

## RETIREMENT STATISTICS

Plan Year Ended June 30, 2023

The following tables and annotations provide statistical information regarding the types and demographics of the SFERS retirements processed during Plan Year 2022-23, as well as benefits payment summaries and comparisons.

The following table summarizes major activities of the SFERS Retirement Services Division during Plan Years 2022-23 and 2021-22:

STATISTICS	2022-23	2021-22
Responses to Email Inquiries	12,607	10,322
Calculator Visits	76,451	66,515
Retirement Estimates Requests (prepared)	105	289
Retirement Appointments Scheduled	2,268	1,783
Retirement Appointments Attended	2,069	1,783
Buyback Appointments Scheduled	662	719
New Members Added:	4,111	3,368
New Hires	2,353	1,702
1040 Hours Membership	813	845
Rehires	577	480
Police Recruits	103	50
Fire Recruits	169	243
Sheriff Recruits & Misc. Safety	96	48
Pre-retirement Webinars Presented	31	29
Pre-retirement Webinars Registered Attendees	8,604	6,014

## 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, 2023.

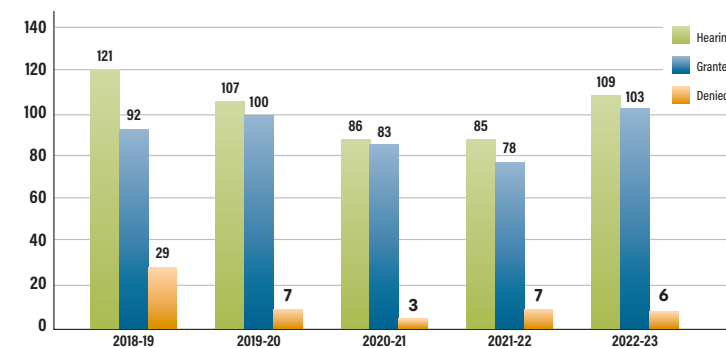
## HEARING OFFICER REPORT<sup>1</sup>

Fiscal Year Ended June 30, 2023

Cases	Total # of Hearings	Total # Granted	Total # Denied
Industrial Disability Retirements	73	72	1
Ordinary Disability Retirements	28	24	4
Death Benefits	0	0	0
Petitions For Rehearing	0	0	0
Calpers	8	7	1
<b>Total</b>	<b>109</b>	<b>103</b>	<b>6</b>

<sup>1</sup> The Hearing Officer Report represents cases processed in the period July 1, 2022 - June 30, 2023 and may reflect cases pending from prior periods.

## FIVE-YEAR COMPARISON



San Francisco City and County Employees' Retirement System

# Annual Report

For the Fiscal Year Ended June 30, 2023



## 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 78,000 active, vested and retired employees of the City and County of San Francisco and their survivors.

Under the direction of the Chief Executive Officer and Chief Investment Officer, 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).

### 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 complement pension income during retirement.

### OUR MEMBERS

During the fiscal year, SFERS enrolled 4,111 new members and added 1,161 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.

## Retirement Services Division

Delivering professional, high-quality service to our members before and after retirement

### SFERS AT A GLANCE

#### As of June 30, 2023

Plan Net Assets Market Value:	\$33.7 billion
Annualized Return on Total Fund:	4.25%
Total Benefits Paid (during FY 2022-23):	\$1.820 billion
Employer Contribution Rate (during FY 2022-23):	21.35%
Average Member Contribution Rate <sup>1</sup> :	7.62%

### MEMBERSHIP

#### Total Membership 78,778

Membership	Active	Retired	Inactive
Miscellaneous	30,097	26,851	12,161
Police	1,814	2,916	328
Fire	1,699	2,317	98
Miscellaneous Safety	114	14	35
Sheriff	293	6	35
<b>Active Total</b>	<b>34,017</b>	<b>32,104</b>	<b>12,657</b>

