City of San José Federated City Employees' Retirement System

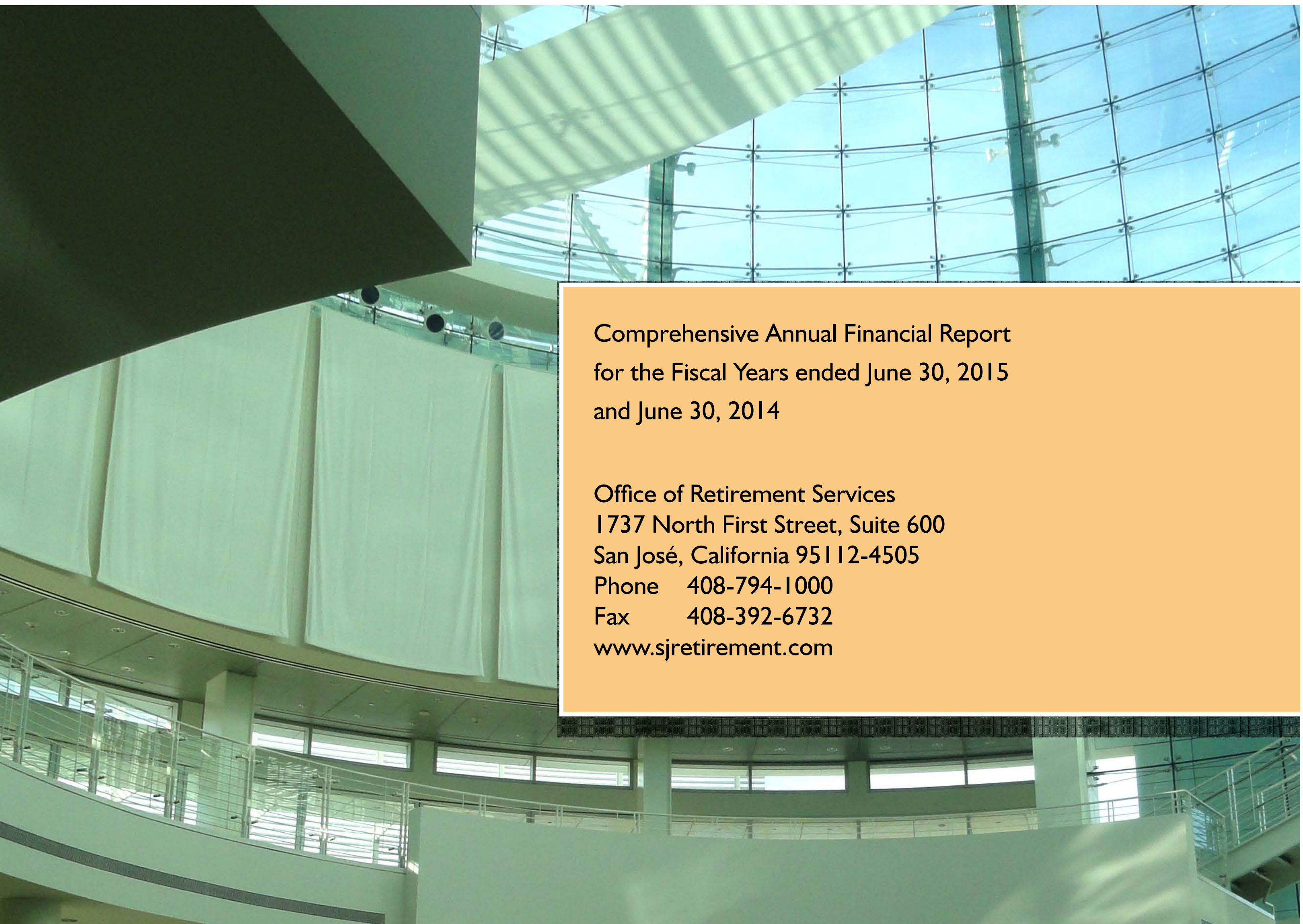
CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2015 and June 30, 2014

Pension Trust and Postemployment Healthcare Trust Funds of the City of San José, California

City of San José Federated City Employees' Retirement System

Roberto L. Peña
Chief Executive Officer



Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2015
and June 30, 2014

Office of Retirement Services
1737 North First Street, Suite 600
San José, California 95112-4505
Phone 408-794-1000
Fax 408-392-6732
www.sjretirement.com

Pension Trust and Postemployment Healthcare Trust Funds of the City of San José, California

Board Chair Letter

December 17, 2015

The Honorable Mayor and City Council
Members of the Federated City Employees' Retirement System
City of San José
San José, California

Dear Mayor, Council Members, and System Members:

On behalf of the members of the Board of Administration, I am pleased to present the Federated City Employees' Retirement System's (System) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015.

The System earned a time-weighted gross of investment fees rate of return of (0.9)% and net of investment fees rate of return of (1.0)% on investments for the fiscal year, compared to a (1.3)% return for its policy benchmark and a 2.5% return for the InvestorForce universe of public funds greater than $1 billion. In contrast, the net rate of return assumed by the System's actuary for fiscal year 2014-2015 is 7.0%. Additionally, the System earned a time-weighted gross of investment fees rate of return of 7.0% and 7.1% for the three-year and five-year periods ending June 30, 2015, respectively, while the InvestorForce earned a time-weighted rate of return of 10.2% and 10.5% for the same periods. The System's net position decreased from $2,182,280,000 to $2,135,535,000 (see the Financial Section beginning on page 15). The net decrease in System net position for fiscal year 2014-2015 was $46,745,000.

In September 2014, the System held its first annual General Meeting for all stakeholders. Feedback from the attendees was positive and helped enhance communication with the System's members.

In December 2014, Measure G became effective and modified the Board of Administration's governance structure. The main governance focus of the Board was on obtaining more authority to better fulfill their fiduciary duties and working with all stakeholders to communicate their goals and obtain feedback. The Board has created an ad-hoc committee for Measure G to review the current structure and operations of the newly constituted Office of Retirement Services and implement the authority granted with the passage of Measure G.

During fiscal year 2014-2015, the Investment Program completed comprehensive reviews of the global fixed income, global equity, commodities, and absolute return asset classes. These reviews in conjunction with other portfolio priorities resulted in the hiring of three fixed income managers, an international small cap equity manager, one opportunistic international real estate manager, and lastly two absolute return managers. In addition, the System implemented its first partial currency hedging program as the equity program seeks global opportunities.

Board Chair Letter *(Continued)*

Under Board direction, the investment program continued to develop over the past year and is poised to evolve further in FY 2015-2016. Recruitment efforts have begun for the newly created Retirement Investment Analyst positions which will provide crucial support to our Investment Officers. This year will also see the development and recommendation of a Senior Investment Officer position to further enhance our investment program's retention, attraction, and development capabilities. In addition to our exceptional human capital, staff continues to research and recommend investment program operational best practices to continue building an institutional quality investment program. Efforts to date include working towards developing in-house capabilities for performance and attribution reporting, manager compliance reporting and risk analytics. It is against this backdrop that the investment program approaches FY 2015-2016 with a renewed vigor and culture of professionalism.

The Board believes that the professional services rendered by the staff, the auditors, investment consultant, actuary, and counsel have produced a sound fund capable of sustained growth over the long term. The Board of Administration and Retirement Services staff are available to provide additional information as requested.

Sincerely,

Matt Loesch, Chairman
Board of Administration

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CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

December 17, 2015

Board of Administration
Federated City Employees' Retirement System
1737 North First Street, Suite 600
San José, CA 95112

Dear Trustees:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the Federated City Employees' Retirement System (System) for the fiscal year ended June 30, 2015. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the System's management.

This CAFR was prepared to conform to the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB). GASB Statement No. 67, Financial Reporting for Pension Plans, which was adopted during fiscal year 2013-2014, addresses accounting and financial reporting requirements for pension plans. Transactions of the System are reported on an accrual basis of accounting. For an overview and analysis of the financial activities of the System for the fiscal years ended June 30, 2015 and 2014, please refer to the Management's Discussion and Analysis (MD&A) on page 19.

Macias Gini & O'Connell LLP, the System's independent auditor, has audited the accompanying financial statements. Because the cost of a control should not exceed the benefits to be derived, management believes internal control is adequate and the accompanying statements, schedules, and tables are fairly presented and free from material misstatement. Sufficient internal controls over financial reporting exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules.

The financial audit provides reasonable assurance that the System's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatement. The System recognizes that even sound and well-designed internal controls have their inherent limitations in that errors may still occur as a result of factors such as carelessness, faulty judgment, communication breakdowns, and/or that internal controls can be circumvented by internal or external collusion. The System continuously reviews internal controls to ensure that the System's operating policies and procedures are being adhered to and that the controls are adequate to ensure accurate and reliable financial reporting and to safeguard the System's assets.

I am proud to report that the Government Finance Officers Association of the United States and Canada (GFOA) awarded its Certificate of Achievement for Excellence in Financial Reporting to the System for its CAFR for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. Information contained in this report is designed to provide a complete and accurate financial review of the year's operations. This report satisfies both generally accepted accounting principles and applicable legal requirements. We believe our current report continues to conform to the

Certificate of Achievement Program Requirements and staff will submit it to the GFOA to determine its eligibility for another certificate for the fiscal year ended June 30, 2015. The System also received the Public Pension Standards Award in recognition of meeting professional standards for plan design and administration by the Public Pension Coordinating Council.

I encourage you to review this report carefully. I trust that you and the members of the System will find this CAFR helpful in understanding the System.

Funding

The System's funding objective for both its defined benefit pension plan and its defined benefit other post-employment benefits (OPEB) healthcare plan is to meet long-term benefit obligations through contributions and investment income. As of the most recent funding valuation dated June 30, 2014, the funding ratio of the defined benefit pension plan was 59% and for the defined benefit OPEB plan was 27% based on the actuarial value of assets.

For the valuation of pension and OPEB benefits, the actuarial assumption for the net rate of return to be earned by the System is currently 7.00% and 6.30%, respectively. The impact of the difference between the actual net rate of return earned by the System and the 7.00% and 6.30% assumptions will result in an investment gain or loss that will be reflected in the pension and OPEB unfunded liabilities in next year's CAFR, respectively. The net decrease in System net position for fiscal year 2014-2015 was $46,745,000. Details of the components of this decrease are included in the Statement of Changes in Plan Net Position on page 33. The defined benefit pension plan's funding progress is presented on page 122 and the defined benefit OPEB plan's funding progress is presented on page 65.

Financial and Economic Summary

The multi-year valuation expansion in growth assets continued throughout fiscal year 2015. Markets were resilient to domestic and global political tensions, geopolitical conflicts in Eastern Europe and the Middle East, unsustainable debt loads in Greece and the threat of a slowing Chinese economy. Central banks continued their influence in markets, with the Federal Reserve navigating an end to unprecedented monetary stimulus in the U.S., the European Central Bank beginning expansionary monetary policy with a 1.0 trillion euro bond purchase program, the People's Bank of China reducing interest rates by 0.25% and the Swiss National Bank removing its Euro peg.

Domestic equities, as measured by the S&P 500 Index, posted its sixth consecutive yearly gain, returning 7.4%. Fixed income investments experienced divergent performance across debt instrument types as risk averse investors bid up higher credit quality issues, resulting in high yield bonds (-0.4%) underperforming investment grade bonds (+1.9%). International developed markets equities underperformed domestic equities by nearly 13% as the relative strength of the U.S. Dollar and sluggish economic growth weighed on the non-U.S. markets. Emerging markets equities also trailed domestic stocks by 13%, and underperformed developed non-U.S. equities markets by approximately 1%.

As the investment program enters FY 2015-2016, it is within the context of multiple economic and market related statistics having surpassed historic norms. According to the National Bureau of Economic Research, the last economic expansion began in June of 2009. Since 1945, there have been 11 economic cycles with the average duration of the expansion phase lasting 58.4 months. As of this writing the current economic expansion is in its 76 month. It is against this backdrop that the plans enter FY 2015-2016, and it is the primary rationale for maintaining a conservative posture towards direct equity exposures.

Investment Summary

The Board of Administration has exclusive control of all investments of the System and is responsible for the establishment of investment objectives, strategies, and policies. Members of the Board serve in a fiduciary capacity and must discharge their duties with respect to the System and the investment portfolio solely in the interest of, and for the exclusive purposes of providing benefits to, members of the System and defraying the reasonable cost of administration.

Over the past fiscal year, the System's time-weighted gross of investment fees rate of return was (0.9)% and net of investment fees rate of return was (1.0)%, compared to a (1.3)% return for its policy benchmark and a 2.5% return for the InvestorForce universe of public funds greater than $1 billion. Additionally, the System earned a time-weighted gross of investment fees rate of return of 7.0% and 7.1% for the three-year and five-year periods ending June 30, 2015, respectively, while the InvestorForce earned a time-weighted rate of return of 10.2% and 10.5% for the same periods. The net position of the System decreased from $2,182,280,000 to $2,135,535,000 (see the Financial Section beginning on page 15).

Major Initiatives

In September 2014, the System held its first annual stakeholders' meeting for its members. Feedback from the attendees was positive and helped enhance communication with the System's members.

In December 2014, Measure G became effective and modified the Board of Administration's governance structure. The main governance focus of the Board was on obtaining more authority to better fulfill their fiduciary duties and working with all stakeholders to communicate their goals and obtain feedback. The board has implemented an ad-hoc committee for Measure G to review the current structure and operations of the retirement office and determine what changes to make in order to achieve their goals.

During fiscal year 2014-2015, the Investment Program completed comprehensive reviews of the global fixed income, global equity, commodities, and absolute return asset classes. These reviews in conjunction with other portfolio priorities resulted in the hiring, of three fixed income managers, an international small cap equity manager, one opportunistic international real estate manager, and lastly two absolute return managers. In addition, the System implemented its first partial currency hedging program as the equity program seeks global opportunities.

Under Board direction the investment program continued to develop over the past year and is poised to evolve further in FY 2015-2016. Recruitment efforts have begun for the newly created Retirement Investment Analyst positions which will provide crucial support to our Investment Officers. This year will also see the development and recommendation of a Senior Investment Officer position to further enhance our investment program's retention, attraction, and development capabilities. In addition to our exceptional human capital, staff continues to research and recommend investment program operational best practices to continue building an institutional quality investment program. Efforts to date include the development of in-house capabilities for performance and attribution reporting, manager compliance reporting and risk analytics. It is against this backdrop that the investment program approaches FY 2015-2016 with a renewed vigor and culture of professionalism.

During the fiscal year 2014-2015, the System mailed out its first annual Popular Annual Financial Report (PAFR) to all of its members thus improving communication and education. The PAFR is a condensed version of the CAFR.

The Office of Retirement Services ("ORS") kicked off the upgrade of its pension administration system in March 2015, The implementation process is expected to last approximately 40 months and is estimated at $9 million.

ORS staff, in conjunction with City Administration, participated in the Request For Proposal (RFP) for its medical providers, vision and dental providers and voluntary benefits provider. The medical providers selected were Kaiser Permanente and Blue Shield of California, while UHC, the then current out-of-state provider, declined to submit a proposal. Existing UHC plans ended effective January 1, 2015. All impacted members elected alternate coverage.

Finally, during the fiscal year, an RFP was issued by ORS for a new medical service provider for the disability evaluation process.

Conclusion

I would like to take this opportunity to thank the members of the System for their confidence in the plan management during the past year. I also want to express my gratitude to the Board of Administration for its dedicated effort in supporting the staff through this past year. Finally, I would like to thank the City staff for their support and the consultants and ORS staff for their dedication and commitment to the System and for their diligent work to assure the System's continued successful operation.

Respectfully Submitted,

Roberto L. Peña

Roberto L. Peña
Chief Executive Officer
Office of Retirement Services

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Jose Federated City Employees' Retirement System California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Certificate for Meeting Professional Standards in Public Pensions

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2014

Presented to

City of San Jose Federated City Employees' Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Alan H. Winkle
Program Administrator

Board of Administration, Administration, and Outside Consultants

BOARD OF ADMINISTRATION

The Retirement System is administered by a seven-member Board of Administration composed of two City employees elected by members of the System, a Retiree Representative and three public members, who are not connected with the City and have significant banking or investment experience, and another public member selected by the six Board members and approved by the City Council. The Board is appointed by the City Council and serves in accordance with Section 2.08.300 of the San Jose Municipal Code.

As of June 30, 2015, the members of the Board were as follows:

MATT LOESCH, CHAIR
Employee Representative appointed to the Board in December 2007. His current term expires November 30, 2015.

LARA DRUYAN, VICE CHAIR
Public member appointed to the Board in December 2010. Her current term expires November 30, 2018.

BETTINA ROUNDS, TRUSTEE
Public member appointed to the Board in March 2015. Her current term expires November 30, 2016.

MARTIN DIRKS, TRUSTEE
Public member appointed to the Board in March 2011. His current term expires February 28, 2019.

MICHAEL ARMSTRONG, TRUSTEE
Public member appointed to the Board in December 2010. His current term expires November 30, 2018.

EDWARD F. OVERTON, TRUSTEE
Retired System member appointed in January 2009. His current term expires November 30, 2016.

UDAYA RAJBHANDARI, TRUSTEE
Employee Representative appointed to the Board. Her current term expires November 30, 2017.

JOHNNY KHAMIS, NON-VOTING BOARD MEMBER

OFFICE OF RETIREMENT SERVICES ADMINISTRATION

ROBERTO L. PENA, DIRECTOR
CHIEF EXECUTIVE OFFICER

DONNA BUSSE, DEPUTY DIRECTOR
CHIEF OPERATIONS OFFICER

ARN ANDREWS, ASSISTANT DIRECTOR
CHIEF INVESTMENT OFFICER

STANDING PUBLIC MEETINGS

Board Meetings: Third Thursday of the Month, 8:30 AM

Agendas for all public meetings are posted on the bulletin board at City Hall and on the department's website at http://sjretirement.com/fed/meetings/agendas.asp or they can be obtained from the Retirement Office at 1737 North First Street, Suite 600, San Jose, CA 95112. Meeting times and locations are subject to change; please call our office at (408) 794-1000 for current information.

OUTSIDE CONSULTANTS

ACTUARY
Cheiron, Inc.
Encinitas, CA

GENERAL & FIDUCIARY COUNSEL
Reed Smith LLP
San Francisco, CA

INVESTMENT COUNSEL

Hanson Bridgett LLP San Francisco, CA	Reed Smith LLP San Francisco, CA

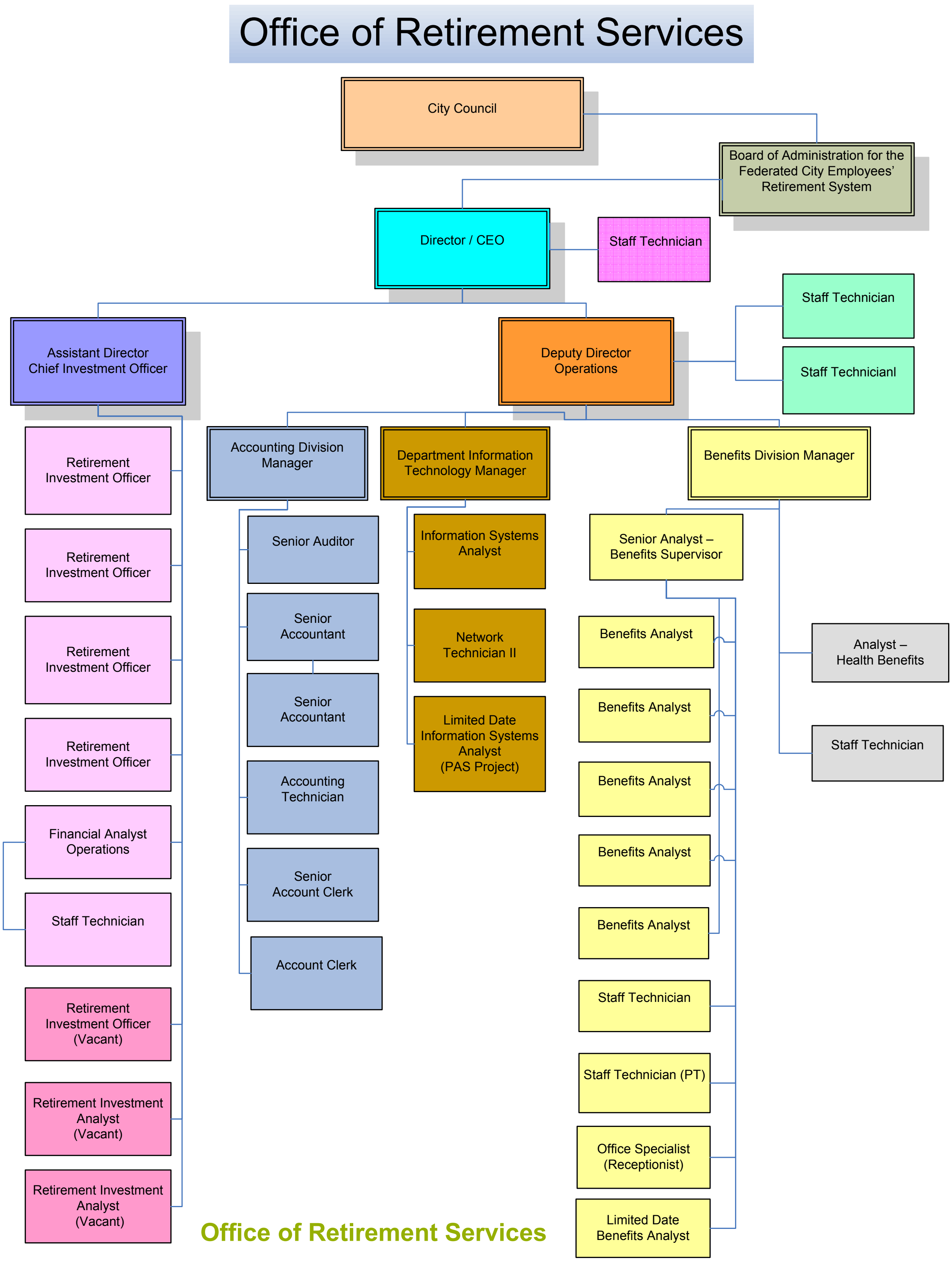
INVESTMENT CONSULTANTS
Albourne America LLC – Absolute Return
San Francisco, CA

Meketa Investments Group, Inc. – General Consultant
Carlsbad, CA

AUDITOR
Macias Gini & O'Connell LLP
Walnut Creek, CA

A list of investment professionals begins on page 94 of the Investment Section of this report. The Schedule of Investment Fees and Schedule of Commissions can be found on pages 103 and 104, respectively.

2015 Department of Retirement Services Organizational Chart



Office of Retirement Services

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www.siretirement.com

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Financial Section

City of San José
Federated City Employees' Retirement System
Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2015
and June 30, 2014

Certified Public Accountants

Sacramento
Walnut Creek
Oakland
Los Angeles
Century City
Newport Beach
San Diego

Independent Auditor's Report

Board of Administration of the City of San José
Federated Employees' Retirement System
San José, California

Report on the Financial Statements

We have audited the accompanying financial statements of the City of San José Federated Employees' Retirement System (System), a pension trust fund and postemployment healthcare trust fund of the City of San José, California, as of and for the fiscal years ended June 30, 2015 and 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the System as of June 30, 2015 and 2014, and the changes in plan net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Macias Gini & O'Connell LLP
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596

www.mgocpa.com

Emphasis of Matters

As discussed in Note 1 to the financial statements, the financial statements present only the System and do not purport to, and do not, present fairly the financial position of the City of San José, California, as of June 30, 2015 and 2014, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the financial statements, the total pension liability based on the actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, exceeded the pension plan net position by $1.4 billion. The actuarial valuation is very sensitive to the underlying assumptions, including the discount rate of 7.00%, which represents the long-term expected rate of return.

As discussed in Note 5 to the financial statements, based on the most recent actuarial valuation as of June 30, 2014, the System's independent actuaries determined that, as of June 30, 2014, the postemployment healthcare plan's actuarial accrued liability exceeded the actuarial value of its assets by $530 million.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of changes in the employer's net pension liability and related ratios, schedule of investment returns – defined benefit pension plan, schedule of employer contributions – defined benefit pension plan, schedule of funding progress – postemployment healthcare plan and schedule of employer contributions – postemployment healthcare plan, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 financial statements, and other knowledge we obtained during our audits of the 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the System's financial statements. The introductory section, other supplementary information in the financial section, investment section, actuarial section and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The other supplementary information in the financial section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2015 on our consideration of the System'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 for the fiscal year ended June 30, 2015. The purpose of that report is 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 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 System's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 12, 2015

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Management's Discussion and Analysis (unaudited)

November 12, 2015

Board of Administration
Federated City Employees' Retirement System
1737 North First Street, Suite 600
San José, California 95112-4505

The Office of Retirement Services is pleased to provide this overview and analysis of the financial activities of the Federated City Employees' Retirement System (the System) for the fiscal years ended June 30, 2015 and 2014. The System, consisting of a single employer Defined Benefit Pension Plan and a Postemployment Healthcare Plan, was established to provide retirement benefits for eligible non-sworn employees of the City of San José (City). We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which begins on page 6 of this report, and in the financial section which follows this discussion.

Financial Highlights for Fiscal Year 2015

- As of June 30, 2015, the System had $2,135,535,000 in plan net position restricted for pension benefits and postemployment healthcare benefits. Plan net position of $1,930,507,000 restricted for pension benefits is available to meet the System's ongoing obligations to plan participants and their beneficiaries. Plan net position of $205,028,000 restricted for postemployment healthcare benefits is only available for the exclusive use of retiree medical benefits.

- The System's total plan net position restricted for pension benefits and postemployment healthcare benefits decreased during the fiscal year ended June 30, 2015 by $46,745,000 or 2.1% from the prior fiscal year, primarily as a result of the depreciation in the fair value of investments caused by poor market performance during the fiscal year.

- Additions to plan net position during the fiscal year ended June 30, 2015 were $151,412,000, which includes employer and employee contributions of $141,710,000 and $32,266,000, respectively, and net investment losses of $22,564,000. This represents a decrease of $298,945,000 from the prior fiscal year.

- Deductions from plan net position for fiscal year ended June 30, 2015 increased slightly from $187,318,000 to $198,157,000 over the prior fiscal year, or approximately 5.8%, due to an increase in retirement benefit payments and healthcare insurance premiums, which was attributable to an increased number of retired members and beneficiaries.

Overview of the Financial Statements

The System's financial statements, notes to the financial statements, required supplementary and other supplemental information for the year ended June 30, 2015, were prepared in conformity with generally accepted accounting principles, including Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 43, *Financial Reporting for Postemployement Benefit Plans Other Than Pension Plans***.** The following discussion and analysis is intended to serve as an introduction to the System's financial statements, which are comprised of these components:

1) Statements of Plan Net Position
2) Statements of Changes in Plan Net Position
3) Notes to the Basic Financial Statements

Please note, however, that this report also contains required supplementary information and other supplemental information in addition to the basic financial statements themselves.

