CITY AND COUNTY OF SAN FRANCISCO
RETIREE HEALTH CARE TRUST FUND

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

Year Ended June 30, 2026

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CITY AND COUNTY OF SAN FRANCISCO
RETIREE HEALTH CARE TRUST FUND
Year Ended June 30, 2026

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Independent Auditor's Report

Retiree Health Care Trust Fund Board
City and County of San Francisco
San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the City and County of San Francisco Retiree Health Care Trust Fund (RHCTF), an other postemployment benefits trust fund of the City and County of San Francisco, California, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the RHCTF's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation

and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of investment returns be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental

Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the RHCTF's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2026, on our consideration of the RHCTF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the RHCTF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the RHCTF's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 21, 2026

CITY AND COUNTY OF SAN FRANCISCO
RETIREE HEALTH CARE TRUST FUND
Management's Discussion and Analysis (Unaudited)
June 30, 2026

SFERS management, acting as RHCTF Trust Administrator of the City and County of San Francisco Retiree Health Care Trust Fund (RHCTF), is pleased to provide this overview and analysis of the financial activities of its agent multiple-employer, other postemployment benefits plan for the year ended June 30, 2026. We encourage readers to consider the information presented here in conjunction with the *Financial Statements* and *Required Supplementary Information*, which follow this discussion.

The RHCTF is reported as an other postemployment benefits trust fund in the City's basic financial statements included in its Annual Comprehensive Financial Report. The RHCTF was established to receive employer and employee contributions prescribed by the City's Charter for the purpose of prefunding certain postemployment health benefits and is to be used to receive the employers' contributions to the health care premiums of their retirees and their survivors. The RHCTF includes two employers: the City and County of San Francisco (City & County) and the San Francisco Community College District (Community College). The RHCTF is governed by the Retiree Health Care Trust Fund Board as described in Note 1 to the financial statements.

Overview of Financial Statements

The following discussion is intended to serve as an introduction to the RHCTF's financial statements, which consist of the statement of fiduciary net position, statement of changes in fiduciary net position, and notes to the financial statements.

- The statement of fiduciary net position is a snapshot of account balances as of June 30, 2026. It shows assets, liabilities, and net position available as of that date.
- The statement of changes in fiduciary net position shows additions and deductions to the RHCTF's net position during the year ended June 30, 2026.
- Notes to the financial statements provide additional information that is essential to a full understanding of the numbers in the financial statements.

The financial statements and accompanying notes are presented in all material respects in accordance with the basis of accounting and accounting principles as explained in Note 2. In addition, this report presents required supplementary information concerning the RHCTF's annual money-weighted rate of return, net of investment expenses.

Financial Analysis – Condensed Schedule of Fiduciary Net Position Available

The Plan's net position as of June 30, 2026, and 2025, are represented in the table below:

Fiduciary Net Position Summary – June 30, 2026 and 2025

	2026	2025
Cash and Investments - City Treasury	$ 9,226,875	$ 2,782,252
Cash and Investments - Outside City Treasury	1,949,003,416	1,528,323,119
Other assets	5,713,807	11,360,237
Total assets	1,963,944,098	1,542,465,608
Total liabilities	974,865	1,736,768
Fiduciary net position	$ 1,962,969,233	$ 1,540,728,840

The net position available for future health obligations increased by $422.2 million in 2026, or a 27.4 percent increase. The components of the increase are $96.0 million in employee contributions, and $56.9 million in City & County and Community College contributions not including contributions representing benefit payments outside the trust. In addition, the RHCTF experienced a $249.3 million net increase in the fair value of investments, together with other net investment income of $20.6 million.

In the current year, cash totaling $1,949.0 million was invested outside of the City's investment pool as planned and directed by the RHCTF Board. The City investment pool's earned income yield, which includes net gains on investments sold, was 3.8 percent for the year ended June 30, 2026. By contrast, the RHCTF's investments outside of the City returned 16.6 percent for the year ended June 30, 2026. For the Community College, the investments outside of the City returned 19.0 percent for the year ended June 30, 2026. These rates of return are calculated on a time-weighted basis.

