



San Francisco City and County Employees' Retirement System

RETIREMENT BOARD MEETING CALENDAR SHEET

March 11, 2026

To: The Retirement Board

From: Alison Romano
CEO & CIO

Date: March 11, 2026

Agenda Item: Review and Approval of FY2025 Annual Report

Recommendation:

Approve FY 2025 Annual Report

Background:

Attached is the 2025 SFERS Annual Report for review and approval.

Attachment:

FY2025 Annual Report



SFERS

San Francisco Employees' Retirement System



San Francisco City and County Employees' Retirement System

Annual Report

For the Fiscal Year Ended June 30, 2025



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Introductory Section

SFERS PENSION PLAN AT A GLANCE

As of June 30, 2025

Fiduciary Net Position:	\$37.5 billion
Annualized Return on Total Fund:	7.87%
Total Benefits Paid (during FY 2024-2025):	\$2.00 billion
Employer Contribution Rate (during FY 2024-2025)	16.91% before cost-sharing
Average Member Contribution Rate:	7.64%

Membership

Total Membership	83,160				
Active	35,990	Retired	33,328	Inactive	13,842
Miscellaneous	31,796	Miscellaneous	27,891	Miscellaneous	13,323
Police	1,750	Police	2,994	Police	330
Fire	1,749	Fire	2,401	Fire	100
Miscellaneous Safety	335	Miscellaneous Safety	25	Miscellaneous Safety	48
Sheriff	360	Sheriff	17	Sheriff	41

Retirements (during fiscal year 2024-2025)

Total Retirements	1,179	Average Service Credit at Service Retirement	23.2 Years	Average Age at Service Retirement	62.7 Years
Miscellaneous	1,017	Miscellaneous	22.9 Years	Miscellaneous	63.6 Years
Police	83	Police	25.9 Years	Police	56.3 Years
Fire	70	Fire	26.7 Years	Fire	56.9 Years
Miscellaneous Safety	4	Miscellaneous Safety	5.1 Years	Miscellaneous Safety	58.0 Years
Sheriff	5	Sheriff	7.1 Years	Sheriff	58.0 Years

Statistics

2024-2025

2023-2024

Responses to Email Inquiries	14,365	15,204
Calculator Visits	96,075	86,905
Retirement Appointments Attended	2,192	1,767
Service Purchase Appointments Attended	907	575
New Members Added:	4,137	4,502
Non-Safety New Hires	1,963	2,678
1040 Hours Membership	1,023	989
Non-Safety Rehires	489	527
Police	185	78
Fire	85	140
Sheriff & Misc. Safety	392	90
Retirement Planning Webinars Presented	23	24
Retirement Planning Webinars Registered Attendees	8,486	6,060

Letter of Transmittal

March 11, 2026

San Francisco Employees' Retirement System
1145 Market Street, 5th Floor
San Francisco, CA 94103

To our members, retirees, and other interested parties,

We are pleased to present the 2025 Annual Report of the San Francisco Employees' Retirement System, covering the fiscal year from July 1, 2024, to June 30, 2025. This report provides insights into the financial results and investment performance of our Defined Benefit Plan, as well as a review of the Deferred Compensation Plan.

In 2025, the hardworking team at SFERS delivered strong results for stakeholders and advanced key long-term strategic initiatives.

SFERS Participants and Services

The San Francisco Employees' Retirement System ("Retirement System" or "SFERS") is dedicated to serving the retirement needs of over 83,000 active, vested, and retired employees of the City and County of San Francisco and their survivors. Our members include firefighters, police officers, sheriffs, and civilian employees across various City and County departments, the San Francisco Unified School District, the San Francisco Community College District, the San Francisco Superior Court, the City's Police and Fire Departments, and the Sheriff's Department.

Status of the Fund

On behalf of these members, SFERS manages the System's pension plan, a defined benefit plan Trust Fund, and administers the Deferred Compensation Plan. Together, these programs help provide retirement security for our members. At the end of the fiscal year, the Pension Plan held total assets of \$38.59 billion, and the Deferred Compensation plan had net assets of \$6.21 billion.

The Trust Fund returned 7.87% for the fiscal year, and the fiduciary net position increased by \$2.03 billion to \$37.45 billion. Long term returns continue to exceed the long-term actuarial rate of return of 7.20%. The funded ratio, on an actuarial basis, is 96.6%. These metrics reflect strong financial health and prudent asset management.

Defined Benefit FY 2024-2025 Accomplishments

The following is a summary of SFERS' achievements and statistics for the 2024-2025 fiscal year.

Delivered Benefits

- \$1.999 billion in benefits paid.
- 1,179 new retirements processed.

Enhanced Member Services

- Over the year, SFERS continued to augment our team and our platform to provide high-quality service to our members through multiple channels such as email, virtual meetings, webinars, and the customized member portal.
- 14,365 SFERSConnect email inquiries addressed.
- 2,192 retirement and 907 service purchase appointments conducted, a 32% total annual increase.
- 295,198 member portal logins and 96,075 benefit calculator uses.
- 23 pre-retirement webinars hosted with 8,486 attendees.
- Online self-service capabilities provided, including access to the annual member statement, tax forms, beneficiary management, and benefits calculators.

SFERS also supported the implementation of two charter amendments that impacted benefits, which required revising processes and forms, training Staff and responding to online inquiries. In addition, SFERS worked with SFUSD to support the transition to a new payroll system.

Prudently Invested Trust Assets

SFERS aims to exceed the 7.20% actuarial return target over full market cycles. SFERS has met and exceeded this goal. For Fiscal Year 2025, the Trust Fund achieved a return of 7.87%, net of fees. Over the long term, SFERS delivered net-of-fee returns of 9.59% over five years and 8.44% over ten years. This performance was driven by diversified asset allocation and a long-term investment strategy, which together support resiliency across market cycles.

Managing and investing more than \$37 billion in a complex economic environment requires a specialized investment and financial operations team, a cadre of best-in-class service providers and robust technology systems. In 2025, SFERS continued to focus on talent retention, enhanced investment systems, and partnerships with leading asset managers.

See the Investment section for more detailed information on the performance of the Pension Plan portfolio.

SFDCP FY 2024-2025 Accomplishments

In 2025, SFDCP continued to strengthen retirement readiness for City employees. As of June 2025, the Deferred Compensation Plan served 36,636 participants and had a participation percentage of over 60% of active City employees.

SFDCP continued to enhance participant engagement and education through multiple channels.

- Expanded online participant dashboard to provide a financial wellness summary and resources for navigating life events.
- Added two new education webinars to the line-up.
- Conducted the National Retirement Security Month campaign, which included direct mailers, department outreach, webinars, and in-person events. 97% of NSRM webinars/seminar attendees agreed or strongly agreed that the sessions and presenter were very informative and helpful.
- Conducted over 8,000 one-on-one appointments with Retirement counselors.
- Answered over 15,000 calls with a 98% customer satisfaction rate.

With respect to investment options, SFDCP implemented a transition to a new target date fund provider, providing participants with a cost-effective investment option that automatically adjusts allocation as the participant nears retirement. SFDCP also evolved its operations and communications to adopt new provisions of the Secure Act 2.0 and to educate members on such changes as Required Minimum Distribution provisions.

Strategic Initiative Advancement

SFERS' vision is to be a trusted, leading-edge, financially sound, well-governed, dependable, ethical, and transparent Plan. Aligned with this vision, SFERS' plan is organized around three key pillars: Best-in-Class Operations, Financial Strength, and Institutional Adeptness. Within these pillars, SFERS has five key goals:

1. Enhance Governance and Codify Institutional Knowledge
2. Leverage Technology
3. Pursue Operation Excellence
4. Pursue Investment Excellence
5. Attract, Develop, and Retain Talent

During the fiscal year, the SFERS team was very busy working in pursuit of these goals. Some select highlights include:

- Expanded in-office member offerings to 5 days a week for drop-in visits and in-person retirement appointments, which required thoughtful staff development and strategic planning
- Advanced major IT initiatives, including progress modernizing Enterprise IT platform
- Continued to identify new investment opportunities and realign the investment portfolio in a shifting investment environment, all with an enhanced approach to risk management

Looking Ahead

As we look to the future, SFERS remains committed to meeting the evolving needs of our members and navigating dynamic financial markets. Through our strategic initiatives and with a dedicated team, we will continue delivering on our mission of providing a secure, reliable retirement for our members and beneficiaries.

Report Content

The Financial Section provides a general overview of the finances and presents the financial statements and activities of the cost-sharing multiple-employer defined benefit plan.

The Investment Section includes a discussion of asset allocation, overall investment performance and performance by asset class, performance analysis, and investment strategy.

The Actuarial Section provides a review of the actuarial assumptions and methods, an analysis of the funding status, and an assessment of actuarial solvency. Actuarial valuation is a measure of the funding health of the pension plan.

The Statistical Section provides financial and operational information to assist readers in understanding the Financial Section.

Finally, the Deferred Compensation Plan Section provides a review of that program.

Actuarial Funding Status

SFERS contracts with a third-party actuarial consulting firm to conduct annual actuarial valuations. These valuations are used to determine the funding requirements of the Retirement System. Over the long term, defined benefit obligations will be met through both contributions and investment income.

The consulting actuarial firm calculates the total pension liability and net pension liability as required by the Governmental Accounting Standards Board (GASB) Statement No. 67. At the June 30, 2025 fiscal year-end measurement date, the fiduciary net position as a percentage of total pension liability is 89.5% based on total pension liability of \$41.8 billion and fiduciary net position of \$37.5 billion. The net pension liability at June 30, 2025, is \$4.4 billion.

Financial Reporting

The accounting policies followed in preparing the SFERS financial statements by the City's auditors Marcias, Gini & O'Connell, LLP, conform to standards prescribed by GASB. The audited Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position provide a general overview of the San Francisco City and County Employees' Retirement System's finances for the fiscal year ended June 30, 2025.

Financial highlights and analysis are provided in the SFERS Discussion and Analysis preceding the financial statements. This transmittal letter, when considered with the Financial Section of this report, provides a clearer picture of the organization's activities.

Readers who have questions regarding the financial information provided in this report are encouraged to visit the SFERS website at www.mysfers.org to view the full set of audited Financial Statements and Required Supplemental Information as audited by the City's independent auditors, Macias Gini & O'Connell, LLP.

Acknowledgments

Many thanks to all the individuals on the SFERS team who contributed to the development of this report. Each and every colleague plays an important role in ensuring we deliver on our mission. Finally, thank you to the Retirement Board whose dedication and leadership strengthen the SFERS organization and put it on a path for continued long-term success.

Respectfully submitted,

Signature

Alison Romano,
Chief Executive Officer and Chief Investment Officer

Signature

A.J. Thomas,
Retirement Board President



The Retirement System

Initially established by approval of City voters on November 2, 1920 and the California State Legislature on January 12, 1921, the San Francisco Employees' Retirement System ("Retirement System" or "SFERS") is deeply rooted in the history and culture of the City and County of San Francisco and is committed to serving the retirement needs of its members. Originally established as a fund to assist families and orphans of firefighters and police, today the Retirement System serves more than 83,160 active, vested, and retired employees of the City and County of San Francisco and their survivors.

Under the direction of the Chief Executive Officer & Chief Investment Officer, the System's management team administers two employee benefit programs for eligible City and County employees:

- San Francisco City and County Employees' Retirement System pension plan, a defined benefit plan.
- San Francisco Deferred Compensation Plan, an IRC §457(b) deferred compensation plan.

Specific San Francisco City Charter sections and/or Administrative Code provisions mandate each of these benefit plans.

Our Mission

The San Francisco City and County Employees' Retirement System is dedicated to securing, protecting, and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits to the active and retired members of the City and County of San Francisco.

The Pension Plan

The SFERS Pension Plan is a tax-qualified defined benefit plan that provides the following benefits upon separation: service and disability retirement, refund or vesting allowance, and pre- and post-

retirement death benefits to beneficiaries. Defined benefit plans are funded through employee and employer contributions and investment earnings.

SFERS has a reciprocity agreement with CalPERS, California county retirement systems covered by the 1937 Act Retirement Law, and certain other local, independent retirement systems that have a reciprocity contract with CalPERS (listed on the CalPERS website).

The San Francisco 457(B) Deferred Compensation Plan

The San Francisco Deferred Compensation Plan (SFDPC), a voluntary IRC §457(b) plan, was adopted in 1976, and allows eligible City employees to elect to voluntarily defer receipt and taxation of a portion of their regular earnings until after they retire or separate from service. The SFDPC also offers a Roth after-tax contribution option. These options offer eligible employees an opportunity to complement pension income during retirement.

Our Members

During the fiscal year, SFERS enrolled 4,137 new members and added 1,179 new retirees.

SFERS members include eligible employees of the City and County of San Francisco, the San Francisco Unified School District, the San Francisco Community College District, and the San Francisco Superior Court. Uniformed employees working for the City's Police and Fire Departments are covered by the SFERS Safety Plans. Eligible civilian (non-Safety) employees of the City are covered by the SFERS Miscellaneous Plans.

Sheriff, Undersheriff, and deputized personnel of the Sheriff's Department hired after January 7, 2012 are covered by the SFERS Sheriff's Plan. Probation Officers, District Attorney Investigators, and Juvenile Court Counselors hired after January 7, 2012, are covered by the SFERS Miscellaneous Safety Plan.

SFERS Administration

The Chief Executive Officer & Chief Investment Officer leads a team of senior managers who oversee each of the functional areas in the department. The leadership team manages the day-to-day activities of the System, including:

- Member services, communication, and benefits administration
- Retirement Board administration, including preparation of meeting materials, minutes, and public notice requirements for Board and committee meetings
- Public records request response in accordance with the City's Sunshine Act, State of California Public Records Act, and Federal Freedom of Information Act
- Accounting and financial reporting
- Actuarial services
- Investment activities
- Quality assurance
- Recruitment and personnel management
- Records management
- Systems administration and Information Technology

The Retirement Board

The Retirement System and its members benefit greatly from the leadership of an experienced and knowledgeable Retirement Board. Within the scope of its fiduciary duties, the Board establishes and follows policies governing the administration, management, and operation of the City's retirement plans; oversees the investment of the Retirement System's assets; approves disability benefit determinations; and approves actuarial assumptions used to fund long-term benefit promises of the SFERS Pension Plan.

The Retirement Board generally meets seven times per year to review and approve important elements of Retirement System business. The Retirement Board is composed of seven members: three members elected by the active and retired

members of SFERS; three members appointed by the Mayor in accordance with §12.100, the San Francisco City Charter; and one member of the Board of Supervisors appointed by the President of the Board of Supervisors.

Actuarial Services And Funding

The Retirement Board contracts with a consulting actuarial firm to produce and report to the Retirement Board and Retirement System staff, actuarial information related to the benefit structure and funding status of the Retirement System. The Retirement Board's current consulting actuarial firm is Cheiron, Inc. The Retirement Board also employs an Actuarial Services Coordinator to coordinate the work of the consulting actuary, participate in the presentation of actuarial reports to the Retirement Board, and provide other in-house actuarial services.

The consulting actuarial firm conducts annual actuarial valuations of the Retirement System's assets and liabilities in order to assess its funded status and determine the appropriate level of employer contributions to the Fund.

Each year, the Retirement Board looks to the consulting actuary and the Actuarial Services Coordinator for recommendations on appropriate actuarial assumptions to ensure the required funding for the promised benefits. The recommendations are based on results from economic experience analyses conducted each year, as well as demographic experience analyses conducted approximately every five years. The actuarial assumptions are included in the Actuarial Section of this report.