The ***Statements of Plan Net Position*** are a snapshot of account balances at fiscal year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

The ***Statements of Changes in Plan Net Position***, on the other hand, provide a view of current year additions to and deductions from the System.

Both statements are in compliance with accounting principles generally accepted in the United States of America (GAAP) as set forth by the GASB. GAAP requires state and local government pension plans and other postemployment benefit plan reports to use the full accrual method of accounting and make certain disclosures. The System complies with all significant requirements of these pronouncements.

The *Statements of Plan Net Position* and the *Statements of Changes in Plan Net Position* report information about the System's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which recognizes contributions as revenue when currently due pursuant to legal requirements, and benefits and refunds of contributions when due and payable under the provisions of the System. All of the fiscal year's additions and deductions are taken into account regardless of when cash is received or paid. All investment realized gains and losses are reported at the trade date, not the settlement date. In addition, both realized and unrealized gains and losses on investments are reported.

These two statements report the System's net position held in trust for pension benefits and postemployment healthcare benefits (net position)—the difference between assets and liabilities. Over time, increases and decreases in the System's net position are one indicator of whether its financial health is improving or deteriorating. Other factors, such as the net pension liability and the funded status of the other Postemployment Healthcare Plan, should also be considered in measuring the System's overall health.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements (see Notes to Basic Financial Statements beginning on page 35 of this report).

Required Supplementary Information. In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning employer contributions and the System's progress in funding its obligations to provide pension and other postemployment healthcare benefits to members and beneficiaries (see Required Supplementary Information beginning on page 62 of this report). The *Schedule of Changes in the Net Pension Liability and Related Ratios of the Defined Benefit Pension Plan* was prepared using the Plan's fiduciary net position.

Other Supplemental Information. The *Combining Schedules of Net Position and Changes in Net Position* for the Defined Benefit Pension Plan and the Other Postemployment Benefit Plan, S*chedules of Administrative Expenses and Other, Payments to Consultants, and Investment Expenses* are presented immediately following the *Required Supplementary Information*.

Financial Analysis

As previously noted, plan net position may serve over time as a useful indication of the System's financial position (see Tables 1a and 1c on page 22). At the close of fiscal years 2015 and 2014, the System's total assets exceeded the System's total liabilities. The System's financial statements do not include the total pension liability or the actuarial accrued liability for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan, respectively.

The Pension System's fiduciary net position as a percentage of the total pension liability and the funded status of the other Postemployment Healthcare Plan should also be considered when evaluating the System's financial health. Based on the June 30, 2014 valuation rolled forward to June 30, 2015, the fiduciary net position of the Defined Benefit Pension Plan was 57.8% of the total pension liability. As of June 30, 2014, the System's most recent valuation, the funded status of the Other Postemployment Healthcare Plan increased from 18% to 27%. For more information on the results and impact of the June 30, 2014 valuations, please see Notes 4 and 5 to the financial statements beginning on page 54.

NET POSITION FOR THE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM'S DEFINED BENEFIT PENSION PLAN (Table 1a)

As of June 30, 2015 and 2014 (In Thousands)

	2015	2014	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Receivables	$ 10,674	$ 5,292	$ 5,382	101.7 %
Investments at fair value	1,922,441	1,985,929	(63,488)	(3.2)%
Capital assets	61	-	61	- %
Total Assets	**1,933,176**	**1,991,221**	**(58,045)**	**(2.9)%**
Current liabilities	2,669	3,984	(1,315)	33.0 %
Total Liabilities	**2,669**	**3,984**	**(1,315)**	**33.0 %**
Plan Net Position	**$ 1,930,507**	**$ 1,987,237**	**$ (56,730)**	**(2.9)%**

NET POSITION FOR THE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM'S DEFINED BENEFIT PENSION PLAN (Table 1b)

As of June 30, 2014 and 2013 (In Thousands)

	2014	2013	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Receivables	$ 5,292	$ 5,514	$ (222)	(4.0)%
Investments at fair value	1,985,929	1,764,749	221,180	12.5 %
Total Assets	**1,991,221**	**1,770,263**	**220,958**	**12.5 %**
Current liabilities	3,984	8,717	(4,733)	(54.3)%
Total Liabilities	**3,984**	**8,717**	**(4,733)**	**(54.3)%**
Plan Net Position	**$ 1,987,237**	**$ 1,761,546**	**$ 225,691**	**12.8 %**

NET POSITION FOR THE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM'S POSTEMPLOYMENT HEALTHCARE PLAN (Table 1c)

As of June 30, 2015 and 2014 (In Thousands)

	2015	2014	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Receivables	$ 1,036	$ 1,702	$ (666)	(39.1)%
Investments at fair value	204,684	193,573	11,111	5.7 %
Capital assets	3	-	3	- %
Total Assets	**205,723**	**195,275**	**10,448**	**5.4 %**
Current liabilities	695	232	463	199.6 %
Total Liabilities	**695**	**232**	**463**	**199.6 %**
Plan Net Position	**$ 205,028**	**$ 195,043**	**$ 9,985**	**5.1 %**

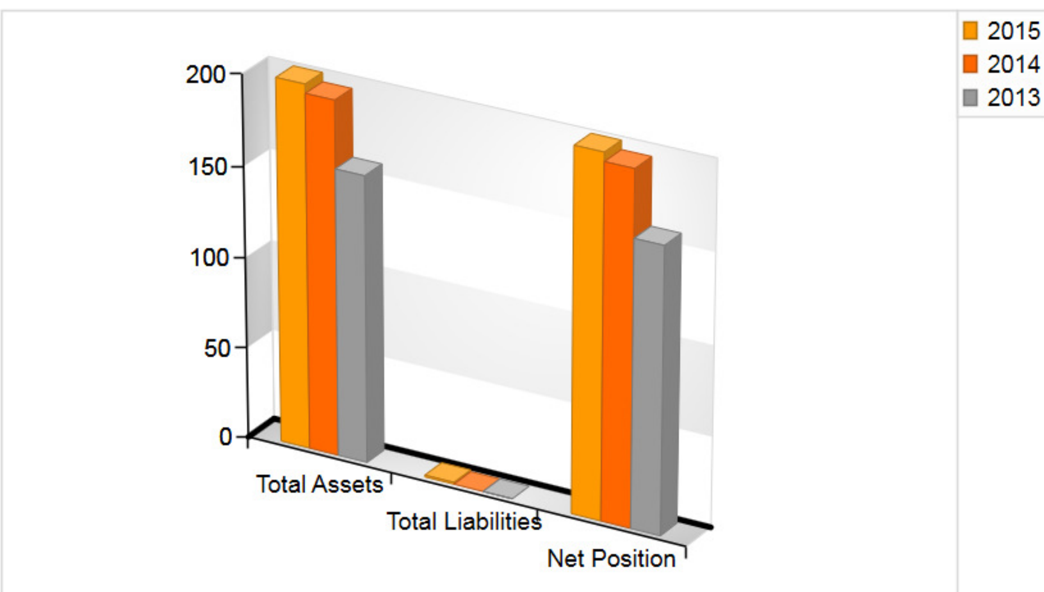
NET POSITION FOR THE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM'S POSTEMPLOYMENT HEALTHCARE PLAN (Table 1d)

As of June 30, 2014 and 2013 (In Thousands)

	2014	2013	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Receivables	$ 1,702	$ 876	$ 826	94.3 %
Investment at fair value	193,573	157,439	36,134	23.0 %
Total Assets	**195,275**	**158,315**	**36,960**	**23.3 %**
Current liabilities	232	620	(388)	(62.6)%
Total Liabilities	**232**	**620**	**(388)**	**(62.6)%**
Plan Net Position	**$ 195,043**	**$ 157,695**	**$ 37,348**	**23.7 %**

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM'S
DEFINED BENEFIT PENSION PLAN NET POSITION (Tables 1a and 1b)
June 30, 2015, 2014 and 2013
(Dollars in Millions)

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM'S
POSTEMPLOYMENT HEALTHCARE PLAN NET POSITION (Tables 1c and 1d)
June 30, 2015, 2014 and 2013
(Dollars in Millions)



As of June 30, 2015, $1,930,507,000 and $205,028,000, of total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1a and 1c on page 22). Plan net position restricted for pension benefits of $1,930,507,000 is available to meet the System's ongoing obligations to pension plan participants and their beneficiaries. Postemployment healthcare plan net position of $205,028,000 is only available for the exclusive use of retiree medical benefits.

As of June 30, 2015, total net position restricted for pension benefits decreased by 2.9% and increased by 5.1% for the postemployment healthcare benefits plan from the prior year, primarily due to the net depreciation in the fair value of investments of $30,159,000 for the Defined Benefit Pension Plan. The depreciation in the fair value of investments was caused by poor market performance during the fiscal year. The increase in the postemployment healthcare benefits is due to the increase in contributions from the prior fiscal year. The System's current asset allocation is discussed in detail in Note 2(c) of the financial statements on page 44.

As of June 30, 2014, $1,987,237,000 and $195,043,000, of total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1b and 1d on page 22). Plan net position restricted for pension benefits of $1,987,237,000 was available to meet the System's ongoing obligations to plan participants and their beneficiaries. Postemployment healthcare plan net position of $195,043,000 was only available for the exclusive use of retiree medical benefits.

As of June 30, 2014, total net position restricted for pension benefits increased by 12.8% and increased by 23.7% for the postemployment healthcare benefits plan from the prior year primarily due to the net appreciation in the fair value of investments of $245,338,000 and $25,767,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plan, respectively. The appreciation in the fair value of investments was caused by the increase in the equity markets. The System's current asset allocation is discussed in detail in Note 2(c) of the financial statements on page 44.

As of June 30, 2015, receivables increased by $5,382,000 or 101.7% and decreased by $666,000 or 39.1% in the Defined Benefit Pension Plan and Postemployment Healthcare Plan, respectively, due to an increase in accrued investment income for the Defined Benefit Pension Plan and a decrease in brokers and other receivables for the Postemployment Healthcare Plan. In the previous year, receivables for the Defined Benefit Pension Plan and Postemployment. Healthcare Plan decreased by $222,000 or 4.0% and increased by $826,000 or 94.3%, respectively, due to a decrease in accrued investment income and an increase in brokers and others for year-end investment trades.

As of June 30, 2015, total liabilities for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan decreased by $1,315,000 or 33.0% and increased by $463,000 or 199.6%, respectively, due to changes in payables to brokers and other liabilities primarily as a result of the timing of investment transactions. In the previous year, liabilities decreased by $4,733,000 or 54.3% for the Defined Benefit Pension Plan and $388,000 or 62.6% for the Postemployment Healthcare Plan due to a decrease in payable to brokers.

FEDERATED SYSTEM ACTIVITIES

In the fiscal year ended June 30, 2015, the System's combined Defined Benefit Pension Plan and Postemployment Healthcare Plan net position decreased by $46,745,000 or 2.1%, primarily due to the decrease in the market performance experienced in the fiscal year. Key elements of the System's financial activities are described in the sections that follow.

Additions to Plan Net Position

The assets needed to fund retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investments (net of investment expense). Additions to the Defined Benefit Pension Plan and Postemployment Healthcare Plan for the fiscal year ended June 30, 2015, were $111,730,000 and $39,682,000, respectively (see Tables 2a and 2c on pages 26 and

27).

For the fiscal year ended June 30, 2015, additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plan decreased by $273,098,000 and $25,847,000, or 71.0% and 39.4%, respectively. The primary cause of the decrease from the prior year was net investment losses of $16,642,000 and $5,922,000, respectively, compared to investment income of $263,688,000 and $28,737,000 in 2014. The net investment losses were primarily a result of the decrease in the market performance during the fiscal year ended June 30, 2015. The System's time-weighted gross rate of return, as determined by the System's investment consultant on an investment (non-GAAP) basis, for the fiscal year ended June 30, 2015, was (0.9)% compared to 14.3% for fiscal year 2014. On a net of manager fee basis, the System's time-weighted rate of return for the fiscal year ended June 30, 2015, was (1.0)% compared to 14.2% for fiscal year 2014.

For fiscal year ended June 30, 2014, additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plan increased by $122,700,000 and $14,482,000, or 46.8% and 28.4%, respectively. The primary cause of the increase from the prior year was net investment income of $263,688,000 and $28,737,000, respectively, compared to net investment income of $146,367,000 and $13,817,000 in 2013. The net investment gains were primarily a result of the increase in the equity markets during the fiscal year. The System's time-weighted gross rate of return, as determined by the System's investment consultant on an investment (non-GAAP) basis, for the fiscal year ended June 30, 2014, was 14.3% compared to 8.1% for fiscal year 2013. On a net of manager fee basis, the System's time-weighted rate of return for the fiscal year ended June 30, 2014, was 14.2% compared to 8.0% for fiscal year 2013.

Deductions from Plan Net Position

The System was created to provide a monthly pension allowance, survivor benefits, permanent disability benefits, and postemployment healthcare benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments and healthcare premium payments, as designated by the San Jose Municipal Code, refunds of contributions to terminated employees, and the cost of administering the System.

Deductions for the fiscal year ended June 30, 2015, totaled $168,460,000 and $29,697,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plan, respectively. Deductions for the Defined Benefit Pension Plan increased 5.9% from the previous year due to an increase in benefit payments (see Table 2a on page 26). The increase in benefit payments are primarily due to continued increases in the number of retirees and beneficiaries with higher final average salaries and added cost of living adjustments. Deductions for the Postemployment Healthcare Plan increased by 5.4% from the previous year due to an increase in the number of retirees and beneficiaries receiving healthcare (see Table 2c on page 27).

Deductions for the fiscal year ended June 30, 2014, totaled $159,137,000 and $28,181,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plan, respectively. Deductions for the Defined Benefit Pension Plan increased 6.2% from the previous year due to an increase in benefit payments (see Table 2b on page 26). The increase in benefit payments are primarily due to continued increases in the number of retirees and beneficiaries with higher final average salaries and added cost of living adjustments. Deductions for the Postemployment Healthcare Plan decreased by 9.5% from the previous year due to reductions in healthcare insurance premiums for retirees and beneficiaries (see Table 2d on page 27).

CHANGES IN PLAN NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN
(Table 2a)
For the Fiscal Years Ended June 30, 2015 and 2014 (In Thousands)

	2015	2014	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Employee contributions	$ 13,621	$ 13,596	$ 25	0.2 %
Employer contributions	114,751	107,544	7,207	6.7 %
Net investment (loss)/income*	(16,642)	263,688	(280,330)	(106.3)%
Total Additions	**111,730**	**384,828**	**(273,098)**	**(71.0)%**
Retirement benefits	152,119	143,921	8,198	5.7 %
Death benefits	10,724	9,845	879	8.9 %
Refund of contributions	1,719	2,170	(451)	(20.8)%
Administrative expenses	3,898	3,201	697	21.8 %
Total Deductions	**168,460**	**159,137**	**9,323**	**5.9 %**
Net (Decrease)/Increase in Plan Net Position	**(56,730)**	**225,691**	**(282,421)**	**(125.1)%**
Beginning Net Position	**1,987,237**	**1,761,546**	**225,691**	**12.8 %**
Ending Net Position	**$ 1,930,507**	**$ 1,987,237**	**$ (56,730)**	**(2.9)%**

** Net of investment expenses of $9,588 and $9,767 in 2015 and 2014, respectively.*

CHANGES IN PLAN NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN
(Table 2b)
For the Fiscal Years Ended June 30, 2014 and 2013 (In Thousands)

	2014	2013	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Employee contributions	$ 13,596	$ 12,652	$ 944	7.5 %
Employer contributions	107,544	103,109	4,435	4.3 %
Net investment income*	263,688	146,367	117,321	80.2 %
Total Additions	**384,828**	**262,128**	**122,700**	**46.8 %**
Retirement benefits	143,921	136,075	7,846	5.8 %
Death benefits	9,845	9,187	658	7.2 %
Refund of contributions	2,170	1,545	625	40.5 %
Administrative expenses	3,201	3,024	177	5.9 %
Total Deductions	**159,137**	**149,831**	**9,306**	**6.2 %**
Net Increase in Plan Net Position	**225,691**	**112,297**	**113,394**	**101.0 %**
Beginning Net Position	**1,761,546**	**1,649,249**	**112,297**	**6.8 %**
Ending Net Position	**$ 1,987,237**	**$ 1,761,546**	**$ 225,691**	**12.8 %**

** Net of investment expenses of $9,767 and $7,558 in 2014 and 2013, respectively.*

CHANGES IN PLAN NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLAN (Table 2c)

For the Fiscal Years Ended June 30, 2015 and 2014 (In Thousands)

	2015	2014	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Employee contributions	$ 18,645	$ 17,494	$ 1,151	6.6 %
Employer contributions	26,959	19,298	7,661	39.7 %
Net investment (loss)/income*	(5,922)	28,737	(34,659)	(120.6)%
Total Additions	**39,682**	**65,529**	**(25,847)**	**(39.4)%**
Healthcare insurance premiums	29,443	27,924	1,519	5.4 %
Administrative expenses	254	257	(3)	(1.2)%
Total Deductions	**29,697**	**28,181**	**1,516**	**5.4 %**
Net Increase in Plan Net Position	**9,985**	**37,348**	**(27,363)**	**(73.3)%**
Beginning Net Position	**195,043**	**157,695**	**37,348**	**23.7 %**
Ending Net Position	**$ 205,028**	**$ 195,043**	**$ 9,985**	**5.1 %**

** Net of investment expenses of $765 and $632 in 2015 and 2014, respectively.*

CHANGES IN PLAN NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLAN (Table 2d)

For the Fiscal Years Ended June 30, 2014 and 2013 (In Thousands)

	2014	2013	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Employee contributions	$ 17,494	$ 15,979	$ 1,515	9.5 %
Employer contributions	19,298	21,251	(1,953)	(9.2)%
Net investment income*	28,737	13,817	14,920	108.0 %
Total Additions	**65,529**	**51,047**	**14,482**	**28.4 %**
Healthcare insurance premiums	27,924	30,943	(3,019)	(9.8)%
Administrative expenses	257	207	50	24.2 %
Total Deductions	**28,181**	**31,150**	**(2,969)**	**(9.5)%**
Net Increase in Plan Net Position	**37,348**	**19,897**	**17,451**	**87.7 %**
Beginning Net Position	**157,695**	**137,798**	**19,897**	**14.4 %**
Ending Net Position	**$ 195,043**	**$ 157,695**	**$ 37,348**	**23.7 %**

** Net of investment expenses of $632 and $542 in 2014 and 2013, respectively.*

Reserves

The System is required by the City of San José Municipal Code to establish various reserves in the System's net position. The System's net position is allocated between the Defined Benefit Pension Plan (which includes the Retirement Fund and the Cost-of-Living Fund) and the Postemployment Healthcare Plan (which includes the 401(h) and 115 Trust). The Defined Benefit Pension Plan Retirement Fund, the Defined Benefit Pension Plan Cost-of-Living Fund and the Postemployment Healthcare Plan all have a General Reserve and Employee Contributions Reserve (see table on page 46 for a complete listing and year-end balances of the System's reserves).

The System's reserves are established from employer and employee contributions and the accumulation of investment income, after satisfying investment and administrative expenses. Additionally, the appreciation or depreciation in the fair value of investments is held in the unrealized gain/loss account, a component of each Plan's General Reserve.

The System's Fiduciary Responsibilities

The System's Board of Administration is the fiduciary trustee of the Defined Benefit Pension Plan and Postemployment Healthcare Plan. Under the California Constitution and the San José Municipal Code, the assets may only be used for the exclusive benefit of providing benefits to plan participants and their beneficiaries and defraying reasonable costs of administration.

Economic Factors and Rates Affecting Next Year

The System's most recent actuarial funding valuation as of June 30, 2014, was used to determine the contribution rates effective June 21, 2015, for fiscal year 2015-2016. The annual required contribution rates and dollar amounts calculated in the June 30, 2014 funding valuation were adopted by the Board and became effective in fiscal year 2015-2016. The June 30, 2014 funding valuations include Board adopted actuarial assumption changes recommended by the System's actuary in the June 30, 2014 Preliminary Valuation Results and Economic Assumption Review presented on November 20, 2014.

Defined Benefit Pension Plan - Funding

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The System's actuarial valuation for funding purposes uses a five-year smoothing method for investment gains and losses. This means that the current year's gains or losses compared to the actuarially assumed rate of return, as calculated at year-end, are recognized over five years. The unfunded actuarial accrued liability (UAAL) of $1,323 million, as of June 30, 2014, does not include the impact of approximately $70.7 million of net deferred investment gains, primarily resulting from favorable investment returns between fiscal years 2011-2014, not being fully recognized yet. It is anticipated that future actuarial valuations will recognize these remaining deferred net investment gains as described above and the smoothing of any new gains or losses over a five year period.

The System is exposed to general investment market risk. In a pension plan context, this is the risk that the long-term rate of return earned on the pension plan assets could be below the actuarially assumed rate of return, which is 7.00%, net of investment expenses, in the actuarial valuation as of June 30, 2014. With all other actuarial variables being equal, underperforming the assumed rate of return would increase the UAAL and decrease the funded status of the System, thereby increasing required contributions to the System.

In addition to investment market risk, the System is exposed to non-economic or demographic risk. The demographic assumptions, which include rates of termination, retirement, disability and mortality, are often unique to the System's provisions and the specific demographics of the System participants. Deviations from these long term actuarial assumptions cause the System to experience gains or losses, which in turn can lead to volatility in the contribution rates. To minimize this risk, every three to five years, the System's actuary conducts an experience study to assess whether the experience of the System is conforming to the long-term actuarial assumptions. The actuarial assumptions may be adjusted where it is determined that current assumptions will not provide the most accurate expectation of what may happen in the future.

The June 30, 2014 funding valuation contains the Board-adopted 30/20 layered amortization methodology, which includes the level amortization of the unfunded liability as of June 30, 2009 over 30 years from that date, and the amortization of subsequent gains and losses or assumption changes over 20 years from the valuation in which they are first recognized. The equivalent single amortization period for the June 30, 2014 valuation is 29.0 years.

Contribution rates for fiscal year 2015-2016, as determined by the June 30, 2014 funding valuation included the impact of the continued effect of the layered 20-year closed amortization period and the recognition of smoothed deferred investment gains and losses.

The valuation for June 30, 2012 and beyond will include the impact of only the implemented sections of *The Sustainable Retirement Benefits and Compensation Act* (Pension Act) enacted by the voters of San Jose on June 5, 2012. The Pension Act amended the City Charter to change benefits for current employees, to establish different benefits for new employees and to place other limitations on benefits.

Section 1508-A of the Pension Act applicable to new employees was adopted on August 28, 2012 by San José City Council Ordinance No. 29120 to provide Tier 2 pension benefits for new System members hired on or after September 30, 2012. The new tier includes significant benefit changes from the existing Tier 1 plan including, but not limited to, a decrease in the benefits multiplier from 2.5% per year to 2.0% per year, an increase from 55 years to 65 years of age for retirement eligibility at full benefits, a consumer price index driven cost-of-living increase with a maximum of 1.5% instead of the existing annual fixed 3.0% increase, a decrease in maximum benefit to 65% of final average salary from 75%, a single life annuity compared to a 50% joint survivorship, member to share all costs of Tier 2 equally, including the total normal cost, any accrued unfunded actuarial liability and administrative costs of the System, and final average compensation based on the highest consecutive 3 years of compensation compared to highest 1 year. However, a retiree can elect to receive a lower pension benefit to provide a survivor benefit to a spouse, registered domestic partner, child or children. The survivorship allowance is calculated by the Board's actuary for a 50%, 75% or 100% continuance that is actuarially equivalent to the spouse, registered domestic partner, child or children designated at the time of retirement. Significant portions of the Pension Act applicable to existing employees and effective June 23, 2013 are currently subject to legal challenge by members of the System. As of the report date, the City and the bargaining units representing System members are currently in settlement discussions.

Postemployment Healthcare Plan

During the fiscal year ended June 30, 2015, the System's GASB Statement No. 43-compliant Other Postemployment Benefits (OPEB) valuation as of June 30, 2014, was prepared by Cheiron, Inc., the System's actuary. A summary of the results is presented in Note 5 to the Financial Statements. In 2009, the City entered into agreements ("Retiree Healthcare Agreements") with the bargaining units representing the System members to increase the contribution rates for retiree health and dental benefits in order to phase-in to full funding of the GASB Statement No. 43 annual required contributions (ARC) over a five period ending fiscal year 2012-2013. The Retiree Healthcare Agreements also provides that the five year phase-in of the ARC will not have an incremental increase of more than 0.75% of pensionable pay in each fiscal year for the employee or City contributions phase-in, the City and active members' contributions for retiree medical benefits were to pay the ARC for retiree healthcare benefits. Under the Retiree Healthcare Agreements, the ratio of contribution remained unchanged with the contribution for retiree medical benefits split evenly between the City and the employee and retiree dental benefits split in the ratio of 8 to 3 with the City contributing 8/11 of the total contribution. The year ended June 30, 2013 was supposed to mark the end of the 0.75% cap and per the Retiree Healthcare Agreements, the employees and the City are required to contribute at the GASB Statement No. 43 ARC for fiscal year ended June 30, 2014. However, the City and the bargaining groups negotiated an extension of the 0.75% cap on increases to medical contributions for 18 months. In October 2014, the City Council approved to extend the cap for an additional six months to June 20, 2015, the last pay period for fiscal year 2014-2015, keeeping the contribution rates the same throughout the year. At the end of fiscal year 2014-2015, the City and bargaining units have jointly agreed to keep the contribution rates the same as fiscal year 2014-2015 until December 20, 2015, at which point, the parties would begin to pay the full ARC; however, the contribution rate may change based on ongoing negotiations between the City and the bargaining units. The June 30, 2014 valuation establishes, for the fiscal year ended June 30, 2015, the City's ARC rate as a percentage of pay to be 15.19% compared to 9.41% on a phase-in funded basis for Tier 1 and Tier 2 members and 12.66% for Tier 2B members.

On August 27, 2013, San Jose City Council adopted Ordinance No. 29283 to exclude Tier 2 members hired on or after September 27, 2013 from retiree medical and dental benefits (herein referred to as "Tier 2B" members), but the City shall bear and pay an amount equal to the additional costs incurred by the System for that portion of the unfunded liability as determined by the actuary for the System that the City and Tier 2B members would have otherwise paid as contributions had those employees been eligible for the retiree healthcare defined benefit.