Highlights of Changes in Fiduciary Net Position – Years Ended June 30, 2026 and 2025

	2026	2025
Additions:		
Employee contributions	$ 96,016,384	$ 89,713,491
Employer contributions direct to trust	56,929,606	54,484,943
Employer contributions outside the trust	274,514,319	259,318,455
Investment Income		
Net appreciation in fair value of investments	249,287,217	112,062,619
Investment Income	21,604,265	15,601,235
Investment expenses	(1,045,298)	(898,949)
Net investment income	269,846,184	126,764,905
Total additions	697,306,493	530,281,794
Deductions:		
Benefit payments outside the trust	274,514,319	259,318,455
Administrative expenses	551,781	280,630
Total deductions	275,066,100	259,599,085
Change in net position	422,240,393	270,682,709
Fiduciary net position - beginning of the year	1,540,728,840	1,270,046,131
Fiduciary net position - end of the year	$ 1,962,969,233	$ 1,540,728,840

Employee contributions increased by $6.3 million, or 7.0 percent, largely due to an increase in overall salaries. Employer contributions made to the trust are irrevocable direct contributions into the RHCTF. Employer contributions outside the trust are direct payments of insurance premiums made by the City and the Community College. In the year ended June 30, 2026, direct employer contributions to the trust increased by $2.4 million, or 4.5 percent, largely due to an increase in overall salaries. Employer contributions outside the trust increased by $15.2 million, or 5.9 percent due to increases in healthcare premiums and number of retirees.

Total investment income was $269.8 million, which was $143.1 million higher than the prior year due mostly to the net appreciation in fair value of investments outside of the City investment pool and to the favorable returns on those investments.

Benefit payments outside the trust are the participating employers' direct payments of insurance premiums to the insurers. The participating employers' direct payments of insurance premiums to the insurers increased by $15.2 million, or 5.9 percent.

Requests for information

This financial report is designed to provide a general overview of the Retiree Health Care Trust Fund's finances for the year ended June 30, 2026. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to:

RHCTF Trust Administrator
San Francisco City and County Employees' Retirement System
1145 Market Street – 5th floor
San Francisco, CA 94103

CITY AND COUNTY OF SAN FRANCISCO
RETIREE HEALTH CARE TRUST FUND
Statement of Fiduciary Net Position
June 30, 2026

Assets	
Receivables	
Employee Contributions	$ 2,663,195
Employer Contributions	1,534,566
Investment Sales and Other	247,655
Interest and Dividends	1,179,713
Interest from City Investments	88,678
Cash and Investments with City Treasury	9,226,875
Cash and Investments outside City Treasury	
Short-term Investments	7,279,866
Debt Securities	390,469,768
Equity Securities:	
Domestic	579,286,124
International	512,341,080
Private Equity	146,889,388
Real Estate	58,299,618
Private Credit	52,928,050
Infrastructure	32,515,381
Risk Mitigating Strategies	168,994,141
Total Investments	1,958,230,291
Total Assets	1,963,944,098
Liabilities	
Accounts Payable	61,080
Investment Purchases and Other	913,785
Total Liabilities	974,865
Net Position	
Fiduciary Net Position Restricted for Postemployment Healthcare Benefits	$ 1,962,969,233

See accompanying notes to the financial statements

Note 2 – Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements are prepared using the economic resources measurement focus and on the accrual basis of accounting. The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The RHCTF follows U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

(b) Investments

The RHCTF maintains its cash in the City's investment pool. Income earned from the City's pooled investments is allocated monthly to the RHCTF based on its average daily cash balance. Investments are reported at fair value. Equity and debt commingled funds are priced at net asset value (NAV) by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. Private equity, real estate, private credit, risk mitigating, and infrastructure investment are valued based on NAV provided by the investment managers and general partners. Purchases and sales of investments are reported on a trade date basis.

