

**SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

Financial Statements and
Required Supplementary Information
(With Independent Auditor's Report Thereon)

Years Ended June 30, 2025 and 2024

**SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM**
Years Ended June 30, 2025 and 2024

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Independent Auditor's Report

Retirement Board of
San Francisco City and County Employees' Retirement System
San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San Francisco City and County Employees' Retirement System (Retirement System), a pension trust fund of the City and County of San Francisco, California, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Retirement System's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Retirement System as of June 30, 2025 and 2024, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Retirement System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1, the financial statements present only the Retirement System and do not purport to, and do not, present fairly the financial position of the City and County of San Francisco as of June 30, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Retirement System's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Retirement System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Retirement System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Retirement System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in collective net pension liability/(asset) and related ratios, the schedule of employer contributions, and the schedule of money-weighted rate of return, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information

because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2025, on our consideration of the Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Retirement System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Retirement System's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, slightly slanted style.

Walnut Creek, California
November 18, 2025

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Management's Discussion and Analysis – Unaudited
Years Ended June 30, 2025 and 2024

The management of the City and County of San Francisco Employees' Retirement System (Retirement System) is pleased to provide this overview and analysis of the financial activities of its cost-sharing multiple-employer defined benefit pension plan (Plan) for the years ended June 30, 2025, and 2024. We encourage readers to consider the information presented here in conjunction with the *Financial Statements and Required Supplementary Information*, which follow this discussion.

Financial Highlights

Fiscal Year 2025

- The assets and deferred outflows of resources of the Retirement System exceeded its liabilities and deferred inflows of resources at the close of the year ended June 30, 2025. The Plan held \$37.45 billion of net position restricted for pension benefits. All of the fiduciary net position is available to meet the Retirement System's ongoing obligations to plan participants and their beneficiaries.
- The Retirement System's funding objective is to meet long-term benefit obligations through contributions and investment income. The Retirement System's fiduciary net position as a percentage of the total pension liability should be considered when evaluating the Retirement System's financial health. Based on the June 30, 2025, measurement date, the fiduciary net position was 89.5% of the total pension liability.
- For the year ended June 30, 2025, the Retirement System's net investment income of \$2.96 billion represented a 8.4% increase to fiduciary net position as of the beginning of the year.
- Total fiduciary net position held in trust for pension benefits increased by \$2.03 billion, or 5.7%, primarily as a result of positive investment returns, which were reduced by the net difference between contributions to the Plan and benefits, refunds, and administrative expenses incurred by the Plan.
- Total deductions from the Plan were \$2.05 billion, an increase of 4.9% from the prior year, due primarily to an increase in benefits paid during the current fiscal year. The increase in benefits paid is attributable to an increase in the number of payees, higher average retirement benefits, and an increase in the cost of living adjustments (COLA).

Fiscal Year 2024

- The assets and deferred outflows of resources of the Retirement System exceeded its liabilities and deferred inflows of resources at the close of the year ended June 30, 2024. The Plan held \$35.42 billion of net position restricted for pension benefits. All of the fiduciary net position is available to meet the Retirement System's ongoing obligations to plan participants and their beneficiaries.
- The Retirement System's funding objective is to meet long-term benefit obligations through contributions and investment income. The Retirement System's fiduciary net position as a percentage of the total pension liability should be considered when evaluating the Retirement System's financial health. Based on the June 30, 2024, measurement date, the fiduciary net position was 89.9% of the total pension liability.
- For the year ended June 30, 2024, the Retirement System's net investment income of \$2.59 billion represented a 7.7% increase to fiduciary net position as of the beginning of the year.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Management's Discussion and Analysis – Unaudited (Continued)
Years Ended June 30, 2025 and 2024

- Total fiduciary net position held in trust for pension benefits increased by \$1.73 billion, or 5.1%, primarily as a result of positive investment returns, which were reduced by the net difference between contributions to the Plan and benefits, refunds, and administrative expenses incurred by the Plan.
- Members' contributions to the Plan totaled \$427.5 million, an increase of \$13.6 million or 3.3% from the prior year, primarily as a result of an increase in pensionable compensation offset by the decrease in employee contribution rates. Employee contribution rates ranged from 7.5% - 11.5% in fiscal year 2023-24 and 7.5% - 12.0% in fiscal year 2022-23.
- In order to maintain the fiscal soundness of the Plan, required employer contributions to the Plan totaled \$672.6 million, a decrease of \$33 thousand or 0.0% from the prior year. Although employer contribution rates decreased, this was almost completely offset by a higher pensionable payroll. Employer contribution rates ranged from 15.24% to 18.24% in fiscal year 2023-24 and 17.85% to 21.35% in fiscal year 2022-23.
- Total deductions from the Plan were \$1.96 billion, an increase of 4.9% from the prior year, due primarily to an increase in benefits paid during the current fiscal year. The increase in benefits paid is attributable to an increase in the number of payees, higher average retirement benefits, and an increase in the cost of living adjustments (COLA).

Overview of Financial Statements

The following discussion and analysis are intended to serve as an introduction to the Retirement System's financial statements, which are comprised of the following components:

1. ***Statements of Fiduciary Net Position*** are snapshots of account balances as of the close of the years June 30, 2025, and 2024. They indicate the total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, and the net position restricted for future payment of retirement benefits and operating expenses as of June 30, 2025, and 2024.
2. ***Statements of Changes in Fiduciary Net Position*** provide a view of additions to and deductions from the Plan during the years ended June 30, 2025, and 2024.
3. ***Notes to Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the financial statements.

The statements of fiduciary net position and the statements of changes in fiduciary net position report information about the Retirement System's financial activities, prepared using the accrual basis of accounting. Contributions to the Plan are recognized when due pursuant to legal requirements and benefits and refunds are recognized when currently due and payable in accordance with the terms of the Plan.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Securities that do not have an established market are reported at estimated fair value derived from third party pricing services. Purchases and sales of investments are recorded on a trade date basis. The fair values of the Retirement System's partnership interests, which include private equity, real assets, private credit, absolute return, and some public equity investments, are based on net asset values provided by the general partners and investment managers.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Management's Discussion and Analysis – Unaudited (Continued)
Years Ended June 30, 2025 and 2024

Investments in forward currency contract investments are commitments to purchase and sell stated amounts of foreign currency. Changes in fair value of open contracts are immediately recognized as gains or losses. The fair value of forward currency contracts is determined by quoted currency prices from national exchanges.

Additional information on the Retirement System's investments can be found in Notes 4, 5, 6 and 7 of this report.

Financial Analysis

The Plan's net position may serve over time as a useful indication of the Plan's financial position. The assets and deferred outflows of resources of the Plan exceeded its liabilities and deferred inflows of resources at June 30, 2025 and 2024. All of the Plan's fiduciary net position is restricted to meet the Retirement System's ongoing obligation to Plan participants and their beneficiaries.

The Plan's fiduciary net position as of June 30, 2025, 2024, and 2023 are represented in the table below:

Fiduciary Net Position Summary – June 30, 2025, 2024, and 2023
Dollars in thousands

	2025	2024	2023
Other assets	\$289,802	\$210,027	\$180,313
Investments at fair value	38,302,738	36,257,024	34,194,580
Total assets	38,592,540	36,467,051	34,374,893
Deferred outflows of resources	2,366	2,379	2,366
Total assets and deferred outflows of resources	38,594,906	36,469,430	34,377,259
Total liabilities *	1,142,377	1,051,953	686,953
Deferred inflows of resources	2,434	1,922	1,878
Total liabilities and deferred inflows of resources *	1,144,811	1,053,875	688,831
Fiduciary net position *	<u>\$37,450,095</u>	<u>\$35,415,555</u>	<u>\$33,688,428</u>

**2024 amounts are restated to implement GASB Statement No. 101, Compensated Absences. 2023 amounts are not restated and are presented as originally reported.*

Additional information on the effects of the implementation of GASB Statement No. 101, Compensated Absences, can be found in Note 2(f) of this report.

As of June 30, 2025, the Plan's total fiduciary net position held in trust for pension benefits increased by \$2.03 billion or 5.7% for the year, primarily due to positive investment returns.

As of June 30, 2024, the Plan's total fiduciary net position held in trust for pension benefits increased by \$1.73 billion or 5.1% for the year, primarily due to positive investment returns. Payables to brokers increased by \$90.9 million and payables to borrowers of securities increased by \$281.0 million due to the timing of investments and lending activities.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Management's Discussion and Analysis – Unaudited (Continued)
Years Ended June 30, 2025 and 2024

As fiduciaries to the Plan members and beneficiaries, the Retirement Board, Retirement System staff, and our investment consultants continuously monitor the Plan's investment strategies, which comply with a "prudent expert" standard, to secure and maintain the sustainability of the Plan.

Highlights of Changes in Fiduciary Net Position – Years ended June 30, 2025, 2024, and 2023

Dollars in thousands

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Additions:			
Member contributions	\$442,009	\$427,512	\$413,916
Employer contributions	685,309	672,618	672,651
Interest	133,071	103,757	66,501
Dividends	96,726	96,293	94,883
Net appreciation (depreciation) in fair value of investments	2,757,906	2,441,921	1,560,025
Securities lending income	52,798	38,775	29,305
Investment expenses *	(30,273)	(57,137)	(53,819)
Securities lending borrower rebates and expenses	(49,052)	(35,953)	(26,229)
Total additions *	<u>4,088,494</u>	<u>3,687,786</u>	<u>2,757,233</u>
Deductions:			
Benefits	1,999,230	1,905,845	1,820,269
Refunds of contributions	24,771	26,201	24,096
Administrative expenses *	28,581	25,541	23,687
Administrative expenses and offset - OPEB	1,372	1,097	(723)
Total deductions *	<u>2,053,954</u>	<u>1,958,684</u>	<u>1,867,329</u>
Net increase (decrease) in fiduciary net position *	2,034,540	1,729,102	889,904
Fiduciary net position – restricted for pension benefits:			
Beginning of year, as previously stated	35,415,555	33,688,428	32,798,524
Cumulative effect of accounting change (Note 2)	—	(1,975)	—
Beginning of year, as restated	<u>35,415,555</u>	<u>33,686,453</u>	<u>32,798,524</u>
End of the year	<u>\$37,450,095</u>	<u>\$35,415,555</u>	<u>\$33,688,428</u>

**2024 amounts are restated to implement GASB Statement No. 101, Compensated Absences. 2023 amounts are not restated and are presented as originally reported.*

Additional information on the effects of the implementation of GASB Statement No. 101, Compensated Absences, can be found in Note 2(f) of this report.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Management's Discussion and Analysis – Unaudited (Continued)
Years Ended June 30, 2025 and 2024

Fiscal Year 2025

- Members' contributions to the Plan totaled \$442.0 million, an increase of \$14.5 million or 3.4% from the prior year, primarily as a result of an increase in pensionable compensation offset by the decrease in employee contribution rates. Employee contribution rates ranged from 7.5% - 11.0% in fiscal year 2024-25 and 7.5% - 11.5% in fiscal year 2023-24.
- In order to maintain the fiscal soundness of the Plan, required employer contributions to the Plan totaled \$685.3 million, an increase of \$12.7 million or 1.9% from the prior year. Although employer contribution rates decreased, this was outpaced by a higher pensionable payroll. Employer contribution rates ranged from 14.91% to 16.91% in fiscal year 2024-25 and 15.24% to 18.24% in fiscal year 2023-24.
- Net investment income for the Retirement System increased by \$373.5 million on a year over year basis. The majority of the increase is attributable to the \$316.0 million increase in net appreciation of investments, primarily due to positive performance in most asset classes for the fiscal year. Interest income increased by \$29.3 million mainly due to income earned from domestic fixed income markets.
- Benefit payments to Plan participants increased by \$93.4 million or 4.9%, due to an increase in the number of payees, an increase in average retirement benefits and an increase in the COLA.

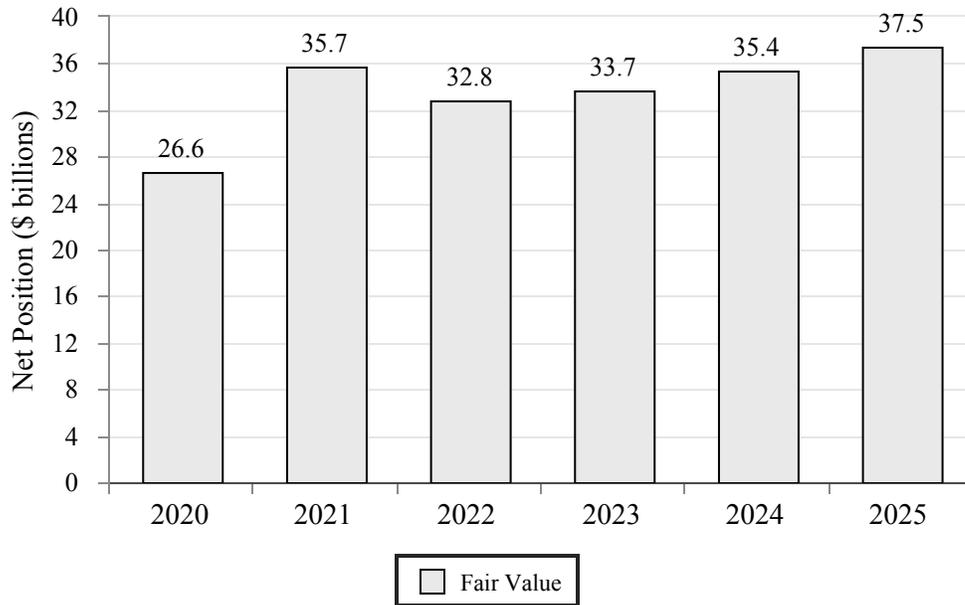
Fiscal Year 2024

- Members' contributions to the Plan totaled \$427.5 million, an increase of \$13.6 million or 3.3% from the prior year, primarily as a result of an increase in pensionable compensation offset by the decrease in employee contribution rates. Employee contribution rates ranged from 7.5% - 11.5% in fiscal year 2023-24 and 7.5% - 12.0% in fiscal year 2022-23.
- In order to maintain the fiscal soundness of the Plan, required employer contributions to the Plan totaled \$672.6 million, a decrease of \$33 thousand or 0.0% from the prior year. Although employer contribution rates decreased, this was almost completely offset by a higher pensionable payroll. Employer contribution rates ranged from 15.24% to 18.24% in fiscal year 2023-24 and 17.85% to 21.35% in fiscal year 2022-23.
- Net investment income for the Retirement System increased by \$917.0 million on a year over year basis. The majority of the increase is attributable to the \$881.9 million increase in net appreciation of investments, primarily due to positive performance in the public markets, private credit, private equities and absolute return investments. Interest income increased by \$37.3 million mainly due to the domestic fixed income markets.
- Benefit payments to Plan participants increased by \$85.6 million or 4.7%, due to an increase in the number of payees, an increase in average retirement benefits and an increase in the COLA.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Management's Discussion and Analysis – Unaudited (Continued)
Years Ended June 30, 2025 and 2024

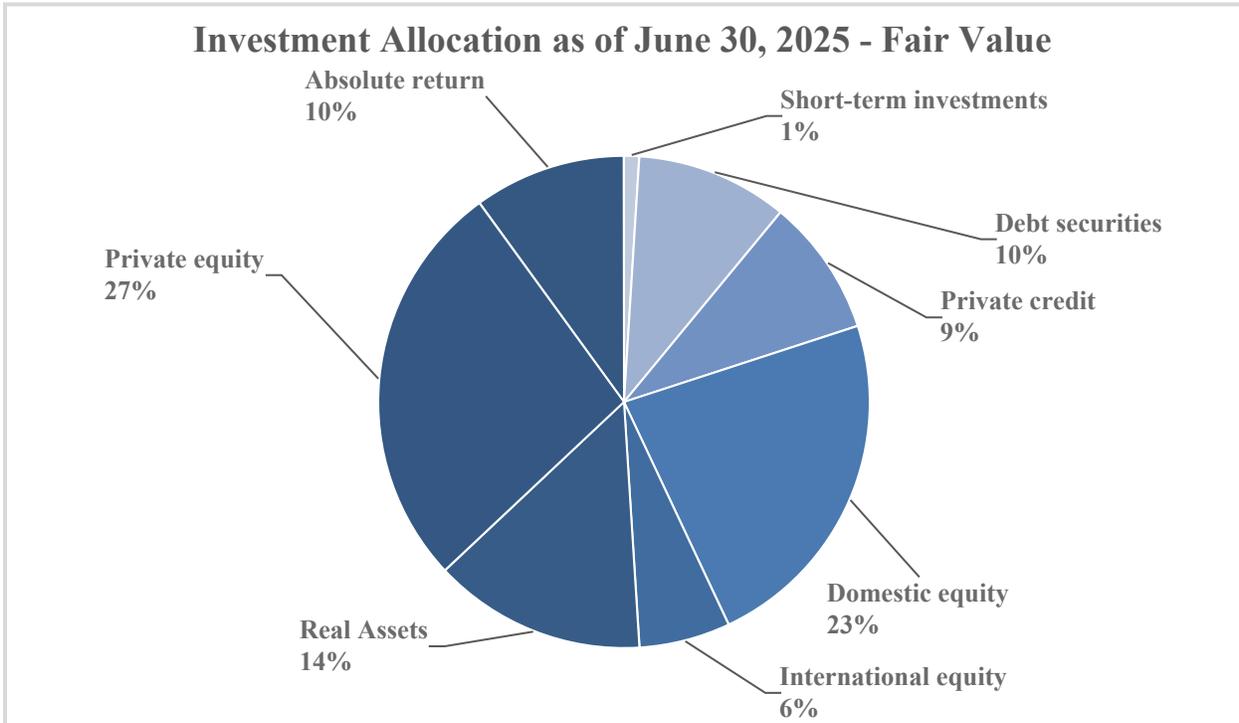
Fiduciary net position as of June 30, 2020 through 2025, expressed at fair value of investments are represented in the chart below:

