

## Retirement Statistics

Plan Year Ended June 30, 2011

The following tables and annotations provide statistical information regarding the types and demographics of the SFERS retirements processed during Plan Year 2010-11, as well as benefits payment summaries and comparisons.

The following table summarizes major activities of the SFERS Retirement Services Division during Plan Years 2010-11 and 2009-10:

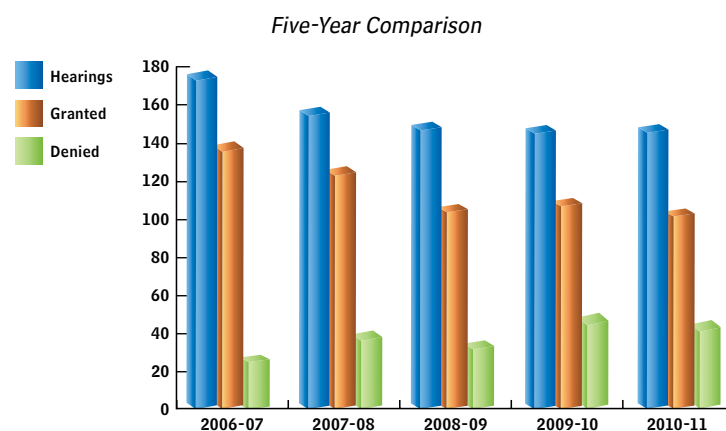
Activity	2010-11	2009-10
Retirement Estimates Requests	1,054	1,227
Retirement Appointments	2,565	2,734
Retirement Applications Processed	2,143	2,024
Buyback Appointments	1,175	1,326
Personnel Transactions:		
New Members (New Hires)	1,232	700
New Members (1040 Hours Membership)	753	634
Rehires	150	76
Police Recruits	29	107
Fire Recruits	41	17
Sheriff Recruits	0	23
Pre-retirement Seminars	4	4
Registered Attendees at Pre-retirement Seminars	449	542

## Disability Retirement Hearing Report

Fiscal Year Ended June 30, 2011

CASES	TOTAL # OF HEARINGS	TOTAL # GRANTED	TOTAL # DENIED
Industrial Disability Retirements	62	45	18
Ordinary Disability Retirements	79	54	14
Death Benefits	2	2	0
Petitions For Rehearing	2	1	13
CalPERS	4	2	1
Reinstatements	0	1	0
<b>Total</b>	<b>149</b>	<b>105</b>	<b>46</b>

1. The Hearing Officer Report represents cases processed in the period July 1, 2010 – June 30, 2011, and may reflect cases pending from prior periods.



# ANNUAL REPORT

For Fiscal Year Ended June 30, 2011



## The Retirement System

### HISTORY

Officially established on April 1, 1922, 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 52,000 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 32).

### THE PENSION PLAN

The SFERS Pension Plan is a 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.

### 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, 2011

Plan Net Assets Market Value:	\$15.6 billion
Total Benefits Paid:	\$890 million
Average Member Contribution Rate:	7.50%
Employer Contribution Rate: (during FY 2010-11):	13.56%
Annual Return on Market Value:	21.84%

### Membership

<b>Total Membership:</b>	<b>52,299</b>		
<b>Active:</b>	<b>28,100</b>	<b>Retired:</b>	<b>24,199</b>
Miscellaneous:	24,708	Miscellaneous:	19,860
Police:	2,042	Police:	2,258
Fire:	1,350	Fire:	2,081

### Retirements (during fiscal year 2010-11)

<b>Total Retirements:</b>	<b>1,286</b>
Miscellaneous:	1,109
Police:	96
Fire:	81

### Average Service Credit at

<b>Service Retirement:</b>	<b>24.2 years</b>	<b>Average Age at Service Retirement:</b>	<b>61.5 Years</b>
Miscellaneous:	23.3 Years	Miscellaneous:	62.4 Years
Police:	29.3 Years	Police:	55.9 Years
Fire:	28.0 Years	Fire:	58.0 Years

## Actuarial Assumptions and Method

The main actuarial assumptions used to measure the System's liabilities for future benefits payments were changed as of July 1, 2011:

	July 1, 2011	July 1, 2010
Investment Return	7.66% per year	7.75% per year
Wage Inflation	3.92% per year	4.00% per year
Price Inflation	3.42%	3.50% 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

