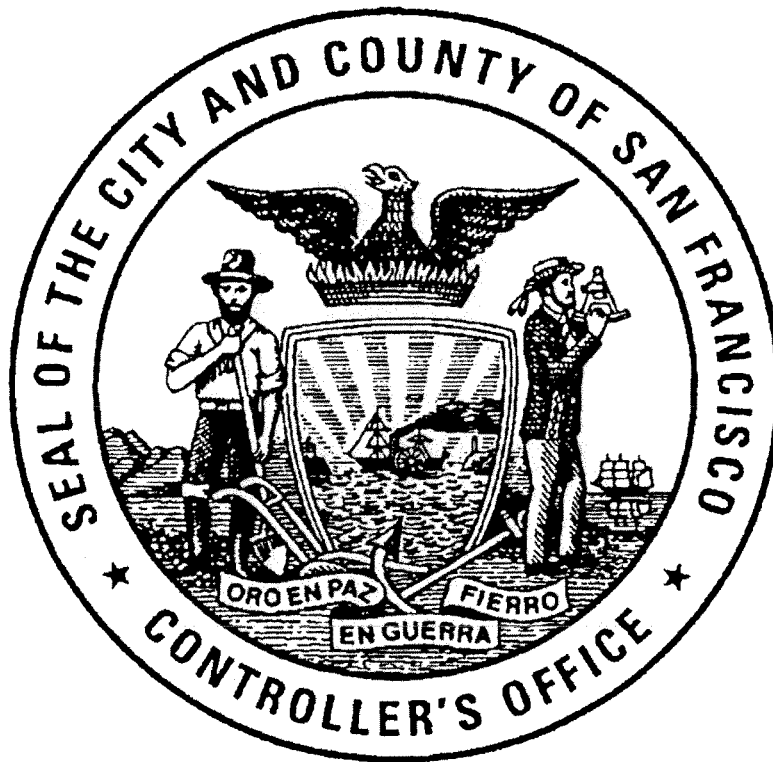


CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
Year ended June 30, 2013



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, 2013
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post- employment Benefit Trust Fund	Total
	Employees' Retirement System	Health Service System	Retiree Health Care	
Assets				
Deposits and investments with City Treasury.....	\$ 7,769	\$ 135,135	\$ 30,260	\$ 173,164
Deposits and investments outside City Treasury:				
Cash and deposits.....	60,874	-	-	60,874
Short term investments.....	572,556	-	-	572,556
Alternative investments.....	2,129,578	-	-	2,129,578
Debt securities.....	4,290,577	-	-	4,290,577
Equity securities.....	8,621,434	-	-	8,621,434
Real estate.....	1,430,711	-	-	1,430,711
Foreign currency contracts, net.....	(7,403)	-	-	(7,403)
Invested in securities lending collateral.....	1,004,266	-	-	1,004,266
Receivables:				
Employer and employee contributions.....	39,593	38,217	904	78,714
Brokers, general partners and others.....	315,076	-	-	315,076
Interest and other.....	34,961	5,195	9	40,165
Total assets.....	<u>18,499,992</u>	<u>178,547</u>	<u>31,173</u>	<u>18,709,712</u>
Liabilities				
Accounts payable.....	17,337	16,994	-	34,331
Estimated claims payable.....	-	25,593	-	25,593
Payable to brokers.....	445,447	-	-	445,447
Deferred Retirement Option Program liabilities.....	20,502	-	-	20,502
Payable to borrowers of securities.....	1,005,161	-	-	1,005,161
Deferred credits and other liabilities.....	-	58,596	-	58,596
Total liabilities.....	<u>1,488,447</u>	<u>101,183</u>	<u>-</u>	<u>1,589,630</u>
Net Position				
Held in trust for pension benefits and other purposes	<u>\$ 17,011,545</u>	<u>\$ 77,364</u>	<u>\$ 31,173</u>	<u>\$ 17,120,082</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, 2013
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post- employment Benefit Trust Fund	Total
	Employees' Retirement System	Health Service System	Retiree Health Care	
Additions:				
Employees' contributions.....	\$ 258,726	\$ 118,057	\$ 8,822	\$ 385,605
Employer contributions.....	442,870	630,128	4,411	1,077,409
Total contributions.....	<u>701,596</u>	<u>748,185</u>	<u>13,233</u>	<u>1,463,014</u>
Investment income/loss:				
Interest.....	182,160	749	25	182,934
Dividends.....	188,644	-	-	188,644
Net appreciation/(depreciation) in fair value of investments...	1,729,781	(997)	-	1,728,784
Securities lending income.....	5,096	-	-	5,096
Total investment income.....	<u>2,105,681</u>	<u>(248)</u>	<u>25</u>	<u>2,105,458</u>
Less investment expenses:				
Securities lending borrower rebates and expenses.....	523	-	-	523
Other investment expenses.....	(41,654)	-	-	(41,654)
Total investment expenses.....	<u>(41,131)</u>	<u>-</u>	<u>-</u>	<u>(41,131)</u>
Total additions, net.....	<u>2,766,146</u>	<u>747,937</u>	<u>13,258</u>	<u>3,527,341</u>
Deductions:				
Benefit payments.....	1,023,354	723,792	-	1,747,146
Refunds of contributions.....	9,453	-	-	9,453
Administrative expenses.....	15,518	-	75	15,593
Total deductions.....	<u>1,048,325</u>	<u>723,792</u>	<u>75</u>	<u>1,772,192</u>
Change in net position.....	1,717,821	24,145	13,183	1,755,149
Net position at beginning of year.....	<u>15,293,724</u>	<u>53,219</u>	<u>17,990</u>	<u>15,364,933</u>
Net position at end of year.....	<u>\$ 17,011,545</u>	<u>\$ 77,364</u>	<u>\$ 31,173</u>	<u>\$ 17,120,082</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (continued)
June 30, 2013
(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

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

an equal amount. The RHCTF is currently invested in short-term fixed income securities. The RHCTF may not pay benefits from the Trust before January 1, 2020.

Proposition A was passed by voters on November 5, 2013, and will keep the Retiree Health Care Trust Fund (the Trust Fund) from being depleted and would allow the Trust Fund Board to make payments toward City retiree health care cost from the City's account in the fund only when Trust Fund is fully funded or only under certain circumstances. The City and its employees make contributions to the Fund. The Trust Board may not use these contributions to pay for retiree health care costs until January 1, 2020.

The Charter amendment will prohibit withdrawals from the Trust Fund 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 Trust Fund 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 Retiree Health Care Trust Fund Board, two-thirds of the Board of Supervisors, and the Mayor.