Sponsoring employers of the Retirement System are required to contribute 100% of the actuarially determined contribution approved by the Retirement Board. A 10-year chart of employer contributions may be found in the Required Supplementary Information found in the Financial Section.

Investments

The Retirement System's investment objective is to meet the actuarial rate of return on investments over the long term within prudent guidelines. SFERS' Investment Staff plays a significant role in the management and oversight of the Trust's investment portfolio and is responsible for the timely implementation and administration of the Retirement Board's investment policy decisions.



The Retirement System Organization for Fiscal Year 2025

The SFERS Retirement Board



President

AJ Thomas

Active Member
City and County of San Francisco
Elected Member
Term Expires: 02/20/2027



Vice President

Leona M. Bridges

Former Managing Director,
Barclays Global Investors
Appointed Member
Term Expires: 02/20/2028



Joseph D. Driscoll, CFA

Retired Captain, San Francisco Fire Department
Elected Member
Term Expires: 02/20/2026



Tim O'Connor

Active Member
City and County of San Francisco
Elected Member
Term Expires: 02/20/2030



Shruti Gandhi

Founder & Managing Partner
Array Ventures
Appointed Member
Term Expires: 02/20/2029



Stephen Sherrill

Member, Board of Supervisors,
City and County of San Francisco
Appointed Member
Term Expires: 01/7/2027



Scott Heldfond

Director, Aon Risk Services
Appointed Member
Term Expires: 02/20/2029

The SFERS Leadership Team

Alison Romano

Chief Executive Officer and Chief Investment Officer

Caryn Bortnick

Chief Operating Officer

Darlene Armanino

Board Secretary

Janet Brazelton, FSA, EA

Actuarial Services Coordinator

Kurt Braitberg

Managing Director, Public Markets

Derwin Brown

Operations Risk & Quality Assurance Manager

Diane Chui Justen

Deferred Compensation Director

Ted Davis

Business Services Manager

Ba Do

Investment Operations Manager

David Franci

Managing Director, Absolute Return

Alison Johnson

Communications Manager

Tanya Kemp

Managing Director, Private Markets

Anna Langs

Managing Director, Asset Allocation, Risk Management and Innovative Solutions

Christine Li

Finance Manager

Michael Nettles

Human Resources Manager

Erik Rapoport

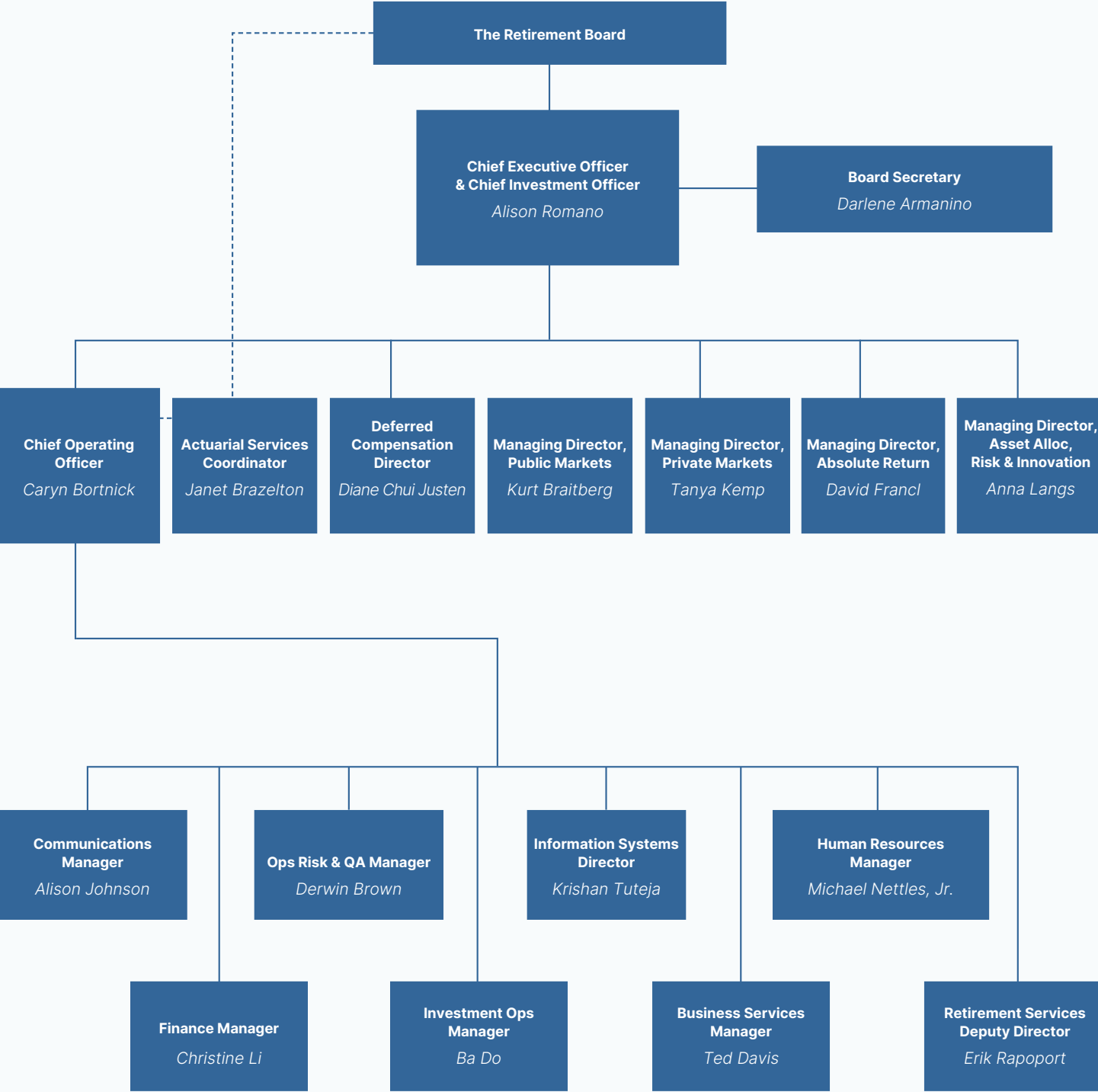
Deputy Director of Retirement Services

Krishan Tuteja

Information Systems Director



SFERS Organizational Chart - June 30, 2025



Professional Consultants

Consulting Actuary

- Cheiron, Inc.

Investment Consultants

- Wilshire Advisors, LLC
- Mercer Investments, LLC
- Cambridge Associates, LLC
- Aksia LLC
- Callan Associates, Inc.

Governance Consultants

- Glass Lewis & Co.
- Nossaman, LLP



Financial Section

SFERS Discussion and Analysis

The management of the San Francisco City and County 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 year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the Basic Financial Statements and Required Supplementary Information, which follow this discussion.

Financial Highlights

Fiscal Year 2025

- 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 an 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).

Overview of Financial Statements

The following discussion and analysis are intended to serve as an introduction to the Retirement System's basic 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.

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, over time, serve as a useful indicator of the Plan's financial stability. 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 is 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 *	\$37,450,095	\$35,415,555	\$33,688,428

**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 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)

	2025	2024	2023
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 *	4,088,494	3,687,786	2,757,233
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 *	2,053,954	1,958,684	1,867,329
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	35,415,555	33,686,453	32,798,524
End of the year	\$37,450,095	\$35,415,555	\$33,688,428

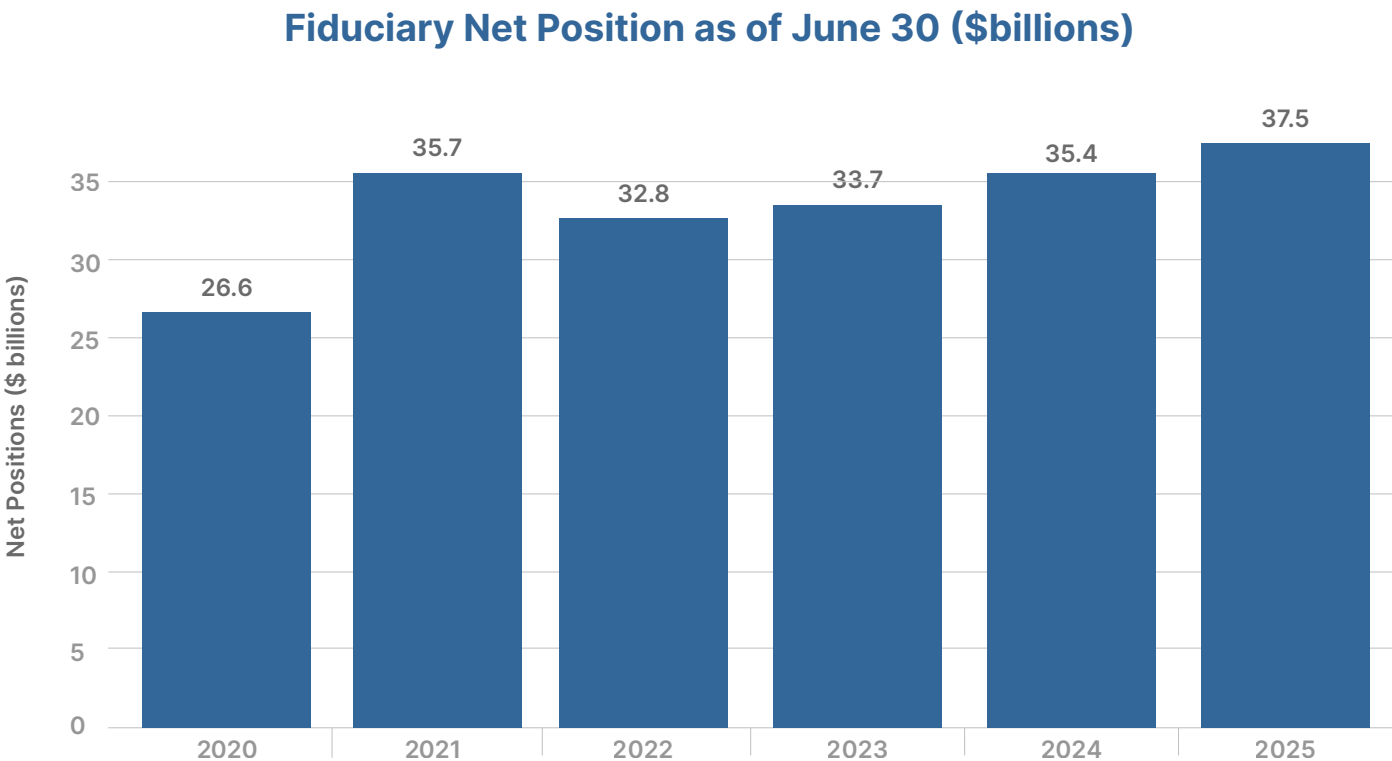
*2024 amounts are restated to implement GASB Statement No. 101, Compensated Absences. 2023 amounts are not restated and are presented as originally reported.

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.

Fiscal Year 2025

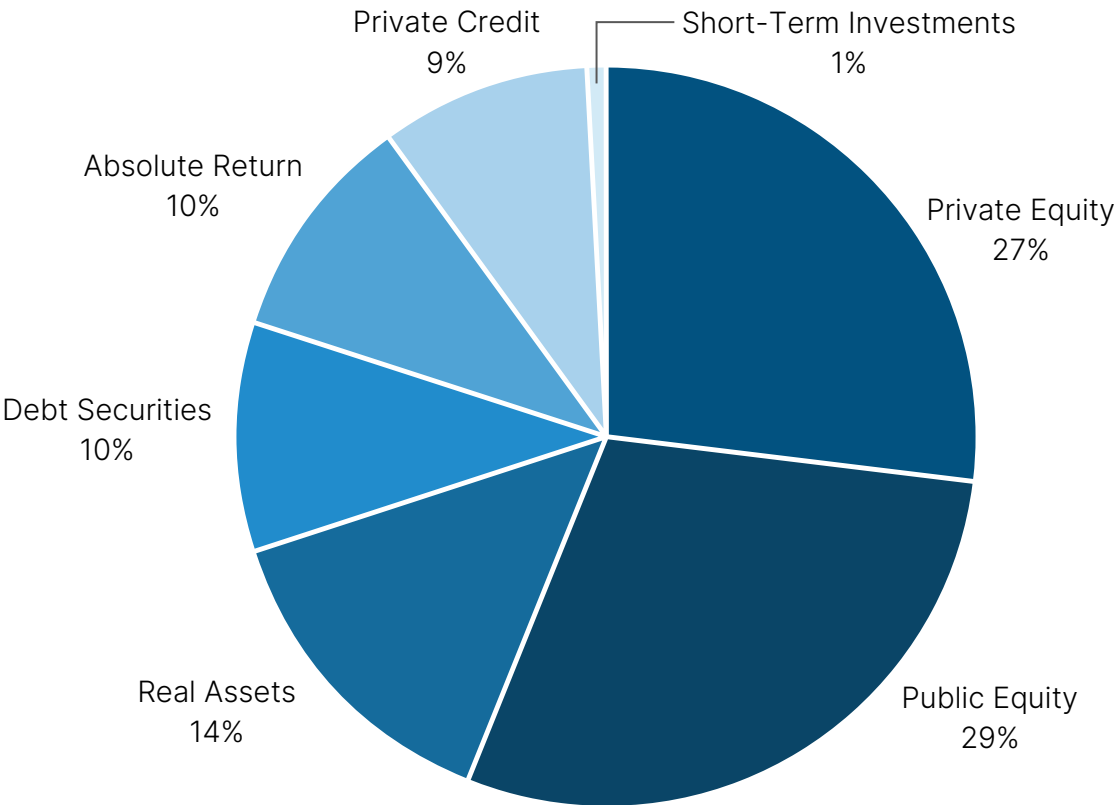
- Members’ contributions to the Plan totaled \$442.0 million, an increase of \$14.5 million or 3.4% from the prior year, primarily as a result of an increase in pensionable compensation offset by the decrease in employee contribution rates. Employee contribution rates ranged from 7.5% - 11.0% in fiscal 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 rate 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.

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

Investment Allocation as of June 30, 2025 - Fair Value



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.

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**

Requests for Information

This financial report is designed to provide a general overview of the Retirement System’s finances for the year ended June 30, 2025.

Basic Financial Statements

Statements of Fiduciary Net Position - June 30, 2025 and 2024 (Dollars in thousands)

	2025	2024
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	38,302,738	36,257,024
Total assets	38,592,540	36,467,051
Deferred outflows of resources:		
Other postemployment benefits (OPEB)	2,366	2,379
Total assets and deferred outflows of resources	38,594,906	36,469,430
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 *	1,142,377	1,051,953
Deferred inflows of resources:		
Other postemployment benefits (OPEB)	2,434	1,922
Total liabilities and deferred inflows of resources *	1,144,811	1,053,875
Fiduciary net position – restricted for pension benefits *	\$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.

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

Statements of Changes in Fiduciary Net Position - 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.

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

Notes to the Basic Financial Statements

The Notes below provide a summary of the complete Notes found in SFERS' 2025 audited financial statements dated November 18, 2025.

(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:

Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.

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.

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.

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 by multiplying the member's final compensation (highest one-year average monthly compensation) 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 by multiplying the member's final compensation (highest two-year average monthly compensation) 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 by multiplying the member's final compensation (highest three-year average monthly compensation) 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 by multiplying the member's final compensation (highest three-year average monthly compensation) 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 by multiplying the member's final compensation (highest one-year average monthly compensation) 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 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 by multiplying the member's final compensation (highest two-year average monthly compensation) 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 by multiplying the member's final compensation (highest three-year average monthly compensation) 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.