## Statements of Plan Net Assets

YEARS ENDED JUNE 30, 2011 AND 2010

ASSETS	2011	2010
<i>(in thousands)</i>		
Deposits	\$43,981	\$16,433
Accounts Receivable:		
Contributions Receivable – Members	9,017	11,088
Contributions Receivable – City and County	16,022	8,075
Investment Income Receivable:		
Interest	26,057	25,681
Dividends	12,410	10,060
Securities lending	637	1,219
Receivable from brokers, general partners, others	60,566	155,528
Investments at Fair Value:		
Short-Term Investments	726,811	583,208
Debt Securities:		
U.S. Government Securities	1,050,322	1,177,473
Other Debt Securities	3,218,676	2,881,362
Equity Securities:		
Domestic	4,009,762	3,090,448
International	3,357,059	2,643,145
Real Estate	1,266,863	1,009,001
Venture Capital	1,977,187	1,763,500
Forward Currency Contracts, Net	(16,046)	6,387
Investments in Lending Agents' Short-Term Investment Pool	892,579	964,858
<b>Total Investments:</b>	<b>\$16,483,213</b>	<b>\$14,119,382</b>
<b>Total Assets:</b>	<b>\$16,651,903</b>	<b>\$14,347,466</b>
LIABILITIES	2011	2010
Payable to brokers	\$126,903	\$219,697
DROP (Deferred Retirement Option Program)	17,641	8,653
Other liabilities	15,063	15,828
Payable to borrowers of securities	893,457	966,502
<b>Total Liabilities:</b>	<b>\$1,053,064</b>	<b>\$1,210,680</b>
<b>Net Assets Held in Trust for Pension Benefits:</b>	<b>\$15,598,839</b>	<b>\$13,136,786</b>

### KEY RESULTS

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

### FUNDED STATUS AS OF JULY 1, 2011

Actuarial Liability	\$18,598,700,000
Actuarial Value of Assets	\$16,313,100,000
Unfunded Actuarial Liability	\$2,285,600,000
Funded Status (assets / liabilities)	87.7%

The assets were valued using a 5-year phase-in of investment return greater than or less than the actuarial assumed investment return.

## Statements of Changes in Plan Net Assets

YEARS ENDED JUNE 30, 2011 AND 2010

ADDITIONS	2011	2010
<i>(in thousands)</i>		
Member Contributions:		
Miscellaneous	\$149,148	\$157,416
Police	19,453	19,467
Firefighter	13,154	13,065
<b>Total Member Contributions</b>	<b>181,755</b>	<b>189,948</b>
Employer Contributions:		
Miscellaneous	250,367	182,899
Police	34,887	24,326
Firefighter	23,569	16,389
<b>Total Employer Contributions</b>	<b>308,823</b>	<b>223,614</b>
Investment Income (Expenses):		
Interest	208,400	195,166
Dividends	159,671	139,161
Net Appreciation (Depreciation) in Fair Value of Investments	2,557,950	1,334,257
Securities Lending Income	5,697	34,730
Investment Expenses	(44,579)	(44,206)
Securities Lending Borrower Rebates and Expenses	436	(4,007)
<b>Investment Gain, Net</b>	<b>2,887,575</b>	<b>1,655,101</b>
<b>Total Additions</b>	<b>\$3,378,153</b>	<b>\$2,068,663</b>
DEDUCTIONS	2011	2010
Benefits	889,744	792,776
Refunds of Contributions	11,548	11,997
Administrative Expenses	13,544	12,655
Other Admn. Expenses - OPEB	1,264	1,178
<b>Total Deductions</b>	<b>\$916,100</b>	<b>\$818,606</b>
<b>Net Increase</b>	<b>\$2,462,053</b>	<b>\$1,250,057</b>
<b>Net Assets Held in Trust for Pension Benefits</b>		
Beginning of year	\$13,136,786	\$11,886,729
End of year	\$15,598,839	\$13,136,786

### EMPLOYER (CITY AND COUNTY) CONTRIBUTION RATES

The retirement contribution rates that will be paid by the City in Fiscal Year 2011-12 were derived from the following actuarial valuation results as of July 1, 2010:

Normal Cost	17.90%
Unfunded Actuarial Liability	0.73%
Remaining Cost of Propositions	6.51%
Employee Contributions	(7.50%)
Administrative Expenses	0.45%
<b>Board Approved City Contribution Rate</b>	<b>18.09%</b>