(c) Contributions

Employee contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to legal requirements for the City and are recognized when received from the Community College. Benefits are recognized when currently due and payable in accordance with the terms of the participating employers' plans. In addition, employer contributions made in the form of direct payments of insurance premiums by the employers are recognized as employer contributions and benefit payments for plan financial reporting purposes.

(d) Administrative Costs

Costs to administer the plan are determined through the Board-approved budget where actual direct costs of administering the Plan are assessed.

Note 3 – Cash and Investments

The RHCTF maintains 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 objectives of the investment policy are, in order of priority, preserve capital, meet the daily cash flow demands of the City and pool participants, and provide a market rate of return while conforming to all state and local statutes governing the investment of public funds. 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 investment pool at June 30, 2026.

The RHCTF's investments outside of the City Treasury are invested pursuant to investment policy guidelines as established by the RHCTF Board. The investment strategy of the RHCTF is designed to ensure the prudent investment of fund assets in such a manner as to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss. The RHCTF allocates its investments among numerous investment managers and in accordance with the investment policy approved by the RHCTF Board.

For the Community College District's Sub-Trust, the RHCTF Board anticipated that illiquid investments will not be appropriate given the portfolio liquidity needs. The current allocation offers a higher liquidity profile for the Community College.

The RHCTF Board has established percentage guidelines for types of investments to ensure the portfolio is diversified, as follows:

CITY AND COUNTY OF SAN FRANCISCO
RETIREE HEALTH CARE TRUST FUND
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2026

Additions	
Employee Contributions	$ 96,016,384
Employer Contributions Direct to Trust	56,929,606
Employer Contributions Outside the Trust	274,514,319
Investment Income:	
Net Appreciation in Fair Value of Investments	249,287,217
Interest and Dividend Income	21,604,265
Less: Investment Expenses	(1,045,298)
Net Investment Income	269,846,184
Total Additions	697,306,493
Deductions	
Benefit Payments Outside the Trust	274,514,319
Administrative Expenses	551,781
Total Deductions	275,066,100
Change in Fiduciary Net Position	422,240,393
Fiduciary Net Position Restricted for Postemployment Healthcare Benefits Beginning of Year	1,540,728,840
End of Year	$ 1,962,969,233

See accompanying notes to the financial statements

CITY AND COUNTY OF SAN FRANCISCO
RETIREE HEALTH CARE TRUST FUND
Notes to the Financial Statements
Year Ended June 30, 2026

Note 1 – Description of Entity

The Retiree Health Care Trust Fund (RHCTF), an irrevocable trust fund, was established under the City and County of San Francisco (City) Charter Appendix A8.432 as a result of the passage of Proposition B on the June 2008 ballot. The RHCTF was established to receive employer and employee contributions from participating employers in separate employer prefunding accounts, as prescribed by the Charter for the purpose of prefunding certain postemployment health benefits in accordance with the terms of the participating employers' plans. The RHCTF is an agent multiple-employer, defined benefit other postemployment benefits plan.

The RHCTF has two employers participating in the plan: the City and County of San Francisco (City & County) and the San Francisco Community College District (Community College). As of June 30, 2026, there were 34,113 active members, 26,648 retirees and beneficiaries, and 1,595 vested, terminated members. The City's health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The Community College's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

The RHCTF is considered to be a part of the City's financial reporting entity and is included in the City's basic financial statements as an other postemployment benefits trust fund. The financial statements of the RHCTF are intended to present only the fiduciary net position and changes in fiduciary net position of the RHCTF. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2026, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. The City's basic financial statements can be obtained from City Hall, Room 316, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102 or the City's website at https://www.sf.gov/annual-comprehensive-financial-reports-acfr.

