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**The Report of the
Actuarial Valuation of the San Jose
Federated City Employees' Retirement System
as of June 30, 2003**

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December 5, 2003

Board of Administration
Federated City Employees' Retirement System
1737 N First St
Suite 580
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Dear Members of the Board:

We are pleased to present the report of the actuarial valuation of the Federated City Employees' Retirement System of the City of San Jose ("System") as of June 30, 2003.

This valuation provides information on the funding status of the System. In addition, it includes a determination of the actuarially calculated contribution levels for the 2005 fiscal year (beginning July 1, 2004) and the 2006 fiscal year.

This valuation is based on the provisions of the System in effect as of the valuation date, data on the System membership and information on the asset value of the trust fund as of that date. All member data and asset information were provided by System staff. While certain checks for reasonableness were performed, the data was used unaudited.

The actuarial assumptions and cost method are identical to those used in the prior actuarial valuation of the System, except that, a revised asset valuation method was used in this valuation.

To the best of our knowledge, this actuarial statement is complete and accurate, and has been prepared in accordance with generally accepted actuarial principles and practice.

Respectfully submitted,



Norman S. Losk, F.S.A.
Senior Consultant

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Summary of the Valuation

Purposes of the Actuarial Valuation

At your request we have performed the actuarial valuation of the Federated City Employees' Retirement System of the City of San Jose ("System") as of June 30, 2003.

The purposes of an actuarial valuation are as follows:

- To determine the funding status of the System as of the valuation date,
- To develop the actuarially determined level of contributions for the System for the fiscal years 2005 (beginning July 1, 2004) and 2006, and
- To provide accounting information required under GASB Statements 25 and 27.

Report Highlights

The following is a set of key results for the prior year valuation and for the current year:

Summary of Significant Valuation Results			
	June 30, 2001	June 30, 2003	Percent Change
I. Total Membership			
A. Active Members	4,466	4,479	0.29%
B. Pensioners	2,030	2,172	7.00%
C. Inactives	310	373	20.32%
II. Salaries at June 30			
A. Total Annual Payroll	\$252,696,000	\$292,961,371	15.93%
B. Average Monthly Salary	\$4,715	\$5,451	15.60%
III. Benefits to Current			
A. Total Annual Benefits	\$45,208,000	\$54,687,033	20.97%
B. Average Monthly Benefit	\$1,856	\$2,098	13.05%
IV. Total System Assets	\$1,151,037,000	\$1,349,608,585	17.25%

Summary of Significant Valuation Results (Cont'd)			
	June 30, 2001	June 30, 2003	Percent Change
V. Budget Items			
A. Employer Cost (% of Pay)			
1. Retirement Benefits	13.82%	14.96%	8.25%
2. Health & Dental	1.38%	2.16%	56.67%
3. Total	15.20%	17.12%	12.64%
B. Member Cost as a Percent			
1. Retirement Benefits	4.04%	4.26%	5.44%
2. Health & Dental	1.04%	1.80%	73.52%
3. Total	5.08%	6.06%	19.38%
VI. Funded Ratio			
(Based on Actuarial Value of Assets)	98.90%	97.64%	-1.28%

Total Actuarial Contribution

The contribution rates developed in this actuarial valuation is total 23.18% of active member payroll. This rate is 2.90% of pay higher than that developed in the prior valuation.

The San Jose Municipal Code provides that the required annual contribution is allocated between the City and the members as follows:

- The **Current Service Rate (Normal Rate)** is the cost for funding liabilities for service after July 1, 1975. This cost is shared 8/3 between the City and the Members.
- The **Current Service Deficiency Rate** is the amortization of the funding deficiency for service after July 1, 1975 which is not covered by the Current Service Rate. The City bears this entire cost.
- The **Prior Service Rate** is the difference in costs between the current plan and the predecessor plan (the "1964 Plan") for service before July 1, 1975. The cost is shared 58/42 between the City and the Members. Additionally, the City's Prior Service Rate reflects the entire cost for any gains or losses associated with liabilities for service prior to July 1, 1975 (**Prior Service Deficiency Rate**).
- The **Golden Handshake Rate** is the cost for funding the additional benefits granted to certain retiring employees. The City bears this entire cost.

- The **Reciprocity Rate** represents prefunding of the liability associated with the adoption of reciprocal benefits with other public pension plans. The City bears this entire cost.

Under the Municipal Code, the contribution is allocated between the City and the members as follows:

- The **Health Insurance Rate** is the cost for funding, as a level percent of payroll, a 15-year projection of premiums. The cost is shared 50/50 between the City and the Members.
- The **Dental Insurance Rate** is the cost for funding, as a level percent of payroll, a 15-year projection of premiums. The cost is shared 8/3 between the City and the Members.

The contribution rates developed in this valuation are summarized as follows:

Recommended Contributions for Fiscal Years 2005 and 2006		
	Percentage of Salary	
	City	Member
Contribution for Retirement, Disability, and Death Benefits	14.96%	4.26%
Contribution for Health Subsidy Benefits	2.16%	1.80%
Total Contribution	17.12%	6.06%

See Tables 8 and 9, Appendix C, for a more detailed development of this contribution allocation.