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.

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 limited if the System is not also fully funded on a market value of assets basis.

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.

(f) Membership

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

	Police ¹	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.

(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 monthly 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 that can impede the timely return of capital. The valuation techniques vary based on the 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 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.

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, was 85 days. 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 ensured that SFERS is the sole beneficiary of any liquidity needs. In addition, SFERS adopted conservative cash collateral reinvestment guidelines consistent with those governing money market funds (i.e., Rule 2a-7 of the Investment Company Act of 1940). As of June 30, 2025, the weighted average maturity of the reinvested cash collateral account was 10 days. 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.

(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 as of June 30, 2025.

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 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, \$16.7 million 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.

(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 are as follows:

Asset Class	Target Allocation effective as of July 2024
Global Equity	32.0%
Treasuries	8.0%
Public Credit	12.0%
Private Credit	10.0%
Private Equity	20.0%
Real Assets	10.0%
Absolute Return	10.0%
Cash	1.0%
Leverage	-3.0%
	100.00%

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, \$251.1 million (or 29.6% of reinvested cash collateral) 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 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 the 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 that 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.

(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.

The table below depicts the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2025.

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	94,431	327	3,991	10,815	79,298
Commingled and Other 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.

(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 have 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.



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

(Dollars 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	1,920,598	100.0%

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.

(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, 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, \$202.0 million 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.



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

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
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

(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, 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, is 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.

The table below presents 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.

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)

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.

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	3,837

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, 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.

Interest Rate Risk

The table below describes the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2025.

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

The following table details 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:

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)

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 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
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		\$245,818	\$449

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)

Currency	Forwards	Options	Swaps	Futures	Total
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)

Contingent Features

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

(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 (Dollars in thousands)				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
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	9,957,918	\$ 7,826,409	1,830,534	300,975
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	28,337,857			
Investments not subject to the fair value hierarchy				
City investment pool	6,963			
Total investments measured at fair value	\$38,302,738			

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 use multiple inputs 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 matrix pricing techniques maintained by 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 marketplace. 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 is 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 limited to, appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

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 investment 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.



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.

(Dollars in thousands)					
Investment Type	NAV as of June 30, 2025	Unfunded Commitment	Redemption Frequency	Redemption Notice Period	NAV Lock Up and Years
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				
	\$227,823	N/A	Annually	60 calendar days	
	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	
Public equity	1,151,855		Quarterly	90 calendar days	554,415 / No lock up 597,440 / Lock up ends fiscal year 2026
	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				
	\$2,012,370	\$61,389	Monthly	5-95 days	No lock up
Absolute return	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				

(Dollars in thousands)

Investment Type	NAV as of June 30, 2025	Unfunded Commitment	Redemption Frequency	Redemption Notice Period	NAV Lock Up and Years
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.

(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 are 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, 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.

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
	\$2,222,448	\$847,211	\$1,527,047

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	Maturities	
	Fair Value	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 *	\$847,489	\$847,489

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

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.

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.

(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 year ended June 30, 2025, are summarized as follows:

Investments: (Dollars in thousands)	2025
Beginning of the year	\$5,208,475
Capital investments	358,908
Equity in net earnings	(75,418)
Net depreciation in fair value	128,635
Capital distributions	(541,405)
End of the year	\$5,079,195

(8) Benefits

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

Allowances and benefits: (Dollars in thousands)	2025
Service retirement and vesting benefits	\$1,606,858
Disability retirement benefits	249,487
Death benefits	12,590
COLA benefit adjustments	130,295
Total	\$1,999,230

9) Funding Policy

Employer and employee (member) contributions are mandated by the Charter. The Charter specifies that employer contributions are determined as normal cost plus an amortization of the unfunded liability over a period not to exceed 20 years. Retirement Board policy determines the actual amortization period, subject to the Charter limitation. Schedules of both employer and employee contribution rates may be found in the Statistical Section of this report. A ten-year schedule of funding progress may be found in the Actuarial Section, while a ten-year schedule of actuarially determined employer contributions is in the Required Supplemental Information subsection of this Financial Section.

(10) Net Pension Liability of Employers

The components of the employers' net pension liability at June 30, 2025, were as follows:

(Dollars in thousands)	June 30, 2025
Total pension liability	\$41,836,074
Fiduciary net position	\$37,450,095
Net pension liability	\$4,385,979
Fiduciary net position as a percentage of total pension liability	89.5 %

(a) Actuarial Assumptions and Long-Term Expected Return Assumptions

The total pension liability as of June 30, 2025, was determined by an actuarial valuation as of July 1, 2024, which was rolled forward to June 30, 2025, 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.

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 Hired Before Prop C			
July 1,	Old Police & Fire	Old Miscellaneous and all New Plans	Hired After Prop C
2025	0.0% to 1.6%	1.50%	0.00%
2026+	$\frac{1}{2} \times (3.5\% \text{ less assumed Basic COLA}), \text{ not less than zero}$	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
Global Equity	32.0%	3.7%
Treasuries	8.0%	1.8%
Public 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%	

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 municipal bond rates of 5.20% used to determine the above discount rates represent the yields available on June 30, 2025, 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, calculated using the discount rate of 7.20%, 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	
1% Decrease	\$9,896,783
Current Discount Rate	\$4,385,979
1% Increase	(\$154,182)

(d) Money Weighted Rate of Return

For the year ended June 30, 2025, the annual money-weighted rates of return on pension plan investments, net of investment expenses, adjusted for the changing amounts actually invested, was 8.47%.

(11) 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, 2025, the following timeframes are used.

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 are 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.

For more information on OPEB, see the complete notes found in SFERS' 2025 audited financial statements dated November 18, 2025.



Required Supplementary Information

Schedule of Changes in Collective Net Pension Liability (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	39,404,561	37,332,835	35,489,639	33,088,765	32,031,018
Total pension liability—ending, (a)	41,836,074	39,404,561	37,332,835	35,489,639	33,088,765
Plan 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 plan fiduciary net position	2,034,540	1,729,238	889,904	(2,875,310)	9,053,616
Plan fiduciary net position—beginning					
Restatement due to adoption of GASB 101	(2,111)	—	—	—	—
Beginning of year (as reported)	35,417,666	33,688,428	32,798,524	35,673,834	26,620,218
Beginning of year (as restated)	35,415,555	33,688,428	32,798,524	35,673,834	26,620,218

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

Schedule of Changes in Collective Net Pension Liability (Cont.)
(Dollars in thousands)

Year ended June 30	2025	2024	2023	2022	2021
Plan fiduciary net position—ending, (b)	37,450,095	35,417,666	33,688,428	32,798,524	35,673,834
Net pension liability—ending, (a) – (b)	\$4,385,979	\$3,986,895	\$3,644,407	\$2,691,115	\$ (2,585,069)
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	30,555,289	28,840,673	27,403,715	25,967,281	22,724,102
Total pension liability—ending, (a)	32,031,018	30,555,289	28,840,673	27,403,715	25,967,281

Schedule of Changes in Collective Net Pension Liability (Cont.)
(Dollars in thousands)

Year ended June 30	2020	2019	2018	2017	2016
Plan 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)

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

Net change in plan fiduciary net position	541,569	1,520,683	2,150,612	2,255,847	(273,566)
Plan fiduciary net position—beginning					
Beginning of year (as reported)	26,078,649	24,557,966	22,410,350	20,154,503	20,428,069
Restatement due to adoption of GASB 75	–	–	(2,996)	–	–
Beginning of year (as restated)	26,078,649	24,557,966	22,407,354	20,154,503	20,428,069
Plan fiduciary net position—ending, (b)	26,620,218	26,078,649	24,557,966	22,410,350	20,154,503
Net pension liability—ending, (a) – (b)	\$5,410,800	\$4,476,640	\$4,282,707	\$4,993,365	\$5,812,778

Schedule of Collective Net Pension Liability and Ratios
(Dollars in thousands)

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
Total pension liability	\$41,836,074	\$39,404,561	\$37,332,835	\$35,489,639	\$33,088,765
Plan fiduciary net position*	(37,450,095)	(35,417,666)	(33,688,428)	(32,798,524)	(35,673,834)
Net pension liability	\$4,385,979	\$3,986,895	\$3,644,407	\$2,691,115	\$ (2,585,069)
Plan fiduciary net position as a percentage of the total pension liability	89.5%	89.9%	90.2%	92.4%	107.8%
Covered employee payroll	\$4,660,826	\$4,319,733	\$3,994,117	\$3,742,459	\$3,623,898
Net pension liability as a percentage of covered-employee payroll	94.1%	92.3%	91.2%	71.9%	-71.3%
	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Total pension liability	\$32,031,018	\$30,555,289	\$28,840,673	\$27,403,715	\$25,967,281
Plan fiduciary net position	(26,620,218)	(26,078,649)	(24,557,966)	(22,410,350)	(20,154,503)
Net pension liability	\$5,410,800	\$4,476,640	\$4,282,707	\$4,993,365	\$5,812,778
Plan fiduciary net position as a percentage of the total pension liability	83.1%	85.3%	85.2%	81.8%	77.6%
Covered employee payroll	\$3,566,991	\$3,375,447	\$3,221,544	\$3,041,818	\$2,836,498
Net pension liability as a percentage of covered-employee payroll	151.7%	132.6%	132.9%	164.2%	204.9%

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

Schedule of Employer Contributions

(Dollar amounts 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%



Notes to Required Supplementary Information

Note to Schedules of Changes in Collective Net Pension Liability and Schedules of Collective Net Pension Liability

The total pension liability contained in the schedules 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%

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%	Adj. 2010 Pub-G and 2010 Pub-S Mortality Tables projected generationally with MP-2019	None
2023	7/1/2021	7.20%	3.25%	Adj. 2010 Pub-G and 2010 Pub-S Mortality Tables projected generationally with MP-2019	Discount rate
2022	7/1/2020	7.40%	3.25%	Adj. 2010 Pub-G and 2010 Pub-S Mortality Tables projected generationally with MP-2019	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%	Adj. 2009 CalPERS Mortality Tables projected generationally with mod. MP-2015	Discount rate
2019	7/1/2017	7.50%	3.50%	Adj. 2009 CalPERS Mortality Tables projected generationally with mod. MP-2015	Wage inflation assumption
2018	7/1/2016	7.50%	3.75%	Adj. 2009 CalPERS Mortality Tables projected generationally with mod. MP-2015	None
2017	7/1/2015	7.50%	3.75%	Adj. 2009 CalPERS Mortality Tables projected generationally with mod. MP-2015	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	Investment return and wage inflation assumptions

Other Supplementary Information

Comparison of Contributions

Employer Contributions (Dollars in thousands)			
Member Plan	Plan Year 2024-25	Plan Year 2023-24	Plan Year 2022-23
Miscellaneous Plans	\$583,990	\$573,971	\$570,992
Police Plans	57,357	55,920	60,248
Firefighter Plans	43,962	42,727	41,411
Total	\$685,309	\$672,618	\$672,651

Employee Contributions (Dollars in thousands)			
Member Plan	Plan Year 2024-25	Plan Year 2023-24	Plan Year 2022-23
Miscellaneous Plans	\$370,211	\$356,880	\$344,055
Police Plans	41,483	40,220	40,242
Firefighter Plans	30,315	30,412	29,619
Total	\$442,009	\$427,512	\$413,916

Police Plans also include Sheriff and Miscellaneous Safety plan members.



Pension Fund Net Investment Income Fiscal Year 2024-25
(Dollars in thousands)

	Income ¹	Realized Gain/Loss	Unrealized Gain/Loss	Total
Interest Earned	\$133,076	- \$	- \$	\$133,076
Dividends Earned	96,726	-		96,726
Net Appreciation in Fair Value of Investments:				
Short-term Securities	-	(17)	415	398
Equities	-	501,408	914,464	1,415,872
Debt Securities	-	(8,685)	97,336	88,651
Real Assets	(75,418)	154,724	(26,315)	52,991
Private Credit	228,450	26,450	23,245	278,145
Private Equities	(119,607)	557,893	106,219	544,505
Absolute Returns	-	-	323,812	323,812
Other Assets	-	(53,417)	106,682	53,265
Securities Lending Income - Net	3,746	-	262	4,008
Investment Expenses	(30,273)	-	-	(30,273)
Total Net Investment Income (including Net Appreciation)	\$236,700	\$1,178,356	\$1,546,120	\$2,961,176

¹ Total investment income excludes employee and employer contributions.

Pension Fund Disbursements Plan Year 2024-25
(Dollars in thousands)

Payments/Expenses	Amount
Service retirement and vesting benefits	\$1,606,858
Disability retirement benefits	249,487
Cost of Living adjustments	130,295
Death allowance payments	6,089
Death benefits	3,802
Retired annuitant rolls (option 1 death benefit)	2,699
Refunds of contributions – death benefits	7,161
Refunds of contributions – other than death Benefits	17,610
Administrative Expenses: Retirement Services/Administration	29,953
Total Payments & Expenses, FY 2024-25	\$2,053,954
Total Payments & Expenses, FY 2023-24	\$1,958,684
Increase from FY 2023-24	\$95,270

Comparison of Actual Administrative Expenditures

Retirement Services & Administration Divisions (Dollars in thousands)			
Description of Expenditures	2024-25	2023-24*	2022-23
Personnel Services	\$18,551	\$16,491	\$16,027
Equipment Purchase	0	11	0
Materials and Supplies	121	83	196
Services of other City and County Departments	5,964	5,673	4,740
Other Services	3,945	3,283	2,001
Total	\$28,581	\$25,541	\$22,964

*2024 amounts are restated to implement GASB Statement No. 101, Compensated Absences.

Investment Division (Dollars in thousands)			
Description of Expenditures	2024-25	2023-24*	2022-23
Personnel Services	\$10,564	\$9,714	\$9,483
Equipment Purchase	0	0	0
Materials and Supplies	6	5	9
Services of other City and County Departments	2,297	2,295	2,851
Other Services	17,406	45,123	41,476 ¹
Total	\$30,273	\$57,137	\$53,819

¹ Includes investment manager fees.

*2024 amounts are restated to implement GASB Statement No. 101, Compensated Absences.

Investment Section

Statement from the Chief Investment Officer

I am pleased to present the Investment Section of the SFERS Annual Report for the Fiscal Year 2025. This section provides an overview of the Pension Plan's investment performance.

Just as in the prior year, this fiscal year was marked by both notable risk and tremendous strength in the financial markets. In the U.S., concerns over geopolitical risk, tariff policy uncertainty, federal fiscal dynamics, and continued above-target inflation were overshadowed by excitement for the prospects of Artificial Intelligence (AI) and expectations for lower interest rates. As a result, the public financial markets, particularly the U.S. stock market, were strong. Likewise, strong currencies and improved consumer confidence were tailwinds for international equities. At the same time, the financial market risks and the higher interest rate environment continued to be headwinds for private equity and real estate. To navigate through these emerging market strains and maintain exposure to return opportunities, SFERS remained focused on investing for the long-term, diversifying its investments and prudently balancing return generation with risk management and liquidity.