Fiduciary Net Position as of June 30 (\$ billions)

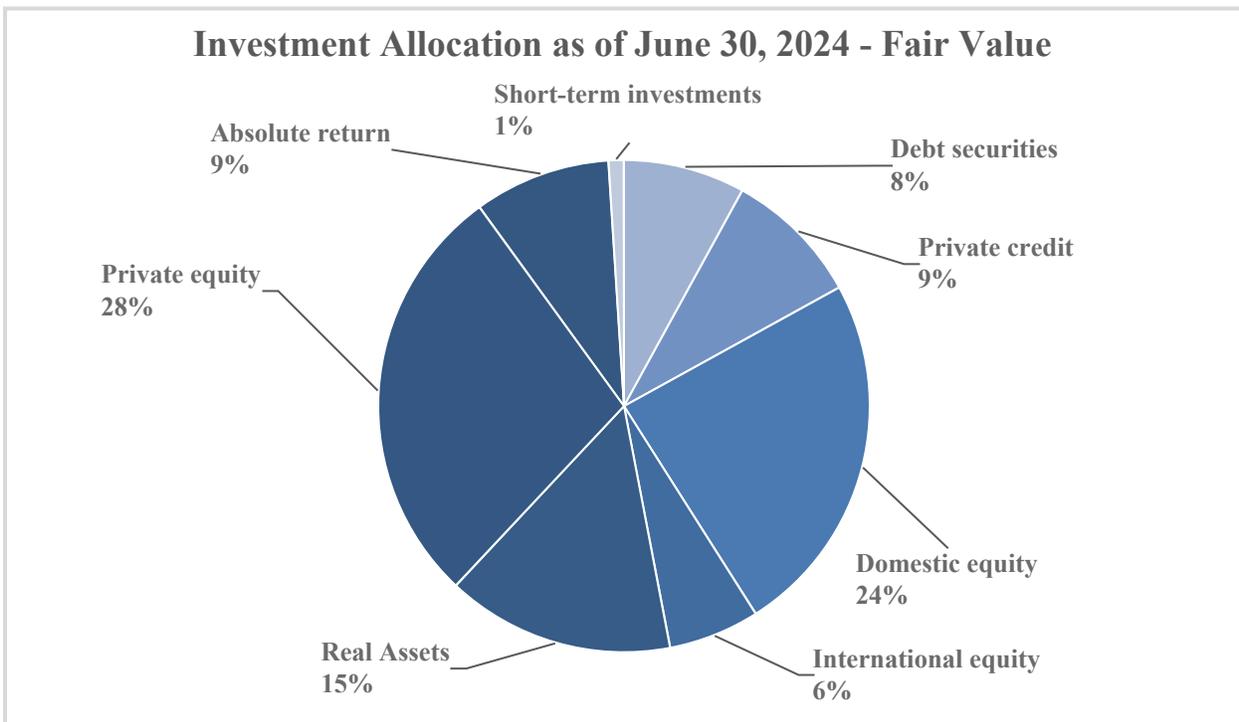


SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
 Management's Discussion and Analysis – Unaudited (Continued)
 Years Ended June 30, 2025 and 2024

The investment allocation at fair value based on investment category (excluding securities lending collateral and foreign currency contracts) as of June 30, 2025, is represented in the chart below:



The investment allocation at fair value based on investment category (excluding securities lending collateral and foreign currency contracts) as of June 30, 2024, is represented in the chart below:



SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Management's Discussion and Analysis – Unaudited (Continued)
Years Ended June 30, 2025 and 2024

Economic and Financial Market Factors

For the fiscal year ended June 30, 2025, U.S. economic and financial conditions reflected a blend of resilience and emerging strain, as markets faced slowing consumer activity, concentrated technology-led investment, and persistent geopolitical and policy uncertainty. Inflation was down markedly from the 2022-2023 peaks but continued to be above the Federal Reserve's (Fed) target of 2.0%, resulting in the Fed maintaining a measured policy stance. Notably, the Fed made three (3) cuts in the latter part of 2024 bringing rates down a total of 100 bps; however, no cuts were made in the first half of 2025.

Beneath the surface, vulnerabilities became more apparent toward the end of the fiscal year. Consumer spending growth slowed to just 0.9% in Q2 2025, the weakest pace since the pandemic, as higher borrowing costs and diminishing household savings weighed on demand. Monthly bankruptcy filings rose over the fiscal year, indicating a potential increase in financial stress. Additionally, the contribution of software and IT equipment capital expenditures to U.S. GDP was at historic levels, underscoring the economy's increasing dependence on a narrow set of growth engines.

Another layer of concern emerged from federal fiscal dynamics. Historically, U.S. deficit spending has expanded during recessions and contracted in recoveries. The current environment diverges from that pattern: even with unemployment near historical lows and economic growth still positive, the U.S. deficit has remained above 5% of GDP since 2022. Total federal debt now hovers near 120% of GDP, creating concerns for investors around the debt levels, particularly if the U.S. enters a meaningful recession.

Equities continued to show strength over the fiscal year. The S&P 500 returned approximately +15.2%, though gains were heavily concentrated in a small cohort of large-cap technology companies tied to artificial intelligence (AI). Volatility spiked in April, when tariff announcements triggered a nearly 10% pullback, the sharpest drawdown in more than a year. Nevertheless, optimism around AI adoption, coupled with robust corporate results, supported a swift recovery.

International equities performance was mixed during the first half of the fiscal year but showed strength during the first two quarters of 2025, ultimately outperforming U.S. equities with MSCI ACWI ex-USA delivering a +17.7% annual return. Both developed international and emerging markets outperformed the S&P 500 over the fiscal year, returning +17.7% and +15.3%, respectively. The strength of foreign currencies relative to the dollar played a role in the outperformance as did improving consumer confidence. That said, heightened uncertainty around trade policies remained a challenge for various markets, including China, the largest country within emerging markets.

Fixed income markets contributed positively over the year, with the Bloomberg U.S. Aggregate Bond Index returning +6.1% and the Bloomberg U.S. Corporate High Yield Index returning +10.3%. Real Assets offered strong returns and diversification benefits. Commodities continued their positive gains from the previous fiscal year, with the Bloomberg Commodity Index returning +5.8%. During economic and political uncertainty, gold was a safe haven for investors, returning nearly +42% over the fiscal year.

Currently Known Facts and Events Affecting Next Year

The Retirement System's funding objective is to meet long-term benefit obligations through contributions and investment income. The Retirement Board believes that the Retirement System remains in a strong financial position to meet its obligations to Plan participants and beneficiaries.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Management's Discussion and Analysis – Unaudited (Continued)
Years Ended June 30, 2025 and 2024

Requests for Information

This financial report is designed to provide a general overview of the Retirement System's finances for the years ended June 30, 2025, and 2024. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to:

Chief Executive Officer & Chief Investment Officer
San Francisco City and County Employees' Retirement System
1145 Market Street – 5th floor
San Francisco, CA 94103

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Statements of Fiduciary Net Position

June 30, 2025 and 2024

Dollars in thousands

	<u>2025</u>	<u>2024</u>
Assets:		
Deposits	\$24,260	\$20,032
Contributions receivable - members	27,962	27,530
Contributions receivable - employers	2,495	4,799
Investment income receivable:		
Interest	34,996	22,703
Dividends	2,540	3,767
Securities Lending	390	225
Receivable from brokers, general partners, and others	197,159	130,971
Investments at fair value:		
Short-term investments	353,894	377,444
City investment pool	6,963	23,440
Debt securities:		
U.S. government and agency securities	2,169,628	1,953,414
Other debt securities	1,530,133	1,051,622
Equity securities:		
Domestic	9,034,662	8,592,515
International	2,223,225	1,978,958
Real assets	5,079,195	5,208,475
Private credit	3,398,891	3,152,084
Private equity	10,088,382	10,029,898
Absolute return	3,573,142	3,046,230
Foreign currency contracts, net	(2,866)	(447)
Invested securities lending collateral	847,489	843,391
Total investments	<u>38,302,738</u>	<u>36,257,024</u>
Total assets	<u>38,592,540</u>	<u>36,467,051</u>
Deferred outflows of resources:		
Other postemployment benefits (OPEB)	2,366	2,379
Total assets and deferred outflows of resources	<u>38,594,906</u>	<u>36,469,430</u>
Liabilities:		
Payable to brokers	162,536	144,760
Other *	52,530	63,813
Payable to borrowers of securities	847,211	843,380
Obligation under repurchase agreements	80,100	—
Total liabilities *	<u>1,142,377</u>	<u>1,051,953</u>
Deferred inflows of resources:		
Other postemployment benefits (OPEB)	2,434	1,922
Total liabilities and deferred inflows of resources *	<u>1,144,811</u>	<u>1,053,875</u>
Fiduciary net position – restricted for pension benefits *	<u>\$37,450,095</u>	<u>\$35,415,555</u>

See accompanying notes to financial statements.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2025 and 2024
Dollars in thousands

	2025	2024
Additions:		
Members contributions		
Miscellaneous	\$370,211	\$356,880
Police	41,483	40,220
Fire	30,315	30,412
Total member contributions	442,009	427,512
 Employer contributions		
Miscellaneous	583,990	573,971
Police	57,357	55,920
Fire	43,962	42,727
Total employer contributions	685,309	672,618
 Investment income (expenses)		
Interest	133,071	103,757
Dividends	96,726	96,293
Net appreciation in fair value of investments	2,757,906	2,441,921
Securities lending income	52,798	38,775
Investment expenses *	(30,273)	(57,137)
Securities lending borrower rebates and expenses	(49,052)	(35,953)
Net investment income *	2,961,176	2,587,656
Total additions *	4,088,494	3,687,786
 Deductions:		
Benefits	1,999,230	1,905,845
Refunds of contributions	24,771	26,201
Administrative expenses *	28,581	25,541
Other administrative expenses and offset (OPEB)	1,372	1,097
Total deductions *	2,053,954	1,958,684
Net increase in fiduciary net position *	2,034,540	1,729,102
 Fiduciary net position – restricted for pension benefits		
Beginning of year, as previously stated	35,415,555	33,688,428
Cumulative effect of accounting change (Note 2)	—	(1,975)
Beginning of year, as restated	35,415,555	33,686,453
End of year	\$37,450,095	\$35,415,555

**2024 amounts are restated to implement GASB Statement No. 101, Compensated Absences. Additional information on the effects of the implementation of GASB Statement No. 101, Compensated Absences, can be found in Note 2(f) of this report.*

See accompanying notes to financial statements.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements
Years Ended June 30, 2025 and 2024

(1) Plan Description

(a) General

The San Francisco City and County Employees' Retirement System (the Retirement System or SFERS) administers a cost-sharing multiple-employer defined benefit pension plan (the Plan) established to provide pension benefits for substantially all employees of the City and County of San Francisco (the City and County), eligible members of the Community College and Unified School Districts, and San Francisco Superior Court employees other than judges. The Retirement System provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and annual cost of living adjustments after retirement. While the Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), it is a tax-qualified plan under Internal Revenue Code provisions. The City and County Charter (the Charter) and the Administrative Code are the authorities that establish and amend the benefit provisions and employer and member contributions to the Plan.

The Retirement System is considered to be a part of the City and County's financial reporting entity and is included in the City and County's basic financial statements as a pension trust fund. The financial statements of the Retirement System are intended to present only the fiduciary net position and changes in fiduciary net position of the Retirement System. They do not purport to, and do not, present fairly the financial position of the City and County as of June 30, 2025, and 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. The City and County's Annual Comprehensive Financial Report can be obtained from City Hall, Room 316, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102, or via <https://www.sf.gov/annual-comprehensive-financial-reports-acfr>.

The Retirement System is administered by the Chief Executive Officer and Chief Investment Officer, an employee of the City and County, in accordance with the provisions of the Charter and Administrative Code, and the policies and regulations of the Retirement Board. The Retirement Board is composed of seven members: three members elected by the active and retired members of the Retirement System; three members appointed by the Mayor in accordance with Section 12.100 of the Charter; and one member of the Board of Supervisors appointed by the President of the Board of Supervisors.

The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City and County. The four main categories of Plan membership are:

- a. **Miscellaneous Non-Safety Members** – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- b. **Sheriff's Department and Miscellaneous Safety Members** – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the sheriff's department, and miscellaneous safety employees hired on or after January 7, 2012.
- c. **Firefighter Members** – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

- d. **Police Members** – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

(b) Service Retirement

Miscellaneous Non-Safety Members who became members prior to July 1, 2010, qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service or at age 65 regardless of service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Miscellaneous Non-Safety Members who became members on or after July 1, 2010, and prior to January 7, 2012, qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service or at age 65 regardless of service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Miscellaneous Non-Safety Members who became members on or after January 7, 2012, qualify for a service retirement benefit if they are at least 53 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service or at age 65 regardless of service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Sheriff's Department Members and Miscellaneous Safety Members who were hired on or after January 7, 2012, qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members of the Plan on or after November 2, 1976, and prior to July 1, 2010, qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

Firefighter Members and Police Members who became members of the Plan on or after July 1, 2010, and prior to January 7, 2012, qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members of the Plan on or after January 7, 2012, qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

(c) Disability Retirement

Miscellaneous Non-Safety Members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. The disability retirement benefit is calculated using the member's average final compensation (highest one, two, or three-year average monthly compensation depending on plan) multiplied by the member's years of credited service times the disability factor (1.8) up to a maximum of 75% of average final compensation.

Firefighter Members, Police Members, Sheriff Members, and Miscellaneous Safety Members are eligible to apply for an industrial disability retirement benefit from their first day on the job in firefighter or police service if their disability is caused by an illness or injury that they receive while performing their duties. The industrial disability retirement benefit is based on the member's average final compensation (defined by plan) multiplied by the permanent disability rating (from 50% to 90%) or the member's service retirement benefit if the member is eligible for a service retirement.

Firefighter Members, Police Members, Sheriff Members, and Miscellaneous Safety Members are eligible to apply for an ordinary disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that is not caused by their work, but that prevents them from performing their duties. The disability retirement benefit is calculated using 1.5% of the member's average final compensation (defined by plan) multiplied by years of credited service subject to a minimum of 33.3% and a maximum of 75% to 90%.

(d) Separation and Death Benefits

Separation from Employment

Upon separation from City and County employment, **Miscellaneous Non-Safety Members** may either elect to withdraw their accumulated contributions from the Plan or, if they have 5 or more years of credited service, elect to leave their accumulated contributions in the Plan and receive a vesting benefit that is first payable at or after age 50 for members hired prior to January 7, 2012, or at or after age 53 for members hired on or after January 7, 2012.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

Upon separation from City and County employment, **Firefighter Members, Police Members, Sheriff Members, and Miscellaneous Safety Members** may either elect to withdraw their accumulated contributions from the Plan or, if they have 5 or more years of credited service, elect to leave their accumulated contributions in the Plan and receive a deferred benefit that is first payable at or after age 50.

Death Benefits Prior to Retirement

Generally, upon the death of an active employee who is eligible for a service retirement, the Retirement System provides continuation benefits to a qualified surviving spouse or qualified domestic partner equal to 50% to 100% of the member's retirement allowance that the member would have received had he or she retired on the date of death.

For qualified surviving spouses and qualified domestic partners of **Firefighter Members, Police Members, Sheriff Members, and Miscellaneous Safety Members** who die prior to becoming eligible for service retirement and whose death is due to an injury received in or illness caused by the performance of duty, salary continuation is provided to the qualified survivor until such time as the member would have qualified for service retirement had he or she lived at which time a continuation benefit equal to 100% of the member's service retirement allowance is provided to the qualified survivor.

