

CITY OF SAN JOSE

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

POPULAR ANNUAL FINANCIAL REPORT



PENSION TRUST & POSTEMPLOYMENT HEALTHCARE TRUST FUNDS OF THE CITY OF SAN JOSE, CALIFORNIA

FOR THE FISCAL YEAR ENDED JUNE 30, 2023



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Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Federated City Employees' Retirement System (System) for its Popular Annual Financial Report for the fiscal year ended June 30, 2022. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The System has received this award for the seventh year for the fiscal year ended June 30, 2022. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we plan to submit it to GFOA to determine its eligibility for another Award.



<https://www.sjretirement.com/>

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MEET THE BOARD OF TRUSTEES



Spencer Horowitz
Chair



Julie Jennings
Vice Chair



Anurag Chandra
Trustee



Deborah Abbott
Trustee



Matthew Faulkner
Trustee



Mark Linder
Trustee



Prachi Avasthy
Trustee



Devora "Dev" Davis
City Council Liaison



Roberto L. Peña,
Director

**Chief Executive
Officer**

The System is pleased to present the Popular Annual Financial Report (PAFR) which summarizes the Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023. The financial data presented in the PAFR is derived from the ACFR and is consistent with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP). The PAFR provides a concise summary of the System's financial position, investment performance and key accomplishments throughout the fiscal year. The System consists of a single employer Defined Benefit Pension Plan and a Postemployment Healthcare Plan.

The System's Annual Comprehensive Financial Report for the year ended June 30, 2022, from which the information on pages 4, 5, 6 has been drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such an Annual Comprehensive Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements.

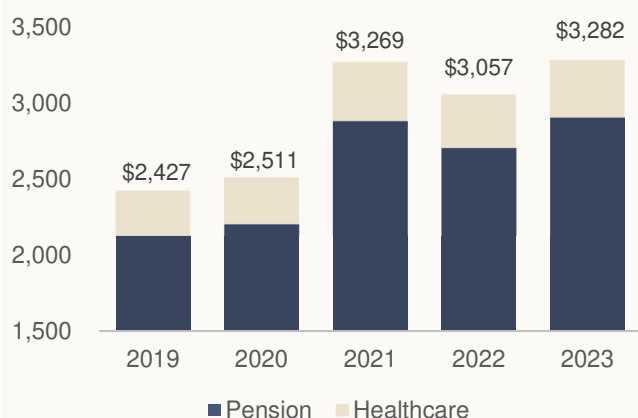
A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

This report is not intended to replace the ACFR, which provides a more complete overview of the System's financial position and operating results. For more in-depth information, we encourage you to read the ACFR by visiting:

<https://www.sjretirement.com/investments-and-reports/investments-and-reports-federated/investments-and-reports-federated-financial>

FINANCIAL RESULTS

Total Net Position In Millions



Net Position

This amount represents the total assets available for pension payments for current and future retirees.

Financial Condition

The most significant financial change that occurred this year compared to last year was the appreciation in the fair value of investments due to strong market conditions. Fiscal year 2022-2023 saw a significant rebound in the markets overall, especially in the first half of 2023. Both the equity and bond markets experienced a strong positive performance in the first half of 2023.



