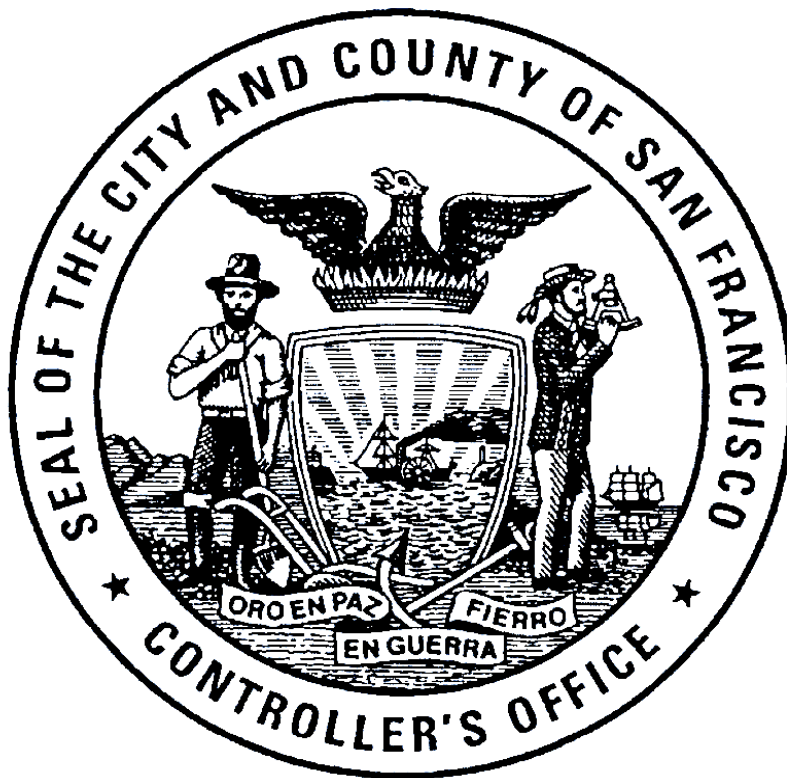


CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report Year ended June 30, 2014



**Prepared by:
Office of the Controller**

**Ben Rosenfield
Controller**

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units

Trust Funds

Employees' Retirement System – Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

Health Service System – Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

Retiree Health Care Trust - Accounts for the contributions from employees, City contributions and the earnings and profits from investment of monies. Disbursements are to be made for benefits, expenses and other charges properly allocable to the trust fund.

Agency Funds

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Assistance Program Fund – Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

Deposits Fund – Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

Payroll Deduction Fund – Accounts for monies held for payroll charges including federal, state and other payroll related deductions.

State Revenue Collection Fund – Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

Tax Collection Fund – Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

Transit Fund – Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

Other Agency Funds – Accounts for monies held as agent for a variety of purposes.

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
June 30, 2014
(In Thousands)

	Pension Trust Fund Employees' Retirement System	Other Employee Benefit Trust Fund Health Service System	Other Post- employment Benefit Trust Fund Retiree Health Care	Total
Assets				
Deposits and investments with City Treasury.....	\$ 5,227	\$ 137,570	\$ 47,662	\$ 190,459
Deposits and investments outside City Treasury:				
Cash and deposits.....	82,283	-	-	82,283
Short term investments.....	838,466	-	-	838,466
Debt securities.....	4,531,032	-	-	4,531,032
Equity securities.....	10,441,661	-	-	10,441,661
Real estate.....	1,582,169	-	-	1,582,169
Alternative investments.....	2,424,678	-	-	2,424,678
Foreign currency contracts, net.....	829	-	-	829
Invested in securities lending collateral.....	911,577	-	-	911,577
Receivables:				
Employer and employee contributions.....	49,643	39,961	1,302	90,906
Brokers, general partners and others.....	281,319	-	-	281,319
Interest and other.....	63,968	2,046	53	66,067
Total assets.....	<u>21,212,852</u>	<u>179,577</u>	<u>49,017</u>	<u>21,441,446</u>
Liabilities				
Accounts payable.....	19,273	13,205	-	32,478
Estimated claims payable.....	-	29,156	-	29,156
Payable to brokers.....	356,990	-	-	356,990
Deferred Retirement Option Program.....	3,096	-	-	3,096
Payable to borrowers of securities.....	912,886	-	-	912,886
Other liabilities.....	-	44,395	-	44,395
Total liabilities.....	<u>1,292,245</u>	<u>86,756</u>	<u>-</u>	<u>1,379,001</u>
Net Position				
Held in trust for pension benefits and other purposes	<u>\$ 19,920,607</u>	<u>\$ 92,821</u>	<u>\$ 49,017</u>	<u>\$ 20,062,445</u>

