SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

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

Years Ended June 30, 2026 and 2025

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SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
Years Ended June 30, 2026 and 2025

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San Francisco City and County Employees' Retirement System (Retirement System), a pension trust fund of the City and County of San Francisco, California, as of and for the years ended June 30, 2026, and 2025, and the related notes to the financial statements, which collectively comprise the Retirement System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Retirement System as of June 30, 2026, and 2025, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As described in Note 1, the financial statements present only the Retirement System and do not purport to, and do not, present fairly the financial position of the City and County of San Francisco as of June 30, 2026, and 2025, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2026, on our consideration of the Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and

grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Retirement System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Retirement System's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 26, 2026

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 years ended June 30, 2026, and 2025. We encourage readers to consider the information presented here in conjunction with the *Financial Statements and Required Supplementary Information*, which follow this discussion.

Financial Highlights

Fiscal Year 2026

- The assets and deferred outflows of resources of the Retirement System exceeded its liabilities and deferred inflows of resources at the close of the year ended June 30, 2026. The Plan held $41.19 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. As of June 30, 2026, the fiduciary net position was 93.2% of the total pension liability.

- For the year ended June 30, 2026, the Retirement System's net investment income of $4.78 billion represented a 12.8% increase to fiduciary net position as of the beginning of the year.

- Total fiduciary net position held in trust for pension benefits increased by $3.74 billion, or 10.0%, primarily as a result of positive investment returns, which were reduced by the net difference between contributions to the Plan and benefit payments, refunds, and administrative expenses incurred by the Plan.

- Total deductions from the Plan were $2.20 billion, an increase of 6.9% from the prior year, due primarily to an increase in benefits paid during the current fiscal year. The increase in benefits paid is attributable to an increase in the number of payees, higher average retirement benefits, and an increase in the cost of living adjustments (COLA).

Fiscal Year 2025

- The assets and deferred outflows of resources of the Retirement System exceeded its liabilities and deferred inflows of resources at the close of the year ended June 30, 2025. The Plan held $37.45 billion of net position restricted for pension benefits. All of the fiduciary net position is available to meet the Retirement System's ongoing obligations to plan participants and their beneficiaries.

- The Retirement System's funding objective is to meet long-term benefit obligations through contributions and investment income. The Retirement System's fiduciary net position as a percentage of the total pension liability should be considered when evaluating the Retirement System's financial health. As of June 30, 2025, the fiduciary net position was 89.5% of the total pension liability.

- For the year ended June 30, 2025, the Retirement System's net investment income of $2.96 billion represented a 8.4% increase to fiduciary net position as of the beginning of the year.

- Total fiduciary net position held in trust for pension benefits increased by $2.03 billion, or 5.7%, primarily as a result of positive investment returns, which were reduced by the net difference between contributions to the Plan and benefits, refunds, and administrative expenses incurred by the Plan.

- Total deductions from the Plan were $2.05 billion, an increase of 4.9% from the prior year, due primarily to an increase in benefits paid during the current fiscal year. The increase in benefits paid is attributable to an increase in the number of payees, higher average retirement benefits, and an increase in the cost of living adjustments (COLA).

Overview of Financial Statements

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

1. ***Statements of Fiduciary Net Position*** are snapshots of account balances as of the close of the years June 30, 2026, and 2025. 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, 2026, and 2025.

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, 2026, and 2025.

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 to the financial statements.

Financial Analysis

The Plan's net position may serve over time as a useful indication of the Plan's financial position. The assets and deferred outflows of resources of the Plan exceeded its liabilities and deferred inflows of resources at June 30, 2026, and 2025. 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, 2026, 2025, and 2024 are represented in the table below:

Fiduciary Net Position Summary – June 30, 2026, 2025, and 2024
Dollars in thousands

	2026	2025	2024
Other assets	$ 301,564	$ 289,802	$ 210,027
Investments at fair value	42,795,644	38,302,738	36,257,024
Total assets	43,097,208	38,592,540	36,467,051
Deferred outflows of resources	2,841	2,366	2,379
Total assets and deferred outflows of resources	43,100,049	38,594,906	36,469,430
Total liabilities *	1,904,006	1,142,377	1,051,953
Deferred inflows of resources	1,751	2,434	1,922
Total liabilities and deferred inflows of resources *	1,905,757	1,144,811	1,053,875
Fiduciary net position *	$ 41,194,292	$ 37,450,095	$ 35,415,555

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

As of June 30, 2026, the Plan's total fiduciary net position held in trust for pension benefits increased by $3.74 billion or 10.0% for the year, primarily due to positive investment returns.

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, 2026, 2025, and 2024
Dollars in thousands

	2026	2025	2024
Additions:			
Member contributions	$ 465,344	$ 442,009	$ 427,512
Employer contributions	695,379	685,309	672,618
Interest	178,412	133,071	103,757
Dividends	104,884	96,726	96,293
Net appreciation (depreciation) in fair value of investments	4,537,115	2,757,906	2,441,921
Securities lending income	33,389	52,798	38,775
Investment expenses *	(44,377)	(30,273)	(57,137)
Securities lending borrower rebates and expenses	(29,891)	(49,052)	(35,953)
Total additions *	5,940,255	4,088,494	3,687,786
Deductions:			
Benefits	2,139,930	1,999,230	1,905,845
Refunds of contributions	27,741	24,771	26,201
Administrative expenses *	30,783	28,581	25,541
Administrative expenses and offset - OPEB	(2,396)	1,372	1,097
Total deductions *	2,196,058	2,053,954	1,958,684
Net increase (decrease) in fiduciary net position *	3,744,197	2,034,540	1,729,102
Fiduciary net position – restricted for pension benefits:			
Beginning of year, as previously stated	37,450,095	35,415,555	33,688,428
Cumulative effect of accounting change	—	—	(1,975)
Beginning of year, as restated	37,450,095	35,415,555	33,686,453
End of the year	$ 41,194,292	$ 37,450,095	$ 35,415,555

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

Fiscal Year 2026

- Members' contributions to the Plan totaled $465.3 million, an increase of $23.3 million or 5.3% from the prior year, primarily as a result of an increase in pensionable compensation. Employee contribution rates ranged from 7.5% - 11.0% in fiscal year 2025-26 and 7.5% - 11.0% in fiscal year 2024-25.

- In order to maintain the fiscal soundness of the Plan, required employer contributions to the Plan totaled $695.4 million, an increase of $10.1 million or 1.5% from the prior year. Although employer contribution rates decreased, this was outpaced by a higher pensionable payroll. Employer contribution rates ranged from 14.53% - 16.53% in fiscal year 2025-26 and 14.91% to 16.91% in fiscal year 2024-25.

- Net investment income for the Retirement System increased by $1,818.4 million on a year over year basis. The majority of the increase is attributable to the $1,779.2 million increase in net appreciation of investments, primarily due to positive performance across all asset classes for the fiscal year. Interest income increased by $45.3 million mainly due to income earned from domestic fixed income markets.

- Benefit payments to Plan participants increased by $140.7 million or 7.0%, due to an increase in the number of payees, an increase in average retirement benefits and an increase in the COLA.

Fiscal Year 2025

- Members' contributions to the Plan totaled $442.0 million, an increase of $14.5 million or 3.4% from the prior year, primarily as a result of an increase in pensionable compensation offset by the decrease in employee contribution rates. Employee contribution rates ranged from 7.5% - 11.0% in fiscal year 2024-25 and 7.5% - 11.5% in fiscal year 2023-24.

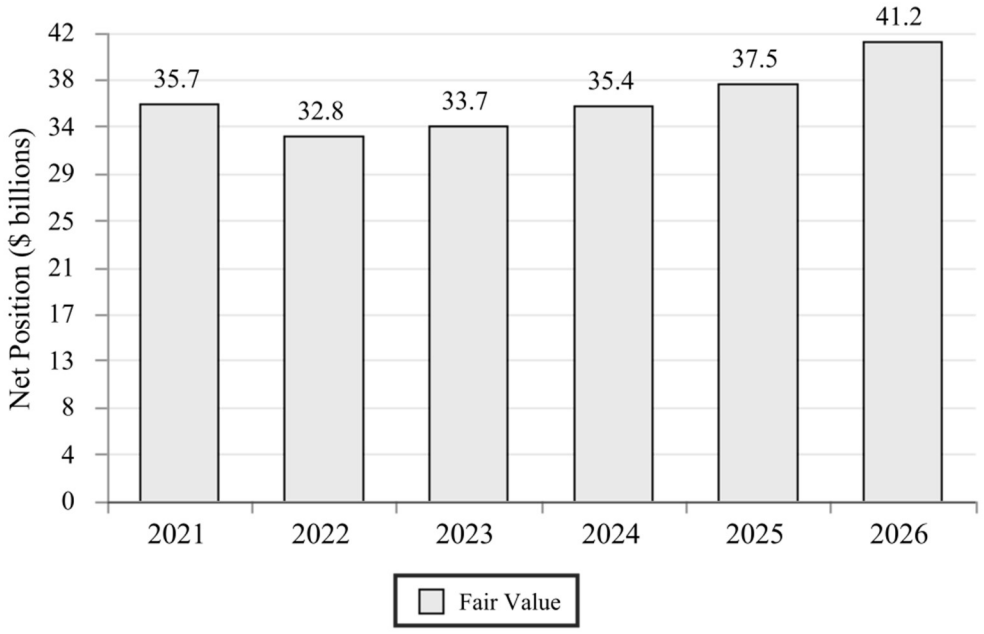
- In order to maintain the fiscal soundness of the Plan, required employer contributions to the Plan totaled $685.3 million, an increase of $12.7 million or 1.9% from the prior year. Although employer contribution rates decreased, this was outpaced by a higher pensionable payroll. Employer contribution rates ranged from 14.91% to 16.91% in fiscal year 2024-25 and 15.24% to 18.24% in fiscal year 2023-24.