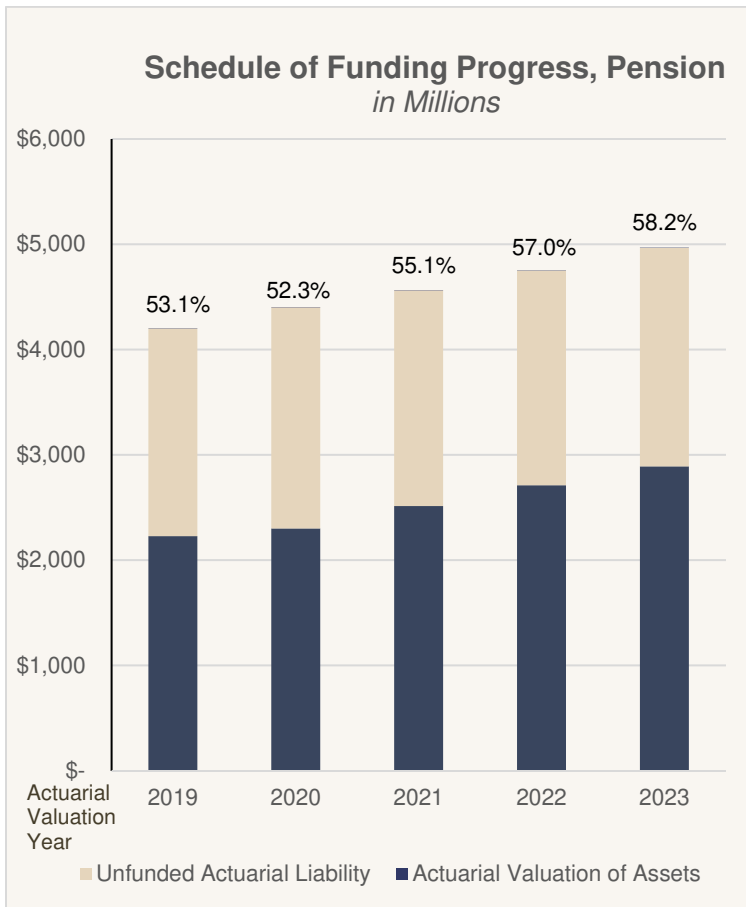
In Thousands As of June 30,	Net Position for the Defined Benefit Plan			Net Position for the Postemployment Healthcare Plans		
	2021	2022	2023	2021	2022	2023
Receivables	75,363	61,929	18,233	76,743	14,738	2,971
Investments at fair value	2,835,604	2,671,917	2,920,184	379,979	337,262	374,248
Other assets, net	3,682	3,186	2,645	243	176	106
Total Assets	\$ 2,914,649	\$ 2,737,032	\$ 2,941,062	\$ 456,965	\$ 352,176	\$ 377,325
Current liabilities	30,304	29,005	33,747	72,357	3,055	2,717
Total Liabilities	\$ 30,304	\$ 29,005	\$ 33,747	\$ 72,357	\$ 3,055	\$ 2,717
Plan Net Position	\$ 2,884,345	\$ 2,708,027	\$ 2,907,315	\$ 384,608	\$ 349,121	\$ 374,608

In Thousands For the Period Ended June 30,	Changes in Plan Net Position for the Defined Benefit Plan			Changes in Plan Net Position for the Postemployment Healthcare Plans		
	2021	2022	2023	2021	2022	2023
Employee contributions	25,724	27,464	30,561	10,275	9,865	9,841
Employer contributions	183,964	207,598	199,440	26,236	24,787	22,997
Net investment income / (loss)	698,608	(169,129)	222,101	77,360	(38,286)	24,268
Total Additions	\$ 908,296	\$ 65,933	\$ 452,102	\$ 113,871	\$ (3,634)	\$ 57,106
Retirement benefits	210,351	219,497	228,530			
Death benefits	15,641	16,373	17,213			
Refund of contributions	1,214	1,403	1,613			
Administrative expenses	4,762	4,978	5,458	697	765	750
Healthcare insurance premiums				31,871	31,088	30,869
VEBA transfer				5	-	-
Total Deductions	\$ 231,968	\$ 242,251	\$ 252,814	\$ 32,573	\$ 31,853	\$ 31,619
Net Increase / (Decrease) in Plan Net Position	676,328	(176,318)	199,288	81,298	(35,487)	25,487
Beginning Net Position	\$ 2,208,017	\$ 2,884,345	\$ 2,708,027	\$ 303,310	\$ 384,608	\$ 349,121
Ending Net Position	\$ 2,884,345	\$ 2,708,027	\$ 2,907,315	\$ 384,608	\$ 349,121	\$ 374,608

BENEFIT PAYMENTS AND FUNDING PROGRESS

Years of Credited Service	Average Monthly Final Average Salary	Average Monthly Benefit
0 - 5	\$ 7,813	\$ 1,140
6 - 10	\$ 6,567	\$ 1,864
11 - 15	\$ 6,464	\$ 3,074
16 - 20	\$ 6,659	\$ 4,252
21 - 25	\$ 7,291	\$ 5,777
26 - 30	\$ 6,918	\$ 7,147
31+	\$ 7,259	\$ 7,979

The Average Benefit Payment chart is a broad representation of average benefits paid to retirees and survivors. The Average Benefit Payment includes annual cost-of-living increases. All tiers are combined in the calculation. The chart includes all members who have retired through June 30, 2023.