Actuarial Basis

The actuarial method and actuarial assumptions used in this valuation are identical to those disclosed in the prior valuation report. The one change in the actuarial basis is a change in the asset valuation method. This change will be discussed further in the discussion of the System assets on pages 4 and 5.

Benefits of the System

There have been no changes in the benefit provisions of the System since the prior valuation.

Experience Since the Last Valuation – Retirement Benefits

Analysis of actuarial gains and losses in a pension benefit program is a review of the effects on actuarial results of actual experience that differs from assumed experience. If such a difference increases assets or reduces liabilities, we have an actuarial gain. The reverse is an actuarial loss.

The pension benefit portion of the System experienced an overall actuarial loss in the two year period since the last valuation of about \$150.4 million. Of this actuarial loss, \$77.8 million resulted from asset returns which underperformed the assumption of 8.25%. The remaining \$72.6 million resulted from liability experience.

The actuarial loss from liabilities over the two year period amounted to about 3.3% of the actuarial liabilities each year. We would expect overall actuarial gains or losses from liabilities to average 2% - 5% for a system of your size.

The effect of experience on total System contributions is as follows:

Total contribution rate – prior valuation	20.28%
Change in Asset Valuation Method	-2.48%
Investment performance	+2.78%
Liability experience	<u>+2.59%</u>
Total contribution rate – this valuation:	23.18%

Asset Information

The market value of the assets of the fund, which are available for benefits, has increased from \$1,174 million as of June 30, 2001 to \$1,218 million as of June 30, 2003. The markets, which produced several years of huge investment gains during the late 1990's and which turned downward significantly in the last three years, seem to have rebounded somewhat. The System's conservative investment allocation has allowed the fund to experience less severe losses than many other large public employee retirement systems.

The assets recognized for actuarial purposes (actuarial value of assets) are the product of a smoothing

technique. The purpose of such a technique is to allow the use of market values, but to dampen the effect of market volatility. See Table 3 for the determination of the actuarial value of assets.

The method of smoothing gains and losses in this valuation is different than the method used in prior valuations. The new method is more commonly used among large public sector retirement systems and is more in line with GASB Statements 25 and 27 than is the prior method. While the prior method is primarily based on book values of assets with a smoothing of unrealized capital gains and losses, the new method is based on market value of assets with smoothing of the difference between total fund returns and the actuarial assumption of 8.25%.

As a result of this technique, the actuarial value of assets recognized in this valuation is 1,349.6 million. The detailed determinations of asset values utilized in this valuation and asset growth in the last year are set out in Appendix A.

Funding Status

The funding status of the System is measured by the Funding Ratio and the Unfunded Actuarial Accrued Liability (UAAL). The Funding Ratio is the ratio of the actuarial value of assets available for benefits to the actuarial accrued liability (AAL) of the Fund. Thus, it reflects the portion of the AAL that is covered by fund assets. The UAAL is the difference between these items.

A funding ratio of 100% means that the funding of the System is precisely on schedule. By monitoring changes in the funding ratio each year we can determine whether or not funding progress is being made.

Based on the actuarial value of assets, the System funding ratio is 97.64%. The funding ratio of the System in the prior valuation was 98.9%, using the prior asset valuation method.

The UAAL of the System is about \$31 million as of the valuation date.

GASB Disclosure

GASB Statements Numbers 25 and 27 set out the current accounting standards for the System. Tables 11, 12, and 13 in Appendix D provide footnotes and/or Required Supplemental Information tables required to be disclosed by those statements.

Appendices

Appendices

Appendix A

Asset Information

TABLE 1

Net Assets Available for Benefits
(\$ in 000's)

TABLE 1

Net Assets Available for Benefits
(\$ in 000's)

	<u>Pension Benefits</u>	<u>Post-Employment Healthcare</u>	<u>Total</u>
ASSETS			
Receivables			
Employee Contribution	257	66	323
Employer Contribution	881	89	970
Brokers and Others	1,924	115	2,039
Accrued Investment Income	7,592	457	8,049
	<u>10,654</u>	<u>727</u>	<u>11,381</u>
Investments			
Short Term Funds	339,069	20,002	359,071
Short Term Currency Investments	643	38	681
Government Debt Securities	281,055	16,578	297,633
Corporate Debt Securities	122,760	7,242	130,002
Equities	323,092	19,058	342,150
Real Estate	82,449	4,863	87,312
Securities Lending Pool	114,792	6,901	121,693
	<u>1,263,860</u>	<u>74,682</u>	<u>1,338,542</u>
Total Assets	1,274,514	75,409	1,349,923
Liabilities			
Payable to Brokers	8,557	514	9,071
Securities Lending Collateral Due	114,792	6,901	121,693
Other Liabilities	1,292	78	1,370
	<u>124,641</u>	<u>7,493</u>	<u>132,134</u>
Net Assets Available For Benefits	<u>1,149,873</u>	<u>67,916</u>	<u>1,217,789</u>

TABLE 2
Change in Assets Available for Benefits
(\$ in 000's)