### RETIREMENTS (during fiscal year 2022-23)

#### Total Retirements 1,161

	Retirements	Average Service Credit at Service Retirement	Average Age at Service Retirement
Miscellaneous	993	22.9 Years	63.6 Years
Police	89	22.4 Years	56.1 Years
Fire	74	24.8 Years	56.9 Years
Miscellaneous Safety	4	7.6 Years	57.0 Years
Sheriff	1	N/A	N/A
	<b>1,161</b>	<b>22.9 Years</b>	<b>62.5 Years</b>

<sup>1</sup> Before cost sharing

### ACTUARIAL ASSUMPTIONS AND METHOD

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

Assumption	July 1, 2022	July 1, 2021
Investment Return	7.20% per year	7.20% per year
Wage Inflation	3.25% per year	3.25% per year
Price Inflation	2.50% per year	2.50% per year
Mortality	Adj. Pub-2010 Mortality Tables projected generationally with Scale MP 2019	Adj. Pub-2010 Mortality Tables projected generationally with Scale MP 2019

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 (5 years for supplemental COLAs, retirement incentive programs and amendments for inactive members)
- unfunded liability due to actuarial gains and losses, assumption changes and miscellaneous items amortized as a level percentage of payroll over 20 years
- the increase in unfunded liability due to the 2022 Proposition A Charter amendment was amortized as a level percentage of payroll over 10 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 unadjusted employer contribution rates are calculated at the valuation date prior to the fiscal year in which the contributions are paid. Employees will share in the cost of the employer rate depending on their pay rate at the beginning of the fiscal year:

Fiscal Year Contributions Due: Valuation Date:	FY 2023-24 July 1, 2022	FY 2022-23 July 1, 2021
Normal Cost	18.33%	18.31%
Remaining Cost of Propositions	2.49%	3.54%
Other Unfunded Actuarial Liability	4.45%	6.52%
Employee Contributions	(7.63%)	(7.62%)
Administrative Expenses	0.60%	0.60%
Board Approved Employer Contribution Rate	18.24%	21.35%

## BASIC FINANCIAL STATEMENTS

### Statements of Fiduciary Net Position

June 30, 2023 and 2022

Dollar amounts in thousands

	2023	2022
Assets:		
Deposits	\$ 17,929	\$ 131,252
Contributions receivable – members	22,935	21,690
Investment income receivable:		
Interest	13,996	9,434
Dividends	2,345	2,680
Securities lending	254	182
Receivable from brokers, general partners, others	122,854	34,026
Investments at fair value:		
Short-term investments	376,288	369,099
City investment pool	-	15,352
Debt securities:		
U. S. Government and agency securities	812,141	875,900
Other debt securities	1,023,119	846,696
Equity securities:		
Domestic*	8,397,002	7,485,899
International*	2,051,694	2,093,752
Real assets	5,207,943	5,113,451
Private credit	2,606,909	2,171,037
Private equity	10,101,396	10,338,629
Absolute return	3,056,626	3,511,019
Foreign currency contracts, net	(1,029)	(197)
Invested securities lending collateral	562,491	541,413
Total investments	34,194,580	33,362,050
Total assets	34,374,893	33,561,314
Deferred outflows of resources:		
Other postemployment benefits (OPEB)	2,366	2,092
Total assets and deferred outflows of resources	34,377,259	33,563,406
Liabilities:		
Payable to brokers	53,813	37,250
Custodian line of credit	-	120,000
Other	70,732	63,906
Payable to borrowers of securities	562,408	541,557
Total liabilities	686,953	762,713
Deferred inflows of resources:		
Other postemployment benefits (OPEB)	1,878	2,169
Total liabilities and deferred inflows of resources	688,831	764,882
Fiduciary net position – restricted for pension benefits	\$ 33,688,428	\$ 32,798,524