Alison Romano,
Chief Executive Officer and Chief Investment Officer

Section 1: Market Environment

For the fiscal year ended June 30, 2025, U.S. economic and financial conditions reflected a blend of resilience and emerging pressures, as markets faced slowing consumer activity, concentrated technology-led investment, and persistent geopolitical and policy uncertainty. Inflation was markedly down from the 2022-2023 peaks but remained above the Federal Reserve's (Fed) target of 2.0%, prompting the Fed to maintain a measured policy stance. Notably, the Fed made three cuts in the latter part of 2024, bringing rates down a total of 1%; 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, raising 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 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 and improving consumer confidence played a role in the outperformance. 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 served as a safe haven for investors, returning nearly +42% over the fiscal year.

Section 2: Investment Returns

During the fiscal year, SFERS investments returned 7.87%, led by strong public equity investment returns, and supported by positive returns across all asset classes. Private equity performance, while positive, lagged public equity markets for the year, and thus was a headwind to total fund performance. Longer-term total

fund returns also remain positive. SFERS ended the fiscal year with assets of \$37.2 billion. Net investment income was \$3.0 billion.

The table below shows one-, three-, five-, 10-, and 20-year annualized returns.

Total Fund Returns for Periods Ending June 30, 2025	
	SFERS (%)
1 Year	7.87
3 Years	6.69
5 Years	9.59
10 Years	8.44
20 Years	7.75

Section 3: Investment Objectives and Strategy

Objectives

The investment objective of the Trust Fund is to generate long-term investment returns with prudent risk levels to secure benefit payments for current and future retirees. To meet this objective, SFERS invests with the goals of (1) meeting the assumed actuarial rate of return on a net fee basis over a full market cycle and (2) exceeding the return of SFERS’ policy benchmark over rolling five-year periods. The long-term assumed actuarial rate of return is currently 7.2%.

Strategy

To meet the return objectives and manage risk, including the impact caused by a potential large short-term market decline, SFERS has established a holistic investment strategy that includes a framework for asset allocation, risk management, liquidity management, manager selection, and Environmental, Social and Governance (ESG) considerations.

Asset Allocation

The Board conducts an Asset-Liability Study (ALS) at least every three years and sets strategic asset allocation that considers the long-term return, liquidity needs, the structure of SFERS liabilities,

and risk tolerance. Both the actuarial return and the strategic asset allocation are established with a long-term investment horizon, considering that markets may outperform or underperform over shorter periods.

Risk Management

SFERS' Staff continuously monitors and manages the Trust's risks, including geographic, sector, industry, and factor exposures. Each asset class undergoes a rigorous risk and strategy review at least annually, covering diverse investment analytics from multiple sources. Risk management is an integral part of the selection and monitoring of external investment managers. Additionally, a thorough Trust-level risk review is discussed with the Investment Board each year, focusing on key risks, as well as sensitivities to various market factors, historical stress tests, and forward-looking scenario analyses.

Liquidity Management

SFERS' asset allocation and risk management framework includes a focus on liquidity management. As a long-term investor, SFERS relies heavily on harvesting illiquidity risk premiums to enhance returns, targeting 40% to illiquid asset classes such as private equity, private credit, and real assets. Staff reviews pacing schedules, cash flow projections, and proprietary liquidity measures to plan for the base case and multiple stressed liquidity scenarios. Asset classes that are considered potential sources of liquidity – Public Fixed Income, Public Equities, and Absolute Return – develop plans to raise cash under stressed markets and liquidity. To further support liquidity, SFERS has secured a credit facility and allows for modest Trust-level leverage as part of SFERS' strategic asset allocation.

Manager Selection

SFERS seeks excess returns through manager selection by emphasizing managers with unique or niche strategies and specialist skills. The focus on seeking higher excess returns than passive approaches provides an additional return source beyond market returns.

Environmental, Social and Governance Platform

SFERS incorporates ESG factors into its management of the Trust. ESG factors can have a material impact on the value of companies and securities, as well as affect the macroeconomic environment more broadly. Considering these factors alongside traditional financial factors provides a better understanding of the risk and return characteristics of investments. At all times, ESG factors are considered in a manner that is consistent with the Retirement Board and Staff's fiduciary responsibilities to act in the best interests of the active members, retirees, and beneficiaries of the Retirement System and consistent with SFERS' role as a prudent, long-term investor.

The relevance of ESG issues may differ and vary in degree across companies, sectors, regions, asset classes, and over time. Therefore, SFERS takes a differentiated and materiality-based approach to integrating ESG considerations into its investment process.

Section 4: Asset Allocation

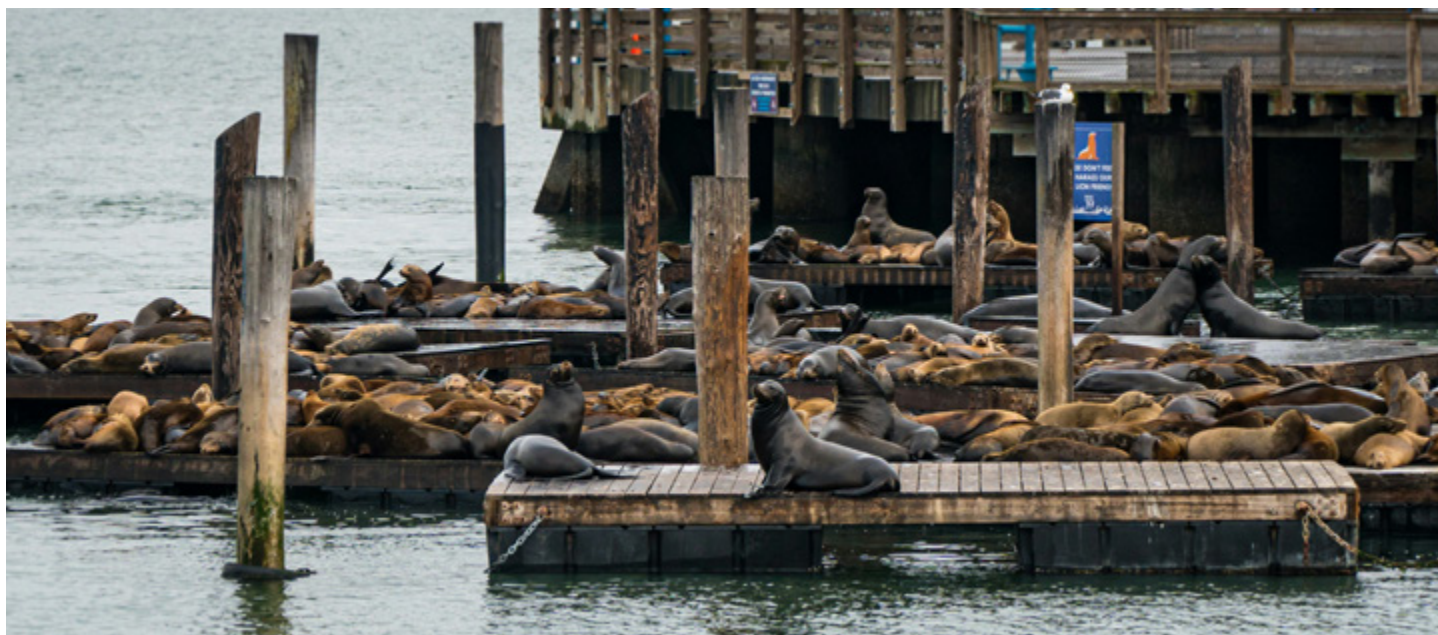
One of the key elements of SFERS' investment strategy is to set its strategic asset allocation policy in a manner that incorporates a long-term perspective of the capital markets, the nature and structure of SFERS' liabilities and future cash flows, and the liquidity needs. SFERS recognizes that a strategic long-term asset allocation implemented in a consistent and disciplined manner is a primary determinant of the Trust's risk and return.

Asset allocation is based on the building blocks described in the table below.

Investment Category	Asset Class	Sub-Asset Classes	Role in Portfolio
Growth Assets	Public Equity	Domestic, International	Driver of long-term returns
	Private Equity	Buyout, Growth, Venture	
	Driver of long-term returns		
Diversifying Assets	Real Assets	Real Estate, Infrastructure, Natural Resources	Provide diversification, current income and protection against inflation
	Absolute Return	Return Drivers, Diversifiers, Risk Mitigators	Enhance risk-adjusted returns by accessing differentiated return drivers
Income Assets	Public Fixed Income	US Intermediate Treasuries, Public Credit, Cash	Provide capital preservation, diversification, liquidity and income
	Private Credit	Income, Capital Appreciation	Generate returns and income

SFERS, in collaboration with the Retirement Board’s investment consultant, conducts an extensive Asset-Liability Study (ALS) every three years. During the fiscal year, the Retirement Board’s approved asset allocation was as shown below.

Strategic Asset Allocation					
Public Equity	32%	Real Assets	10%	Private Credit	10%
Private Equity	20%	Absolute Return	10%	Fixed Income	21%
Growth Assets	52%	Diversifying Assets	20%	Income Assets	31%

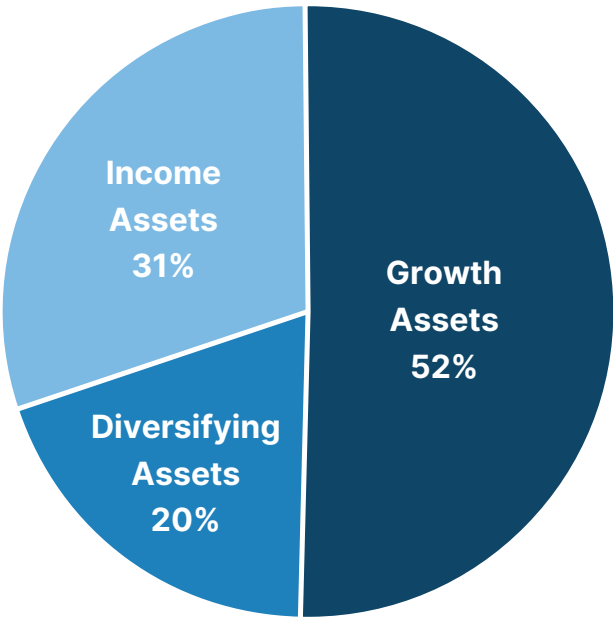


The asset allocation policy reflects the Retirement Board’s return objective, risk tolerance, time horizon, and the expected liquidity demands from the Trust. Notably, the asset allocation policy shown above includes a meaningful exposure to Growth Assets (Public and Private Equity), coupled with Diversifying Assets (Real Assets and Absolute Return), and allows the application of modest Plan-level leverage (3%) to manage liquidity and rebalancing.

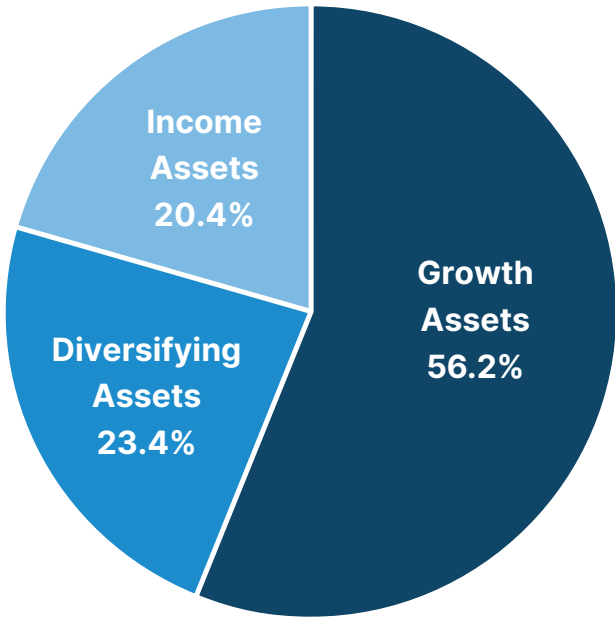
From time to time, actual asset allocation may deviate from the long-term strategic asset allocation targets, as public market values can shift quickly and private market asset values are updated with a time lag and have less liquidity. Re-investing the portfolio to meet updated strategic asset allocation targets takes time in private market investments. The chart below shows current asset allocation relative to the strategic asset allocation targets.

Strategic and Current Asset Allocation

Strategic Target Asset Allocation



Actual Asset Allocation as of June 30, 2025



The table below shows the asset allocation as of June 30, 2025, versus June 30, 2024. Increased exposure to income-generating assets resulted from funding Fixed Income and Private Credit strategies to work toward the long-term target allocation. Public Equity was a source of liquidity throughout the year.

Asset Allocation as of June 30, 2025 and June 30, 2024				
	2025		2024	
	Market Value (\$ thousands)	Weight (%)	Market Value (\$ thousands)	Weight (%)
Public Equity	11,011,512	29.6	10,706,838	30.3
Private Equity	9,901,327	26.6	10,069,153	28.5
GROWTH ASSETS	20,912,839	56.2	20,775,991	58.7
Real Assets	5,083,744	13.7	5,187,437	14.7
Absolute Return	3,623,630	9.7	3,049,382	8.6
DIVERSIFYING ASSETS	8,707,374	23.4	8,236,819	23.3
Fixed Income	3,701,019	9.9	2,685,486	7.6
Private Credit	3,365,394	9.0	3,100,876	8.8
INCOME GENERATING ASSETS	7,066,413	19.0	5,786,362	16.4
Cash*	530,760	1.4	587,503	1.7
Total Investment Portfolio	37,217,386	100.0	35,386,675	100.0

*Includes Leverage exposure

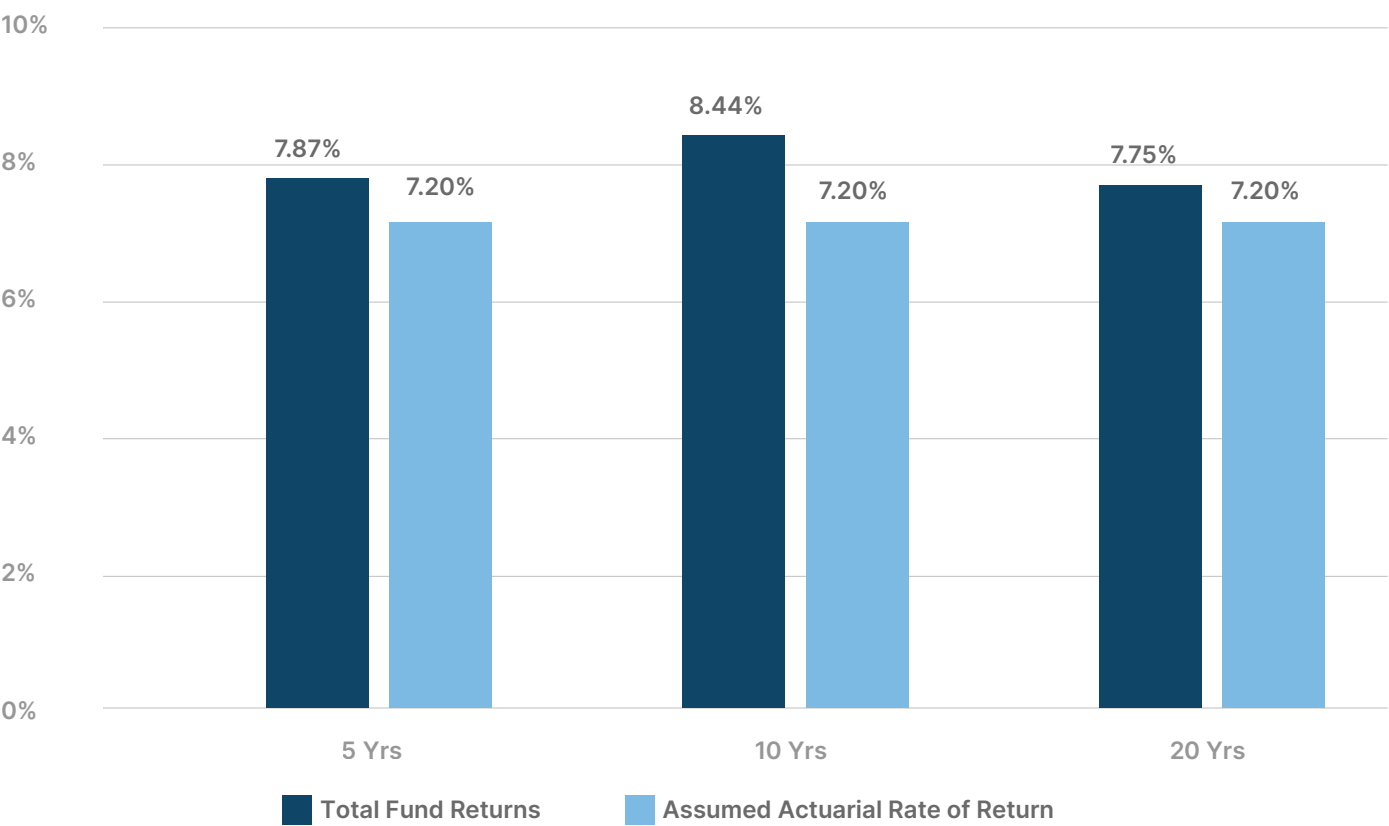
Note: Investment portfolio asset values shown here are net of management fees and expenses and based on valuation data available at the end of the fiscal year. This may differ from the SFERS audited financial statements, which take into account information on Level 2 and Level 3 assets that becomes available during the audit.