The RHCTF is governed by a Retiree Health Care Trust Fund Board (Board), as described in the Charter Section 12.204. The Board consists of five trustees: one appointed by the City Controller, one appointed by the City Treasurer, one appointed by the Chief Executive Officer and Chief Investment Officer of the San Francisco Employees' Retirement System, one elected from among the active employees of the City's Health Service System, and one elected from among the retired employees of the City's Health Service System. Each elected trustee serves for a term of five years.

Asset Class	Target Allocation Since February 13, 2023 City and County of San Francisco Sub-Trust	Target Allocation Since February 13, 2023 Community College District Sub-Trust
Equities		
U.S. Equity Large Cap	25.0%	31.0%
U.S. Equity Small Cap	2.0%	3.0%
Developed Market Equity	13.0%	18.0%
Emerging Market Equity	10.0%	16.0%
Credit		
High Yield Bonds	3.0%	3.0%
Bank Loans	3.0%	3.0%
Emerging Market Bonds	—	3.0%
Rate Sensitive		
Short-Term Treasury Inflation-Protected Securities (TIPS)	5.0%	3.0%
Investment Grade Bonds	7.0%	15.0%
Long-Term Government Bonds	—	5.0%
Private Markets		
Private Equity	10.0%	—
Private Credit	5.0%	—
Core Private Real Estate	5.0%	—
Private Infrastructure	2.0%	—
Risk Mitigating Strategies		
Global Macro	10.0%	—
	100.0%	100.0%

(a) Fair Value Measurement of Investments

At June 30, 2026, the RHCTF had cash and investments in the City Treasury pool, commingled funds, mutual funds, and money market funds. The funds are priced at net asset value (NAV) by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding.

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

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

The values provided by the General Partners may differ significantly from the values that would have been used had a ready market existed for these investments.

As of June 30, 2026	Total
Investments measured at the net asset value (NAV)	
Cash and Investments outside City Treasury	
Short-term investments	$ 7,279,866
Debt securities	390,469,768
Equity securities:	
Domestic	579,286,124
International	512,341,080
Private equity	146,889,388
Real estate	58,299,618
Private credit	52,928,050
Infrastructure	32,515,381
Risk mitigating strategies	168,994,141
Total investments measured at the NAV	1,949,003,416
Investments not subject to the fair value hierarchy	
City investment pool	9,226,875
Total investments measured at fair value	$ 1,958,230,291

Investment Type	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Short-term Investments	$ 7,279,866	N/A	Daily	1 day
Debt securities	245,617,611	N/A	Daily	1 day
	3,084,989		Daily	2 days
	141,767,168		Quarterly	90 days
Domestic equity securities	579,286,124	N/A	Daily	1 day
International equity securities	162,647,168	N/A	1st and 15th calendar day of each month	6 Business days prior
	68,495,560		Last business day of any month	30 days
	216,784,495		Daily	1 day
	64,413,857		Weekly	3 days
Private equity	146,889,388	$ 168,264,684	N/A	N/A
Real estate	56,995,191	28,910,371	Quarterly	45 days
	1,304,427		N/A	N/A
Private credit	52,928,050	59,096,775	N/A	N/A
Infrastructure	32,515,381	N/A	Semi-annual	90 days
Risk mitigating strategies	168,994,141	N/A	Weekly	4 days
Total investments measured at NAV	$1,949,003,416			

(b) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The RHCTF does not have a specific policy to manage interest rate risk however it invests in a diversified portfolio of stocks, bonds, private investments, and risk mitigation strategies with a goal of reducing sensitivity to any one interest rate regime.