	<u>Pension Benefits</u>	<u>Post-Employment Healthcare</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employee Contribution	11,776	3,032	14,808
Employer Contribution	38,411	3,866	42,277
	<u>50,187</u>	<u>6,898</u>	<u>57,085</u>
Investment Return			
Net Appreciation	38,521	2,197	40,718
Dividends and Interest	29,223	1,786	31,009
Net Rental Income	6,857	420	7,277
Investment Expense	(3,574)	(219)	(3,793)
Net Securities Lending Income	152	9	161
	<u>71,179</u>	<u>4,193</u>	<u>75,372</u>
Total Additions	121,366	11,091	132,457
DEDUCTIONS			
Retirement Benefits	51,520	-	51,520
Health Insurance Premiums	-	9,191	9,191
Death Benefits	46	-	46
Refunds	714	-	714
Administrative Expenses	1,532	99	1,631
	<u>53,812</u>	<u>9,290</u>	<u>63,102</u>
Total Deductions	53,812	9,290	63,102
NET ASSETS AVAILABLE FOR BENEFITS			
Beginning of Year	1,082,319	66,115	1,148,434
End of Year	<u>1,149,873</u>	<u>67,916</u>	<u>1,217,789</u>

TABLE 3
Development of Actuarial Value of Assets
As of June 30, 2003
(\$ in 000's)

1	Market Value of Assets		1,217,789
2	Deferred Gains (Losses)	Total	Deferred
	2003	(19,130)	(15,304)
	2002	(122,552)	(73,531)
	2001	(100,807)	(40,323)
	2000	(13,309)	(2,662)
	Total		(131,820)
3	Actuarial Value of Assets @ 12-31-2003 (1-2)		<u>1,349,609</u>
4	Allocation of Actuarial Value of Assets ("AVA")		
	a. Post-employment Health Care Fund		75,268
	b. Retirement Benefits		
	Remaining AVA		1,274,341
	Contingency Reserve	(21,528)	
	SRBR	15,150	(6,378)
	Final AVA for Retirement Benefits		<u>1,280,719</u>

Appendix B

Membership Data

TABLE 4**Summary of Data Characteristics**

	June 30, 2003	June 30, 2001	Percentage Change
Active Members			
Number	4,479	4,466	0.29%
Average Age	44.1	43.4	1.66%
Average Years of Service	10.5	9.4	11.28%
Total Annual Salary	292,961,371	252,696,000	15.93%
Average Monthly Compensation	5,451	4,715	15.60%
Benefit Recipients			
Number	2,172	2,030	7.00%
Average Age	68.7	68.4	0.43%
Total Annual Allowance	54,687,033	45,208,000	20.97%
Average Monthly Benefit	2,098	1,856	13.06%
Inactive Members			
Number	373	310	20.32%
Average Age	45.3	45.2	0.31%
Total Annual Allowance	4,499,141	3,461,000	30.00%
Average Monthly Benefit	1,005	930	8.04%

TABLE 5
Distribution of Active Members and Payroll by Age and Years of Service
as of June 30, 2003

Age	Years of Service								Totals
	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30 & Over	
Under 20	-	-	-	-	-	-	-	-	-
20-24	11	66	-	-	-	-	-	-	77
	425,750	2,897,734	-	-	-	-	-	-	3,323,484
25-29	34	263	29	-	-	-	-	-	326
	1,481,705	14,075,997	1,624,420	-	-	-	-	-	17,182,122
30-34	34	302	138	35	-	-	-	-	509
	1,890,682	17,440,834	8,683,804	2,147,968	-	-	-	-	30,163,288
35-39	18	229	166	144	40	-	-	-	597
	1,118,658	13,607,768	10,628,137	9,541,210	2,480,042	-	-	-	37,375,815
40-44	8	201	121	218	135	45	-	-	728
	599,847	12,123,060	8,098,469	15,625,500	9,467,786	2,984,217	-	-	48,898,879
45-49	17	147	105	178	133	114	39	-	733
	947,728	9,561,588	7,214,480	12,939,355	9,859,704	8,123,201	2,650,456	-	51,296,512
50-54	13	135	90	170	151	95	96	10	760
	765,960	9,105,502	5,932,278	11,765,590	11,055,598	6,783,787	7,057,074	697,716	53,163,505
55-59	8	81	69	100	94	58	65	19	494
	554,611	5,015,824	4,552,646	6,936,647	7,026,744	3,969,115	5,324,543	1,403,242	34,783,372
60-64	2	26	32	34	42	20	19	6	181
	96,678	1,766,731	1,947,766	2,154,825	3,088,389	1,342,229	1,364,630	561,572	12,322,820
65&Over	-	11	16	21	12	4	7	3	74
	-	514,252	1,013,501	1,298,872	673,868	232,419	409,080	309,579	4,451,571
Totals	145	1,461	766	900	607	336	226	38	4,479
	7,881,619	86,109,290	49,695,501	62,409,967	43,652,131	23,434,968	16,805,783	2,972,109	292,961,368