Section 5: Core Drivers of Performance

As of June 30, 2025, SFERS met its primary investment goal. 5, 10, and 20-year performance exceeded the long-term actuarial rate of return, as shown in the chart below.

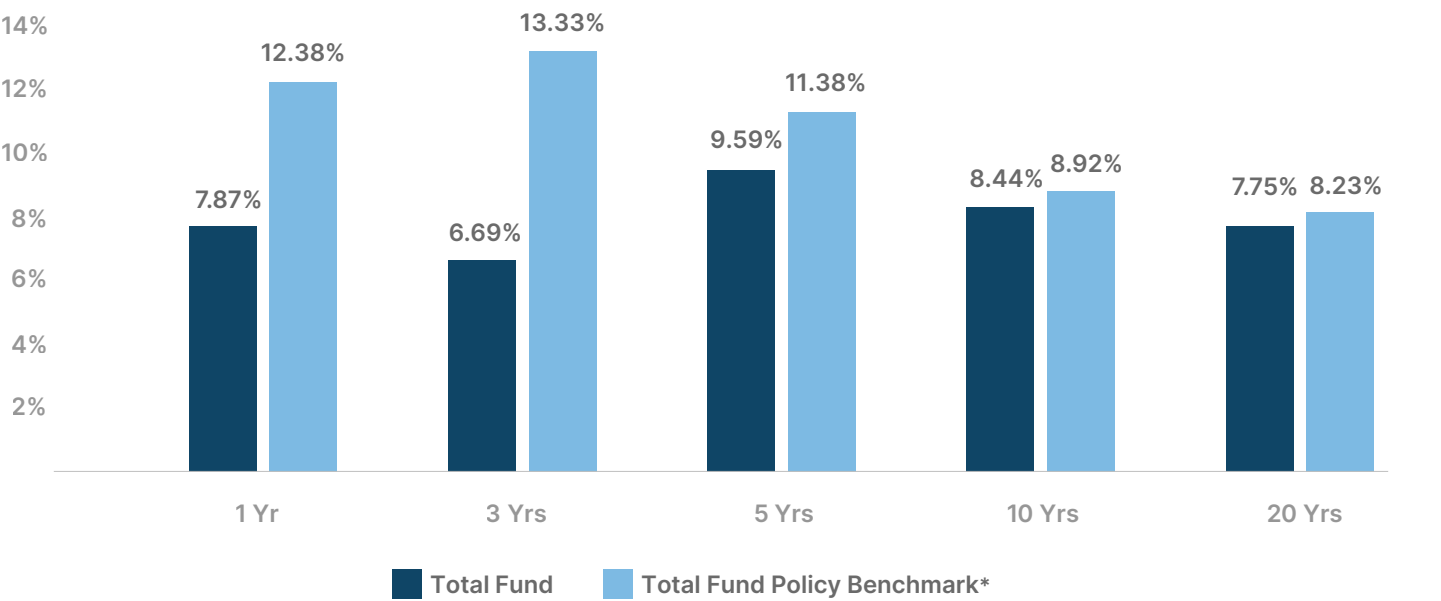
Total Fund Performance vs. Current Long-Term Assumed Rate of Return



SFERS also seeks to generate a return that exceeds the benchmark return based on SFERS’ asset allocation policy over rolling five-year periods. The Total Fund investment returns over the medium and long term have not exceeded the policy benchmark, as shown in the next chart. This underperformance is primarily due to the significant strength of the public equity markets in FY2023, FY2024, and FY2025, and secondarily to portfolio sector and style positioning. The Pension Plan assets are invested in a diversified portfolio of public market and private assets. During periods of sharp financial market moves, SFERS public market investments will also experience significant moves, while private market investments tend to demonstrate smoother performance and

experience valuation lags. After a difficult FY2022, the public equity markets have had three continuous years of very strong performance, with the MSCI ACWI IMI, an index of equity securities across the globe, returning 16.1%, 18.6%, and 15.13% in FY 2023, FY2024, and FY2025, respectively. Private equity investments, which are benchmarked to a public index plus an additional 3% premium, did not keep pace. In addition to typical valuation lags, private equity has experienced valuation headwinds driven by the higher interest rate environment and constrained exit markets, while over the same periods, the returns of the public market benchmark have been driven by a narrow set of mega-capitalization technology stocks.

Total Fund Performance vs Total Fund Policy Benchmark



*The current SFERS interim policy benchmark (starting 4/1/2025) consists of 24% Public Equity Policy, 7% Treasury Policy Benchmark, 8% Public Credit Policy Benchmark, 9% Private Credit Policy, 14% Real Assets Policy, 28% Private Equity Policy, 9% Absolute Return Policy and 1% Cash Policy Benchmark.



Performance By Asset Class

SFERS manages and monitors the overall portfolio by asset class. The table below summarizes asset class return performance and the relevant benchmark, and is followed by a discussion of each asset class.

Investment Performance vs. Benchmarks for periods ending June 30, 2025					
	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.	20 Yrs.
Public Equity	15.13	16.98	11.63	9.71	8.12
Public Equity Policy Benchmark ¹	15.89	16.80	13.40	9.69	8.26
Private Equity	3.08	-0.81	13.23	12.75	12.87
Private Equity Policy Benchmark ²	19.56	21.42	17.99	15.63	14.44
Real Assets	1.26	0.45	7.44	8.23	7.35
Real Assets Policy Benchmark ³	2.66	1.20	8.82	5.48	6.73
Absolute Return	10.30	8.37	7.43		
Absolute Return Policy Benchmark ⁴	8.01	8.57	7.19		
Fixed Income	7.55	4.84	0.94	2.43	3.78
Fixed Income Policy Benchmark ⁵	7.46	5.03	1.09	2.67	3.66
Private Credit	9.65	8.27	10.65	9.50	
Private Credit Policy Benchmark ⁶	9.96	11.11	8.04	6.73	
Cash ⁷	5.04				
Cash Benchmark	4.86				
Total Fund	7.87	6.69	9.59	8.44	7.75
Total Fund Policy Benchmark⁸	12.38	13.33	11.38	8.92	8.23

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

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

³ The current Real Assets Policy (starting 1/1/2025) consists of 13.95% NCREIF NFI-ODCE Value Weighted Index, 39.77% Cambridge Associates Real Estate, 30.18% Natural Resource Index, and 16.10% Cambridge Associates Infrastructure Index.

⁴ The current Absolute Return Policy (starting 7/1/2023) consists of the 90-day Treasury Bill plus 300 bps.

⁵ The current Fixed Income Policy (starting 10/1/2024) consists of 53.33% of Public Credit Policy and 46.67% of Bloomberg Barclays Intermediate US Treasuries Index. Public Credit Policy is 50% Bloomberg Barclays US Corporate Bond Index and 50% US Corporate High Yield Index.

⁶ The Private Credit Policy consists of 50% Bank of America Merrill Lynch US High Yield BB/B Constrained Index and 50% Credit Suisse Leveraged Loan Index plus 150bps.

⁷ The current Cash Policy (starting 7/1/2024) consists of the 1 Month Secured Overnight Financing Rate (SOFR).

⁸ The current SFERS interim policy benchmark (starting 4/1/2025) consists of 24% Public Equity Policy, 7% Treasury Policy Benchmark, 8% Public Credit Policy Benchmark, 9% Private Credit Policy, 14% Real Assets Policy, 28% Private Equity Policy, 9% Absolute Return Policy, and 1% Cash Policy Benchmark.

Public Equity

The objectives of SFERS' Public Equity Portfolio are to provide long-term growth and capital appreciation and to be a source of liquidity for the Trust. SFERS seeks excess returns in the Public Equity portfolio and emphasizes strategies focused on companies expected to grow at a rate above the market average. For the fiscal year ended June 30, 2025, SFERS Public Equity Portfolio returned 15.13%, underperforming the benchmark's return by -0.76%. For the 10 years ended June 30, 2025, SFERS Public Equity Portfolio returned 9.71%, while the benchmark returned 9.69%.

Private Equity

The role of Private Equity is to provide long-term, risk-adjusted returns superior to those of Public Equity strategies. Private Equity primarily consists of buyouts, venture capital, and growth capital. Additional strategies include special situations, co-investments, and secondary transactions.

For the fiscal year ending June 30, 2025, the Private Equity portfolio returned 3.08%, trailing the policy benchmark's return of 19.56%. This performance reflects the continued challenges facing private markets, including elevated interest rates, muted exit activity, and geopolitical uncertainty. The benchmark's strong performance was driven by concentrated gains in large-cap U.S. public equities, strength that was not broadly reflected in private market valuations. For the 10 years ending June 30, 2025, SFERS' Private Equity portfolio returned 12.75%, compared with 15.63% for the policy benchmark.

Real Assets

The role of Real Assets is to provide diversification, current income, and inflation protection through alpha-generating, higher-returning private investment strategies. SFERS' Real Assets portfolio consists of three key components: Real Estate, Natural Resources, and Infrastructure.

For the fiscal year ending June 30, 2025, the Real Assets portfolio returned 1.26%, trailing the policy benchmark's return of 2.66%. Within the portfolio, Real Estate continued to face headwinds from the higher interest rate environment and resulting valuation pressures, while Infrastructure remained a notable bright spot. Given the illiquid and long-term nature of these investments, performance is best evaluated over longer time periods. For the 10 years ending June 30, 2025, SFERS' Real Assets portfolio achieved a strong annualized return of 8.23%, outperforming the policy benchmark's return of 5.48%.

Absolute Return

The role of Absolute Return is to enhance the risk-adjusted returns of the SFERS Plan through exposure to sources of return and risk that differ meaningfully from traditional equity, fixed income, and private markets. In addition, Absolute Return is a secondary source of liquidity for the SFERS Plan cash needs.

For the fiscal year ended June 30, 2025, SFERS' Absolute Return portfolio returns were 10.30%, outperforming the policy benchmark of 8.01%. SFERS has been evolving the portfolio to reduce exposure to equity and credit and increase exposure to assets with sources of returns different from those of other asset classes. During the fiscal year, all Absolute Return sub-strategies generated positive performance, with quantitative exposure being the largest contributor to performance. Consistent with the Absolute Return portfolio objective, returns exceeded those of bonds and provided some protection when both Equity and Fixed Income markets experienced losses.

Fixed Income

The objectives of SFERS' Fixed Income portfolio are to provide liquidity, diversification, capital preservation, and income. In 2018, SFERS' Public Fixed Income portfolio was divided between two sub-components, Treasuries and Public Credit. As of June 30, 2025, these two sub-components represented 50.1% and 49.9% of the Fixed Income portfolio, respectively.

The Treasuries allocation is viewed as the primary source of liquidity for the Trust in the event of a market dislocation. This portfolio is passively managed and thus not a source of outperformance. For the fiscal year, Treasuries returned 6.36%, keeping pace with its benchmark.

The Public Credit portfolio is viewed as a secondary source of liquidity for the Trust with a dual mandate of seeking excess returns. For the fiscal year ended June 30, 2025, SFERS Public Credit portfolio returned 8.82%, outperforming the policy benchmark's return of 8.60%.

Private Credit

The objectives of SFERS' Private Credit portfolio are to generate returns that are superior to Public Credit while providing both downside protection and diversification for the Trust. The portfolio emphasizes current income over capital appreciation with a focus on senior debt strategies complemented by allocations to subordinated debt, specialty finance, credit opportunities, distressed, and other opportunistic strategies. For the fiscal year ended June 30, 2025, SFERS Private Credit portfolio returned 9.65%, underperforming the policy benchmark's return of 9.96%. The strong results from the public high-yield and leveraged loan markets drove the portfolio's benchmark. As an illiquid asset class, the near-term results for private credit tend to lag the public markets, thus leading to the relative underperformance during the fiscal year. For the 10 years ended June 30, 2025, SFERS Private Credit Portfolio returned 9.50%, while the benchmark returned 6.73%.

Section 6: Looking Forward

Steadfast in our mission to generate long-term returns, SFERS invests across a diverse set of assets with a keen focus on both risk and liquidity management. Geopolitical, economic, and market dynamics may ebb and flow over short periods, and so, too may short-term investment performance. SFERS has constructed its investments and managed risk to achieve its long-term investment objective of generating the actuarial rate of return so that we may deliver on the organization's mission today and into the future.



Actuarial Section

Actuarial valuations are conducted annually to determine the Retirement System's funding requirements. The San Francisco City Charter specifies that the Retirement Board determines the employer contribution as a normal cost rate plus an amortization of the unfunded actuarial liability over a period not to exceed 20 years. Sponsoring employers are required to contribute 100% of the Board-approved actuarially determined contribution. Member contribution rates are also specified in the City Charter.

A brief summary of the plan provisions may be found in the Notes to the Basic Financial Statements found in the Financial Section. A detailed summary of plan provisions may be found in the July 1, 2024 actuarial funding report dated February 2025.

The pension plan is a cost-sharing multiple-employer defined benefit pension plan, as the plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan. Here, the term "cost-sharing" refers to the sharing of costs between the employers: plan assets are pooled, and individual employer contributions are not segregated from each other. The Introductory Section contains more details of the Retirement System, the Board, and its members.

Summary of Actuarial Assumptions and Methods

July 1, 2024 Actuarial Valuation

Actuarial assumptions and methods are adopted by the Retirement Board with input from the consulting actuary. Key economic assumptions are reviewed and approved annually, while demographic assumptions are studied every five years. The current demographic assumptions were

adopted at the December 9, 2020 Board meeting for the July 1, 2020 actuarial valuation and are based upon the August 2020 Demographic Experience Study for the period covering July 1, 2014 through June 30, 2019. The study covered rates of retirement, termination, refund, disability, and mortality, in addition to merit salary increases, final-year salary increases, administrative expenses, and family composition. The current price and wage inflation assumptions were adopted at the December 9, 2020 Board meeting, while the current discount rate was adopted at the November 10, 2021 Board meeting.