- Net investment income for the Retirement System increased by $373.5 million on a year over year basis. The majority of the increase is attributable to the $316.0 million increase in net appreciation of investments, primarily due to positive performance in most asset classes for the fiscal year. Interest income increased by $29.3 million mainly due to income earned from domestic fixed income markets.

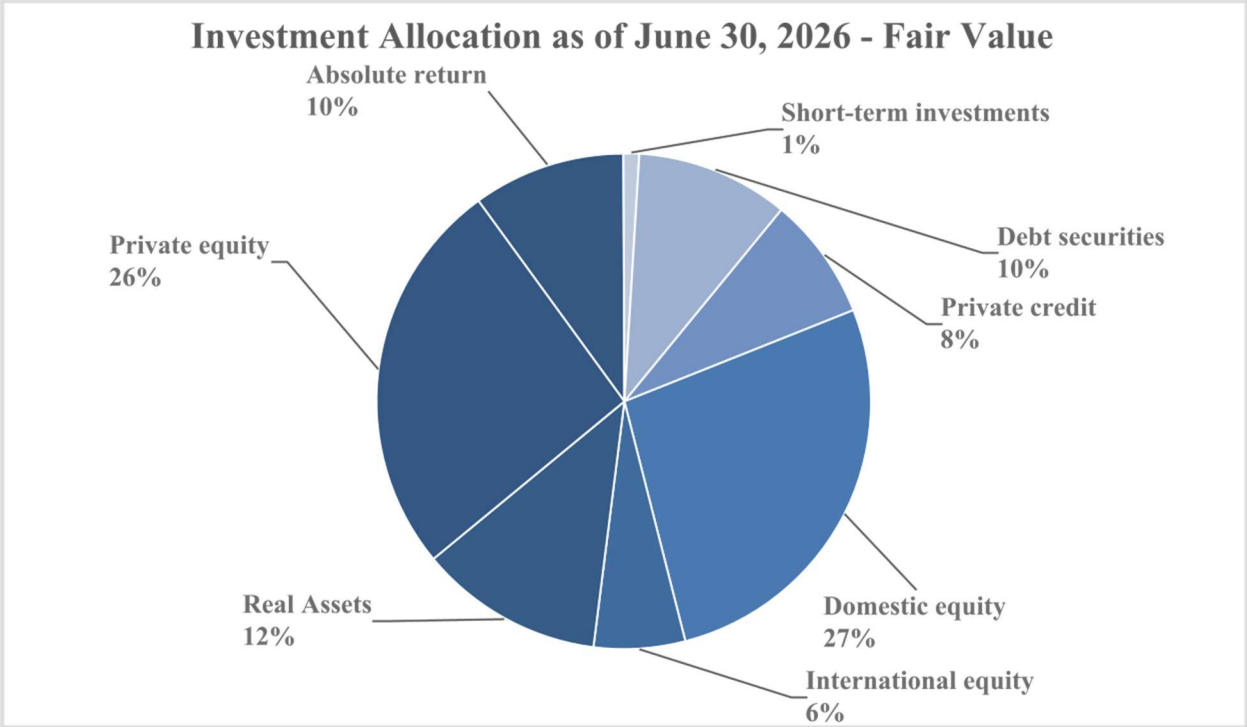
- Benefit payments to Plan participants increased by $93.4 million or 4.9%, due to an increase in the number of payees, an increase in average retirement benefits and an increase in the COLA.

Fiduciary net position as of June 30, 2021 through 2026, expressed at fair value of investments are represented in the chart below:

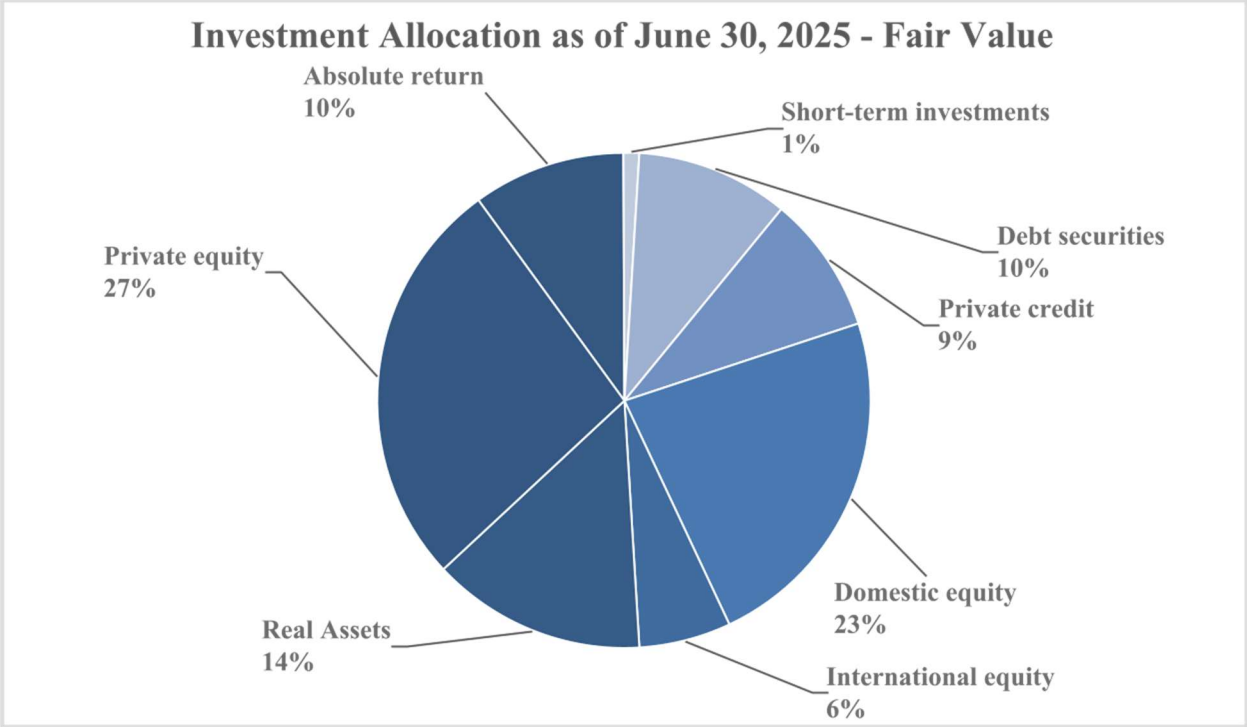
Fiduciary Net Position as of June 30
($ billions)



The investment allocation at fair value based on investment category (excluding securities lending collateral and foreign currency contracts) as of June 30, 2026, is represented in the chart below:



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



Economic and Financial Market Factors

For the fiscal year ending June 30, 2026, the U.S. economy remained resilient despite elevated geopolitical uncertainty, persistent inflation pressures, and questions surrounding long-term fiscal sustainability. Economic growth was supported by strong corporate earnings, healthy labor market conditions, and significant investment in artificial intelligence (AI), digital infrastructure, energy, and domestic manufacturing. While consumer spending continued to expand, growth moderated during the year as households faced the cumulative effects of higher borrowing costs and inflation.

The Federal Reserve (Fed), under a new Chair as of May 2026, maintained a cautious policy stance, balancing resilient economic activity against inflation, which remained above its long-term target of 2.0%. While the Fed made two (2) rate cuts in the last quarter of 2025, lowering rates by 50 bps, no cuts were made in the first half of 2026.

While periodic volatility occurred in response to geopolitical developments, inflation concerns, and interest-rate uncertainty, broad equity markets demonstrated considerable resilience, generating strong returns during the fiscal year. U.S. equities advanced, with the S&P 500 returning 22.3% driven largely by concentrated strength in large-cap technology and semiconductor companies benefiting from AI-related investment trends. International equities also performed well, with the MSCI EAFE Index and the MSCI Emerging Markets Index delivering returns of 20.2% and 43.5%, respectively, supported by improving economic conditions in several regions and periods of U.S. dollar weakness. While geopolitical events and trade-related uncertainty contributed to episodes of volatility, investor sentiment remained strong, driven by robust corporate profitability and expectations for continued economic expansion.

Fixed income markets produced positive returns despite fluctuating interest rate expectations. The Bloomberg U.S. Aggregate Bond Index returned 3.8%, while the Bloomberg U.S. Corporate High Yield Index rose 5.9%. Real assets continued to provide diversification benefits amid inflation and geopolitical concerns. Commodities returned 25.5%, as measured by the Bloomberg Commodity Index, while gold benefited from its traditional safe-haven role during periods of uncertainty, returning 21.3%. Overall, investors navigated a year characterized by strong market performance, evolving monetary policy expectations, geopolitical tensions, and continued focus on long-term structural themes such as AI adoption, energy demand, and fiscal sustainability.