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

### Statements of Changes in Fiduciary Net Position

Years Ended June 30, 2023 and 2022

Dollar amounts in thousands

	2023	2022
Additions:		
Member contributions		
Miscellaneous	\$344,055	\$ 352,731
Police	40,242	41,334
Fire	29,619	29,406
Total member contributions	413,916	423,471
Employer contributions:		
Miscellaneous	570,992	649,819
Police	60,248	70,116
Fire	41,411	48,528
Total employer contributions	672,651	768,463
Investment income (expenses)		
Interest	66,501	43,365
Dividends	94,883	106,986
Net appreciation (depreciation) in fair value of investments	1,560,025	(2,380,535)
Securities lending income	29,305	4,819
Investment expenses	(53,819)	(80,806)
Securities lending borrower rebates and expenses	(26,229)	(2,149)
Net investment income (loss)	1,670,666	(2,308,320)
Total additions	2,757,233	(1,116,386)
Deductions:		
Benefits	1,820,269	1,710,092
Refunds of contributions	24,096	27,658
Administrative expenses	23,687	21,364
Administrative expenses and offset - OPEB	(723)	(190)
Total deductions	1,867,329	1,758,924
Net increase (decrease) in fiduciary net position	889,904	(2,875,310)
Fiduciary net position – restricted for pension benefits		
Beginning of year	32,798,524	35,673,834
End of year	\$ 33,688,428	\$ 32,798,524

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

## SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM SUMMARY OF INVESTMENTS

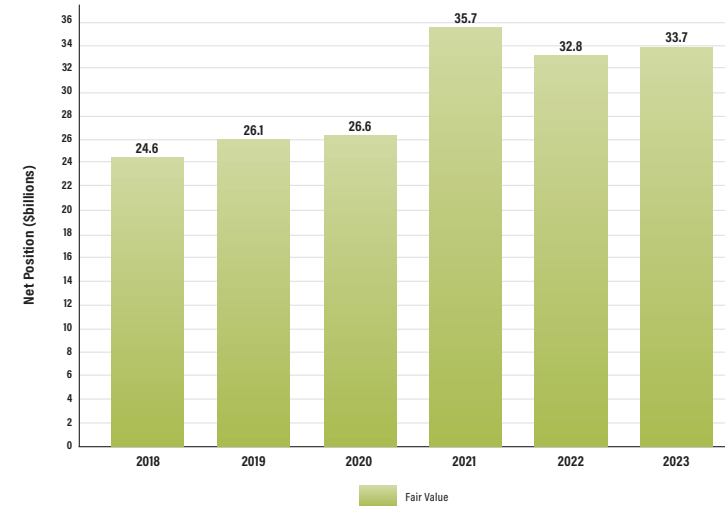
	2023		2022	
	Market Value (\$ thousands)	Weight (%)	Market Value (\$ thousands)	Weight (%)
Public Equity	10,732,035	31.9	9,923,302	29.9
Private Equity	10,032,254	29.8	10,811,985	32.6
GROWTH ASSETS	20,764,289	61.7	20,735,288	62.5
Real Assets	5,253,239	15.6	5,009,496	15.1
Absolute Return	3,123,227	9.3	3,510,514	10.6
DIVERSIFYING ASSETS	8,376,466	24.9	8,520,010	25.7
Fixed Income	1,796,842	5.3	2,363,533	7.1
Private Credit	2,571,611	7.6	2,175,105	6.6
INCOME GENERATING ASSETS	4,368,453	13.0	4,538,638	13.7
Cash*	138,904	0.4	-625,699	-1.9
TOTAL INVESTMENT PORTFOLIO	33,648,112	100.0	33,168,237	100.0

\* Includes Leverage exposure:

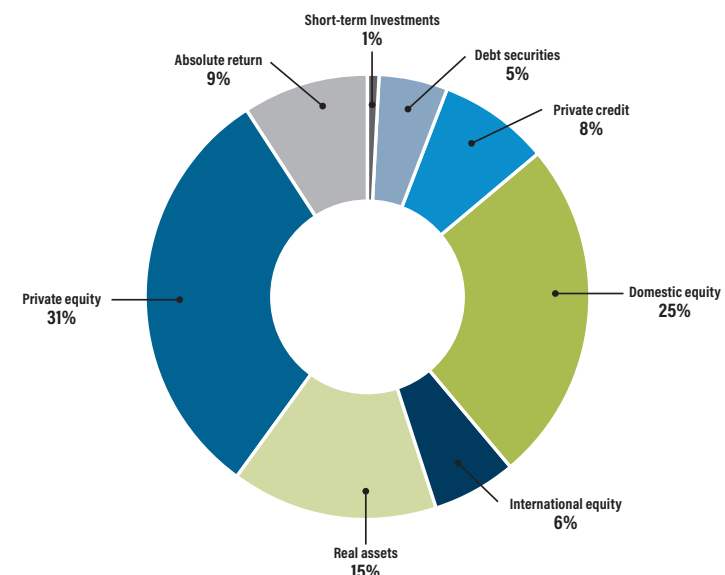
Notes: Investment portfolio asset values shown here are net of management fees and expenses and based on valuation data available at the end of the fiscal year.

This may differ from the SFERS audited financial statements, which takes into account information on Level 2 and Level 3 assets that becomes available during the audit.

### FIDUCIARY NET POSITION AS OF JUNE 30 (\$BILLIONS)



### INVESTMENT ALLOCATION AS OF JUNE 30, 2023 - FAIR VALUE



## INVESTMENT PERFORMANCE

For the fiscal year ended June 30, 2023, the investment portfolio of the Retirement System returned 4.25%. 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 June 30, 2023

(Net of fees and expenses)

	1 Year	10 Years	20 Years
Public Equity	17.28	8.89	8.29
Public Equity Policy Benchmark <sup>1</sup>	16.14	8.62	8.28
Private Equity	-7.68	16.44	15.01
Private Equity Policy Benchmark <sup>2</sup>	20.95	15.58	14.10
Real Assets	3.58	11.37	8.78
Real Assets Policy Benchmark <sup>3</sup>	0.88	7.21	8.21
Absolute Return	4.19		
Absolute Return Policy Benchmark <sup>4</sup>	8.92		
Fixed Income	0.81	1.94	3.73
Fixed Income Policy Benchmark <sup>5</sup>	2.17	2.06	3.41
Private Credit	5.20	9.51	
Private Credit Policy Benchmark <sup>6</sup>	11.10	5.83	
Total Fund	4.25	9.05	8.36
Total Fund Policy Benchmark <sup>7</sup>	13.01	8.42	8.22

1 The current Public Equity Policy (starting 10/1/2012) consists of 100% MSCI ACWI IMI (ND).

2 The current Private Equity Policy (starting 1/1/2023) consists of 25% MSCI ACWI Ex-US IMI (ND) and 75% Russell 3000 plus 300 bps.

3 The current Real Assets Policy (starting 7/1/2022) consists of 18.16% NCREIF NFI-ODCE Value Weighted Index, 37.56% Cambridge Associates Real Estate, 35.87% Cambridge Associates Natural Resource Index, 8.41% Cambridge Associates Infrastructure Index.

4 The Absolute Return Policy consists of the 90-day Treasury Bill plus 500 bps.

5 The current Fixed Income Policy (starting 7/1/2022) consists of 45.45% of Liquid Credit Policy and 54.55% of Bloomberg Barclays Intermediate US Treasuries Index. Liquid Credit Policy is 33.34% Bloomberg Barclays US Corporate Bond Index, 33.33% US Corporate High Yield Index and 33.33% J.P. Morgan EMBI Global Diversified Index.

6 The 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.

7 The current SFERS policy benchmark (starting 10/1/2022) consists of 37% Public Equity Policy, 6% Bloomberg Barclays Intermediate US Treasury, 5% Liquid Credit Policy Benchmark, 7% Private Credit Policy, 12% Real Assets Policy, 23% Private Equity Policy and 10% Absolute Return Policy Index.