A lump sum death payment equal to 6 months' earnable salary plus the member's accumulated contributions is provided upon the death of an active employee not yet eligible for a service retirement to the member's named beneficiary or estate.

Death Benefits after Retirement

Generally, upon the death of a retired member, the Retirement System provides continuation benefits to a qualified surviving spouse or qualified domestic partner equal to 50% to 100% of the member's retirement allowance as of the date of death.

(e) **Cost of Living Adjustments (COLA)**

Basic COLA

Miscellaneous Non-Safety Members receive a benefit adjustment each July 1 equal to the percentage increase or decrease in the Consumer Price Index (CPI) rounded to the nearest 1%, to a maximum of 2% of the member's previous June 30 retirement benefit. If the CPI decreases in a particular year, however, the negative adjustment cannot reduce a member's monthly retirement benefit below the initial pension amount.

Firefighter Members and Police Members who became members of the Plan before November 2, 1976, receive a benefit adjustment each July 1 equal to 50% of the actual dollar or percentage increase or decrease in the salary of the rank or position on which the member's retirement benefit is based. Although decreases are possible in a given year, a negative adjustment cannot reduce a member's monthly benefit below the initial pension amount.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

Firefighter Members and Police Members who became members of the Plan on or after November 2, 1976, and Sheriff Members and Miscellaneous Safety Members receive a benefit adjustment each July 1 equal to the percentage increase or decrease in the CPI rounded to the nearest 1%, to a maximum of 2% of the member's previous June 30 retirement benefit. If the CPI decreases in a particular year, however, the negative adjustment cannot reduce a member's monthly retirement benefit below the initial pension amount.

Supplemental COLA

The Plan provides for a Supplemental COLA if in the previous fiscal year there were earnings in excess of the expected earnings on the actuarial value of the assets, subject to certain criteria. For some members, the Supplemental COLA is only payable if the System is also fully funded on a market value of assets basis.

On November 8, 2022, voters approved a Charter amendment, Proposition A, that adjusts retirement allowances for Retirement System members who retired before November 6, 1996, (including their qualified survivors and beneficiaries) to account for Supplemental COLAs not received in years 2013, 2014, 2017, 2018, and 2019. Proposition A also eliminated the full funding requirement for Supplemental COLA benefit payments to SFERS members who retired before November 6, 1996, subject to a monthly monetary cap in limited circumstances.

All Supplemental COLA retirement benefits paid to members hired before January 7, 2012, will continue into the future even when an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, Supplemental COLAs will not be permanent adjustments to retirement benefits. For this group only, all previously paid Supplemental COLAs will expire in years when a Supplemental COLA is not paid to these members.

Ad-hoc COLA

There is no authority for granting ad-hoc COLA increases.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(f) Membership

Membership of the Retirement System consisted of the following as of June 30, 2025:

	Police¹	Fire	Miscellaneous	Total
Retirees and beneficiaries currently receiving benefits	3,036	2,401	27,891	33,328
Active members	2,445	1,749	31,796	35,990
Terminated members entitled to but not yet receiving benefits	419	100	13,323	13,842
Total	5,900	4,250	73,010	83,160

¹Police counts include Sheriff and Miscellaneous Safety.

Membership of the Retirement System consisted of the following as of June 30, 2024:

	Police¹	Fire	Miscellaneous	Total
Retirees and beneficiaries currently receiving benefits	2,989	2,366	27,299	32,654
Active members	2,220	1,733	31,465	35,418
Terminated members entitled to but not yet receiving benefits	386	99	12,618	13,103
Total	5,595	4,198	71,382	81,175

¹Police counts include Sheriff and Miscellaneous Safety.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

Member contributions are recognized in the period in which the contributions are due. Employer contributions and member contributions made by the employer to the Plan are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when currently due and payable in accordance with the terms of the Plan.

(b) Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Securities that do not have an established market are reported at estimated fair value derived from third party pricing services. Purchases and sales of investments are recorded on a trade date basis.

The fair values of the Retirement System's partnership interests, which include private equity, real assets, private credit, and some public equity investments, are based on net asset values (NAV) provided by the general partners and investment managers. Partnership financial statements are generally audited annually as of December 31 and NAV is adjusted monthly or quarterly for cash flows to/from the Retirement System, investment earnings and changes in fair value. Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the investments can only be determined by negotiation between independent third parties in a purchase and sale transaction.

Fair value for commingled investments is reported as domestic or international based on the individual investment's primary classification, although funds may have exposure to both.

The Absolute Return Program invests in limited partnerships and other alternative investment vehicles. The most common investment strategies include, but are not limited to, equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, co-investments and commodities. These investments are valued using their respective NAV, and are generally audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are typically valued on a monthly basis by each fund's independent administrator and for certain illiquid investments, where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions which can impede the timely return of capital. The valuation techniques vary based upon underlying investment type, but are predominantly derived from observed market prices.

The Retirement Board approved securities lending program is currently managed by the Retirement System's custodian bank, BNY Mellon. The Retirement Board policies permit the Retirement System

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

to use investments of the Plan to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The collateral guidelines allow for both cash or non-cash collateral; non-cash collateral includes equity security baskets, investment grade corporate bonds, and sovereign debt issued by Organization for Economic Co-operation and Development (OECD) member countries.

The Retirement System's custodian, BNY Mellon, is the agent in lending the Plan's securities for cash and non-cash collateral. Contracts with the lending agent indemnify the Retirement System if the borrowers fail to return the securities (and if the collateral were inadequate to replace the securities lent) or fail to pay the Retirement System for income distributions by the securities' issuers while the securities are on loan. BNY Mellon also indemnifies the Retirement System from loss on all repurchase agreements held in the securities lending cash collateral account. If, with respect to investments of cash collateral in repurchase transactions, the counterparty fails to deliver the repurchase price upon termination, BNY Mellon will sell the purchased securities and deposit the proceeds to the Retirement System's collateral account. If the proceeds are less than the repurchase price, BNY Mellon will credit the amount of such difference to the Retirement System's collateral account.

To manage its counterparty risk, BNY Mellon requires additional collateral ranging between 100% and 110% depending on collateral type. As of June 30, 2025, BNY Mellon collected 101.75% for cash loans and 109.87% for non-cash loans, resulting in 106.83% over collateralization on extended loans. As of June 30, 2024, BNY Mellon collected 102.52% for cash loans and 110.98% for non-cash loans, resulting in 106.69% over collateralization on extended loans.

Non-cash collateral cannot be pledged or sold unless the borrower defaults, and therefore, is not reported in the Retirement System's financial statements.

All securities loans can be terminated on demand by either the Retirement System or the borrower, although the average term of the loans as of June 30, 2025, and 2024 was 85 days and 82 days, respectively. All cash collateral received was invested in a separately managed account by the lending agent using investment guidelines developed and approved by the Retirement System. The separately managed account for re-investing cash collateral insured that SFERS is the sole beneficiary of any liquidity needs. In addition, SFERS adopted conservative cash collateral reinvestment guidelines that are consistent with those that govern money market funds (i.e., Rule 2a-7 of the Investment Company Act of 1940). As of June 30, 2025, and 2024, the weighted average maturity of the reinvested cash collateral account was 10 days and 28 days, respectively. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of said collateral.

Cash collateral invested in the separate account managed by the lending agent is reported at fair value. Payable to borrowers of securities in the statements of fiduciary net position represents the cash collateral received from borrowers. Additionally, the income and costs of securities lending transactions, such as borrower rebates and fees, are recorded respectively as revenues and expenses in the statements of changes in fiduciary net position.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(c) Administrative Expenses

All costs to administer the Retirement System are borne by the Retirement System.

(d) Other Postemployment Benefits Other Than Pensions

Net other postemployment benefits (OPEB) liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense are actuarially determined on a citywide basis. Net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees attributed to those employees' past service, less the amount of the Retiree Health Care Trust Fund investments measured at fair value.

(e) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

(f) Effects of New Accounting Pronouncement

The Retirement System adopted GASB Statement No. 101, *Compensated Absences*, for fiscal year 2024-25 reporting. GASB Statement No. 101 was established to enhance the recognition and measurement guidance for compensated absences. The new standard is effective for fiscal years beginning after December 15, 2023.

As a result of the adoption, the fiduciary net position as of July 1, 2023 is restated as shown below:

Dollars in thousands	As Previously Reported	Changes in Accounting Principle	As Restated
Fiduciary net position	\$33,688,428	(\$1,975)	\$33,686,453

(3) Deposits

Deposits are carried at cost, which approximates fair value. Deposits in bank accounts were \$24.3 million and \$20.0 million as of June 30, 2025, and 2024, respectively.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government may not be able to recover its deposits or may not be able to recover collateral securities that are in the possession of an outside party. The Retirement System does not have a specific policy addressing custodial credit risk for deposits. As of June 30, 2025, and 2024, \$16.7 million and \$10.9 million, respectively, of the Retirement System's deposits in bank accounts were held by the System's custodian in the Retirement System's name and not exposed to custodial credit risk.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(4) Investments

The Retirement System's investments are invested pursuant to investment policy guidelines as established by the Retirement Board. The investment objective is to generate an annualized net-of-fee return that meets the assumed actuarial rate of return over a full market cycle, subject to liquidity needs and other risk considerations. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified.

Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. The investment policy permits investments in domestic and international debt and equity securities, foreign currency contracts, derivative instruments, private equity, real assets, private credit, and absolute return investments, which include investments in a variety of commingled partnership vehicles. The Retirement System invests in securities with contractual cash flows, such as asset-backed securities, commercial mortgage-backed securities, and collateralized mortgage obligations. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be affected by shifts in the market's perception of the issuers and changes in interest rates.

The Retirement Board's asset allocation policies for the years ended June 30, 2025, and 2024, are as follows:

Asset Class	Target Allocation from January 2021 - June 2024	Target Allocation effective as of July 2024
Global Equity	37.0%	32.0%
Treasuries	8.0%	8.0%
Liquid Credit	5.0%	12.0%
Private Credit	10.0%	10.0%
Private Equity	23.0%	20.0%
Real Assets	10.0%	10.0%
Absolute Return	10.0%	10.0%
Cash	0.0%	1.0%
Leverage	-3.0%	-3.0%
	100.0%	100.0%

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines. In addition, the Retirement System's securities lending cash collateral separately managed account is authorized to use repurchase arrangements. As of June 30, 2025, and 2024, \$251.1 million (or 29.6% of reinvested cash collateral) and \$339.5 million (or 40.3% of reinvested cash collateral), respectively, consisted of tri-party repurchase agreements.

The Retirement System maintains its operating fund cash in the City and County's investment pool. The City and County's pool is invested pursuant to investment policy guidelines established by the

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

City Treasurer, subject to review by the Treasury Oversight Committee. The Treasury Oversight Committee, established under California Government Code Sections 27130 to 27137, is composed of various City and County officials and representatives of agencies with large cash balances in the pool. The investment policy addresses soundness of financial institutions in which the City and County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The provisions of the City and County's investment policy also address interest rate risk, credit risk, and concentration of credit risk and provide for additional restrictions related to investments. The notes to the basic financial statements of the City and County provide more detailed information concerning deposit and investment risks associated with the City and County's pool of cash and investments at June 30, 2025 and 2024.

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. The Retirement System does not have a specific policy to manage interest rate risk. The Retirement System employs a diversified asset allocation approach to manage interest rate (and other) risks. Assets with the highest sensitivity to interest rates are most commonly found in the Retirement System's Public Fixed Income portfolio which allocates to U.S. Treasuries and other long duration assets including corporate bonds and non-U.S. sovereign bonds. Other asset classes have varied, but more limited exposure to interest rates. With respect to interest rate (and other) risks, investment managers are required to follow investment guidelines. Investment managers in the Public Fixed Income portfolio manage portfolios to mandates that target either an interest rate exposure within a specific range or an interest rate exposure relative to a benchmark within a more limited, specific range.

Below are tables depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2025, and 2024.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

Investments at Fair Value as of June 30, 2025

Dollars in thousands

Investment Type	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Asset-Backed Securities	\$18,275	\$—	\$4,637	\$756	\$12,882
Bank Loans	187,269	450	88,940	97,879	—
City Investment Pool	6,963	3,985	2,978	—	—
Collateralized Bonds	10,256	—	—	3,735	6,521
Commercial Mortgage-Backed Commingled and Other	94,431	327	3,991	10,815	79,298
Fixed Income Funds	284,383	4,538	56,437	98,899	124,509
Corporate Bonds	621,796	9,287	254,494	266,788	91,227
Corporate Convertible Bonds	2,963	566	2,095	302	—
Government Bonds	2,355,105	90,431	1,345,745	788,110	130,819
Government Mortgage- Backed Securities	26,833	—	—	—	26,833
Municipal/Provincial Bonds	2,771	2,437	335	(1)	—
Non-Government Backed Collateralized Mortgage Obligations	117,572	—	—	—	117,572
Options	(11)	(11)	—	—	—
Short-Term Investment Funds	353,893	353,893	—	—	—
Swaps*	(22,521)	(23,014)	150	69	274
Total	\$4,059,978	\$442,889	\$1,759,802	\$1,267,352	\$589,935

*\$640 Credit default swaps are excluded because they are not subject to interest rate risk.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

Investments at Fair Value as of June 30, 2024

Dollars in thousands

Investment Type	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Asset-Backed Securities	\$17,311	\$—	\$2,708	\$1,799	\$12,804
Bank Loans	152,837	2,551	100,577	49,709	—
City Investment Pool	23,440	12,661	10,779	—	—
Collateralized Bonds	11,435	—	—	6,834	4,601
Commercial Mortgage-Backed Commingled and Other	76,007	330	5,120	4,791	65,766
Fixed Income Funds	176,518	2,384	5,177	94,997	73,960
Corporate Bonds	370,774	9,137	152,441	153,921	55,275
Corporate Convertible Bonds	4,265	611	3,217	214	223
Government Bonds	2,021,260	382,410	985,662	547,559	105,629
Government Mortgage- Backed Securities	26,817	—	—	—	26,817
Municipal/Provincial Bonds	1,650	—	1,310	340	—
Non-Government Backed Collateralized Mortgage Obligations	145,850	—	—	—	145,850
Options	1	1	—	—	—
Short-Term Investment Funds	377,443	377,443	—	—	—
Swaps*	(46)	(205)	227	(16)	(52)
Total	\$3,405,562	\$787,323	\$1,267,218	\$860,148	\$490,873

*\$358 Credit default swaps are excluded because they are not subject to interest rate risk.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(b) Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. Fixed income investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Fixed income managers typically are limited within their portfolios to no more than 5% exposure in any single security, with the exception of United States Treasury and government agency securities. The Retirement System's credit risk policy is embedded in the individual investment manager guidelines.

Investments are classified and rated using the lower of (1) S&P Global Ratings (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

In 2011, S&P downgraded the U.S. long-term credit rating from AAA to AA+. Fitch downgraded the U.S. long-term rating to AA+ in August 2023, and Moody's followed suit in May 2025, both agencies pointing to persistent fiscal deficits, growing interest costs, and increasing political polarization that has complicated efforts to stabilize debt trajectories.

Although the U.S. retains key structural strengths—including its status as the issuer of the world's primary reserve currency—further downgrades by credit rating agencies could materially affect the credit risk and valuation of the Retirement System's holdings in U.S. government bonds, agency securities, and mortgage-backed securities.

While several structural strengths underpin the U.S. ratings and the U.S. dollar remains the world's top reserve currency, additional ratings changes by the credit rating agencies would likely have a material impact on the credit risk and value of the Retirement System's investments in U.S. government agency securities, U.S. government bonds, and U.S. government mortgage-backed securities.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2025. Investments issued or explicitly guaranteed by the U.S. government of \$2,140.0 million as of June 30, 2025, are exempt from the credit rating disclosures and are excluded from the table below.

Credit Ratings of Fixed Income Investments as of June 30, 2025

Dollar in thousands

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	\$ 368,860	19.2 %
AA	16,262	0.8 %
A	59,395	3.1 %
BBB	189,350	9.9 %
BB	278,123	14.5 %
B	379,497	19.8 %
CCC	71,019	3.7 %
CC	4,148	0.2 %
C	111	0.0 %
D	5,967	0.3 %
Not Rated	547,866	28.5 %
Total	<u>\$ 1,920,598</u>	<u>100.0 %</u>

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2024. Investments issued or explicitly guaranteed by the U.S. government of \$1,924.9 million as of June 30, 2024, are exempt from the credit rating disclosures and are excluded from the table below.