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.

Requests for Information

This financial report is designed to provide a general overview of the Retirement System's finances for the years ended June 30, 2026, and 2025. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to:

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

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Statements of Fiduciary Net Position
June 30, 2026 and 2025
Dollars in thousands

	2026	2025
Assets:		
Deposits	$ 23,262	$ 24,260
Contributions receivable - members	12,186	27,962
Contributions receivable - employers	—	2,495
Investment income receivable:		
Interest	44,792	34,996
Dividends	3,243	2,540
Securities lending	298	390
Receivable from brokers, general partners, and others	217,783	197,159
Investments at fair value:		
Short-term investments	276,458	353,894
City investment pool	22,450	6,963
Debt securities:		
U.S. government and agency securities	2,439,931	2,169,628
Other debt securities	1,857,301	1,530,133
Equity securities:		
Domestic	11,871,509	9,034,662
International	2,313,232	2,223,225
Real assets	4,929,115	5,079,195
Private credit	3,448,139	3,398,891
Private equity	10,721,070	10,088,382
Absolute return	4,142,866	3,573,142
Foreign currency contracts, net	1,526	(2,866)
Invested securities lending collateral	772,047	847,489
Total investments	42,795,644	38,302,738
Total assets	43,097,208	38,592,540
Deferred outflows of resources:		
Other postemployment benefits (OPEB)	2,841	2,366
Total assets and deferred outflows of resources	43,100,049	38,594,906
Liabilities:		
Payable to brokers	148,594	162,536
Other	64,369	52,530
Payable to borrowers of securities	771,986	847,211
Obligation under repurchase agreements	919,057	80,100
Total liabilities	1,904,006	1,142,377
Deferred inflows of resources:		
Other postemployment benefits (OPEB)	1,751	2,434
Total liabilities and deferred inflows of resources	1,905,757	1,144,811
Fiduciary net position – restricted for pension benefits	$ 41,194,292	$ 37,450,095

See accompanying notes to financial statements.

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2026 and 2025
Dollars in Thousands

	2026	2025
Additions:		
Member contributions		
Miscellaneous	$ 385,684	$ 370,211
Police	47,192	41,483
Fire	32,468	30,315
Total member contributions	465,344	442,009
Employer contributions		
Miscellaneous	592,299	583,990
Police	59,819	57,357
Fire	43,261	43,962
Total employer contributions	695,379	685,309
Investment income (expenses)		
Interest	178,412	133,071
Dividends	104,884	96,726
Net appreciation in fair value of investments	4,537,115	2,757,906
Securities lending income	33,389	52,798
Investment expenses	(44,377)	(30,273)
Securities lending borrower rebates and expenses	(29,891)	(49,052)
Net investment income	4,779,532	2,961,176
Total additions	5,940,255	4,088,494
Deductions:		
Benefits	2,139,930	1,999,230
Refunds of contributions	27,741	24,771
Administrative expenses	30,783	28,581
Other administrative expenses and offset (OPEB)	(2,396)	1,372
Total deductions	2,196,058	2,053,954
Net increase in fiduciary net position	3,744,197	2,034,540
Fiduciary net position – restricted for pension benefits		
Beginning of year	37,450,095	35,415,555
End of year	$ 41,194,292	$ 37,450,095

See accompanying notes to financial statements.

(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, 2026, and 2025, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. The City and County's Annual Comprehensive Financial Report can be obtained from City Hall, Room 316, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102, or via https://www.sf.gov/annual-comprehensive-financial-reports-acfr.

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

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

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

b. **Sheriff's Department and Miscellaneous Safety Members** – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the sheriff's department, and miscellaneous safety employees hired on or after January 7, 2012.

c. **Firefighter Members** – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.

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

(b) Service Retirement

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

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

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

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

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

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

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

(c) Disability Retirement

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

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

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

(d) Separation and Death Benefits

Separation from Employment

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

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 they 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 they 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 only payable if the Retirement System is also fully funded on a market value of assets basis.

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, 2026:

	Police[1]	Fire	Miscellaneous	Total
Retirees and beneficiaries currently receiving benefits	3,073	2,468	28,463	34,004
Active members	2,606	1,776	31,238	35,620
Terminated members entitled to but not yet receiving benefits	432	89	13,708	14,229
Total	6,111	4,333	73,409	83,853

[1] Police counts include Sheriff and Miscellaneous Safety.

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

[1] Police 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 on a monthly basis by each fund's independent administrator and for certain illiquid investments, where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions which can impede the timely return of capital. The valuation techniques vary based upon underlying investment type, but are predominantly derived from observed market prices.

The Retirement Board approved securities lending program is currently managed by the Retirement System's custodian bank, Bank of New York Mellon Corporation (BNY). 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, 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 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 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 will credit the amount of such difference to the Retirement System's collateral account.

To manage its counterparty risk, BNY requires additional collateral ranging between 100% and 110% depending on collateral type. As of June 30, 2026, BNY collected 102.09% for cash loans and 110.24% for non-cash loans, resulting in 106.89% over collateralization on extended loans. As of June 30, 2025, BNY 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, 2026, and 2025 was 69 days and 85 days, respectively. All cash collateral received was invested in a separately managed account by the lending agent using investment guidelines developed and approved by the Retirement System. The separately managed account for re-investing cash collateral insured that SFERS is the sole beneficiary of any liquidity needs. In addition, SFERS adopted conservative cash collateral reinvestment guidelines that are consistent with those that govern money market funds (i.e., Rule 2a-7 of the Investment Company Act of 1940). As of June 30, 2026, and 2025, the weighted average maturity of the reinvested cash collateral account was 36 days and 10 days, respectively. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of said collateral.

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

(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.

(3) Deposits

Deposits are carried at cost, which approximates fair value. Deposits in bank accounts were $23.3 million and $24.3 million as of June 30, 2026, and 2025, respectively.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government may not be able to recover its deposits or may not be able to recover collateral securities that are in the possession of an outside party. The Retirement System does not have a specific policy addressing custodial credit risk for deposits. As of June 30, 2026, and 2025, $13.1 million and $16.7 million, respectively, of the Retirement System's deposits in bank accounts were held by the System's custodian in the Retirement System's name and not exposed to custodial credit risk.

(4) Investments

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

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

The Retirement Board's asset allocation policies for the years ended June 30, 2026, and 2025, 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%
	100.0%

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines. In addition, the Retirement System's securities lending cash collateral separately managed account is authorized to use repurchase arrangements. As of June 30, 2026, and 2025, $247.7 million (or 32.1% of reinvested cash collateral) and $251.1 million (or 29.6% of reinvested cash collateral), respectively, consisted of tri-party repurchase agreements.

The Retirement System maintains its operating fund cash in the City and County's investment pool. The City and County's pool is invested pursuant to investment policy guidelines established by the City Treasurer, subject to review by the Treasury Oversight Committee until its elimination in June 2026. The Treasury Oversight Committee, established under California Government Code Sections 27130 to 27137, was composed of various City and County officials and representatives of agencies with large cash balances in the pool. As of June 30, 2026, the investment pool is administered by the Office of the City Treasurer. The investment policy addresses soundness of financial institutions in which the City and County will deposit funds, types of investment

instruments as permitted by the California Government Code, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The provisions of the City and County's investment policy also address interest rate risk, credit risk, and concentration of credit risk and provide for additional restrictions related to investments. The notes to the basic financial statements of the City and County provide more detailed information concerning deposit and investment risks associated with the City and County's pool of cash and investments at June 30, 2026 and 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.

Below are tables depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2026, and 2025.

Investments at Fair Value as of June 30, 2026
Dollars in thousands

		Maturities			
Investment Type	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Asset-Backed Securities	$ 21,134	$ 578	$ 2,187	$ 1,542	$ 16,827
Bank Loans	195,772	1,238	110,057	84,477	—
City Investment Pool	22,450	11,309	11,141	—	—
Collateralized Bonds	27,460	—	98	3,634	23,728
Commercial Mortgage-Backed	98,423	303	2,506	11,800	83,814
Commingled and Other Fixed Income Funds	342,478	4,089	117,658	128,425	92,306
Corporate Bonds	1,009,982	11,197	437,255	424,831	136,699
Corporate Convertible Bonds	14,636	—	10,631	4,005	—
Government Bonds	2,613,573	24,664	1,609,203	858,070	121,636
Government Mortgage-Backed Securities	15,796	—	—	10	15,786
Municipal/Provincial Bonds	1,736	—	1,342	301	93
Non-Government Backed Collateralized Mortgage Obligations	28,681	—	—	165	28,516
Options	(2)	(2)	—	—	—
Short-Term Investment Funds	276,458	276,458	—	—	—
Swaps*	(76,212)	(76,208)	(139)	(177)	312
Total	$4,592,365	$ 253,626	$2,301,939	$1,517,083	$ 519,717

**$3,775 Credit default swaps are excluded because they are not subject to interest rate risk.*

Investments at Fair Value as of June 30, 2025
Dollars in thousands

		Maturities			
Investment Type	**Fair Value**	**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. The agencies pointed to persistent fiscal deficits, growing interest costs, and increasing political polarization that has complicated efforts to stabilize debt trajectories.