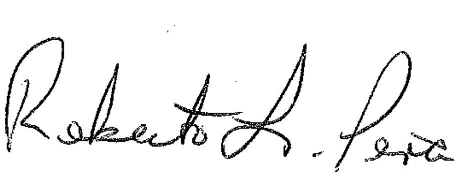
On June 24, 2011 a new Internal Revenue Code Section 115 trust was established by the San José City Council (Ordinance number 28914) to provide an alternative source of funding from the existing 401(h) account located within the pension fund for retiree healthcare benefits. Employer contributions to the new trust were made starting fiscal year 2012. On August 6, 2013, the City obtained a private letter ruling from the Internal Revenue Service confirming the pre-tax treatment of employee contributions to the 115 Trust. Employee contributions to the new trust were made beginning December 22, 2013.

Requests for Information

This financial report is designed to provide the Board of Administration, Mayor and City Council, our membership, taxpayers, and stakeholders, with a general overview of the System's finances and to account for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Federated City Employees' Retirement System
1737 North First Street, Suite 600
San José, California 95112-4505

Respectfully submitted,



Roberto L. Peña
Chief Executive Officer
Office of Retirement Services

Basic Financial Statements

STATEMENTS OF PLAN NET POSITION
June 30, 2015 and 2014 (In Thousands)

	2015		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total
ASSETS			
Receivables			
Employee contributions	$ 415	$ 489	$ 904
Employer contributions	89	183	272
Brokers and others	5,540	347	5,887
Accrued investment income	4,630	17	4,647
Total receivables	**10,674**	**1,036**	**11,710**
Investments, at fair value:			
Securities and other:			
Global equity	813,659	90,581	904,240
Private equity	93,689	4,061	97,750
Global fixed income	348,788	54,339	403,127
Collective short term investments	126,172	17,979	144,151
Private debt	103,831	4,500	108,331
Real assets	234,804	24,490	259,294
International currency contracts, net	319	14	333
Absolute return	201,179	8,720	209,899
Total Investments	**1,922,441**	**204,684**	**2,127,125**
Capital Assets	**61**	**3**	**64**
TOTAL ASSETS	**1,933,176**	**205,723**	**2,138,899**
LIABILITIES			
Payable to brokers	1,637	375	2,012
Other liabilities	1,032	320	1,352
TOTAL LIABILITIES	**2,669**	**695**	**3,364**
PLAN NET POSITION - RESTRICTED FOR:			
Pension benefits	1,930,507	-	1,930,507
Postemployment healthcare benefits	-	205,028	205,028
TOTAL PLAN NET POSITION	**$ 1,930,507**	**$ 205,028**	**$ 2,135,535**

See accompanying notes to basic financial statements. *(Continued)*

STATEMENTS OF PLAN NET POSITION (Continued)
June 30, 2015 and 2014 (In Thousands)

	2014		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total
ASSETS			
Receivables			
Employee contributions	$ 1,687	$ 391	$ 2,078
Employer contributions	1,040	474	1,514
Brokers and others	293	705	998
Accrued investment income	2,272	132	2,404
Total receivables	**5,292**	**1,702**	**6,994**
Investments, at fair value:			
Securities and other:			
Global equity	664,518	81,468	745,986
Private equity	95,770	5,367	101,137
Global fixed income	186,711	31,745	218,456
Collective short term investments	30,850	5,567	36,417
Private debt	117,415	6,581	123,996
Real assets	531,310	42,705	574,015
International currency contracts, net	356	20	376
Absolute return	358,999	20,120	379,119
Total investments	**1,985,929**	**193,573**	**2,179,502**
TOTAL ASSETS	**1,991,221**	**195,275**	**2,186,496**
LIABILITIES			
Payable to brokers	2,847	166	3,013
Other liabilities	1,137	66	1,203
TOTAL LIABILITIES	**3,984**	**232**	**4,216**
PLAN NET POSITION - RESTRICTED FOR:			
Pension benefits	1,987,237	-	1,987,237
Postemployment healthcare benefits	-	195,043	195,043
TOTAL PLAN NET POSITION	**$ 1,987,237**	**$ 195,043**	**$ 2,182,280**

See accompanying notes to basic financial statements. *(Concluded)*

STATEMENTS OF CHANGES IN PLAN NET POSITION

For the Fiscal Years Ended June 30, 2015 and 2014 (In Thousands)

	2015		
	Defined Benefit Pension Plan	**Postemployment Healthcare Plan**	**Total**
ADDITIONS			
Contributions:			
Employee	$ 13,621	$ 18,645	$ 32,266
Employer	114,751	26,959	141,710
Total Contributions	**128,372**	**45,604**	**173,976**
Investment income:			
Net depreciation in fair value of investments	(30,159)	(8,068)	(38,227)
Interest income	10,280	661	10,941
Dividend income	12,825	2,250	15,075
Less: investment expense	(9,588)	(765)	(10,353)
Net investment loss	**(16,642)**	**(5,922)**	**(22,564)**
TOTAL ADDITIONS	**111,730**	**39,682**	**151,412**
DEDUCTIONS			
Retirement benefits	152,119	-	152,119
Healthcare insurance premiums	-	29,443	29,443
Death benefits	10,724	-	10,724
Refund of contributions	1,719	-	1,719
Administrative expenses and other	3,898	254	4,152
TOTAL DEDUCTIONS	**168,460**	**29,697**	**198,157**
NET (DECREASE) / INCREASE	**(56,730)**	**9,985**	**(46,745)**
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS:			
BEGINNING OF YEAR	**1,987,237**	**195,043**	**2,182,280**
END OF YEAR	**$ 1,930,507**	**$ 205,028**	**$ 2,135,535**

See accompanying notes to basic financial statements.

(Continued)

STATEMENTS OF CHANGES IN PLAN NET POSITION (Continued)

For the Fiscal Years Ended June 30, 2015 and 2014 (In Thousands)

	2014		
	Defined Benefit Pension Plan	Postemployment Healthcare Plan	Total
ADDITIONS			
Contributions:			
Employee	$ 13,596	$ 17,494	$ 31,090
Employer	107,544	19,298	126,842
Total Contributions	**121,140**	**36,792**	**157,932**
Investment income:			
Net appreciation in fair value of investments	245,338	25,767	271,105
Interest income	17,063	1,029	18,092
Dividend income	11,054	2,573	13,627
Less: investment expense	(9,767)	(632)	(10,399)
Net investment income	**263,688**	**28,737**	**292,425**
TOTAL ADDITIONS	**384,828**	**65,529**	**450,357**
DEDUCTIONS			
Retirement benefits	143,921	-	143,921
Healthcare insurance premiums	-	27,924	27,924
Death benefits	9,845	-	9,845
Refund of contributions	2,170	-	2,170
Administrative expenses and other	3,201	257	3,458
TOTAL DEDUCTIONS	**159,137**	**28,181**	**187,318**
NET INCREASE	**225,691**	**37,348**	**263,039**
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS:			
BEGINNING OF YEAR	**1,761,546**	**157,695**	**1,919,241**
END OF YEAR	**$ 1,987,237**	**$ 195,043**	**$ 2,182,280**

See accompanying notes to basic financial statements. *(Concluded)*

Notes to Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the City of San José Federated City Employees' Retirement System (System) is provided for financial reporting purposes only. Employees and members should refer to the City of San José Municipal Code (SJMC) for more complete information.

(a) General

The System was established in 1941 to provide retirement benefits for certain employees of the City of San José (City). The current System consists of a single employer Defined Benefit Pension Plan and a Postemployment Healthcare Plan and includes all provisions of SJMC Chapters 3.28, 3.44, and 3.52.

The Defined Benefit Pension Plan was established pursuant to Internal Revenue Code (IRC) Section 401(a) and is held and administered in the 1975 Federated City Employees' Retirement Plan (Pension Trust) and includes all provisions of SJMC Chapters 3.28.

The Postemployment Healthcare Plan is comprised of an IRC Section 401(h) plan and an IRC Section 115 trust and is held and administered in the 1975 Federated City Employees' Retirement Plan and the Federated City Employees' Healthcare Trust Fund, respectively; it includes all provisions of SJMC Chapters 3.28 and 3.52, respectively.

The Postemployment Healthcare Plan, which was established under IRC Section 401(h), is an account within the Pension Trust for retiree healthcare benefits funding and for the payment of retiree healthcare benefits. As a 401(h) plan, the healthcare plan benefits must be subordinate to the pension plan benefits. The medical benefits are considered subordinate if the cumulative actual contributions for medical benefits are no greater than 25% of actual contributions to both pension and medical benefits, ignoring contributions for past service benefit (normal cost only). The System's actuary performs periodic reviews and projections of the IRC 25% subordination test.

On June 24, 2011, a new IRC Section 115 trust was established by the San José City Council (City Council) under the provisions of SJMC Chapter 3.52 (Ordinance number 28914) to provide an alternative to the existing 401(h) account within the Pension Trust for retiree healthcare benefits funding and for the payment of retiree healthcare benefits. A request for private letter ruling on the tax qualified status of the new trust and the pre-tax treatment of employee contributions to the trust was filed with the IRS on October 17, 2011. On August 6, 2013, the City obtained a private letter ruling from the IRS confirming the pre-tax treatment of employee contributions to the 115 Trust. Effective pay period 1 of 2014, beginning on December 23, 2013, employee contributions made for retiree healthcare are deposited into the 115 Trust.

On August 18, 2012, the System received a favorable tax determination letter from the IRS for the Pension Trust, which includes the Defined Benefit Pension Plan and the 401(h) portion of the Postemployment Healthcare Plan. A new determination letter was received on July 8, 2014, which expires January 31, 2019.

Effective September 30, 2012, pursuant to City of San José Ordinance Number 29120, the System was amended to provide for different retirement benefits for individuals hired, rehired or reinstated by the City on and after that date but before September 27, 2013. Members subject to these new benefit provisions are referred to as Tier 2 members, whereas members hired before September 30, 2012 are referred to as Tier 1 members. Differences in benefits are noted in the appropriate sections below.

Effective February 3, 2013, pursuant to City of San José Ordinance Number 29184, unrepresented

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(a) General (Continued)

executive management and professional employees who are hired directly into a position in Unit 99 on or after that date, may make a one-time irrevocable election to participate in either a newly created Defined Contribution Plan or become a Tier 2 participant in the System; to be eligible, an employee must not have been previously a member of the City of San Jose retirement system. The System does not administer or hold the assets of the Defined Contribution Plan.

Effective September 27, 2013, pursuant to City of San José Ordinance Number 29283, the System was amended to provide for different retirement benefits for individuals hired or rehired by the City on and after that date. Members subject to these new benefits are referred to as Tier 2B members, having the same benefits as Tier 2 members in the Defined Benefit Pension Plan, except, Tier 2B members do not have Postemployment Healthcare benefits. The ordinance also stated that the City shall bear and pay an amount equal to the additional costs incurred by the retirement system for that portion of the unfunded liability as determined by the actuary of the retirement system that the City and the new employees hired on or after September 27, 2013, would have otherwise paid as contributions had those employees been eligible for retiree healthcare. The additional payment by the City shall be for a period of time under the terms and conditions set forth by the City Council.

Tier 2C members are former Tier 1 members who have vested in dental benefits and are re-entering the Plan as Tier 2B members with dental benefits.

All full-time and eligible part-time employees of the City are required to be members of the System, except unrepresented executive management and professional employees in Unit 99 who are first hired on or after February 3, 2013 and have made an irrevocable election to participate in the Defined Contribution Plan pursuant to SJMC Chapter 3.49, instead of Tier 2 of the Defined Benefit Plan. Also excluded are employees who are members of the City’s Police and Fire Department Retirement Plan.

The System is considered to be a part of the City’s financial reporting entity and is included in the City’s basic financial statements as a pension and postemployment healthcare trust fund. The financial statements of the System are intended to present only the plan net position and changes in plan net position of the Plan. They do not purport to, and do not, present fairly the financial position of the City of San José, California, as of June 30, 2015 and 2014, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. The System is administered by the Chief Executive Officer of the Office of Retirement Services, an employee of the City, who serves at the pleasure of the Federated City Employees’ Retirement System Board of Administration (Board of Administration). The seven-member Board of Administration is composed of two City employees elected by members of the system, a Retiree Representative, and three public members, who are not connected with the City and have significant banking or investment experience, and another public member, who is selected by the six Board members and approved by the City Council. The Board is appointed by the City Council and serves in accordance with Section 2.08.300 of the San José Municipal Code. The contribution and benefit provisions and all other requirements are established by City ordinance. The System is responsible for all direct administrative costs, which are funded by investment earnings, except for certain support services, which are provided and funded directly by the City. The System is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(a) General (Continued)

As of June 30, 2015 and 2014, employee membership data related to the System was as follows:

As of June 30, 2015			2015		
Defined Benefit Pension Plan:	**Tier 1**	**Tier 2**	**Tier 2B**	**Tier 2C**	**Total**
Retirees and beneficiaries currently receiving benefits*	3,901	-	-	-	3,901
Terminated and/or vested members not yet receiving benefits**	1,047	46	52	-	1,145
Active members***	2,363	233	635	5	3,236
Total	**7,311**	**279**	**687**	**5**	**8,282**
Postemployment Healthcare Plan:					
Retirees and beneficiaries currently receiving benefits	3,391	-	-	-	3,391
Terminated vested members not yet receiving benefits	142	-	-	-	142
Active members***	2,363	233	-	5	2,601
Total	**5,896**	**233**	**-**	**5**	**6,134**

As of June 30, 2014			2014		
Defined Benefit Pension Plan:	**Tier 1**	**Tier 2**	**Tier 2B**	**Tier 2C**	**Total**
Retirees and beneficiaries currently receiving benefits*	3,800	-	-	-	3,800
Terminated and/or vested members not yet receiving benefits	1,026	45	-	-	1,071
Active members	2,593	272	256	-	3,121
Total	**7,419**	**317**	**256**	**-**	**7,992**
Postemployment Healthcare Plan					
Retirees and beneficiaries currently receiving benefits	3,331	-	-	-	3,331
Terminated vested members not yet receiving benefits	133	-	-	-	133
Active members	2,592	272	-	-	2,864
Total	**6,056**	**272**	**-**	**-**	**6,328**

** The combined domestic relations orders are not included in the count above as their benefit payment is included in the retiree member count.*

*** 2 deferred vested members in Tier 2 have a portion of their benefit under Tier 1*

**** 23 active members in Tier 2 have a portion of their benefit under Tier1*

***** 17 active members in Tier 2A have a portion of their benefit under Tier 1*

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(b) Pension, Disability and Healthcare Benefits

The following table summarizes the pension, disability and healthcare benefits for the members. Please consult the Municipal Code for complete information.

	Tier 1	Tier 2	Tier 2B	Tier 2C
	Employees hired before September 30, 2012	**Employees hired, rehired, or reinstated after September 30, 2012**	**Employees hired, rehired, or reinstated after September 27, 2013***	**Employees hired, rehired, or reinstated after September 27, 2013****
Employee Contributions	15.09% (Pension: 6.33%, Retiree Health: 8.76%) 6/21/2015 Through 12/20/2015 16.8% (Pension: 6.33%, Retiree Health: 10.47%) As of 12/21/2015	14.46% (Pension: 5.7% Retiree Healthcare: 8.76%) 6/21/2015 Through 12/20/2015 16.17% (Pension: 5.7% Retiree Healthcare: 10.47%) As of 12/21/2015	5.7% as of 6/21/2015	6.09% (Pension: 5.7%, Retiree Dental: 0.39%) 6/21/2015 Through 12/20/2015 6.39% (Pension: 5.7%, Retiree Dental: 0.69%) As of 12/21/2015
City Contributions	75.56% (Pension: 66.15%, Retiree Health: 9.41%) 6/21/2015 Through 12/20/2015 77.76% (Pension: 66.15%, Retiree Health: 11.61%) As of 12/21/2015	15.11% (Pension: 5.7% Retiree Healthcare: 9.41%) 6/21/2015 Through 12/20/2015 17.31% (Pension: 5.7% Retiree Healthcare: 11.61%) As of 12/21/2015	18.36% (Pension: 5.7%, Healthcare UAAL: 12.66%) 6/21/2015 Through 12/20/2015 21.77% (Pension: 5.7%, Healthcare UAAL: 16.07%) As of 12/21/2015	18.56% (Pension: 5.7%, Retiree Dental: 1.04%, UAAL 11.82%) 6/21/2015 Through 12/20/2015 21.81% (Pension: 5.7%, Retiree Dental: 1.84%, UAAL 14.27%) As of 12/21/2015
Minimum Service to Leave Contributions in System	5 years	5 years Federated City Service		
Age/Years of Service	55 with 5 years service 30 yrs service at any age	65 years with 5 years Federated City Service May retire on or after 55 years with 5 years Federated City Service with actuarial equivalent reduction		
Deferred Vested	55 with 5 years service (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.)	65 years with 5 years Federated City Service May retire on or after 55 years with 5 years Federated City Service with actuarial equivalent reduction		

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(b) Pension, Disability and Healthcare Benefits (Continued)

	Tier 1	Tier 2	Tier 2B	Tier 2C
	Employees hired before September 30, 2012	**Employees hired, rehired, or reinstated after September 30, 2012**	**Employees hired, rehired, or reinstated after September 27, 2013***	**Employees hired, rehired, or reinstated after September 27, 2013****
Benefit Formula	2.5% x Years of Service x Final Compensation (75% max) •Final Compensation is the average monthly (or biweekly) base pay for the highest year of Federated City Service (year of service = 1749 hours worked)	•2.0% x Years of Federated City Service x Final Compensation (65% max) •Final Compensation is the average monthly (or biweekly) base pay for the highest 3 consecutive Years of Federated City Service (year of service = 2080 hours worked) •Excludes premium pay or any other forms of additional compensation		
Cost of Living Adjustments	3% per year	CPI up to 1.5% per year		
Final Compensation	Highest one-year average	Highest three-year average		
Disability Retirement (Service Connected)				
Minimum Service	None	None		
Allowance	40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation)	50% of Final Compensation less any deductions for income from service performed for other employers or for non-Federated City Service for member who has not yet attained age 65 if this income exceeds the amount that the member would receive if member had remained an active employee.		
Disability Retirement (Non-Service Connected)				
Minimum Service	5 years	5 Years Federated City Service		

Notes to Basic Financial Statements *(Continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(b) Pension, Disability and Healthcare Benefits (Continued)

	Tier 1	Tier 2	Tier 2B	Tier 2C
	Employees hired before September 30, 2012	**Employees hired, rehired, or reinstated after September 30, 2012**	**Employees hired, rehired, or reinstated after September 27, 2013***	**Employees hired, rehired, or reinstated after September 27, 2013****
Allowance	40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation) If under 55 years old, subtract 0.5% for every year under age 55. **For those entering the System 9/1/98 or later, the calculation is as follows: 20% of Final Compensation for up to 6 years of service. Add 2% for each year of service in excess of 6 years but less than 16 years. Add 2.5% for each year of service in excess of 16 years of service. (Maximum 75% of Final Compensation)	2% x Years of Federated City Service x Final Compensation. (Minimum of 20% and maximum of 50%, less any deductions for income from service performed for other employers or for non-Federated City Service for member who has not yet attained age 65 if this income exceeds the amount that the member would receive if member had remained an active employee.)		
Medical Benefits				
Eligibility	Retired for disability or service with 15 years service or receive allowance that is at least 37.5% of Final Compensation. (Deferred vested members are eligible.)	Retired for disability or service with 15 years service or receive allowance that is at least 37.5% of Final Compensation. (Certain Deferred vested members are also eligible.)	N/A	N/A

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(b) Pension, Disability and Healthcare Benefits (Continued)

	Tier 1	Tier 2	Tier 2B	Tier 2C
	Employees hired before September 30, 2012	**Employees hired, rehired, or reinstated after September 30, 2012**	**Employees hired, rehired, or reinstated after September 27, 2013***	**Employees hired, rehired, or reinstated after September 27, 2013****
Premiums	Retirement System pays 100% of lowest cost single or family premium that is available to active City employees. If retiree does not choose the lowest cost plan, retiree pays the difference between that premium and the premium for the lowest cost plan.***		N/A	N/A
Dental Benefits				
Eligibility	Must be enrolled at retirement with 5 years service or receive retirement allowance of at least 37.5% of Final Compensation. (Deferred vested members are not eligible.)	Must be enrolled at retirement with 5 years service or receive retirement allowance of at least 37.5% of Final Compensation. (Deferred vested members are not eligible.)	N/A	Must be enrolled at retirement with 5 years service or receive retirement allowance of at least 37.5% of Final Compensation. ("Deferred vested" members are not eligible.)
Premiums	Fully paid by retirement fund	Fully paid by retirement fund	N/A	Fully paid by retirement fund

** Members who have not met the City's eligibility for either retiree healthcare or dental benefits prior to September 27, 2013, will NOT be eligible for retiree healthcare or dental benefits. Spouses, domestic partners and dependents will also be ineligible for retiree healthcare and dental benefits.*

*** Members who have not met the City's eligibility for retiree healthcare prior to September 27, 2013, will NOT be eligible for retiree healthcare benefits. Spouses, domestic partners and dependents will also be ineligible for retiree healthcare benefits. Employees who have met the eligibility requirement for retiree dental benefits will receive the retiree dental benefits.*

**** At age 65, Members of the System will be required to enroll in Medicare Parts A & B. If a Member does not meet this requirement within 6 months of the date Member turns 65, health care benefits will cease until such requirements are met.*

Effective December 9, 1994, the System entered into an agreement with the California Public Employees' Retirement System (PERS) that extends reciprocal retirement benefits to members. In certain situations, this agreement may result in improved retirement benefits for members who move from one eligible retirement system to another.

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(c) Death Benefits

The following table summarizes the death benefits for Tier 1 members. Please consult the Municipal Code for complete information.

	FED Tier 1
Death Before Retirement	
Non-service-Connected Death with less than 5 years of service	Return of employee contributions, plus death benefit: 1/12 of compensation in year prior to death x years of service (benefit may not exceed 50% of the salary earned in year prior to death.)
Greater than 5 years of service or service-connected death	To surviving spouse/domestic partner: Years of Service x 2.5% x Final Compensation (40% minimum, 75% maximum, except that "deferred vested" members not eligible for 40% minimum) *If no surviving spouse/domestic partner, to surviving children: 1 Child: 25% of spousal/domestic partnership allowance 2 Children: 50% of spousal/domestic partnership allowance 3 Children: 75% of spousal/domestic partnership allowance If no surviving spouse/domestic partner or surviving children: Return of employee contributions, plus death benefit: 1/12 of compensation in year prior to death x years of service (benefit may not exceed 50% of the salary earned in year prior to death.)
Death After Retirement	
Standard allowance to surviving spouse/domestic partner or children **(Minimum 5 years of service)**	To surviving spouse/domestic partner: 50% of Retiree's Allowance *If no surviving spouse/domestic partner, to surviving children: 1 Child: 25% of spousal/domestic partnership allowance 2 Children: 50% of spousal/domestic partnership allowance 3 Children: 75% of spousal/domestic partnership allowance If no surviving spouse/domestic partner or surviving children: estate or beneficiary will receive the difference between employee contributions (including interest) and the total paid to member by the retirement system at the time of death.
Optional Settlements	Retiree may choose an optional settlement at retirement that reduces the allowance to provide a survivorship allowance to a designated beneficiary or a higher survivorship allowance to their spouse/domestic partner.
Special Death Benefit	$500 death benefit paid to estate or designated beneficiary in addition to benefits above.

Note: For death before retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death or remarriage. For members who were at least 55 and had at least 20 years of service at the time of death, or 30 years of service regardless of age, the survivorship allowance to surviving spouse/domestic partner lasts until death.

**If there is an allowance payable to a surviving spouse/domestic partner, no allowance will be paid to surviving children. Surviving children receive a monthly survivorship allowance only when there is no surviving*

NOTE 1 - DESCRIPTION OF THE PLAN (Continued)

(c) Death Benefits (Continued)

spouse/domestic partner.

The following table summarizes the death benefits for Tier 2 members. Please consult the Municipal Code for complete information.

	Tiers 2, 2B and 2C
Death Before Retirement	
Non-service-Connected Death Not Eligible for Retirement	Return of employee contributions, plus interest.
Eligible for Retirement	To surviving spouse/domestic partner: 2.0% x Years of Federated Service x Final Compensation (65% max) If no surviving spouse/ domestic partner: Member's estate receives employee's contributions, plus interest.
Service-Connected Death	To surviving spouse/domestic partner: Monthly benefit equivalent to 50% of Final Compensation
Death After Retirement	
Survivorship allowance to surviving spouse/domestic partner or children that was elected by the member at retirement. **(Minimum 5 years of service)**	Retiree may choose survivorship allowance at retirement that reduces the retiree's allowance to provide a survivorship allowance determined by the System's actuary for a 50%, 75% or 100% continuance that is actuarially equivalent to the spouse/domestic partner or child(ren) designated at the time of retirement. No additional retirement benefits.

For death before retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death, remarriage, or establishment of a domestic partnership if member was at least 65 with at least 20 years of service (or 55 with actuarial equivalent reduction) at the time of death. For death after retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The System is reported in a pension and postemployment healthcare trust fund in the City of San José's basic financial statements. The financial statements of the System present only the financial activities of the System and are not intended to present the financial position and changes in financial position of the City of San José in conformity with accounting principles generally accepted in the United States of America (GAAP).

(b) Basis of Accounting

The financial statements of the System are prepared on the accrual basis of accounting. Contributions are recognized as revenue when due pursuant to legal requirements (at the end of the pay period). Benefits and refunds of contributions are recognized when currently due and payable under the provisions of the plan. Activities of the Defined Benefit Pension Plan and the Postemployment Healthcare Plan are accounted for separately. It is required by the Municipal Code that transactions of

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of Accounting (Continued)

the Defined Benefit Pension Plan be accounted for in two funds: a Retirement Fund and a Cost-of-Living Fund.

The preparation of the financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(c) Investments

The City of San José Municipal Code Section 3.28.355 delegates authority to the Board of Administration to invest the monies of the System as provided in Section 3.28.355. The Board has adopted detailed investment guidelines consistent with conditions and limitations set forth in Section 3.28.355.