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
Year Ended June 30, 2014
(In Thousands)

	Pension Trust Fund Employees' Retirement System	Other Employee Benefit Trust Fund Health Service System	Other Post- employment Benefit Trust Fund Retiree Health Care	Total
Additions:				
Employees' contributions.....	\$ 289,020	\$ 118,912	\$ 11,791	\$ 419,723
Employer contributions.....	532,882	644,054	5,895	1,182,831
Total contributions.....	821,902	762,966	17,686	1,602,554
Investment income/loss:				
Interest.....	177,425	827	257	178,509
Dividends.....	195,503	-	-	195,503
Net appreciation in fair value of investments.....	2,844,279	228	61	2,844,568
Securities lending income.....	4,871	-	-	4,871
Total investment income.....	3,222,078	1,055	318	3,223,451
Less investment expenses:				
Securities lending borrower rebates and expenses.....	952	-	-	952
Other investment expenses.....	(47,599)	-	-	(47,599)
Total investment expenses.....	(46,647)	-	-	(46,647)
Total additions, net.....	3,997,333	764,021	18,004	4,779,358
Deductions:				
Benefit payments.....	1,062,229	748,564	-	1,810,793
Refunds of contributions.....	10,297	-	-	10,297
Administrative expenses.....	15,745	-	160	15,905
Total deductions.....	1,088,271	748,564	160	1,836,995
Change in net assets.....	2,909,062	15,457	17,844	2,942,363
Net position at beginning of year.....	17,011,545	77,364	31,173	17,120,082
Net position at end of year.....	<u>\$19,920,607</u>	<u>\$ 92,821</u>	<u>\$ 49,017</u>	<u>\$ 20,062,445</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2014
(Dollars in Thousands)

The San Francisco Retiree Health Care Trust Fund (RHCTF) was established in December 2010 by the Retiree Health Trust Fund Board of the City and County of San Francisco. The RHCTF was established to receive employer and employee contributions prescribed by the Charter for the purpose of pre-funding certain postretirement health benefits. Proposition B requires employees hired on or after January 10, 2009 to contribute 2% of pay and the employer to contribute 1% of pay. Between January 10, 2009 and the establishment of the RHCTF, contributions were set aside and deposited into the RHCTF when it was established. Proposition C also requires all employees hired on or before January 9, 2009 to contribute 0.25% of pay to the RHCTF commencing July 1, 2016, increasing annually by 0.25% to a maximum of 1.0% of pay. The employer is required to contribute an equal amount. The RHCTF is currently invested in short-term fixed income securities.

The Charter amendment passed by voters as Proposition A on November 5, 2013 prohibits withdrawals from the RHCTF until sufficient funds are set-aside to pay for all future retiree health care costs as determined by an actuarial study. Limited withdrawals prior to accumulating sufficient funds will be permitted only if annually budgeted retiree health care costs rise above 10% of payroll expenses, and will be limited to no more than 10% of the RHCTF balance. Proposition A allows for revisions to these funding limitations and requirements only upon the recommendation of the Controller and an external actuary and if approved by the RHCTF Board, two-thirds of the Board of Supervisors, and the Mayor.