Appendix C

Actuarial Determinations

TABLE 6
Summary of Actuarial Values
As of June 30, 2003
(\$ in 000's)

	APV* of Projected Benefits	Entry Age Actuarial Values		
		Actuarial Accrued Liability (AAL)	Normal Cost \$	Normal Cost % of Pay
1 Active Members				
a. Retirement	\$ 1,065,778	\$ 635,535	\$ 39,342	13.30%
b. Death	15,703	7,549	706	0.24%
c. Disability	64,587	20,429	4,150	1.40%
d. Termination	12,593	(11,858)	1,996	0.67%
Total	1,158,662	651,656	46,195	15.62%
2 Benefit Recipients	635,092	635,092		
3 Other Inactive	24,943	24,943		
4 Total Actuarial Values of Benefits	1,818,697	1,311,691	46,195	15.62%
5 Actuarial Value of Assets		1,280,719		
6 Unfunded Actuarial Accrued Liability (4 - 5)		30,972		
7 Funding Ratio		97.64%		

* APV – Actuarial Present Value

TABLE 7
Summary of Actuarial Values
As of June 30, 2003

Actuarial Balance Sheet
(\$ in 000's)

Assets		
1	Actuarial Value of Assets	1,280,719
2	Present Value of Future Member Contributions	144,754
3	Present Value of Future City Contribution for:	
	a. Basic Pensions	
	i. Normal Rate	247,010
	ii. Deficiency Rate	60,558
	iii. Golden Handshake	10,762
	iv. Total	318,330
	b. Cost of Living	
	i. Normal Rate	66,454
	ii. Deficiency Rate	3,472
	iii. Golden Handshake	4,967
	iv. Total	74,893
4	Total Assets	1,818,697
Liabilities		
5	Present Value of Benefits Already Granted	
	a. Basic	518,498
	b. Cost of Living	141,537
		660,035
6	Present Value of Benefits to be Granted	
	a. Basic	904,134
	b. Cost of Living	254,528
		1,158,662
7	Total Liabilities	1,818,697

TABLE 8
Recommended Contributions for Retirement Benefits
Fiscal Years 2005 and 2006

	City	Members
For Basic Retirement Benefits		
Current Service Normal Rate	8.94%	3.35%
Current Service Deficiency Rate	0.43%	N/A
Prior Service Normal Rate	0.01%	0.01%
Prior Service Deficiency Rate	1.76%	N/A
Retirement Golden Handshake Rate	0.60%	N/A
Reciprocity	0.39%	N/A
Total Contributions for Basic Retirement Benefits	12.13%	3.36%
For Cost-of-Living Retirement Benefits		
Current Service Normal Rate	2.40%	0.90%
Current Service Deficiency Rate	0.13%	N/A
Prior Service Normal Rate	0.01%	0.00%
Prior Service Deficiency Rate	0.00%	N/A
Retirement Golden Handshake Rate	0.18%	N/A
Reciprocity	0.11%	N/A
Total Contributions for Cost-of-Living Retirement	2.83%	0.90%
Total Basic and Cost-of-Living Contributions for Retirement Benefits	14.96%	4.26%

TABLE 9
Health Subsidy Benefits

Actuarial Balance Sheet
(\$ in 000's)

Assets	
(1) Current Assets Available for Benefits	75,268
(2) Present Value of Future Contributions	
a. City	79,058
b. Members	65,990
c. Total	145,048
(3) Total Assets	220,316
Liabilities	
(4) Present Value of Subsidies for the Next 15 Years	220,316

Recommended Contributions for Health Subsidy Benefits
Fiscal Years 2005 and 2006

	City	Members
Medical Insurance Rate	1.59%	1.59%
Dental Insurance Rate	0.57%	0.21%
Total	2.16%	1.80%

TABLE 10
Analysis of Change in Unfunded Actuarial Accrued Liability
For the Pension Benefit Portion of the System
For the Two Year Period Ending June 30, 2003
(\$ in 000's)

(1) UAAL as of June 30, 2001		\$12,189
(2) Expected Change in UAAL during 2002-2003		
a. Normal Cost for 2002-2003	\$85,580	
b. Contributions 2002-2003	(102,269)	
c. Interest adjustments on 1, 2a, & 2b to Year End @ 8.25%	676	
d. Expected change in UAAL		(16,013)
(3) Expected UAAL as of June 30, 2003		(3,824)
(4) Actual UAAL as of June 30, 2003		30,972
(5) Gain from Change in Asset Valuation Method		(119,428)
(6) Net Actuarial (Gains) & Losses		150,400

Appendix D
Information for GASB No. 25 & 27

TABLE 11

Schedule of Funding Status
(\$ in 000's)

End of Year	Actuarial Value of Assets (a)	AAL (b)	UAAL (b-a)	Funding Ratio (a/b)	Payroll* (c)	UAAL as % of Payroll ((b-a)/c)
1993	489,865	583,119	93,254	84.01%	145,781	63.97%
1994*	527,984	620,647	92,663	85.07%	149,850	61.84%
1995	566,102	658,175	92,073	86.01%	153,918	59.82%
1996*	622,528	696,974	74,446	89.32%	165,101	45.09%
1997	678,954	735,772	56,818	92.28%	176,284	32.23%
1998*	741,907	798,999	57,092	92.85%	184,967	30.87%
1999	804,860	862,226	57,366	93.35%	193,650	29.62%
2000*	932,502	967,279	34,777	96.40%	223,173	15.58%
2001	1,060,144	1,072,333	12,189	98.86%	252,696	4.82%
2002*	1,170,432	1,192,012	21,580	98.19%	272,829	7.91%
2003	1,280,719	1,311,691	30,972	97.64%	292,961	10.57%

* Values based on the average of those for the prior year and the following year.