For the year ended June 30, 2015, the Board revisited and approved an updated Defined Benefit Pension Plan investment policy on November 25, 2014. On August 21, 2014, the Board approved an asset allocation that decreased the level of allocation to the absolute return asset class and equity asset class, and increased the allocation to fixed income and real estate. The Postemployment Healthcare Plan investment policy was revisited and approved by the Board on March 21, 2013. The System's investment asset allocation is as follows:

PENSION

As of June 30, 2014				As of June 30, 2015			
Asset Class	Minimum Allocation	Target Asset Allocation	Maximum Allocation	Asset Class	Minimum Allocation	Target Asset Allocation	Maximum Allocation
Equity and real estate	38%	45%	52%	Global equity	30%	28%	44%
				Private equity	-	9%	-
Fixed income	5%	10%	20%	Global fixed income	14%	19%	34%
				Private debt	-	5%	10%
Absolute return	20%	25%	30%	Absolute return	6%	11%	16%
				Global tactical asset allocation/ Opportunistic	-	5%	-
Real assets	15%	20%	25%	Real assets	15%	23%	30%
				Cash	-	-	5%

The absolute return and global tactical asset allocation/opportunistic asset class includes allocations to global macro and relative value hedge fund strategies and managers with unconstrained global mandates. In addition, during times of significant market dislocations, opportunistic mandates would be allocated to this asset class.

The real assets asset class includes allocations to real estate, commodities, infrastructure and natural resources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investments (Continued)

On September 30, 2014, the Board adopted a new asset allocation for the 115 healthcare trust which primarily decreased the allocation to global equity and increased allocations to real assets.

HEALTHCARE

	As of June 30, 2014			As of June 30, 2015		
Asset Class	Minimum Allocation	Target Asset Allocation	Maximum Allocation	Minimum Allocation	Target Asset Allocation	Maximum Allocation
Global equity	53%	59%	65%	40%	47%	54%
Fixed income	23%	28%	33%	20%	30%	40%
Real assets	8%	13%	18%	15%	23%	30%

The real assets asset class allocates to commodoties, natural resources, infrastructure, and real estate.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates, if applicable. Investments that do not have an established market, such as private equity, commingled real estate funds and certain pooled fund investments, are reported at estimated fair value based on the most recently available investor reports or audited financial statements issued by the manager of those funds. The fund manager provides an estimated unrealized gain/loss of the fund based on the most recently available audited financial statements and other fund information. Derivative instruments are reported at fair value. Futures contracts are marked-to-market at the end of each trading day, and the settlement of gains or losses occur on the following business day through variation margins. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated based on the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

Purchases and sales of securities are reflected on the trade date. Investment income is recognized as earned.

For the year ended June 30, 2015 and 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was (1.07)% and 7.49%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(d) Capital Assets

Capital assets are recorded at cost and comprise of all costs related to the development of a new pension administration system. The development of the new pension administration system is expected to be completed in four years. It is considered to have an indefinite useful life, and therefore, it will not be amortized per GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

(e) Plan Net Position Restricted for Pension and Postemployment Healthcare Benefits

The System is required by the City of San José Municipal Code to establish various reserves in the plan net position. The plan net position is allocated between the Defined Benefit Pension Plan (which includes the Retirement Fund and the Cost-of-Living Fund) and the Postemployment Healthcare Plan, which includes the 401(h) and 115 Trust. As of June 30, 2015 and 2014, plan net position totaling $2,135,535

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Plan Net Position Restricted for Pension and Postemployment Healthcare Benefits (Continued)

and $2,182,280, respectively, is allocated as follows (in thousands):

	Retirement Fund	Cost-of-Living Fund	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Post-employment Healthcare (115)	Post-employment Healthcare Plan	Total
June 30, 2015:							
Employee contributions	$ 195,242	$ 45,114	$ 240,356	$ 68,828	$ 25,615	$ 94,443	$ 334,799
General reserve	1,179,330	510,821	1,690,151	15,041	95,544	110,585	1,800,736
TOTAL	**$1,374,572**	**$555,935**	**$1,930,507**	**$ 83,869**	**$ 121,159**	**$ 205,028**	**$2,135,535**
June 30, 2014							
Employee contributions	$ 185,280	$ 41,984	$ 227,264	$ 69,457	$ 9,012	$ 78,469	$ 305,733
General reserve	1,252,976	506,997	1,759,973	40,758	75,816	116,574	1,876,547
TOTAL	**$1,438,256**	**$548,981**	**$1,987,237**	**$ 110,215**	**$ 84,828**	**$ 195,043**	**$2,182,280**

Employee Contributions Reserve represents the total accumulated employee contributions of current active and deferred members plus credited interest. The reserve is accounted for separately due to the possibility of a return of accumulated employee contributions, plus credited interest, to the member upon separation from City employment. Terminated members' returns of contributions are paid from the Defined Benefit Pension Plan only.

General Reserve is a reserve that represents net earnings resulting from interest earnings, realized and unrealized investment gains and losses. It also represents an accumulation of funds necessary to pay all accumulated vested retirement obligations.

(f) Allocation of Investment income

Earnings on investments, excluding unrealized gains and losses, are recorded first in the General Reserve category of plan net position. An allocation is made biannually from the General Reserve category to the employee contributions category of plan net position based on the balance in that account at an annual rate of 3%, as specified by the City of San José Municipal Code.

(g) Implementation of Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, which was adopted during the year ended June 30, 2014, addresses accounting and financial reporting requirements for pension plans. Significant changes include an actuarial calculation of the total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances. The total pension liability, determined in accordance with GASB Statement No. 67, is presented in Note 4 and in the Required Supplementary Information on pages 54 and 62, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Implementation of Governmental Accounting Standards Board Statements (Continued)

The GASB issued Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date —An Amendment of GASB Statement No. 68*. These statements are effective for state and local governmental employers that sponsor or contribute to pension plans for fiscal years beginning after June 15, 2014. Several elements required by GASB Statement No. 68 are defined in GASB Statement No. 67 and will be calculated by the System and the System actuaries. The Plan adopted this standard but it did not have a significant impact on its financial statements.

The GASB recently issued Statement No. 72 (GASB Statement No. 72), *Fair Value Measurement and Application.* GASB Statement No. 72 addresses accounting and financial reporting related to fair value measurements of assets and liabilities. Guidance is provided around valuation techniques to measure fair value and extensive disclosures will be required around the hierarchy of inputs to valuation techniques used to measure fair value as established by the statement. Since the statement generally requires investments to be measured at fair value, the impact to the System financial statements is expected to be minimal. However, the investment-related notes to the financial statements will need to be significantly enhanced to comply with this new standard. The requirements of GASB Statement No. 72 are effective for financial statements for periods beginning after June 15, 2015.

The GASB recently issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68*, which addresses financial reporting for assets accumulated for purposes of providing those pensions. This Statement is effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for financial statements for fiscal years beginning after June 15, 2016.

The GASB recently issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which applies to OPEB plans and basically parallels GASB Statement No. 67 and replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This addresses accounting and financial reporting requirements for OPEB plans and is effective for financial statements for fiscal years beginning after June 15, 2016.

The GASB recently issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal years beginning after June 15, 2017. This statement applies to government employers who provide OPEB plans to their employees and basically parallels GASB Statement No. 68 and replaces GASB Statement No. 45, *Accounting and Financial Reporting By Employers For Postemployment Benefits Other Than Pensions*.

The GASB recently issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55*, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Implementation of Governmental Accounting Standards Board Statements (Continued)

requirements of the new statement are effective for reporting periods beginning after June 15, 2015.

(h) Reclassifications and Presentation

Certain reclassifications of prior year's balances have been made to conform with the current year presentation.

NOTE 3 - INVESTMENTS

Investments are subject to certain types of risks, including interest rate risk, custodial credit risk, credit quality risk, foreign currency risk and concentration of credit risk. The following describes those risks:

Interest Rate Risk – The fair value of fixed income investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest-sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, and other general interest rate conditions. Certain fixed income investments have call provisions that could result in shorter maturity periods. The System does not have a policy regarding interest rate risk.

The System also had exposure to interest rate risk on its fully collateralized infrastructure swaps, which is described under the Derivatives section of this note.

The following tables provide the segmented time distribution for fixed income investments based on expected maturity (in months and years) as of June 30, 2015 and 2014:

INVESTMENT MATURITIES AT FAIR VALUE
as of June 30, 2015 (In Thousands)

	0- 3 Months	3- 6 Months	6 Months - 1 Year	1- 5 Years	5-10 Years	More than 10 Years	Total Fair Value	Cost
Fixed Income								
Global Fixed Income:								
Commingled Funds	$ 34,411	$ -	$ -	$196,656	$62,713	$ -	$293,780	$293,433
Corporate Bonds	-	-	-	2	-	-	2	-
U.S. Treasury Inflation-Protected Securities	-	-	11,770	97,575	-	-	109,345	111,142
Total Global Fixed Income	**34,411**	**-**	**11,770**	**294,233**	**62,713**	**-**	**403,127**	**404,575**
Collective Short Term Investments	144,151	-	-	-	-	-	144,151	138,209
TOTAL FIXED INCOME	**$178,562**	**$ -**	**$ 11,770**	**$294,233**	**$62,713**	**$ -**	**$547,278**	**$542,784**

NOTE 3 - INVESTMENTS (Continued)

INVESTMENT MATURITIES AT FAIR VALUE
as of June 30, 2014 (In Thousands)

	0-3 Months	3-6 Months	6 Months -1 year	1- 5 Years	5-10 Years	More than 10 Years	Total Fair Value	Cost
Fixed Income								
Domestic Fixed Income:								
Guaranteed investment contracts	$ -	$ -	$ -	$ -	$ 95,181	$ -	$ 95,181	$ 94,967
U.S. Treasury Inflation Protected Securities	-	-	21,281	101,994	-	-	123,275	122,906
Total Domestic Fixed Income	**-**	**-**	**21,281**	**101,994**	**95,181**	**-**	**218,456**	**217,873**
Collective Short Term Investments	36,417	-	-	-	-	-	36,417	36,417
TOTAL FIXED INCOME	**$ 36,417**	**$ -**	**$ 21,281**	**$ 101,994**	**$ 95,181**	**$ -**	**$254,873**	**$254,290**

Custodial Credit Risk – Custodial credit risk is the risk that the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if that outside party fails. The System does not have a policy regarding custodial credit risk. As of June 30, 2015 and 2014, all of the System's investments are held in the System's name and/or not exposed to custodial credit risk.

Credit Quality Risk – The System's investment policy allows for investments in a wide variety of domestic and international debt securities that may carry a high rating, low rating, or be unrated. Investment managers may, as part of their investment strategy, invest in securities where the issuer's ability or willingness to pay is limited. At times, these debt securities may be converted into other debt, equity, or hybrid securities that have different risk and return characteristics than the securities initially purchased. The System may hedge against the possible adverse effects of currency fluctuations on the System's portfolio of international fixed income obligations when it is considered appropriate. This is typically achieved using forward currency contracts. Short-term investments may consist of commercial paper rated at least A1 or P1, repurchase agreements, short-term U.S. securities, and other money market investments. Nationally recognized statistical rating organizations provide ratings of debt securities' quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations.

The following table provides information as of June 30, 2015 concerning credit risk. There is no table providing information as of June 30, 2014 concerning credit risk because the fixed income investments held at the time were not rated. This table reflects only securities held in the System's name and not those held through commingled funds.

RATINGS OF FIXED INCOME INVESTMENTS
as of June 30, 2015 (Dollars In Thousands)

S&P Quality Rating	Fair Value	Fair Value as a % of Total Fixed Income
AA+	$109,343	20%
NR	437,935	80%
TOTAL	**$547,278**	**100%**

NOTE 3 - INVESTMENTS (Continued)

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. To mitigate this risk, the System's investment policy permits individual investment managers to defensively hedge currency to mitigate the impact of currency fluctuations on the underlying asset value.

The following tables provide information as of June 30, 2015 and 2014, concerning the fair value of investments that are subject to foreign currency risk:

FOREIGN CURRENCY RISK ANALYSIS
as of June 30, 2015 (In Thousands)

Currency Name	Cash	Private Equity	Global Equity	International Currency Contracts, Net	Total Exposure
Australian dollar	$ (259)	$ -	$ 14,149	$ 15	$ 13,905
Brazil real	-	-	49	-	49
Canadian dollar	(164)	-	38,363	(82)	38,117
Chile peso	-	-	247	-	247
Denmark krone	-	-	7,015	-	7,015
Euro currency	(391)	7,026	29,126	(261)	35,500
Hong Kong dollar	17	-	10,878	-	10,895
Hungarian forint	-	-	62	-	62
Indonesian rupiah	-	-	394	-	394
Israeli shekel	-	-	636	-	636
Japanese yen	151	-	5,130	304	5,585
Korean won	-	-	8,024	-	8,024
Malaysian ringgit	-	-	1,145	-	1,145
Mexican peso	-	-	1,105	-	1,105
Moroccan dirham	-	-	9	-	9
New Zealand dollar	-	-	541	-	541
Norwegian krone	-	-	4,204	-	4,204
Peruvian nuevo sol	-	-	31	-	31
Philippine peso	-	-	32	-	32
Polish zloty	4	-	476	-	480
Russia ruble	-	-	112	-	112
Singapore dollar	-	-	1,446	-	1,446
South African rand	-	-	1,181	-	1,181
Swedish krona	(71)	-	75	(4)	-
Swiss franc	-	-	19,666	-	19,666
Thailand baht	-	-	296	-	296
Turkey lira	-	-	39	-	39
United Kingdom pound	(320)	-	55,969	361	56,010
TOTAL	**$ (1,033)**	**$ 7,026**	**$ 200,400**	**$ 333**	**$ 206,726**

NOTE 3 - INVESTMENTS (Continued)

FOREIGN CURRENCY RISK ANALYSIS
as of June 30, 2014 (In Thousands)

Currency Name	Cash	Private Equity	Global Equity	Real Assets	Pending Foreign Currency Exchanges	Total Exposure
Australian dollar	$ (62)	$ -	$ 8,411	$ 12,758	$ 15	$ 21,122
Canadian dollar	114	-	4,445	30,516	71	35,146
Danish krone	-	-	5,846	-	-	5,846
Euro currency	675	8,773	40,469	19,285	152	69,354
Hong Kong dollar	-	-	3,193	7,149	-	10,342
Hungarian forint	-	-	-	48	-	48
Indian rupee	-	-	-	513	(7)	506
Israeli shekel	-	-	910	711	-	1,621
Japanese yen	479	-	30,451	3,745	18	34,693
Malaysian ringgit	-	-	-	1,659	-	1,659
Mexican peso	-	-	-	638	-	638
Moroccan dirham	-	-	-	17	-	17
New Zeland dollar	-	-	775	447	-	1,222
Norwegian krone	-	-	3,924	1,977	-	5,901
Peruvian nuevo sol	-	-	-	65	-	65
Philippine peso	-	-	-	22	-	22
Polish zloty	-	-	-	470	-	470
Pound sterling	-	-	-	30,677	126	30,803
Singapore dollar	136	-	48,679	1,423	-	50,238
South African rand	-	-	2,404	1,537	-	3,941
South Korean won	-	-	-	267	-	267
Swedish krona	(3)	-	6,188	61	1	6,247
Swiss franc	156	-	4,340	4,757	-	9,253
Thailand baht	-	-	15,839	256	-	16,095
TOTAL	**$ 1,495**	**$ 8,773**	**$ 175,874**	**$ 118,998**	**$ 376**	**$ 305,516**

Investment Concentration Risk – The System’s investment policy specifies that investments shall be diversified with the intent to minimize the risk of large investment losses. The total portfolio shall be constructed in a way to provide prudent diversification with regard to the concentration of holdings in individual asset classes, issues, issuers, geographies or industries. In addition, assets will be assigned to a variety of investment managers that employ a range of investment management strategies. No single investment management firm shall be authorized to manage more than 10% of the System's assets without Board approval, with the exception of passive management, where the System's assets are not held in the System's name at the System's custody bank - in which cases the investment management firm can manage no more than 20% of the System's assets without Board approval. As a general rule, System assets placed with an investment manager should not represent more than 10% of the total assets managed by that firm unless receiving prior Board approval. As of June, 30, 2015 and 2014, the System did not hold investments in any one issuer, excluding U.S. government guaranteed investments, that represented five percent or more of the total plan net position or total investments.

Derivatives – The System’s investment policy allows for investments in derivative instruments that comply with the System’s objectives of providing a cost effective means of managing portions of a portfolio and to manage risk through hedging activities. The System is currently authorized to use derivative strategies to equitize cash during portfolio transitions until physical securities are in place, and

NOTE 3 - INVESTMENTS (Continued)

to reproduce or replicate a physical holding that corresponds to a Board approved policy benchmark. In addition to the System's internal derivative policies, it is understood that the mandates of certain investment managers retained by the System may use derivatives.

Derivative investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price on the last business day of the fiscal year at current exchange rates, if applicable. Investments that do not have an established market are reported at estimated fair value based on the most recently available investor reports or audited financial statements issued by the manager of those funds. The fund manager provides an estimated unrealized gain/loss of the fund based on the most recently available audited financial statements and other fund information. Futures contracts are marked-to-market at the end of each trading day and the settlement of gains or losses occur on the following business day through variation margins. As a result, futures have no fair value as of June 30, 2015 or 2014. The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated based on the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

The fair values and notional amounts for derivative instruments outstanding as of June 30, 2015 and 2014, classified by type, and the changes in fair value of such derivative instruments for the fiscal years then ended as reported in the 2015 and 2014 financial statements are as follows (in thousands):

	Net Appreciation/(Depreciation) in Fair Value of Investments through June 30, 2015		Fair Value at June 30, 2015		
Investment Derivative Instruments	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount / Shares**
Foreign currency forwards	Investment income	$ (12,340)	International currency contracts, net	$ 333	$ 76,168
Futures options brought/written	Investment income	8,973	Fixed income - collective short-term investments	-	$ (13,878)
Rights/warrants	Investment Income	56	Global equity	-	17
Total Derivative Instruments		**$ (3,311)**		**$ 333**	$ 62,307

NOTE 3 - INVESTMENTS (Continued)

Investment Derivative Instruments	Net Appreciation/(Depreciation) in Fair Value of Investments through June 30, 2014 — Classification	Amount	Fair value at June 30, 2014 — Classification	Amount	Notional Amount / Shares
Total return swaps	Investment income	$ 16,027	Real assets	$ -	$ -
Foreign currency forwards	Investment income	9	International currency contracts, net	376	$ 44,522
Futures options bought/written	Investment income	(11,494)	Fixed income - collective short-term investments	-	$ 30,551
Rights/warrants	Investment income	-	Global equity	7	28
Total Derivative Instruments		**$ 4,542**		**$ 383**	

Derivative investments are subject to certain types of risks, including counterparty credit risk (non-exchange traded), interest rate risk, and foreign currency risk. The following describes the risks applicable to the investment derivative instruments that are reported as of June 30, 2015 and 2014:

Counterparty Credit Risk – The System is exposed to credit risk on derivative instruments that are in asset positions and non-exchange traded. The System's investments in forward currency contracts bear counterparty credit risk in that parties to the contracts may fail to perform according to the terms of the contract. As of June 30, 2015, total commitments in forward currency contracts to purchase and sell international currencies were $76,168,000 and $76,168,000 respectively, with fair values of $76,497,000 and $76,164,000, respectively, held by counterparties with S&P rating of A and above. As of June 30, 2014, total commitments in forward currency contracts to purchase and sell international currencies were $44,522,000 and $44,522,000 respectively, with fair values of $44,944,000 and $44,568,000, respectively, held by counterparties with S&P rating of A and above.

Interest Rate Risk – The System had exposure to interest rate risk on its fully collateralized commodity and infrastructure swaps. The fair values of the commodity swaps were marked-to-market daily based on their applicable indices. Net values are adjusted with unrealized gains and losses and are collateralized to minimize counterparty risk. The System receives the total return S&P Global Infrastructure Index, net of the 3-month LIBOR plus 50 to 55 basis points. The infrastructure swaps were executed in April 2010, December 2011 and August 2012 and matured in October 2013, December 2013, and August 2013, respectively, with a quarterly rate reset frequency. The System does not have a policy regarding interest rate risk; however, the System does settle on a transaction plus one day basis (T+1), therefore limiting the System's exposure to counterparty risk. As of June 30, 2015 and 2014, the System's derivative investments had maturity dates of less than one year.

Foreign Currency Risk – This is the risk that changes in exchange rates will adversely affect the fair value of underlying investments. To mitigate this risk, the System's investment policy permits individual investment managers to mitigate the impact of currency fluctuation on the underlying asset value. The System's investment managers enter into international forward currency contracts, which are commitments to purchase or sell stated amounts of international currency. The System utilizes these

NOTE 3 - INVESTMENTS (Continued)

contracts to control exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2015 and 2014, the System's net position in these contracts is recorded at fair value as forward international currency contract investments. The fair values of forward international currency contracts are determined by quoted currency prices from national exchanges. The System's commitments relating to forward international currency contracts are settled on a net basis. Foreign currency risk on these investments as of June 30, 2015 and 2014 are disclosed in the tables on pages 50 - 51.

NOTE 4 - DEFINED BENEFIT PENSION PLAN: NET PENSION LIABILITY AND CONTRIBUTIONS

The components of the net pension liability of the City (i.e., the total pension liability determined in accordance with GASB No. 67 less the plan fiduciary net position) as of June 30, 2015 and 2014, were as follows (dollars in thousands):

	2015	2014
Total pension liability	$ 3,341,250	$ 3,115,648
Plan fiduciary net position	$ (1,930,507)	$ (1,987,237)
Net pension liability	$ 1,410,743	$ 1,128,411
Plan fiduciary net position as a percentage of the total pension liability	57.8 %	63.8 %

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and investment return. Experience studies are performed by the Board's actuary to determine appropriate revisions to the actuarial assumptions as actual results are compared with past expectations and new estimates are made about the future. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in the latter half of 2015. The total pension liability as of June 30, 2015 and 2014 is based on results of an actuarial valuation date of June 30, 2014 and 2013, respectively, and rolled-forward to June 30, 2015 and 2014 using standard roll forward procedures.

A summary of the actuarial assumptions used to determine the total pension liability is shown below.

Actuarial Assumptions	Method/Assumption	
Valuation date	**June 30, 2014**	**June 30, 2013**
Inflation rate	2.85%	2.0% for five years and 2.85% thereafter
Discount rate	7.00% per annum	7.25% per annum
Postretirement mortality	For healthy annuitants, the male and female RP-2000 combined employee and annuitant mortality table projected to 2015 and set back two years. For disabled annuitants, the CalPERS ordinary disability table from their 2000-2004 study for miscellaneous employees	For healthy annuitants, the male and female RP-2000 combined employee and annuitant mortality table projected to 2015 and set back two years. For disabled annuitants, the CalPERS ordinary disability table from their 2000-2004 study for miscellaneous employees
Active service, withdrawal, death, disability service retirement	Tables based on current experience	Tables based on current experience

NOTE 4 - DEFINED BENEFIT PENSION PLAN: NET PENSION LIABILITY AND CONTRIBUTIONS (Continued)

Actuarial Assumptions	Method/Assumption	
Salary increases	The base wage inflation assumption of 2.85% plus a merit / longevity increase based on years of service ranging from 4.50% at hire to 0.25% for members with 14 or more years of service.	The base annual rate of salary increase is the wage inflation rate plus a rate increase for merit/ longevity for years 0 to 15+ ranging from 4.50% to 0.25% at the 14th year of service. The wage inflation rate is assumed to be 2.00% for the next five years and 2.85% thereafter.
Projected total payroll increases	For the amortization schedule, payroll is assumed to grow 2.85% per year.	2.0% for five years and 2.85% thereafter: For the amortization schedule, payroll is assumed to grow 2.43% per year.
Cost of Living Adjustment	Tier 1- 3% per year; Tier 2 - 1.5% per year	Tier 1- 3% per year; Tier 2 - 1.5% per year

The assumption for the long-term expected rate of return on pension plan investments of 7.00% and 7.25% for the valuation years ending June 30, 2014 and 2013, respectively, was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the Board, including nominal expected rates of return for each asset class, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the return. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015 and 2014 (see the discussion of the System's investment policy) are summarized in the following table:

2015			2014		
Asset Class	**Target Asset Allocation**	**Long-Term Expected Real Rate of Return**	**Asset Class**	**Target Asset Allocation**	**Long-Term Expected Real Rate of Return**
Global equity	28%	7.8%	**Equity and real estate**	45%	8.2%
Private equity	9%	9.6%			
Global fixed income	19%	3.0%	**Fixed income**	10%	2.2%
Private debt	5%	7.0%			-%
Absolute return	11%	6.5%	**Absolute return**	25%	3.8%
Real assets	23%	6.7%	**Real assets**	20%	5.9%
GTAA/ Opportunistic	5%	5.1%			
Cash	-	2.2%			

The discount rate used to measure the total pension liability was 7.00% and 7.25% for the valuation years ending June 30, 2014 and 2013, respectively. It is assumed that System member contributions and City contributions will be made based on the actuarially determined rates based on the Board's funding policy. Based on those assumptions, the System's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In accordance with GASB Statement No. 67 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the following presents the net pension liability of the City, as of June 30, 2015 and 2014, respectively, calculated using the discount rate of 7.00% and 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.00% and 6.25%) or 1.00% higher (8.00% and 8.25%) than the current rate (in thousands):

NOTE 4 - DEFINED BENEFIT PENSION PLAN: NET PENSION LIABILITY AND CONTRIBUTIONS (Continued)

	2015			2014		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Total pension liability	$3,792,738	$3,341,250	$2,969,798	$3,535,216	$3,115,648	$2,770,925
Plan fiduciary net position	1,930,507	1,930,507	1,930,507	1,987,237	1,987,237	1,987,237
Net pension liability	$1,862,231	$1,410,743	$1,039,291	$1,547,979	$1,128,411	$ 783,688
Plan fiduciary net position as a percentage of the total pension liability	50.9 %	57.8 %	65.0 %	56.2 %	63.8 %	71.7 %

Contributions to the Defined Benefit Pension Plan by both the City and the participating employees are based upon an actuarially determined percentage of each employee's pensionable and earnable salary sufficient to provide adequate assets to pay benefits when due. On June 24, 2008, the City Council adopted ordinance No. 28332 amending Chapter 3.28 of Title 3 of the San José Municipal Code to provide the City with the option to make lump sum payments of City required contributions to the System.

In addition, in November 2010, the Board adopted a funding policy (referred to as the floor methodology) setting the annual contribution to be the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year. The annual contribution for Tier 1 determined in the June 30, 2013 valuation for fiscal year ending June 30, 2015 was the greater of $114,551,000 (if paid at the beginning of the fiscal year) or 60.25% of actual Tier 1 payroll for the fiscal year, if actual payroll exceeds the actuarial payroll. The actual Tier 1 payroll for the fiscal year of $194,333,000 was less than the actuarial payroll of $196,895,000 resulting in a required contribution of $114,551,000 as of July 1, 2014, excluding year end contributions receivable and prior year contribution adjustments. The required contribution for Tier 2 determined in the June 30, 2013 valuation for fiscal year ending June 30, 2015 was the greater of $1,782,000 (if paid at the beginning of the fiscal year) or 5.53% of actual Tier 2 payroll for the fiscal year, if actual payroll exceeds the actuarial payroll. The actual Tier 2 payroll for the fiscal year of $46,345,000 was more than the actuarial payroll of $33,399,000 resulting in a required contribution of $2,559,000 as of July 1, 2014, excluding year end contributions receivable and prior year contribution adjustments.