As of June 30, 2026, the weighted average maturities in years for the RHCTF's fixed income investments were as follows:

Investment Type	Weighted Average Maturity in Years	Fair Value
US Debt Index Fund	8.1	$ 155,222,654
Government Bond Index Fund	21.8	3,084,989
Inflation Protected Debt Index Fund	2.4	88,633,529
Emerging Markets Debt Fund	9.8	1,761,428
Multi-Sector Debt Fund	7.4	141,767,168
City Investment Pool	1.6	9,226,875
Treasury Money Market Fund	0.1	7,279,866

(c) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The RHCTF's investments in the US Debt Index Fund, Government Bond Index Fund, Inflation Protected Debt Index Fund, Emerging Markets Debt Fund, Multi-Sector Debt Fund, City Investment Pool, and Treasury Money Market Fund are not rated. Although those funds may invest in rated securities, and securities issued or explicitly guaranteed by the U.S. Government that are exempt from the credit rating disclosures, the funds do not themselves have a specific credit rating.

(d) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Securities issued or explicitly guaranteed by the U.S. Government and pooled investments are exempt from this disclosure. As of June 30, 2026, the RHCTF had only commingled funds and a partnership investment that equaled or exceeded 5% of the plan's fiduciary net position. However, there is no position within the funds or partnership investment that has equal to or greater than 5% at the issuer level and likely very little, if any, overlap.

(e) Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the RHCTF would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The RHCTF does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the RHCTF's custodial agent in the RHCTF's name. As of June 30, 2026, none of the RHCTF's investments were exposed to custodial credit risk because they were either insured or registered in the name of the RHCTF and were held by the custodian bank's trust department or agent. Investments in the City pool are held by the City's custodial agent and are not subject to custodial credit risk.

(f) Foreign Currency Risk

The RHCTF allows investments in international equity and debt. The RHCTF's investments in the commingled funds are denominated in U.S. dollars, but may consist of underlying securities that are denominated in foreign currencies. The RHCTF's investment managers value investments denominated in foreign currencies by converting them into U.S. dollars using the most appropriate exchange rates as identified by each manager. Also, the cost of purchases and proceeds from sales of investments, interest and dividend income are translated into U.S. dollars using the spot market rate of exchange prevailing on the respective dates of such transactions.

(g) Rate of Return

For the year ended June 30, 2026, the annual money-weighted rate of return on investments, net of investment expense, was 16.6 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(h) Unfunded Investments Commitments

The RHCTF has unfunded commitments to contribute capital for private equity in the amount of $168.3 million, real estate in the amount of $28.9 million, and private credit in the amount of $59.1 million as of June 30, 2026.

Note 4 – Funding Policy

Actuarially determined contributions are based on actuarial valuations that are conducted at least biennially by outside actuaries engaged by participating employers. The participating employer's contributions to the RHCTF are established through the City Charter.

Active officers and employees of the City and County and of other participating employers, who commenced employment on or after January 10, 2009, contribute a percentage not to exceed 2% of pre-tax compensation. The participating employer contributes 1% of compensation for officers and employees who commenced employment on or after January 10, 2009. When a participating employer's GASB Actuary has determined that the employer's portion of the Trust Fund is fully funded, the employer's 1% contribution will cease. Thereafter, that employer and its officers and employees will each contribute 50% of the Normal Cost, as determined by the employer's GASB Actuary, except that the contribution rate for officers and employees will not exceed 2% of pre-tax compensation

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

No withdrawals from the City's plan other than for reasonable administrative expenses were allowed prior to January 2020. 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 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 RHCTF Board, two-thirds of the Board of Supervisors, and the Mayor.

For participating employers other than the City and County, the RHCTF Board may not make any disbursements from the sub-trust until the employer's governing body, after consultation with their GASB Actuary, has recommended to the Board by a two-thirds vote, and the Board has approved, disbursement limitations that effectively balance the Community College's goal of attaining and maintaining a fully-funded trust against their overall financial obligations.