TABLE 12**Schedule of Employer Contributions
(\$ in 000's)****Defined Benefit Pension Plan Only**

Fiscal Year	Annual Required Contribution	Percentage Contributed
1991/1992	13.05%	100.00%
1992/1993	13.05%	100.00%
1993/1994	13.05%	100.00%
1994/1995	15.03%	100.00%
1995/1996	15.03%	100.00%
1996/1997	17.42%	100.00%
1997/1998	17.42%	100.00%
1998/1999	15.37%	100.00%
1999/2000	15.37%	100.00%
2000/2001	15.33%	100.00%
2001/2002	15.33%	100.00%
2002/2003	13.82%	100.00%

TABLE 13**Information for Trend Data Notes**

Information	Data
Valuation Date	June 30, 2003
Actuarial Cost Method	Entry Age Method
Amortization Method	Level Percent, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market with 5-year Smoothing
Actuarial Assumptions	
Investment rate of return	8.25%
Projected salary increases	5.0% - 8.0%
Cost-of-living adjustment	3.0%

Appendix E

Actuarial Method and Assumptions

Entry Age Method

The Entry Age Method is the actuarial valuation method used for all purposes under the System.

The concept of this method is that funding of benefits for each employee should be effected as a, theoretically, level contribution (as a percentage of pay) from entry into the System to termination of active status.

The Normal Cost (NC) for a fiscal year under this method is determined as described in the prior paragraph for each employee. The NC for the year is the total of individual normal costs determined for each active employee.

The Actuarial Accrued Liability (AAL) under this method is the theoretical asset balance such normal costs would have accumulated to date based on current assumptions. To the extent that the assets of the fund are insufficient to cover the AAL, an Unfunded Actuarial Accrued Liability (UAAL) develops.

The actuarially calculated contribution for a year is the NC for that year plus an amount to amortize the UAAL over 30 years as a level percentage of pay.

ACTUARIAL ASSUMPTIONS (ADOPTED NOVEMBER, 2003)

RETIREMENT BENEFITS

Interest Rate: 8.25% per year. The rate credited to Member contributions is 3%.

Salary Increases: Total System payroll is assumed to increase 4.5% per year. Annual salary increases for individuals vary by age reflecting 4.5% inflation and merit and longevity. Sample rates are shown below.

Age	Annual Salary Increase
25	8.0%
35	7.0%
45	6.0%
55	5.0%
65	5.0%

Cost-of-Living Increases: 3.0% per year.

Mortality:

A. For Pensioners on Service Retirement and Beneficiaries

The 1983 Group Annuity Mortality Table for males with one year setback is used for male Members. The 1983 Group Annuity Mortality Table for females, with a one-year set forward, is used for female Members.

Sample Rates

Deaths per 1,000		
Age	Males	Females
45	1.9	1.3
50	3.1	2.0
55	4.6	2.7
60	6.2	4.0
65	8.2	5.3
70	10.2	7.1

B. For Pensioners on Disability Retirement:

1981 Disability Mortality Table

Sample Rates

Age	Deaths per 1,000
45	20.8
50	24.4
55	28.4
60	33.0
65	37.9
70	43.7

Rehire for Former Employees:	All former employees are assumed not to be rehired.
Disability:	Valuation of disability benefits are assumed to not be offset by Worker's Compensation.
Prior Service Benefits:	The liability for benefits attributed to pre-1975 service is assumed in proportion to its liability as of June 30, 1997, adjusted for changes in demographics.
Proportion of Members with Spouses at Retirement:	85% of male employees and 60% of female employees are assumed married at retirement. Wives are assumed three years younger than husbands.
Asset Valuation Method:	The Actuarial Value of Assets recognizes 20% of total return in excess of (or less than) the investment return assumption for each of the last five years. This method has the effect of smoothing volatility in investment returns as they affect the cost of benefits provided by the system.

HEALTH SUBSIDY BENEFITS

Increase in Retiree Population:	The covered Retiree population is assumed to increase 6.10% per year.
Covered Payroll Increase	4.5% per year.

