ANNUAL REPORT

For Fiscal Year Ended June 30, 2015

SFERS

San Francisco Employees' Retirement System

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Introductory Section

LETTER OF TRANSMITTAL
February 10, 2016

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

On behalf of the Retirement Board and Retirement System staff, we are pleased to present the San Francisco Employees' Retirement System Annual Report for Fiscal Year 2014-15.

ABOUT SFERS

The Retirement System

Initially established by approval of City voters on November 2, 1920 and the California State Legislature on January 12, 1921, the San Francisco Employees' Retirement System ("Retirement System" or "SFERS") is deeply rooted in the history and culture of the City and County of San Francisco and is committed to serving the retirement needs of its members. Originally established as a fund to assist families and orphans of firefighters and police, today the Retirement System serves more than 58,300 active and retired employees of the City and County of San Francisco and their survivors.

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

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

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

Our Mission

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

The Pension Plan

The SFERS Pension Plan is a tax-qualified defined benefit plan that provides for the following benefits upon separation: service and disability retirement, refund or vesting allowance, and pre and post-retirement death benefits to beneficiaries. Defined benefit plans are funded through employee and employer contributions and investment earnings.

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

As of June 30, 2015, the Fund was valued at $20.4 billion, earning nearly 4.0% over the June 30, 2014 value of $19.9 billion. Annual benefit payments totaled $1.119 billion paid to over 27,485 retirees and their beneficiaries.

The San Francisco 457(b) Deferred Compensation Plan

The San Francisco Deferred Compensation Plan (SFDCP), a voluntary IRC §457(b) plan, was adopted in 1979, and allows eligible City employees to elect to voluntarily defer receipt and taxation of a portion of their regular earnings until after they retire or separate from service. The SFDCP offers members an opportunity to supplement pension income during retirement.

During the fiscal year, the Retirement Board authorized a loan program for its participants. The loan program will be implemented in 2016.

Our Members

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

Sheriff, Undersheriff, and deputized personnel of the Sheriff's Department hired after January 7, 2012 are covered by the SFERS Sheriff's Plan. Probation Officers, District Attorney Investigators and Juvenile Court Counselors hired after January 7, 2012 are covered by the SFERS Miscellaneous Safety Plan. In Fiscal Year 2014-15, SFERS enrolled 2,398 new members and added 1,062 new retirees.

SFERS Administration

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

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

The Retirement Board

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

The Retirement Board generally meets once each month to review and to approve important elements of Retirement System business. The Retirement Board is composed of seven members: three members elected by the active and retired members of SFERS; three members appointed by the Mayor in accordance with §12.100, the San Francisco City Charter; and one member of the Board of Supervisors appointed by the President of the Board of Supervisors.

FINANCE AND FUNDING

Financial Reporting

The accounting policies followed in preparing the SFERS financial statements by the City's auditors Marcias, Gini & O'Connell, LLP, conform to standards prescribed by the Governmental Accounting Standards Board (GASB). The audited Statements of Plan Net Position and Statements of Changes in Plan Net Position provide a general overview of the City and County of San Francisco Employees' Retirement System's financial position as of the fiscal year ended June 30, 2015.

Financial highlights and analysis can be found in the SFERS Discussion and Analysis preceding the financial statements. This transmittal letter, when taken into consideration with the Financial Section of this report, provides an enhanced picture of the activities of the organization.

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

Actuarial Services and Funding

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

The consulting actuarial firm conducts annual actuarial valuations of the Retirement System's assets and liabilities in order to assess its funded status and to determine the appropriate level of employer contributions to the Fund. Each year, the Retirement Board looks to the consulting actuary and staff Actuarial Services Coordinator to recommend appropriate actuarial assumptions to provide the required funding for the promised benefits. The recommendations are based on results from economic experience analyses conducted each year, as well as demographic experience analyses conducted approximately every five years. The actuarial assumptions are included in the Actuarial Section of this report.

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

The consulting actuarial firm also calculates the total pension liability and net pension liability as required by GASB Statement No. 67. At the June 30, 2015 fiscal year-end measurement date, the plan net position as a percentage of total pension liability is 89.9% based on total pension liability of $22.7 billion and plan net position of $20.4 billion. The net pension liability at June 30, 2015 is $2.3 billion. Details may be found in Note 10 of the Notes to the Basic Financial Statements and also in the Required Supplementary Information.

INVESTMENTS

The Retirement System's investment objective is to maximize long-term rates of return on investments within prudent guidelines.

The professional Investment Staff, supported by a group of professional consulting firms hired by the Retirement Board, analyzes, develops and recommends asset allocation mixes, manages investment portfolios, and monitors the activities and performance of external investment managers. For Fiscal Year 2015, the investment portfolio returned 3.96%.

Under the authorization of the Retirement Board, and in line with the 2015 Annual Investment Plan, the investment team committed a total of $3.2 billion in new investments: $1.25 billion in Private Equity, $1.19 billion in the Real Assets portfolio and $77.5 million in fixed income (see the Investment Section for a detailed schedule of these investments).

During the fiscal year, the Retirement Board approved the following actions:

- Retained NEPC as General Investment Consultant
- Adopted 2015 Asset Allocation
- Established an ESG (Environmental, Social & Governance) Committee
- Level II engagement of the SFERS Social Investment Policies and Procedures regarding fossil fuels

ACKNOWLEDGEMENTS

We would like to express our personal appreciation to the Retirement Board members who, without compensation, have provided the leadership, direction and support that have made all of our achievements possible. SFERS members and the citizens of the City and County have been well-served by their leadership.

Finally, we would like to thank the SFERS staff for their hard work to support our mission.

Respectfully submitted,

Jay P. Huish
Executive Director

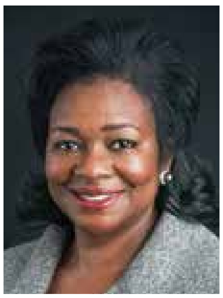
Victor Makras
President

The Retirement System Organization For Fiscal Year 2015

THE SFERS RETIREMENT BOARD

PRESIDENT
Victor Makras
President
Makras Real Estate
Appointed Member
Term Expires: 02/20/2019

VICE PRESIDENT
Malia Cohen
Member, Board of Supervisors
Ex-Officio Member
Term Expires: 01/20/2016



Leona Bridges
Former Managing Director
Barclays Global Investors
Appointed Member
Term Expires: 02/20/2018

Wendy Paskin-Jordan
Chief Executive Officer
Paskin Capital Advisers, LLC
Appointed Member
Term Expires: 02/20/2019

Joseph D. Driscoll, CFA
Captain, Fire Department
Elected Member
Term Expires: 02/20/2016

Brian Stansbury
Officer
San Francisco Police Department
Elected Member
Term Expires: 02/20/2020

Herb Meiberger, CFA
Retiree
Elected Member
Term Expires: 02/20/2017

Jay P. Huish
Executive Director

Caryn Bortnick
Deputy Executive Director

William J. Coaker, Jr., CFA
Chief Investment Officer

Janet Brazelton, FSA, EA
Actuarial Services Coordinator

Jim Burruel
Finance Manager

Vacant
Deferred Compensation Manager

Alison Johnson
Communications Manager

Craig Lee
Information Systems Director

Vacant
Compliance Manager

Maria Newport
Retirement Services Administrator

Norm Nickens
Board Secretary

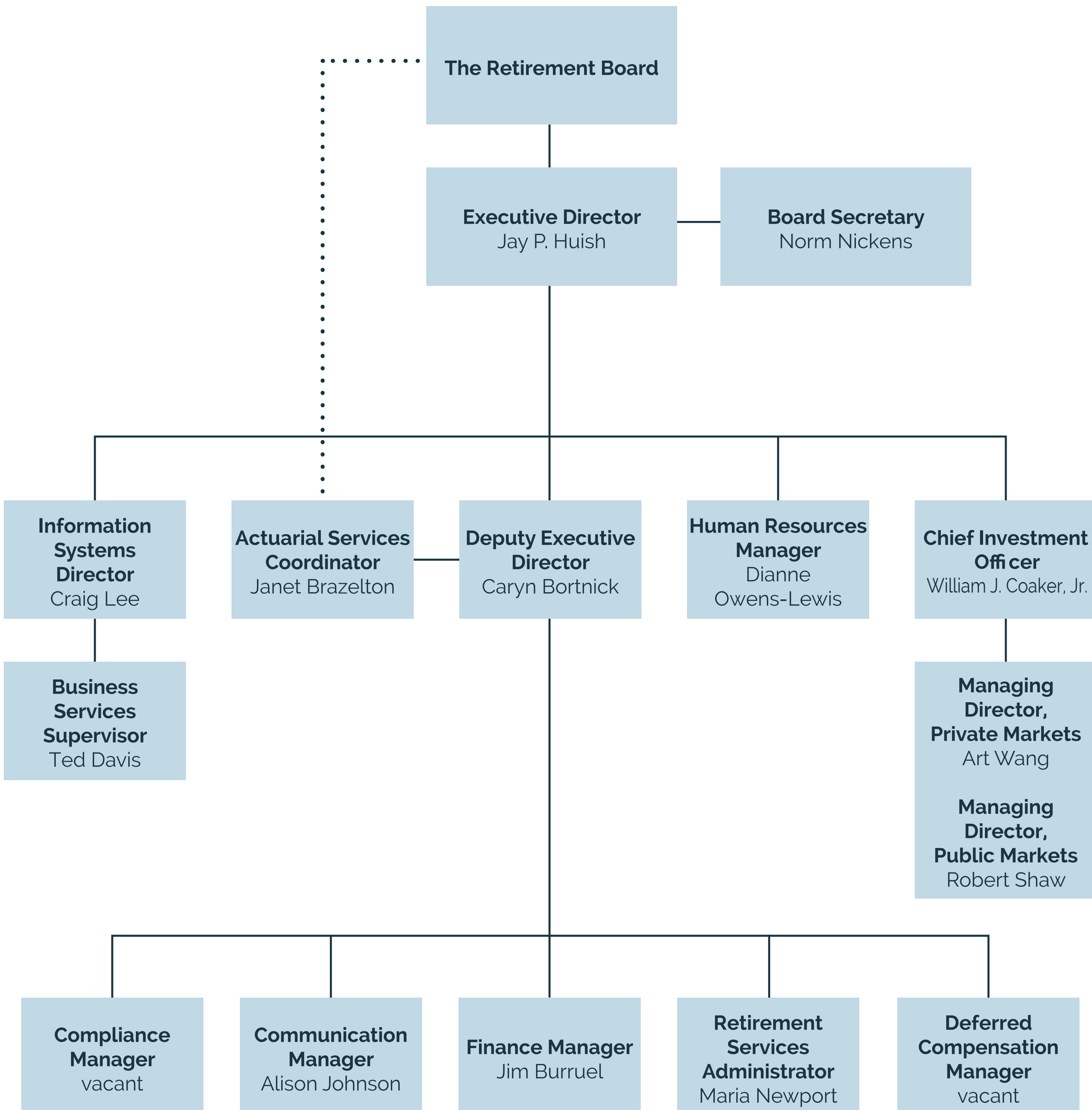
Dianne Owens-Lewis
Human Resources Manager

Robert L. Shaw, CFA
Managing Director, Public Markets

Art Wang
Managing Director, Private Markets

SFERS ORGANIZATIONAL CHART

as of June 30, 2015



PROFESSIONAL CONSULTANTS

Consulting Actuary

- Cheiron, Inc.

Investment Consultants

- NEPC, LLC
- Angeles Investment Advisors
- Cambridge Associates, LLC
- Torrey Cove Capital Partners, LLC

Governance Consultants

- Cortex Applied Research, Inc.
- Institutional Shareholder Services, Inc.

Financial Section

SFERS DISCUSSION AND ANALYSIS

The management of the City and County of San Francisco Employees' Retirement System is pleased to provide this overview and analysis of the financial activities of its cost-sharing multiple-employer defined benefit pension plan (the "Plan") for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the Basic Financial Statements and Required Supplementary Information enclosed elsewhere in this report.

Financial Highlights of Fiscal Year 2015

- The Plan held $20.4 billion of net position restricted for pension benefits. All of the 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 plan net position as a percentage of the total pension liability should be considered when evaluating the Retirement System's financial health. Based on the June 30, 2015 measurement date, the plan net position was 89.9% of the total pension liability.
- For the year ended June 30, 2015, the Retirement System's net investment income of $0.8 billion represents a 3.8% increase in plan net position. (This return is based on plan net position as of the beginning of the fiscal year.) Net appreciation in fair value of investments declined by $2.5 billion primarily as a result of lower returns in all asset classes relative to the prior fiscal year.
- Total net position held in trust for pension benefits increased by $0.5 billion, or 2.5%, primarily as a result of investment returns which were slightly reduced by the net difference between contributions received by the Plan and increased benefit payments made from the Plan.
- Members' contributions to the Plan totaled $301.7 million, an increase of $12.7 million or 4.4% from the prior year. This increase is primarily a result of increases in the number of active employees contributing to the Plan and increases in employee contribution rates, which ranged from 7.5% - 13.0% in fiscal year 2014-15.
- In order to maintain the fiscal soundness of the Plan, required employer contributions to the Plan totaled $592.6 million, an increase of $59.8 million or 11.2% from the prior year.
- Total deductions from the Plan were $1.2 billion, an increase of 5.7% from the prior year due to the increase in benefits paid during the current fiscal year.

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 Plan Net Position are snapshots of account balances as of the close of the fiscal years – June 30, 2015 and 2014. They indicate the total assets as of June 30, 2015 and 2014, total liabilities at those dates and the net position restricted for future payment of retirement benefits and operating expenses.
2. Statements of Changes in Plan Net Position provide a view of additions to and deductions from the Plan during the fiscal years ended June 30, 2015 and 2014.
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 plan net position and the statements of changes in plan 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. Private equity investments represent the Retirement System's interest in limited partnerships. The fair values of the Retirement System's partnership interests and real estate 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 are determined by quoted currency prices from national exchanges.

Additional information on the Retirement System's investments can be found in Note 4 of the Notes to the Basic Financial Statements of this report.