Credit Ratings of Fixed Income Investments as of June 30, 2024

Dollar in thousands

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	\$ 389,246	26.3 %
AA	14,468	1.0 %
A	45,117	3.0 %
BBB	137,283	9.3 %
BB	157,347	10.6 %
B	247,993	16.8 %
CCC	33,567	2.3 %
CC	4,569	0.3 %
C	512	0.0 %
D	6,543	0.4 %
Not Rated	444,330	30.0 %
Total	<u>\$ 1,480,975</u>	<u>100.0 %</u>

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The securities listed as “Not Rated” include short-term investment funds, government mortgage-backed securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these investments, the “not rated” component of credit would be approximately 5.6% for 2025 and 6.3% for 2024.

(c) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement System's investment in a single issuer. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit.

As of June 30, 2025, and 2024, the Retirement System had no investments of a single issuer that equaled or exceeded 5% of total Retirement System's investments or net position.

(d) Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government may not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2025, and 2024, \$202.0 million and \$166.8 million, respectively, of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System, and were held by the counterparty's trust department or agent but not in the Retirement System's name.

(e) Foreign Currency Risk

The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated cash, equity, fixed income, private equity, real assets, and private credit. The Retirement System's investment policy allows public equity and debt separate account managers with international mandates to enter into foreign exchange contracts in the course of implementing their investment mandates.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The Retirement System's direct net exposures to foreign currency risk as of June 30, 2025, are as follows:

Foreign Currency Risk Analysis as of June 30, 2025

Dollars in thousands

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Private Credit	Foreign Currency Contracts	Total
Australian dollar	\$ -	\$ 6,828	\$ 326	\$ 37,661	\$ 15,471	\$ -	\$ (293)	\$ 59,993
Brazil real	-	11,422	9,276	-	-	-	1,980	22,678
Canadian dollar	-	27,097	13	-	-	-	679	27,789
Chilean peso	-	-	611	-	-	-	176	787
Chinese yuan renminbi	-	7,498	6,075	-	-	-	(1,346)	12,227
Colombian peso	-	-	6,739	-	-	-	(1,620)	5,119
Czech koruna	-	-	43	-	-	-	2,374	2,417
Danish krone	-	60,643	-	-	-	-	293	60,936
Dominican Rep peso	-	-	2,391	-	-	-	(1,361)	1,030
Egyptian pound	5,008	-	-	-	-	-	639	5,647
Euro	-	552,685	83,882	132,862	436,022	168,261	(74,338)	1,299,374
Hong Kong dollar	-	52,688	-	-	-	-	(21)	52,667
Hungarian forint	-	3,393	3,460	-	-	-	1,168	8,021
Indian rupee	-	32,568	2,193	-	-	-	4,820	39,581
Indonesian rupiah	-	2,630	4,746	-	-	-	4,590	11,966
Israeli shekel	-	-	210	-	-	-	(208)	2
Japanese yen	-	110,505	4,443	-	32,343	-	1,361	148,652
Kazakhstan tenge	-	-	-	-	-	-	86	86
Kuwaiti dinar	-	-	-	-	-	-	(731)	(731)
Malaysian ringgit	-	-	7,411	-	-	-	(2,767)	4,644
Mexican peso	-	4,530	7,476	-	-	-	1,604	13,610
New Taiwan dollar	-	75,616	-	-	-	-	27	75,643
New Zealand dollar	-	-	-	-	-	-	72	72
Paraguayan guarani	-	-	275	-	-	-	-	275
Peruvian sol	-	-	4,023	-	-	-	(3,414)	609
Philippines peso	-	-	1,678	-	-	-	(1,659)	19
Polish zloty	-	533	3,623	-	-	-	3,561	7,717
Pound sterling	-	208,745	7,077	87,690	57,638	-	(9,990)	351,160
Romanian leu	-	-	4,919	-	-	-	280	5,199
Serbian dinar	-	-	-	-	-	-	144	144
Singapore dollar	-	4,613	-	-	-	-	(73)	4,540
South African rand	-	6,113	12,359	-	-	-	(5,159)	13,313
South Korean won	-	19,897	-	-	-	-	4,912	24,809
Swedish krona	-	53,180	-	-	-	-	254	53,434
Swiss franc	-	92,158	-	-	-	-	(137)	92,021
Thailand baht	-	963	3,094	-	-	-	1,210	5,267
Turkish lira	-	1,397	4,346	-	-	-	1,427	7,170
UAE dirham	-	4,652	-	-	-	-	(43)	4,609
Uruguayan peso	-	-	3,531	-	-	-	-	3,531
Total	\$ 5,008	\$ 1,340,354	\$ 184,220	\$ 258,213	\$ 541,474	\$ 168,261	\$ (71,503)	\$ 2,426,027

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The Retirement System's direct net exposures to foreign currency risk as of June 30, 2024, are as follows:

Foreign Currency Risk Analysis as of June 30, 2024

Dollars in thousands

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Private Credit	Foreign Currency Contracts	Total
Argentina peso	\$ -	\$ -	\$ (3)	\$ -	\$ -	\$ -	\$ -	\$ (3)
Australian dollar	-	12,909	113	37,129	3,888	-	(743)	53,296
Brazil real	-	10,955	4,706	-	-	-	2,871	18,532
Canadian dollar	-	24,422	210	-	-	-	(1,132)	23,500
Chilean peso	-	1,988	581	-	-	-	129	2,698
Chinese yuan renminbi	219	8,969	5,761	-	-	-	(11,761)	3,188
Colombian peso	-	-	4,887	-	-	-	(3,209)	1,678
Czech koruna	-	-	(88)	-	-	-	2,400	2,312
Danish krone	-	65,037	-	-	-	-	-	65,037
Dominican Rep peso	-	-	1,910	-	-	-	(947)	963
Egyptian pound	1,462	-	-	-	-	-	-	1,462
Euro	-	436,402	56,723	99,019	394,856	153,490	(72,269)	1,068,221
Hong Kong dollar	-	41,846	-	-	-	-	(50)	41,796
Hungarian forint	-	4,228	904	-	-	-	282	5,414
Indian rupee	-	36,228	-	-	-	-	1,536	37,764
Indonesian rupiah	-	4,858	4,572	-	-	-	(999)	8,431
Israeli shekel	-	-	-	-	-	-	(69)	(69)
Japanese yen	-	87,100	3,997	-	36,616	-	8,158	135,871
Malaysian ringgit	-	-	3,660	-	-	-	133	3,793
Mexican peso	-	875	10,304	-	-	-	(1,615)	9,564
New Taiwan dollar	-	58,620	-	-	-	-	(1,889)	56,731
New Zealand dollar	-	-	-	-	-	-	378	378
Norwegian krone	-	1,163	-	-	-	-	40	1,203
Peruvian sol	-	-	2,377	-	-	-	(1,605)	772
Philippines peso	-	1,047	-	-	-	-	26	1,073
Polish zloty	-	2,680	(54)	-	-	-	4,695	7,321
Pound sterling	-	189,780	9,028	109,404	61,451	-	(8,440)	361,223
Romanian leu	-	-	1,325	-	-	-	316	1,641
Singapore dollar	-	3,602	-	-	-	-	(428)	3,174
South African rand	-	8,364	6,412	-	-	-	(3,769)	11,007
South Korean won	-	25,582	-	-	-	-	(1,523)	24,059
Swedish krona	-	47,432	-	-	-	-	3,500	50,932
Swiss franc	-	90,142	-	-	-	-	(1,782)	88,360
Thailand baht	-	3,442	2,799	-	-	-	1,415	7,656
Turkish lira	-	1,654	1,519	-	-	-	1,696	4,869
UAE dirham	-	9,584	-	-	-	-	-	9,584
Uruguayan peso	-	-	273	-	-	-	-	273
Total	\$ 1,681	\$ 1,178,909	\$ 121,916	\$ 245,552	\$ 496,811	\$ 153,490	\$ (84,655)	\$ 2,113,704

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(f) Unfunded Investments Commitments

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of \$1.93 billion, private equity in the amount of \$3.25 billion, private credit in the amount of \$2.28 billion and absolute return in the amount of \$61.4 million totaling \$7.52 billion as of June 30, 2025.

(g) Derivative Instruments

As of June 30, 2025, and 2024, the derivative instruments held by the Retirement System are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

Valuation methods used by the Retirement System are described in more detail in Note 2(b). The fair value of the exchange traded derivative instruments, such as futures, options, rights, and warrants are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by the Retirement System's investment managers based on quoted market prices of the underlying investment instruments or by an external pricing service using various proprietary methods.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The tables below present the notional amounts, the fair values, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2025, and 2024.

As of and for the Year Ended June 30, 2025

Dollars in thousands				
Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value	
Forwards				
Foreign Exchange Contracts	\$ 282,035	\$ (2,866)	\$	(2,419)
Futures				
Bond Futures Long	56,558	64		(136)
Bond Futures Short	(757)	3		23
Equity Index Futures Long	5,816	200		202
Treasury Futures Long	85,249	1,132		937
Treasury Futures Short	(12,472)	(233)		(222)
Options				
Credit Contracts	-	-		2
Interest Rate Contracts	-	(19)		(5)
Foreign Exchange Contracts	307	7		9
Treasury Options	-	(3)		-
Swaps				
Credit Contracts	19,198	640		115
Currency Contracts	-	-		(109)
Interest Rate Contracts	245,818	449		70
Total Return Contracts	350,226	(22,971)		(22,988)
Rights/Warrants				
Equity Contracts	83,576 shares	88,811		9,376
Total		\$ 65,214	\$	(15,145)

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

As of and for the Year Ended June 30, 2024

Dollars in thousands			
Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	\$ 226,859	\$ (447)	\$ 582
Futures			
Bond Futures Long	23,968	201	294
Bond Futures Short	(2,243)	(21)	(21)
Equity Index Futures Long	552	(2)	(29)
Treasury Futures Long	58,303	195	323
Treasury Futures Short	(1,768)	(12)	(114)
Options			
Interest Rate Contracts	-	(8)	1,297
Foreign Exchange Contracts	200	9	-
Swaps			
Credit Contracts	11,432	358	215
Currency Contracts	110	109	(307)
Interest Rate Contracts	181,620	(172)	488
Total Return Contracts	9,995	17	(12,987)
Rights/Warrants			
Equity Contracts	73,347 shares	79,381	18,640
Total		<u>\$ 79,608</u>	<u>\$ 8,381</u>

All investment derivatives are reported as investments at fair value in the statements of fiduciary net position. Rights, warrants, and equity index futures are reported in equity securities. Foreign exchange contracts are reported in foreign currency contracts, which also include spot contracts that are not derivatives. All other derivative contracts are reported in other debt securities. All changes in fair value are reported as net appreciation (depreciation) in fair value of investments in the statements of changes in fiduciary net position.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

Counterparty Credit Risk

The Retirement System is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. The tables below present those investments being classified and rated using the lower of (1) S&P Global Ratings (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

Derivative Instruments Subject to Counterparty Credit Risk as of June 30, 2025

Dollars in thousands

Credit Rating	Fair Value
AA	\$ 430
A	2,867
BBB	540
Total	<u>\$ 3,837</u>

Derivative Instruments Subject to Counterparty Credit Risk as of June 30, 2024

Dollars in thousands

Credit Rating	Fair Value
AA	\$ 127
A	1,919
BBB	472
Total	<u>\$ 2,518</u>

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2025, and 2024, all of the Retirement System's investments in derivative instruments are held in the Retirement System's name and are not exposed to custodial credit risk.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

Interest Rate Risk

The tables below describe the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2025, and 2024.

Derivative Interest Rate Risk as of June 30, 2025

Dollars in thousands

Derivative Type / Contracts	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Futures					
Treasury Futures Long	\$ 1,132	\$ 1,132	\$ -	\$ -	\$ -
Treasury Futures Short	(233)	(233)	-	-	-
Options					
Interest Rate Contracts	(19)	(19)	-	-	-
Foreign Exchange Contracts	7	7	-	-	-
Treasury	(3)	(3)	-	-	-
Swaps					
Interest Rate Contracts	449	(44)	150	69	274
Total Return Contracts	(22,971)	(22,971)	-	-	-
Total	\$ (21,638)	\$ (22,131)	\$ 150	\$ 69	\$ 274

Derivative Interest Rate Risk as of June 30, 2024

Dollars in thousands

Derivative Type / Contracts	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Futures					
Treasury Futures Long	\$ 195	\$ 195	\$ -	\$ -	\$ -
Treasury Futures Short	(12)	(12)	-	-	-
Options					
Interest Rate Contracts	(8)	(8)	-	-	-
Foreign Exchange Contracts	9	9	-	-	-
Swaps					
Currency Contracts	109	-	109	-	-
Interest Rate Contracts	(172)	(222)	118	(16)	(52)
Total Return Contracts	17	17	-	-	-
Total	\$ 138	\$ (21)	\$ 227	\$ (16)	\$ (52)

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The following tables detail the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2025, and 2024:

Derivative Instruments Highly Sensitive to Interest Rate Changes as of June 30, 2025

Dollars in thousands

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 0.57%, Pay Variable 6-Month WIBOR	\$ 1,411	\$ (9)
Interest Rate Swap	Receive Fixed 1.50%, Pay Variable 3-Month PBOC	2,028	3
Interest Rate Swap	Receive Fixed 2.25%, Pay Variable 6-Month EURIBOR	4,461	(8)
Interest Rate Swap	Receive Fixed 2.56%, Pay Variable 6-Month BUBOR	2,049	(81)
Interest Rate Swap	Receive Fixed 3.15%, Pay Variable 6-Month PRIBOR	1,016	(21)
Interest Rate Swap	Receive Fixed 3.36%, Pay Variable 6-Month PRIBOR	1,786	(21)
Interest Rate Swap	Receive Fixed 3.50%, Pay Variable 1-Day SONIA	6,441	(41)
Interest Rate Swap	Receive Fixed 3.50%, Pay Variable 3-Month KLIBOR	266	4
Interest Rate Swap	Receive Fixed 3.75%, Pay Variable 6-Month CORRA	1,246	7
Interest Rate Swap	Receive Fixed 4.00%, Pay Variable 1-Day SOFR	76,500	469
Interest Rate Swap	Receive Fixed 4.50%, Pay Variable 1-Day SOFR	26,800	349
Interest Rate Swap	Receive Fixed 4.65%, Pay Variable 6-Month WIBOR	3,293	56
Interest Rate Swap	Receive Fixed 4.68%, Pay Variable 6-Month PRIBOR	641	38
Interest Rate Swap	Receive Fixed 4.72%, Pay Variable 6-Month PRIBOR	513	17
Interest Rate Swap	Receive Fixed 4.74%, Pay Variable 6-Month PRIBOR	902	30
Interest Rate Swap	Receive Fixed 4.75%, Pay Variable 6-Month BBSW	4,063	69
Interest Rate Swap	Receive Fixed 4.98%, Pay Variable 6-Month CLICP	919	14
Interest Rate Swap	Receive Fixed 5.26%, Pay Variable 3-Month JIBAR	647	-
Interest Rate Swap	Receive Fixed 5.43%, Pay Variable 6-Month WIBOR	1,301	38
Interest Rate Swap	Receive Fixed 5.60%, Pay Variable 3-Month COOVIBR	83	(18)
Interest Rate Swap	Receive Fixed 5.88%, Pay Variable 6-Month BUBOR	353	(3)
Interest Rate Swap	Receive Fixed 6.00%, Pay Variable 6-Month MIBOR	5,886	64
Interest Rate Swap	Receive Fixed 6.39%, Pay Variable 6-Month BUBOR	587	7
Interest Rate Swap	Receive Fixed 6.55%, Pay Variable 6-Month BUBOR	1,731	32
Interest Rate Swap	Receive Fixed 6.65%, Pay Variable 6-Month BUBOR	137	3
Interest Rate Swap	Receive Fixed 7.37%, Pay Variable 3-Month JIBAR	163	-
Interest Rate Swap	Receive Fixed 7.56%, Pay Variable 3-Month JIBAR	162	1
Interest Rate Swap	Receive Fixed 7.57%, Pay Variable 3-Month JIBAR	371	4
Interest Rate Swap	Receive Fixed 7.81%, Pay Variable 3-Month JIBAR	177	4
Interest Rate Swap	Receive Fixed 9.03%, Pay Variable 3-Month COOVIBR	851	14
Interest Rate Swap	Receive Fixed 10.79%, Pay Variable 1-Day BIDOR	1,264	(65)
Interest Rate Swap	Receive Fixed 11.46%, Pay Variable 1-Day BIDOR	1,521	(42)
Interest Rate Swap	Receive Fixed 13.29%, Pay Variable 1-Day BIDOR	1,851	9
Interest Rate Swap	Receive Fixed 13.32%, Pay Variable 1-Day BIDOR	202	1
Interest Rate Swap	Receive Fixed 13.93%, Pay Variable 1-Day BIDOR	3,151	(8)
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 3.00%	700	7
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 3.25%	8,000	298