## San Francisco Employees' Retirement System

Summary of Investments

Asset Class	at June 30, 2011		at June 30, 2010	
	Market Value	% of Portfolio	Market Value	% of Portfolio
Equities	<i>(in thousands)</i>		<i>(in thousands)</i>	
U.S. Equities	4,167,179	27.0%	3,159,882	24.2%
International Equities	3,593,150	23.3%	2,838,828	21.8%
<b>Total Equities</b>	<b>7,760,329</b>	<b>50.3%</b>	<b>5,998,710</b>	<b>46.0%</b>
<b>Global Fixed Income</b>	<b>4,277,257</b>	<b>27.7%</b>	<b>4,064,841</b>	<b>31.2%</b>
Alternative Investments				
Buyout	979,089	6.3%	897,290	6.9%
Venture	531,889	3.4%	493,640	3.8%
Special Situations	423,589	2.7%	346,670	2.7%
<b>Total Alternative</b>	<b>1,934,567</b>	<b>12.5%</b>	<b>1,737,600</b>	<b>13.3%</b>
<b>Real Estate</b>	<b>1,318,989</b>	<b>8.5%</b>	<b>1,055,932</b>	<b>8.1%</b>
<b>Cash</b>	<b>149,320</b>	<b>1.0%</b>	<b>186,035</b>	<b>1.4%</b>
<b>Total Investment Portfolio</b>	<b>\$15,440,462</b>	<b>100.0%</b>	<b>\$13,043,118</b>	<b>100.0%</b>

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

### Investment Portfolio Performance

Annualized Returns for the Periods ending 6/30/2011

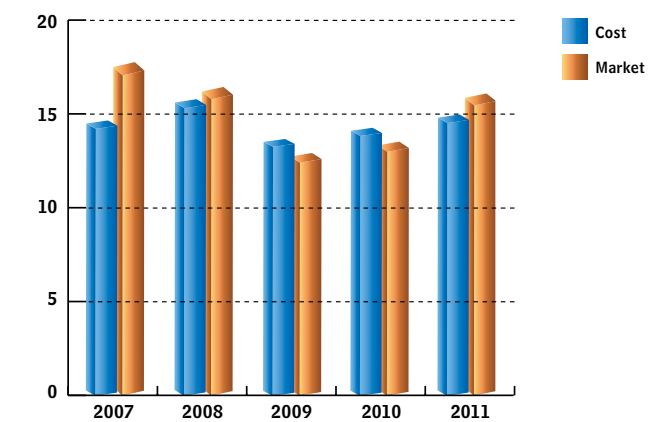
(Net of fees and expenses)

	1-YEAR	5-YEARS	10-YEARS
<b>Domestic Equity</b> Benchmark: Russell 3000	32.36%	2.98%	3.46%
	32.37%	3.35%	3.44%
<b>International Equity</b> Benchmark: International Equity Policy <sup>1</sup>	30.05%	2.74%	7.08%
	30.26%	4.18%	7.74%
<b>Global Fixed Income</b> Benchmark: Fixed Income Policy <sup>2</sup>	9.50%	5.70%	6.78%
	4.78%	6.52%	5.91%
<b>Real Estate</b> Benchmark: Gross NPI +1.5% <sup>3</sup>	19.62%	-1.44%	4.49%
	17.53%	4.95%	8.98%
<b>Alternative Assets</b> Benchmark: Alternative Investments Policy <sup>4</sup>	22.70%	11.78%	11.05%
	37.09%	8.09%	8.01%
<b>TOTAL FUND</b> Weighted Policy Benchmark <sup>5</sup>	21.84%	4.20%	6.01%
	23.64%	5.54%	6.22%

Source: The Northern Trust Company

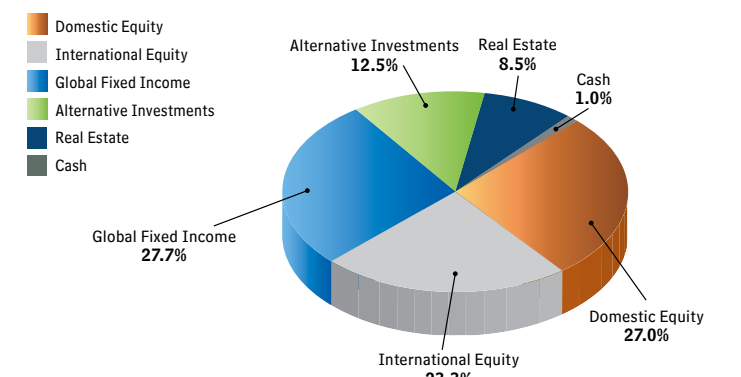
## Pension Fund Net Assets

as of June 30, 2011



### Asset Allocation

as of June 30, 2011



- 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.
- NPI (NCREIF Property Index) Returns are lagged one quarter. The benchmark NPI+150 bps applies to all return periods. For periods less than one year, the excess 150 basis points are prorated.
- 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 current SFERS Weighted Policy consists of 26% Russell 3000, 23% MSCI ACWI IMI Ex-US (ND), 25% BC US Universal, 12% SFERS Real Estate Benchmark and 14% SFERS Alternative Investments Benchmark.

### ANNUAL RATES OF RETURN LAST TEN YEARS

Periods ending June 30