Financial Analysis

The Plan's net position may serve over time as a useful indication of the Plan's financial position. All of the Plan's net position is restricted to meet the Retirement System's ongoing obligation to Plan participants and their beneficiaries. The Plan's net positions as of June 30, 2015, 2014, and 2013 are represented in the table below:

Net Position Summary – June 30, 2015, 2014, and 2013
(in thousands)

	2015	2014	2013
Other assets	$ 305,801	$ 477,213	$ 450,504
Investments at fair value	21,540,021	20,735,639	18,049,488
Total assets	21,845,822	21,212,852	18,499,992
Total liabilities	1,417,753	1,292,245	1,488,447
Net assets	$ 20,428,069	$ 19,920,607	$ 17,011,545

As of June 30, 2015, the Plan's total net position held in trust for pension benefits increased by $0.5 billion or 2.5% for the year, primarily due to positive investment returns. Payables to brokers increased by $17.0 million and payables to borrowers of securities increased by $88.7 million due to the timing of investment trades and lending activities.

The Retirement Board and the consulting actuary concur that the Plan remains in a strong financial position to meet its obligations to the Plan members and beneficiaries. FY 2014-2015 saw a continuation of the economic recovery within the United States as the Federal Reserve's accommodative fiscal policy remained in place. Corporate earnings rose during the fiscal year, but at a slower pace than the prior year. Both consumer spending and consumer confidence reached levels not seen since 2007. There was continued improvement in the unemployment rate, which fell to 5.4% from 6.1% in the prior fiscal year. Outside the United States, economic growth remains low in the developed economies. In Western Europe, supportive fiscal measures from the European Central Bank has led to improving results. The export driven emerging economies, however, continue to struggle as GDP growth rates, although positive, remain near recent lows.

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 Net Position – Years ended June 30, 2015, 2014, and 2013
(in thousands)

	2015	2014	2013
Additions:			
Member contributions	$ 301,682	$ 289,020	$ 258,726
Employer contributions	592,643	532,882	442,870
Interest	209,520	177,425	182,160
Dividends	214,636	195,503	188,644
Net appreciation (depreciation) in fair value of investments	378,519	2,844,279	1,729,781
Securities lending income (loss)	4,869	4,871	5,096
Investment expenses	(44,911)	(47,599)	(41,654)
Securities lending borrower rebates and expenses	796	952	523
Total Additions	$ 1,657,754	$ 3,997,333	$ 2,766,146
Deductions:			
Benefits	$ 1,118,691	$ 1,062,229	$ 1,023,354
Refunds of contributions	12,339	10,297	9,453
Administrative expenses	18,108	14,550	14,169
Other Administrative Expenses-OPEB	1,154	1,195	1,349
Total Deductions	1,150,292	1,088,271	1,048,325
Change in net	$ 507,462	$ 2,909,062	$ 1,717,821
Net position - beginning of the year	$ 19,920,607	$ 17,011,545	$ 15,293,724
Net position - end of the year	$ 20,428,069	$ 19,920,607	$ 17,011,545

Highlights of Changes during Fiscal Year 2015

- Member contributions for the year ended June 30, 2015 increased by $12.7 million or 4.4% from the prior year. This increase is primarily a result of increases in the number of active employees contributing to the Plan and in employee contribution rates, which ranged from 7.5% - 13.0% in fiscal year 2014-15.
- In order to maintain the fiscal soundness of the Plan, $592.6 million in required employer contributions were made during the year ended June 30, 2015.

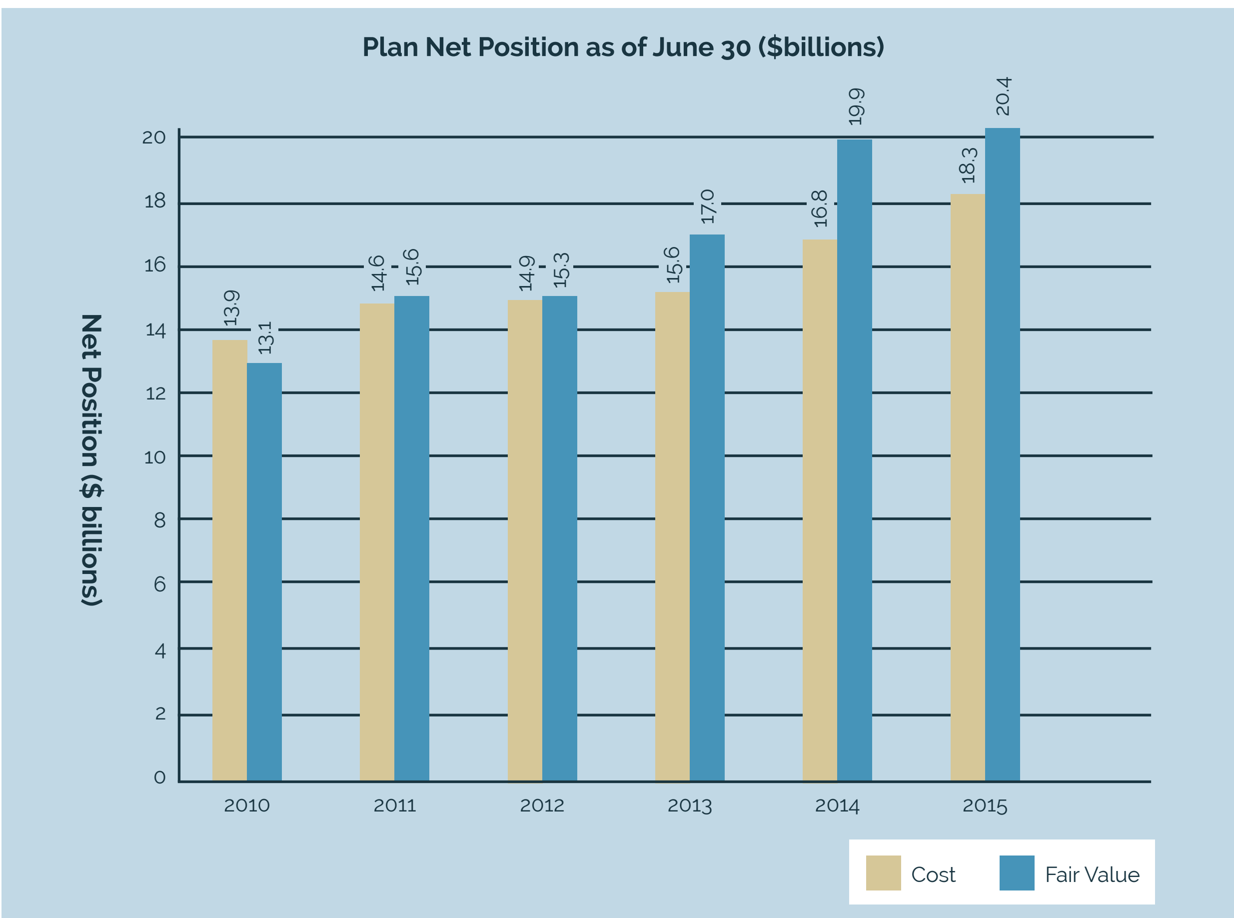
The increase of $59.8 million in required employer contributions reflect an increase in the employer contribution rates, which ranged from 22.26% to 26.76% in fiscal year 2014-15 and 20.82% to 24.32% in fiscal year 2013-14.

- Net investment income decreased by $2,412.0 million from the prior year. The majority of the decrease is attributed to the $2,465.8 million decline in net appreciation in fair value of investments primarily due to lower investment returns in all of the asset classes that the Retirement System invests in.

Interest income increased by $32.1 million, due mainly to the domestic fixed income market.

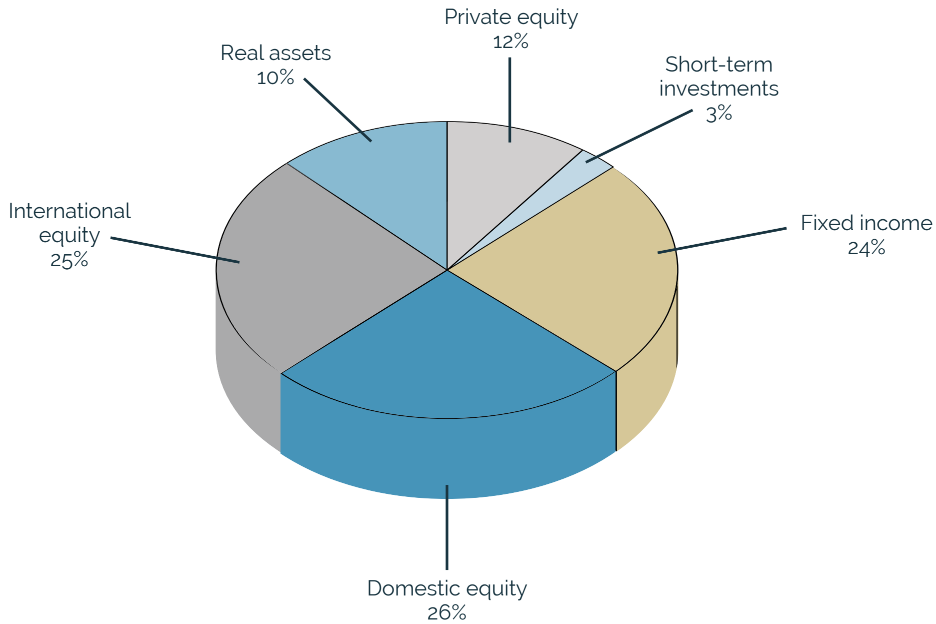
- Benefit payments to Plan participants increased by $56.5 million or 5.3%, which is primarily due to an increase in service retirement benefits as a result of an increased retiree count and increased average benefit payments.
- Accrued DROP retirement benefits decreased by $1.6 million reflecting the wind-down of the program as a result of the program being closed to new participants as of July 1, 2011.

Plan net position as of June 30, 2010 through 2015 expressed at cost and fair value are represented in the chart below:



The asset allocation at fair value based on holdings (excluding securities lending collateral and foreign currency contracts) as of June 30, 2015 is represented in the chart below:

Asset Allocation as of June 30, 2015 - Fair Value



Currently Known Facts and Events Affecting Next Year

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

Requests for information

This financial report is designed to provide a general overview of the Retirement System's finances for the year ended June 30, 2015. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to:

Jay Huish, Executive Director
San Francisco City and County Employees' Retirement System
1145 Market Street – 5th floor
San Francisco, CA 94103

BASIC FINANCIAL STATEMENTS
Statements of Plan Net Position
June 30, 2015 and 2014
(in thousands)

	2015	2014
Assets		
Deposits	$ 31,969	$ 82,283
Contributions Receivable – Members	$ 8,078	$ 17,224
Contributions Receivable – City and County	-	$ 32,419
Investment Income Receivable:		
Interest	$ 25,582	$ 51,449
Dividends	$ 13,358	$ 11,800
Securities Lending	$ 613	$ 719
Receivable from Brokers, General Partners, Others	$ 226,201	$ 281,319
Investments at Fair Value:		
Short-Term Investments	$ 656,185	$ 38,466
City Investment Pool	-	5,227
Debt Securities:		
U. S. Government And Agency Securities	1,074,204	882,574
Other Debt Securities	3,892,924	3,648,458
Equity Securities:		
Domestic	5,320,353	5,225,847
International	5,134,177	5,215,814
Real Assets	1,975,926	1,784,244
Private Equity	2,484,299	2,222,603
Foreign Currency Contracts, Net	722	829
Invested Securities Lending Collateral	1,001,231	911,577
Total Investments	$ 21,540,021	$ 20,735,639
Total Assets	**$ 21,845,822**	**$ 21,212,852**
Liabilities		
Payable to Brokers	$ 374,001	$ 356,990
DROP (Deferred Retirement Option Program)	1,491	3,096
Other	40,715	19,273
Payable to Borrowers of Securities	1,001,546	912,886
Total Liabilities	**$ 1,417,753**	**$ 1,292,245**
Plan Net Position – restricted for pension benefits	**$ 20,428,069**	**$ 19,920,607**

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

Statements of Changes in Plan Net Position
Years Ended June 30, 2015 and 2014
(in thousands)

	2015	2014
Additions:		
Member Contributions:		
Miscellaneous	$ 248,084	$ 235,797
Police	30,977	31,238
Firefighter	22,621	21,985
Total Member Contributions	$ 301,682	$ 289,020
Employer Contributions:		
Miscellaneous	$ 494,353	$ 443,773
Police	57,950	52,219
Firefighter	40,340	36,890
Total Employer Contributions	$ 592,643	$ 532,882
Investment Income (Expenses):		
Interest	$ 209,520	$ 177,425
Dividends	214,636	195,503
Net Appreciation (Depreciation) in Fair Value of Investments	378,519	2,844,279
Securities Lending Income	4,869	4,871
Investment Expenses	(44,911)	(47,599)
Securities Lending Borrower Rebates and Expenses	796	952
Net Investment Income	$ 763,429	$ 3,175,431
Total Additions	**$ 1,657,754**	**$ 3,997,333**
Deductions:		
Benefits	$ 1,118,691	$ 1,062,229
Refunds of Contributions	12,339	10,297
Administrative Expenses	18,108	14,550
Other Administrative Expenses - OPEB	1,154	1,195
Total Deductions	**$ 1,150,292**	**$ 1,088,271**
Net (Decrease)/Increase	$ 507,462	$ 2,909,062
Plan Net Position – restricted for pension benefits:		
Beginning of Year	19,920,607	17,011,545
End of Year	$ 20,428,069	$ 19,920,607

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

The Notes below provide a summary of the complete Notes found in SFERS' 2015 audited financial statements dated December 11, 2015.

(1) Plan Description

(a) General

The San Francisco City and County Employees' Retirement System (the Retirement System) 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), certain classified and certificated employees of the Community College and Unified School Districts, and San Francisco Trial 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 obligations 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 plan net position and changes in plan 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, 2015 and 2014, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. The City and County's basic financial statements can be obtained from City Hall, Room 316, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

The Retirement System is administered by the Executive Director, 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 San Francisco City Charter; and one member of the Board of Supervisors appointed by the President of the Board of Supervisors.

