 9/30/2002, 36% MSCI EAFE (ND) and 64% Russell 3000 from 12/1/1989 to 3/31/2000.
- Private Equity Policy consists of 25% MSCI ACWI Ex-US (ND) and 75% Russell 3000 plus 300 bps from 1/1/2018 through current, S&P 500 plus 500 bps prior to 12/31/2017.
- Real Assets Policy consists of 50% NCREIF ODCE and 50% Cambridge Associates NR Quarter Lag from 1/1/2018 through current, 8% annual return from 10/1/2011 to 12/31/2017, NCREIF Property Index plus 150 bps from 10/1/1999 to 9/30/2011.
- Absolute Return Policy consists of the 90-day Treasury Bill plus 500 bps.
- Fixed Income Policy consists of 50% Bloomberg Barclays US Aggregate and 50% Bloomberg Barclays Intermediate Treasury from 4/1/2019 through current, 53.85% Bloomberg Barclays US Aggregate and 46.15% Bloomberg Barclays Intermediate Treasury from 7/1/2018 to 3/31/2019, 71.43% Bloomberg Barclays US Aggregate and 28.57% Bloomberg Barclays Intermediate Treasury from 4/1/2018 to 6/30/2019, 81.25% Bloomberg Barclays US Aggregate and 18.75% Bloomberg Barclays Intermediate Treasury from 1/1/2018 to 3/31/2018, Bloomberg Barclays US Universal from 7/1/2007 to 12/31/2017, 75% Bloomberg Barclays Universal and 25% Bloomberg Barclays Global Aggregate from 10/1/2005 to 6/30/2007, 80% Bloomberg Barclays Universal and 20% Bloomberg Barclays Global Aggregate from 10/1/2002 to 9/30/2005, Bloomberg Barclays Universal from 10/1/2000 to 9/30/2002, Bloomberg Barclays Aggregate 12/1/1984 to 9/30/2002.
- Private Credit Policy consists of 50% Bank of America Merrill Lynch US High Yield BB/B Constrained Index and 50% Credit Suisse Leveraged Loan Index plus 150bps.
- The current SFERS policy benchmark (starting 4/1/2019) consists of 36% MSCI-ACWI IMI (ND), 6% Bloomberg Barclays Intermediate US Treasury, 6% Bloomberg Barclays Capital US Aggregate, 3% Private Credit Policy, 17% Real Assets Policy, 18% Private Equity Policy and 14% 90-day Treasury Bill plus 500 bps.

SFERS Rolling 10-Year Returns (July 1, 1985 to June 30, 2019)



Source: BNY Mellon.