RATES OF SEPARATION FROM ACTIVE SERVICE

A schedule of the probabilities of termination of employment due to the following causes can be found on the following pages:

- | | | |
|----|---|--|
| 1. | Ordinary Withdrawal: | Member terminates and elects a refund of Member contributions. |
| 2. | Deferred Vested | Member terminates and elects to leave contributions on deposit. |
| 3. | Service Retirement: | Member retires after meeting age and service requirements for reasons other than disability. |
| 4. | Ordinary Disability: | Member receives disability retirement; disability is not service related. |
| 5. | Service Disability: | Member receives service disability retirement. |
| 6. | Ordinary Death: | Member dies before eligibility for retirement; death is not service related. |
| 7. | Service Death: | None assumed. |
| 8. | Death While Eligible
for Service Retirement: | Member dies before retirement but after meeting age and service requirements for service retirement. |

Each rate represents the probability that a Member will separate from service at each age due to the particular cause. For example, a rate of 0.0100 for a male Member's service retirement at age 50 means we assume that, on average, 10 out of 1,000 male Members who are age 50 will retire at that age.

CITY OF SAN JOSE

FEDERATED CITY EMPLOYEES'

RETIREMENT SYSTEM

RATES OF SEPARATION FROM ACTIVE SERVICE - MALES

AGE	Ordinary Withdrawal	Ordinary Death	Ordinary Disability	Service Retirement	Death While Eligible	Service Disability	Deferred Vested
20	0.0660	0.0003	0.0000	0.0000	0.0000	0.0005	0.0150
21	0.0600	0.0003	0.0000	0.0000	0.0000	0.0005	0.0160
22	0.0540	0.0003	0.0000	0.0000	0.0000	0.0005	0.0170
23	0.0520	0.0003	0.0000	0.0000	0.0000	0.0005	0.0180
24	0.0500	0.0003	0.0000	0.0000	0.0000	0.0005	0.0190
25	0.0480	0.0003	0.0002	0.0000	0.0002	0.0005	0.0243
26	0.0450	0.0003	0.0002	0.0000	0.0002	0.0005	0.0236
27	0.0420	0.0003	0.0002	0.0000	0.0002	0.0005	0.0230
28	0.0390	0.0003	0.0002	0.0000	0.0002	0.0006	0.0226
29	0.0360	0.0004	0.0002	0.0000	0.0002	0.0006	0.0223
30	0.0330	0.0004	0.0002	0.0000	0.0002	0.0006	0.0219
31	0.0300	0.0004	0.0002	0.0000	0.0002	0.0006	0.0214
32	0.0270	0.0004	0.0002	0.0000	0.0002	0.0006	0.0209
33	0.0240	0.0004	0.0003	0.0000	0.0003	0.0006	0.0201
34	0.0210	0.0005	0.0003	0.0000	0.0003	0.0007	0.0194
35	0.0180	0.0005	0.0004	0.0000	0.0003	0.0007	0.0187
36	0.0156	0.0005	0.0004	0.0000	0.0004	0.0007	0.0170
37	0.0140	0.0005	0.0005	0.0000	0.0004	0.0007	0.0153
38	0.0132	0.0006	0.0005	0.0000	0.0004	0.0008	0.0137
39	0.0124	0.0006	0.0006	0.0000	0.0005	0.0008	0.0121
40	0.0124	0.0006	0.0006	0.0000	0.0005	0.0008	0.0103
41	0.0128	0.0007	0.0007	0.0000	0.0006	0.0009	0.0105
42	0.0112	0.0007	0.0007	0.0000	0.0006	0.0009	0.0100
43	0.0096	0.0007	0.0008	0.0000	0.0007	0.0009	0.0096
44	0.0088	0.0007	0.0008	0.0000	0.0009	0.0009	0.0092
45	0.0090	0.0008	0.0009	0.0000	0.0011	0.0009	0.0091
46	0.0081	0.0008	0.0010	0.0000	0.0013	0.0010	0.0089
47	0.0072	0.0008	0.0011	0.0000	0.0015	0.0011	0.0087
48	0.0068	0.0009	0.0012	0.0000	0.0017	0.0012	0.0082
49	0.0063	0.0009	0.0014	0.0000	0.0019	0.0013	0.0074
50	0.0061	0.0010	0.0016	0.0100	0.0021	0.0015	0.0065

CITY OF SAN JOSE

FEDERATED CITY EMPLOYEES'