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

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

(b) Service Retirement

Membership Group	Service Retirement Benefit
Miscellaneous Old Plan A8.509 - Miscellaneous employees who became members before November 2, 1976	2.3% @ age 62; maximum benefit 75% of average monthly compensation (12 mo. avg.)
Miscellaneous New Plan Tier I A8.587 - Miscellaneous employees who became members on or after November 2, 1976	2.3% @ age 62; maximum benefit 75% of average monthly compensation (12 mo. avg.)
Miscellaneous New Plan Tier II Plan A8.600 - Miscellaneous employees who became members on or after July 1, 2010 and before January 7, 2012	2.3% @ age 62; maximum benefit 75% of average monthly compensation (24 mo. avg.)
Miscellaneous New Plan Tier III Plan A8.603 - Miscellaneous employees who became members on or after January 7, 2012	2.3% @ age 65; maximum benefit 75% of average monthly compensation (36 mo. avg.)
Police Old Plan A8.595 - Police officers who became members before November 2, 1976 and elected Proposition H benefits effective January 1, 2003	3.0% @ age 55; maximum benefit 90% of average monthly compensation (12 mo. avg.)
Police New Plan Tier I A8.597 - Police officers who became members on or after November 2, 1976 and were eligible for Proposition H benefits effective January 1, 2003	3.0% @ age 55; maximum benefit 90% of average monthly compensation (12 mo. avg.)
Police New Plan Tier II A8.602 - Police officers who became members on or after July 1, 2010 and before January 7, 2012	3.0% @ age 55; maximum benefit 90% of average monthly compensation (24 mo. avg.)
Police New Plan Tier III A8.605 - Police officers who became members on or after January 7, 2012	3.0% @ age 58; maximum benefit 90% of average monthly compensation (36 mo. avg.)
Firefighter Old Plan A8.588 - Firefighters who were members on January 1, 2003, who did not elect Proposition H	2.7% @ age 55; maximum benefit 75% of average monthly compensation (12 mo. avg.)
Firefighter Old Plan A8.596 - Firefighters who became members before November 2, 1976 and elected Proposition H benefits effective January 1, 2003	3.0% @ age 55; maximum benefit 90% of average monthly compensation (12 mo. avg.)
Firefighter New Plan Tier I A8.598 - Firefighters who became members on or after November 2, 1976 and were eligible for 2002 Proposition H benefits effective January 1, 2003	3.0% @ age 55; maximum benefit 90% of average monthly compensation (12 mo. avg.)
Firefighter New Plan Tier II A8.601 - Firefighters who became members on or after July 1, 2010 and before January 7, 2012	3.0% @ age 55; maximum benefit 90% of average monthly compensation (24 mo. avg.)
Firefighter New Plan Tier III A8.604 - Firefighters who became members on or after January 7, 2012	3.0% @ age 58; maximum benefit 90% of average monthly compensation (36 mo. avg.)
Sheriffs Plan A8.608 - Sheriffs, undersheriffs and all deputized personnel of the Sheriff's Department hired on or after January 7, 2012	3.0% @ age 58; maximum benefit 90% of average monthly compensation (36 mo. avg.)
Miscellaneous Safety Plan A8.610 - Probation Officers, District Attorney Investigators and Juvenile Court Counselors who hired on or after January 7, 2012	2.7% @ age 58; maximum benefit 90% of average monthly compensation (36 mo. avg.)

(c) Disability Retirement

All 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. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

(d) Separation and Death Benefits

Upon separation from employment, 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 contribution in the Plan and receive a vesting benefit that is first payable at or after age 50 for Safety members or members hired prior to January 7, 2012 or at or after age 53 for non-Safety members hired on or after January 7, 2012.

Prior to retirement, qualified surviving spouses or qualified domestic partners receive death benefits based upon a percentage of the service retirement benefit. Prior to eligibility for service retirement, a lump sum death payment equal to 6 months' earnable salary plus the member's accumulated contributions is payable to the members' named beneficiary or estate. For Safety members whose death is due to injury or illness caused by performance of duty, salary continuance is provided until the date member would have been eligible for service retirement.

Death benefits after retirement are contingent upon the form of annuity payment selected by the member.

(e) Cost of Living Adjustments (COLA)

Basic COLA: All retired members receive a benefit adjustment each July 1. The majority of adjustments are determined by changes in CPI with increases capped at 2%.

Supplemental COLA: The Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit. However, certain provisions of the voter approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition.

Effective July 1, 2012, SFERS members who retired before November 6, 1996 will receive a Supplemental COLA when there are sufficient "excess" investment earnings in the Plan and the Plan is also fully funded on a market value of assets basis. The "full funding" requirement does not apply to SFERS members who retired after November 6, 1996 and were hired before January 7, 2012. For members who were hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members who are hired on and after January 7, 2012, a Supplemental COLA will be paid to retirees when there are sufficient "excess" investment earnings in the Plan and the Plan is also fully funded on a market value of assets basis. For this group, Supplemental COLAs will not be permanent adjustments to retirement benefits. In years

when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

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

(f) Deferred Retirement Option Program

In February 2008, the voters of the City and County approved a Charter amendment to provide a Deferred Retirement Option Program (DROP) for certain Police members of the Plan to be effective July 1, 2008. An eligible police officer could elect to participate in DROP for a specified period of time up to a maximum of three years depending on the rank of the police officer. While participating in DROP, the police officer continues to work and receive pay as a police officer and accrues monthly DROP distributions posted to a nominal account maintained by the Retirement System. The monthly DROP distribution is equal to the participant's monthly service retirement allowance calculated as of the participant's entry into DROP. Interest at an annual effective rate of 4% and applicable COLAs are posted to the participant's DROP account during participation in DROP. Upon exiting from DROP, the participant receives a lump sum distribution from his or her DROP account and begins to receive a monthly service retirement allowance calculated using age, covered compensation, and service frozen as of the date of his or her entry into DROP. DROP was closed to new applicants on June 30, 2011.

The Retirement System held $1.5 million pursuant to the DROP as of June 30, 2015.

(g) Membership

Total membership in the Retirement System as of July 1, 2015 is as follows:

	Police[1]	Fire	Miscellaneous	Total
Active members (including DROP)	2,120	1,486	27,233	30,839
Terminated members entitled to but not yet receiving benefits	144	74	6,874	7,092
Retirees and beneficiaries currently receiving benefits	2,588	2,068	22,829	27,485
Total	4,852	3,628	56,936	65,416

1 Police counts include Miscellaneous Safety and Sheriffs.

(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 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 real estate investments are based on net asset values provided by the investment managers. Partnership financial statements are audited annually as of December 31 and net asset values are adjusted monthly or quarterly for cash flows to/from the Retirement System, investment earnings and expenses, and changes in fair value. The Retirement System has established leverage limits for each investment style based on the risk/return profile of the underlying investments. The leverage limits for core and value-added real estate investments are 40% and 65%, respectively. The leverage limits for high return real estate investments depend on each specific offering. Outstanding mortgages for the Retirement System's real estate investments were $639.6 million including $51.7 million in recourse debt as of June 30, 2015. The underlying real estate holdings are valued periodically based on appraisals performed by independent appraisers in accordance with Uniform Standards of Professional Appraisal Practice (USPAP). Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the real estate can only be determined by negotiation between independent third parties in a purchase and sale transaction.

Private equity investments represent the Retirement System's interest in limited partnerships. The fair values of private equity investments are based on net asset values provided by the general partners. Partnership financial statements are audited annually as of December 31 and net asset values are 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.

The Charter and 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 may consist of cash or non-cash; non-cash collateral is generally U.S. Treasuries or other U.S. government obligations. The Retirement System's securities custodian is the agent in lending the Plan's domestic securities for collateral of 102% and international securities for collateral of 105%. Contracts with the lending agent require them to 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. 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, 2015 was 61 days. All cash collateral received was invested in a separately managed account by the lending agent using investment guidelines developed and approved by the Retirement System. As of June 30, 2015, the weighted average maturity of the reinvested cash collateral account was 24 days. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the said collateral. Cash collateral may also be invested separately in term loans, in which case the maturity of the loaned securities matches the term of the loan.

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 plan 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 plan net position.

(a) Administrative Expenses

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

(b) 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 and liabilities 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.

(c) Reclassification and Presentation

Certain reclassifications of prior year's balances have been made to conform with the current year presentation.

(d) Implementation of GASB Statement

GASB Statement No. 67, Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25, addresses accounting and financial reporting requirements for pension plans. The provisions of GASB Statement No. 67 separate financial reporting from funding and require changes in the notes to the financial statements and required supplementary information. Significant changes include an actuarial calculation of the total and net position liability. It also includes comprehensive disclosure regarding the net pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The Retirement System's implementation of GASB Statement No. 67 effective July 1, 2013 did not significantly impact the accounting for accounts receivable and investment balances. The total pension liability, determined in accordance with GASB Statement No. 67, is presented in Note 10 and in the Required Supplementary Information section.

(3) Deposits

Deposits are carried at cost, which approximates fair value. Deposits in bank accounts were $32.0 million as of June 30, 2015. Deposit and investment risk disclosures for the pooled funds with the City and County Treasurer are discussed in the City and County's basic financial statements.

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, 2015, the Retirement System's deposits in bank accounts were 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 objective of the policy is to maximize the expected return of the fund at an acceptable level of risk. The Retirement

Board has established percentage guidelines for types of investments to ensure the portfolio is diversified.

Investment managers are required to diversify by issue, maturity, sector, coupon, and geography. Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from the Retirement Board. 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 investment policy permits investments in domestic and international debt and equity securities; real estate; securities lending; foreign currency contracts, derivative instruments, and private equity investments, which include investments in a variety of commingled partnership vehicles.

The Retirement Board's asset allocation policy for the year ended June 30, 2015 is as follows:

Asset Class	Target Allocation through January 2015	Target Allocation since February 2015
Global Equity	47.0%	40.0%
Fixed Income	25.0%	20.0%
Private Equity	16.0%	18.0%
Real Assets	12.0%	17.0%
Hedge Funds/Absolute Returns	0.0%	5.0%
	100.0%	100.0%

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines. In addition, the Retirement System's securities lending cash collateral separately managed account is authorized to use repurchase arrangements. As of June 30, 2015 , $503 million (or 50.2% of cash collateral) consisted of such agreements.

The Retirement System maintains its operating fund cash in the City's investment pool. The City's pool is invested pursuant to investment policy guidelines established by the City Treasurer, subject to review by the Treasury Oversight Committee. The Treasury Oversight Committee, established under California Government Code Sections 27130 to 27137, is composed of various City officials and representatives of agencies with large cash balances in the pool. The policy addresses soundness of financial institutions in which the City 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'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 provide more detailed information concerning deposit and investment risks associated with the City's pool of cash and investments at June 30, 2015.

(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 table below depicts the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2015.

Investments at Fair Value as of June 30, 2015
(in thousands)

		Maturities			
Investment Type	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Asset Backed Securities	$ 140,493	$ 2,605	$ 53,240	$ 18,596	$ 66,052
Bank Loans	115,885	3,192	82,628	30,065	-
Collateralized Bonds	969	-	-	-	969
Commercial Mortgage-Backed	647,322	-	16,138	6,330	624,854
Commingled and Other Fixed Income Funds	405,805	396,657	574	54	8,520
Corporate Bonds	1,937,753	690,752	337,996	542,131	366,874
Corporate Convertible Bonds	308,367	15,824	181,592	44,384	66,567
Foreign Currencies and Cash Equivalents	332,610	332,610	-	-	-
Government Agencies	335,438	317,253	9,861	6,338	1,986
Government Bonds	517,527	16,256	323,157	119,474	58,640
Government Mortgage Backed Securities	333,078	108,159	5,260	12,698	206,961
Index Linked Government Bonds	15,287	-	8,980	2,473	3,834
Mortgages	5	5	-	-	-
Municipal/Provincial Bonds	45,922	-	1,004	4,070	40,848
Non-Government Backed Collateralized Mortgage Obligations	162,844	-	1,894	7,318	153,632
Options	18	19	(1)	-	-
Short Term Investment Funds	323,267	323,267	-	-	-
Swaps	723	(2)	785	(17)	(43)
Total	**$ 5,623,313**	**$ 2,206,597**	**$ 1,023,108**	**$ 793,914**	**$ 1,599,694**

(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 agreements as prescribed and approved by the Retirement Board.

Investments are classified and rated using the lower of (1) Standard & Poor's (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.

The credit rating of the United States remains a point of concern for investors. In 2011, S&P lowered the credit rating for U.S. long-term debt to AA+ from AAA and continues to maintain that posture. Moody's and Fitch, the other two large credit rating agencies, continue to maintain a AAA rating for U.S. long-term debt, although Fitch placed the U.S. on negative watch in October of 2013 – indicating the potential for a credit downgrade. The ongoing concern by the credit rating agencies over the credit worthiness of U.S. government debt has an impact on the credit risk and value of the Retirement System's investments in U.S. government agency securities, U.S. government bonds, and U.S. government mortgage-backed securities.

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2015. Investments issued or explicitly guaranteed by the U.S. government of $1,024.6 million as of June 30, 2015 are not considered to have credit risk and are excluded from the table.

Credit Ratings of Fixed Income Investments as of June 30, 2015
(in thousands)

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	$ 212,642	4.6%
AA	148,151	3.2%
A	275,303	6.0%
BBB	792,990	17.2%
BB	346,598	7.5%
B	453,086	9.9%
CCC	83,710	1.8%
CC	2,245	0.0%
C	4,806	0.1%
D	4,033	0.1%
Not Rated	2,275,101	49.6%
Total	**$ 4,598,665**	**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 19.8%.

(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. Guidelines for investment managers typically restrict a position to become no more than 5% (at fair value) of the investment manager's portfolio. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit.

As of June 30, 2015, 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, 2015, $150.4 million of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System, and were held by the counterparty's trust department or agent but not in the Retirement System's name.

For fiscal year 2015, cash received as securities lending collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement System and held by the custodial bank. Securities in this separately managed account are not exposed to custodial credit risk.

(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 investments, real assets, and swap investments. The Retirement System's investment policy allows international managers to enter into foreign exchange contracts, which are limited to hedging currency exposure existing in the portfolio.