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 3.75%	14,600	(128)
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 3.84%	200	(4)
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 3.87%	100	(2)
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 3.88%	100	(2)
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 3.89%	50	(1)
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 3.90%	4,444	(87)
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 3.91%	200	(4)
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 3.93%	100	(2)
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 3.98%	200	(5)
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 4.00%	41,650	(206)
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 4.50%	14,400	(344)
Interest Rate Swap	Receive Variable 3-Month JIBAR, Pay Fixed 7.65%	326	(5)
Interest Rate Swap	Receive Variable 3-Month JIBAR, Pay Fixed 7.70%	2,597	(42)
Interest Rate Swap	Receive Variable 3-Month THB, Pay Fixed 2.00%	867	(31)
Interest Rate Swap	Receive Variable 6-Month CLICP, Pay Fixed 5.67%	857	(25)
Interest Rate Swap	Receive Variable 6-Month EURIBOR, Pay Fixed 2.25%	1,068	111
Interest Rate Swap	Receive Variable 6-Month EURIBOR, Pay Fixed 2.45%	117	2
Interest Rate Swap	Receive Variable 6-Month EURIBOR, Pay Fixed 2.51%	117	1
Interest Rate Swap	Receive Variable 6-Month EURIBOR, Pay Fixed 2.53%	235	1
Interest Rate Swap	Receive Variable 6-Month EURIBOR, Pay Fixed 2.55%	117	1
Total Interest Rate Swaps		<u>\$ 245,818</u>	<u>\$ 449</u>

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

Derivative Instruments Highly Sensitive to Interest Rate Changes as of June 30, 2024

Dollars in thousands

<u>Investment Type</u>	<u>Reference Rate</u>	<u>Notional Value</u>	<u>Fair Value</u>
Interest Rate Swap	Receive Fixed 0.25%, Pay Variable 1-Day SOFR	\$ 22,200	\$ (176)
Interest Rate Swap	Receive Fixed 0.48%, Pay Variable 6-Month PRIBOR	637	(23)
Interest Rate Swap	Receive Fixed 0.57%, Pay Variable 6-Month WIBOR	1,269	(69)
Interest Rate Swap	Receive Fixed 1.48%, Pay Variable 6-Month PRIBOR	1,138	(135)
Interest Rate Swap	Receive Fixed 2.56%, Pay Variable 6-Month BUBOR	1,894	(140)
Interest Rate Swap	Receive Fixed 2.75%, Pay Variable 6-Month EURIBOR	4,180	(12)
Interest Rate Swap	Receive Fixed 3.50%, Pay Variable 3-Month KLIBOR	231	(2)
Interest Rate Swap	Receive Fixed 3.75%, Pay Variable 6-Month CORRA	1,242	(7)
Interest Rate Swap	Receive Fixed 4.00%, Pay Variable 1-Day SOFR	70,000	82
Interest Rate Swap	Receive Fixed 4.00%, Pay Variable 1-Day SONIA	3,666	15
Interest Rate Swap	Receive Fixed 4.68%, Pay Variable 6-Month PRIBOR	578	32
Interest Rate Swap	Receive Fixed 4.72%, Pay Variable 6-Month PRIBOR	462	14
Interest Rate Swap	Receive Fixed 4.74%, Pay Variable 6-Month PRIBOR	813	25
Interest Rate Swap	Receive Fixed 4.75%, Pay Variable 6-Month BBSW	2,271	13
Interest Rate Swap	Receive Fixed 4.81%, Pay Variable 28-Day MXIBR	1,438	(17)
Interest Rate Swap	Receive Fixed 5.26%, Pay Variable 3-Month JIBAR	630	(17)
Interest Rate Swap	Receive Fixed 5.43%, Pay Variable 6-Month WIBOR	1,169	15
Interest Rate Swap	Receive Fixed 5.60%, Pay Variable 3-Month COOVIBR	82	(15)
Interest Rate Swap	Receive Fixed 7.13%, Pay Variable 28-Day MXIBR	191	(37)
Interest Rate Swap	Receive Fixed 9.03%, Pay Variable 3-Month COOVIBR	839	26
Interest Rate Swap	Receive Fixed 9.06%, Pay Variable 28-Day MXIBR	930	(20)
Interest Rate Swap	Receive Fixed 10.28%, Pay Variable 1-Day BIDOR	1,926	(54)
Interest Rate Swap	Receive Fixed 10.79%, Pay Variable 1-Day BIDOR	1,242	(27)
Interest Rate Swap	Receive Fixed 11.46%, Pay Variable 1-Day BIDOR	1,494	(9)
Interest Rate Swap	Receive Fixed 11.95%, Pay Variable 1-Day BIDOR	1,080	-
Interest Rate Swap	Receive Fixed 12.00%, Pay Variable 1-Day BIDOR	3,853	(18)
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 3.75%	4,100	54
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 3.75%	12,800	176
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 3.99%	200	(1)
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 4.00%	34,600	134
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 4.06%	100	(1)
Interest Rate Swap	Receive Variable 1-Day TONA, Pay Fixed 0.85%	1,554	18
Interest Rate Swap	Receive Variable 3-Month COOVIBR, Pay Fixed 1.20%	784	13
Interest Rate Swap	Receive Variable 6-Month CLICP, Pay Fixed 5.67%	848	(10)
Interest Rate Swap	Receive Variable 6-Month EURIBOR, Pay Fixed 2.50%	1,179	1
Total Interest Rate Swaps		<u>\$ 181,620</u>	<u>\$ (172)</u>

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

Foreign Currency Risk

At June 30, 2025, the Retirement System is exposed to foreign currency risk on its derivative investments denominated in foreign currencies.

Derivative Instruments Foreign Currency Risk Analysis as of June 30, 2025

Dollars in thousands

<u>Currency</u>	<u>Forwards</u>	<u>Options</u>	<u>Swaps</u>	<u>Futures</u>	<u>Total</u>
Australian Dollar	\$ (293)	\$ -	\$ 69	\$ 154	\$ (70)
Brazil real	1,980	-	(105)	-	1,875
Canadian dollar	679	-	7	7	693
Chilean peso	176	-	(11)	-	165
Chinese yuan renminbi	(1,345)	-	2	-	(1,343)
Colombian peso	(1,620)	-	(4)	-	(1,624)
Czech koruna	2,374	-	43	-	2,417
Danish krone	293	-	-	-	293
Dominican Rep peso	(1,361)	-	-	-	(1,361)
Egyptian pound	639	-	-	-	639
Euro	(74,338)	6	220	(54)	(74,166)
Hong Kong dollar	(21)	-	-	-	(21)
Hungarian forint	1,168	-	(41)	-	1,127
Indian rupee	4,820	-	63	-	4,883
Indonesian rupiah	4,590	-	-	-	4,590
Israeli shekel	(208)	-	-	-	(208)
Japanese yen	1,361	-	-	-	1,361
Kazakhstan tenge	86	-	-	-	86
Kuwaiti dinar	(731)	-	-	-	(731)
Malaysian ringgit	(2,767)	-	4	-	(2,763)
Mexican peso	1,604	-	-	-	1,604
New Taiwan dollar	27	-	-	-	27
New Zealand dollar	72	-	-	-	72
Peruvian sol	(3,414)	-	-	-	(3,414)
Philippines peso	(1,659)	-	-	-	(1,659)
Polish zloty	3,561	-	86	-	3,647
Pound sterling	(9,990)	-	(41)	(40)	(10,071)
Romanian leu	280	-	-	-	280
Serbian dinar	144	-	-	-	144
Singapore dollar	(73)	-	-	-	(73)
South African rand	(5,159)	(6)	(38)	-	(5,203)
South Korean won	4,912	-	-	-	4,912
Swedish krona	254	-	-	-	254
Swiss franc	(137)	-	-	-	(137)
Thailand baht	1,210	-	(32)	-	1,178
Turkish lira	1,427	-	-	-	1,427
UAE dirham	(43)	-	-	-	(43)
Total	\$ (71,502)	\$ -	\$ 222	\$ 67	\$ (71,213)

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

Derivative Instruments Foreign Currency Risk Analysis as of June 30, 2024

Dollars in thousands

<u>Currency</u>	<u>Forwards</u>	<u>Rights/ Warrants</u>	<u>Swaps</u>	<u>Futures</u>	<u>Total</u>
Argentina peso	\$ -	\$ -	\$ (3)	\$ -	\$ (3)
Australian dollar	(743)	-	13	-	(730)
Brazil real	2,871	3	(107)	-	2,767
Canadian dollar	(1,132)	-	(7)	5	(1,134)
Chilean peso	129	-	(10)	-	119
Chinese yuan renminbi	(11,761)	-	-	-	(11,761)
Colombian peso	(3,209)	-	24	-	(3,185)
Czech koruna	2,400	-	(88)	-	2,312
Dominican Rep peso	(947)	-	-	-	(947)
Euro	(72,269)	81	37	176	(71,975)
Hong Kong dollar	(50)	-	-	-	(50)
Hungarian forint	282	-	(141)	-	141
Indian rupee	1,536	-	-	-	1,536
Indonesian rupiah	(999)	-	-	-	(999)
Israeli shekel	(69)	-	-	-	(69)
Japanese yen	8,158	-	18	-	8,176
Malaysian ringgit	133	-	(2)	-	131
Mexican peso	(1,615)	-	(74)	-	(1,689)
New Taiwan dollar	(1,889)	-	-	-	(1,889)
New Zealand dollar	378	-	-	-	378
Norwegian krone	40	-	-	-	40
Peruvian sol	(1,605)	-	-	-	(1,605)
Philippines peso	26	-	-	-	26
Polish zloty	4,695	-	(54)	-	4,641
Pound sterling	(8,440)	-	15	(1)	(8,426)
Romanian leu	316	-	-	-	316
Singapore dollar	(428)	-	-	-	(428)
South African rand	(3,769)	-	(17)	-	(3,786)
South Korean won	(1,523)	-	-	-	(1,523)
Swedish krona	3,500	-	-	-	3,500
Swiss franc	(1,782)	-	-	-	(1,782)
Thailand baht	1,415	-	-	-	1,415
Turkish lira	1,696	-	-	-	1,696
Total	\$ (84,655)	\$ 84	\$ (396)	\$ 180	\$ (84,787)

Contingent Features

At June 30, 2025, and 2024, the Retirement System held no positions in derivative instruments containing contingent features.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(5) Fair Value Measurement of Investments

The Retirement System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The Retirement System has the following recurring fair value measurements as of June 30, 2025:

As of June 30, 2025		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Dollars in thousands	Total			
Investments by fair value level				
Short-term investments	\$ 351,469	\$ 346,461	\$ 5,008	\$ -
Debt securities:				
U.S. government and agency securities	2,169,628	2,140,020	29,608	-
Other debt securities	1,329,036	77,781	1,062,513	188,742
Equity securities:				
Domestic	3,676,570	3,675,555	1,015	-
International	1,586,592	1,586,592	-	-
Foreign currency contracts, net	(2,866)	-	(2,866)	-
Invested securities lending collateral	847,489	-	735,256	112,233
Total investments by fair value level	<u>9,957,918</u>	<u>\$ 7,826,409</u>	<u>\$ 1,830,534</u>	<u>\$ 300,975</u>
Investments measured at the net asset value (NAV)				
Short-term investments	2,425			
Fixed income funds invested in:				
Other debt securities	201,097			
Equity funds invested in:				
Domestic	5,358,092			
International	636,633			
Real assets	5,079,195			
Private credit	3,398,891			
Private equity	10,088,382			
Absolute return	3,573,142			
Total investments measured at the NAV	<u>28,337,857</u>			
Investments not subject to the fair value hierarchy				
City investment pool	6,963			
Total investments measured at fair value	<u>\$ 38,302,738</u>			

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Notes to Financial Statements (Continued)
Years Ended June 30, 2025 and 2024

The Retirement System has the following recurring fair value measurements as of June 30, 2024:

As of June 30, 2024	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Dollars in thousands				
Investments by fair value level				
Short-term investments	\$ 370,394	\$ 368,713	\$ 1,462	\$ 219
Debt securities:				
U.S. government and agency securities	1,953,414	1,924,945	28,469	-
Other debt securities	950,618	71,969	725,525	153,124
Equity securities:				
Domestic	3,251,381	3,250,361	1,020	-
International	1,445,935	1,445,935	-	-
Foreign currency contracts, net	(447)	-	-	(447)
Invested securities lending collateral*	842,981	-	503,965	339,016
Total investments by fair value level	<u>8,814,276</u>	<u>\$ 7,061,923</u>	<u>\$ 1,260,441</u>	<u>\$ 491,912</u>
Investments measured at the net asset value (NAV)				
Short-term investments	7,050			
Fixed income funds invested in:				
Other debt securities	101,004			
Equity funds invested in:				
Domestic	5,341,134			
International	533,023			
Real assets	5,208,475			
Private credit	3,152,084			
Private equity	10,029,898			
Absolute return	3,046,230			
Total investments measured at the NAV	<u>27,418,898</u>			
Investments not subject to the fair value hierarchy				
City investment pool	23,440			
Total investments measured at fair value	<u>\$ 36,256,614</u>			

**This figure excludes \$410 cash collateral to be invested on July 1, 2024 due to timing of lending and investment activities.*

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

Investments at Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In some cases, a valuation technique may have multiple inputs used to measure fair value, and each input might fall into a different level of the fair value hierarchy. The level in the fair value hierarchy within which a fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement. The prices used in determining the fair value hierarchy are obtained from various pricing sources by the Retirement System's custodian bank.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Debt securities including short-term instruments are priced based on evaluated prices. Such evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities. For equity securities not traded on an active exchange, or if the closing price is not available, corroborated indicative quotes obtained from pricing vendors are generally used. Debt and equity securities classified in Level 3 of the fair value hierarchy are securities whose stated market prices are unobservable by the market place. Many of these securities are priced using uncorroborated indicative quotes, adjusted prices based on inputs from different sources, or evaluated prices using unobservable inputs, such as extrapolated data, proprietary models, and indicative quotes from pricing vendors.

Investments at Net Asset Value (NAV)

The equity and debt funds are commingled funds that are priced at net asset value by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. The NAV of an open-end fund is its price.

The fair value of the Retirement System's investments in private equity, real assets, private credit, absolute return, and some public equity investments are based on NAV provided by the investment managers or general partners (hereinafter collectively referred to as the "General Partners"). Such value generally represents the Retirement System's proportionate share of the net assets of the limited partnerships. The partnership financial statements are generally audited annually as of December 31, and the NAV is adjusted by additional contributions to and distributions from the partnership, the Retirement System's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partners.

The General Partners may use one or more valuation methodologies outlined in FASB ASC 820, *Fair Value Measurement*. For some investments, little market activity may exist. The General Partners' determination of fair value is then based on the best information available in the circumstances and may involve subjective assumptions and estimates, including the General Partners' assessment of the information that market participants would use in valuing the investments. The General Partners may take into consideration a combination of internal and external factors, including but not limit to, appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The values provided by the General Partners may differ significantly from the values that would have been used had a ready market existed for these investments.

Private credit investment strategies include capital preservation, return maximization, and opportunistic. Investments in the asset class are achieved primarily through limited partnerships. Private credit investments are mostly illiquid, and distributions are received over the life of the investments. These investments are not typically redeemed, nor do they have set redemption schedules.

There are public equity investments held in commingled funds valued at NAV. These investments may be subject to varying lock-up provisions and redemption schedules.

Real asset investments strategies include real estate, natural resources, and infrastructure. Investments in the asset class are achieved primarily through limited partnerships, but may also include direct and co-investment opportunities. Real asset investments are mostly illiquid, and distributions are received over the life of the investments, which could equal or exceed ten years. These investments are not typically redeemed, nor do they have set redemption schedules.

Private equity investment strategies include buyout, venture capital, growth capital, and special situations. Investments in the asset class are achieved primarily through limited partnerships, but may also include direct and co-investment opportunities. Private equity investments are mostly illiquid, and distributions are received over the life of the investments, which could equal or exceed ten years. These investments are not typically redeemed, nor do they have set redemption schedules.

Absolute return investment strategies include equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, co-investments and commodities. Investments are achieved through limited partnerships, limited liability companies, and corporations. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions that differ from the standard terms and conditions summarized here, which can impede the return of capital according to those terms and conditions.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The table below provides a summary of the terms and conditions upon which the Retirement System may redeem its debt and equity funds, private equity, real assets, private credit, and absolute return investments as of June 30, 2025.