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

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2026. Investments issued or explicitly guaranteed by the U.S. government of $2,422.0 million as of June 30, 2026, are exempt from the credit rating disclosures and are excluded from the table below.

Credit Ratings of Fixed Income Investments as of June 30, 2026

Dollars in thousands

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	$ 239,547	11.0 %
AA	21,454	1.0 %
A	67,857	3.1 %
BBB	271,353	12.5 %
BB	432,720	19.9 %
B	501,620	23.1 %
CCC	91,715	4.2 %
CC	4,362	0.2 %
D	5,290	0.2 %
Not Rated	537,827	24.8 %
Total	$ 2,173,745	100.0 %

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 2.2% for 2026 and 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, 2026, and 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, 2026, and 2025, $212.2 million and $202.0 million, respectively, of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System, and were held by the counterparty's trust department or agent but not in the Retirement System's name.

(e) Foreign Currency Risk

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

The Retirement System's direct net exposures to foreign currency risk as of June 30, 2026, are as follows:

Foreign Currency Risk Analysis as of June 30, 2026
Dollars in thousands

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Private Credit	Foreign Currency Contracts	Total
Argentina peso	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,533	$ 2,533
Australian dollar	-	4,889	391	40,632	14,111	-	(297)	59,726
Brazil real	-	7,119	8,628	-	-	-	1,557	17,304
Canadian dollar	-	18,594	399	-	-	-	(934)	18,059
Chilean peso	-	-	-	-	-	-	6,735	6,735
Chinese yuan HK	-	-	-	-	-	-	1,912	1,912
Chinese yuan renminbi	-	21,487	(2,632)	-	-	-	(1,643)	17,212
Colombian peso	-	-	6,029	-	-	-	(2,719)	3,310
Czech koruna	-	-	-	-	-	-	(7)	(7)
Danish krone	-	42,556	-	-	-	-	-	42,556
Dominican Rep peso	-	-	-	-	-	-	201	201
Egyptian pound	10,230	-	-	-	-	-	274	10,504
Euro	-	415,567	89,085	138,165	402,045	130,548	(88,045)	1,087,365
Hong Kong dollar	-	36,702	-	-	-	-	2,738	39,440
Hungarian forint	-	3,099	3,850	-	-	-	483	7,432
Indian rupee	-	30,317	-	-	-	-	891	31,208
Indonesian rupiah	-	1,845	4,324	-	-	-	(244)	5,925
Israeli shekel	-	-	-	-	-	-	(581)	(581)
Japanese yen	-	104,137	48	-	20,597	-	404	125,186
Kazakhstan tenge	-	-	-	-	-	-	3,524	3,524
Kuwaiti dinar	-	-	-	-	-	-	(711)	(711)
Malaysian ringgit	-	-	-	-	-	-	(28)	(28)
Mexican peso	-	3,940	3,680	-	-	-	645	8,265
New Taiwan dollar	-	111,302	-	-	-	-	65	111,367
New Zealand dollar	-	-	-	-	-	-	(412)	(412)
Nigerian naira	1,039	-	-	-	-	-	1,827	2,866
Norwegian krone	-	-	-	-	-	-	(40)	(40)
Peruvian sol	-	-	2,136	-	-	-	(2,320)	(184)
Philippines peso	-	-	-	-	-	-	(115)	(115)
Polish zloty	-	2,631	3,213	-	-	-	(615)	5,229
Pound sterling	-	103,406	10,340	85,774	53,167	-	(9,788)	242,899
Romanian leu	-	-	3,217	-	-	-	(7)	3,210
Saudi Arabia riyal	-	2,956	-	-	-	-	-	2,956
Singapore dollar	-	1,545	-	-	-	-	(932)	613
South African rand	320	5,199	8,087	-	-	-	(3,934)	9,672
South Korean won	-	66,945	-	-	-	-	6,677	73,622
Swedish krona	-	14,795	-	-	-	-	(1,043)	13,752
Swiss franc	-	56,161	-	-	-	-	(314)	55,847
Thailand baht	-	2,340	-	-	-	-	(449)	1,891
Turkish lira	-	3,890	2,087	-	-	-	231	6,208
UAE dirham	-	2,942	-	-	-	-	-	2,942
Uruguayan peso	-	-	4,939	-	-	-	-	4,939
Uzbekistan sum	-	-	205	-	-	-	(211)	(6)
Total	$ 11,589	$1,064,364	$ 148,026	$ 264,571	$ 489,920	$ 130,548	$ (84,692)	$ 2,024,326

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

Foreign Currency Risk Analysis as of June 30, 2025
Dollars in thousands

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

(f) Unfunded Investments Commitments

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of $1.95 billion, private equity in the amount of $3.10 billion, private credit in the amount of $2.41 billion and absolute return in the amount of $23.8 million totaling $7.48 billion as of June 30, 2026.

(g) Derivative Instruments

As of June 30, 2026, and 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 are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by the Retirement System's investment managers based on quoted market prices of the underlying investment instruments or by an external pricing service using various proprietary methods.

The tables below present the notional amounts, the fair values, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2026, and 2025.

As of and for the Year Ended June 30, 2026
Dollars in thousands

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	$ 252,269	$ 1,526	$ 4,393
Futures			
Bond Futures Long	145,284	1,318	1,253
Bond Futures Short	(4,552)	(20)	(23)
Equity Index Futures Long	7,914	(104)	(305)
Treasury Futures Long	156,614	1,609	477
Treasury Futures Short	(67,513)	(298)	(64)
Options			
Credit Contracts	-	-	(2)
Interest Rate Contracts	-	-	2
Foreign Exchange Contracts	(271)	(2)	(5)
Swaps			
Credit Contracts	78,933	3,775	360
Currency Contracts	4,706	(142)	(194)
Interest Rate Contracts	213,387	138	(59)
Total Return Contracts	1,233,210	(76,208)	(53,236)
Rights/Warrants			
Equity Contracts	102 shares	74	89
Total		$ (68,334)	$ (47,314)

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	(13,472)	(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, 2026
Dollars in thousands

Credit Rating		Fair Value
AA	$	216
A		11,076
BBB		386
Total	$	11,678

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, 2026, and 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 tables below describe the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2026, and 2025.

Derivative Interest Rate Risk as of June 30, 2026
Dollars in thousands

		Maturities			
Derivative Type / Contracts	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Futures					
Treasury Futures Long	$ 1,609	$ 1,609	$ -	$ -	$ -
Treasury Futures Short	(298)	(298)	-	-	-
Options					
Foreign Exchange Contracts	(2)	(2)	-	-	-
Swaps					
Currency Contracts	(142)	-	-	(199)	57
Interest Rate Contracts	138	-	(139)	22	255
Total Return Contracts	(76,208)	(76,208)	-	-	-
Total	$ (74,903)	$ (74,899)	$ (139)	$ (177)	$ 312

Derivative Interest Rate Risk as of June 30, 2025
Dollars in thousands

		Maturities			
Derivative Type / Contracts	**Fair Value**	**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 tables detail the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2026, and 2025:

Derivative Instruments Highly Sensitive to Interest Rate Changes as of June 30, 2026
Dollars in thousands

Investment Type / Reference Rate	Notional Value	Fair Value
Interest Rate Swap		
Receive Fixed 2.25%, Pay Variable 6-Month EURIBOR	$ 8,175	$ (75)
Receive Fixed 2.50%, Pay Variable 6-Month CORRA	423	(6)
Receive Fixed 2.50%, Pay Variable 6-Month EURIBOR	4,459	(51)
Receive Fixed 2.75%, Pay Variable 6-Month EURIBOR	194	(3)
Receive Fixed 3.69%, Pay Variable 6-Month SHIR	67	1
Receive Fixed 3.73%, Pay Variable 6-Month SHIR	67	2
Receive Fixed 4.14%, Pay Variable 6-Month SHIR	67	4
Receive Fixed 4.25%, Pay Variable 6-Month BBSW	1,247	(54)
Receive Fixed 4.50%, Pay Variable 1-Day SOFR	94,700	369
Receive Fixed 4.75%, Pay Variable 6-Month BBSW	4,295	2
Receive Fixed 6.51%, Pay Variable 3-Month JIBAR	98	(3)
Receive Fixed 6.61%, Pay Variable 3-Month JIBAR	110	(3)
Receive Fixed 6.64%, Pay Variable 3-Month JIBAR	116	(3)
Receive Fixed 6.67%, Pay Variable 3-Month JIBAR	104	(3)
Receive Fixed 7.60%, Pay Variable 28-Day TIIE	120	-
Receive Fixed 7.82%, Pay Variable 28-Day TIIE	200	1
Receive Variable 1-Day SOFR, Pay Fixed 3.25%	1,300	204
Receive Variable 1-Day SOFR, Pay Fixed 3.72%	6,480	128
Receive Variable 1-Day SOFR, Pay Fixed 3.75%	10,100	61
Receive Variable 1-Day SOFR, Pay Fixed 4.00%	1,500	42
Receive Variable 1-Day SOFR, Pay Fixed 4.00%	5,400	(3)
Receive Variable 1-Day SOFR, Pay Fixed 4.50%	69,625	(450)
Receive Variable 28-Day TIIE, Pay Fixed 7.65%	423	-
Receive Variable 3-Month JIBAR, Pay Fixed 7.56%	3,240	(26)
Receive Variable 6-Month EURIBOR, Pay Fixed 3.00%	709	11
Receive Variable 6-Month SHIR, Pay Fixed 3.96%	168	(7)
Total Interest Rate Swaps	$ 213,387	$ 138