Actuarial Asset Valuation Method for Funding Policy

The actuarial value of assets is used to determine the employers' contributions to SFERS. The asset adjustment method dampens the volatility in asset values caused by fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process.

The actuarial value is calculated by recognizing 20% of the actual investment returns for each of the past five years relative to the expected return (7.20% for the years ending 2022-2024, 7.40% for the years ending 2020-2021) on the actuarial asset value. The expected return on actuarial value of assets is determined using actual cash flows and the assumed return. The balance of the actual investment experience is recognized in a similar fashion in future years.

This asset smoothing method started with the market value as of July 1, 2004. The Retirement Board adopted the method upon recommendation from the actuarial audit of 2005.

Actuarial Cost Method

The individual Entry Age Normal actuarial cost method was used for active employees, in which the normal cost is computed as the level annual percentage of pay required to fund retirement benefits between each member's date of hire and the assumed termination of employment. The normal costs calculated relate only to the current member payroll. The actuarial liability is the difference between the present value of future benefits and the present value of future normal costs. Actuarial gains or losses that arise from the deviation of actual experience from expected experience lead to decreases or increases in the unfunded actuarial liability.

This cost method meets the Charter requirement that normal cost be determined as a level percent of pay.

Amortization Method for Funding Policy

The Retirement Board's funding policy specifies the various periods over which different components of the unfunded actuarial liability must be amortized, subject to the Charter requirement that amortization periods not exceed 20 years.

The Retirement Board adopted the following amortization methods beginning with the July 1, 2014 actuarial funding valuation:

- 20-year closed periods for net actuarial gains and losses
- 20-year closed periods for assumption or method changes
- 15-year closed periods for Charter amendments (five-year closed periods for retirement incentive programs and amendments for inactive members)
- 5-year closed periods for supplemental COLAs
- The portion of the unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013, was re-amortized over a closed 19-year period as of July 1, 2014.

If the System becomes 100% funded based on the Actuarial Value of Assets, any subsequent unexpected changes in the UAL are amortized over a rolling 20-year period until the System is no longer 100% funded.

Effective with the July 1, 2021 valuation, the remaining amortization periods for assumption changes prior to July 1, 2021, and all prior actuarial gains and losses (including the gain for 2021) were reduced to 5 years.

The November 2022 voter-approved Charter Amendment to adjust retirement allowances for SFERS members who retired before November 6, 1996, was recognized in the July 1, 2022 actuarial valuation. The Board approved a ten-year amortization period for this Charter amendment at its July 14, 2022 meeting.

Any Charter amendment prior to July 1, 2014, has been amortized over 20 years from the date it was first recognized in the valuation. Prior to July 1, 2014, the portion of the unfunded actuarial liability not attributable to Charter amendments was amortized over a rolling 15-year period.

All amortization schedules are determined on a level percent of pay basis, which means that for the duration of the amortization schedule, payment amounts increase each year at the assumed wage inflation rate.

Investment Return Assumption

SFERS' assets are assumed to earn 7.20% net of investment expenses. This assumption was adopted beginning with the July 1, 2021 valuation. For funding purposes, the discount rate used to calculate the actuarial liabilities and normal costs is set equal to the assumed investment return.

Wage and Price Inflation

Wage inflation is set to be bargained for future increases as of July 1, 2024, followed by 3.25% compounded annually. This assumption was adopted effective July 1, 2020. Consumer price inflation is assumed to be 2.50% compounded annually effective July 1, 2020.

Cost-of-Living Increase in Benefits

The following cost-of-living assumptions were adopted at the July 1, 2020 actuarial valuation:

Old Plans - Police and Fire, Charters 8.559 and 8.585	3.6% per year
Old Plans - Police and Fire, Charters 8.595 and 8.596	2.5% per year
Old Plans - Police and Fire, pre-7/1/75 retirement	1.9% per year
Old Plans - Miscellaneous	2.0% per year
New Plans - Safety and Miscellaneous	2.0% per year

Supplemental Cost-of-Living Increases

Future supplemental COLAs are assumed to be 0% in the actuarial funding valuation. An assumption for future supplemental COLAs is included in the financial reporting valuation; see Note 10 to the financial statements.

Salary Increase Rate

Bargained increases as of the valuation date, followed by the assumed wage inflation rate of 3.25% compounded annually thereafter, plus an additional merit component based on service.



The additional merit component at selected years of service:

Years of Service	Police*	Fire	Muni Drivers	Craft	Other Misc.
0	7.50%	14.00%	16.00%	3.75%	5.50%
5	3.75	4.00	1.25	1.20	2.25
10	1.50	1.50	0.30	0.50	1.10
15	0.50	0.50	0.00	0.50	0.55

* Police assumption includes Misc. Safety Plan and Sheriff Plan members.

Extra covered wages in the last year before service retirement are assumed to be as follows:

Safety	3.0% per year
Muni Drivers	4.5% per year
Craft Workers	3.0% per year
Other Miscellaneous	2.0% per year

401(a)(17) Maximum Compensation Limit

The compensation limit is assumed to increase with price inflation. In the valuation, compensation limits apply only to members of the New Plan Tier III plans for whom compensation is limited to a percentage of the 401(a)(17) compensation limit.

415(b) Maximum Benefit Limit

The 415(b) limits have been applied to active members’ current and future benefits. The 415(b) limit is assumed to increase with price inflation. The 415(b) limit has also been applied to the retiree members who were in excess of the 415(b) limit in the prior year. The projected increase in the 415(b) limit for retirees is the same increase as their Basic COLA, which depends on their Charter.

Future Interest Crediting Rate on Member Contributions

4.50% compounded annually.

Administrative Expense Assumption

Administrative expenses are assumed to equal 0.60% of pensionable payroll.

Member Refunds

Non-vested terminated members are assumed to receive a refund of their contributions with interest. The rates of refund for vested terminated members in the year of termination are shown below at selected years of service.

Service	Rates of Refund for Vested Terminated Members	
	Safety	Miscellaneous
5	24.0%	20.0%
7	16.0	12.0
10	4.0	8.5
15	0.0	6.0

In estimating refund amounts, it is assumed that employee contribution rates are, on average, not changed by the cost-sharing provisions of the November 2011 Proposition C.

Family Composition

The percentage assumed to be married (including assumption for Domestic Partners, 1994 Proposition H) is shown in the table below. Spouses of male members are assumed to be three years younger than the member, and spouses of female members are assumed to be two years older than the member.

Percentage Married	
Safety Males	80%
Safety Females	60
Miscellaneous Males	75
Miscellaneous Females	55

Rates of Termination of Employment

Sample rates of termination by age and service for Miscellaneous (excluding Muni drivers and Craft) members are shown below:

Service	Age		
	Under 30	30 to 39	40 & over
0	38.00%	24.00%	20.00%
5	6.75	6.00	4.40
10	3.75	3.75	3.75
15	2.25	2.25	2.25
20+	1.00	1.00	1.00

Sample rates of termination by service for Police, Fire, Muni Drivers and Craft members are shown below:

Service	Police*	Fire	Muni Drivers	Craft
0	8.00%	2.50%	12.00%	9.50%
5	1.00	1.00	3.00	3.25
10	0.75	0.50	2.50	1.75
15	0.50	0.25	2.50	1.75
20+	0.50	0.25	2.50	1.75

*Police assumption includes Misc. Safety Plan and Sheriff Plan members.

Termination rates are zero when members are eligible to retire. Twenty percent of Miscellaneous and forty percent of Safety terminating employees are assumed to subsequently work for a reciprocal employer and receive pay increases equal to the wage inflation assumption.

In estimating termination benefits for Miscellaneous members, it is assumed that employee contribution rates are, on average, not changed by the cost-sharing provisions of the November 2011 Proposition C.

Rates of Disability

Sample disability rates of active participants are provided below:

Age	Police*	Fire	Muni Drivers	Craft	Other Misc. Females	Other Misc. Males
30	0.05%	0.04%	0.01%	0.01%	0.01%	0.01%
40	0.35	0.24	0.11	0.11	0.07	0.08
50	0.90	0.84	0.45	0.40	0.40	0.28
60	5.75	7.30	0.00	0.00	0.00	0.00

*Police assumption includes Misc. Safety Plan and Sheriff Plan members.

100% of safety and 0% of miscellaneous disabilities are assumed to be duty-related. If projected disability occurs prior to service retirement eligibility, the level of duty disability is assumed to 55% of pay for Police and 55% of pay for Fire.

Rates of Retirement

Rates of retirement are based upon years of service and age. Members hired on or after January 7, 2012 (Tier III Plans), reach the highest benefit multiplier at later ages than the other members and have separate assumed rates of retirement. Sample retirement rates for active participants are provided in the following two tables:

Old Plans, New Plans' Tiers I and II, and Fire Tier III

Age	Years of Service		
	19 or less (24 or less for Safety)	20-29 (25-29 for Safety)	30 or more
Muni Drivers			
55	0.00%	4.00%	5.00%
60	10.00%	10.00%	20.00%
65	27.50%	30.00%	35.00%
Craft			
55	0.00%	2.50%	5.00%
60	7.50%	12.00%	32.50%
65	25.00%	27.50%	30.00%
Other Misc.			
55	0.00%	4.00%	5.50%
60	9.00%	11.50%	30.00%
65	20.00%	30.00%	30.00%
Police			
55	7.50%	35.00%	50.00%
60	20.00%	34.00%	45.00%
65	100.00%	100.00%	100.00%
Fire (all Tiers)			
55	7.50%	25.00%	35.00%
60	15.00%	25.00%	35.00%
65	100.00%	100.00%	100.00%

Tier III Plans except Fire

Age	Years of Service		
	19 or less (24 or less for Safety)	20-29 (25-29 for Safety)	30 or more
Muni Drivers			
55	0.00%	1.00%	5.00%
60	5.00%	10.00%	15.00%
65	27.50%	30.00%	40.00%
Craft			
55	0.00%	1.50%	2.50%
60	5.00%	7.50%	15.00%
65	25.00%	30.00%	40.00%
Other Misc.			
55	0.00%	4.00%	4.00%
60	7.50%	10.00%	12.50%
65	25.00%	40.00%	40.00%
Police (includes Sheriffs Plan and Miscellaneous Safety)			
55	7.50%	20.00%	35.00%
60	20.00%	34.00%	45.00%
65	100.00%	100.00%	100.00%



The assumed retirement age for inactive, terminated, vested members and active members who are expected to terminate is shown below:

	All Plans except Tier III	Tier III Plans
Safety	51	55
	Non-Reciprocal	Reciprocal
Miscellaneous	55	60

Base Rates of Mortality for Healthy Lives

Mortality rates used in the valuation are derived from a base table, projected generationally from the base year of that table using the mortality projection scale described below. Base mortality tables are developed by multiplying a published table by an adjustment factor derived from the experience study for the period ending June 30, 2019. The base mortality tables for healthy lives are as follows:

Adjustment Factor			
	Published Table	Male	Female
Non-Annuitants			
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979
Retirees			
Miscellaneous	PubG-2010 Retiree	1.031	0.977
Safety	PubS-2010 Retiree	0.947	1.044
Beneficiaries			
Miscellaneous	PubG-2010 Retiree	1.031	0.977
Safety	PubG-2010 Retiree	1.031	0.977

For active members, 25% of Safety deaths and 0% of Miscellaneous deaths are assumed to be duty related.

Base Rates of Mortality for Retired Disabled Lives

For disabled annuitant mortality, separate base tables are developed for males and females, and for Miscellaneous and Safety members, by multiplying a published table by an adjustment factor developed in the experience study for the period ending June 30, 2019. The base mortality tables for disabled lives are as follows:

Adjustment Factor			
	Published Table	Male	Female
Disabled Annuitants			
Miscellaneous	PubG-2010 Disabled	1.045	1.003
Safety	PubS-2010 Disabled	0.916	0.995

Mortality Projection Scale

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

Recent Changes

Three changes to plan provisions were recognized at the July 1, 2024 valuation:

- Firefighters hired after January 7, 2012, had their age factor percentages or benefit calculations increased under Proposition H,
- Public Safety Communications Personnel member service after January 4, 2025, is classified as Miscellaneous Safety under Proposition I, and
- Registered nurses are allowed to purchase up to three years of service credit for time previously worked as per diem nurses under Proposition I.

Tier III Fire retirement rates were increased to the same rates as Tier I and Tier II members due to benefit changes under Proposition H. There have been no other changes in actuarial assumptions or methods since the prior valuation.

There have been no changes in the retained actuary or actuarial firm.

Contribution Information

The funding policy of the Retirement System is described in this Actuarial Section and also in Note 9 of the financial statements. A ten-year schedule of employer contributions may be found in the Required Supplementary Information of the Financial Section. Information on rates of employer and member contributions based on covered payroll may be found in the Statistical Section.

Total Pension Liability for GASB 67

Financial Reporting

The Actuarial Accrued Liability (AAL) of this Actuarial Section is calculated using the same actuarial cost method as the Total Pension Liability (TPL) found in Note 10 of the financial statements. However, the AAL differs from the Total Pension Liability in three ways:

- The AAL developed for the funding valuation does not include an assumption of future supplemental COLAs. The AAL does include all liabilities for supplemental COLAs that have already occurred as of the valuation date. Total Pension Liability incorporates the probability that future supplemental COLAs may occur in years after the valuation date.
- The census date of the AAL is the same as the valuation date of July 1. The census date for the June 30 fiscal year-end Total Pension Liability is as of the previous July 1 valuation date. The Total Pension Liability is a roll-forward liability using standard roll-forward procedures, adjusted for significant changes during the fiscal year.
- The AAL is valued at a discount rate equal to the assumed investment return, while the Total Pension Liability is valued at a discount rate that could be equal to or lower than the assumed investment return.

Note 10 contains further information about the assumed probabilities of future supplemental COLAs, the roll-forward of liabilities, and the assumed discount rate for GASB 67 financial reporting. Other than the differences noted above, the actuarial assumptions used for funding purposes are the same assumptions used for financial reporting purposes.



Actuarial Analysis of Financial Experience

The analysis of financial experience is a gain/loss analysis of changes in the unfunded actuarial accrued liability (UAAL) that considers variances between actual experience and assumed experience. The net expected changes in the UAAL from one year to the next include the sum of the additional benefits accrued during the year (the normal cost) and the interest accrual on the UAAL reduced by the payment of employer contributions.

The analysis also shows the impact on the UAAL from changes in benefits due to supplemental COLAs and voter-approved propositions, as well as from changes in assumptions such as mortality, investment returns, or the salary merit scale. Changes in the UAAL due to asset returns include the impacts of the five-year smoothing of investment returns inherent in the actuarial asset valuation method.