Investment Type	NAV as of June 30, 2025 (Dollars in thousands)	Unfunded Commitment (Dollars in thousands)	Redemption Frequency	Redemption Notice Period	NAV Lock Up and Years (Dollars in thousands)
Debt securities	\$ 45,069	N/A	Monthly	On a business day (BD) at least 15 days prior to the last BD of the month	
	156,028		Daily	1 business day	
Total:	\$ 201,097				
Public equity	227,823	N/A	Annually	60 calendar days	554,415 / No lock up 597,440 / Lock up ends fiscal year 2026
	1,476,291		Monthly	30 calendar days	
	94,832		Semi-annually*	30 calendar days	
	665,234		Quarterly	45 calendar days	
	87,967		Quarterly	60 calendar days	
	1,151,855		Quarterly	90 calendar days	
	153,420		Semi-annually	60 calendar days	
	36,313		Semi-annually*	60 calendar days	
	470,809		Semi-annually	90 calendar days	
	452,033		Semi-monthly	6 business days	
1,178,148	Semi-monthly	9 business days			
Total:	\$ 5,994,725				
Absolute return	2,012,370	\$ 61,389	Monthly	5-95 days	No lock up
	1,016,738		Quarterly	45-180 days	\$653,913 No lock up \$176,502 < 1 Year \$186,323 < 2 Years
	507,190		Semi-annually	60-90 days	No lock up
	36,844		N/A	N/A	No lock up
Total:	\$ 3,573,142				
Real assets	631,940	1,925,919	Quarterly, subject to available liquidity	90 calendar days	N/A
	4,447,255		Illiquid	N/A	N/A
Total:	\$ 5,079,195				
Private credit	111,318	2,284,643	Capital returned on a realized basis	90 days	One year hard lock followed by one year soft lock (both expired)
	388,370		Capital returned on a realized basis	90 days	One year hard lock (expired)
	13,144		Capital returned on a realized basis	upon request	No lock up
	511,000		Capital returned on a realized basis subject to 3-year maximum	180 days	N/A
	61,160		Quarterly, subject to 33% investor-level gate	30 days	One year hard lock (expired)
	2,313,899		Illiquid	N/A	N/A
Total:	\$ 3,398,891				
Private equity	10,088,382	3,249,713	Illiquid	N/A	N/A

* The Retirement System has requested full redemption as of June 30, 2025. Proceeds are expected as remaining investments are sold.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The table below provides a summary of the terms and conditions upon which the Retirement System may redeem its debt and equity funds, private equity, real assets, private credit, and absolute return investments as of June 30, 2024.

Investment Type	NAV as of June 30, 2024 (Dollars in thousands)	Unfunded Commitment (Dollars in thousands)	Redemption Frequency	Redemption Notice Period	NAV Lock Up and Years (Dollars in thousands)	
Debt securities	\$ 44,274	N/A	Monthly	On a business day (BD) at least 15 days prior to the last BD of the month		
	50,722		Daily	1 business day		
	6,008		N/A	N/A		
	Total: \$ 101,004					
Public equity	396,885	N/A	Semi-monthly	6 business days		
	989,352		Semi-monthly	9 business days		
	43,737		Semi-annually*	60 calendar days		
	821		Semi-annually*	90 calendar days		
	216,589		Semi-annually	60 calendar days		
	531,076		Semi-annually	90 calendar days		
	1,241,936		Monthly	30 calendar days		
	119,570		Quarterly	60 calendar days		
	393,289		Quarterly	30 calendar days		
	773,315		Quarterly	45 calendar days		
	948,062		Quarterly	90 calendar days		\$288,545 / No lock up \$178,000 / Lock up ends fiscal year 2025 \$481,517 / Lock up ends fiscal year 2026
	219,526		Annually	60 calendar days		
Total: \$ 5,874,158						
Absolute return	1,582,516	\$ 128,956	Monthly	5-95 Days	No lock up	
	930,823		Quarterly	45-180 Days	\$905,066 / No lock up \$25,757/ Less than 2 years	
	512,664		Semi-annually	60-90 Days	No lock up	
	20,227		N/A	N/A	No lock up	
Total: \$ 3,046,230						
Real assets	672,726	2,054,771	Quarterly, subject to available liquidity	90 calendar days	N/A	
	4,535,749		Illiquid	N/A	N/A	
Total: \$ 5,208,475						
Private credit	121,686	2,151,246	Capital returned on a realized basis	90 days	One year hard lock followed by one year soft lock (both expired)	
	289,115		Capital returned on a realized basis	90 days	One year hard lock (expired)	
	476,627		Capital returned on a realized basis subject to 3-year maximum	180 days	N/A	
	60,962		Quarterly, subject to 33% investor-level gate	30 days	One year hard lock (expired)	
	2,203,694		Illiquid	N/A	N/A	
Total: \$ 3,152,084						
Private equity	10,029,898	3,436,071	Illiquid	N/A	N/A	

* The Retirement System has requested full redemption as of June 30, 2024. Proceeds are expected as remaining investments are sold.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(6) Securities Lending

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Cash and non-cash collateral is pledged at 100% to 110% depending on security type.

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. The securities collateral is not reported on the statements of fiduciary net position. As of June 30, 2025, and 2024, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of rights in the collateral should the borrower of securities fail financially. However, the lending agent indemnifies the Retirement System against all borrower defaults.

As of June 30, 2025, the Retirement System has lent \$2.22 billion in securities and received collateral of \$847.2 million and \$1,527.0 million in cash and securities, respectively, from borrowers. The cash collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement Board. Due to the increase in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at \$847.5 million. The net unrealized gain of \$0.3 million is presented as part of the net appreciation in fair value of investments in the statement of changes in fiduciary net position in the year in which the unrealized gains and losses occur. The Retirement System is exposed to investment risk including the possible loss of principal value in the separately managed cash collateral reinvestment account due to the fluctuation in the fair value of the assets held in the account.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The Retirement System's securities lending transactions as of June 30, 2025, are summarized in the following table.

Securities Lending as of June 30, 2025

Dollars in thousands

Investment Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Non-Cash Collateral
Securities on Loan for Cash Collateral			
U.S. Corporate Fixed Income	\$ 154,964	\$ 158,412	\$ -
U.S. Equities	163,431	166,515	-
U.S. Government Fixed Income	473,094	478,753	-
International Fixed Income	15,758	16,512	-
International Equities	25,383	27,019	-
Securities on Loan for Non-Cash Collateral			
U.S. Corporate Fixed Income	15,909	-	17,124
U.S. Equities	243,103	-	259,866
U.S. Government Fixed Income	1,022,813	-	1,130,182
International Fixed Income	20,353	-	21,208
International Equities	87,640	-	98,667
	<u>\$ 2,222,448</u>	<u>\$ 847,211</u>	<u>\$ 1,527,047</u>

The following table presents the segmented time distribution for the reinvested cash collateral account based upon the expected maturity (in years) as of June 30, 2025.

Fair Value of Cash Collateral Account as of June 30, 2025

Dollars in thousands

Investment Type	Fair Value	Maturities
		Less Than 1 Year
Asset Backed	\$ 3,013	\$ 3,013
Certificate of Deposit	355,523	355,523
Commercial Paper	168,344	168,344
Corporate Bonds	68,723	68,723
Tri-party Repurchase Agreement	251,053	251,053
Cash	833	833
Total *	<u>\$ 847,489</u>	<u>\$ 847,489</u>

**This figure includes \$5 advanced funds for a return settled late due to timing of lending and investment activities.*

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2025, is as follows:

Credit Rating of Cash Collateral Account as of June 30, 2025

Dollars in thousands

Credit Rating	Fair Value	Fair Value as a Percentage of Total
A-1	\$ 103,253	12.2 %
AA	66,370	7.8 %
A	425,980	50.3 %
Not Rated *	251,886	29.7 %
Total	\$ 847,489	100.0 %

**This figure includes \$251,053 in tri-party repurchase agreements and \$833 in payable.*

As of June 30, 2024, the Retirement System has lent \$1.62 billion in securities and received collateral of \$843.4 million and \$885.5 million in cash and securities, respectively, from borrowers. The cash collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement Board. Due to the increase in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at \$843.0 million. The net unrealized gain of \$11 thousand is presented as part of the net appreciation in fair value of investments in the statement of changes in fiduciary net position in the year in which the unrealized gains and losses occur. The Retirement System is exposed to investment risk including the possible loss of principal value in the separately managed cash collateral reinvestment account due to the fluctuation in the fair value of the assets held in the account.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The Retirement System's securities lending transactions as of June 30, 2024, are summarized in the following table.

Securities Lending as of June 30, 2024

Dollars in thousands

Investment Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Non-Cash Collateral
Securities on Loan for Cash Collateral			
U.S. Corporate Fixed Income	\$ 102,125	\$ 104,912	\$ -
U.S. Equities	183,571	187,135	-
U.S. Government Fixed Income	490,340	501,316	-
International Fixed Income	4,058	4,256	-
International Equities	42,523	45,761	-
Securities on Loan for Non-Cash Collateral			
U.S. Corporate Fixed Income	6,523	-	7,044
U.S. Equities	106,320	-	114,569
U.S. Government Fixed Income	647,446	-	722,056
International Fixed Income	5,515	-	5,731
International Equities	32,063	-	36,104
	<u>\$ 1,620,484</u>	<u>\$ 843,380</u>	<u>\$ 885,504</u>

The following table presents the segmented time distribution for the reinvested cash collateral account based upon the expected maturity (in years) as of June 30, 2024.

Fair Value of Cash Collateral Account as of June 30, 2024

Dollars in thousands

Investment Type	Fair Value	Maturities	
		Less Than 1 Year	1-5 Years
Certificate of Deposit	\$ 165,600	\$ 165,600	\$ -
Commercial Paper	295,433	287,645	7,788
Corporate Bonds	42,933	42,933	-
Tri-party Repo	339,468	339,468	-
Cash	(453)	(453)	-
Total *	<u>\$ 842,981</u>	<u>\$ 835,193</u>	<u>\$ 7,788</u>

**This figure excludes \$410 cash collateral to be invested on July 1, 2024 due to timing of lending and investment activities.*

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2024, is as follows:

Credit Rating of Cash Collateral Account as of June 30, 2024

Dollars in thousands

Credit Rating	Fair Value	Fair Value as a Percentage of Total
A-1	\$ 205,808	24.4 %
AA	26,815	3.2 %
A	271,343	32.2 %
Not Rated *	339,015	40.2 %
Total	\$ 842,981	100.0 %

**This figure includes \$339,468 in tri-party repurchase agreements and \$452 in payable.*

(7) Investments in Real Assets

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the years ended June 30, 2025, and 2024, are summarized as follows:

Investments:	2025	2024
Dollars in thousands		
Beginning of the year	\$ 5,208,475	\$ 5,207,943
Capital investments	358,908	515,731
Equity in net earnings	(75,418)	(7,235)
Net appreciation/(depreciation) in fair value	128,635	(105,059)
Capital distributions	(541,405)	(402,905)
End of the year	<u>\$ 5,079,195</u>	<u>\$ 5,208,475</u>

(8) Benefits

Allowances and benefits incurred during the years are summarized as follows:

Allowances and benefits:	2025	2024
Dollars in thousands		
Service retirement and vesting benefits	\$ 1,606,858	\$ 1,533,951
Disability retirement benefits	249,487	236,365
Death benefits	12,590	11,302
COLA benefit adjustments	130,295	124,227
Total	<u>\$ 1,999,230</u>	<u>\$ 1,905,845</u>

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(9) Funding Policy

Contributions are made to the Plan by both the employers and the participating employees. The basic employer contributions are the amounts deemed necessary on an actuarial basis using the entry age normal cost method to provide the Retirement System with assets sufficient to pay the basic benefits that are not provided for by employees' contributions. Contribution rates used in fiscal years 2024-2025 and 2023-2024 are based on a schedule of rates determined from actuarial studies by the consulting actuary as of July 1, 2023, and 2022, respectively.

Required and actual employer contribution rates for the years ended June 30, 2025, and 2024 as a percentage of covered payrolls were as follows:

	Fiscal Year 2024-25	Fiscal Year 2023-24
	<hr/>	<hr/>
Police members	14.91% - 15.41%	15.24% - 16.24%
Fire members	14.91% - 15.41%	15.24% - 16.24%
Miscellaneous Non-Safety members	14.91% - 16.91%	15.74% - 18.24%
Sheriff and Miscellaneous Safety members	14.91% - 15.41%	15.74% - 16.24%

Employee contributions are mandatory as required by the Charter. Employee contribution rates for the years ended June 30, 2025, and 2024 as a percentage of gross covered salary were as follows:

	Fiscal Year 2024-25	Fiscal Year 2023-24
	<hr/>	<hr/>
Participants entering the Retirement System prior to November 2, 1976		
Police and fire	9.0%	10.0%
Miscellaneous	8.0% - 10.0%	8.0% - 10.5%
Participants entering the Retirement System after November 2, 1976 and prior to July 1, 2010		
Police and fire	9.5%	10.5%
Miscellaneous	7.5% - 9.5%	7.5% - 10.0%
Participants entering the Retirement System on or after July 1, 2010		
Police and fire	10.5% - 11.0%	11.0% - 11.5%
Miscellaneous	7.5% - 9.5%	7.5% - 10.0%
Sheriff and Miscellaneous Safety hired on or after January 7, 2012	10.5% - 11.0%	11.0% - 11.5%

Beginning in the year ended June 30, 2006, most employee groups agreed through collective bargaining for employees to contribute all or a portion of the employee contributions, per memorandums of understanding (MOU's), on a pretax basis. As of July 1, 2011, substantially all employee groups have agreed through collective bargaining for employees to contribute all employee contributions on a pre-tax basis.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

In the early 1950s, the City and County agreed to exclude uniformed police officers and firefighters from Social Security coverage. Prior to 1990, miscellaneous members covered by Social Security were able to elect to reduce the above stated rate of employee contributions in consideration of their anticipated Social Security benefit payments. All participants who elected such reduction must repay the amount of unpaid employee contributions with interest or there will be an appropriate actuarial reduction in benefits.

Participants terminating service with the employers may withdraw employee contributions plus interest. The Retirement Board reviews and sets the crediting interest rate for the Plan on an annual basis subject to the requirement that the crediting interest rate is at least four percent (4%) per annum and does not exceed the actuarial assumption for return on assets. Interest for the years ended June 30, 2025, and 2024, accumulated at 4.00%.

(10) Net Pension Liability of Employers

The components of the employers' net pension liability at June 30, 2025, and 2024, were as follows (dollars in thousands):

	June 30, 2025	June 30, 2024
Total pension liability	<u>\$41,836,074</u>	<u>\$39,404,561</u>
Fiduciary net position *	<u>37,450,095</u>	<u>35,417,666</u>
Net pension liability	<u><u>\$4,385,979</u></u>	<u><u>\$3,986,895</u></u>
Fiduciary net position as a percentage of total pension liability	89.5 %	89.9 %

**2024 Fiduciary net position is not restated to reflect adoption of GASB Statement No. 101 for the purposes of GASB 67/68 calculations and reporting.*

(a) Actuarial Assumptions and Long Term Expected Return Assumptions

The total pension liabilities as of June 30, 2025, and 2024, were determined by actuarial valuations as of July 1, 2024, and 2023, respectively, which were rolled forward to June 30, 2025, and 2024, using standard roll forward procedures.

The following is a summary of actuarial methods and assumptions used at the June 30, 2025, measurement date:

Inflation	2.50%
Salary increases	3.25% plus merit component based on employee classification and years of service
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

Mortality rates for healthy Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates for Safety members were based upon adjusted PubS-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The actuarial assumptions used at the June 30, 2025 measurement date are based upon the results of a demographic experience study for the period July 1, 2014, through June 30, 2019, and a review of economic assumptions as of July 1, 2024.

The Supplemental COLA assumptions as of June 30, 2025, were developed based upon the probability and amount of Supplemental COLA expected for each future year and are shown below.

Assumed Future Supplemental COLAs

July 1,	Hired Before Prop C		Hired After Prop C
	Old Police & Fire	Old Miscellaneous and all New Plans	
2025	0.0% to 1.6%	1.50%	0.00%
2026+	½ x (3.5% less assumed Basic COLA), not less than zero	0.75%	0.50%

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using best estimates of expected future nominal rates of return for each major asset class over 10 and 30-year horizons. These estimates were combined to produce a long-term expected rate of return by weighting the expected future nominal rates of return by the target asset allocation percentage.

The target allocation and best estimates of geometric long-term expected real rates of return for each major asset class as of June 30, 2025, are summarized in the following table:

Asset Class	Target Allocation effective as of July 2024	Long-Term Expected Real Rate of Return (30 year)
Global Equity	32.0%	3.7%
Treasuries	8.0%	1.8%
Liquid Credit	12.0%	3.8%
Private Credit	10.0%	6.2%
Private Equity	20.0%	8.2%
Real Assets	10.0%	5.6%
Absolute Return	10.0%	3.9%
Cash	1.0%	1.1%
Leverage	-3.0%	1.4%
	100.0%	

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The following is a summary of actuarial methods and assumptions used at the June 30, 2024, measurement date:

Inflation	2.50%
Salary increases	3.25% plus merit component based on employee classification and years of service
Investment rate of return	7.20%, net of pension plan investment expense, including inflation

Mortality rates for healthy Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates for Safety members were based upon adjusted PubS-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2024 measurement date are based upon the results of a demographic experience study for the period July 1, 2014, through June 30, 2019, and a review of economic assumptions as of July 1, 2023.