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)
Receive Fixed 1.50%, Pay Variable 3-Month PBOC	2,028	3
Receive Fixed 2.25%, Pay Variable 6-Month EURIBOR	4,461	(8)
Receive Fixed 2.56%, Pay Variable 6-Month BUBOR	2,049	(81)
Receive Fixed 3.15%, Pay Variable 6-Month PRIBOR	1,016	(21)
Receive Fixed 3.36%, Pay Variable 6-Month PRIBOR	1,786	(21)
Receive Fixed 3.50%, Pay Variable 1-Day SONIA	6,441	(41)
Receive Fixed 3.50%, Pay Variable 3-Month KLIBOR	266	4
Receive Fixed 3.75%, Pay Variable 6-Month CORRA	1,246	7
Receive Fixed 4.00%, Pay Variable 1-Day SOFR	76,500	469
Receive Fixed 4.50%, Pay Variable 1-Day SOFR	26,800	349
Receive Fixed 4.65%, Pay Variable 6-Month WIBOR	3,293	56

Investment Type / Reference Rate	Notional Value	Fair Value
Receive Fixed 4.68%, Pay Variable 6-Month PRIBOR	641	38
Receive Fixed 4.72%, Pay Variable 6-Month PRIBOR	513	17
Receive Fixed 4.74%, Pay Variable 6-Month PRIBOR	902	30
Receive Fixed 4.75%, Pay Variable 6-Month BBSW	4,063	69
Receive Fixed 4.98%, Pay Variable 6-Month CLICP	919	14
Receive Fixed 5.26%, Pay Variable 3-Month JIBAR	647	-
Receive Fixed 5.43%, Pay Variable 6-Month WIBOR	1,301	38
Receive Fixed 5.60%, Pay Variable 3-Month COOVIBR	83	(18)
Receive Fixed 5.88%, Pay Variable 6-Month BUBOR	353	(3)
Receive Fixed 6.00%, Pay Variable 6-Month MIBOR	5,886	64
Receive Fixed 6.39%, Pay Variable 6-Month BUBOR	587	7
Receive Fixed 6.55%, Pay Variable 6-Month BUBOR	1,731	32
Receive Fixed 6.65%, Pay Variable 6-Month BUBOR	137	3
Receive Fixed 7.37%, Pay Variable 3-Month JIBAR	163	-
Receive Fixed 7.56%, Pay Variable 3-Month JIBAR	162	1
Receive Fixed 7.57%, Pay Variable 3-Month JIBAR	371	4
Receive Fixed 7.81%, Pay Variable 3-Month JIBAR	177	4
Receive Fixed 9.03%, Pay Variable 3-Month COOVIBR	851	14
Receive Fixed 10.79%, Pay Variable 1-Day BIDOR	1,264	(65)
Receive Fixed 11.46%, Pay Variable 1-Day BIDOR	1,521	(42)
Receive Fixed 13.29%, Pay Variable 1-Day BIDOR	1,851	9
Receive Fixed 13.32%, Pay Variable 1-Day BIDOR	202	1
Receive Fixed 13.93%, Pay Variable 1-Day BIDOR	3,151	(8)
Receive Variable 1-Day SOFR, Pay Fixed 3.00%	700	7
Receive Variable 1-Day SOFR, Pay Fixed 3.25%	8,000	298
Receive Variable 1-Day SOFR, Pay Fixed 3.75%	14,600	(128)
Receive Variable 1-Day SOFR, Pay Fixed 3.84%	200	(4)
Receive Variable 1-Day SOFR, Pay Fixed 3.87%	100	(2)
Receive Variable 1-Day SOFR, Pay Fixed 3.88%	100	(2)
Receive Variable 1-Day SOFR, Pay Fixed 3.89%	50	(1)
Receive Variable 1-Day SOFR, Pay Fixed 3.90%	4,444	(87)
Receive Variable 1-Day SOFR, Pay Fixed 3.91%	200	(4)
Receive Variable 1-Day SOFR, Pay Fixed 3.93%	100	(2)
Receive Variable 1-Day SOFR, Pay Fixed 3.98%	200	(5)
Receive Variable 1-Day SOFR, Pay Fixed 4.00%	41,650	(206)
Receive Variable 1-Day SOFR, Pay Fixed 4.50%	14,400	(344)
Receive Variable 3-Month JIBAR, Pay Fixed 7.65%	326	(5)
Receive Variable 3-Month JIBAR, Pay Fixed 7.70%	2,597	(42)
Receive Variable 3-Month THB, Pay Fixed 2.00%	867	(31)
Receive Variable 6-Month CLICP, Pay Fixed 5.67%	857	(25)
Receive Variable 6-Month EURIBOR, Pay Fixed 2.25%	1,068	111
Receive Variable 6-Month EURIBOR, Pay Fixed 2.45%	117	2
Receive Variable 6-Month EURIBOR, Pay Fixed 2.51%	117	1
Receive Variable 6-Month EURIBOR, Pay Fixed 2.53%	235	1
Receive Variable 6-Month EURIBOR, Pay Fixed 2.55%	117	1
Total Interest Rate Swaps	$ 245,818	$ 449

Foreign Currency Risk

At June 30, 2026, 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, 2026
Dollars in thousands

Currency	Forwards	Options	Swaps	Futures	Total
Argentina peso	$ 2,533	$ -	$ -	$ -	$ 2,533
Australian dollar	(297)	-	(52)	333	(16)
Brazil real	1,557	-	-	-	1,557
Canadian dollar	(934)	-	(6)	16	(924)
Chilean peso	6,735	-	-	-	6,735
Chinese yuan HK	1,912	-	-	-	1,912
Chinese yuan renminbi	(1,643)	-	(2,631)	-	(4,274)
Colombian peso	(2,719)	-	-	-	(2,719)
Czech koruna	(7)	-	-	-	(7)
Dominican Rep peso	201	-	-	-	201
Egyptian pound	274	-	-	-	274
Euro	(88,045)	(2)	262	847	(86,938)
Hong Kong dollar	2,738	-	-	-	2,738
Hungarian forint	483	-	-	-	483
Indian rupee	891	-	-	-	891
Indonesian rupiah	(244)	-	1,840	-	1,596
Israeli shekel	(581)	-	-	-	(581)
Japanese yen	404	-	(7)	-	397
Kazakhstan tenge	3,524	-	-	-	3,524
Kuwaiti dinar	(711)	-	-	-	(711)
Malaysian ringgit	(28)	-	-	-	(28)
Mexican peso	645	-	1	-	646
New Taiwan dollar	65	-	-	-	65
New Zealand dollar	(412)	-	-	-	(412)
Nigerian naira	1,827	-	-	-	1,827
Norwegian krone	(40)	-	-	-	(40)
Peruvian sol	(2,320)	-	-	-	(2,320)
Philippines peso	(115)	-	-	-	(115)
Polish zloty	(615)	-	-	-	(615)
Pound sterling	(9,788)	-	-	101	(9,687)
Romanian leu	(7)	-	-	-	(7)
Singapore dollar	(932)	-	-	-	(932)
South African rand	(3,934)	-	(40)	-	(3,974)
South Korean won	6,677	-	-	-	6,677
Swedish krona	(1,043)	-	-	-	(1,043)
Swiss franc	(314)	-	-	-	(314)
Thailand baht	(449)	-	-	-	(449)
Turkish lira	231	-	-	-	231
Uzbekistan sum	(211)	-	-	-	(211)
Total	$ (84,692)	$ (2)	$ (633)	$ 1,297	$ (84,030)

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, 2026, and 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, 2026:

As of June 30, 2026 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	$ 228,803	$ 217,214	$ 11,589	$ -
Debt securities:				
U.S. government and agency securities	2,439,931	2,422,395	17,536	-
Other debt securities	1,521,945	2,608	1,322,765	196,572
Equity securities:				
Domestic	4,847,958	4,845,284	2,674	-
International	1,537,658	1,537,658	-	-
Foreign currency contracts, net	1,526	-	1,526	
Invested securities lending collateral	772,047	-	697,430	74,617
Total investments by fair value level	11,349,868	$ 9,025,159	$ 2,053,520	$ 271,189
Investments measured at the net asset value (NAV)				
Short-term investments	47,655			
Fixed income funds invested in:				
Other debt securities	335,355			
Equity funds invested in:				
Domestic	7,023,551			
International	775,574			
Real assets	4,929,115			
Private credit	3,448,139			
Private equity	10,721,070			
Absolute return	4,142,866			
Total investments measured at the NAV	31,423,325			
Investments not subject to the fair value hierarchy				
City investment pool	22,450			
Total investments measured at fair value	$ 42,795,643			

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 have multiple inputs used to measure fair value, and each input might fall into a different level of the fair value hierarchy. The level in the fair value hierarchy within which a fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement. The prices used in determining the fair value hierarchy are obtained from various pricing sources by the Retirement System's custodian bank.

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

Investments at Net Asset Value (NAV)

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

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

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

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

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

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

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

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

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, 2026. Dollar amounts are presented in thousands.