CITY AND COUNTY OF SAN FRANCISCO
RETIREE HEALTH CARE TRUST FUND
Required Supplementary Information (Unaudited)
Year Ended June 30, 2026

Schedule of Investment Returns

Year	Annual Money-Weighted Rate of Return, Net of Investment Expenses
2026	16.6%
2025	9.2%
2024	15.7%
2023	10.4%
2022	-11.5%
2021	24.7%
2020	5.6%
2019	9.5%
2018	7.0%
2017	13.1%

CITY AND COUNTY OF SAN FRANCISCO
RETIREE HEALTH CARE TRUST FUND
Other Supplementary Information
Combining Statement of Fiduciary Net Position
June 30, 2026

	CITY	COMMUNITY COLLEGE	TOTAL
Assets			
Receivables			
Employee Contributions	$ 2,663,195	$ —	$ 2,663,195
Employer Contributions	1,534,566	—	1,534,566
Investment Sales and Other	247,655	—	247,655
Interest and Dividends	1,142,356	37,357	1,179,713
Interest from City Investments	85,747	2,931	88,678
Cash and Investments with City Treasury	7,322,478	1,904,397	9,226,875
Cash and Investments outside City Treasury			
Short-term Investments	7,116,652	163,214	7,279,866
Debt Securities	369,478,209	20,991,559	390,469,768
Equity Securities:			
Domestic	555,534,589	23,751,535	579,286,124
International	487,916,199	24,424,881	512,341,080
Private Equity	146,889,388	—	146,889,388
Real Estate	58,299,618	—	58,299,618
Private Credit	52,928,050	—	52,928,050
Infrastructure	32,515,381	—	32,515,381
Risk Mitigating Strategies	168,994,141	—	168,994,141
Total Investments	1,886,994,705	71,235,586	1,958,230,291
Total Assets	1,892,668,224	71,275,874	1,963,944,098
Liabilities			
Accounts Payable	61,080	—	61,080
Investment Purchases and Other	877,521	36,264	913,785
Total Liabilities	938,601	36,264	974,865
Net Position			
Fiduciary Net Position Restricted for Postemployment Healthcare Benefits	$ 1,891,729,623	$ 71,239,610	$ 1,962,969,233

CITY AND COUNTY OF SAN FRANCISCO
RETIREE HEALTH CARE TRUST FUND
Other Supplementary Information
Combining Statement of Fiduciary Net Position
Year Ended June 30, 2026

	CITY	COMMUNITY COLLEGE	TOTAL
Additions			
Employee Contributions	$ 94,018,920	$ 1,997,464	$ 96,016,384
Employer Contributions Direct to Trust	54,526,295	2,403,311	56,929,606
Employer Contributions Outside the Trust	263,784,076	10,730,243	274,514,319
Investment Income:			
Net Appreciation in Fair Value of	239,267,155	10,020,062	249,287,217
Interest and Dividend Income	20,799,099	805,166	21,604,265
Less: Investment Expenses	(1,026,870)	(18,428)	(1,045,298)
Net Investment Income	259,039,384	10,806,800	269,846,184
Total Additions	671,368,675	25,937,818	697,306,493
Deductions			
Benefit Payments Outside the Trust	263,784,076	10,730,243	274,514,319
Administrative Expenses	551,781	—	551,781
Total Deductions	264,335,857	10,730,243	275,066,100
Change in Fiduciary Net Position	407,032,818	15,207,575	422,240,393
Fiduciary Net Position Restricted for Postemployment Healthcare Benefits Beginning of Year	1,484,696,805	56,032,035	1,540,728,840
End of Year	$ 1,891,729,623	$ 71,239,610	$ 1,962,969,233

MGO | Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Retiree Health Care Trust Fund Board
City and County of San Francisco
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the City and County of San Francisco Retiree Health Care Trust Fund (RHCTF), an other postemployment benefits trust fund of the City and County of San Francisco, California, as of and for the year ended June 30, 2026, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the RHCTF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the RHCTF's internal control. Accordingly, we do not express an opinion on the effectiveness of the RHCTF's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the RHCTF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
October 21, 2026