RETIREMENT SYSTEM

RATES OF SEPARATION FROM ACTIVE SERVICE - MALES

AGE	Ordinary Withdrawal	Ordinary Death	Ordinary Disability	Service Retirement	Death While Eligible	Service Disability	Deferred Vested
51	0.0060	0.0011	0.0019	0.0050	0.0023	0.0018	0.0055
52	0.0055	0.0012	0.0022	0.0050	0.0025	0.0022	0.0043
53	0.0050	0.0013	0.0027	0.0050	0.0027	0.0027	0.0030
54	0.0050	0.0014	0.0033	0.0100	0.0029	0.0033	0.0015
55	0.0050	0.0015	0.0039	0.1700	0.0031	0.0040	0.0000
56	0.0050	0.0015	0.0046	0.0800	0.0033	0.0047	0.0000
57	0.0050	0.0016	0.0054	0.0800	0.0035	0.0056	0.0000
58	0.0050	0.0017	0.0063	0.0800	0.0037	0.0068	0.0000
59	0.0050	0.0018	0.0074	0.0800	0.0040	0.0084	0.0000
60	0.0000	0.0019	0.0085	0.1000	0.0043	0.0104	0.0000
61	0.0000	0.0020	0.0098	0.1300	0.0046	0.0124	0.0000
62	0.0000	0.0021	0.0112	0.2000	0.0049	0.0149	0.0000
63	0.0000	0.0022	0.0127	0.1700	0.0052	0.0181	0.0000
64	0.0000	0.0023	0.0143	0.2200	0.0055	0.0220	0.0000
65	0.0000	0.0024	0.0160	0.2500	0.0058	0.0260	0.0000
66	0.0000	0.0025	0.0000	0.4000	0.0061	0.0000	0.0000
67	0.0000	0.0026	0.0000	0.4000	0.0064	0.0000	0.0000
68	0.0000	0.0027	0.0000	0.4500	0.0067	0.0000	0.0000
69	0.0000	0.0028	0.0000	0.5000	0.0070	0.0000	0.0000
70	0.0000	0.0029	0.0000	1.0000	0.0073	0.0000	0.0000

CITY OF SAN JOSE

FEDERATED CITY EMPLOYEES'

RETIREMENT SYSTEM

RATES OF SEPARATION FROM ACTIVE SERVICE - FEMALES

AGE	Ordinary Withdrawal	Ordinary Death	Ordinary Disability	Service Retirement	Death While Eligible	Service Disability	Deferred Vested
20	0.0820	0.0001	0.0000	0.0000	0.0000	0.0003	0.0150
21	0.0740	0.0001	0.0000	0.0000	0.0000	0.0003	0.0150
22	0.0700	0.0001	0.0000	0.0000	0.0000	0.0003	0.0150
23	0.0660	0.0001	0.0000	0.0000	0.0000	0.0003	0.0150
24	0.0620	0.0001	0.0000	0.0000	0.0000	0.0003	0.0150
25	0.0580	0.0001	0.0002	0.0000	0.0001	0.0003	0.0210
26	0.0540	0.0001	0.0002	0.0000	0.0001	0.0003	0.0214
27	0.0500	0.0001	0.0002	0.0000	0.0001	0.0003	0.0220
28	0.0460	0.0002	0.0002	0.0000	0.0001	0.0003	0.0228
29	0.0420	0.0002	0.0002	0.0000	0.0001	0.0004	0.0238
30	0.0380	0.0002	0.0002	0.0000	0.0001	0.0004	0.0246
31	0.0348	0.0002	0.0002	0.0000	0.0001	0.0004	0.0249
32	0.0324	0.0002	0.0002	0.0000	0.0001	0.0004	0.0250
33	0.0308	0.0003	0.0002	0.0000	0.0001	0.0004	0.0249
34	0.0292	0.0003	0.0002	0.0000	0.0001	0.0004	0.0248
35	0.0224	0.0003	0.0002	0.0000	0.0001	0.0004	0.0247
36	0.0211	0.0003	0.0002	0.0000	0.0002	0.0005	0.0246
37	0.0198	0.0003	0.0002	0.0000	0.0002	0.0005	0.0245
38	0.0185	0.0004	0.0002	0.0000	0.0002	0.0005	0.0246
39	0.0172	0.0004	0.0002	0.0000	0.0002	0.0005	0.0247
40	0.0159	0.0004	0.0002	0.0000	0.0002	0.0005	0.0237
41	0.0148	0.0004	0.0002	0.0000	0.0003	0.0005	0.0212
42	0.0137	0.0005	0.0002	0.0000	0.0004	0.0005	0.0187
43	0.0133	0.0005	0.0003	0.0000	0.0005	0.0005	0.0162
44	0.0129	0.0005	0.0003	0.0000	0.0006	0.0005	0.0137
45	0.0125	0.0006	0.0003	0.0000	0.0007	0.0005	0.0111
46	0.0116	0.0006	0.0004	0.0000	0.0008	0.0006	0.0115
47	0.0107	0.0006	0.0004	0.0000	0.0009	0.0006	0.0120
48	0.0098	0.0007	0.0005	0.0000	0.0010	0.0007	0.0125
49	0.0089	0.0007	0.0005	0.0000	0.0011	0.0007	0.0130
50	0.0087	0.0008	0.0006	0.0025	0.0012	0.0008	0.0135

CITY OF SAN JOSE

FEDERATED CITY EMPLOYEES'