	Valuation as of July 1				
	2024	2023	2022	2021	2020
(Dollars in millions)					
Prior Valuation Unfunded Actuarial Accrued Liability	\$1,215.0	\$1,316.1	\$1,862.1	\$2,804.1	\$3,551.0
Expected change from Prior Valuation	(148.3)	(180.8)	(249.9)	(314.4)	(311.2)
Expected Unfunded Actuarial Liability as of Valuation Date	\$1,066.7	\$1,135.3	\$1,612.2	\$2,489.7	\$3,239.8
Changes in Benefits due to Propositions and/or Supplemental COLAs	116.3	0.0	48.0	264.1	0.0
Changes in Assumptions/Methods	0.0	0.0	0.0	701.6	(591.4)
Salary Increases Greater/(Less) than Expected	196.0	209.1	240.6	169.8	114.5
Asset Return Less/(Greater) than Expected	(310.6)	(322.5)	(628.0)	(1,750.1)	6.4
All Other Experience	207.8	193.1	43.3	(13.0)	34.8
Unfunded Actuarial Accrued Liability as of Valuation Date	\$1,276.2	\$1,215.0	\$1,316.1	\$1,862.1	\$2,804.1

	Valuation as of July 1				
	2019	2018	2017	2016	2015
(Dollars in millions)					
Prior Valuation Unfunded Actuarial Accrued Liability	\$3,469.4	\$3,520.8	\$3,749.2	\$3,317.6	\$3,110.5
Expected change from Prior Valuation	(232.4)	(157.7)	(82.5)	(25.2)	(70.7)
Expected Unfunded Actuarial Liability as of Valuation Date	\$3,237.0	\$3,363.1	\$3,666.7	\$3,292.4	\$3,039.8
Changes in Benefits due to Propositions and/or Supplemental COLAs	141.0	200.8	200.1	429.3	0.0
Changes in Assumptions/Methods	0.0	297.7	50.2	0.0	1,048.4
Salary Increases Greater/(Less) than Expected	46.0	(53.7)	(80.6)	4.9	(79.9)
Asset Return Less/(Greater) than Expected	(58.6)	(408.9)	(405.7)	51.5	(545.5)
All Other Experience	185.6	70.4	90.1	(28.9)	(145.2)
Unfunded Actuarial Accrued Liability as of Valuation Date	\$3,551.0	\$3,469.4	\$3,520.8	\$3,749.2	\$3,317.6

Schedule of Funding Progress

The schedule below presents valuation results for the last 10 years based on actuarial methods and assumptions used for funding purposes.

Valuation Date	Actuarial Accrued Liability (AAL)(b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll ¹	UAAL as a % of Covered Payroll
(Dollars in thousands)					
7/01/2024	37,314,504	1,276,206	96.6%	4,623,854	27.6%
7/01/2023	35,351,967	1,214,962	96.6%	4,258,568	28.5%
7/01/2022	33,591,565	1,316,091	96.1%	3,984,150	33.0%
7/01/2021	31,905,275	1,862,053	94.2%	3,828,797	48.6%
7/01/2020	29,499,918	2,804,074	90.5%	3,703,103	75.7%
7/01/2019	28,798,581	3,551,032	87.7%	3,549,936	100.0%
7/01/2018	27,335,417	3,469,389	87.3%	3,385,517	102.5%
7/01/2017	25,706,090	3,520,846	86.3%	3,242,468	108.6%
7/01/2016	24,403,882	3,749,179	84.6%	3,062,422	122.4%
7/01/2015	22,970,892	3,317,553	85.6%	2,820,968	117.6%

¹ Covered payroll based upon actuarial projection of annualized pay for the year beginning on the valuation date.

Schedule of Funded Liabilities by Type

This schedule compares aggregate actuarial liabilities by various categories with the plan's present assets. Category (A), active member contributions, includes both employee contributions and earned interest. Category (B) includes all liabilities for members no longer working, both retirees and beneficiaries who are receiving payments, and also other inactives entitled to future payments.

Category (C) includes the actuarial accrued liability for active members in excess of the active member contributions.

The table below shows 100% funded status for employee contributions with interest (Category A) and for members who have terminated service with rights to future payments (Category B) over the last ten years. The liabilities for service already rendered by active members (Category C) have not been fully funded since the July 1, 2008 actuarial valuation. The low funding percentages

for Category C in 2015 and following, reflect both the lingering impact of the 2008-2009 financial crisis and the lowering of the discount rate over the last fifteen years. The assumption just before the 2008-2009 financial crisis was 7.75%. At July 1, 2014, the discount rate was 7.50%. At July 1, 2018, it was lowered further to 7.40%, and it has been lowered even further to the current assumption of 7.20% at the July 1, 2021 valuation date.

Category C funding percentages also reflect changes in benefits and revisions in actuarial assumptions other than the discount rate. Significant changes include the adoption of generational projections of mortality improvements at July 1, 2015, and retroactive supplemental COLAs recognized at July 1, 2016. The jump in funding percentage at July 1, 2021, reflects the large increase in actuarial value of assets stemming from the first year of the five-year phase-in of the 34% return on investments at year-end 2021. Similarly, the funding percentage increased at July 1, 2022, due to the continued impact of the 2021 investment return phase-in.

Actuarial Accrued Liability (AAL)				Percentage of AAL Covered by Assets			
Valuation Date	Active Member Contributions	Retirees, Beneficiaries, and Inactives	Employer Financed Portion of Active Members	Actuarial Value of Assets	(A)	(B)	(C)
July	(A)	(B)	(C)				
(Dollars in Millions)							
2024	4,675	23,589	9,051	36,038	100%	100%	86%
2023	4,437	22,469	8,446	34,137	100%	100%	86%
2022	4,232	21,512	7,847	32,275	100%	100%	83%
2021	4,104	20,228	7,573	30,043	100%	100%	75%
2020	3,916	18,621	6,963	26,696	100%	100%	60%
2019	3,675	18,074	7,050	25,248	100%	100%	50%
2018	3,496	17,024	6,816	23,866	100%	100%	49%
2017	3,325	15,847	6,535	22,185	100%	100%	46%
2016	3,175	14,941	6,288	20,655	100%	100%	40%
2015	2,995	13,931	6,045	19,653	100%	100%	45%

2021 reflects revised discount rate of 7.2%.

2020 reflects revised demographic and wage inflation assumptions. 2018 reflects revised discount rate of 7.4%.

2017 reflects revised wage inflation assumption.

2016 reflects retroactive 2013 and 2014 Supplemental COLA benefits for certain retirees. 2015 reflects revised demographic assumptions.



Schedule of Active Member Valuation Data					
Valuation Date	Plan Type	Count	Annual Covered Pay ¹	Average Annual Covered Pay	% Increase in Average Covered Pay
7/1/2024	General	31,288	\$3,739,150,751	\$119,508	4.7%
	Safety	4,130	659,536,489	159,694	4.4%
7/1/2023	General	30,096	3,436,614,280	114,188	5.9%
	Safety	3,933	601,851,678	153,026	8.7%
7/1/2022	General	29,266	3,155,403,164	107,818	5.4%
	Safety	3,933	553,494,056	140,731	2.2%
7/1/2021	General	29,570	3,025,807,035	102,327	2.9%
	Safety	4,074	560,725,153	137,635	1.7%
7/1/2020	General	30,327	3,015,795,127	99,443	5.1%
	Safety	4,194	567,471,231	135,305	4.8%
7/1/2019	General	30,056	2,843,589,575	94,610	3.5%
	Safety	4,146	535,124,687	129,070	3.7%
7/1/2018	General	29,910	2,733,626,773	91,395	3.0%
	Safety	4,036	502,353,057	124,468	1.0%
7/1/2017	General	29,545	2,621,632,438	88,734	4.1%
	Safety	3,902	481,039,920	123,280	0.8%
7/1/2016	General	28,623	2,439,969,498	85,245	2.8%
	Safety	3,783	462,752,871	122,324	(0.1)%
7/1/2015	General	27,233	2,259,320,255	82,963	2.5%
	Safety	3,604	441,419,658	122,480	(1.3)%

¹ Annual Covered Pay represents the sum of the annualized valuation salary for the prior fiscal year for each active member as of the July 1 valuation date.

Schedule of Retirees and Beneficiaries added to and removed from Retirement Payroll								
Fiscal Year	Added to Rolls		Removed from Rolls		Rolls at End of Year		% Increase in Annual Allowance	Average Annual Allowance
	Member Count ¹	Annual Allowance	Member Count	Annual Allowance	Member Count ¹	Annual Allowance		
2023-24	1,554	\$94,311,036	1,004	\$48,961,571	32,654	\$1,987,942,237	5.3%	\$60,879
2022-23	2,044	103,581,459	1,543	61,862,676	32,104	1,888,105,484	5.2%	58,812
2021-22	1,872	103,981,941	1,007	45,948,001	31,719	1,795,472,441	6.1%	56,606
2020-21	1,722	97,495,262	996	43,909,238	30,854	1,691,633,291	6.5%	54,827
2019-20	1,470	74,777,425	816	34,764,875	30,128	1,587,981,080	4.9%	52,708
2018-19	1,770	83,661,179	957	36,959,870	30,778	1,513,436,081	6.3%	49,173
2017-18	1,797	84,574,963	959	36,284,323	29,965	1,424,324,641	6.9%	47,533
2016-17	1,769	80,214,008	928	35,082,179	29,127	1,332,430,263	6.8%	45,746
2015-16	1,657	72,049,646	856	30,384,191	28,286	1,247,230,245	7.8%	44,094
2014-15	1,564	63,136,134	931	29,314,643	27,485	1,157,081,680	4.8%	42,099

¹ Member count as of FYE 2020 reflects combining records for members who have both a safety and miscellaneous benefit.

Statistical Section

The Statistical Section provides financial and operational information in further detail to assist users in understanding trends in the Basic Financial Statements, Notes to Basic Financial Statements, and Required Supplemental Information.

Financial Information

- **Additions to Pension Plan by Source** reflect the various sources of income to SFERS
- **Deductions to Pension Plan by Type** displays the major expenses to SFERS, which are benefits paid to members, refunds of employee contributions to members, and administrative expenses
- **Changes in Fiduciary Net Position** show the changes in net position during each of the last 10 fiscal years
- **Benefit Expenses of Pension Plan by Type** details the benefits paid during the fiscal year due to retirements, disability, death, newly granted COLAs, and accruals for DROP

Operational Information

- **Average Pension Benefit Payments** highlights benefit levels paid to newly retired and disabled members with differing amounts of credited service
- **Active Members by Employer** compares the current active member counts for each SFERS cost-sharing employer to counts from nine years ago
- **Employer Contribution Rates** details the components that comprise the last ten years of employer contribution rates
- **Employer and Employee Contribution Rates for Fiscal Year 2024-2025** show the contribution rates for various member classes after application of the cost-sharing provisions of 2011 Proposition C



Additions to Pension Plan by Source

(Dollars in thousands)

Fiscal Year ending June 30	Member Contributions	Employer Contributions	Net Return on Investments	Investment Expenses	Total
2016	322,764	526,805	197,216	(47,026)	999,759
2017	316,844	551,809	2,730,863	(47,395)	3,552,121
2018	364,696	619,067	2,599,555	(49,881)	3,533,437
2019	380,980	645,056	2,018,752	(48,440)	2,996,348
2020	400,649	742,985	1,012,953	(46,671)	2,109,916
2021	409,398	836,559	9,510,000	(62,331)	10,693,626
2022	423,471	768,463	(2,227,514)	(80,806)	(1,116,386)
2023	413,916	672,651	1,724,485	(53,819)	2,757,233
2024	427,512	672,618	2,644,793	(57,137)	3,687,786
2025	442,009	685,309	2,991,449	(30,273)	4,088,494

Deductions to Pension Plan by Type

(Dollars in thousands)

Fiscal Year ending June 30	Benefits Paid	Refunds of Contributions	Administrative Expenses	Total
2016	1,243,260	12,886	17,179	1,273,325
2017	1,264,633	13,507	18,134	1,296,274
2018	1,350,009	14,578	18,238	1,382,825
2019	1,438,935	17,747	18,983	1,475,665
2020	1,531,041	17,036	20,270	1,568,347
2021	1,599,507	20,254	20,249	1,640,010
2022	1,710,092	27,658	21,174	1,758,924
2023	1,820,269	24,096	22,964	1,867,329
2024	1,905,845	26,201	26,638	1,958,684
2025	1,999,230	24,771	29,953	2,053,954

Together, the two tables above, present the changes in fiduciary net position during each of the last 10 fiscal years. Total additions less total deductions equal the net increase or decrease in fiduciary net position.

Changes in Fiduciary Net Position

(Dollars in thousands)

Fiscal Year ending June 30	Fiduciary Net Position				
	Additions	Deductions	Net Change	Year	End of Year
2016	999,759	1,273,325	(273,566)	20,428,069	20,154,503
2017	3,552,121	1,296,274	2,255,847	21,154,503	22,410,350
2018	3,533,437	1,382,825	2,150,612	22,407,354	24,557,966
2019	2,996,348	1,475,665	1,520,683	24,557,966	26,078,649
2020	2,109,916	1,568,347	541,569	26,078,649	26,620,218
2021	10,693,626	1,640,010	9,053,616	26,620,218	35,673,834
2022	(1,116,386)	1,758,924	(2,875,310)	35,673,834	32,798,524
2023	2,757,233	1,867,329	889,904	32,798,524	33,688,428
2024	3,687,786	1,958,684	1,729,102	33,686,453	35,415,555
2025	4,088,494	2,053,954	2,034,540	35,415,555	37,450,095

Note that 2018 fiscal year fiduciary net position at beginning of year was restated due to adoption of GASB No. 75, and the 2024 amounts were restated due to implementation of GASB No. 101.

Benefit Payments of Pension Plan by Type

(Dollars in thousands)

Fiscal Year	Retirement Benefits	Disability Benefits	Death Benefits	COLA Benefit Adjustments	DROP Accrued Retirement	Total
2016	937,388	179,056	8,990	118,012	(186)	1,243,260
2017	994,408	184,376	11,163	74,980	(294)	1,264,633
2018	1,063,184	187,365	10,224	89,236	0	1,350,009
2019	1,131,334	193,016	8,908	105,945	(268)	1,438,935
2020	1,209,024	199,655	8,667	113,695	0	1,531,041
2021	1,272,492	204,831	11,538	110,646	0	1,599,507
2022	1,356,728	211,292	10,705	131,367	0	1,710,092
2023	1,457,325	224,984	10,089	127,871	0	1,820,269
2024	1,533,951	236,365	11,302	124,227	0	1,905,845
2025	1,606,858	249,487	12,590	130,295	0	1,999,230

Fiscal year 2016 COLA benefits include retroactive supplemental COLA benefits for 2013 and 2014 paid after the October 2015 Superior Court judgment. Benefit payments and refunds of contributions for the most recent fiscal year are provided in further detail in the Financial Section under Other Supplementary Information.