Investment Type	NAV as of June 30, 2026	Unfunded Commitment	Redemption Frequency	Redemption Notice Period	NAV Lock Up and Years
Debt securities	$ 45,379	N/A	Monthly	15 BD prior to the last BD of the month	
	53,501		Daily	15 Calendar Days	
	236,475		Daily	1 business day	
Total:	**$ 335,355**				
Public equity	$ 240,837	N/A	Annually	60 calendar days	
	1,770,357		Monthly	30 calendar days	
	49,116		Quarterly*	30 calendar days	
	1,341,403		Quarterly	45 calendar days	
	224,983		Quarterly	60 calendar days	
	629,024		Quarterly	90 calendar days	Lock Up Ends in Year 2029
	473,716		Quarterly	90 calendar days	
	189,814		Semi-annually	60 calendar days	
	38,219		Semi-annually*	60 calendar days	
	679,347		Semi-annually	90 calendar days	
	695,960		Semi-monthly	6 business days	
	1,458,516		Semi-monthly	9 business days	
	7,833		Illiquid	N/A	N/A
Total:	**$ 7,799,125**				
Absolute return	$ 2,194,068	$ 23,803	Monthly	5-95 days	No lock up
	1,429,851		Quarterly	45-180 days	$1,233,649 No Lock Up $196,202 < 1 Year
	498,934		Semi-annually	60-90 days	No lock up
	20,013		N/A	N/A	No lock up
Total:	**$ 4,142,866**				
Real assets	$ 542,600	$ 1,951,620	Quarterly, subject to available liquidity	90 calendar days	N/A
	4,386,515		Illiquid	N/A	N/A
Total:	**$ 4,929,115**				
Private credit	$ 114,152	$ 2,406,158	Capital returned on a realized basis	90 days	One year hard lock followed by one year soft lock (both expired)
	398,054		Capital returned on a realized basis	90 days	One year hard lock (expired)
	14,693		Capital returned on a realized basis	upon request	No lock up
	520,999		Capital returned on a realized basis subject to 3-year maximum	180 days	N/A
	61,002		Quarterly, subject to 33% investor-level gate	45 days	One year hard lock (expired)
	52,450		Redeemed quarterly over four quarters	1 business day	2-year lockup
	2,286,789		Illiquid	N/A	N/A
Total:	**$ 3,448,139**				
Private equity	$ 10,721,070	$ 3,096,336	Illiquid	N/A	N/A

** The Retirement System has requested full redemption as of June 30, 2026. Proceeds are expected as remaining investments are sold.*

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. Dollar amounts are presented 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	15 BD prior to the last BD of the month	
	156,028		Daily	1 business day	
Total:	**$ 201,097**				
Public equity	$ 227,823	N/A	Annually	60 calendar days	
	1,476,291		Monthly	30 calendar days	
	94,832		Semi-annually*	30 calendar days	
	665,234		Quarterly	45 calendar days	
	87,967		Quarterly	60 calendar days	
	1,151,855		Quarterly	90 calendar days	$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**				
Absolute return	$ 2,012,370	$ 61,389	Monthly	5-95 days	No lock up
	1,016,738		Quarterly	45-180 days	$653,913 No lock up $176,502 < 1 Year $186,323 < 2 Years
	507,190		Semi-annually	60-90 days	No lock up
	36,844		N/A	N/A	No lock up
Total:	**$ 3,573,142**				
Real assets	$ 631,940	$ 1,925,919	Quarterly, subject to available liquidity	90 calendar days	N/A
	4,447,255		Illiquid	N/A	N/A
Total:	**$ 5,079,195**				
Private credit	$ 111,318	$ 2,284,643	Capital returned on a realized basis	90 days	One year hard lock followed by one year soft lock (both expired)
	388,370		Capital returned on a realized basis	90 days	One year hard lock (expired)
	13,144		Capital returned on a realized basis	upon request	No lock up
	511,000		Capital returned on a realized basis subject to 3-year maximum	180 days	N/A
	61,160		Quarterly, subject to 33% investor-level gate	30 days	One year hard lock (expired)
	2,313,899		Illiquid	N/A	N/A
Total:	**$ 3,398,891**				
Private equity	$ 10,088,382	$ 3,249,713	Illiquid	N/A	N/A

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

(6) Securities Lending

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

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. The securities collateral is not reported on the statements of fiduciary net position. As of June 30, 2026, and 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, 2026, the Retirement System has lent $1.84 billion in securities and received collateral of $772 million and $1,192.8 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. The Retirement System's invested cash collateral was valued at $772 million. 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, 2026, are summarized in the following table.

Securities Lending as of June 30, 2026

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	$ 218,659	$ 224,395	$ -
U.S. Equities	206,402	208,695	-
U.S. Government Fixed Income	317,663	324,757	-
International Fixed Income	10,511	11,065	-
International Equities	2,943	3,074	-
Securities on Loan for Non-Cash Collateral			
U.S. Corporate Fixed Income	44,334	-	47,780
U.S. Equities	437,471	-	481,482
U.S. Government Fixed Income	486,109	-	538,884
International Fixed Income	20,345	-	21,157
International Equities	93,698	-	103,455
	$ 1,838,135	$ 771,986	$ 1,192,758

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, 2026.

Fair Value of Cash Collateral Account as of June 30, 2026
Dollars in thousands

Investment Type	Fair Value	Maturities Less Than 1 Year
Certificate of Deposit	$ 133,693	$ 133,693
Commercial Paper	365,575	365,575
Corporate Bonds	24,432	24,432
Tri-party Repurchase Agreement	247,730	247,730
Cash	(73)	(73)
Total *	$ 771,357	$ 771,357

**This figure excludes $690 cash collateral arrived late after investment cutoff due to timing of lending and investment activities*.

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2026, is as follows:

Credit Rating of Cash Collateral Account as of June 30, 2026
Dollars in thousands

Credit Rating	Fair Value	Fair Value as a Percentage of Total
A-1	$ 241,767	31.3 %
AA	100,415	13.0 %
A	172,278	22.3 %
Not Rated *	256,897	33.3 %
Total	$ 771,357	100.0 %

**This figure includes $247,730 in tri-party repurchase agreements and $73 in payable*.

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

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

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

Credit Rating of Cash Collateral Account as of June 30, 2025
Dollars in thousands

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

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

(7) Investments in Real Assets

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the years ended June 30, 2026, and 2025, are summarized as follows:

Investments:	2026	2025
Dollars in thousands		
Beginning of the year	$ 5,079,195	$ 5,208,475
Capital investments	361,741	358,908
Equity in net earnings	7,422	(75,418)
Net appreciation/(depreciation) in fair value	197,438	128,635
Capital distributions	(716,681)	(541,405)
End of the year	$ 4,929,115	$ 5,079,195

(8) Benefits

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

Allowances and benefits:	2026	2025
Dollars in thousands		
Service retirement and vesting benefits	$ 1,708,054	$ 1,606,858
Disability retirement benefits	264,410	249,487
Death benefits	12,668	12,590
COLA benefit adjustments	154,798	130,295
Total	$ 2,139,930	$ 1,999,230

(9) Funding Policy

Contributions are made to the Plan by both the employers and the participating employees. The basic employer contributions are the amounts deemed necessary on an actuarial basis using the entry age normal cost method to provide the Retirement System with assets sufficient to pay the basic benefits that are not provided for by employees' contributions. Contribution rates used in fiscal years 2025-2026 and 2024-2025 are based on a schedule of rates determined from actuarial studies by the consulting actuary as of July 1, 2024, and 2023, respectively.

Required and actual employer contribution rates for the years ended June 30, 2026, and 2025 as a percentage of covered payrolls were as follows:

	Fiscal Year 2025-26	Fiscal Year 2024-25
Police members	14.53% - 15.03%	14.91% - 15.41%
Fire members	14.53% - 15.03%	14.91% - 15.41%
Miscellaneous Non-Safety members	14.53% - 16.53%	14.91% - 16.91%
Sheriff and Miscellaneous Safety members	14.53% - 15.03%	14.91% - 15.41%

Employee contributions are mandatory as required by the Charter. Employee contribution rates for the years ended June 30, 2026, and 2025 as a percentage of gross covered salary were as follows:

	Fiscal Year 2025-26	Fiscal Year 2024-25
Participants entering the Retirement System prior to November 2, 1976		
Police and fire	9.0%	9.0%
Miscellaneous	8.0% - 10.0%	8.0% - 10.0%
Participants entering the Retirement System after November 2, 1976 and prior to July 1, 2010		
Police and fire	9.5%	9.5%
Miscellaneous	7.5% - 9.5%	7.5% - 9.5%
Participants entering the Retirement System on or after July 1, 2010		
Police and fire	10.5% - 11.0%	10.5% - 11.0%
Miscellaneous	7.5% - 9.5%	7.5% - 9.5%
Sheriff and Miscellaneous Safety hired on or after January 7, 2012	10.5% - 11.0%	10.5% - 11.0%

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

In the early 1950s, the City and County agreed to exclude uniformed police officers and firefighters from Social Security coverage. Prior to 1990, miscellaneous members covered by Social Security were able to elect to reduce the above stated rate of employee contributions in consideration of their anticipated Social Security benefit payments. All participants who elected

such reduction must repay the amount of unpaid employee contributions with interest or there will be an appropriate actuarial reduction in benefits.