The annual contribution for Tier 1 determined in the June 30, 2012 valuation for fiscal year ending June 30, 2015 was the greater of $100,671,000 (if paid at the beginning of the fiscal year) or 50.85% of actual Tier 1 payroll for the fiscal year, if actual payroll exceeds the actuarial payroll. The actual Tier 1 payroll for the fiscal year of $200,439,000 was less than the actuarial payroll of $205,277,000 resulting in a required contribution of $100,671,000 as of July 1, 2013, excluding year end contributions receivable and prior year contribution adjustments. The required contribution for Tier 2 determined in the June 30, 2012 valuation for fiscal year ending June 30, 2014 was the greater of $1,799,000 (if paid at the beginning of the fiscal year) or 6.68% of actual Tier 2 payroll for the fiscal year, if actual payroll exceeds the actuarial payroll. The actual Tier 2 payroll for the fiscal year of $24,233,000 was less than the actuarial payroll of $27,923,000 resulting in a required contribution of $1,799,000 as of July 1, 2013, excluding year end contributions receivable and prior year contribution adjustments.

NOTE 4 - DEFINED BENEFIT PENSION PLAN: NET PENSION LIABILITY AND CONTRIBUTIONS (Continued)

San José City Council Ordinance No. 29120 implemented the terms approved by the City Council on June 12, 2012, Tier 2 pension benefits for new System members hired on or after September 30, 2012. The new tier includes significant benefit changes from the existing Tier 1 plan as described in Note 1. In addition, the contribution rate for Tier 2 members includes a change in the cost sharing between the City and active Tier 2 members which is a 50/50 split of all costs, including UAL. Currently, Tier 1 members split normal cost with 8/11 paid by the City and 3/11 paid by Tier 1 members. The responsibility for funding the unfunded actuarial accrued liability (UAAL) is generally not shared with the Tier 1 employees.

In September 2014, the Board approved the City's request to exclude Tier 2 from the floor methodology to ensure that the City does not pay more than the ARC and that contributions are based on the annual required contribution percentages developed by the actuary. Instead, the contribution rate determined by the actuary multiplied by the actual payroll will be used.

Actual employer contributions for the fiscal year ending June 30, 2015 were $2,559,000, allocated to Tiers 2, 2B and 2C in the amount of $923,000, $1,615,000 and $21,000, respectively.

The contribution rates for fiscal years ended June 30, 2015 and 2014, were based on the actuarial valuations performed as of June 30, 2012 and 2012, respectively, except for the period June 21 through June 30, 2015, which were based on the June 30, 2014 valuation.

The City and the participating employee contribution rates in effect during the fiscal years ended June 30, 2015 and 2014 were as follows:

Period	City Tier 1*	City Tier2*	Employee Tier 1	Employee Tier2
06/21/15-06/30/15	66.16%	5.70%	6.33%	5.70%
06/22/14-06/20/15	60.25%	5.53%	5.64%	5.53%
06/23/13-06/21/14	50.85%	6.68%	5.97%	6.68%

** The actual contribution rates paid by the City for fiscal years ended June 30, 2015 and June 30, 2014 differed due to the City funding the required contribution amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.*

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS AND FUNDED STATUS

Contributions to the Postemployment Healthcare Plan are made by both the City and the participating employees. Contribution rates for fiscal years ended June 30, 2015 and 2014 were based on the actuarial valuation performed as of June 30, 2012 and 2012, respectively. The contribution rates for the majority of fiscal year ended June 30, 2015 (through period ended June 20, 2015) were based on the actuarial valuation performed on June 30, 2012. The System's most recent valuation as of June 30, 2014, was used to determine the contribution rates effective June 21, 2015.

Prior to July 1, 2009, annual contributions for the Postemployment Healthcare Plan were based on the cost for funding, as a level-percentage of payroll, based upon a 15-year projection of premiums (Policy method). The contributions were not sufficient to meet the requirements of an annual required contribution under GASB Statement No. 43. Effective June 28, 2009, the bargaining units representing

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS AND FUNDED STATUS (Continued)

the members of the System entered into agreements with the City to increase contribution rates for retiree health and dental benefits in order to phase-in full funding of the GASB Statement No. 43 annual required contributions over a five year period ending in fiscal year 2012-2013. The agreements also provide that the five year phase-in of the ARC will not have an incremental increase of more than 0.75% of pensionable pay in each fiscal year for the employee or City contributions. Notwithstanding these limitations on incremental increases, the agreements further provide that by the end of the five-year phase-in the City and the employees shall be contributing the full ARC in the ratio currently provided in the relevant sections of the San José Municipal Code.

Effective June 18, 2013, the bargaining units representing the System's members entered into an amendment to the agreements on retiree healthcare that extended the incremental increase limitation of not more than 0.75% of pensionable pay for the fiscal year ending June 30, 2014. The 0.75% limitation was initially extended to December 20, 2014, but in October 2014, the City Council approved to extend the cap for an additional six months to June 20, 2015, the last pay period for fiscal year 2014-2015, keeping the contribution rates the same throughout the fiscal year. At the end of the fiscal year 2014-2015, the bargaining units and the City jointly agreed to keep the contribution rates the same as fiscal year 2014-2015 until December 20, 2015, at which point, the parties would begin to pay the full ARC; however, the contribution rates may change based on the ongoing negotiations between the City and bargaining units.

On August 27, 2013, San Jose City Council adopted Ordinance No. 29283 to exclude Tier 2 members hired on or after September 27, 2013 from retiree medical and dental benefits (referred to as Tier 2B members) but the City shall bear and pay an amount equal to the additional costs incurred by the System for that portion of the unfunded liability as determined by the actuary for the System that the City and Tier 2B members would have otherwise paid as contributions had those employees been eligible for the retiree healthcare defined benefit.

During the fiscal year ended June 30, 2015, Tier 2C members were introduced into the System. Tier 2C members are former Tier 1 members who have vested in dental benefits and are re-entering the Plan as Tier 2B members with dental benefits.

In addition, in November 2010, the Board adopted a funding policy (referred to as the floor methodology) setting the annual contribution to be the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year. The annual contribution determined in the June 30, 2013 valuation for fiscal year ending June 30, 2015 was the greater of $21,598,000 (if paid on 07/01/2014) ($17,891,000 for Tier 1, $1,087,000 for Tier 2 and $2,620,000 for Tier 2B) or 9.41% for Tier 1 and Tier 2, 12.66% for Tier 2B and 12.86% for Tier 2C of actual payroll for the fiscal year.

In September 2014, the Board approved the City's request to exclude all forms of Tier 2 from the floor methodology to ensure that the City does not pay more than the ARC and that contributions are based on the annual required contribution percentages developed by the actuary. Instead, the contribution rate determined by the actuary multiplied by the actual payroll is what will be used.

The actual payroll for Tier 1 for the fiscal year of $194,333,000 was less than the actuarial payroll of $196,896,000 resulting in an annual contribution of $21,301,000 as of July 1, 2014. Employer contributions for Tiers 2, 2B and 2C for the fiscal year were $1,899,000, $3,710,000 and $49,000,

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS AND FUNDED STATUS (Continued)

respectively. These amounts exclude year end contributions receivable.

The annual contribution determined in the June 30, 2012 valuation for fiscal year ending June 30, 2014 was the greater of $19,478,000 (if paid on 07/01/2013) or 8.66% of actual payroll for the fiscal year. The actual payroll for the fiscal year of $200,439,000 was less than the actuarial payroll of $233,200,000 resulting in an annual contribution of $19,478,000 as of July 1, 2012, excluding the implicit subsidy, and prior year contribution adjustments.

The City and the participating employee contribution rates in effect during the fiscal years ended June 30, 2015 and 2014 for the Postemployment Healthcare Plan were as follows:

Period	City* (Tier 1 and Tier 2 effective 9/30/12)	City* (Tier 2B effective 9/30/13)	City* (Tier 2C effective 9/30/13)	Employee (Tier 2 effective 9/30/12)	Employee (Tier 2C effective 9/30/13)
06/21/15 - 06/30/15	9.41%	12.66%	12.86%	8.76%	0.39%
06/22/14 - 06/20/15	9.41%	12.66%	12.86%	8.76%	0.39%
06/23/13 - 06/21/14	8.66%	10.59%	-%	8.01%	-%

** The actual contribution rates paid by the City for fiscal years ended June 30, 2015 and June 30, 2014 differed due to the City funding the annual required contribution amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.*

The funded status of the Postemployment Healthcare Plan as of June 30, 2014, the most recent actuarial valuation date, is as follows (dollars in thousands):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
06/30/14	$ 199,776	$ 729,406	$ 529,630	27%	$ 234,677	226%

As of June 30, 2014, the System's most recent valuation, the System's UAAL decreased by $184 million primarily due to changes in the discount rate, demographic experience and change in health assumptions. The OPEB discount rate increased from 5.30% used in the June 30, 2012 OPEB valuation to 6.30% used in the June 30, 2014 OPEB valuation. The Plan's OPEB discount rate is based on a blended rate that ranges between the expected return on the City's unrestricted assets (3.0%) and the expected return on the Plan's invested assets (7.00%) resulting in a blended discount rate of 6.30%. Demographic experience refers to the change in actual data and elections from June 30, 2013 to June 30, 2014 as compared to the changes expected in the prior valuation. Change in health assumptions refers to the change in expected current and future healthcare claims and expense costs based on the 2014 and 2015 medical premium experience and the additional data on the coverage of children.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS AND FUNDED STATUS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The contribution rates for fiscal years ended June 30, 2015 and 2014, were based on the actuarial valuations performed on June 30, 2012 and 2012, respectively, except for the period June 21 through June 30, 2015, which were based on the June 30, 2014 valuation. The significant actuarial methods and assumptions used to compute the actuarially determined annual required contributions and the funded status are as follows:

Description	Method/Assumption		
Valuation date	**June 30, 2014**	**June 30, 2013**	**June 30, 2012**
Actuarial cost method	Entry age normal cost method	Entry age normal cost method	Entry age normal cost method
Amortization method	Level dollar	Level dollar	Level percentage of payroll
Remaining amortization period	20-year layered closed, with the 6/30/2009 UAAL amortized over a closed 30-year period	20-year layered closed, with the 6/30/2009 UAAL amortized over a closed 30-year period	20-year layered closed, level percentage of payroll with the 6/30/2009 UAAL amortized over a closed 30-year period
Actuarial asset valuation method	Market value	Market value	Market value
ACTUARIAL ASSUMPTIONS			
Assumed rate of return on investments (net)	7.00% per annum	7.25% per annum	7.50% per annum
Discount rate(net) **Wage inflation rate**	6.30%† 2.85%	5.30%† 2.0% for five years and 2.85% thereafter	4.80%† 3.25%
Salary increases	The wage inflation assumption of 2.85% plus a rate increase for merit/longevity increase based on years of service ranging from 4.50% at hire to 0.25% for members with 14 or more years of service.	The base annual rate of salary increase is 2.0% wage inflation rate for the first five years and 2.85% thereafter plus a rate increase for merit/longevity for years 0 to 15+ ranging from 4.50% to 0.25% at the 15th year of service.	The base annual rate of salary increase is 3.25% wage inflation rate plus a rate increase for merit/longevity for years 0 to 15+ ranging from 4.50% to 0.25% at the 15th year of service.
Projected total payroll increases	N/A	N/A	
HEALTH CARE COST TREND RATE:			

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS AND FUNDED STATUS (Continued)

Description	Method/Assumption		
Medical	The valuation assumes that future medical inflation will be at a rate of 8.5% to 4.25% per annum graded down over a 15 year period for medical pre-age 65 and 6.5% to 4.25% per annum graded down over a 14 year period for medical post-age 65.	The valuation assumes that future medical inflation will be at a rate of 8.5% to 4.25% per annum graded down over a 15 year period for medical pre-age 65 and 6.5% to 4.25% per annum graded down over a 14 year period for medical post-age 65.	The valuation assumes that future medical inflation will be at a rate of 8.8% to 4.5% per annum graded down over a 15 year period for medical pre-age 65 and 6.5% to 4.25% per annum graded down over a 14 year period for medical post-age 65.
Dental	Dental inflation is assumed to be 4%	Dental inflation is assumed to be 4%	Dental inflation is assumed to be 4.5% in the first year and 4% thereafter.

† Determined as a blended rate of the expected long-term investment returns on plan assets and on the City's investments, based on the funded level of the plan at the valuation date.

The schedules presented as required supplementary information following the notes to the financial statements, present multiyear trend information. The Schedule of Funding Progress for the Postemployment Healthcare Benefit Plan presents information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Schedule of Employer Contributions for the Postemployment Healthcare Benefit Plan presents trend information about the amounts contributed to the plan by employers in comparison to the annual required contribution (ARC) determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

NOTE 6 - COMMITMENTS

As of June 30, 2015 and 2014, the System had unfunded commitments to contribute capital for private market fund investments in the amount of $71,000,000 and $60,000,000, respectively.

NOTE 7 - LITIGATION

The System handles various claims and legal actions in the ordinary course of its business. In the opinion of management and independent legal counsel, the ultimate disposition of these matters is not likely to have a material adverse effect on the System's financial position as a whole.

Required Supplementary Information

SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS - DEFINED BENEFIT PENSION PLAN (unaudited)
(Dollars in Thousands)

Total Pension Liability	**2015**	**2014**
Service cost (middle of year)	$ 46,795	$ 43,334
Interest (includes interest on service cost)	221,690	214,487
Differences between expected and actual experience	13,005	-
Changes of assumptions	108,674	-
Benefit payments, including refunds of member contributions	(164,562)	(155,936)
Net change in total pension liability	**225,602**	**101,885**
Total pension liability - beginning	**3,115,648**	3,013,763
Total pension liability - ending	**$ 3,341,250**	**$ 3,115,648**
Plan Fiduciary Net Position		
Contributions - employee	13,621	13,596
Contributions - employer	$ 114,751	$ 107,544
Net investment income	(16,642)	263,688
Benefit payments, including refunds of member contributions	(164,562)	(155,936)
Administrative expense	(3,898)	(3,201)
Net change in plan fiduciary net position	**$ (56,730)**	**$ 225,691**
Plan fiduciary net position - beginning	**1,987,237**	**1,761,546**
Plan fiduciary net position - ending	**$ 1,930,507**	**$ 1,987,237**
Net pension liability - ending	**$ 1,410,743**	**$ 1,128,411**
Plan fiduciary net position as a percentage of the total pension liability	57.78%	63.78%
Covered employee payroll	**$ 240,678**	**$ 219,434**
Net pension liability as a percentage of covered employee payroll	586.15%	514.24%

Notes to Schedule:
Changes in assumption. In 2015, amounts reported as changes in assumptions resulted primarily from a reduction of the expected long-term return on assets from 7.25% to 7.00%.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

SCHEDULE OF INVESTMENT RETURNS - DEFINED BENEFIT PENSION PLAN (Unaudited)

	2015	**2014**
Annual money-weighted rate of return, net of investment expense	(1.07)%	7.49%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available

SCHEDULE OF EMPLOYER CONTRIBUTIONS - DEFINED BENEFIT PENSION PLAN (unaudited)
(Dollars in Thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contributions	$ 114,751	$ 107,544	$ 103,109	$ 87,082	$ 59,180	$ 54,566	$ 57,020	$ 54,958	$ 51,004	$ 41,267
Contributions in relation to actuarially determined contributions	114,751	107,544	103,109	87,082	59,180	54,566	57,020	54,958	51,004	41,267
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 240,678	$ 233,200	$ 240,187	$ 300,811	$323,020**	$ -	$291,405**	$ -	$286,446**	$ -
Contributions as a percentage of covered employee payroll	47.68 %	46.12 %	42.93 %	28.95 %	18.32 %	- %	19.57 %	- %	17.81 %	- %

** Payroll shown is pensionable pay*

*** Actuarial valuations were performed biennially through June 30, 2007. Effective June 30, 2009, the System transitioned to annual actuarial valuations.*

NOTES TO SCHEDULE

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Valuation date	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2007	June 30, 2005	June 30, 2003
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market	5-year smoothed market
Discount rate	7.25%	7.50%	7.50%	7.95%	7.75%	8.25%	8.25%	8.25%

NOTES TO SCHEDULE (Continued)

Valuation date	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2007	June 30, 2005	June 30, 2003
Salary increases	2.0% for five years and 2.85% thereafter plus merit component based on employee classificatio n and years of service	The base annual rate of salary increase is 3.25% wage inflation rate plus a rate increase for merit/ longevity for years 0 to 15+ ranging from 4.50% to 0.25% at the 14th year of service	The base annual rate of salary increase is 3.25% wage inflation rate plus a rate increase for merit/ longevity for years 0 to 15+ ranging from 4.50% to 0.25% at the 14th year of service	The base annual rate of salary increase is 3.90% wage inflation rate plus a rate increase for merit/ longevity for the first 5 years of service ranging from 5.75% to 0.25% at the 5th year of service	The base annual rate of salary increase is comprised of a 3.67% inflation rate plus 0.41% for wage inflation for a total rate of 4.08%. This is added to a rate increase for merit/ longevity for the first 5 years of service ranging from 5.50% to 0.75% at the 5th year of service	The rate of annual salary increase for all members with at least 5 years of service is equal to 4.25% plus an added merit component for those with 0-4 years of service	The rate of annual salary increase for all members with at least 5 years of service is equal to 4.25% plus an added merit component for those with 0-4 years of service	The rate of annual salary increase for all members with at least 5 years of service is equal to 4.50% plus an added merit component for those with 0-4 years of service
Amortization payment growth rate	2.43%	3.25%	3.25%	3.90%	3.83%	4.25%	4.25%	4.50%
COLA	3%	3%	3%	3%	3%	3%	3%	3%
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA and setback two years	For healthy annuitants, the male and female RP-2000 combined employee and annuitant mortality tables projected to 2015 and set back two years. For disabled annuitants, the CalPERS ordinary disability table from their 2000-2004 study for mis-cellaneous employees	For healthy annuitants, the male and female RP-2000 combined employee and annuitant mortality tables projected to 2015 and set back two years. For disabled annuitants, the CalPERS oridnary disability table from their 2000-2004 study for mis-cellaneous employees	The 1994 group annuity mortality table set back three years for males and one year for females was used for healthy retirees and beneficiaries. The disabled mortality table used was the 1981 disability mortality table.	The 1994 group annuity mortality table set back three years for males and one year for females was used for healthy retirees and beneficiaries. The disabled mortality table used was the 1981 disability mortality table.	The 1994 Group Annuity Mortality Table was used for healthy retirees and beneficiaries. The disabled mortality table used was the 1981 Disability Mortality Table	The 1994 Group Annuity Mortality Table was used for healthy retirees and beneficiaries. The disabled mortality table used was the 1981 Disability Mortality Table	The 1983 Group Annuity Mortality Table for males with one year setback was used for male members. The 1983 Group Annuity Mortality Table for females, with one year set forward, was used for female members.

*** Actuarial valuations were performed biennially through June 30, 2007. Effective June 30, 2009, the System transitioned to annual actuarial valuations.*

SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT HEALTHCARE PLAN (Unaudited)
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll (1)	UAAL as a percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
06/30/2009	$ 85,564	$ 796,448	$ 710,884	11%	$ 308,697	230%
06/30/2010	108,011	926,371	818,360	12%	300,069	273%
06/30/2011	135,454	1,145,359	1,009,905	12%	228,936	441%
06/30/2012	137,798	1,096,620	958,822	13%	225,859	425%
06/30/2013	157,695	870,872	713,177	18%	226,098	315%
06/30/2014	199,776	729,406	529,630	27%	234,677	226%

(1) Annual covered payroll represents the actuarial estimate of annual covered payroll for the subsequent year for the June 30, 2013, 2012 and 2011 valuation. The amount presented for the June 30, 2009 and 2010 valuations represents actual annual covered payroll. Actuarial valuations were performed biennially through June 30, 2009; effective June 30, 2010 the Plan transitioned to annual valuations.

As of June 30, 2014, the System's most recent postemployment healthcare plan valuation, the System's UAAL decreased by $184 million primarily due to changes in the discount rate, demographic experience and change in health assumptions. The OPEB discount rate increased from 5.30% used in the June 30, 2012 OPEB valuation to 6.30% used in the June 30, 2014 OPEB valuation. The Plan's OPEB discount rate is based on a blended rate that ranges between the expected return on the City's unrestricted assets 3.0% and the expected return on the Plan's invested assets (7.00%) resulting in a blended discount rate of 6.30%. Demographic experience refers to the change in actual data and elections from June 30, 2013 to June 30, 2014 as compared to the changes expected in the prior valuation. Change in health assumptions refers to the change in expected current and future healthcare claims and expense costs based on the 2014 and 2015 medical premium experience and the additional data on the coverage of children.

The June 30, 2014 valuation contains the Board adopted 30/20 layered amortization methodology which includes the amortization of the unfunded liability as of June 30, 2009 over 30 years from that date, and the amortization of subsequent gains and losses or assumption changes amortized over 20 years from the valuation in which they are first recognized. The equivalent single amortization period for the June 30, 2014 valuation is 29.0 years compared to 26.4 years for the June 30, 2013 valuation.

As of June 30, 2014, the System's UAAL decreased from $958.8 million to $713.2 million. The System's UAAL decreased by approximately $245.6 million primarily due to changes in claims cost assumptions, the change to a four-tier rate structure effective January 1, 2014, and the increase in the discount rate. The System's discount rate is based on a blended rate that ranges between the expected return on the City's unrestricted assets (2.50%) and the expected return on the System's invested assets (7.25%) resulting in a blended discount rate of 5.30%. This resulted in an increase in the blended financial reporting discount rate from 4.80% to 5.30%. Changes in claims cost assumptions refer to the change in unexpected current and future healthcare claims and expense costs based on the 2013 and 2014 medical premium experience. This also includes the effect of updating the claims cost trend assumption. The June 30, 2013 valuation contains the Board adopted 30/20 layered amortization methodology which includes the amortization of the unfunded liability as of June 30, 2009 over 30 years from that date, and the amortization of subsequent gains and losses or assumption changes amortized over 20 years from the valuation in which they are first recognized. The equivalent single amortization period for the June 30, 2013 valuation is 26.4 years compared to 24.8 years for the June 30, 2012 valuation.

Required Supplementary Information *(Continued)*

As of June 30, 2012, the System's UAAL decreased from $1,009.9 million to $958.8 million. The System's UAAL decreased by approximately $51.0 million primarily due to changes in the health plans offered and assumptions as recommended by the Board's actuary. The Board also approved a change in methodology in developing the blended discount rate to eliminate the one-year lag between when changes are reflected in the valuation by using the ARC based on the current valuation rather than the prior valuation. The System's discount rate is based on a blended rate that ranges between the expected return on the City's unrestricted assets (3.30%) and the expected return on the System's invested assets (7.50%) resulting in a blended discount rate of 4.80%. This resulted in a decrease in the blended GASB discount rate from 6.10% to 4.80%. The June 30, 2012 valuation included a reduction in the expected return on the City assets from 4.0% to 3.30%, medical plan changes effective January 1, 2012 eliminating the $10 co-pay plans, as well as the change to $25 co-pays for the Kaiser Medicare plans. In addition, medical plan changes effective January 1, 2013 included a new Kaiser $1500 Deductible HMO, which became the lowest cost plan available to actives and therefore the basis for the retiree premium subsidy. Other lower cost medical plans became available to non-Medicare eligible members. These medical plan changes greatly affected the medical plan election assumption used by the actuary as more retirees selected the lower cost medical plans.

As of June 30, 2011, the System's UAAL increased from $818.4 million to $1,009.9 million. The System's UAAL increased by approximately $191.5 million due to the decrease in the blended GASB discount rate from 6.71% to 6.10% and changes in actuarial assumptions as recommend by the Board's actuary in the June 30, 2010 experience study. The System's discount rate is based on a blended rate that ranged between the expected return on the City's unrestricted assets (4.0%) and the expected return on the System's invested assets (7.50%) resulting in a blended discount rate of 6.10%. The June 30, 2011 valuation included a reduction in the expected return on the City assets from 4.5% to 4.0% and in the System's expected return from 7.95% to 7.50%. Actuarial assumption changes in the June 30, 2011 valuation also included changes in the wage inflation, salary merit increases, family composition, termination rate, disability rate, retirement rate, healthy and disabled mortality, and refund rates assumptions. In addition, the Board approved the actuary's recommendation to explicitly include administrative expenses valued at 0.70% of payroll as an addition to normal cost in the June 30, 2011 valuation. The expected rate of return of 7.50% is now only net of investment manager fees. In addition, the June 30, 2011 OPEB valuation included retirees paying the difference between the actual premium for the elected plan and the $25 co-pay plans offered for the first time by the City.