Average Pension Benefit Payment for Retired and Disabled Members

Retirement Effective Dates	Years of Credited Service					
	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30+
7/1/24 to 6/30/25						
Miscellaneous Members						
Average Mo. Benefit	\$1,297	\$2,482	\$4,330	\$5,488	\$6,406	\$9,075
Average Final Comp.	\$9,450	\$9,903	\$12,755	\$11,648	\$11,199	\$13,264
Number	99	152	150	192	178	201
Safety Members						
Average Mo. Benefit	\$2,873	\$4,205	\$7,496	\$11,676	\$14,826	\$20,140
Average Final Comp.	\$13,709	\$12,274	\$14,435	\$17,237	\$18,462	\$22,641
Number	5	8	10	17	54	41
7/1/23 to 6/30/24						
Miscellaneous Members						
Average Mo. Benefit	\$1,269	\$2,558	\$4,013	\$5,191	\$6,823	\$8,604
Average Final Comp.	\$9,298	\$9,614	\$10,769	\$10,614	\$11,680	\$12,228
Number	95	146	179	290	181	272
Safety Members						
Average Mo. Benefit	\$2,786	\$4,427	\$7,380	\$10,114	\$14,162	\$17,846
Average Final Comp.	\$11,682	\$11,882	\$14,795	\$15,733	\$17,985	\$19,896
Number	12	7	9	52	66	33
7/1/22 to 6/30/23						
Miscellaneous Members						
Average Mo. Benefit	\$1,218	\$2,563	\$3,545	\$4,625	\$6,075	\$7,884
Average Final Comp.	\$8,896	\$9,890	\$10,092	\$9,666	\$10,326	\$10,844
Number	94	154	133	241	112	207
Safety Members						
Average Mo. Benefit	\$2,232	\$4,563	\$5,563	\$9,412	\$11,822	\$14,157
Average Final Comp.	\$11,000	\$12,464	\$12,803	\$18,945	\$15,567	\$16,268
Number	14	10	9	34	46	31
7/1/21 to 6/30/22						
Miscellaneous Members						
Average Mo. Benefit	\$1,198	\$2,613	\$3,751	\$4,489	\$6,102	\$7,706
Average Final Comp.	\$9,047	\$9,998	\$10,157	\$9,414	\$10,920	\$10,501
Number	107	192	174	311	161	243
Safety Members						
Average Mo. Benefit	\$2,415	\$4,370	\$5,979	\$8,254	\$11,572	\$14,481
Average Final Comp.	\$11,577	\$12,020	\$12,632	\$13,385	\$14,749	\$16,504
Number	13	12	9	55	89	54

Average Pension Benefit Payment for Retired and Disabled Members

Retirement Effective Dates	Years of Credited Service					
	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30+
7/1/20 to 6/30/21						
Miscellaneous Members						
Average Mo. Benefit	\$1,153	\$2,226	\$3,594	\$4,597	\$5,837	\$7,182
Average Final Comp.	\$5,687	\$7,040	\$8,975	\$10,201	\$9,668	\$9,927
Number	100	156	158	219	144	245
Safety Members						
Average Mo. Benefit	\$1,605	\$4,198	\$6,648	\$8,193	\$11,043	\$13,811
Average Final Comp.	\$10,752	\$11,432	\$13,086	\$12,871	\$14,087	\$15,672
Number	3	8	7	33	67	39
7/1/19 to 6/30/20						
Miscellaneous Members						
Average Mo. Benefit	\$1,121	\$2,424	\$3,143	\$4,174	\$5,286	\$6,880
Average Final Comp.	\$8,500	\$9,585	\$8,553	\$9,136	\$9,362	\$9,743
Number	102	132	147	178	111	183
Safety Members						
Average Mo. Benefit	\$4,065	\$4,133	\$7,228	\$7,740	\$11,979	\$12,950
Average Final Comp.	\$10,871	\$11,814	\$13,224	\$13,171	\$15,164	\$15,210
Number	5	3	14	18	34	28
7/1/18 to 6/30/19						
Average Mo. Benefit	\$1,212	\$2,204	\$3,372	\$4,474	\$6,827	\$7,114
Average Final Comp.	\$7,656	\$8,688	\$8,579	\$9,243	\$10,307	\$9,978
Number	135	188	224	241	227	304
7/1/17 to 6/30/18						
Average Mo. Benefit	\$1,150	\$2,139	\$3,293	\$4,294	\$6,762	\$7,249
Average Final Comp.	\$7,949	\$8,229	\$8,369	\$8,647	\$10,158	\$9,590
Number	98	210	289	251	244	429
7/1/16 to 6/30/17						
Average Mo. Benefit	\$1,113	\$2,057	\$3,184	\$4,657	\$6,138	\$7,275
Average Final Comp.	\$8,182	\$7,989	\$8,106	\$9,205	\$9,455	\$9,651
Number	129	197	211	167	199	263
7/1/15 to 6/30/16						
Average Mo. Benefit	\$1,051	\$2,077	\$2,906	\$4,071	\$5,716	\$6,514
Average Final Comp.	\$7,363	\$8,266	\$7,485	\$8,404	\$9,534	\$9,016
Number	110	184	196	175211		291

Active Members by Employer

Employer	July 1, 2025	Percentage of System	July 1, 2016	Percentage of System
City and County of San Francisco	33,809	93.9%	30,059	92.8%
San Francisco Unified School District	1,233	3.4%	1,289	4.0%
San Francisco Community College District	532	1.5%	615	1.9%
San Francisco Superior Court	416	1.2%	443	1.4%
Total	35,990	100.0%	32,406	100.0%

Employer Contribution Rates

Before Adjustment for Cost-Sharing Provisions¹

Fiscal Year	Normal Cost	Remaining Cost of Propositions	Other UAL	Employee Contributions	Administrative Expenses	Total
2016	18.38%	5.86%	5.65%	(7.54%)	0.45%	22.80%
2017	18.65%	5.69%	4.02%	(7.56%)	0.60%	21.40%
2018	18.56%	5.12%	6.75%	(7.57%)	0.60%	23.46%
2019	17.25%	5.07%	7.97%	(7.58%)	0.60%	23.31%
2020	17.71%	4.80%	9.67%	(7.59%)	0.60%	25.19%
2021	17.72%	4.74%	11.45%	(7.61%)	0.60%	26.90%
2022	17.29%	3.56%	10.58%	(7.62%)	0.60%	24.41%
2023	18.31%	3.54%	6.52%	(7.62%)	0.60%	21.35%
2024	18.33%	2.49%	4.45%	(7.63%)	0.60%	18.24%
2025	18.40%	2.40%	3.15%	(7.64%)	0.60%	16.91%

¹ Cost-sharing provisions effective July 1, 2012, following passage of Proposition C in November of 2011

Employer and Employee Contribution Rates

Employer and employee contribution rates are shown below, adjusted for the Proposition C cost-sharing provisions. Proposition C was passed by voters in the November 2011 election and established cost-sharing provisions between employee-members and employers. When the unadjusted employer contribution rates are higher than 12.00%, a portion of the employer contribution (up to 6.00%) is transferred to the

member contribution rate. When unadjusted employer contribution rates are lower than 11.01%, a portion of the member contribution rate (up to 6.00%) would be transferred to the employer. Contribution rates are adjusted once a year based on the unadjusted employer contribution rate adopted by the Retirement Board and the member's hourly base rate of pay as of the June 30 prior to the effective date of the contribution rate.

Fiscal Year 2024-2025 Employer Contribution Rates After Cost-Sharing Provisions

Member Group	Base Rate of Pay		
	Less than \$34 per hour	At or above \$34 but less than \$68 per hour	At or above \$68 per hour
Miscellaneous Non-Safety Plans	16.91%	15.41%	14.91%
Police and Firefighter New Plans Tier I	14.91%	14.91%	14.91%
Police and Firefighter New Plans Tiers II and III	15.41%	15.41%	14.91%
Miscellaneous Safety and Sheriffs Plans	15.41%	15.41%	14.91%

Fiscal Year 2024-2025 Employee Contribution Rates After Cost-Sharing Provisions

Member Group	Base Rate of Pay		
	Less than \$34 per hour	At or above \$34 but less than \$68 per hour	At or above \$68 per hour
Miscellaneous Old Plans	8.0%	9.5%	10.0%
Miscellaneous New Plans	7.5%	9.0%	9.5%
Police and Firefighter New Plans Tier I	9.5%	9.5%	9.5%
Police and Firefighter New Plans Tiers II and III	10.5%	10.5%	11.0%
Miscellaneous Safety and Sheriffs Plans	10.5%	10.5%	11.0%

Deferred Compensation Plan (SFDCP)

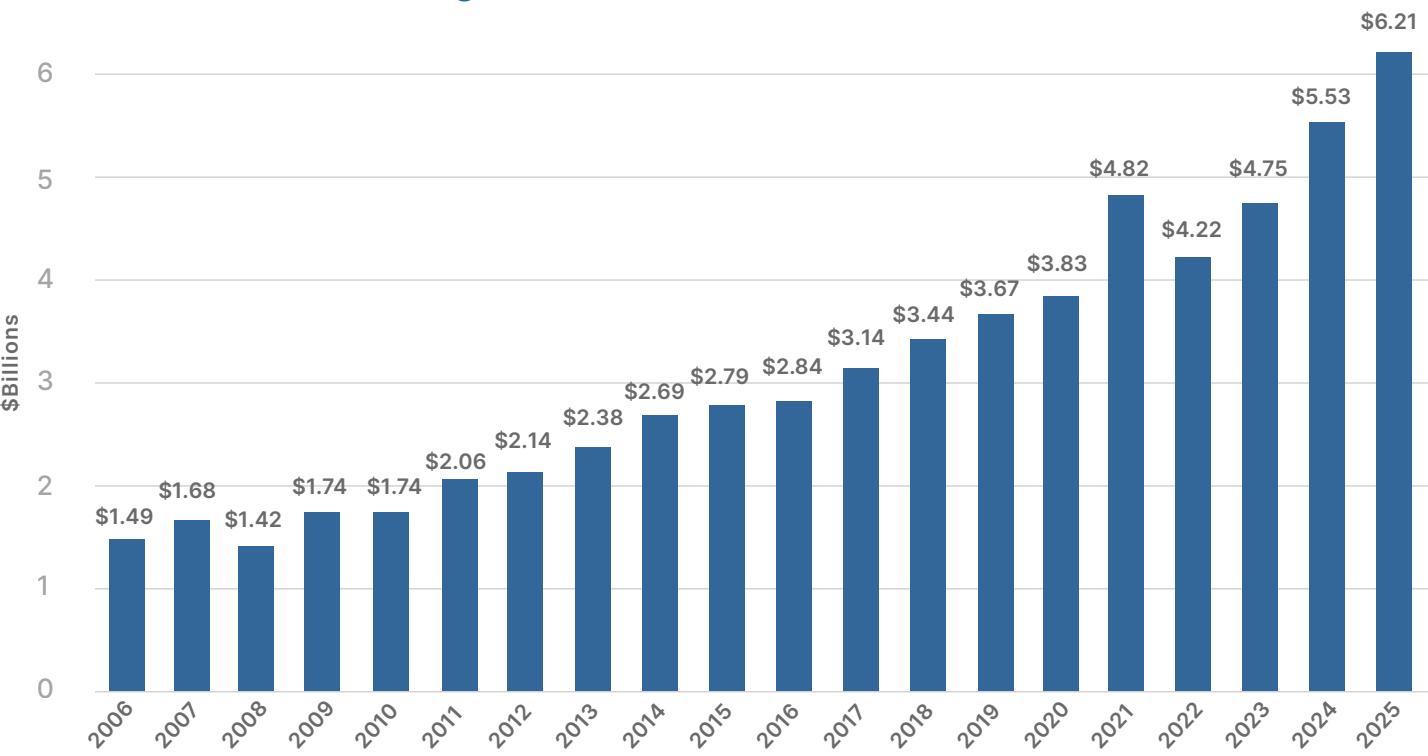
The San Francisco 457(b) Deferred Compensation Plan (SFDCP) was adopted in 1976 to offer active members an opportunity to acquire additional retirement savings intended to complement pension benefits. The SFDCP allows City employees to voluntarily defer a portion of their regular earnings until after they retire or separate from service. This method of tax deferral has become increasingly popular, and the Plan also offers Roth after-tax contributions. During the past fiscal year, plan assets for the SFDCP increased by over 12%. The average account balance per participant was \$169,537.

The Plan provides a diverse selection of thirteen core investment funds, a suite of Target Date Funds, risk-based model portfolios, a discretionary managed account service, and access to a self-directed brokerage platform. In addition to this

enhanced lineup of investment options, the SFDCP offers participants exceptionally low fees, a customized website, financial education, online transactions, and dedicated retirement counselors available in person at the SFDCP office, around the City, or virtually. Voya Financial currently serves as the recordkeeper for the SFDCP.

As of June 30, 2025, there were 36,636 participants in the SFDCP with Plan assets valued at \$6.21 billion in assets under management. The following chart and tables provide detailed information about the investments that make up the City's 457(b) Deferred Compensation Plan, as well as customer service and participation activity for the Fiscal Year 2024-2025.

SFDCP Assets under Management



SFDCP Account Activity Summary		Fiscal Year 2024-2025
Beginning Balance ¹		\$5,534,428,782
Contributions		\$307,125,570
Additional Deposits		52,697,115
Transfers In		732,916,784
Interest/Dividends/Gains		668,514,557
Forfeitures Reinstatements		864,955
Total Money In		\$1,762,118,981
Transfers Out		\$(726,017,083)
Withdrawals		(359,358,276)
Total Money Out		\$(1,085,375,359)
Ending Balance¹		\$6,211,172,404

¹ Includes miscellaneous transactions, loan repayments and net appreciation (earnings).

SFDCP Statistics Summary Plan Year Ended June 30, 2025	
Participant Summary	
Participants with accounts at July 1, 2024	35,455
New Participants during year	2,218
Actively Contributing Participants during year	22,251
Participants with accounts at June 30, 2025	36,636
Service Summary	
Group Meetings	666
Field and Office Individual Counseling Sessions	8,715
Customer Service Calls (IVR and Representatives)	15,370
Web Logins	480,237

SFDCP Values as of June 30, 2025

Funds	Total Assets*	Percent Of Total Assets	Annual Performance
SFDCP Stable Value Fund	\$936,009,169	15.22%	3.22%
SFDCP Core Bond Fund	\$185,139,135	3.01%	6.57%
SFDCP Bond Index Fund	\$319,543,863	5.20%	6.07%
SFDCP Retirement Fund	\$44,396,805	0.72%	9.36%
SFDCP Target Date 2015 Fund	\$48,167,354	0.78%	9.38%
SFDCP Target Date 2020 Fund	\$80,433,758	1.31%	9.66%
SFDCP Target Date 2025 Fund	\$132,519,657	2.16%	10.13%
SFDCP Target Date 2030 Fund	\$194,520,854	3.16%	10.88%
SFDCP Target Date 2035 Fund	\$198,513,058	3.23%	11.90%
SFDCP Target Date 2040 Fund	\$154,343,570	2.51%	12.91%
SFDCP Target Date 2045 Fund	\$147,155,525	2.39%	13.86%
SFDCP Target Date 2050 Fund	\$100,377,812	1.63%	14.68%
SFDCP Target Date 2055 Fund	\$47,732,611	0.78%	15.21%
SFDCP Target Date 2060 Fund	\$15,469,322	0.25%	15.40%
SFDCP Target Date 2065 Fund	\$5,007,580	0.08%	15.41%
SFDCP Large Cap Value Equity Fund	\$104,319,976	1.70%	12.79%
SFDCP Large Cap Equity - S&P 500 Index Fund	\$1,145,142,179	18.62%	15.14%
SFDCP Large Cap Social Equity	\$206,438,724	3.36%	15.36%
SFDCP Large Cap Growth Equity	\$887,760,181	14.44%	15.72%
SFDCP Active Equity Fund	\$137,016,838	2.23%	8.20%
SFDCP Small-Mid Cap Equity Index Fund	\$358,379,152	5.83%	15.48%
SFDCP Small-Mid Cap Equity Fund	\$15,952,091	0.26%	7.31%
SFDCP International Equity Fund	\$239,170,096	3.89%	19.65%
SFDCP International Equity Index Fund	\$323,661,923	5.26%	18.02%
SFDCP Diversified Real Asset Fund	\$32,615,944	0.53%	11.12%
Self-Directed Brokerage	\$89,573,391	1.46%	N/A
Total Plan Assets*	\$6,149,360,566	100.0%	

* Assets exclude Loan Funds.