The Retirement System's net exposures to foreign currency risk as of June 30, 2015 are as follows:

Foreign Currency Risk Analysis as of June 30, 2015
(in thousands)

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Foreign Currency Contracts	Total
Australian dollar	$ 544	$ 103,354	$ 8,020	$ 13,694	$ -	$ 60,897	$ 186,509
Brazilian real	714	30,380	29,679	-	-	(18,590)	42,183
British pound sterling	2,359	639,515	21,261	-	-	(139,036)	524,099
Canadian dollar	171	88,056	15,912	-	-	(30,971)	73,168
Chilean peso	-	1,148	-	-	-	140	1,288
Colombian peso	324	-	6,111	-	-	750	7,185
Czech koruna	-	1,579	-	-	-	-	1,579
Danish krone	401	45,755	-	-	-	(3,774)	42,382
Euro	6,890	899,087	111,446	195,466	383	(9,779)	1,203,493
Hong Kong dollar	(1,077)	242,251	-	-	-	3,444	244,618
Hungarian forint	243	372	615	-	-	183	1,413
Indian rupee	-	-	-	-	-	4,277	4,277
Indonesian rupiah	409	14,589	9,371	-	-	8,521	32,890
Japanese yen	12,571	675,019	-	-	16,215	154,642	858,447
Malaysian ringgit	16	19,398	7,587	-	-	2,637	29,638
Mexican peso	506	15,878	19,895	-	-	(6,239)	30,040
New Israeli shekel	(125)	8,130	-	-	-	3,927	11,932
New Romanian leu	-	-	1,408	-	-	879	2,287
New Taiwan dollar	1,288	64,514	-	-	-	(145)	65,657
New Zealand dollar	12	3,610	11,991	-	-	(20,255)	(4,642)
Nigerian naira	186	-	309	-	-	-	495
Norwegian krone	279	16,688	-	-	-	(30,421)	(13,454)
Peruvian nuevo sol	-	-	1,487	-	-	(326)	1,161
Philippine peso	69	2,689	571	-	-	(130)	3,199
Polish zloty	16	1,069	11,231	-	-	1,331	13,647
Qatari rial	-	6,256	-	-	-	-	6,256
Russian ruble	3	-	4,796	-	-	62	4,861
Singapore dollar	163	21,740	-	-	-	5,416	27,319
South African rand	1,306	29,314	9,244	-	-	309	40,173
South Korean won	750	95,641	-	-	-	(1,006)	95,385
Swedish krona	582	75,637	-	-	-	15,510	91,729
Swiss franc	886	234,990	153	-	-	(56,846)	179,183
Thai baht	(188)	6,871	2,220	-	-	4,261	13,164
Turkish lira	-	16,353	7,462	-	-	2,926	26,741
United Arab Emirates dirham	-	10,161	-	-	-	-	10,161
Total	**$ 29,298**	**$ 3,370,044**	**$ 280,769**	**$ 209,160**	**$ 16,598**	**$ (47,406)**	**$ 3,858,463**

(f) Derivative Instruments

The Retirement System reports its derivative instruments under the provisions of Governmental Accounting Standards Board (GASB) issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. Pursuant to the requirements of this statement, the Retirement System has provided a summary of derivative instrument activities during the reporting period presented and the related risks.

As of June 30, 2015, 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 plan 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.

The table below presents the notional amounts, the fair values, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2015:

Derivative Instruments during the Year Ended June 30, 2015
(in thousands)

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	(a)	$ 749	$ 749
Other Contracts	(a)	(308)	(308)
Options			
Foreign Exchange Contracts	$ (6,939)	18	33
Swaps			
Credit Contracts	121,400	837	659
Interest Rate Contracts	40,315	(114)	(47)
Rights/Warrants			
Equity Contracts	6,059 shares	5,333	(2,407)
Total		**$ 6,515**	**$ (1,321)**

(a) SFERS' investment managers enter into a wide variety of forward foreign exchange and other contracts, which frequently do not involve the US dollar. As a result, a US dollar-based notional value is not included.

All investment derivatives are reported as investments at fair value in the statement of plan net position. Rights and warrants 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 plan net position.

Counterparty Credit Risk

The Retirement System is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. As of June 30, 2015, the fair value of forward currency contracts (including foreign exchange contract options) to purchase and sell international currencies were $1.724 million and $0.957 million, respectively. The Retirement System's counterparties to these contract held credit ratings of A or better on 99.3% of the positions, as assigned by one or more of the major credit rating organizations (S&P, Moody's and/or Fitch), while 0.7% was not rated.

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, 2015, all of the Retirement System's investments in derivative instruments are held in the Retirement System's name and are not exposed to custodial credit risk.

Interest Rate Risk

The table below describes the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2015.

Derivative Interest Rate Risk as of June 30, 2015

(in thousands)

		Maturities			
Derivative Type / Contracts	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Forwards					
Foreign Exchange Contracts	$ 749	$ 639	$ 110	$ -	$ -
Other Contracts	(308)	(308)	-	-	-
Options					
Foreign Exchange Contracts	18	19	(1)	-	-
Swaps					
Credit Contracts	837	1	879	-	(43)
Interest Rate Contracts	(114)	(2)	(94)	(18)	-
Total	**$ 1,182**	**$ 349**	**$ 894**	**$ (18)**	**$ (43)**

The following table details the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2015:

Derivative Instruments Highly Sensitive to Interest Rate Changes as of June 30, 2015
(in thousands)

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 11.61%, Pay Variable 1-Day BIDOR	$ 1,586	$ (66)
Interest Rate Swap	Receive Fixed 12.055%, Pay Variable 1-Day BIDOR	334	(5)
Interest Rate Swap	Receive Fixed 12.18%, Pay Variable 1-Day BIDOR	370	(10)
Interest Rate Swap	Receive Fixed 12.23%, Pay Variable 1-Day BIDOR	718	(8)
Interest Rate Swap	Receive Fixed 12.36%, Pay Variable 1-Day BIDOR	4,754	(94)
Interest Rate Swap	Receive Fixed 12.85%, Pay Variable 1-Day BIDOR	370	18
Interest Rate Swap	Receive Fixed 13.68%, Pay Variable 1-Day BIDOR	3,899	(14)
Interest Rate Swap	Receive Fixed 13.775%, Pay Variable 1-Day BIDOR	414	(1)
Interest Rate Swap	Receive Fixed 13.82%, Pay Variable 1-Day BIDOR	2,447	(4)
Interest Rate Swap	Receive Fixed 2%, Pay Variable 6-Month WIBOR	160	(14)
Interest Rate Swap	Receive Fixed 2.12%, Pay Variable 6-Month THB	711	(15)
Interest Rate Swap	Receive Fixed 2.175%, Pay Variable 6-Month THB	669	3
Interest Rate Swap	Receive Fixed 2.58%, Pay Variable 6-Month THB	225	(2)
Interest Rate Swap	Receive Fixed 4.36%, Pay Variable 28-Day MXIBR	2,396	9
Interest Rate Swap	Receive Fixed 5.32%, Pay Variable 3-Month CIBR	635	2
Interest Rate Swap	Receive Fixed 5.33%, Pay Variable 3-Month CIBR	642	(16)
Interest Rate Swap	Receive Fixed 5.61%, Pay Variable 28-Day MXIBR	2,027	(4)
Interest Rate Swap	Receive Fixed 5.63%, Pay Variable 28-Day MXIBR	1,185	(6)
Interest Rate Swap	Receive Fixed 5.84%, Pay Variable 28-Day MXIBR	402	3
Interest Rate Swap	Receive Fixed 6.2%, Pay Variable 3-Month CIBR	162	1
Interest Rate Swap	Receive Fixed 6.22%, Pay Variable 3-Month CIBR	169	(1)
Interest Rate Swap	Receive Fixed 6.53%, Pay Variable 28-Day MXIBR	76	1
Interest Rate Swap	Receive Fixed 7.25%, Pay Variable 3-Month JIBAR	140	(3)
Interest Rate Swap	Receive Fixed 7.5%, Pay Variable 3-Month JIBAR	1,046	(27)
Interest Rate Swap	Receive Fixed 8.5%, Pay Variable 3-Month JIBAR	453	4
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 10.91%	290	13
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 11.16%	99	7
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 11.32%	1,305	12
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.225%	857	9
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.255%	4,805	49
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 13.9%	5,968	2
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 5.66%	924	44
Interest Rate Swap	Receive Variable 3-Month CIBR, Pay Fixed 6.43%	77	(1)
Total Interest Rate Swaps		**$ 40,315**	**$ (114)**

Foreign Currency Risk

At June 30, 2015, the Retirement System is exposed to foreign currency risk on its investments in forwards, rights, warrants, and swaps denominated in foreign currencies.

Derivative Instruments Foreign Currency Risk Analysis as of June 30, 2015

(in thousands)

Currency	Forwards	Rights/ Warrants	Swaps	Total
Australian dollar	$ 116	$ -	$ -	$ 116
Brazilian real	565	-	(91)	474
British pound sterling	(4,585)	-	-	(4,585)
Canadian dollar	189	-	-	189
Chilean peso	(9)	-	-	(9)
Colombian peso	(18)	-	(14)	(32)
Euro	(60)	84	28	52
Hong Kong dollar	(517)	-	-	(517)
Hungarian forint	(3)	-	-	(3)
Indian rupee	5	-	-	5
Indonesian rupiah	96	-	-	96
Japanese yen	2,443	-	-	2,443
Malaysian ringgit	(26)	-	-	(26)
Mexican peso	219	-	47	266
New Israeli shekel	65	-	-	65
New Romanian leu	(1)	-	-	(1)
New Russian ruble	(1)	-	-	(1)
New Zealand dollar	1,505	-	-	1,505
Norwegian krone	152	-	-	152
Peruvian nuevo sol	8	-	-	8
Polish zloty	15	-	(14)	1
Singapore dollar	16	-	-	16
South African rand	83	-	(27)	56
Swedish krona	(257)	-	-	(257)
Swiss franc	374	-	-	374
Thai baht	(29)	-	(15)	(44)
Turkish lira	96	-	-	96
Total	**$ 441**	**$ 84**	**$ (86)**	**$ 439**

Contingent Features

At June 30, 2015 the Retirement System held no positions in derivatives containing contingent features.

(5) Currency Management Program.

This program was terminated during fiscal year 2013-14.

(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 102% and 105% of the fair value of domestic securities and international securities lent, respectively. There are no restrictions on the number of securities that can be lent at one time. However, starting in the year ended June 30, 2009, the Retirement System engaged in a systematic reduction of the value of securities on loan with a target of no more than ten percent (10%) of total fund assets on loan at any time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the corresponding collateral.

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 plan net position. As of June 30, 2015, 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, 2015, the Retirement System has lent $1,442.3 million in securities and received collateral of $1,001.5 million and $496.1 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 decline in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at $1,001.2 million. The net unrealized loss of $0.3 million is presented as part of the net appreciation (depreciation) in fair value of investments in the statement of changes in plan 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 securities lending 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, 2015 are summarized in the following table.

Securities Lending as of June 30, 2015
(in thousands)

Investment Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Non-Cash Collateral
Securities on Loan for Cash Collateral			
International Corporate Fixed Income	$ 14,704	$ 15,559	$ -
International Equities	40,737	43,286	-
International Government Fixed	1,952	2,110	-
U.S. Government Agencies	260	265	
U.S. Corporate Fixed Income	187,469	191,358	-
U.S. Equities	443,154	452,384	-
U.S. Government Fixed Income	290,880	296,584	-
Securities on Loan for Non-Cash Collateral			
International Corporate Fixed Income	6,415	-	6,776
International Equities	352,198	-	381,165
International Government Fixed	13,491	-	13,965
U.S. Corporate Fixed Income	12,370	-	12,624
U.S. Equities	78,423	-	81,279
U.S. Government Fixed Income	240	-	244
	$ 1,442,293	**$ 1,001,546**	**$ 496,053**

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, 2015.

Fair Value of Cash Collateral Account as of June 30, 2015
(in thousands)

Investment Type	Fair Value	Maturity Less Than 1 Year
Commercial Paper	$ 51,095	$ 51,095
Negotiable Certificates of Deposit	401,996	401,996
Repurchase Agreements	503,000	503,000
Short Term Investment Funds	45,140	45,140
Total	**$ 1,001,231**	**$ 1,001,231**

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2015 is as follows:

Credit Rating of Cash Collateral as of June 30, 2015
(in thousands)

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AA	$ 165,124	16.5%
A	406,006	40.5%
Not Rated *	430,101	43.0%
Total	**$ 1,001,231**	**100.0%**

* Repurchase agreements of $430.0 million are not rated, but are held by counterparties with an S&P rating of A.

(7) Investments in Real Assets

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the year ended June 30, 2015 is summarized as follows:

(in thousands)

	2014-15
Investments:	
Beginning of the year	$ 1,784,244
Capital investments	255,252
Equity in net earnings	40,378
Net appreciation in fair value	258,911
Capital distributions	(362,859)
End of the year	**$ 1,975,926**

(8) Benefits

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

(in thousands)

	2014-15
Service retirement benefits	$ 878,834
Disability retirement benefits	175,620
Death benefits	7,492
COLA benefit adjustments	51,447
DROP accrued retirement benefits	5,298
Total	**$ 1,118,691**

(9) Funding Policy

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

(10) Net Pension Liability of Employers

The components of the net pension liability at June 30, 2015 were as follows:
(in thousands)

Total pension liability	$ 22,724,102
Plan fiduciary net position	$ 20,428,069
Net pension liability	$ 2,296,033
Plan fiduciary net position as a percentage of the total pension liability	89.9%

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, which was rolled forward to June 30, 2015 using generally accepted actuarial procedures. The following is a summary of actuarial methods and assumptions used at the June 30, 2015 measurement date:

Inflation	3.25%
Salary Increases	3.75% plus merit component based on employee classification and years of service
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates for active members were based upon the RP-2000 Employee Tables for Males and Females projected using Scale AA to 2030 for females and to 2005 for males. Mortality rates for healthy annuitants were based upon the RP-2000 Healthy Annuitant Tables for Males and Females projected using Scale AA to 2020.

The actuarial assumptions used at the June 30, 2015 measurement date were based upon the results of a demographic experience study for the period July 1, 2004 through June 30, 2009 and an economic experience study as of July 1, 2014.

The probability of a Supplemental COLA as of June 30, 2015 was developed based upon the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLA for members with a 2.00% basic COLA for sample years.

Assumed Supplemental COLA for Members with a 2.00% Basic COLA

Fiscal Year Ending June 30	Assumption
2016	0.000%
2021	0.345%
2026	0.375%
2031	0.375%
2036+	0.375%

The long-term expected rate of return on pension plan investments was 7.50%. 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 a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40.0%	5.1%
Fixed Income	20.0%	1.2%
Private Equity	18.0%	7.5%
Real Assets	17.0%	4.1%
Hedge Funds/Absolute Return	5.0%	3.5%
	100.0%	

(b) Discount Rate

The discount rate used to measure the total pension liability at June 30, 2015 was 7.46%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for the July 1, 2015 actuarial valuation. Based on those assumptions, the System's plan net position was projected to be available to make projected future benefit payments for current members until FY 2075-76 when only a portion of the projected benefit payments can be made from the projected plan net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.85% to the extent that they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2015 is 7.46%.

The municipal bond rate of 3.85% used for the determination of the above discount rate represents the yield available at June 30, 2015 on the Bond Buyer 20-Bond GO Index.

(c) Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.46%, as well as what the total net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.46%) or one -percentage-point higher (8.46%) than the current rate:

Sensitivity of the net pension liability to changes in the discount rate
(in thousands)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate	1% Decrease (6.46%)	Current Discount Rate (7.46%)	1% Increase (8.46%)
Net pension liability	$ 5,077,324	$ 2,296,033	$ (36,503)

(d) Money Weighted Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of investment expenses, adjusted for the changing amounts actually invested, was 4.03%.