The Funding Progress ratio is a measurement of the funded status of the System. The Funded ratio is calculated by dividing the actuarial value of assets by the actuarial liabilities. The available difference is used to pay current and future retirement benefits. As the System becomes better funded, the ratio will increase.



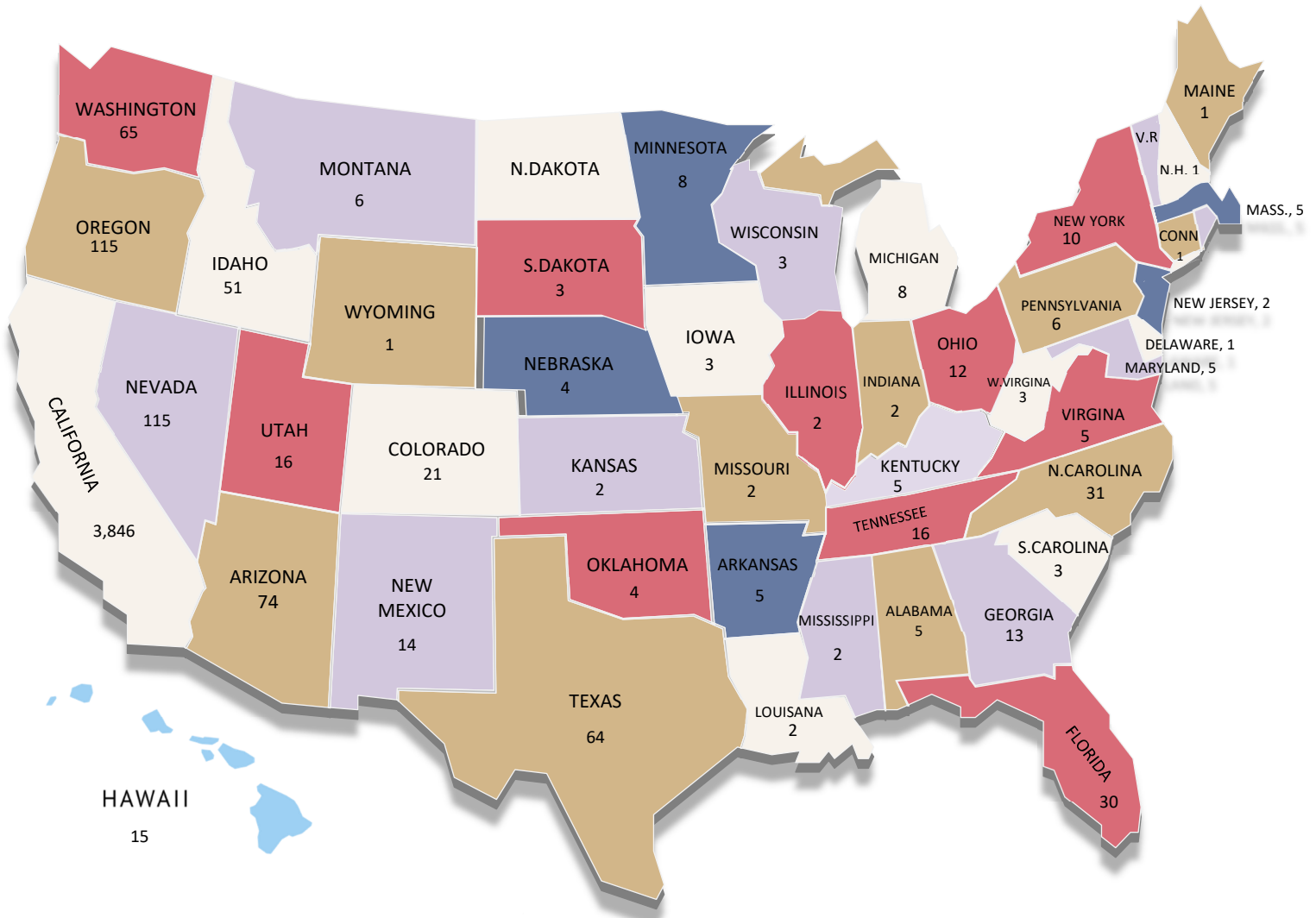
MEMBERSHIP

As of June 30, 2023

As of June 30, 2022

<u>Retirees</u>		<u>Deferred</u>		<u>Active</u>		<u>Total</u>
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	
4,577	49	893	1,126	1,197	2,851	10,693