The Supplemental COLA assumptions as of June 30, 2024, were developed based upon the probability and amount of Supplemental COLA expected for each future year and are shown below.

Assumed Future Supplemental COLAs

Assumed Future Supplemental COLAs			
Hired Before Prop C			
July 1,	Old Police & Fire	Old Miscellaneous and all New Plans	Hired After Prop C
2024	0.0% to 1.0%	0.50%	0.00%
2025+	½ x (3.5% less assumed Basic COLA), not less than zero	0.75%	0.50%

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using best estimates of expected future nominal rates of return for each major asset class over 10 and 30-year horizons. These estimates were combined to produce a long-term expected rate of return by weighting the expected future nominal rates of return by the target asset allocation percentage and expected long-term correlations between asset classes.

The target allocation and best estimates of geometric long-term expected real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as of June 30, 2024, are summarized in the following table:

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Notes to Financial Statements (Continued)
Years Ended June 30, 2025 and 2024

Asset Class	Target Allocation from January 2021 - June 2024	Target Allocation effective as of July 2024	Long-Term Expected Real Rate of Return
Global Equity	37.0%	32.0%	4.2%
Treasuries	8.0%	8.0%	1.8%
Liquid Credit	5.0%	12.0%	3.9%
Private Credit	10.0%	10.0%	5.9%
Private Equity	23.0%	20.0%	7.2%
Real Assets	10.0%	10.0%	5.5%
Absolute Return	10.0%	10.0%	4.4%
Cash	0.0%	1.0%	1.2%
Leverage	-3.0%	-3.0%	1.6%
	100.0%	100.0%	

(b) Discount Rate

The discount rate used to measure the total pension liability at June 30, 2025, was 7.20%. The projection of cash flows used to determine the discount rate assumed that plan member and employer contributions will continue to be made at the rates specified in the Charter of the City and County of San Francisco. Employer contributions were assumed to be made in accordance with the contribution policy in effect for the July 1, 2024, actuarial valuation. While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

As of June 30, 2025, the System's fiduciary net position was projected to be available to make future benefit payments for current members through 2108. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 5.20% to the extent that they are not available. The single equivalent percentage rate used to determine the total pension liability as of June 30, 2025, rounded to two decimals is 7.20%

The discount rate used to measure the total pension liability at June 30, 2024, was 7.20%. The projection of cash flows used to determine the discount rate assumed that plan member and employer contributions will continue to be made at the rates specified in the Charter of the City and County of San Francisco. Employer contributions were assumed to be made in accordance with the contribution policy in effect for the July 1, 2023, actuarial valuation. While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

As of June 30, 2024, the System's fiduciary net position was projected to be available to make future benefit payments for current members through 2106. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.93% to the extent that they are not available. The single equivalent percentage rate used to determine the total pension liability as of June 30, 2024, rounded to two decimals is 7.20%.

The municipal bond rates of 5.20% and 3.93% used to determine the above discount rates represent the yields available on June 30, 2025, and June 30, 2024, respectively, on the Bond Buyer 20-Bond GO Index.

(c) Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following presents the net pension liability/(asset) as of June 30, 2025, and 2024 calculated using the discount rates of 7.20% and 7.20%, respectively, as well as what the total net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the discount rates:

	Net Pension Liability/(Asset)	
	Dollars in Thousands	
	June 30, 2025	June 30, 2024
1% Decrease	\$9,896,783	\$9,177,708
Current Discount Rate	\$4,385,979	\$3,986,895
1% Increase	(\$154,182)	(\$290,271)

(d) Money Weighted Rate of Returns

For the years ended June 30, 2025, and 2024, the annual money-weighted rates of return on pension plan investments, net of investment expenses, adjusted for the changing amounts actually invested, were 8.47% and 7.87%, respectively.

(11) Postemployment Healthcare Plan

(a) Other Postemployment Benefits (OPEB)

The Retirement System participates in the City and County's's multiple-employer defined benefit other postemployment benefits plan (the OPEB Plan). The OPEB Plan is maintained by the City and County and is administered through the City and County's Health Service System. It provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and County and the respective bargaining units. The City and County does not issue a separate report on its other postemployment benefit plan.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For the year ended June 30, 2025, the following timeframes are used.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

San Francisco Health Service System Retiree Plan – Multiple-Employer

Valuation Date (VD)	June 30, 2024
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

The Retirement System’s proportionate share percentage of the OPEB Plan was determined based on its percentage of citywide “pay-as-you-go” contributions for the year ended June 30, 2024. The Retirement System’s net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense to each department is based on the Retirement System’s allocated percentage. The Retirement System’s proportionate share of the City and County’s OPEB elements was 0.3% as of the measurement date.

(b) Benefits

Permanent full-time and elected employees are eligible to retire and receive postretirement health insurance benefits when they are eligible for retirement benefits from the Retirement System. The eligibility requirements are as follows:

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service ¹ Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement ²		Any age with 10 years of credited service
Terminated Vested		5 years of credited service at separation

1. Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012, under Charter Section 8.603.
2. No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those who died in the line of duty.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical:	PPO – Blue Shield (self-insured) and UHC Medicare Advantage (fully-insured) HMO – Kaiser (fully-insured), Blue Shield (flex-funded) and Health Net (flex-funded)
Dental:	Delta Dental, DeltaCare USA and United Healthcare Dental
Vision:	Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(c) Contributions

Benefits provided under the Plan are currently paid through “pay-as-you-go” funding. Additionally, under the City and County Charter, active officers and employees of the City and County who commenced employment on or after January 10, 2009, shall contribute to the Retiree Health Care Trust Fund (Trust Fund) a percentage of compensation not to exceed 2% of pre-tax compensation. The City and County shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009, until the City and County’s GASB Actuary has determined that the City and County’s portion of the Trust Fund is fully funded. At that time, the City and County’s 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City and County who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the Trust Fund. Beginning on July 1st of each subsequent year, the active officers and employees of the City and County who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City and County shall contribute 0.25% of compensation into the Trust Fund for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City and County shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City and County’s GASB Actuary has determined that the City and County’s portion of the Trust Fund is fully funded, the City and County’s 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation.

Additional or existing contribution requirements may be established or modified by amendment to the City and County’s Charter.

For the year ended June 30, 2025, the City and County’s funding was based on “pay as you go” plus a contribution of \$52.1 million to the Retiree Healthcare Trust Fund. The “pay as you go” portion paid by the City and County was \$248.8 million for a total contribution of \$300.9 million for the year ended June 30, 2025. The Retirement System’s proportionate share of the City and County’s contributions for fiscal year ended 2025 was \$1.0 million.

(d) Net OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

As of June 30, 2025, the City and County reported a net OPEB liability related to the OPEB Plan of \$3.9 billion. The Retirement System’s proportionate share of the City and County’s net OPEB liability as of June 30, 2025 was \$13.2 million.

For the year ended June 30, 2025, the City and County’s recognized OPEB expense was \$259.6 million. Amortization of the City and County’s deferred outflows and inflows is included as a component of OPEB expense. The Retirement System’s proportionate share of the City and County’s OPEB expense was \$2.4 million.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

As of June 30, 2025, the Retirement System reported its proportionate share of the City and County's deferred outflows and inflows of resources related to OPEB from the following sources:

Retirement System	Deferred	Deferred
Dollars in thousands	Outflows of	Inflows of
	Resources	Resources
Contributions subsequent to measurement date	\$ 1,012	\$ —
Differences between expected and actual experience	398	1,236
Changes in assumptions	561	—
Net difference between projected and actual earnings on plan investments	—	148
Change in proportion	394	1,050
Total	\$ 2,365	\$ 2,434

Contributions made after the measurement date will reduce the net OPEB liability in the subsequent year. Remaining amounts reported as deferred outflows and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

Year ending June 30:

Dollars in thousands

2026	\$ (205)
2027	(239)
2028	(294)
2029	(127)
2030	(108)
Thereafter	(108)

At June 30, 2025, the Retirement System reported \$1.0 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net OPEB liability/(asset) in the reporting year ending June 30, 2026.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(e) Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2024 (measurement date), is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2024																																																																
Measurement Date	June 30, 2024																																																																
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability																																																																
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 6.87% trending down to ultimate rate of 3.94% in 2075 Medicare trend starts at 6.87% trending down to ultimate rate of 3.93% in 2075 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075 Vision and expenses trend remains a flat 3.00% for all years																																																																
Expected Rate of Return on Plan Assets	7.00%																																																																
Salary Increase Rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc: 0.30% - 5.50%																																																																
Inflation Rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019.																																																																
Mortality Tables	<table border="0"> <tr> <td>Non-Annuitants</td> <td align="center" colspan="3">Adjustment Factor</td> </tr> <tr> <td></td> <td align="center">Published Table</td> <td align="center">Male</td> <td align="center">Female</td> </tr> <tr> <td>Miscellaneous</td> <td>PubG-2010 Employee</td> <td align="center">0.834</td> <td align="center">0.866</td> </tr> <tr> <td>Safety</td> <td>PubS-2010 Employee</td> <td align="center">1.011</td> <td align="center">0.979</td> </tr> <tr> <td>Healthy Retirees</td> <td align="center" colspan="3">Adjustment Factor</td> </tr> <tr> <td></td> <td align="center">Published Table</td> <td align="center">Male</td> <td align="center">Female</td> </tr> <tr> <td>Miscellaneous</td> <td>PubG-2010 Employee</td> <td align="center">1.031</td> <td align="center">0.977</td> </tr> <tr> <td>Safety</td> <td>PubS-2010 Employee</td> <td align="center">0.947</td> <td align="center">1.044</td> </tr> <tr> <td>Disabled Retirees</td> <td align="center" colspan="3">Adjustment Factor</td> </tr> <tr> <td></td> <td align="center">Published Table</td> <td align="center">Male</td> <td align="center">Female</td> </tr> <tr> <td>Miscellaneous</td> <td>PubG-2010 Employee</td> <td align="center">1.045</td> <td align="center">1.003</td> </tr> <tr> <td>Safety</td> <td>PubS-2010 Employee</td> <td align="center">0.916</td> <td align="center">0.995</td> </tr> <tr> <td>Beneficiaries</td> <td align="center" colspan="3">Adjustment Factor</td> </tr> <tr> <td></td> <td align="center">Published Table</td> <td align="center">Male</td> <td align="center">Female</td> </tr> <tr> <td>Miscellaneous</td> <td>PubG-2010 Employee</td> <td align="center">1.031</td> <td align="center">0.977</td> </tr> <tr> <td>Safety</td> <td>PubG-2010 Employee</td> <td align="center">1.031</td> <td align="center">0.977</td> </tr> </table>	Non-Annuitants	Adjustment Factor				Published Table	Male	Female	Miscellaneous	PubG-2010 Employee	0.834	0.866	Safety	PubS-2010 Employee	1.011	0.979	Healthy Retirees	Adjustment Factor				Published Table	Male	Female	Miscellaneous	PubG-2010 Employee	1.031	0.977	Safety	PubS-2010 Employee	0.947	1.044	Disabled Retirees	Adjustment Factor				Published Table	Male	Female	Miscellaneous	PubG-2010 Employee	1.045	1.003	Safety	PubS-2010 Employee	0.916	0.995	Beneficiaries	Adjustment Factor				Published Table	Male	Female	Miscellaneous	PubG-2010 Employee	1.031	0.977	Safety	PubG-2010 Employee	1.031	0.977
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The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(f) Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the Retirement System's proportionate share of the City and County's net OPEB liability calculated using the healthcare cost trend rate, as well as what the Retirement System's allocation of the City and County's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

Dollars in thousands		
<u>1% Decrease</u>	<u>Healthcare Cost Trend</u>	<u>1% Increase</u>
\$ 11,118	\$ 13,192	\$ 15,764

(g) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2024 was 7.0%. Based on the assumption that plan member and employer contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation. Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	25.0%	5.5%
U.S. Small Cap	2.0%	6.4%
Developed Market Equity (non-U.S.)	13.0%	5.9%
Emerging Market Equity	10.0%	5.9%
Credit		
Bank Loans	3.0%	3.7%
High Yield Bonds	3.0%	3.9%
Rate Securities		
Investment Grade Bonds	7.0%	1.9%
Short-term Treasury Inflation Protected Securities (TIPS)	5.0%	0.9%
Private Markets		
Private Equity	10.0%	6.9%
Private Debt	5.0%	6.2%
Core Private Real Estate	5.0%	5.2%
Infrastructure (Core Private)	2.0%	6.0%
Risk Mitigating Strategies		
Global Macro	10.0%	1.6%
Total	<u>100.0%</u>	

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The following presents the Retirement System's proportionate share of the City and County's net OPEB liability calculated using the discount rate, as well as what the Retirement System's proportionate share of the City and County's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Dollars in thousands		
1% Decrease	Discount Rate	1% Increase
6.0%	7.0%	8.0%
\$ 15,551	\$ 13,192	\$ 11,256

The City and County issues a publicly available Annual Comprehensive Financial Report that includes complete note disclosures and required supplementary information related to the City and County's postemployment health care obligations. The report may be obtained by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102, or by calling (415) 554-7500, or via <https://www.sf.gov/annual-comprehensive-financial-reports-acfr>.

Fiscal Year 2024 Postemployment Healthcare Plan

(a) Other Postemployment Benefits (OPEB)

The Retirement System participates in the City and County's multiple-employer defined benefit other postemployment benefits plan (the OPEB Plan). The OPEB Plan is maintained by the City and County and is administered through the City and County's Health Service System. It provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and County and the respective bargaining units. The City and County does not issue a separate report on its other postemployment benefit plan.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For the year ended June 30, 2024, the following timeframes are used.

San Francisco Health Service System Retiree Plan – Multiple-Employer

Valuation Date (VD)	June 30, 2022 updated to June 30, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

The Retirement System's proportionate share percentage of the OPEB Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the year ended June 30, 2023. The Retirement System's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense to each department is based on the Retirement System's allocated percentage. The Retirement System's proportionate share of the City and County's OPEB elements was 0.3% as of the measurement date.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(b) Benefits

Permanent full-time and elected employees are eligible to retire and receive postretirement health insurance benefits when they are eligible for retirement benefits from the Retirement System. The eligibility requirements are as follows:

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service ¹ Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement ²	Any age with 10 years of credited service	
Terminated Vested	5 years of credited service at separation	

1. Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012, under Charter Section 8.603.
2. No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those who died in the line of duty.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical:	PPO – Blue Shield (self-insured) and UHC Medicare Advantage (fully-insured) HMO – Kaiser (fully-insured), Blue Shield (flex-funded) and Health Net (flex-funded)
Dental:	Delta Dental, DeltaCare USA and United Healthcare Dental
Vision:	Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

(c) Contributions

Benefits provided under the Plan are currently paid through “pay-as-you-go” funding. Additionally, under the City and County Charter, active officers and employees of the City and County who commenced employment on or after January 10, 2009, shall contribute to the Retiree Health Care Trust Fund (Trust Fund) a percentage of compensation not to exceed 2% of pre-tax compensation. The City and County shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009, until the City and County’s GASB Actuary has determined that the City and County’s portion of the Trust Fund is fully funded. At that time, the City and County’s 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City and County who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the Trust Fund. Beginning on July 1st of each subsequent year, the active officers and employees of the City and County who commenced employment on or before January 9, 2009, shall contribute an

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City and County shall contribute 0.25% of compensation into the Trust Fund for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City and County shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City and County's GASB Actuary has determined that the City and County's portion of the Trust Fund is fully funded, the City and County's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation.

Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

For the year ended June 30, 2024, the City and County's funding was based on "pay as you go" plus a contribution of \$48.8 million to the Retiree Healthcare Trust Fund. The "pay as you go" portion paid by the City and County was \$229.9 million for a total contribution of \$278.7 million for the year ended June 30, 2024. The Retirement System's proportionate share of the City and County's contributions for fiscal year ended 2024 was \$877 thousand.

(d) Net OPEB Liability, OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

As of June 30, 2024, the City and County reported a net OPEB liability related to the Plan of \$3.92 billion. The Retirement System's proportionate share of the City and County's net OPEB liability as of June 30, 2024 was \$12.3 million.

For the year ended June 30, 2024, the City and County's recognized OPEB expense was \$261.2 million. Amortization of the City and County's deferred outflows and inflows is included as a component of OPEB expense. The Retirement System's proportionate share of the City and County's OPEB expense was \$2.0 million.