(11) Postemployment Healthcare Plan

(a) Health Care Benefits

Health care benefits of the Retirement System's employees, retired employees and their beneficiaries are financed by the City and County through the City and County of San Francisco Health Service System (Health Service System). OPEB expense for these Retirement System employees is included in other administrative expenses. The City and County issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City and County's postemployment health care obligations. The report may be obtained by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102, or by calling (415) 554-7500.

(12) Commitments and Contingencies

(a) Unfunded Investments Commitments

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of $1,076.7 million and private equities in the amount of $1,524.7 million totaling $2,601.4 million as of June 30, 2015.

(b) Legal

Proposition C, a pension reform Charter amendment approved by voters in November 2011, included changes in the calculation of certain supplemental cost of living adjustments and was intended to reduce pension costs. These Proposition C changes in the calculation of certain supplemental cost of living adjustments were the subject of litigation and a decision of the California Court of Appeals. The California Court of Appeals held that the changes to the supplemental cost of living adjustments in Proposition C could not be applied to retirees who retired after November 1996. That decision was appealed to the California Supreme Court. On June 17, 2015, the California Supreme Court denied review of the Court of Appeals decision. On October 25, 2015, the San Francisco Superior Court entered an amended judgment consistent with the Court of Appeals decision. Issues around which Retirement System retirees and beneficiaries will be eligible for the supplemental cost of living adjustments under the amended judgment are currently under review by Retirement System staff and legal counsel. The amount of the retroactive cost of living adjustments to be paid to eligible retirees and beneficiaries cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability

(in thousands)

Year ended June 30	2015	2014
Total pension liability		
Service cost	$ 523,644	$ 509,200
Interest	1,621,582	1,542,266
Differences between expected and actual experience	(197,981)	0
Changes of assumptions	216,845	(73,315)
Benefit payments, including refunds of member contributions	(1,131,030)	(1,072,526)
Net change in total pension liability	**$ 1,033,060**	**$ 905,625**
Total pension liability—beginning	**21,691,042**	**20,785,417**
Total pension liability—ending, (a)	**$ 22,724,102**	**$ 21,691,042**
Plan fiduciary net position		
Contributions—employer	$ 592,643	$ 532,882
Contributions—employee	301,682	289,020
Net investment income	763,429	3,175,431
Benefit payments, including refunds of member contributions	(1,131,030)	(1,072,526)
Administrative expenses	(19,262)	(15,745)
Net change in plan fiduciary net position	**$ 507,462**	**$ 2,909,062**
Plan fiduciary net position—beginning	**19,920,607**	**17,011,545**
Plan fiduciary net position—ending, (b)	**$ 20,428,069**	**$ 19,920,607**
Net pension liability—ending, (a) – (b)	**$ 2,296,033**	**$ 1,770,435**

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Net Pension Liability

(in thousands)

Year ended June 30	6/30/2015	6/30/2014
Total pension liability	$ 22,724,102	$ 21,691,042
Plan fiduciary net position	(20,428,069)	(19,920,607)
Net pension liability	$ 2,296,033	$ 1,770,435
Plan fiduciary net position as a percentage of the total pension liability	89.9%	91.8%
Covered employee payroll	$ 2,640,153	$ 2,535,963
Net pension liability as a percentage of covered-employee payroll	87.0%	69.8%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Employer Contributions

(in thousands)

Year Ended June 30	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2006	126,533	126,533	-	2,052,862	6.2%
2007	132,601	132,601	-	2,161,261	6.1%
2008	134,060	134,060	-	2,376,221	5.6%
2009	119,751	119,751	-	2,457,196	4.9%
2010	223,614	223,614	-	2,544,939	8.8%
2011	308,823	308,823	-	2,398,823	12.9%
2012	410,797	410,797	-	2,360,413	17.4%
2013	442,870	442,870	-	2,393,842	18.5%
2014	532,882	532,882	-	2,535,963	21.0%
2015	592,643	592,643	-	2,640,153	22.4%

Schedule of Money-Weighted Rate of Return

Year Ended June 30	Money-Weighted Rate of Return
2006	13.22%
2007	19.81%
2008	(4.09)%
2009	(22.28)%
2010	14.53%
2011	22.65%
2012	0.81%
2013	13.91%
2014	19.10%
2015	4.03%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

The total pension liability contained in the schedule was determined by the Retirement System's actuary, Cheiron, Inc. The net pension liability is measured as the total pension liability less the amount of the plan fiduciary net position of the Retirement System. The discount rate was 7.46% as of June 30, 2015 and 7.58% as of June 30, 2014. A summary of assumptions may be found in Note 10 to the financial statements. Complete descriptions of methods and assumptions may be found in the Retirement System's GASB 67/68 Report corresponding to each fiscal year-end.

Note to Schedule of Employer Contributions for FY 2014-2015

Valuation date	July 1, 2013
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year
Actuarial cost method	Entry age normal
Asset valuation method	5-year recognition of the difference between the actual investment earnings and the expected return on the actuarial value of assets
Amortization method	Unfunded actuarial accrued liabilities due to net actuarial gains and losses (including Supplemental COLAs) and assumption changes are amortized as a level percentage of payroll over an open 15-year period beginning with the valuation date. Additional liabilities due to Charter amendments are amortized as a level percentage of payroll over a closed 20-year period beginning with the year the amendment is first reflected in the valuation.
Discount rate	7.58%
Salary increases	3.83% plus merit component based on employee classification and years of service
Amortization payment growth rate	3.83%
Price inflation	3.33%
Mortality	Active members: Sex distinct RP-2000 Employee Mortality projected using Scale AA to 2030 for females and 2005 for males. Healthy Annuitants: Sex distinct RP-2000 Annuitant Mortality projected using Scale AA to 2020.

A complete description of the methods and assumptions used to determine contribution rates for the fiscal year ending June 30, 2015 can be found in the July 1, 2013 actuarial valuation report.

Table of Key Assumptions for Schedule of Employer Contributions

Year Ended June 30	Valuation Date	Investment return	Salary Increase/ Amortization Growth	Mortality	Change in Funding Methods or Assumption from Prior Year
2006	7/1/2004	8.00%	4.50%	1994 GAM	Demographic assumptions including salary merit increases based upon experience study
2007	7/1/2005	8.00%	4.50%	1994 GAM	Asset smoothing method, disability mortality assumption and other assumption and valuation methodology changes
2008	7/1/2006	8.00%	4.50%	1994 GAM	None
2009	7/1/2007	8.00%	4.50%	1994 GAM	None
2010	7/1/2008	7.75%	4.50%	1994 GAM	Investment return and other minor changes in valuation upon change in actuary
2011	7/1/2009	7.75%	4.50%	1994 GAM	None
2012	7/1/2010	7.75%	4.00%	RP2000 Mortality projected with Scale AA	Wage inflation and demographic assumptions including salary merit increases based upon experience study
2013	7/1/2011	7.66%	3.91%	RP2000 Mortality projected with Scale AA	Investment return and wage inflation assumptions
2014	7/1/2012	7.58%	3.83%	RP2000 Mortality projected with Scale AA	Investment return and wage inflation assumptions
2015	7/1/2013	7.58%	3.83%	RP2000 Mortality projected with Scale AA	None

Complete descriptions of the methods and assumptions used to determine contribution rates can be found in each applicable actuarial valuation report.

Salary increase assumptions in above table are shown before the addition of merit components based upon employee classification and years of service.

Summaries of plan provisions used in each valuation can be found in each applicable actuarial valuation report.

Pension Fund Net Investment Income

Fiscal Year 2014-15

(in thousands)

	Realized Gain/Loss	Unrealized Gain/Loss	Total
Income			
Interest Earned			$ 209,520
Dividends Earned			214,636
Securities Lending Income-Net			5,665
Recaptured Commission Income			42
Real Assets Income			40,378
Private Equities Income			36,363
Investment Expenses			(44,911)
Total Income[1]			**$ 461,693**
Net Appreciation in Fair Values			
Short-Term Securities	$ (131,756)	$ (374,394)	$ (506,150)
Equities	821,284	(419,146)	402,138
Debt Securities	50,288	(154,850)	(104,562)
Real Assets	163,678	108,135	271,813
Private Equities	213,625	210,981	424,606
Other Assets	(10,689)	(175,420)	(186,109)
Total Net Appreciation	**$ 1,106,430**	**$ (804,694)**	**$ 301,736**
Total Net Investment Income (including Net Appreciation)			**$ 763,429**

1 Total investment income excludes employee and employer contributions.

Pension Fund Disbursements
Plan Year 2014-15
(in thousands)

Payments/Expenses	Amount
Service Retirement Payments	**$ 878,834**
Disability Retirement Payments	**175,620**
Cost of Living Adjustments	**51,447**
Death Allowance Payments	**3,715**
Death Benefits	**3,254**
Retired Annuitant Rolls (Option 1 Death Benefit)	**523**
DROP Program Accrued Retirement Benefits	**5,298**
Refunds of Contributions – Death Benefits	**9,343**
Refunds of Contributions – Other than Death Benefits	**2,996**
Administrative Expenses: Retirement Services/Administration	**19,262**
Total Payments & Expenses, FY2014-15	**$ 1,150,292**
Total Payments & Expenses, FY2013-14	**$ 1,088,271**
Increase From FY 2013-14:	**$ 62,021**

Comparison of Contributions
Employer Contributions
(in thousands)

Member Plan	Plan Year 2014-15	Plan Year 2013-14	Plan Year 2012-13
Miscellaneous Plans	$ 494,353	$ 443,773	$ 364,503
Firefighter Plans	40,340	36,890	32,053
Police Plans	57,950	52,219	46,314
Total	**$ 592,643**	**$ 532,882**	**$ 442,870**

Employee Contributions
(in thousands)

Member Plan	Plan Year 2014-15	Plan Year 2013-14	Plan Year 2012-13
Miscellaneous Plans	$ 248,084	$ 235,797	$ 211,545
Firefighter Plans	22,621	21,985	19,548
Police Plans	30,977	31,238	27,633
Total	**$ 301,682**	**$ 289,020**	**$ 258,726**

Comparison of Actual Administrative Expenditures

Retirement Services & Administration Divisions

(in thousands)

Description of Expenditures	2014-15	2013-14	2012-13
Personnel Services	$ 10,879	$ 10,636	$ 10,314
Equipment Purchase	344	81	97
Materials and Supplies	228	179	204
Services of Other Departments	5,494	2,023	2,191
Other Services	2,317	2,826	2,712
Total	**$ 19,262**	**$ 15,745**	**$ 15,518**

Investment Division

(in thousands)

Description of Expenditures	2014-15	2013-14	2012-13
Personnel Services	$ 2,442	$ 2,724	$ 2,263
Equipment Purchase	400	2	0
Materials and Supplies	9	3	2
Services of Other Departments	1,587	1,184	414
Other Services	40,473	43,676	38,975
Total	**$ 44,911**	**$ 47,599**	**$ 41,654**

Investment Section

OVERVIEW

The Retirement System's investment strategies and the composition of its aggregate portfolio have changed considerably over the years since its inception. However, the Retirement System's investment objective has essentially remained the same: to maximize long-term rates of return on investments within prudent guidelines.

In order to achieve the investment objective, the Retirement Board approved the following asset allocation policy in June 2015:

Asset Class	Policy Target	Actual
Global Equity	40.0%	54.3%
Global Fixed Income	20.0%	23.0%
Private Equity	18.0%	11.7%
Real Assets	17.0%	9.0%
Absolute Return	5.0%	0.0%
Cash	0.0%	1.9%

INVESTMENT PERFORMANCE HIGHLIGHTS FOR FISCAL YEAR ENDED JUNE 30, 2015

The Retirement System investment portfolio returned 3.96% for the Fiscal Year ended June 30, 2015 – topping the policy benchmark return of 3.82% by 0.14%. Performance was led by Private Equity (+17.77%) and Real Assets (+10.70%) followed by the Retirement System's investments in Global Equities (+1.40%) and Fixed-Income (+1.01%).

Global Equity

Public equities (+1.4%) posted positive, but lackluster results for Fiscal Year 2015 as the strong US Dollar resulted in negative returns for international equities (-3.76%) while U.S. equities rose 6.93%. An overweight to US small capitalization stocks hindered performance during the fiscal year – as the System's small capitalization managers (+6.34%) trailed both large capitalization stocks (+7.45%) and the Russell 3000 benchmark (+7.29%). Non-U.S. equities (-3.76%) were well ahead of the MSCI ACWI (ex-us) IMI benchmark (-4.97%) as the System's active investment managers, as a group, were able to add significant value.

2014-15 Global Equity Manager Changes:

- ArrowStreet Capital. In June 2015, ArrowStreet Capital, a global equity manager was hired.

Fixed Income

The Fixed Income Portfolio returned 1.01% for the Fiscal Year and trailed its benchmark (+1.61%) by 0.60% as performance from SFERS' Core/Core+ (+1.08 vs. +1.61% for the benchmark) and Emerging Market Debt (-5.89% vs. -4.01%) lagged as interest rates rose and spreads on corporate bonds increased. Allocations to High Yield / Banks Loans (+2.75%) and Commercial Mortgages (+5.42%) as well as investments in the Opportunistic segment (+5.40%) were additive to performance.

2013-2014 Fixed Income Manager Changes:

- $77.5 Million in commitments to three fixed-income opportunistic partnerships

Alternative Investments

Private Equity

The Retirement System's private equity portfolio is designed to generate superior risk-adjusted returns that exceed those of comparable public markets over the long term. As of June 30, 2015, the market value of the Retirement System's private equity investments was $2.4 billion, or 11.8% of the total investment portfolio. The private equity portfolio achieved a 13.2% net Internal Rate of Return (IRR) for the Fiscal Year, a 13.0% net IRR for the ten years, and a 16.1% net IRR since inception ending June 30, 2015.

Investments in the private equity asset class are achieved principally through fund partnership managed by investors who focus on particular segments of the market. Core private equity strategies include leveraged buyouts, growth equity, venture capital, distressed debt, turnarounds /restructurings, and other special situations. The Retirement System seeks to partner with exceptional investment managers who have the ability to consistently deliver superior returns, favoring those who pursue operationally-focused strategies that generate equity value through the fundamental improvement of a portfolio company's business.