Participants terminating service with the employers may withdraw employee contributions plus interest. The Retirement Board reviews and sets the crediting interest rate for the Plan on an annual basis subject to the requirement that the crediting interest rate is at least four percent (4%) per annum and does not exceed the actuarial assumption for return on assets. Interest for the years ended June 30, 2026, and 2025, accumulated at 4.00%.

(10) Net Pension Liability of Employers

The components of the employers' net pension liability at June 30, 2026, and 2025, were as follows (dollars in thousands):

	June 30, 2026	June 30, 2025
Total pension liability	$ 44,212,023	$ 41,836,074
Fiduciary net position	41,194,292	37,450,095
Net pension liability	$ 3,017,731	$ 4,385,979
Fiduciary net position as a percentage of total pension liability	93.2 %	89.5 %

(a) Actuarial Assumptions and Long Term Expected Return Assumptions

The total pension liabilities as of June 30, 2026, and 2025, were determined by actuarial valuations as of July 1, 2025, and 2024, respectively, which were rolled forward to June 30, 2026, and 2025, using standard roll forward procedures.

The following is a summary of actuarial methods and assumptions used at the June 30, 2026, 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-2016(A) Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates for Safety members were based upon adjusted PubS-2016(A) Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2021 projection scale.

The actuarial assumptions used at the June 30, 2026 measurement date are based upon the results of a demographic experience study dated September 2025, and a review of economic assumptions as of July 1, 2025.

The Supplemental COLA assumptions as of June 30, 2026, were developed based upon the probability and amount of Supplemental COLA expected for each future year and are shown below.

Assumed Future Supplemental COLAs for Members with a 2.00% Basic COLA

July 1,	Before Prop C	After Prop C
2026	1.50%	0.75%
2027+	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, 2026, are summarized in the following table:

Asset Class	Target Allocation effective as of July 2024	Long-Term Expected Real Rate of Return (30 year)
Global Equity	32.0%	4.2%
Treasuries	8.0%	1.7%
Public Credit	12.0%	3.7%
Private Credit	10.0%	5.6%
Private Equity	20.0%	6.9%
Real Assets	10.0%	6.3%
Absolute Return	10.0%	3.8%
Cash	1.0%	0.9%
Leverage	-3.0%	1.1%
	100.0%	

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+	½ x (3.5% less assumed Basic COLA), not less than zero	0.75%	0.50%

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

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

Asset Class	Target Allocation effective as of July 2024	Long-Term Expected Real Rate of Return (30 year)
Global Equity	32.0%	3.7%
Treasuries	8.0%	1.8%
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, 2026, 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, 2025, 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, 2026, the System's fiduciary net position was projected to be available to make all future benefit payments for current members. 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 4.67% to the extent that they are not available. The single equivalent percentage rate used to determine the total pension liability as of June 30, 2026, rounded to two decimals is 7.20%

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 4.67% and 5.20% used to determine the above discount rates represent the yields available on June 30, 2026, and June 30, 2025, respectively, on the Bond Buyer 20-Bond GO Index.

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

The following presents the net pension liability/(asset) as of June 30, 2026, and 2025 calculated using the discount rates of 7.20% and 7.20%, respectively, as well as what the total net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the discount rates:

	Net Pension Liability/(Asset) Dollars in Thousands	
	June 30, 2026	June 30, 2025
1% Decrease	$8,790,280	$9,896,783
Current Discount Rate	$3,017,731	$4,385,979
1% Increase	($1,752,184)	($154,182)

(d) Money Weighted Rate of Returns

For the years ended June 30, 2026, and 2025, the annual money-weighted rates of return on pension plan investments, net of investment expenses, adjusted for the changing amounts actually invested, were 12.92% and 8.47%, respectively.

(11) Postemployment Healthcare Plan

(a) Other Postemployment Benefits (OPEB)

The Retirement System participates in a single-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, 2026, the following timeframes are used.

San Francisco Health Service System Retiree Plan

Valuation Date	June 30, 2024 updated to June 30, 2025
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025

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, 2025. The Retirement System's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense to each department is based on the Retirement System's allocated percentage. The Retirement System's proportionate share of the City and County's OPEB elements was 0.3% as of June 30, 2025.

(b) Benefits

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

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

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012, under Charter Section 8.603.

[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those who died in the line of duty.

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

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

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

(c) Contributions

Benefits provided under the OPEB Plan are currently paid through "pay as you go" funding. Additionally, under the City Charter, active officers and employees of the City and County who commenced employment on or after January 10, 2009, contribute a percentage not to exceed 2% of pre-tax compensation. The City and County contributes 1% of compensation for officers and employees who commenced employment on or after January 10, 2009. When the City and County's GASB Actuary has determined that the City and County's portion of the Trust Fund is fully funded, the City and County's 1% contribution will cease. Thereafter, the City and County and its officers and employees will each contribute 50% of the Normal Cost, as determined by the City and County's GASB Actuary, except that the contribution rate for officers and employees will not exceed 2% of pre-tax compensation

Starting July 1, 2016, active officers and employees of the City and County who commenced employment on or before January 9, 2009, contribute 0.25% of pre-tax compensation into the Trust Fund with an equal matching contribution from the City and County. Beginning on July 1st of each subsequent year, the active officers and employees of the City and County who commenced employment on or before January 9, 2009, contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%, with an equal and matching contribution from the City and County. When the City and County's GASB Actuary has determined that the City and County's portion of the Trust Fund is fully funded, the City and County's 1% contribution will cease. Thereafter, the City and County and its officers and employees each contribute 50% of the Normal Cost, as determined by the City and County's GASB Actuary, except that the contribution rate for officers and employees will not exceed 1% of pre-tax compensation

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

For the year ended June 30, 2026, the City and County's funding was based on "pay as you go" plus a contribution of $54.5 million to the Retiree Healthcare Trust Fund. The "pay as you go" portion paid by the City and County was $263.8 million for a total contribution of $318.3 million for the year ended June 30, 2026. The Retirement System's proportionate share of the City and County's contributions for fiscal year ended 2026 was $1.0 million.

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

As of June 30, 2026, the City and County reported a net OPEB liability related to the OPEB Plan of $3.9 billion. The Retirement System's proportionate share of the City and County's net OPEB liability as of June 30, 2026 was $12.0 million.

For the year ended June 30, 2026, the City and County's recognized OPEB expense was $298.4 million. Amortization of the City and County's deferred outflows and inflows is included as a component of OPEB expense. The Retirement System's proportionate share of the City and County's OPEB activity resulted in OPEB revenue of $1.4 million.

As of June 30, 2026, the Retirement System reported its proportionate share of the City and County's deferred outflows and inflows of resources related to OPEB from the following sources:

Dollars in thousands	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 967	$ —
Differences between expected and actual experience	206	730
Changes in assumptions	366	—
Net difference between projected and actual earnings on plan investments	—	174
Change in proportion	1,302	847
Total	$ 2,841	$ 1,751

At June 30, 2026, the Retirement System reported $1.0 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net OPEB liability/(asset) in the reporting year ending June 30, 2027.

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB expense as follows:

Year ending June 30:	Dollars in thousands
2027	$ (66)
2028	(123)
2029	26
2030	46
2031	65
Thereafter	175

(e) Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total OPEB liability as of June 30, 2025 (measurement date), is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2024 updated to June 30, 2025
Measurement Date	June 30, 2025
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability

Healthcare Cost Trend Rates	Pre-Medicare trend starts at 6.62% trending down to ultimate rate of 3.94% in 2075 Medicare trend starts at 6.62% trending down to ultimate rate of 3.94% in 2075 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075 Vision and expenses trend remains a flat 3.00% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc.: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019.

Non-Annuitants

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Retiree	1.031	0.977
Safety	PubS-2010 Retiree	0.947	1.044

Disabled Retirees

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

Beneficiaries

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Retiree	1.031	0.977
Safety	PubG-2010 Retiree	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale for the actuarial valuation as of June 30, 2025.

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

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

Dollars in thousands

1% Decrease	Healthcare Cost Trend	1% Increase
$ 9,852	$ 11,956	$ 14,575

(g) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2025 was 7.0%. Based on the assumption that plan member and employer contributions will continue to be made at the rates specified in the Charter, it was determined that the OPEB Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	25.0%	5.6%
U.S. Small Cap	2.0%	6.3%
Developed Market Equity (non-U.S.)	13.0%	5.8%
Emerging Market Equity	10.0%	5.8%
Credit		
Bank Loans	3.0%	4.0%
High Yield Bonds	3.0%	4.3%
Rate Securities		
Investment Grade Corporate Bonds	7.0%	2.5%
Short-term Treasury Inflation Protected Securities (TIPS)	5.0%	1.4%
Private Markets		
Private Equity	10.0%	7.0%
Private Debt	5.0%	6.2%
Core Private Real Estate	5.0%	5.6%
Infrastructure (Core Private)	2.0%	6.3%
Risk Mitigating Strategies		
Global Macro	10.0%	2.0%
Total	100.0%	

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

Dollars in thousands

1% Decrease 6.0%	Discount Rate 7.0%	1% Increase 8.0%
$ 14,201	$ 11,956	$ 10,114

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Fiscal Year 2025 Postemployment Healthcare Plan

(a) Other Postemployment Benefits (OPEB)

The Retirement System participates in a single-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 is based on the Retirement System's allocated percentage. The Retirement System's proportionate share of the City and County's OPEB elements was 0.3% as of the measurement date.