RETIREMENT SYSTEM

RATES OF SEPARATION FROM ACTIVE SERVICE - FEMALES

AGE	Ordinary Withdrawal	Ordinary Death	Ordinary Disability	Service Retirement	Death While Eligible	Service Disability	Deferred Vested
51	0.0085	0.0008	0.0008	0.0025	0.0013	0.0009	0.0130
52	0.0083	0.0008	0.0011	0.0025	0.0014	0.0010	0.0125
53	0.0081	0.0009	0.0015	0.0050	0.0015	0.0012	0.0120
54	0.0079	0.0009	0.0020	0.0050	0.0016	0.0015	0.0115
55	0.0084	0.0009	0.0026	0.1000	0.0018	0.0018	0.0050
56	0.0084	0.0010	0.0033	0.0400	0.0020	0.0022	0.0000
57	0.0084	0.0010	0.0041	0.0600	0.0022	0.0027	0.0000
58	0.0084	0.0011	0.0050	0.0600	0.0024	0.0033	0.0000
59	0.0084	0.0011	0.0060	0.0600	0.0026	0.0040	0.0000
60	0.0000	0.0012	0.0071	0.0700	0.0028	0.0018	0.0000
61	0.0000	0.0012	0.0083	0.0800	0.0030	0.0060	0.0000
62	0.0000	0.0013	0.0096	0.1500	0.0032	0.0073	0.0000
63	0.0000	0.0013	0.0110	0.0750	0.0034	0.0089	0.0000
64	0.0000	0.0014	0.0125	0.0750	0.0036	0.0120	0.0000
65	0.0000	0.0015	0.0140	0.2500	0.0038	0.0160	0.0000
66	0.0000	0.0016	0.0000	0.2500	0.0040	0.0000	0.0000
67	0.0000	0.0017	0.0000	0.3500	0.0042	0.0000	0.0000
68	0.0000	0.0018	0.0000	0.3500	0.0045	0.0000	0.0000
69	0.0000	0.0019	0.0000	0.4000	0.0048	0.0000	0.0000
70	0.0000	0.0020	0.0000	1.0000	0.0051	0.0000	0.0000

APPENDIX F

Summary of Benefit Provisions

SUMMARY OF KEY PROVISIONS

Summary of Retirement Benefits

1. **Eligibility:** Members are eligible on their first day of City employment.
2. **Final Compensation:** Highest 12-month average salary
3. **Service Retirement:**
 - A) **Eligibility:** Age 55 with five years of service, or any age with 30 years of service.
 - B) **Benefit:** 2.5% of Final Compensation for each year of service. Maximum benefit is 75% of Final Compensation.
 - C) **Form of Payment:** Monthly benefit payable for the life of the member.
4. **Disability Retirement:**
 - A) **Eligibility:** Physically or mentally incapacitated so unable to perform duties of position. If disability is not service connected, then the member must have at least five years of City service.
 - B) **Benefit:** 2.5% of Final Compensation per year of service. The maximum benefit is 75% and the minimum benefit is 40% of Final Compensation. Any Workers' Compensation benefits are offset from the benefits under this system. If the disability was not service-connected, then the benefit is reduced by .5% of Final Compensation for each year of age under 55.
 - C) **Form of Payment:** Monthly benefit payable for the life of the member.
5. **Deferred Service Retirement:**
 - A) **Eligibility:** Five years of membership prior to termination of City service. Member must leave contributions on deposit until retirement.
 - B) **Benefit:** Same as Service Retirement, payable anytime after age 55.

C) **Form of Payment:** Same as Service Retirement.

6. Pre-Retirement Death Benefits:

A) **Non-Service Connected with less than five years of service, or No Family Members Eligible for Allowance:** Member's beneficiary or estate receives (i), and (ii) where:

(i) = Accumulated contributions with interest.

(ii) = Lump sum benefit of one month's salary for each year of service, up to six years.

B) **Service-Connected, or Non-Service Connected with five years of service**

Member's eligible survivor receives 100% of the benefit the Member would have received if he or she had been granted a disability benefit on the day before death, payable until the spouse remarries. If the Member was age 55 with 20 years of service at death, the benefit is payable for the lifetime of the Member's spouse.

7. Post-Retirement Death Benefits:

Member's eligible survivor receives (i) and (ii), where:

(i) = 50% continuance to surviving eligible spouse; if there is no surviving spouse, certain benefits are paid to the children.

(ii) = \$500 death benefit allowance for burial expenses at death of retired member.

8. Post-retirement Cost-of-Living Benefits:

Each April 1, the benefits are increased by the percentage increase in CPI (to a maximum of 3%). Increases in CPI above 3% are "banked" to apply in years when CPI increase is less than 3%.

If the benefit has been paid less than 12 months, the 3%

increase is proportionately decreased.

9. Employee Contributions:

The Members' contribution rates are recalculated on an actuarial basis at each actuarial study. Contributions are credited with 3% interest annually (the interest crediting provision was changed from 7.25% to 3% effective July 1, 2001).

Summary of Health Subsidy Benefits

1. Eligibility:

A) Medical

Fifteen years of service credit at retirement, or receiving an allowance of at least 37 1/2% of Final Compensation. Must be enrolled in a City medical insurance plan at retirement.

B) Dental

Five years of service credit at retirement, or receiving an allowance of at least 37 1/2% of Final Compensation. Must be enrolled in a City dental insurance plan at retirement.

2. Benefit

A) Medical

The Retirement System pays the premium for the lowest cost medical plan offered by the City for single and family coverage. Members and eligible survivors pay for the difference in the premium for their selected plan and the portion paid by the Retirement System.

B) Dental

The Retirement System pays the entire cost of dental insurance coverage.

3. Contributions

Both the City and the Members contribute to the Retirement System fund for medical and dental insurance benefits.