In addition to enhancing portfolio diversification across private equity managers and strategies, the Retirement System will seek to commit capital across various geographies, including to overseas investors who have the expertise to source attractive investment opportunities in emerging global markets and industries that show high potential for economic growth and capital appreciation.

Due to the meaningful performance dispersion across private equity partnerships, manager selection is critical in constructing a successful private equity portfolio and achieving top-quartile returns. The Retirement System is more likely to achieve the goal by committing to active asset class management, including frequent and direct interaction with investment managers to monitor performance and ensure proper alignment of interests.

The Retirement System made approximately $1,253 million in capital commitments to thirty private equity partnerships during the Fiscal Year, including:

- $548 million in commitments to eleven buyout partnerships
- $242 million in commitments to six growth capital partnerships
- $388 million in commitments to eleven venture capital partnerships
- $75 million in commitments to two special situations partnership

Real Assets

The Retirement System's real assets portfolio is designed to provide powerful portfolio diversification, high levels of current income, and protection from unanticipated inflation. As of June 30, 2015, the market value of the Retirement System's real assets portfolio was $2.1 billion, or 10.6% of the total investment portfolio, comprised of $1.9 billion and $0.2 billion in market value for real estate and natural resources investments, respectively. The real assets portfolio achieved a 16.0% net Internal Rate of Return (IRR) for the Fiscal Year, a 7.5% net IRR for the ten years, and an 8.3% net IRR since inception ending June 30, 2015.

The Retirement System will focus on higher returning private investment strategies in real estate and natural resources rather than publicly traded securities such as Real Estate Investment Trusts (REITs), commodities indices, natural resource equities and Treasury Inflation-Protected Securities (TIPS). Investments in private real estate provide the Retirement System with steady current cash flow through contractual lease payments as well as the potential for equity returns through the residual value of the property and land. Private investments in natural resources – energy, metals and mining, timberland and agriculture – provide attractive return prospects and significant portfolio diversification. Similar to its approach for private equity, the Retirement System will favor value-oriented, specialist managers who can take advantage of inefficiencies in the pricing and management of assets in relatively illiquid markets to add long-term value. The Retirement System views real assets as a global opportunity set and will seek to expand partnerships with exceptional investment managers in both foreign developed and emerging markets.

The Retirement System made approximately $1,190 million in capital commitments to fifteen real assets partnerships during the Fiscal Year, including:

- $770 million in commitments to ten real estate partnerships
- $420 million in commitments to five natural resources partnerships

SUMMARY OF INVESTMENTS

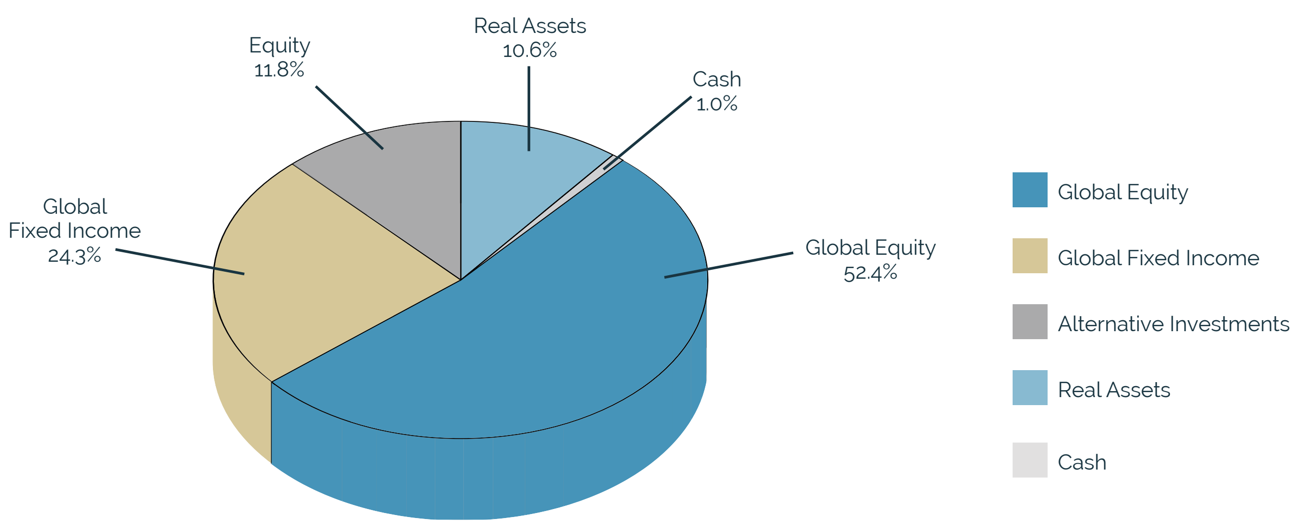
As of June 30, 2015, approximately 9.2% of SFERS' trust assets were managed internally. This consisted of $1.6 billion in domestic equities and $235 million in domestic bonds. The balance of the portfolio was managed by external investment management firms that specialized in specific asset classes – including global equities, global fixed-income, private equity and real assets.

San Francisco Employees' Retirement System
Summary of Investments

	June 30, 2015		June 30, 2014	
Asset Class	**Market Value** *($thousands)*	**% of Portfolio**	**Market Value** *($thousands)*	**% of Portfolio**
Global Equity	**10,649,781**	**52.4%**	**10,681,661**	**54.3%**
Global Fixed Income	**4,934,837**	**24.3%**	**4,531,828**	**23.0%**
Private Equity				
Buyout	1,031,209	5.1%	1,070,669	5.4%
Venture	**1,045,336**	5.2%	749,547	3.8%
Special Situations	313,749	1.5%	486,709	2.5%
Total Private Equity	**2,390,295**	**11.8%**	**2,306,925**	**11.7%**
Real Assets	**2,149,841**	**10.6%**	**1,774,743**	**9.0%**
Cash	**193,907**	**1.0%**	**371,808**	**1.9%**
Total Investment Portfolio	**20,318,661**	**100.0%**	**19,666,964**	**100.0%**

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

Asset Allocation
as of June 30, 2015



INVESTMENT PERFORMANCE

For the Fiscal Year ended June 30, 2015, the investment portfolio of the Retirement System rose by 3.96% with all asset classes posting positive results. Private Equity (+17.77%) continued its recent strong performance, followed by Real Assets (+10.70%). Public Market returns were muted – with Global Equities rising 1.40% and Fixed Income up 1.01%.

Investment Portfolio Performance

Annualized Returns for the Periods ending 6/30/2015

(Net of fees and expenses)

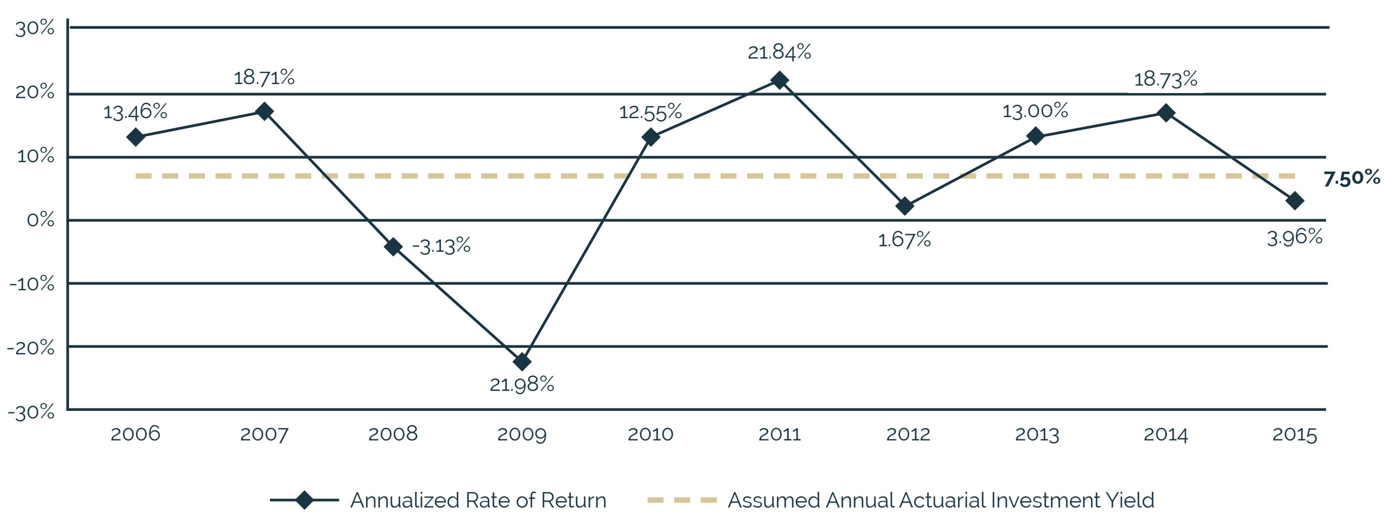
	1-Year	3-Years	5-Years	10-Years	20-Years
Global Equity Benchmark: Global Equity Policy[1]	**1.40%** 0.81%	**14.32%** 13.35%	**13.05%** 12.55%	**6.52%** 6.84%	**8.11%** 7.71%
Global Fixed Income Benchmark: Fixed Income Policy[2]	**1.01%** 1.61%	**4.76%** 2.33%	**6.21%** 3.81%	**5.21%** 4.64%	**6.55%** 5.76%
Private Equity Benchmark: Private Equity Policy[3]	**17.77%** 12.76%	**16.94%** 23.10%	**15.72%** 23.13%	**15.21%** 13.26%	**16.46%** 14.59%
Real Assets Benchmark: Real Assets Policy[4]	**10.70%** 8.00%	**12.38%** 8.00%	**15.32%** 10.38%	**6.49%** 8.00%	**8.75%** 9.51%
Total Fund Weighted Policy Benchmark[5]	**3.96%** 3.82%	**11.79%** 11.44%	**11.59%** 11.85%	**7.07%** 7.54%	**8.33%** 7.70%

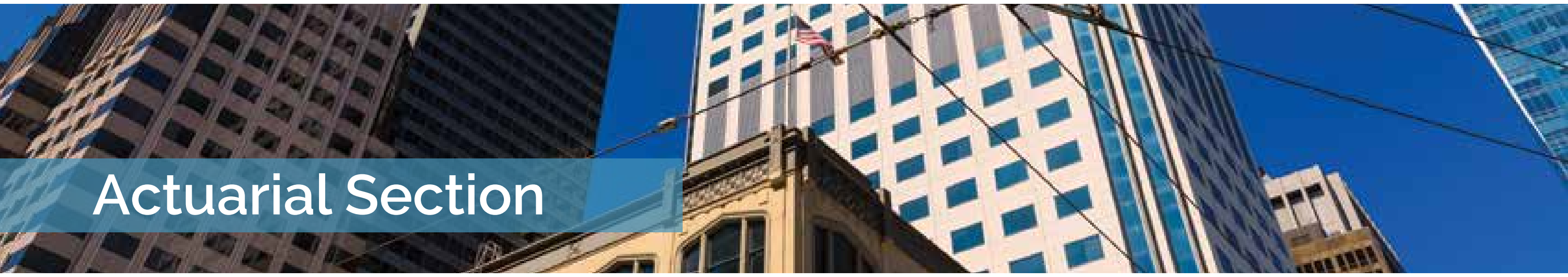
Source: The Northern Trust Company

1. Global Equity Policy consists of 100% MSCI ACWI IMI (ND) from 09/30/08 through current, 100% MSCI ACWI Ex-US (ND) from 01/31/2001 through 09/30/2008, 100% MSCI ACWI Ex-US (GD) previous to 01/31/2001.
2. Total Fixed Income Policy consists of 100% BC Universal from 6/30/07 through current, 75% BC Universal/25% BC Global Aggregate from 9/30/05 to 6/30/07, 80%/20% from 9/30/02 to 9/30/05, 100% BC Universal 9/30/00 to 9/30/02, and 100% BC Aggregate previous to 9/30/00.
3. Private Equity Policy consists of the S&P500 + 500 bps 1/1/03 through current; + 600 bps through 12/31/02.
4. The Real Assets Policy consists of NPI (NCREIF Property Index) +1.5% from inception to 09/30/2011 and a flat 8% thereafter.
5. The current SFERS weighted policy consists of 47% MSCI ACWI IMI (ND), 25% BC US Universal, 12% SFERS Real Estate Benchmark and 16% SFERS Alternative Investment Benchmark.

Annual Rates of Return Last Ten Years

Periods ending June 30





Actuarial Section

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS
July 1, 2014 Actuarial Valuation

Actuarial assumptions and methods are adopted by the Retirement Board with input from the consulting actuary. Key economic assumptions are reviewed annually. Demographic assumptions are based upon the November 2010 Demographic Experience Study for the period covering July 1, 2004 through June 30, 2009. The study covered rates of retirement, termination, refund, disability, and mortality in addition to family composition.

Actuarial Asset Valuation Method for Funding Policy

The assets were valued using a 5-year phase-in of investment return greater than or less than the actuarial assumed investment return. This actuarial value is calculated by recognizing 20% of each of the past five years of actual investment experience relative to the expected return on the actuarial asset value. The expected return on actuarial value of assets is determined using actual cash flows and the assumed investment return. The balance of the actual investment experience is recognized in a similar fashion in future years. This asset smoothing method started with the market value as of July 1, 2004.

Actuarial Cost Method

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

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

Amortization Method for Funding Policy

The Charter specifies that the amortization period shall not exceed 20 years. The Retirement Board's funding policy specifies the period over which different components of the unfunded actuarial liability must be amortized.

Beginning with the July 1, 2014 actuarial funding valuation, net actuarial gains and losses and assumption changes are amortized as a level percentage of payroll over 20-year closed periods. Charter amendments are amortized as a level percentage of payroll over 15-year closed periods, while Supplemental COLAs are amortized over closed 5-year periods.

Investment Return Assumption

SFERS' assets are assumed to earn 7.50% net of investment expenses. This assumption was adopted beginning with the July 1, 2014 valuation.

Cost-of-Living Increase in Benefits

Old Plans - Police and Fire, Charters 8.559 and 8.585	5.00% per year
Old Plans - Police and Fire, Charters 8.595 and 8.596	4.00% per year
Old Plans - Police and Fire, pre-7/1/75 DOR	3.00% per year
Old Plans - Miscellaneous	2.00% per year
New Plans - Police, Fire and Miscellaneous	2.00% per year

Supplemental Cost-of-Living Increases

There are no future supplemental COLAs assumed in the actuarial funding valuation.

Future Interest Crediting Rate on Member Contributions

4.5% compounded annually.

Administrative Expense Assumption

There is a 0.45% of Payroll assumption included in the normal cost rates for administrative expenses.