As of June 30, 2024, the Retirement System reported its proportionate share of the City and County's deferred outflows and inflows of resources related to OPEB from the following sources:

Retirement System	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 877,000	\$ —
Differences between expected and actual experience	530,000	1,431,000
Changes in assumptions	359,000	—
Net difference between projected and actual earnings on plan investments	94,000	—
Change in proportion	519,000	491,000
Total	\$ 2,379,000	\$ 1,922,000

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

Contributions made after the measurement date will reduce the net OPEB liability in the subsequent year. Remaining amounts reported as deferred outflows and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

Year ending June 30:		
2025	\$	(208,000)
2026		(26,000)
2027		(58,000)
2028		(114,000)
Thereafter		(14,000)

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(e) Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2023 (measurement date), is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2022 updated to June 30, 2023			
Measurement Date	June 30, 2023			
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability			
Healthcare Cost Trend	Pre-Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075			
Rates	Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075			
	10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075			
	Vision and expenses trend remains a flat 3.00% for all years			
Expected Rate of Return on Plan Assets	7.00%			
Salary Increase Rate	Wage Inflation Component: 3.25%			
	Additional Merit Component (dependent on years of service):			
	Police: 0.50% - 7.50%			
	Fire: 0.50% - 14.00%			
	Muni Drivers: 0.00% - 16.00%			
	Craft: 0.50% - 3.75%			
	Misc: 0.30% - 5.50%			
Inflation Rate	Wage Inflation: 3.25% compounded annually			
	Consumer Price Inflation: 2.50% compounded annually			
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019.			
	Non-Annuitants	Adjustment Factor		
		Published Table	Male	Female
	Miscellaneous	PubG-2010 Employee	0.834	0.866
	Safety	PubS-2010 Employee	1.011	0.979
	Healthy Retirees	Adjustment Factor		
		Published Table	Male	Female
	Miscellaneous	PubG-2010 Employee	1.031	0.977
	Safety	PubS-2010 Employee	0.947	1.044
	Disabled Retirees	Adjustment Factor		
		Published Table	Male	Female
	Miscellaneous	PubG-2010 Employee	1.045	1.003
	Safety	PubS-2010 Employee	0.916	0.995
	Beneficiaries	Adjustment Factor		
		Published Table	Male	Female
	Miscellaneous	PubG-2010 Employee	1.031	0.977
	Safety	PubG-2010 Employee	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

(f) Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the Retirement System's proportionate share of the City and County's net OPEB liability calculated using the healthcare cost trend rate, as well as what the Retirement System's allocation of the City and County's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

<u>1% Decrease</u>	<u>Healthcare Cost Trend</u>	<u>1% Increase</u>
\$ 10,499,000	\$ 12,346,000	\$ 14,638,000

(g) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2023 was 7.0%. Based on the assumption that plan member and employer contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation. Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equities		
U.S. Large Cap	25.0%	6.1%
U.S. Small Cap	2.0%	6.7%
Developed Market Equity (non-U.S.)	13.0%	7.2%
Emerging Market Equity	10.0%	7.4%
Credit		
Bank Loans	3.0%	4.4%
High Yield Bonds	3.0%	4.7%
Rate Securities		
Investment Grade Bonds	7.0%	2.8%
Short-term Treasury Inflation Protected Securities (TIPS)	5.0%	1.0%
Private Markets		
Private Equity	10.0%	8.4%
Private Debt	5.0%	6.4%
Core Private Real Estate	5.0%	3.9%
Infrastructure (Core Private)	2.0%	5.2%
Risk Mitigating Strategies		
Global Macro	10.0%	3.1%
Total	<u>100.0%</u>	

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements (Continued)

Years Ended June 30, 2025 and 2024

The following presents the Retirement System's proportionate share of the City and County's net OPEB liability calculated using the discount rate, as well as what the Retirement System's proportionate share of the City and County's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease	Discount Rate	1% Increase
6.0%	7.0%	8.0%
<hr/>	<hr/>	<hr/>
\$14,450,000	\$12,346,000	\$10,621,000

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SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Required Supplementary Information – Unaudited

Years Ended June 30, 2025 and 2024

Schedule of Changes in Collective Net Pension Liability/(Asset) and Related Ratios

Dollars in thousands

Year ended June 30	2025	2024	2023	2022	2021
Total pension liability:					
Service cost	\$944,777	\$872,979	\$813,901	\$781,610	\$718,771
Interest	2,800,168	2,650,500	2,518,802	2,471,994	2,302,075
Changes of benefit terms	16,897	–	59,080	–	–
Differences between expected and actual experience	693,672	480,293	295,778	98,920	136,097
Changes of assumptions	–	–	–	786,100	(479,435)
Benefit payments, including refunds of member contributions	(2,024,001)	(1,932,046)	(1,844,365)	(1,737,750)	(1,619,761)
Net change in total pension liability	2,431,513	2,071,726	1,843,196	2,400,874	1,057,747
Total pension liability - beginning of year	39,404,561	37,332,835	35,489,639	33,088,765	32,031,018
Total pension liability - ending of year (a)	41,836,074	39,404,561	37,332,835	35,489,639	33,088,765
Fiduciary net position:					
Contributions - member	442,009	427,512	413,916	423,471	409,398
Contributions - employer	685,309	672,618	672,651	768,463	836,559
Net investment income	2,961,176	2,587,698	1,670,666	(2,308,320)	9,447,669
Benefit payments, including refunds of member contributions	(2,024,001)	(1,932,046)	(1,844,365)	(1,737,750)	(1,619,761)
Administrative expenses	(29,953)	(26,544)	(22,964)	(21,174)	(20,249)
Net change in fiduciary net position	2,034,540	1,729,238	889,904	(2,875,310)	9,053,616
Fiduciary net position - beginning of year					
Beginning of year (as previously reported)	35,417,666	33,688,428	32,798,524	35,673,834	26,620,218
Restatement due to adoption of GASB 75, 101*	(2,111)	–	–	–	–
Beginning of year (as restated)	35,415,555	33,688,428	32,798,524	35,673,834	26,620,218
Fiduciary net position - ending of year (b)	37,450,095	35,417,666	33,688,428	32,798,524	35,673,834
Net pension liability - ending of year (a) – (b)	\$4,385,979	\$3,986,895	\$3,644,407	\$2,691,115	\$(2,585,069)
Fiduciary net position as a percentage of total pension liability	89.5 %	89.9 %	90.2 %	92.4 %	107.8 %
Covered payroll	\$4,660,826	\$4,319,733	\$3,994,117	\$3,742,459	\$3,623,898
Net pension liability/(asset) as a percentage of covered payroll	94.1 %	92.3 %	91.2 %	71.9 %	-71.3 %

*2024 positions are not restated to reflect adoption of GASB Statement No. 101.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Required Supplementary Information – Unaudited (Continued)
Years Ended June 30, 2025 and 2024

Schedule of Changes in Collective Net Pension Liability/(Asset) and Related Ratios (continued)

Dollars in thousands

Year ended June 30	2020	2019	2018	2017	2016
Total pension liability:					
Service cost	\$704,637	\$675,065	\$632,118	\$644,277	\$567,576
Interest	2,230,441	2,131,847	2,041,110	1,924,206	1,669,996
Changes of benefit terms	–	–	–	–	1,293,714
Differences between expected and actual experience	205,869	12,484	(42,382)	57,911	(119,270)
Changes of assumptions	(117,141)	351,902	170,699	88,180	1,087,309
Benefit payments, including refunds of member contributions	(1,548,077)	(1,456,682)	(1,364,587)	(1,278,140)	(1,256,146)
Net change in total pension liability	1,475,729	1,714,616	1,436,958	1,436,434	3,243,179
Total pension liability - beginning of year	30,555,289	28,840,673	27,403,715	25,967,281	22,724,102
Total pension liability - ending of year (a)	32,031,018	30,555,289	28,840,673	27,403,715	25,967,281
Fiduciary net position:					
Contributions - member	400,649	380,980	364,696	316,844	322,764
Contributions - employer	742,985	645,056	619,067	551,809	526,805
Net investment income	966,282	1,970,312	2,549,674	2,683,468	150,190
Benefit payments, including refunds of member contributions	(1,548,077)	(1,456,682)	(1,364,587)	(1,278,140)	(1,256,146)
Administrative expenses	(20,270)	(18,983)	(18,238)	(18,134)	(17,179)
Net change in fiduciary net position	541,569	1,520,683	2,150,612	2,255,847	(273,566)
Fiduciary net position - beginning of year					
Beginning of year (as previously reported)	26,078,649	24,557,966	22,410,350	20,154,503	20,428,069
Restatement due to adoption of GASB 75, 101	–	–	(2,996)	–	–
Beginning of year (as restated)	26,078,649	24,557,966	22,407,354	20,154,503	20,428,069
Fiduciary net position - ending of year (b)	26,620,218	26,078,649	24,557,966	22,410,350	20,154,503
Net pension liability - ending of year (a) – (b)	\$5,410,800	\$4,476,640	\$4,282,707	\$4,993,365	\$ 5,812,778
Fiduciary net position as a percentage of total pension liability	83.1 %	85.3 %	85.2 %	81.8 %	77.6 %
Covered payroll	\$ 3,566,991	\$3,375,447	\$3,221,544	\$3,041,818	\$2,836,498
Net pension liability/(asset) as a percentage of covered payroll	151.7 %	132.6 %	132.9 %	164.2 %	204.9 %

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
 Required Supplementary Information – Unaudited (Continued)
 Years Ended June 30, 2025 and 2024

Schedule of Employer Contributions

Dollars in thousands

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 685,309	\$ 685,309	\$ —	\$ 4,660,826	14.7 %
2024	672,618	672,618	—	4,319,733	15.6 %
2023	672,651	672,651	—	3,994,117	16.8 %
2022	768,463	768,463	—	3,742,459	20.5 %
2021	836,559	836,559	—	3,623,898	23.1 %
2020	742,985	742,985	—	3,566,991	20.8 %
2019	645,056	645,056	—	3,375,447	19.1 %
2018	619,067	619,067	—	3,221,544	19.2 %
2017	551,809	551,809	—	3,041,818	18.1 %
2016	526,805	526,805	—	2,836,498	18.6 %

Schedule of Money-Weighted Rate of Return

Year Ended June 30	Money-Weighted Rate of Return
2025	8.47%
2024	7.87%
2023	5.26%
2022	-6.24%
2021	35.45%
2020	3.86%
2019	8.19%
2018	11.55%
2017	13.52%
2016	0.96%

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Required Supplementary Information – Unaudited
Years Ended June 30, 2025 and 2024

Note to Schedule of Changes in Collective Net Pension Liability and Related Ratios

The total pension liability contained in the schedule was determined by the Retirement System's actuary, Cheiron, Inc. The collective net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the Retirement System.

A summary of assumptions may be found in Note 10 to the financial statements. A complete description of methods and assumptions may be found in the Retirement System's *GASB 67/68 Report* for the corresponding fiscal years. The discount rates were as follows:

Year Ended June 30	Discount Rate for Total Pension Liability
2025	7.20%
2024	7.20%
2023	7.20%
2022	7.20%
2021	7.40%
2020	7.40%
2019	7.40%
2018	7.50%
2017	7.50%
2016	7.50%

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Notes to Required Supplementary Information – Unaudited (Continued)

Years Ended June 30, 2025 and 2024

Note to Schedule of Employer Contributions

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are:

Year Ended June 30	Valuation Date	Discount Rate	Salary Increase/Amortization Growth	Mortality	Significant Changes in Assumptions from Prior Year
2025	7/1/2023	7.20%	3.25%	Adj. 2010 Pub-G and 2010 Pub-S Mortality Tables projected generationally with MP-2019	None
2024	7/1/2022	7.20%	3.25%		None
2023	7/1/2021	7.20%	3.25%		Discount rate
2022	7/1/2020	7.40%	3.25%		Wage inflation and demographic assumptions including rates of retirement, termination, refund, disability and mortality and salary merit based upon experience study
2021	7/1/2019	7.40%	3.50%	Adj. 2009 CalPERS Mortality Tables projected generationally with mod. MP-2015	None
2020	7/1/2018	7.40%	3.50%		Discount rate
2019	7/1/2017	7.50%	3.50%		Wage inflation assumption
2018	7/1/2016	7.50%	3.75%		None
2017	7/1/2015	7.50%	3.75%		Demographic assumptions including rates of retirement, termination, refund, disability and mortality and salary merit based upon experience study
2016	7/1/2014	7.50%	3.75%		RP2000 Mortality projected with Scale AA

A complete description of the methods and assumptions used to determine contribution rates can be found in the corresponding actuarial valuation reports.

**SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

Report to the Retirement Board

June 30, 2025



Certified
Public
Accountants

November 18, 2025

To the Retirement Board and Operations Oversight Committee
of the San Francisco City and County Employees' Retirement System
San Francisco, California

We are pleased to present this report related to our audit of the San Francisco City and County Employees' Retirement System (Retirement System), a pension trust fund of the City and County of San Francisco, California, as of and for the year ended June 30, 2025, and the related notes to the financial statements. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Retirement System's financial reporting process.

This report is intended solely for the information and use of the Retirement Board, Operations Oversight Committee, management, and others within the Retirement System, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Retirement System.

Macias Gini & O'Connell LLP
Walnut Creek, California

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REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the Retirement System's financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described in our engagement letter dated July 1, 2025. Our audit of the Retirement System's financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated July 15, 2025, regarding the planned scope and timing of our audit.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Retirement System. The Retirement System did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates are below.

Significant Accounting Estimates

Valuation of investments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management's estimate of the fair value of investments is based on a hierarchy of inputs. Observable inputs are developed based on market data obtained from sources independent from the Retirement System. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. Investments that do not have a readily determined fair value are valued using the net asset value (NAV) as a practical expedient, which generally represents the Retirement System's ownership interest in partnership capital.

MGO evaluated the assumptions through comparative analysis with third party pricing sources, reviewing fund audited financial statements, and performing roll forward procedures of audited values to year-end values, and determined that they are reasonable.

Total pension liability

Management's estimate of the total pension liability is based on actuarial measurements performed in accordance with the parameters set forth in GASB Statement No. 67, *Financial Reporting for Pension Plans*, and actuarial standards of practice. The actuarial valuation is very sensitive to the underlying assumptions, including the discount rate.

MGO evaluated the methodologies and assumptions used to develop the actuarial calculations through census data testing and engaging an actuarial consultant to evaluate the Retirement System's actuarial valuation for reasonableness of assumptions and results and determined that they are reasonable.

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit. There were no uncorrected misstatements reported to management.

Departure from Auditor's Standard Report

Expected Emphasis of Matter Paragraph

The financial statement presents only the San Francisco City and County Employee's Retirement System. In light of this matter, we included the following other matter paragraph in the auditor's report.

Emphasis of Matter

As described in Note 1, the financial statements present only the Retirement System and do not purport to, and do not, present fairly the financial position of the City and County of San Francisco as of June 30, 2025 and 2024, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the Retirement System's financial statements.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities for Independence

Independence is a joint responsibility and is managed most effectively when management, the Retirement Board (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office* (GAO) independence rules. For MGO to fulfill its professional responsibility to maintain and monitor independence, management, the Retirement Board, and MGO each play an important role.

Our Responsibilities

1. AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. MGO is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
2. Maintain a system of quality management over compliance with independence rules and firm policies.

The Retirement System's Responsibilities

1. Timely inform MGO, before the effective date of transactions or other business changes, of the following:
 - a. New affiliates, directors, or officers.
 - b. Changes in the organizational structure or the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units, jointly governed organizations.
2. Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
3. Understand and conclude on the permissibility, prior to the Retirement System and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with MGO.
4. Not entering into arrangements of nonaudit services resulting in MGO being involved in making management decisions on behalf of the Retirement System.
5. Not entering into relationships resulting in close family members of MGO covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the Retirement System.

EXHIBIT A

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Retirement Board of San Francisco
City and County Employees’ Retirement System
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the San Francisco City and County Employees’ Retirement System (Retirement System), a pension trust fund of the City and County of San Francisco, California, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Retirement System’s financial statements, and have issued our report thereon dated November 18, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Retirement System’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Retirement System’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Retirement System’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Retirement System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, professional style.

Walnut Creek, California
November 18, 2025

EXHIBIT B

Recent Accounting Pronouncements

RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued as of the date of this communication but are not yet effective and may affect the future financial reporting by the Retirement System.

Pronouncement	Summary
GASB Statement No. 103, <i>Financial Reporting Model Improvements</i>	<p>The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues.</p> <p>Statement No. 103 is effective for the Retirement System’s fiscal year ending June 30, 2026.</p>
GASB Statement No. 104, <i>Disclosure of Certain Capital Assets</i>	<p>This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures. This Statement also requires additional disclosures for capital assets held for sale.</p> <p>Statement No. 104 is effective for the Retirement System’s fiscal year ending June 30, 2026.</p>