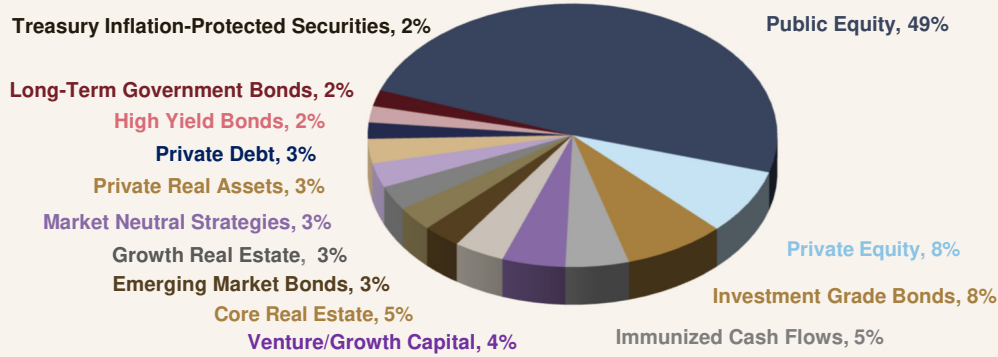
<u>Retirees</u>		<u>Deferred</u>		<u>Active</u>		<u>Total</u>
Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	
4,530	27	928	962	1,292	2,500	10,239



As of June 30, 2023, the map above is an approximate representation of where all the retirees reside within the U.S. There are several retirees living abroad; and no retirees living in Alaska.

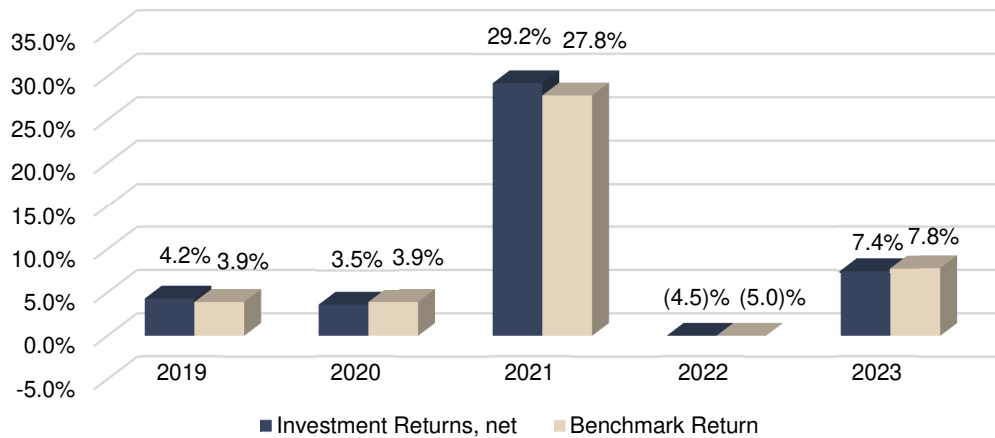
PENSION - TARGET ASSET ALLOCATION

AS OF JUNE 30, 2023



The Assets are structured to provide growth from capital gains and income, while maintaining sufficient liquidity to meet beneficiary payments.

Pension - Investment Returns Compared to Benchmark



BENCHMARK INDICES

Growth:

Public Equity Benchmark

San Jose Custom Private Equity Benchmark

S&P Global Leveraged Loan Index +2%

NCREIF Property Index

50% JPM EMBI GD/ 50% JPM GBI-EM

Bloomberg US Corporate High Yield TR

Low Beta:

Bloomberg US Govt/Credit 1-3 Year TR

Market Neutral Strategies Benchmark

Other:

Custom IG Bonds Benchmark

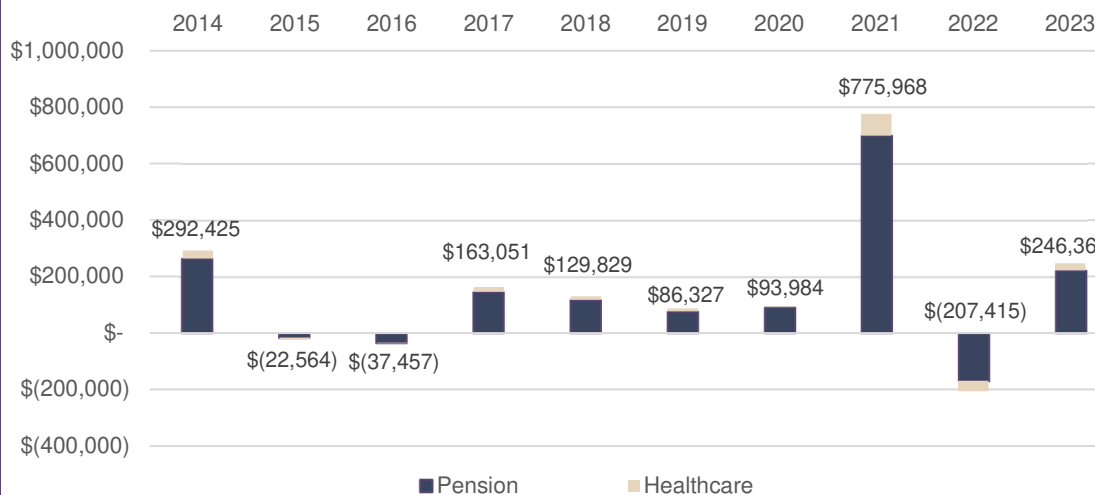
BBg US TIPS 0-5 Years

Core Real Estate Benchmark

Bloomberg US Treasury Long TR

ICE BofA 91 Days T-Bills TR

Investment Income, Net in Thousands

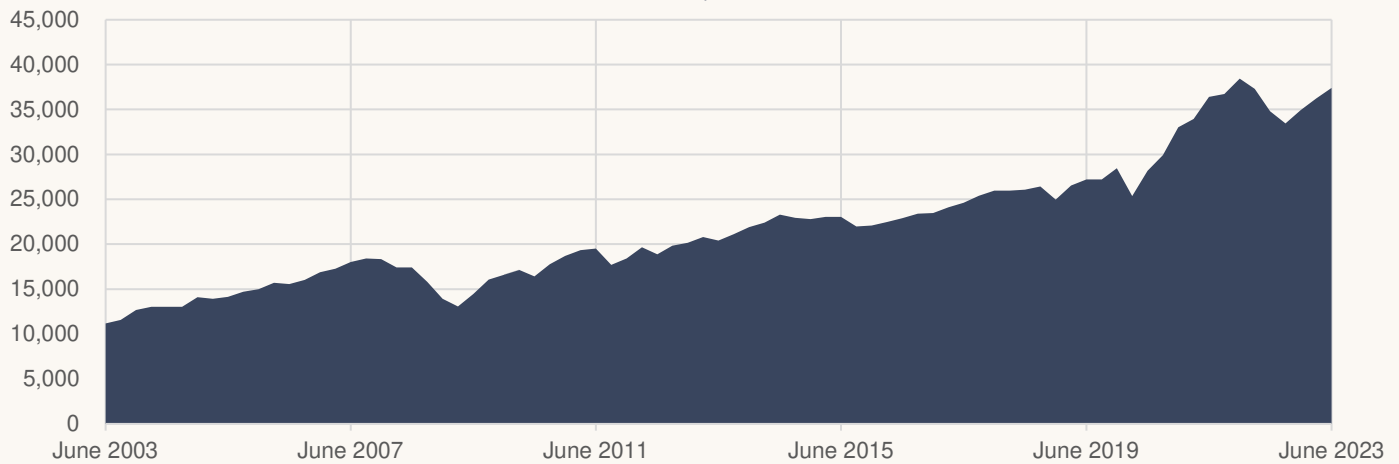




GROWTH OF \$10,000 IN THE LONG-TERM

These are graphic trends to show how much an initial investment of \$10,000 would be worth in the Retirement System's pension portfolio after 10 and 20 years. There is not enough data available to show 30 years.

Growth of \$10,000 - 20 Years



Growth of \$10,000 - 10 Years