As of the June 30, 2010 valuation, the System's UAAL increased from $710.9 million as of June 30, 2009 to $818.4 million as of June 30, 2010. Changes to the UAAL were primarily the result of interest on the UAAL and changes in the actuarial assumptions including the following: increases in claims costs, the extension of the select period for healthcare trends from 9 years to 15 years, and the increase in the payroll wage inflation assumption from 3.83% to 3.90%. The System's OPEB discount rate was based on the blended rate between the expected return on City assets (4.5%) and the expected return on the System's assets (7.95%) resulting in a blended discount rate of 6.71% in the June 30, 2010 valuation. The lengthening of the healthcare trend assumption select period was recommended by the Board's actuary due to the System's current retiree experience and the actuary's expectation for the future.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - POSTEMPLOYMENT HEALTHCARE PLAN (Unaudited)
(Dollars in Thousands)

Fiscal Year Ended	Annual Required Contributions*	Actual Contributions*	Percentage Contributed
06/30/2010	$ 38,599	$ 17,027	44%
06/30/2011	47,593	17,146	36%
06/30/2012	67,583	25,834	38%
06/30/2013	57,331	21,251	37%
06/30/2014	52,364	19,298	37%
06/30/2015	35,644	26,959	76%

** The annual required employer contributions (ARC) provided above are based on the Board adopted ARC rates adjusted for the timing of actual contributions and include the actuarially determined implicit subsidy amounts of $4.0 million for 2010, $3.9 million for 2011, $4.4 million for 2012, $3.1 million for 2013, $4.7 million for 2014 and $4.1 million for 2015 . The actual contributions include year-end contributions receivable and prior year contribution adjustments as well as the implicit subsidy amounts for years 2012 through 2015 but not for years 2008-2011.*

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Other Supplemental Information

COMBINING SCHEDULE OF DEFINED BENEFIT PENSION PLAN NET POSITION

As of June 30, 2015 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ASSETS			
Receivables:			
Employee contributions	$ 321	$ 94	$ 415
Employer contributions	79	10	89
Brokers and others	4,141	1,399	5,540
Accrued investment income	3,492	1,138	4,630
Total receivables	**8,033**	**2,641**	**10,674**
Investments, at fair value:			
Securities and other:			
Global equity	579,008	234,651	813,659
Private equity	66,969	26,720	93,689
Global fixed income	247,542	101,246	348,788
Collective short term investments	89,718	36,454	126,172
Private debt	74,219	29,612	103,831
Real assets	167,192	67,612	234,804
International currency contracts, net	227	92	319
Absolute return	143,803	57,376	201,179
Total Investments	**1,368,678**	**553,763**	**1,922,441**
Capital Assets	43	18	61
TOTAL ASSETS	**1,376,754**	**556,422**	**1,933,176**
LIABILITIES			
Payable to brokers	1,434	203	1,637
Other liabilities	748	284	1,032
TOTAL LIABILITIES	**2,182**	**487**	**2,669**
PLAN NET POSITION - RESTRICTED FOR:			
Pension benefits	1,374,572	555,935	1,930,507
TOTAL PLAN NET POSITION	**$ 1,374,572**	**$ 555,935**	**$ 1,930,507**

Other Supplemental Information *(Continued)*

COMBINING SCHEDULE OF CHANGES IN DEFINED BENEFIT PENSION PLAN NET POSITION

For Fiscal Year Ended June 30, 2015 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ADDITIONS			
Contributions:			
Employee	$ 10,673	$ 2,948	$ 13,621
Employer	64,725	50,026	114,751
Total contributions	**75,398**	**52,974**	**128,372**
Investment income:			
Net depreciation in fair value of investments	(21,752)	(8,407)	(30,159)
Interest income	7,414	2,866	10,280
Dividend income	9,267	3,558	12,825
Less: investment expense	(6,874)	(2,714)	(9,588)
Net investment loss	**(11,945)**	**(4,697)**	**(16,642)**
TOTAL ADDITIONS	**63,453**	**48,277**	**111,730**
DEDUCTIONS			
Retirement benefits	116,433	35,686	152,119
Death benefits	6,390	4,334	10,724
Refund of contributions	1,464	255	1,719
Administrative expenses and other	2,850	1,048	3,898
TOTAL DEDUCTIONS	**127,137**	**41,323**	168,460
NET (DECREASE) / INCREASE	**(63,684)**	**6,954**	**(56,730)**
PLAN NET POSITION - RESTRICTED FOR PENSIONS			
BEGINNING OF YEAR	**1,438,256**	**548,981**	**1,987,237**
END OF YEAR	**$ 1,374,572**	**$ 555,935**	**$ 1,930,507**

COMBINING SCHEDULE OF OTHER POSTEMPLOYMENT PLAN NET POSITION

As of June 30, 2015 (In Thousands)

	Postemployment Healthcare 401(h)	Postemployment Healthcare (115)	Total
ASSETS			
Receivables:			
Employee contributions	$ -	$ 489	$ 489
Employer contributions	-	183	183
Brokers and others	347	-	347
Accrued investment income	-	17	17
Total receivables	**347**	**689**	**1,036**
Investments, at fair value:			
Securities and other:			
Global equity	35,341	55,240	90,581
Private equity	4,061	-	4,061
Global fixed income	15,387	38,952	54,339
Collective short term investments	5,540	12,439	17,979
Private debt	4,500	-	4,500
Real assets	10,275	14,215	24,490
International currency contracts, net	14	-	14
Absolute return	8,720	-	8,720
Total Investments	**83,838**	**120,846**	**204,684**
Capital Assets	**3**	-	**3**
TOTAL ASSETS	**84,188**	**121,535**	**205,723**
LIABILITIES			
Payable to brokers	-	375	375
Other liabilities	319	1	320
TOTAL LIABILITIES	**319**	**376**	**695**
PLAN NET POSITION - RESTRICTED FOR:			
Postemployment healthcare benefits	83,869	121,159	205,028
TOTAL PLAN NET POSITION	**$ 83,869**	**$ 121,159**	**$ 205,028**

Other Supplemental Information *(Continued)*

COMBINING SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT PLAN NET POSITION

For Fiscal Year Ended June 30, 2015 (In Thousands)

	Postemployment Healthcare 401(h)	Postemployment Healthcare (115)	Total
ADDITIONS			
Contributions:			
Employee	$ -	$ 18,645	$ 18,645
Employer	4,134	22,825	26,959
Total contributions	**4,134**	**41,470**	**45,604**
Investment income:			
Net depreciation in fair value of investments	(1,492)	(6,576)	(8,068)
Interest income	660	1	661
Dividend income	754	1,496	2,250
Less: investment expense	(747)	(18)	(765)
Net investment loss	**(825)**	**(5,097)**	**(5,922)**
TOTAL ADDITIONS	**3,309**	**36,373**	**39,682**
DEDUCTIONS			
Healthcare insurance premiums	29,443	-	29,443
Administrative expenses and other	212	42	254
TOTAL DEDUCTIONS	**29,655**	**42**	**29,697**
NET (DECREASE)/INCREASE	**(26,346)**	**36,331**	9,985
PLAN NET POSITION - RESTRICTED FOR POSTEMPLOYMENT HEALTHCARE			
BEGINNING OF YEAR	**110,215**	**84,828**	**195,043**
END OF YEAR	**$ 83,869**	**$ 121,159**	**$ 205,028**

SCHEDULES OF ADMINISTRATIVE EXPENSES AND OTHER

For the Fiscal Years Ended June 30, 2015 and 2014

	2015			2014
	Original Budget	Actual	(Over) Under Budget	Actual
Personnel services	$ 2,913,559	$ 2,683,129	$ 230,430	$ 2,038,376
Non-personnel/equipment	1,273,700	722,381	551,319	586,534
Professional services	1,410,000	747,501	662,499	832,918
TOTAL ADMINISTRATIVE EXPENSES & OTHER	**$ 5,597,259**	**$ 4,153,011**	**$ 1,444,248**	**$ 3,457,828**

SCHEDULES OF PAYMENTS TO CONSULTANTS

For the Fiscal Years Ended June 30, 2015 and 2014

Firm	Nature of Service	2015	2014
Alliance Resource Consulting LLP	Executive recruitment	$ 8,850	$ 7,193
Cheiron Inc	Actuarial consultant	204,610	181,789
Cortex Applied Research, Inc	Governance consultant	37,759	114,338
Financial Knowledge/Peter Sepsis	Educational services	5,845	11,233
Hemming Morse LLP	Audit services	60,344	-
Ice Miller	Legal tax counsel	24,169	53,917
L.R. Wechsler, LTD	Pension system consultant	-	1,545
Levi, Ray, & Shoup	Web development and maintenance	14,648	13,314
Levi, Ray, & Shoup	Programing changes and business continuance services	17,722	8,288
Macias Gini & O'Connell LLP	External auditors	52,366	51,150
Medical Director/Other Medical	Medical consultants	86,829	69,336
Pension Benefit Information	Reports on deceased benefit recipients	2,869	2,494
Reed Smith LLC	Fiduciary and general counsel	141,712	209,970
Saltzman & Johnson	Legal counsel	24,912	14,550
Silicon Valley Professional Staffing	Temporary staff	-	69,129
Trendtec Inc	Temporary staff	56,362	24,672
Other Consultants	Miscellaneous professional services	8,504	-
TOTAL		**$ 747,501**	**$ 832,918**

SCHEDULES OF INVESTMENT EXPENSES

For the Fiscal Years Ended June 30, 2015 and 2014

Investment Managers' Fees	2015	2014
Global equity	$ 2,962,549	$ 3,309,772
Private equity	698,065	821,725
Fixed income	1,157,285	206,266
Private debt	1,178,738	1,608,214
Real estate	1,610,056	1,153,129
Real assets	242,864	695,603
Absolute return	1,427,377	1,494,825
Total investment managers' fees	**9,276,934**	**9,289,534**
Other Investment Fees		
Investment consultants	651,062	657,663
Custodian bank	273,231	273,138
Proxy voting	24,998	92,052
Investment legal fees	59,561	87,140
Other investment fees	66,386	-
Total other investment service fees	1,075,238	1,109,993
TOTAL INVESTMENT EXPENSES	**$ 10,352,172**	**$ 10,399,527**

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Investment Section

City of San José
Federated City Employees' Retirement System
Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2015
and June 30, 2014

M E K E T A I N V E S T M E N T G R O U P

BOSTON MA
MIAMI FL
PORTLAND OR
SAN DIEGO CA
LONDON UK

September 11, 2015

Mr. Roberto L. Peña
Director
San Jose Federated City Employees' Retirement System
1737 North First Street, Suite 600
San Jose, CA 95112-4505

Dear Mr. Peña:

As fiscal year 2015 began, investors were focused on muted growth in the developed world and its potential impact on global capital markets. While economic growth was predicted to be higher than 2014, estimates were revised to be lower than previously forecasted. The International Monetary Fund estimated global growth to be around 3.5%, with improvements in the U.S. and Europe, and declines in the growth rates of several emerging economies, including Russia, Brazil, and China. The decline in oil prices in the fourth quarter of 2014 had a varied impact across economies. It acted as a stimulus to oil-importing countries, such as China, Japan, and India, while the drop detracted from the growth of oil exporters. Whereas the decline in unemployment and improving household balance sheets helped growth in the U.S., growth in Europe stemmed from the decline in the Euro and falling energy prices.

Over the course of the first half of calendar year 2015, the U.S. economy showed signs of improvement, with GDP growth improving and unemployment declining. Continued stabilization in the world's largest economy was expected to improve employment and growth domestically, and increase demand for goods and services from abroad. The pace of globalization has accelerated, particularly in emerging economies. Increased trade and investment, as well as access to foreign capital and export markets for corporations, is expected to lead to lower costs, higher efficiencies, and greater global growth.

During fiscal year 2015, developed market central banks embarked on a massive monetary stimulus. The U.S., European, and Japanese central banks continued to maintain interest rates at record lows. Japan began an unprecedented asset purchase program (quantitative easing), while the European Central Bank began its own program. In contrast, the U.S. ended its bond buying last year. Additionally, emerging market central banks including Russia, India, and China reduced interest rates to attempt to stimulate slowing growth. If central banks continue to provide liquidity and keep interest rates low, these actions should continue to stimulate growth.

These positive macro developments are countered by a number of economic detractors. Falling oil prices hurt countries such as Iran, Russia, and Venezuela that depend heavily on oil export revenues. The decline in prices will continue to hurt oil exploration and production companies, and companies that support the oil industry. The risk of increased geopolitical tensions also exists with depressed oil prices. In addition, the recent events in Greece related to the country's bailout highlighted continued tensions in Europe. Allowing countries to leave the Eurozone could set a dangerous precedent, especially if they ultimately begin to experience growth due to a depressed currency. Alternatively, providing debt forgiveness for some countries could lead to others looking for similar treatment. As mentioned previously, Japan has embarked on a historic stimulus program, commonly referred to as "Abenomics" in an effort to fight its

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September 11, 2015
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decades of deflation. The plan includes monetary, fiscal, and structural components. If Japan overshoots with its policies, or dramatically changes them unexpectedly, it could prove disruptive to markets and growth.

Over the full fiscal year, U.S. equities performed well, while other developed markets suffered. The Russell 3000 Index ended the fiscal year up +7.3%, significantly outperforming the MSCI EAFE Index, which ended the fiscal year down -4.2%. The MSCI Emerging Markets Index was down -5.1%, lagging behind all developed markets. Fixed income asset classes exhibited mostly poor performance for the fiscal year, with the Barclays Aggregate Index (U.S.) returning 1.9%, the Barclays Global Aggregate Index returning -7.1%, the Barclays High Yield Index returning -0.4%, and the Barclays U.S. TIPS Index down -1.7%.

In the alternative assets space, the Bloomberg Commodity Index ended the fiscal year down -23.7%, with the vast majority of the negative returns stemming from the collapse of oil in the fourth quarter of 2014. Conversely, most private market assets were positive, as the National Council of Real Estate Fiduciaries ("NCREIF") Property Index returned +13.0% and the Cambridge Associates Private Equity Composite (40% Secondary and 60% Fund of Funds), returned +5.8% for the fiscal year. Returns for private market indexes are lagged by one quarter due to the availability of data.

Fiscal 2016 Outlook

Meketa Investment Group believes that four issues remain of primary concern over the next year, and a number of these issues have remained unchanged over the last few years: first, continued economic sluggishness and financial risk in Europe, second, the potential for a rapid slowdown in China, third, the diminishing effectiveness of monetary policy globally, and fourth, divergent growth in emerging economies.

Although there have been recent improvements in Europe's growth and prices, they both remain weak. The recent Greek bailout negotiations are a reminder of the structural issues related to having one currency and many fiscal authorities in the Eurozone. A prolonged slowdown, or further issues with the solidarity of the Euro, could weigh heavily on global demand and be disruptive to markets and growth.

Growth could continue to slow in China, requiring additional stimulative measures, as the economy transitions from an investment-based growth model to a more consumption-based growth model. Declining growth in China could further weigh on its trading partners and lead to additional aggressive monetary and fiscal policies elsewhere.

The world's major central banks continue to keep interest rates close to 0%. In the U.S., the Federal Reserve ended its bond purchases last year, while Japan's central bank continues to aggressively expand its balance sheet and Europe recently began its own purchase program. Additionally, several emerging economies recently began cutting interest rates. If another major decline in growth occurs, central banks would have few additional options to stimulate growth.

Additionally, growth in emerging market economies could be uneven going forward, with economies that are dependent on oil exports being particularly hurt by a sustained slowdown in global growth and prices.

Plan Investment Results and Asset Allocation for Pension Trust

September 11, 2015
Page 3 of 4

For fiscal year 2015, the San Jose Federated City Employees' Retirement System returned -0.9% gross of fees and -1.0% net of fees[1], outperforming the Policy Benchmark and Custom Benchmark returns for the same time period, which were -1.3% and -1.6%, respectively. The Retirement System's fiscal year 2015 performance did not exceed the actuarial rate of return of 7.00%, though Retirement System performance did exceed that rate in four of the past five fiscal years.

The outperformance relative to the custom benchmark is related to several factors.

- *Investment Manager Selection*: The majority of the Retirement System's active investment managers outperformed their respective benchmarks during fiscal year 2015. Many of the active managers, particularly within long-only and long-short equity, outperformed by wide margins.
- *Fixed Income:* The Retirement System's fixed income allocation returned -0.8% for the fiscal year, outperforming the Barclays Global Aggregate Index, which returned -7.1% over the same period. This outperformance was attributable to investments in high quality U.S. Dollar-denominated bonds, in addition to a lack of exposure to non-U.S. bonds and publicly-traded lower-quality fixed income securities.
- *Private Real Estate managers:* Private Real Estate managers performed well in fiscal year 2015, returning +45.5% on a time-weighted basis, in comparison to a return of 13.0% for the NCREIF Property Index during the same time period.
- *Absolute Return:* The Absolute Return portfolio returned 4.9% for the fiscal year, while the HFRI Macro Discretionary Thematic Index was flat for the same time period.

The Retirement System's negative performance on an absolute basis was primarily driven by its asset allocation policy. Exposure to non-U.S. assets, hedge funds, and real assets detracted from absolute performance in a fiscal year in which U.S. returns were much higher than non-U.S. returns and oil prices dropped precipitously. The Pension Trust's real assets portfolio fell by -10.4% during the fiscal year, and represented a significant drag on performance.

Plan Investment Results and Asset Allocation for Health Care Trust

For fiscal year 2015, the San Jose Federated Retiree Health Care Trust Fund returned -2.7% net of fees, outperforming the Policy and Custom Benchmark returns of -3.4% and -4.4%, respectively. The Health Care Trust's outperformance relative to benchmarks was driven by the outperformance of the global equity and fixed income asset classes compared to their individual benchmarks. Like the Pension Trust, a significant driver of negative absolute returns was real assets exposure.

The Health Care Trust's asset levels have increased to a level at which the Health Care assets can be invested in a more similar fashion to those of the Pension. As such, a number of additional asset classes and managers have been added to the roster in the past few months. In the second quarter of 2015, nine managers were hired in the San Jose Federated Retiree Health Care Trust Fund.

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[1] Investment performance is calculated on a time-weighted rate of return basis using market values and transactions provided by the plan's custodian bank.

September 11, 2015
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Summary

Performance for the San Jose Federated City Employees' Retirement System during fiscal year 2015 was below the actuarial rate of return, though above the San Jose FCERS Policy and Custom benchmarks. We believe that the Retirement System's portfolio is diversified in a way that provides for achieving long-term returns to meet the Retirement System's obligations and objectives. During fiscal year 2016, Meketa Investment Group looks forward to working with Staff and the Board of Administration to further implement the target asset allocation and enhance the investment manager roster, so that the Retirement System can continue to meet its obligations to participants.

Sincerely,

Laura Wirick, CFA, CAIA
Principal

Stephen P. McCourt, CFA
Managing Principal

Larry Witt, CFA
Consultant

HKH/nca

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Statement of Investment Policy

PENSION – INCLUDES THE 401(H) INVESTMENTS

1) This investment policy statement governs investments for the City of San José Federated City Employees' Retirement System. The System is a defined benefit retirement program for certain employees of the City of San José in the State of California. The terms of the System are described in the San José Municipal Code Chapter 3.28.1975 Federated Employees Retirement Plan.

2) The System's fund (the "Fund") will be managed as an ongoing concern with a long-term investment time horizon, consistent with the demographic profile of the System's members and beneficiaries.

INVESTMENT OBJECTIVES

3) The primary objective of the investment portfolio is to satisfy the System's obligations to pay benefits to members of the System and their beneficiaries. To do so, the Fund will seek to achieve long-term net returns in excess of the actuarial investment return assumption while maintaining a reasonable level of investment risk.

4) The investment portfolio also seeks to achieve a long-term rate of return that exceeds the return of a composite benchmark of the respective long-term asset allocation targets.

5) A range of risks will be managed in connection with the Fund, with an emphasis on the following:

   a) The impact of the investment program on the funded status of the System and the resulting volatility of contributions.

   b) Risk of loss of System assets.

6) In developing the investment policies of the System, various factors will be considered including, but not limited to:

   a) The structure and duration of the System's liabilities.

   b) Modern Portfolio Theory.

   c) The liquidity needs of the System.

FIDUCIARY STANDARDS

7) The Board of Administration is subject to the following duties under law:

   a) The assets of the retirement System are trust funds and shall be held for the exclusive purposes of providing benefits to members of the System and their beneficiaries and defraying reasonable expenses of administering the System.

   b) The Board shall discharge its duties with respect to the System solely in the interest of, and for the exclusive purposes of providing benefits to, members of the System and their beneficiaries, maintaining the actuarial soundness of the System, and defraying reasonable expenses of administering the System. The Board's duty to the members and their beneficiaries shall take precedence over any other duty.

PENSION - INCLUDES THE 401(H) INVESTMENTS *(Continued)*

c) The Board shall discharge its duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims.

8) Investment staff, investment consultants, investment managers, custodians and all other parties charged with handling the System's assets shall utilize the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims, and shall comply with all applicable laws, rules and regulations.

FUND GOVERNANCE

9) The governance structure of the Fund is described in the City Charter and in various governance policies established by the Board of Administration, including but not limited to:

a) Policy on the Role of the Board of Administration

b) Policy on the Role of the Investment Committee

c) Policy on the Role of the Director of Retirement Services

d) Policy on the Role of the Chief Investment Officer

e) Policy on Roles in Vendor Selection

ASSET ALLOCATION

10) The long-term asset allocation of the Fund will be determined based on the results of an asset allocation study.

11) The current long-term asset allocation of the Fund (at market value) is set out below:

Federated City Employees' Retirement System

Broad Asset Class	Minimum	Target	Maximum
Equity (public & private equity & real estate	30%	37%	44%
Fixed income (including private debt)	14%	24%	34%
Absolute return strategies	6%	11%	16%
Real assets	15%	23%	30%
Strategic discretionary investment partner	-	5%	7%
Cash	-	-	5%
Total		**100%**	

12) The Board is committed to implementing and maintaining the above long-term asset allocation policy, but also recognizes that circumstances may arise where it is not possible or practical to timely implement or maintain the policy, particularly with respect to illiquid asset classes such as privae real estate, private equity, private real assets, and private debt. In such circumstance, the Board will monitor the status of the long-term asset allocation and seek to comply with the policy when it is possible and prudent to do so. In addition the Board may review the current asset allocation targets at any time in light of market conditions, and make changes as it deems

necessary.

13) The long-term asset allocation of the Fund will be reviewed at a minimum every five years based on the results of an asset liability study. However since projected liability and risk/return expectations may change such studies may also be performed on an interim basis, as necessary.

14) The Board will also approve an Investment Structure, which provides additional detail as to the allocation of assets to categories of investment within the broad asset classes that comprise the long-term asset allocation. The Investment Structure and any changes thereto do not require that an asset allocation study be performed.

REBALANCING

15) The asset allocation of the Fund will be monitored on a monthly basis and the assets of the Fund are to be rebalanced to within the target ranges when fluctuations in market values cause the portfolio to fall outside the guideline ranges set out above. Such re-balancing shall occur as soon as practical unless the approval of the Investment Committee is obtained.

16) When re-balancing, funds will generally be taken from accounts that are most significantly above their approved ranges and will be transferred to accounts that are most significantly below their approved ranges until allocation is within the guideline ranges, also taking into account market conditions, liquidity, transaction costs, as well as any other relevant factors. The Retirement System will be rebalanced to tactical rather than long-term target allocations in circumstances where the Board of Trustees have approved a tactical allocation. An asset allocation overlay service may be engaged to monitor allocation and to initiate rebalancing actions to maintain the portfolio in accordance with these guidelines.

DIVERSIFICATION

17) Investments shall be diversified with the intent to minimize the risk of large investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual asset classes, issues, issuers, or industries. Furthermore, assets will be assigned to a variety of investment managers that employ a range of investment management strategies.

18) Consistent with paragraph 17 above:

a) No single investment management firm shall be authorized to manage more than 10% of the System's assets without Board approval
   - i. with the exception of passive management where the System's assets are not held in the System's name at the System's custody bank
   - ii. in which cases can manage no more than 20% of the Plan's assets without Board approval.

b) As a general rule, Plan assets place with an investment manager should not represent more than 10% of the total assets managed by that firm, without Board approval.

LIQUIDITY MANAGEMENT

PENSION - INCLUDES THE 401(H) INVESTMENTS *(Continued)*

19) The projected cash flow needs of the System are to be reviewed at least quarterly and the custodian and investment managers of the Fund are to be informed in writing in a timely manner of the liquidity needs of the Fund. If necessary, cash flow needs will be coordinated through the System's rebalancing provisions contained herein.

PROXY VOTING

20) The Board recognizes that the voting of proxies is important to the overall performance of the System. The Board has delegated the responsibility of voting all proxies to the investment managers or a third party service provider. The Board expects that the proxy voting service will execute all proxies in a timely fashion and in the best interest of plan members and beneficiaries. Also, the Board expects the managers to provide a full accounting of all proxy votes, and upon request, a written explanation of individual voting decisions.

21) As of the date of this Policy, the Board has delegated its proxy voting authority on all domestic securities to a dedicated proxy voting advisor. Investment managers for international securities are responsible for voting the proxies on international securities, as are hedge fund managers.

HIRING & TERMINATING INVESTMENT MANAGERS

22) Investment managers should meet the following criteria in order to be considered to manage the assets of the System.

   a) Be capable of providing adequate and satisfactory information on the history of the firm, key personnel, key clients, fee schedules, and support personnel. Such information must demonstrate acceptable financial and staff stability and longevity.

   b) Be able to clearly articulate the investment strategy that will be followed and demonstrate that the strategy has been successfully adhered to over time.

   c) Have no past or outstanding legal judgments against them, which reflect negatively upon the firm or call into question the ability of the firm to serve as a fiduciary of the System.

23) Staff-level procedures shall be prepared detailing the additional criteria and processes to be used in conducting investment manager due diligence and in arriving at recommendations to select or terminate an investment manager. Such procedures shall be reviewed with the Investment Committee and the Board from time to time.

24) The procedures noted in paragraph 23 above shall require at a minimum that recommendations to appoint or terminate an investment manager shall be accompanied by a report, prepared by an external investment advisor and/or investment staff, containing investment staff's and/or the investment advisor's recommendations and summary analysis.

25) In addition to the aforementioned the Board has delegated authority to the Investment Committee to terminate any manager with System assets of less than $50 million with a unanimous vote of teh IC.

MONITORING INVESTMENT MANAGERS

26) The System's investment managers will be monitored on an ongoing basis and may be terminated by the System at any time due to performance or other developments that call into question the

PENSION - INCLUDES THE 401(H) INVESTMENTS *(Continued)*

manager's ability to continue to effectively manage assets of the System.

27) Quarterly performance of investment managers will be measured and evaluated relative to appropriate long-term performance benchmark and objectives, though it is understood that investment managers will, from time to time, underperform their benchmarks and objectives. Persistent underperformance by an investment manager, however, will be viewed as the basis for an extraordinary review of that manager and the manager's potential termination.

28) Certain other events may also trigger an extraordinary review, and possible termination, of an investment manager. These include, but are not limited to:

a) Failure to adhere to the terms of the contract between the manager and the System.

b) Loss of an investment professional(s) directly responsible for managing the System's assets, or who is/are so significant to the firm's overall investment process as to call into question the future efficacy of that process.

c) The sale of the investment management firm to another entity, or other change in ownership.

d) The purchase of another entity by the investment management firm.

e) Significant account losses and/or extraordinary addition of new accounts.

f) Regulatory actions against the firm, particularly any that represent violations of securities laws and regulations.

g) Any other event which may impair the manager's ability to perform in a satisfactory manner or puts the System's assets at undue risk of loss.

DERIVATIVE SECURITIES

29) Derivative securities are financial instruments that "derive" their value from an underlying commodity, index or security. Examples include futures, options and forward contracts. Derivatives can provide a cost-effective means of managing portions of a portfolio and to manage risk through hedging activities. Examples of such uses include:

a) Equitizing cash during portfolio transitions until "physical" securities are in place.

b) Managing asset allocation.

c) Hedging foreign currency risk, subject to approved limits.

30) In general, the use of derivatives for the purposes noted above, and similar risk management purposes, is supported by the Investment Committee and the Board. Speculative positions in derivatives however are not authorized under any circumstances.