Salary Increase Rate

- Wage inflation component: 3.75%
- This assumption was adopted beginning with the July 1, 2014 valuation.
- The additional merit component:

Years of Service	Police	Fire	Muni Drivers	Craft	Misc.
1	11.00%	15.00%	15.00%	4.50%	7.00%
2	8.50	8.00	10.00	3.25	5.25
3	6.50	6.00	2.00	2.50	4.00
4	4.50	4.25	1.00	2.00	3.00
5	3.25	3.00	0.00	1.50	2.50
6	2.30	2.30	0.00	1.25	2.00
7	1.95	1.95	0.00	1.00	1.75
8	1.70	1.70	0.00	0.90	1.65
9	1.50	1.50	0.00	0.85	1.45
10	1.50	1.50	0.00	0.85	1.30
11	1.50	1.50	0.00	0.85	1.20
12	1.50	1.50	0.00	0.85	1.15
13	1.50	1.50	0.00	0.85	1.10
14	1.50	1.50	0.00	0.85	1.05
15+	1.50	1.50	0.00	0.85	1.00

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

Safety	3.0% per year
Muni Drivers	6.0% per year
Craft Workers	4.0% per year
Other Miscellaneous	4.0% per year

Member Refunds

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

	Rates of Refund for Vested Terminated Members	
Age	**Police & Fire**	**Misc.**
Under 25	100%	70%
25	75	55
30	50	40
35	30	35
40	20	30
45	10	20
50 & over	0	0

In estimating refund amounts, it is assumed that employee contribution rates are, on average, not changed by the floating contribution rate provisions of Proposition C.

Family Composition

The percentage assumed to be married (including assumption for Domestic Partners, 1994 Proposition H) is shown in the table at the top of the next column. Spouses of male members are assumed to be three years younger than the member and spouses of female members are assumed to be three years older than the member. And, then the spouse is assumed to be an additional year younger in order to value continuance to children and dependent parents.

	Percentage Married
Safety Males	85%
Safety Females	48
Miscellaneous Males	75
Miscellaneous Females	48

Rates of Termination of Employment

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

	Years of Service		
Age	**0**	**3**	**5+**
20	37.5%	12.0%	6.5%
30	24.0	9.0	5.5
40	17.5	6.0	3.0
50	15.0	4.5	2.6
60	15.0	4.5	4.0

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

Service	Police	Fire	Muni Drivers	Craft
0	10.00%	4.00%	12.00%	8.00%
5	1.00	1.50	3.25	3.25
10	1.00	1.00	3.00	1.75
15	1.00	0.50	3.00	1.75
20	0.50	0.05	3.00	1.75
25	0.00	0.00	0.00	0.00

30% of terminating employees are assumed to subsequently work for a reciprocal employer and receive pay increases equal to the wage inflation assumption.

In estimating termination benefits for Miscellaneous members, it is assumed that employee contribution rates are, on average, not changed by the floating contribution rate provisions of Proposition C.

Rates of Disability

Sample disability rates of active participants are provided below:

Age	Police	Fire	Muni Drivers	Craft	Misc. Females	Misc. Males
30	0.05%	0.06%	0.01%	0.01%	0.01%	0.01%
40	0.16	0.38	0.11	0.12	0.10	0.08
50	0.79	1.20	0.75	0.44	0.55	0.30
60	6.10	12.75	0.00	0.00	0.00	0.00

100% of safety and 0% of miscellaneous disabilities are assumed to be duty related. If projected disability occurs prior to service retirement eligibility, the level of duty disability is assumed to 55% of pay for Police and 60% of pay for Fire.

Rates of Retirement

Rates of retirement are based upon years of service and age. Sample retirement rates for active participants are provided below:

Age	Police		Fire		Muni Drivers		Craft		Miscellaneous		
	<25	25+	<25	25+	<30	30+	<30	30+	<30	30+ Female	30+ Males
50	0.015	0.030	0.020	0.020	0.070	0.030	0.030	0.030	0.030	0.030	0.030
55	0.100	0.120	0.030	0.225	0.060	0.300	0.050	0.075	0.040	0.075	0.075
60	0.100	0.220	0.250	0.350	0.100	0.300	0.100	0.300	0.110	0.250	0.300
65	1.000	1.000	1.000	1.000	0.250	0.450	0.275	0.300	0.225	0.375	0.250
70	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Safety and Miscellaneous inactive terminated vested members and actives who are expected to terminate are assumed to retire at age 55.

Rates of Mortality for Healthy Lives

Mortality rates for actives, retirees, beneficiaries, terminated vested and reciprocals are based on the sex distinct RP 2000 Mortality Tables. The Employee table is used for active employees and the Annuitant table is used for those receiving benefits. To reflect mortality improvements since the date of the table and to project future mortality improvements, the tables have been projected using scale AA to future years as follows:

Active Females:	2030
Active Males:	2005
Annuitant Females:	2020
Annuitant Males:	2020

The table below provides a sample of these rates.

	Rates of Mortality - Actives			Rates of Mortality - Annuitants	
Age	Male	Female	Age	Male	Female
25	0.036%	0.014%	55	0.402%	0.301%
35	0.075	0.034	65	1.012	0.938
45	0.141	0.069	75	2.854	2.394
55	0.275	0.199	85	9.624	6.866
65	0.706	0.501	95	25.699	18.688

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

Rates of Mortality for Retired Disabled Lives

For Safety, all disabilities are assumed to be duty related and therefore all death benefits of disabled members are assumed to generate duty death benefits. The table below provides a sample of the mortality rates for members with disability retirement.

Rates of Mortality for Disabled Lives at Selected Ages

	Police and Fire		All Miscellaneous	
Age	Male	Female	Male	Female
55	0.53%	0.50%	1.94%	1.56%
65	1.26	1.09	3.17	1.80
75	3.18	2.47	6.00	3.65
85	10.80	7.16	14.04	8.42
95	23.77	21.24	31.03	20.92

Recent Changes

As of July 1, 2014, the investment return assumption changed from 7.58% to 7.50%, wage inflation changed from 3.83% to 3.75%, and the consumer price inflation assumption changed from 3.33% to 3.25%. In addition, the amortization methods were updated as follows:

- Net gains and losses, assumption changes, or method changes on or after July 1, 2014 amortized over 20-year closed periods (previously 15-year open periods);
- Changes in plan provisions for active members on or after July 1, 2014 amortized over 15-year closed periods (previously 20-year closed periods);
- Changes in plan provisions for inactive members on or after July 1, 2014 amortized over 5-year closed periods (previously 20-year closed periods);
- Portion of unfunded accrued liability as of July 1, 2013 not due to plan changes reamortized over a 19-year closed period at July 1, 2014.

There have been no significant changes in plan provisions since the July 1, 2013 valuation.

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

Plan Provisions and Contribution Information

A brief summary of the plan provisions may be found in the Notes to the Basic Financial Statements found in the Financial Section. A detailed summary of plan provisions may be found in the July 1, 2014 actuarial funding report issued in March 2015. A discussion of the funding policy may also be found in the Notes. A ten-year schedule of employer contributions may be found in the Required Supplementary Information of the Financial Section. Information on rates of employer and member contributions based on covered payroll may be found in the Statistical Section.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

(in millions)

As of July 1	2014	2013	2012	2011	2010
Prior Valuation Unfunded Actuarial Accrued Liability	$ 3,921.4	$ 3,366.2	$ 2,285.6	$ 1,574.3	$ 493.9
Expected Increase/(Decrease) from Prior Valuation	(98.6)	(80.1)	(58.3)	(51.9)	102.0
Salary Increases Greater/(Less) than Expected	(214.6)	(a)	(173.7)	(314.2)	(319.2)
Changes in Assumptions	153.1	0.0	135.5	148.8	353.4
Proposition Changes/Supplemental COLA	0.0	0.0	0.0	112.6	164.0
Asset Return Less/(Greater) than Expected	(749.2)	584.0	1,135.0	559.6	755.6
All Other Experience	98.4	51.3	42.1	256.4	24.6
Unfunded Actuarial Accrued Liability as of Valuation Date	**$ 3,110.5**	**$ 3,921.4**	**$ 3,366.2**	**$ 2,285.6**	**$ 1,574.3**

(a) Salary experience included with all other experience

SCHEDULE OF FUNDING PROGRESS

(in thousands)

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b	Covered Payroll (c)	UAAL as a % of Covered Payroll [(b)-(a)]/(c)
7/01/2005	12,659,698	11,765,737	(893,961)	107.6%	2,052,862	(43.5)%
7/01/2006	13,597,646	12,515,463	(1,082,183)	108.7%	2,161,261	(50.1)%
7/01/2007	14,929,287	13,541,388	(1,387,899)	110.3%	2,376,221	(58.4)%
7/01/2008	15,941,390	15,358,824	(582,566)	103.8%	2,457,196	-23.7%
7/01/2009	16,004,730	16,498,649	493,919	97.0%	2,537,785	19.5%
7/01/2010	16,069,058	17,643,394	1,574,336	91.1%	2,398,823	65.6%
7/01/2011	16,313,120	18,598,728	2,285,608	87.7%	2,360,413	96.8%
7/01/2012	16,027,683	19,393,854	3,366,171	82.6%	2,393,842	140.6%
7/01/2013	16,303,397	20,224,777	3,921,380	80.6%	2,535,963	154.6%
7/01/2014	18,012,088	21,122,567	3,110,479	85.3%	2,640,153	117.8%

ACTUARIAL SOLVENCY TEST

(in millions)

	Actuarial Accrued Liability (AAL)				Percentage of AAL Covered by Assets		
Valuation Date	Active Member Contributions (1)	Retirees and Beneficiaries (2)	Other Employer Financed Portion (3)	Actuarial Value of Assets	(1)	(2)	(3)
7/1/2007	2,252	7,424	3,866	14,929	100%	100%	100%
7/1/2008	2,411	8,013	4,934	15,941	100%	100%	100%
7/1/2009	2,529	8,720	5,250	16,005	100%	100%	91%
7/1/2010	2,593	9,761	5,289	16,069	100%	100%	70%
7/1/2011	2,664	10,616	5,319	16,313	100%	100%	57%
7/1/2012	2,687	11,262	5,445	16,028	100%	100%	38%
7/1/2013	2,828	11,878	5,518	16,303	100%	100%	29%
7/1/2014	3,008	12,506	5,609	18,012	100%	100%	45%

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Plan Type	Count[1]	Annual Covered Pay[1]	Average Annual Covered Pay	% Increase in Average Covered Pay
7/1/2007	General	26,608	$ 2,008,192,000	$ 75,473	–
	Safety	3,582	361,846,000	101,018	–
7/1/2008	General	26,878	2,059,587,819	76,627	1.5%
	Safety	3,772	397,608,369	105,410	2.6%
7/1/2009	General	26,205	1,981,788,543	75,626	(1.3)%
	Safety	3,714	402,975,857	108,502	2.9%
7/1/2010	General	24,689	1,915,169,605	77,572	2.6%
	Safety	3,533	400,262,779	113,293	4.4%
7/1/2011	General	24,701	1,883,122,340	76,237	-1.7%
	Safety	3,255	380,458,039	116,884	3.2%
7/1/2012	General	24,878	1,928,148,586	77,504	1.7%
	Safety	3,219	395,842,540	122,971	5.2%
7/1/2013	General	25,392	2,031,987,811	80,025	3.3%
	Safety	3,325	417,543,208	125,577	2.1%
7/1/2014	General	26,053	2,109,100,013	80,954	1.2%
	Safety	3,463	429,618,756	124,060	(1.2)%

1 July 1, 2007 through July 1, 2010 include DROP members. DROP members are excluded from July 1, 2011 forward.

RETIREES AND BENEFICIARIES IN PAYEE STATUS

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Fiscal Year	Member Count	Annual Allowance	Member Count	Annual Allowance	Member Count	Annual Allowance	% Increase in Retiree Allowance	Average
2006-07	N/A	N/A	N/A	N/A	21,116	683,909,608	–	32,388
2007-08	1,269	44,225,244	881	23,553,431	21,514	691,842,055	1.2%	32,158
2008-09	1,545	60,356,100	765	20,550,523	22,294	755,029,081	9.1%	33,867
2009-10	2,004	85,601,938	798	22,483,938	23,500	834,425,915	10.5%	35,507
2010-11	1,672	66,575,560	880	24,641,442	24,292	905,053,471	8.5%	37,257
2011-12	1,769	70,868,367	871	26,958,609	25,190	982,250,287	8.5%	38,994
2012-13	1,577	66,437,220	733	22,406,077	26,034	1,045,547,799	6.4%	40,161
2013-14	1,588	65,923,470	770	25,170,856	26,852	1,103,959,803	5.6%	41,113

Statistical Section

The following schedules provide statistical, financial, and operational information:

- Additions to Pension Plan by Source reflects the various sources of income to SFERS
- Deductions to Pension Plan by Type reflects the major expenses to SFERS which are benefits paid to members, refunds of employee contributions to members, and administrative expenses
- Changes in Plan Net Position shows the changes in net position during each of the last 10 fiscal years
- Benefit Expenses of Pension Plan by Type details the benefits paid during the fiscal year due to retirements, disability, death, newly granted COLAs, and accruals for DROP
- Average Pension Benefit Payments highlights benefit levels paid to newly retired and disabled members with differing amounts of credited service
- Active Members by Employer shows the active member counts for each SFERS cost-sharing employer
- Employer Contribution Rates details the components that comprise the employer contribution rates
- Employer Contribution Rates for Fiscal Year 2014-15 details the contribution rates for various member classes after cost-sharing provisions of 2011 Proposition C
- Employee Contribution Rates for Fiscal Year 2014-2015 shows the contribution rates for various member classes with the cost-sharing provisions of 2011 Proposition C

ADDITIONS TO PENSION PLAN BY SOURCE

(in thousands)

Fiscal Year Ending June 30	Member Contributions	Employer Contributions	Gross Return on Investments	Investment Expenses	Total
2006	162,693	126,533	1,719,504	(40,785)	1,967,945
2007	175,747	132,601	2,840,848	(44,009)	3,105,187
2008	185,123	134,060	(684,353)	(51,079)	(416,249)
2009	192,964	126,101[1]	(3,475,740)	(37,110)	(3,193,785)
2010	189,948	223,614	1,699,307	(44,206)	2,068,663
2011	181,755	308,823	2,932,154	(44,579)	3,378,153
2012	198,160	410,797	124,942	(44,540)	689,359
2013	258,726	442,870	2,106,204	(41,654)	2,766,146
2014	289,020	532,882	3,223,030	(47,599)	3,997,333
2015	301,682	592,643	808,340	(44,911)	1,657,754