(b) Benefits

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

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

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012, under Charter Section 8.603.

[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those who died in the line of duty.

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

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

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

(c) Contributions

Benefits provided under the OPEB Plan are currently paid through "pay as you go" funding. Additionally, under the City Charter, active officers and employees of the City and County who commenced employment on or after January 10, 2009, contribute a percentage not to exceed 2% of pre-tax compensation. The City and County contributes 1% of compensation for officers and employees who commenced employment on or after January 10, 2009. When the City and County's GASB Actuary has determined that the City and County's portion of the Trust Fund is fully funded, the City and County's 1% contribution will cease. Thereafter, the City and County and its officers and employees will each contribute 50% of the Normal Cost, as determined by the City and County's GASB Actuary, except that the contribution rate for officers and employees will not exceed 2% of pre-tax compensation

Starting July 1, 2016, active officers and employees of the City and County who commenced employment on or before January 9, 2009, contribute 0.25% of pre-tax compensation into the Trust Fund with an equal matching contribution from the City and County. Beginning on July 1st of each subsequent year, the active officers and employees of the City and County who commenced employment on or before January 9, 2009, contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%, with an equal and matching contribution from the City and County. When the City and County's GASB Actuary has determined that the City and

County's portion of the Trust Fund is fully funded, the City and County's 1% contribution will cease. Thereafter, the City and County and its officers and employees each contribute 50% of the Normal Cost, as determined by the City and County's GASB Actuary, except that the contribution rate for officers and employees will not exceed 1% of pre-tax compensation.

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

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

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

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

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

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

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

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

Year ending June 30: Dollars in thousands	
2026	$ (205)
2027	(239)
2028	(294)
2029	(127)
2030	(108)
Thereafter	(108)

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

(e) Actuarial Assumptions

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

Key Actuarial Assumptions

Valuation Date	June 30, 2024
Measurement Date	June 30, 2024
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 6.87% trending down to ultimate rate of 3.94% in 2075 Medicare trend starts at 6.87% trending down to ultimate rate of 3.93% in 2075 10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075 Vision and expenses trend remains a flat 3.00% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc.: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually

Non-Annuitants		**Adjustment Factor**	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979
Healthy Retirees		**Adjustment Factor**	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Retiree	1.031	0.977
Safety	PubS-2010 Retiree	0.947	1.044
Disabled Retirees		**Adjustment Factor**	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Disabled	1.045	1.003
Safety	PubS-2010 Disabled	0.916	0.995
Beneficiaries		**Adjustment Factor**	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Retiree	1.031	0.977
Safety	PubG-2010 Retiree	1.031	0.977

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

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

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

Dollars in thousands

1% Decrease	Healthcare Cost Trend	1% Increase
$ 11,118	$ 13,192	$ 15,764

(g) Discount Rate

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

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

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

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

Dollars in thousands

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

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

Year ended June 30	2026	2025	2024	2023	2022
Total pension liability:					
Service cost	$1,039,256	$ 944,777	$ 872,979	$ 813,901	$ 781,610
Interest	2,974,511	2,800,168	2,650,500	2,518,802	2,471,994
Changes of benefit terms	–	16,897	–	59,080	–
Differences between expected and actual experience	498,875	693,672	480,293	295,778	98,920
Changes of assumptions	30,978	–	–	–	786,100
Benefit payments, including refunds of member contributions	(2,167,671)	(2,024,001)	(1,932,046)	(1,844,365)	(1,737,750)
Net change in total pension liability	2,375,949	2,431,513	2,071,726	1,843,196	2,400,874
Total pension liability - beginning of year	41,836,074	39,404,561	37,332,835	35,489,639	33,088,765
Total pension liability - ending of year (a)	44,212,023	41,836,074	39,404,561	37,332,835	35,489,639
Fiduciary net position:					
Contributions - member	465,344	442,009	427,512	413,916	423,471
Contributions - employer	695,379	685,309	672,618	672,651	768,463
Net investment income	4,779,532	2,961,176	2,587,698	1,670,666	(2,308,320)
Benefit payments, including refunds of member contributions	(2,167,671)	(2,024,001)	(1,932,046)	(1,844,365)	(1,737,750)
Administrative expenses	(28,387)	(29,953)	(26,544)	(22,964)	(21,174)
Net change in fiduciary net position	3,744,197	2,034,540	1,729,238	889,904	(2,875,310)
Fiduciary net position - beginning of year					
Beginning of year (as previously reported)	37,450,095	35,417,666	33,688,428	32,798,524	35,673,834
Restatement due to adoption of GASB 75, 101*	–	(2,111)	–	–	–
Beginning of year (as restated)	37,450,095	35,415,555	33,688,428	32,798,524	35,673,834
Fiduciary net position - ending of year (b)	41,194,292	37,450,095	35,417,666	33,688,428	32,798,524
Net pension liability - ending of year (a) – (b)	$3,017,731	$4,385,979	$3,986,895	$3,644,407	$2,691,115
Fiduciary net position as a percentage of total pension liability	93.2%	89.5%	89.9%	90.2%	92.4%
Covered payroll	$4,876,344	$4,660,826	$4,319,733	$3,994,117	$3,742,459
Net pension liability/(asset) as a percentage of covered payroll	61.9%	94.1%	92.3%	91.2%	71.9%

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

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

Year ended June 30	2021	2020	2019	2018	2017
Total pension liability:					
Service cost	$ 718,771	$ 704,637	$ 675,065	$ 632,118	$ 644,277
Interest	2,302,075	2,230,441	2,131,847	2,041,110	1,924,206
Changes of benefit terms	–	–	–	–	–
Differences between expected and actual experience	136,097	205,869	12,484	(42,382)	57,911
Changes of assumptions	(479,435)	(117,141)	351,902	170,699	88,180
Benefit payments, including refunds of member contributions	(1,619,761)	(1,548,077)	(1,456,682)	(1,364,587)	(1,278,140)
Net change in total pension liability	1,057,747	1,475,729	1,714,616	1,436,958	1,436,434
Total pension liability - beginning of year	32,031,018	30,555,289	28,840,673	27,403,715	25,967,281
Total pension liability - ending of year (a)	33,088,765	32,031,018	30,555,289	28,840,673	27,403,715
Fiduciary net position:					
Contributions - member	409,398	400,649	380,980	364,696	316,844
Contributions - employer	836,559	742,985	645,056	619,067	551,809
Net investment income	9,447,669	966,282	1,970,312	2,549,674	2,683,468
Benefit payments, including refunds of member contributions	(1,619,761)	(1,548,077)	(1,456,682)	(1,364,587)	(1,278,140)
Administrative expenses	(20,249)	(20,270)	(18,983)	(18,238)	(18,134)
Net change in fiduciary net position	9,053,616	541,569	1,520,683	2,150,612	2,255,847
Fiduciary net position - beginning of year					
Beginning of year (as previously reported)	26,620,218	26,078,649	24,557,966	22,410,350	20,154,503
Restatement due to adoption of GASB 75, 101	–	–	–	(2,996)	–
Beginning of year (as restated)	26,620,218	26,078,649	24,557,966	22,407,354	20,154,503
Fiduciary net position - ending of year (b)	35,673,834	26,620,218	26,078,649	24,557,966	22,410,350
Net pension liability - ending of year (a) – (b)	$(2,585,069)	$5,410,800	$4,476,640	$4,282,707	$4,993,365
Fiduciary net position as a percentage of total pension liability	107.8%	83.1%	85.3%	85.2%	81.8%
Covered payroll	$3,623,898	$ 3,566,991	$3,375,447	$3,221,544	$3,041,818
Net pension liability/(asset) as a percentage of covered payroll	-71.3%	151.7%	132.6%	132.9%	164.2%

Schedule of Employer Contributions

Dollars in thousands

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2026	$ 695,379	$ 695,379	$ —	$ 4,876,344	14.3 %
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 %

Schedule of Money-Weighted Rate of Return

Year Ended June 30	Money-Weighted Rate of Return
2026	12.92%
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%

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

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

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

Year Ended June 30	Discount Rate for Total Pension Liability
2026	7.20%
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%

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
2026	7/1/2024	7.20%	3.25%	Adj. 2010 Pub-G and 2010 Pub-S Mortality Tables projected generationally with MP-2019	None
2025	7/1/2023	7.20%	3.25%		None
2024	7/1/2022	7.20%	3.25%		None
2023	7/1/2021	7.20%	3.25%		Discount rate
2022	7/1/2020	7.40%	3.25%		Wage inflation and demographic assumptions including rates of retirement, termination, refund, disability and mortality and salary merit based upon experience study
2021	7/1/2019	7.40%	3.50%	Adj. 2009 CalPERS Mortality Tables projected generationally with mod. MP-2015	None
2020	7/1/2018	7.40%	3.50%		Discount rate
2019	7/1/2017	7.50%	3.50%		Wage inflation assumption
2018	7/1/2016	7.50%	3.75%		None
2017	7/1/2015	7.50%	3.75%		Demographic assumptions including rates of retirement, termination, refund, disability and mortality and salary merit based upon experience study

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