31) Additional derivatives strategies must be authorized by this Investment Policy Statement prior to being utilized within the Fund.

32) Given the nature of many investment managers' mandates, it is recognized and understood that

Statement of Investment Policy *(Continued)*

PENSION - INCLUDES THE 401(H) INVESTMENTS *(Continued)*

investment managers retained by the Fund use derivatives that are contrary to paragraphs 28 and 29 above.

INVESTMENT RESTRICTIONS

33) Investment management agreements will be established for each investment manager retained by the System. Such agreements shall specify any policies, risk controls, portfolio characteristics, reporting requirements, and other requirements or restrictions that may be applicable to the manager.

INVESTMENT COSTS

34) The Board intends to monitor and control investment costs at every level of the System.

  a) Professional fees will be negotiated whenever possible.

  b) Where appropriate, passive portfolios will be used to minimize management fees and portfolio turnover.

  c) If possible, assets will be transferred in-kind during manager transitions and Fund restructurings to eliminate unnecessary turnover expenses.

  d) Managers will be instructed to minimize brokerage and execution costs.

35) The Board will be provided reports on investment costs of the Fund at least annually.

VALUATION OF INVESTMENTS

36) The Fund's investments shall be valued using market values or other suitable methods of valuation. The frequency of valuation shall be dependent upon the nature of the asset.

37) Where a public market price is not available for an investment, a suitable method of valuation shall be used including the use of: discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate. Independent, qualified appraisers may be used to provide valuations or verify the reasonableness of internal valuations.

OTHER

38) Appendix A contains additional policy guidelines concerning hedge funds.

39) Appendix B contains the long-term Policy Benchmark.

40) Appendix C contains language on private real estate.

41) Exceptions to this Investment Policy Statement must be approved by the Board.

POLICY REVIEW & HISTORY

42) This policy will be reviewed at least annually.

43) This policy was most recently reviewed on May 21, 2015.

Appendix A ABSOLUTE RETURN PORTFOLIO

(For purposes of this Appendix, the "Absolute Return" portfolio refers to the hedge fund strategies allocation within the Absolute Return asset class.)

Objectives

1) The absolute return portfolio will be managed to achieve the following long-term portfolio objectives:

   a) Return: To earn an annualized return that exceeds the annualized rate of return of the three-month LIBOR by 5%

   b) Risk: To exhibit a forecast and realized annualized volatility between 4% and 8%;

   c) Beta: To achieve an absolute value Beta to the MSCI World <= 0.20

2) The policy benchmark of the absolute return portfolio is the *Hedge Fund Research, Inc. All Macro Index*

Portfolio Characteristics

3) The portfolio will be structured:

   a) To be a diversified, global portfolio with superior risk return characteristics;

   b) To include multiple absolute return strategies;

   c) To exclude direct allocations to equity and credit strategy classified funds, and target limited exposure on a look through basis;

   d) To have low correlation to traditional market indices, lowering overall portfolio risk; and

   e) To reduce downside participation in severe bear markets.

Target Allocation

Strategy	Targeted Exposures
Relative value	25 - 50%
Macro / directional	35 - 75%
	Residual Exposures via Multi-Strategy Funds
Equity long/short	0 - 15%
Macro/directional	0 - 10%

Portfolio Constraints

4) The absolute return portfolio will be subject to the following constraints:

   a) No aggregate investment with any single investment manager should represent more than 15%

of the absolute return portfolio

b) No initial investment with any single investment manager should represent more than 2.5% of the total plan

c) No investment with any single manager should exceed 10% of the manager's total assets under management

d) No single fund should contribute more than 20% to the expected risk of the absolute return portfolio, as measured by the fund's contribution to the 3 year standard deviation of the Current Systematic series as generated by Albourne, and illustrated in their monthly risk reports. The Current Systematic Series represents "forecast risk" and is a return series constructed from the portfolio's aggregate systematic exposures at the end of the month held static while the factor performance is varied going back in time.

5) Any breach of paragraph 3 above requires notification to the Investment Committee to discuss appropriate action.

Definition and use of Leverage

Leverage is a condition where the net potential monetary exposure of an obligation exceeds the value of the underlying assets, which support the obligation.

The underlying funds in the absolute return portfolio shall use leverage in a prudent manner that is consistent with leverage applied in similar hedge fund strategies.

Staff and absolute return consultant will monitor leverage levels at both the fund and total portfolio level.

Appendix B

LONG-TERM POLICY BENCHMARK

Federated City Employees' Retirement System

Asset Class	Benchmark	Target(%)
TOTAL EQUITY		-
Global equity	MSCI ACWI IMI	28%
Private equity	Cambridge Associates Private Equity Composite	9%
TOTAL FIXED INCOME		-
Fixed income	Barclays Global Aggregate	24%
TOTAL ABSOLUTE RETURN		-
Commodities	Bloomberg Commodity	6%
Infrastructure	DJ Brookfield Global Infrastructure	5%
Natural Resources	S&P Global Natural Resources	5%
Real Estate	NCREIF Property	7%
TOTAL INFLATION-LINKED ASSETS		-
Absolute Return	HFRI All Macro Index	11%
GTAA/ Opportunistic	60/40	5%

Appendix C PRIVATE REAL ESTATE

Definitions

Private Real Estate Funds are defined as interests in Real Estate Funds or Fund of Funds that invest in real estate assets ("Real Estate Funds"). Real estate assets are properties, including land and/or structures, designed for commercial or residential use.

Core real estate investments include both private and public investments. Private core real estate funds can be either open-ended or closed-ended, with the former being more common and typically providing additional liquidity options to investors.

Non-Core strategies generally encompass greater risk, whether through increased use of leverage, greater reliance on renovation or development, a focus on secondary markets, or a number of other factors. In return for taking on greater risk, investors in non-core real estate strategies expect to be compensated via higher returns. Non-core allocations can include strategies such as value-added, opportunistic, or real estate debt.

Investment Types

1) Examples of real estate assets in which Private Real Estate Funds may invest include, but are not limited to, the following types of properties:

    a) Apartment/multi-family

    b) Industrial

    c) Office

    d) Retail

    e) Residential

    f) Hotel

Direct Real Estate Investments

The San José Federated Employees' Retirement System previously maintained a separate set of Real Estate guidelines which were intended to govern direct investments in real estate assets. The Retirement System does not currently hold any direct real estate investments, so the prior guidelines are not applicable to the current portfolio. Should the Retirement System evaluate a direct real estate investment in the future, the prior guidelines will be updated.

HEALTHCARE (Continued)

1) This investment policy statement governs investments for the City of San José Federated City Employees' Retiree Health Care Trust Fund ("the Fund"). The Fund is an Internal Revenue Code Section 115 trust which was established on June 24, 2011. The Fund is outside of the Federated City Employees' Retirement System ("System") for the payment of retiree healthcare benefits in order to provide an alternative to the existing 401(h) account, which is within the System.

2) Fund will be managed as an ongoing concern with a long-term investment time horizon, consistent with the demographic profile of the members and beneficiaries of the System.

INVESTMENT OBJECTIVES

3) The primary objective of the investment portfolio is to provide a funding source for the subsidizing of postretirement healthcare benefits to members of the San José Federated City Employees' Retirement System and their beneficiaries.

    a) A range of risks will be monitored in connection with the Fund, with an emphasis on the risk of loss of Fund assets.

4) In developing the investment policies of the Fund, various factors will be considered including, but not limited to:

    a) The structure and duration of the Fund's liabilities.

    b) Modern Portfolio Theory.

    c) The portfolio management practices followed by other institutional investors.

    d) The liquidity needs of the Fund.

FIDUCIARY STANDARDS

5) The Trustees are subject to the following duties under law:

    a) The assets of the Fund are trust funds and shall be held for the exclusive purposes of providing benefits to members of the System and their beneficiaries and defraying reasonable expenses of administering the Fund.

    b) The Trustees shall discharge their duties with respect to the Fund solely in the interest of, and for the exclusive purposes of providing benefits to, members of the System and their beneficiaries, maintaining the actuarial soundness of the System, and defraying reasonable expenses of administering the Fund. The Trustees' duties to the members and their beneficiaries shall take precedence over any other duty.

    c) The Trustees shall discharge their duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims.

    d) The Trustees shall diversify the investments of the Fund so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

6) Investment staff, investment consultants, investment managers, custodians and all other parties

HEALTHCARE (Continued)

charged with handling the Fund's assets shall utilize the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims, and shall comply with all applicable laws, rules and regulations.

FUND GOVERNANCE

7) The governance structure of the Fund is described in the City Charter and in various governance policies established by the Board of Administration, including but not limited to:

   a) Policy on the Role of the Board of Administration

   b) Policy on the Role of the Investment Committee

   c) Policy on the Role of the Director of Retirement Services

   d) Policy on the Role of the Chief Investment Officer

   e) Policy on Roles in Vendor Selection

ASSET ALLOCATION

8) The current asset allocation policy of the Fund (at market value) as of 12/31/2012 is set out below:

Federated City Employees' Retiree Health Care Trust Fund			
Broad Asset Class	**Minimum**	**Target**	**Maximum**
Global equity	53%	59%	65%
Fixed income	23%	28%	33%
Real assets	8%	13%	18%
Total		**100%**	

9) The Trustees are committed to implementing and maintaining the above asset allocation policy, but also recognizes that circumstances may arise where it is not possible or practical to timely implement or maintain the policy. In such circumstance, the Trustees will monitor the status of the asset allocation policy and seek to comply with the policy when it is possible and prudent to do so.

10) The asset allocation policy of the Fund will be reviewed at a minimum every five years.

11) The Trustees will also approve an Investment Structure, which provides additional detail as to the allocation of assets to categories of investment within the broad asset classes that comprise the asset allocation policy.

REBALANCING

12) The asset allocation of the Fund will be monitored on a monthly basis and the assets of the Fund are to be rebalanced, by Staff, to within the target ranges when fluctuations in market values cause the portfolio to fall outside the guideline ranges set out above. Such re-balancing shall occur as soon as practical unless the approval of the Investment Committee is obtained.

13) When re-balancing, funds will generally be taken from accounts that are most significantly above their approved ranges and will be transferred to accounts that are most significantly below their

HEALTHCARE (Continued)

approved ranges until allocation is within the guideline ranges, also taking into account liquidity and transactional cost considerations. An asset allocation overlay service may be engaged to monitor allocation and to initiate rebalancing actions to maintain the portfolio in accordance with these guidelines. The Fund will be rebalanced to tactical rather than long-term target allocations in circumstances where the Trustees have approved a tactical allocation.

DIVERSIFICATION

14) Investments shall be diversified with the intent to minimize the risk of large investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual issues, issuers, or industries. Furthermore, assets will be assigned to a variety of investment managers that employ a range of investment management strategies.

LIQUIDITY MANAGEMENT

15) The projected cash flow needs of the Fund are to be reviewed at least quarterly and the custodian and investment managers of the Fund are to be informed in writing in a timely manner of the liquidity needs of the Fund. If necessary, cash flow needs will be coordinated through the Fund’s rebalancing provisions contained herein.

PROXY VOTING

16) The Trustees recognize that the voting of proxies is important to the overall performance of the System. The Trustees have delegated the responsibility of voting all proxies to the investment managers or a third party service provider. The Trustees expect that the proxy voting service will execute all proxies in a timely fashion and in the best interest of plan members and beneficiaries. Also, the Trustees expect the managers to provide a full accounting of all proxy votes, and upon request, a written explanation of individual voting decisions. The Trustees intend to review the managers’ proxy voting on at least an annual basis.

HIRING & TERMINATING INVESTMENT MANAGERS

17) Investment managers should meet the following criteria in order to be considered to manage the assets of the Fund.

    a) Be capable of providing adequate and satisfactory information on the history of the firm, key personnel, key clients, fee schedules, and support personnel. Such information must demonstrate acceptable financial and staff stability and longevity.

    b) Be able to clearly articulate the investment strategy that will be followed and demonstrate that the strategy has been successfully adhered to over time.

    c) Have no past or outstanding legal judgments against them, which reflect negatively upon the firm or call into question the ability of the firm to serve as a fiduciary of the System.

18) As a general rule, Fund assets placed with an investment manager should not represent more than 10% of the total assets managed by that firm. Exceptions to this rule shall require the approval of the Trustees.

HEALTHCARE (Continued)

MONITORING INVESTMENT MANAGERS

19) The Fund's investment managers will be monitored on an ongoing basis and may be terminated by the Fund at any time due to performance or other developments that call into question the manager's ability to continue to effectively manage assets of the Fund.

20) The majority of the Fund's assets are currently passively managed, in which case the manager should be expected to produce long-term returns that are reasonably close to those of the relevant benchmark. For any active investment managers, quarterly performance will be measured and evaluated relative to appropriate long-term performance benchmark and objectives, though it is understood that investment managers will, from time to time, underperform their benchmarks and objectives. Persistent underperformance by an investment manager, however, will be viewed as the basis for an extraordinary review of that manager and the manager's potential termination.

21) Certain other events may also trigger an extraordinary review, and possible termination, of an investment manager. These include, but are not limited to:

a) Failure to adhere to the terms of a contract between the manager and the Fund.

b) Loss of an investment professional(s) directly responsible for managing the Fund's assets, or who is/are so significant to the firm's overall investment process as to call into question the future efficacy of that process.

c) The sale of the investment management firm to another entity, or other change in ownership.

d) The purchase of another entity by the investment management firm.

e) Significant account losses and/or extraordinary addition of new accounts.

f) Regulatory actions against the firm, particularly any that represent violations of securities laws and regulations.

g) Any other event which may impair the manager's ability to perform in a satisfactory manner or puts the Fund's assets at undue risk of loss.

DERIVATIVE SECURITIES

22) Derivative securities are financial instruments that "derive" their value from an underlying commodity, index, or security. Examples include futures, options and forward contracts. Derivatives can provide a cost-effective means of managing portions of a portfolio and to manage risk through hedging activities. Examples of such uses include:

a) Equitizing cash during portfolio transitions until "physical" securities are in place.

b) Managing asset allocation on a temporary basis.

c) Hedging foreign currency risk, subject to approved limits.

23) In general, the use of derivatives for the purposes noted above, and similar risk management purposes, is supported by the Investment Committee and the Trustees. Speculative positions in

HEALTHCARE (Continued)

derivatives however are not authorized under any circumstances.

24) The Fund is currently authorized to use derivatives strategies to equitize cash during portfolio transitions until physical securities are in place, and to reproduce or replicate a physical holding that corresponds to a Board-approved policy benchmark. Additional derivatives strategies must similarly be authorized by this Investment Policy Statement prior to being utilized within the Fund.

25) Given the nature of many commodity manager mandates, it is recognized and understood that commodity managers retained by the Fund may use derivatives that are contrary to paragraphs 23 and 24 above.

INVESTMENT RESTRICTIONS

26) Fund assets are currently invested primarily in mutual fund investment vehicles, given the current asset size of the Fund. The type of investment vehicles utilized by the Fund will be revisited as the asset size of the Fund increases. In instances when the Fund invests through a commingled fund or separate account, investment management agreements will be established for each investment manager retained by the Fund. Such agreements shall specify any policies, risk controls, portfolio characteristics, reporting requirements, and other requirements or restrictions that may be applicable to the manager.

INVESTMENT COSTS

27) The Trustees intend to monitor and control investment costs at every level of the Fund.

a) Professional fees will be negotiated whenever possible.

b) Where appropriate, passive portfolios will be used to minimize management fees and portfolio turnover.

c) If possible, assets will be transferred in-kind during manager transitions and Fund restructurings to eliminate unnecessary turnover expenses.

d) Managers will be instructed to minimize brokerage and execution costs.

VALUATION OF INVESTMENTS

28) The Fund’s investments shall be valued using market values or other suitable methods of valuation. The frequency of valuation shall be dependent upon the nature of the asset.

29) Where a public market price is not available for an investment, a suitable method of valuation shall be used including the use of: discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics or other pricing models as appropriate. Independent, qualified appraisers may be used to provide valuations or verify the reasonableness of internal valuations.

OTHER

30) Appendix A contains the long-term Policy Benchmark.

31) Exceptions to this Investment Policy Statement must be approved by the Trustees.

Statement of Investment Policy *(Continued)*

HEALTHCARE (Continued)

POLICY REVIEW & HISTORY

32) This policy will be reviewed at least annually.

33) This policy was most recently reviewed on May 21, 2015.

Appendix A

LONG-TERM POLICY BENCHMARK

Federated City Employees' Retiree Heatlh Care Trust Fund		
Asset Class	**Benchmark**	**Target (%)**
Global Equity		
	Russell 3000	26.5%
	MSCI EAFE	26.5%
	MSCI Emerging Markets	6.0%
Fixed Income		
Investment grade	Barclays Aggregate Float Adjusted	16.0%
TIPS	Barclays US TIPS	12.0%
Real Assets	Risk Parity Commodities	13.0%

Investment Professionals

As of June 30, 2015

GLOBAL EQUITY

Aberdeen
Frontier Equity
New York, NY

Amici Capital
Amici Fund
New York, NY

Artisan Partners LP
Global Value Equity
San Francisco, CA

Cove Street
Small Cap Value
El Segundo, CA

Horizon
Horizon Portfolio Limited
London, England

Marshall Wace Funds PLC
MW Eureka Fund
London, England

Northern Trust Global Investments
MSCI EAFE Index
MSCI EAFE Small Cap Index
Russell 3000 Index
Chicago, IL

Sandler Associates
Sandler Plus Fund
New York, NY

Senator Investment Group
Global Opportunity Fund
New York, NY

Vanguard (Healthcare Trust)
Developed Markets Index
Emerging Markets Stock Index
Russell 3000 Index
Valley Forge, PA

Vontobel
Global Emerging Markets
New York, NY

PRIVATE EQUITY

Great Hill Partners
Great Hill Equity Partners IV, L.P.
Boston, MA

Pantheon Ventures (US) LP
Pantheon USA Fund VII LP
Pantheon Global Secondary Fund III "B" LP
San Francisco, CA

Partners Group (US) LP
Partners Group Secondary 2008
Parthers Group Secondary 2011
New York, NY

Pathway Capital Management
Pathway Private Equity Fund VIII, LLC
Irvine, CA

GLOBAL FIXED INCOME

Claren Road
Credit Master Fund
New York, NY

Davidson Kempner Capital Management
Institutional Partners Fund
New York, NY

Northern Trust Global Investments
0-5 Year TIPS
1-10 Year Intermediate Government Bond
Aggregate Bond Index(Healthcare Trust)
Chicago, IL

Vanguard (Healthcare Trust)
Short-term Inflation-Protected Securities
Valley Forge, PA

PRIVATE DEBT

GSO Capital Partners
GSO SJ Partners
New York, NY

Medley Capital
Opportunity Fund II
San Francisco, CA

White Oak Global Advisors
Direct Lending
San Francisco, CA

REAL ASSETS

American Realty Advisors
(Pension & Healthcare Trusts)
American Core Realty Fund
Glendale, CA

Credit Suisse Asset Management
(Pension & Healthcare Trusts)
Risk Parity Commodity Fund, LP
New York, NY

DRA Advisors, LLC
DRA Growth & Income Fund V
DRA Growth & Income Fund VI
DRA Growth & Income Fund VII
DRA Growth & Income Fund VIII
New York, NY

LongWharf Real Estate Partners
Fidelity Real Estate Growth Fund III, LP
Boston, MA

First Quadrant LP (Pension & Healthcare Trusts)
FQ Balanced Risk Commodity Fund Ltd.
Pasadena, CA

GE Asset Management
GEAM Value Add Realty Partners, L.P.
Stamford, CT

RhumbLine Advisers
DJ Brookfield Infrastructure Index
S&P Global LargeMidCap NaturalResources Index
Boston, MA

Prudential Real Estate Investors
PRISA
Newark, NJ

Investment Professionals *(Continued)*

As of June 30, 2015

ABSOLUTE RETURN

Arrowgrass Capital Partners
International Fund
New York, NY

Brevan Howard Asset
Management
Multi-Strategy Fund
New York, NY

DE Shaw Group
Composite International Fund
New York, NY

Hudson Bay
International Fund
New York, NY

Kepos Capital
Alpha Fund
New York, NY

Pine River Capital Management
Pine River Fund
Minnetonka, MN

Systematica Investments
BlueTrend Fund
New York, NY

CONSULTANTS

Albourne America LLC
Absolute Return Advisors
San Francisco, CA

Meketa Investment Group
General Consultant
Carlsbad, CA

CUSTODIAN

State Street Bank & Trust
Company
Boston, MA

PROXY VOTING

Glass Lewis & Co. LLC
San Francisco, CA

PORTFOLIO OVERLAY SERVICES

Russell Investments
Seattle, WA

Schedule of Investment Results for Pension Trust

GROSS AND NET PERFORMANCE SUMMARY BY ASSET CLASS

For Periods Ended June 30, 2015

	One Year	Three Years	Five Years	Ten Years
Total Fund (gross of fees)	**-0.9%**	**7.0%**	**7.1%**	**5.2%**
Total Fund (net of manager fees)	**-1.0%**	**6.9%**	**7.0%**	**5.0%**
Total Fund Without Overlay (gross of fees)	**-0.7%**	**6.7%**	**7.1%**	**5.2%**
Total Fund Without Overlay (net of manager fees)	**-0.8%**	**6.6%**	**7.0%**	**5.0%**
Policy Benchmark	-1.3%	7.0%	7.8%	5.4%
Master Trust Public Funds > $1 Billion (Median)	2.5%	10.2%	10.5%	6.4%
Total Global Equity	**0.8%**	**13.4%**	**12.2%**	**N/A**
MSCI ACWI IMI	0.8%	13.3%	12.2%	6.7%
Total Real Estate	**22.0%**	**14.9%**	**14.4%**	**5.9%**
NCREIF Property Index (lagged one quarter)	13.0%	11.7%	12.7%	8.2%
Total Private Equity	**13.5%**	**14.1%**	**13.8%**	**N/A**
Cambridge Associates Private Equity Composite (lagged over one quarter)	5.8%	12.7%	13.3%	11.7%
Total Absolute Return	**4.9%**	**N/A**	**N/A**	**N/A**
HFRI Relative Value Index	1.5%	6.5%	6.3%	6.4%
HFRI Macro: Discretionary Thematic Index	-%	1.7%	1.1%	N/A
Total Real Assets	**-10.4%**	**-1.3%**	**1.8**	**N/A**
Dow Jones Brookfield Global Infrastructure Index	3.7%	12.3%	15.8%	10.4%
S&P Global Natural Resources	-17.6%	-0.8%	2.0%	4.8%
Bloomberg Commodity Index	-23.7%	-8.8%	-3.9%	-2.6%
Total Global Fixed Income	**-0.8%**	**2.4%**	**N/A**	**N/A**
Barclays Global Aggregate	-7.1%	-0.8%	2.1%	3.5%
Total Private Debt	**4.0%**	**8.5%**	**N/A**	**N/A**
3-month LIBOR + 5%	5.3%	5.3%	5.3%	6.9%

Basis of Calculation: *Time-Weighted Rate of Return*

Source: Meketa Investment Group's Fund Evaluation Report dated June 30, 2015

Schedule of Investment Results for Healthcare Trust

NET PERFORMANCE SUMMARY BY ASSET CLASS

For Periods Ended June 30, 2015

	2Q2015	Calendar YTD	One Year	Three Years	Since Inception
Total Fund (net of manager fees)	**0.8%**	**2.2%**	**-2.7%**	**7.2%**	**5.5%**
Policy Benchmark	0.3%	0.7%	-3.4%	7.0%	4.7%
Total Global Equity	**2.1%**	**5.7%**	**1.6%**	**14.2%**	**13.4%**
MSCI ACWI IMI	0.5%	3.1%	0.8%	13.3%	12.7%
Total Fixed Income	**-1.0%**	**0.4%**	**0.9%**	**0.7%**	**1.7%**
Barclays Global Aggregate	-1.2%	-3.1%	-7.1%	-0.8%	-0.1%
Total Real Assets	**1.3%**	**-5.0%**	**-22.7%**	**-7.6%**	**-9.5%**
Bloomberg Commodity Index	4.7%	-1.6%	-23.7%	-8.8%	-11.1%
S&P Global Natural Resources	0.1%	-2.5%	-17.6%	-0.8%	-5.4%
Dow Jones Brookfield Global Infrastructure Index	-2.6%	-3.6%	-3.7%	12.3%	11.9%
NCREIF ODCE Weighted (net)	3.7%	7.0%	13.6%	11.9%	12.1%

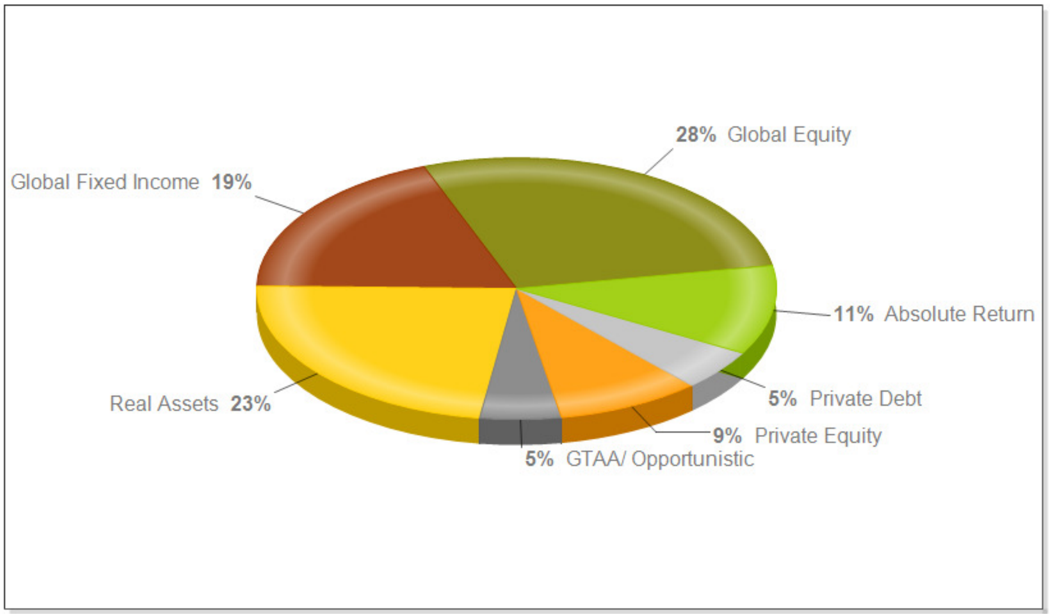
Basis of Calculation: *Time-Weighted Rate of Return*