1 Includes $6,350,000 transfer from CalPERS

DEDUCTIONS TO PENSION PLAN BY TYPE

(in thousands)

Fiscal Year Ending June 30	Benefits Paid	Refunds of Contributions	Administrative Expenses	Total
2006	586,245	8,719	11,222	606,186
2007	631,159	7,645	11,362	650,166
2008	682,230	8,449	12,594	703,273
2009	732,342	6,714	12,951	752,007
2010	792,776	11,997	13,833	818,606
2011	889,744	11,548	14,808	916,100
2012	968,528	11,030	14,916	994,474
2013	1,023,354	9,453	15,518	1,048,325
2014	1,062,229	10,297	15,745	1,088,271
2015	1,118,691	12,339	19,262	1,150,292

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

CHANGES IN PLAN NET POSITION

(in thousands)

Fiscal Year Ending June 30	Additions	Deductions	Net Change	Plan Net Position: Beginning of Year	Plan Net Position: End of Year
2006	1,967,945	606,186	1,361,759	13,135,263	14,497,022
2007	3,105,187	650,166	2,455,021	14,497,022	16,952,043
2008	(416,249)	703,273	(1,119,522)	16,952,043	15,832,521
2009	(3,193,785)	752,007	(3,945,792)	15,832,521	11,886,729
2010	2,068,663	818,606	1,250,057	11,886,729	13,136,786
2011	3,378,153	916,100	2,462,053	13,136,786	15,598,839
2012	689,359	994,474	(305,115)	15,598,839	15,293,724
2013	2,766,146	1,048,325	1,717,821	15,293,724	17,011,545
2014	3,997,333	1,088,271	2,909,062	17,011,545	19,920,607
2015	1,657,754	1,150,292	507,462	19,920,607	20,428,069

BENEFIT PAYMENTS OF PENSION PLAN BY TYPE

(in thousands)

Fiscal Year	Retirement Benefits	Disability Benefits	Death Benefits	COLA Benefit Adjustments	DROP Accrued Retirement	Total
2006	431,915	114,348	10,577	29,405	0	586,245
2007	463,232	122,881	11,405	33,641	0	631,159
2008	500,398	132,134	11,721	37,977	0	682,230
2009	539,917	140,804	11,031	36,447	4,143	732,342
2010	593,048	149,122	8,325	35,287	6,994	792,776
2011	662,277	154,631	8,234	48,514	16,088	889,744
2012	716,744	161,782	8,198	57,234	24,570	968,528
2013	770,521	168,365	8,387	54,816	21,265	1,023,354
2014	827,311	172,619	7,998	53,098	1,203	1,062,229
2015	878,834	175,620	7,492	51,447	5,298	1,118,691

Benefit payments for the most recent fiscal year are provided in further detail in the Financial Section under Other Supplementary Information.

AVERAGE PENSION BENEFIT PAYMENT FOR RETIRED AND DISABLED MEMBERS

	Years of Credited Service					
Retirement Effective Dates	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30+
07/1/11 to 6/30/12						
Average Mo. Benefit	$ 899	$ 1,769	$ 2,675	$ 3,373	$ 5,084	$ 7,308
Average Final Comp.	$ 7,543	$ 7,050	$ 7,044	$ 7,099	$ 8,258	$ 9,405
Number	138	228	179	207	235	331
07/1/12 to 6/30/13						
Average Mo. Benefit	$ 909	$ 1,776	$ 2,792	$ 3,579	$ 5,720	$ 7,340
Average Final Comp.	$ 7,225	$ 6,982	$ 7,409	$ 7,564	$ 8,699	$ 9,758
Number	116	195	120	193	253	275
07/1/13 to 6/30/14						
Average Mo. Benefit	$ 980	$ 1,971	$ 2,812	$ 3,826	$ 5,720	$ 6,927
Average Final Comp.	$ 7,866	$ 7,214	$ 7,530	$ 7,905	$ 8,656	$ 9,143
Number	138	181	170	155	212	257
7/1/14 to 6/30/15						
Average Mo. Benefit	$ 951	$ 1,796	$ 2,922	$ 4,198	$ 5,097	$ 6,545
Average Final Comp.	$ 6,814	$ 7,002	$ 7,806	$ 8,578	$ 8,380	$ 9,049
Number	109	177	163	165	18	245

ACTIVE MEMBERS BY EMPLOYER

Employer	July 1, 2015	July 1, 2014	July 1, 2013
City and County of San Francisco[1]	28,533	27,245	26,533
San Francisco Unified School District	1,252	1,265	1,205
San Francisco Community College District	616	605	628
San Francisco Trial Courts	438	411	423
Total	30,839	29,526	28,789

1 Includes active DROP

EMPLOYER CONTRIBUTION RATES

Before Cost-Sharing Provisions[1]

Fiscal Year	Normal Cost	Remaining Cost of Propositions	Other UAL	Employee Contributions	Administrative Expenses	Total
2006	15.06%	3.10%	(4.51%)	(7.52%)	0.45%	6.58%
2007	16.56%	3.53%	(6.78%)	(7.52%)	0.45%	6.24%
2008	16.60%	3.52%	(7.15%)	(7.51%)	0.45%	5.91%
2009	16.19%	3.42%	(7.55%)	(7.52%)	0.45%	4.99%
2010	18.16%	5.41%	(7.03%)	(7.50%)	0.45%	9.49%
2011	18.18%	5.53%	(3.09%)	(7.51%)	0.45%	13.56%
2012	17.90%	6.51%	0.73%	(7.50%)	0.45%	18.09%
2013	17.90%	6.21%	3.66%	(7.51%)	0.45%	20.71%
2014	17.91%	6.11%	7.88%	(7.53%)	0.45%	24.82%
2015	18.26%	5.99%	9.60%	(7.54%)	0.45%	26.76%

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

FISCAL YEAR 2014-2015 EMPLOYER CONTRIBUTION RATES

After Cost-Sharing Provisions

Member Group	Base Rate of Pay less than $26 per hour	Base Rate of Pay at or above $26 but less than $50 per hour	Base Rate of Pay at or above $50 per hour
Miscellaneous Non-Safety Plans	26.76%	23.26%	22.76%
Police and Firefighter Old Plans	22.26%	22.26%	22.26%
Police and Firefighter New Plans Tier I	22.26%	22.26%	22.26%
Police and Firefighter New Plans Tiers II and III	23.26%	23.26%	22.76%
Miscellaneous Safety and Sheriffs Plans	23.26%	23.26%	22.76%

FISCAL YEAR 2014-2015 EMPLOYEE CONTRIBUTION RATES

After Cost-Sharing Provisions

Member Group	Base Rate of Pay less than $26 per hour	Base Rate of Pay at or above $26 but less than $50 per hour	Base Rate of Pay at or above $50 per hour
Miscellaneous Old Plans	8.0%	11.5%	12.0%
Miscellaneous New Plans	7.5%	11.0%	11.5%
Police and Firefighter Old Plans	11.5%	11.5%	11.5%
Police and Firefighter New Plans Tier I	12.0%	12.0%	12.0%
Police and Firefighter New Plans Tiers II and III	12.5%	12.5%	13.0%
Miscellaneous Safety and Sheriffs Plans	12.5%	12.5%	13.0%

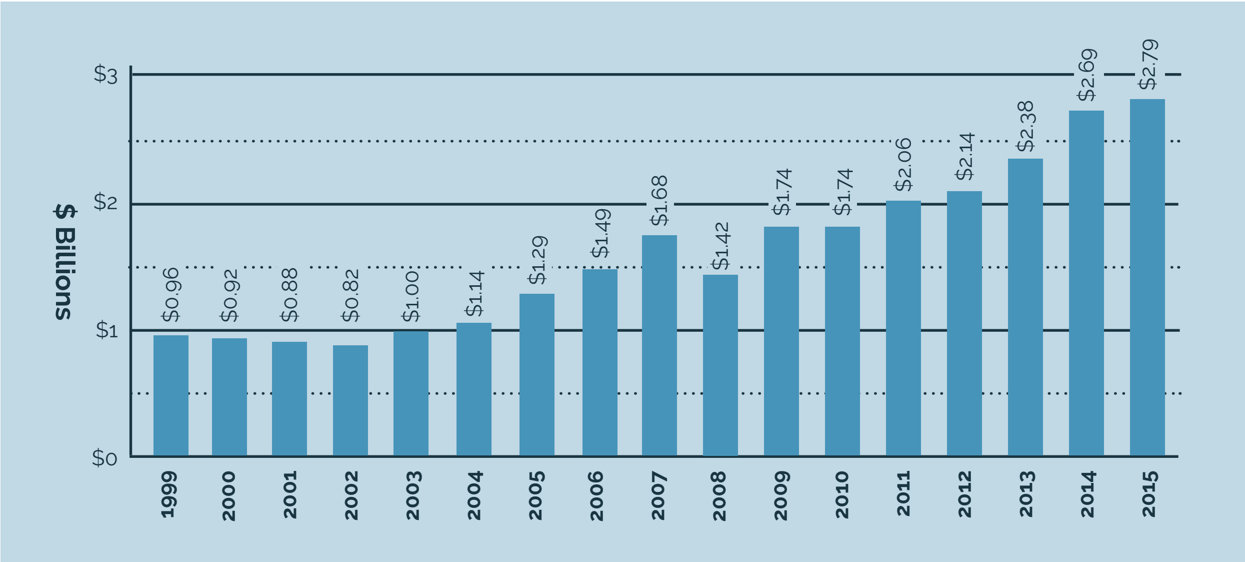
Deferred Compensation Plan (SFDCP)

The San Francisco 457(b) Deferred Compensation Plan (SFDCP) was adopted in 1979 and allows City employees to voluntarily elect to defer receipt and taxation of a portion of their regular earnings until after they retire or separate from service. This method of tax deferral has become an increasingly popular vehicle utilized by City employees as they save for their future.
The Plan offers a diverse selection of 23 core investment funds including access to a self-directed brokerage option. During the past fiscal year, total assets for the SFDCP grew at approximately 3.71%, and the average account balance per participant was $108,189.

The SFDCP offers participants low fees, an enhanced core lineup of investment options, a customized website and communications, online transactions, and retirement counselors available daily at the SFERS office. Prudential Retirement Insurance and Annuity Company currently serves as the SFDCP's third party plan administrator.

As of June 30, 2015, there were 25,756 participants in the SFDCP with Plan assets valued at $2.787 billion. The chart and table provide detailed information about the 23 core investment funds that make up the City's 457(b) Deferred Compensation Plan, as well as customer service activity and participation for Fiscal Year 2014-15.

SFDCP ASSETS UNDER MANAGEMENT



SFDCP VALUES AS OF JUNE 30, 2015

Funds	Total Assets	Percent Of Total Assets	Annual Performance
SFDCP Stable Value Portfolio	$ 917,199,399	32.92%	1.22%
SFDCP Core Bond Portfolio	$ 108,417,152	3.89%	1.31%
SFDCP Retirement Fund[1]	$ 79,509,367	2.85%	0.26%
SFDCP Target Date 2015 Fund[1]	$ 66,443,879	2.38%	0.23%
SFDCP Target Date 2020 Fund[1]	$ 100,324,138	3.60%	0.35%
SFDCP Target Date 2025 Fund[1]	$ 107,595,863	3.86%	0.61%
SFDCP Target Date 2030 Fund[1]	$ 90,491,327	3.25%	0.62%
SFDCP Target Date 2035 Fund[1]	$ 64,006,058	2.30%	0.57%
SFDCP Target Date 2040 Fund[1]	$ 38,382,489	1.38%	0.52%
SFDCP Target Date 2045 Fund[1]	$ 20,694,607	0.74%	0.52%
SFDCP Target Date 2050 Fund[1]	$ 3,949,259	0.14%	0.52%
SFDCP Target Date 2055 Fund[1]	$ 2,417,484	0.09%	0.53%
SFDCP Large Cap Core Equity - Active Portfolio	$ 42,622,598	1.53%	10.29%
SFDCP Large Cap Core Equity - S&P 500 Index	$ 199,014,798	7.14%	7.43%
SFDCP Large Cap Growth Equity Portfolio	$ 344,223,193	12.35%	11.53%
SFDCP Large Cap Social Equity Portfolio	$ 34,696,003	1.25%	10.74%
SFDCP Large Cap Value Equity Portfolio	$ 66,442,090	2.38%	4.08%
SFDCP Mid Cap Core Equity Portfolio[2]	$ 134,454,609	4.83%	7.13%
SFDCP Small Cap Core Equity Portfolio	$ 17,538,547	0.63%	3.80%
SFDCP Small Cap Growth Equity Portfolio	$ 52,115,928	1.87%	6.43%
SFDCP Small Cap Value Equity Portfolio	$ 68,352,309	2.45%	1.18%
SFDCP International Equity	$ 168,077,746	6.03%	0.97%
SFDCP Real Estate Portfolio	$ 46,117,702	1.66%	5.05%
Self Directed Brokerage Account	$ 13,435,396	0.48%	N/A
TOTAL PLAN ASSETS	**$ 2,786,521,942**	**100.00%**	

* Assets are rounded up to the nearest dollar

1 Target Date Funds consist of a series of funds with professionally managed allocations designed to meet the needs of different age groups. Each of the 10 Target Date funds has a different performance and profile.

2 Mid Cap Growth Equity and Mid Cap Value Equity Portfolios migrated to Mid Cap Core Equity Portfolio on 4/6/2015 .

SFDCP STATISTICS SUMMARY

Plan Year Ended June 30, 2015

ASSET SUMMARY	
[1]Beginning Assets July 1, 2014	$ 2,686,943,325
Contributions	140,817,379
Roll-ins	20,881,554
Earnings	91,360,825
Less Distributions	153,481,141
Ending Assets June 30, 2015	**$ 2,786,521,942**
PARTICIPANT SUMMARY	
[2]Beginning Participants July 1, 2014	24,701
New Participants	1,975
Less Full Distributions	920
[3]**Ending Participants June 30, 2015**	**25,756**
SERVICE SUMMARY	
Group Meetings	683
Field and Office Individual Counseling Sessions	7,491
Total Phone Calls	22,001
IVR (Interactive Voice Response) Calls	2,505
Customer Service Calls	19,496
Web Logins	285,688

1 Equals Ending Assets June 30, 2014 as reported on 6/30/2014 Fiscal Year Report

2 Equals Ending Participants June 30, 2014

3 Includes 18,348 active participants and 7,408 retired participants