Source: Meketa Investment Group's Fund Evaluation Report
dated June 30, 2015

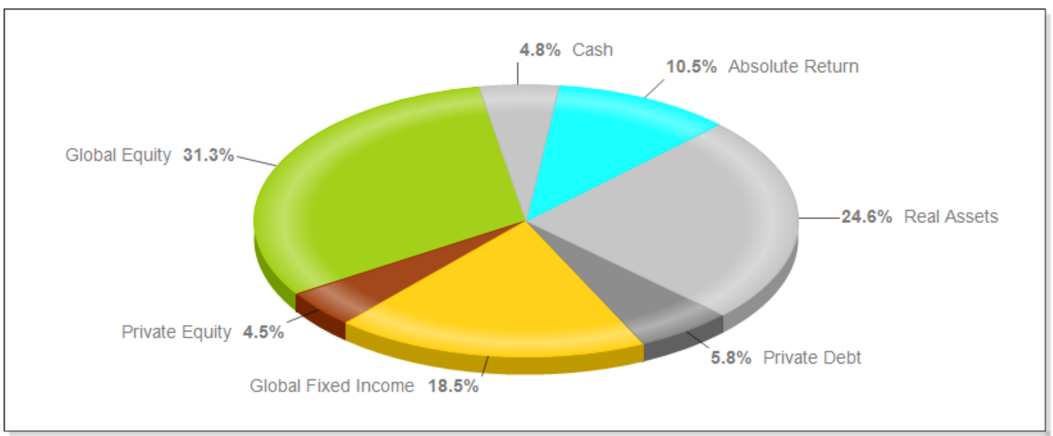
Pension Investment Review

INCLUDES THE 401(H) INVESTMENTS

TARGET ASSET ALLOCATION *As of June 30, 2015*



ACTUAL ASSET ALLOCATION *As of June 30, 2015*
Non-GAAP Basis

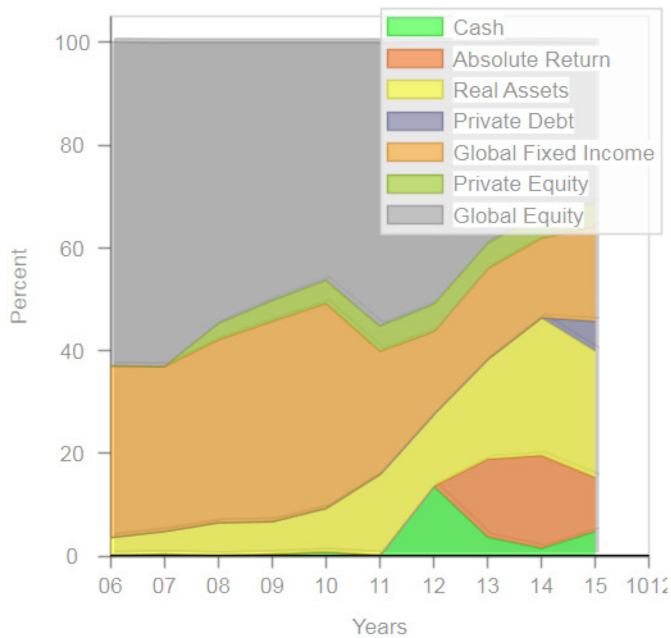


	Actual Allocation	$ In Millions
Global Equity	31.30 %	$628.80
Private Equity	4.50 %	$90.08
Global Fixed Income	18.50 %	$370.48
Private Debt	5.80 %	$116.22
Real Assets	24.60 %	$494.14
Absolute Return	10.50 %	$209.90
Cash	4.80 %	$96.65
TOTAL	**100 %**	**$2,006.28**

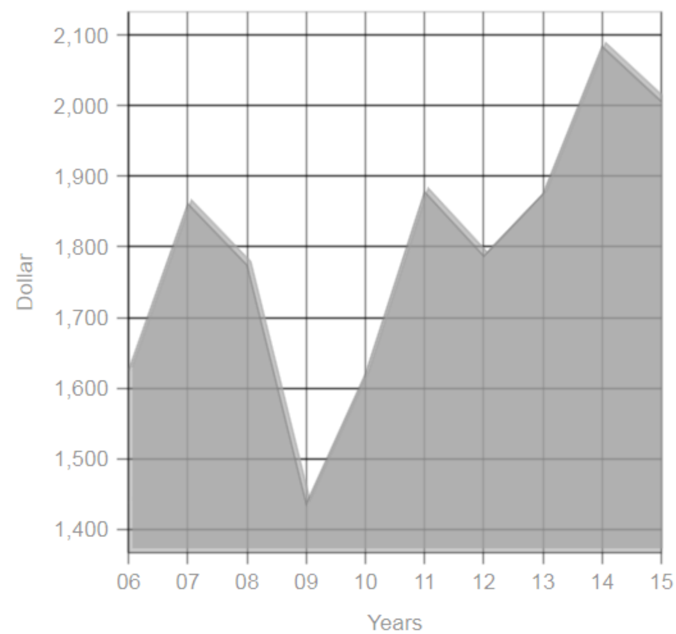
Pension Investment Review *(Continued)*

INCLUDES THE 401(H) INVESTMENTS (Continued)

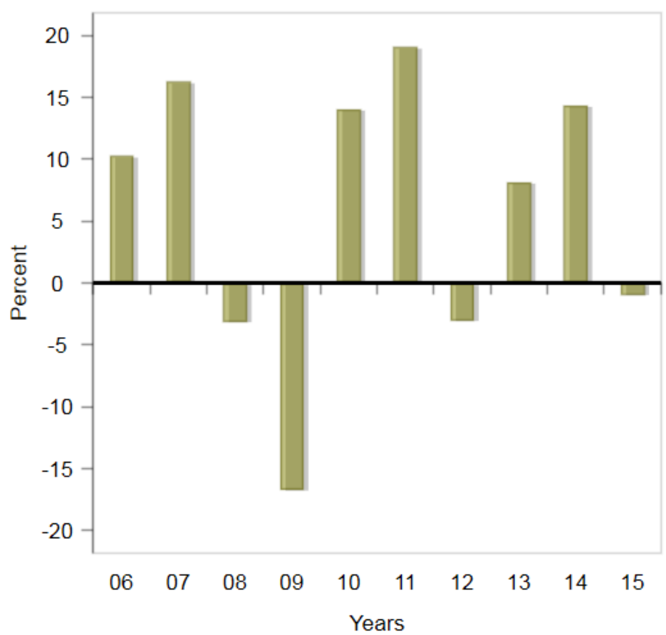
HISTORICAL ASSET ALLOCATION (Actual)
As of June 30, 2006- June 30, 2015



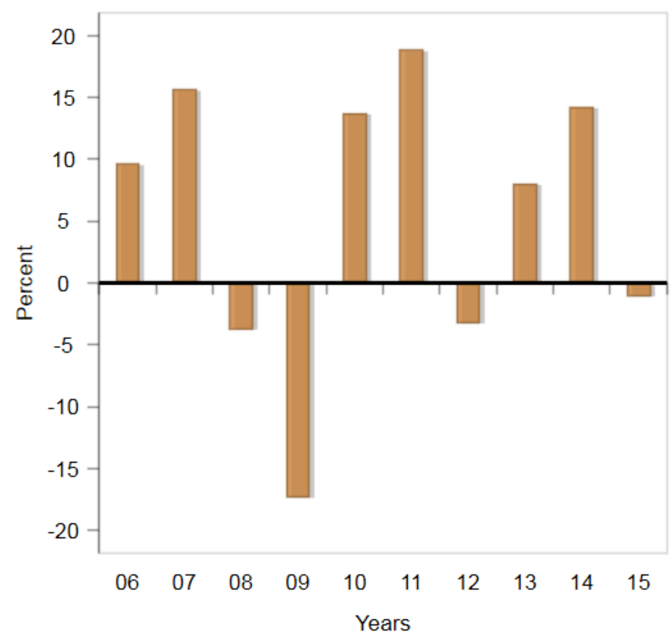
MARKET VALUE GROWTH OF PLAN ASSETS
For Ten Years Ended June 30, 2015 (Dollars in Millions)



HISTORY OF GROSS PERFORMANCE
For Fiscal Years 2006 - 2015
(Based on Fair Value)



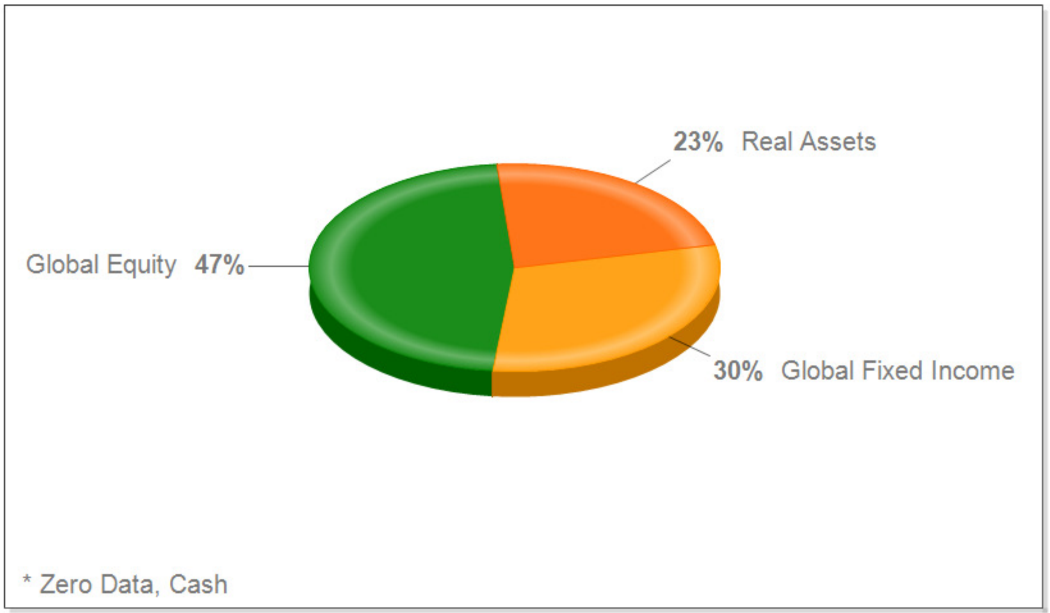
HISTORY OF NET PERFORMANCE
For Fiscal Years 2006 - 2015
(Based on Fair Value, Net of Fees)



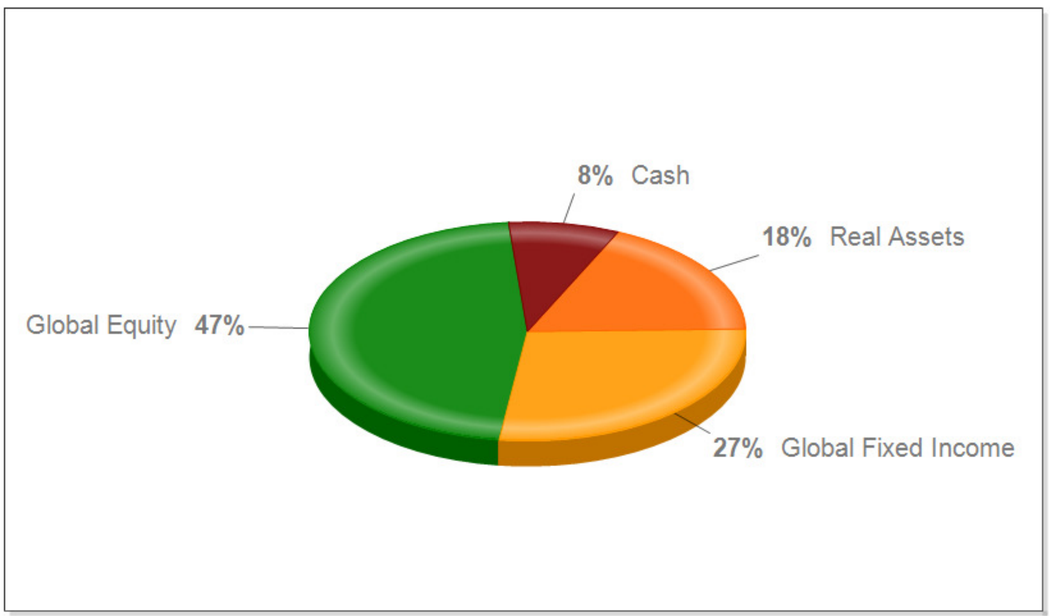
Pension Investment Review

HEALTHCARE

TARGET ASSET ALLOCATION *As of June 30, 2015*



ACTUAL ASSET ALLOCATION *As of June 30, 2015*
Non-GAAP Basis

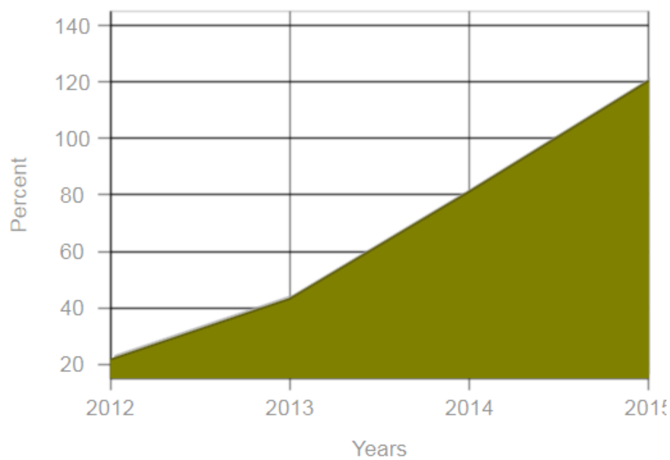


	Actual Allocatior	$ In Millions
Global Equity	46.60 %	$56.12
Global Fixed Income	27.20 %	$32.74
Real Assets	17.90 %	$21.61
Cash	8.30 %	$10.04
TOTAL	100.00 %	$120.51

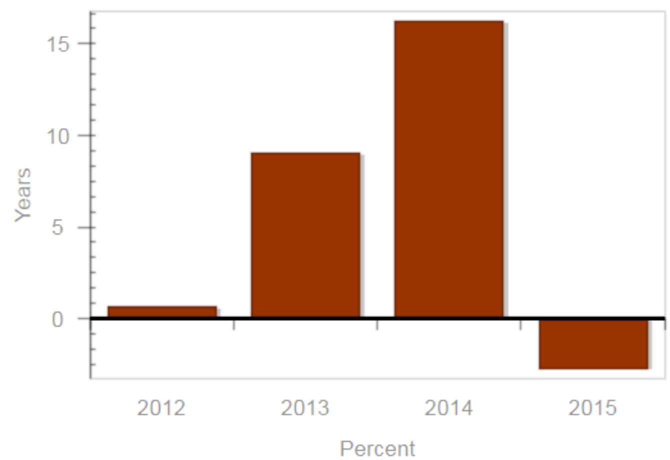
Pension Investment Review *(Continued)*

HEALTHCARE (Continued)

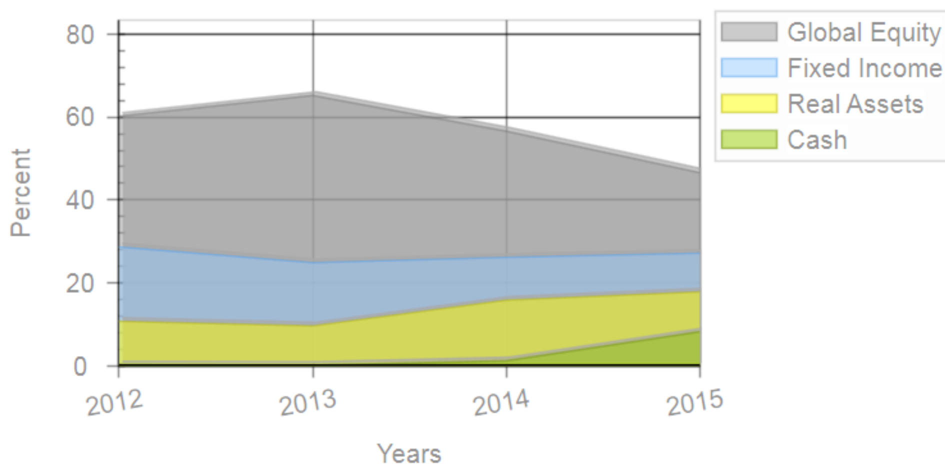
MARKET VALUE GROWTH OF PLAN ASSETS
For Four Years Ended June 30, 2015 (Dollars in Millions)



HISTORY OF NET PERFORMANCE
For Fiscal Years 2013 - 2015
(Based on Market Value)



HISTORICAL ASSET ALLOCATION (Actual)
As of June 30, 2013 - June 30, 2015



List of Largest Assets Held

LARGEST DISCLOSABLE STOCK HOLDINGS (by Market Value) For Pension
June 30, 2015

Description	Country	Shares	Market Value ($US)
KINDER MORGAN INC	United States	290,264	$ 11,143,235
NATIONAL GRID PLC	United Kingdom	687,413	$ 8,834,706
ORACLE CORP	United States	204,435	$ 8,238,731
MONSANTO CO	United States	74,338	$ 7,923,687
ENBRIDGE INC	Canada	151,900	$ 7,106,796
ROYAL BANK OF SCOTLAND GROUP	United Kingdom	1,261,089	$ 6,971,353
BANK OF NEWYORK MELLON CORP	United States	164,826	$ 6,917,747
AMERICAN TOWER CORP	United States	71,906	$ 6,708,111
WILLIAMS COS INC	United States	114,600	$ 6,576,894
EXXON MOBIL CORP	United States	78,077	$ 6,496,006

A complete list of portfolio holdings is available upon request.

LARGEST DISCLOSABLE BOND HOLDINGS (By Market Value) For Pension
June 30, 2015

Security Name	Country	Maturity Date	Interest Rate	Shares	Market Value ($US)
TSY INFL IX N/B	United States	04/15/5018	0.13%	13,623,236	$ 14,072,394
TSY INFL IX N/B	United States	04/15/2017	0.13%	12,257,669	$ 12,679,088
TSY INFL IX N/B	United States	01/15/2015	1.63%	12,451,643	$ 12,655,975
TSY INFL IX N/B	United States	04/15/2016	0.13%	10,889,549	$ 11,175,399
TSY INFL IX N/B	United States	04/15/2015	0.50%	6,202,016	$ 6,291,635
TSY INFL IX N/B	United States	07/15/2016	2.50%	5,305,486	$ 5,757,301
TSY INFL IX N/B	United States	07/15/2015	1.88%	5,532,853	$ 5,746,365
TSY INFL IX N/B	United States	01/15/2016	2.00%	5,422,213	$ 5,716,639
TSY INFL IX N/B	United States	01/15/2018	1.63%	4,163,920	$ 4,541,588
TSY INFL IX N/B	United States	07/15/2017	2.63%	3,940,150	$ 4,398,650

A complete list of portfolio holdings is available upon request.

Schedule of Investment Fees

For the Pension Trust for Fiscal Year Ended June 30, 2015

Pension - Includes the 401(h) Investments

	Assets Under Management at Market Value*	Fees	Basis Points
Investment Managers' Fees			
Global equity	$ 684,919,000	$ 2,962,549	43
Private equity	90,081,000	698,065	77
Global fixed income	403,220,000	1,157,285	29
Opportunistic/ Private debt	116,222,000	1,178,738	101
Real assets	515,756,000	1,852,920	36
Absolute Return	209,898,000	1,427,377	68
TOTAL INVESTMENT MANAGERS' FEES	**$ 2,020,096,000**	**$ 9,276,934**	**46**

** Includes cash in managers' accounts; non-GAAP basis*

	Fees
Other Investment Service Fees	
Investment consultants	$ 651,062
Custodian bank	273,231
Proxy voting	24,998
Investment legal fees	59,561
Other investment fees	66,386
TOTAL OTHER INVESTMENT SERVICE FEES	**$ 1,075,238**

Schedule of Commissions

For the Fiscal Year Ended June 30, 2015

Brokerage Firm	Shares/Par	Base Commissions	Base Comm Cost/Share
B			
B.RILEY & CO., LLC	33,410.000	$ 1,002.30	$ 0.0300
BAADER BANK AG	3,986.000	573.23	0.1438
BANK OF NEW YORK	6,472.000	194.16	0.0300
BARCLAYS CAPITAL LE	215,295.000	2,397.87	0.0111
BARCLAYS CAPITAL INC. LE	4,560.000	124.78	0.0274
BARCLAYS CAPITAL LE	4,251.000	64.03	0.0151
BB&T SECURITIES LLC	28,114.000	810.28	0.0288
BLOOMBERG TRADEBOOK LLC	19,557.000	391.14	0.0200
BMO CAPITAL MARKETS	4,502.000	57.28	0.0127
BNP PARIBAS SECURITIES (ASIA) LTD	543.000	21.72	0.0400
BNP PARIBAS SECURITIES CORPORATION	3,052.000	27.23	0.0089
BNP PARIBAS SECURITIES SERVICES	135,255.000	2,148.80	0.0159
BTG LLC	42,025.000	1,216.37	0.0289
C			
CANACCORDADAMS INC	11,955.000	239.10	0.0200
CANACCORDGENUITY INC	950.000	19.00	0.0200
CANTOR FITZGERALD + CO	81,064.000	2,198.08	0.0271
CANTOR FITZGERALD EUROPE	5,365.000	107.30	0.0200
CITIGROUPGLOBAL MARKET KOREA SECS LTD	309.000	605.93	1.9609
CITIGROUPGLOBAL MARKETS AUSTRALIA PTY	16,535.000	33.41	0.0020
CITIGROUPGLOBAL MARKETS INC	1,099,476.000	50,497.34	0.0459
CITIGROUPGLOBAL MARKETS INC SALOMON BRO	821.000	2,617.46	3.1881
CITIGROUPGLOBAL MARKETS LIMITED	657,100.000	3,731.64	0.0057
COWEN ANDCOMPANY, LLC	4,189.000	41.89	0.0100
CRAIG - HALLUM	472.000	9.44	0.0200
CREDIT LYONNAIS SECURITIES(ASIA)	556,000.000	385.41	0.0007
CREDIT SUISSE FIRST BOSTON (EUROPE)	351.000	841.32	2.3969
CREDIT SUISSE SECURITIES (EUROPE) LTD	199,236.000	1,821.79	0.0091
CREDIT SUISSE SECURITIES (USA) LLC	923,138.000	977.75	0.0011
CSFB AUSTRALIA EQUITIES LTD	55,385.000	50.21	0.0009
D			
DAIWA SECURITIES (HK) LTD	6,500.000	183.84	0.0283
DEUTSCHE BANK AG LONDON	70,465.000	216.32	0.0031
DEUTSCHE BANK SECURITIES INC	11,586,618.000	4,173.35	0.0004
DEUTSCHE MORGAN GRENFELL SEC	92,142.000	789.73	0.0086
DEUTSCHE SECURITIES ASIA LIMITED	255,205.000	482.16	0.0019
DOWLING & PARTNERS SECURITIES LLC	51,407.000	2,570.35	0.0500
F			

Schedule of Commissions *(Continued)*

For the Fiscal Year Ended June 30, 2015

Brokerage Firm	Shares/Par	Base Commissions	Base Comm Cost/Share
FIDELITY CAPITAL MARKETS	1,700.000	15.30	0.0090
FIRST ANALYSIS SECURITIES CORP	56,700.000	1,701.00	0.0300
G			
GABELLI & COMPANY	47,415.000	$ 1,422.45	$ 0.0300
GOLDMAN SACHS + CO	2,023,442.000	4,255.46	0.0021
GOLDMAN SACHS INTERNATIONAL	393,157.000	346.75	0.0009
H			
HIBERNIA SOUTHCOAST CAPITAL INC	25,400.000	762.00	0.0300
HSBC BANK PLC	31,090.000	443.14	0.0143
I			
ING BANK NV	12,487.000	25.09	0.0020
INSTINET	2,068,922.000	20,689.22	0.0100
INSTINET LLC	5,577.000	49.43	0.0089
INSTINET PACIFIC LIMITED	9,000.000	7.17	0.0008
INSTINET U.K. LTD	70,105.000	1,198.71	0.0171
INVESTMENT TECHNOLOGY GROUP INC	348,263.000	3,482.15	0.0100
INVESTMENT TECHNOLOGY GROUP LTD	353,548.000	4,167.57	0.0118
ISI GROUP INC	2,439.000	48.78	0.0200
ITG AUSTRALIA LTD	140,672.000	266.62	0.0019
ITG CANADA	931.000	8.36	0.0090
ITG INC	71,184.000	1,099.22	0.0154
ITG SECURITIES (HK) LTD	250,900.000	51.42	0.0002
J			
JEFFERIES + COMPANY INC	1,618,407.000	10,100.62	0.0062
JEFFERIES INTERNATIONAL LTD	1,841.000	45.57	0.0248
JMP SECURITIES	1,215.000	36.45	0.0300
JONES & ASSOCIATES INC	2,462.000	49.24	0.0200
JONESTRADING INSTITUTIONAL SERVICES LLC	77,372.000	2,321.16	0.0300
JP MORGAN CLEARING CORP	166,065.000	1,254.41	0.0076
JP MORGAN SECURITIES (FAR EAST) LTD SEOUL	3,652.000	494.49	0.1354
JPMORGAN SECURITIES(ASIA PACIFIC)LTD	8,000.000	6.32	0.0008
JP MORGAN SECURITIES INC	141,036.000	2,495.39	0.0177
JP MORGAN SECURITIES PLC	32,144.000	781.03	0.0243
K			
KEYBANC CAPITAL MARKETS INC	4,172.000	92.54	0.0222
KING CL & ASSOCIATES INC	1,880.000	56.40	0.0300
KNIGHT EQUITY MARKETS LP	6,200.000	186.00	0.0300
KOREA INVESTMENT AND SECURITIES CO LTD	193.000	291.40	1.5098

Schedule of Commissions *(Continued)*

For the Fiscal Year Ended June 30, 2015

Brokerage Firm	Shares/Par	Base Commissions	Base Comm Cost/Share
L			
LARRAIN VIAL	15,215.000	201.21	0.0132
LEERINK SWANN AND COMPANY	17,335.000	520.05	0.0300
LEK SECURITIES CORP	22,260.000	445.20	0.0200
LIQUIDNETASIA LIMITED	90,000.000	27.29	0.0003
LIQUIDNET INC	302,749.000	5,919.59	0.0196
M			
MACQUARIE BANK LIMITED	29,000.000	$ 9.09	$ 0.0003
MACQUARIE CAPITAL (EUROPE) LTD	432,494.000	2,109.01	0.0049
MACQUARIE CAPITAL (USA) INC	342,776.000	3,427.76	0.0100
MACQUARIE SEC NZ LTD	3,006.000	3.64	0.0012
MACQUARIE SECURITIES (USA) INC	3,248.000	32.48	0.0100
MERRILL LYNCH INTERNATIONAL	4,446,916.000	3,685.46	0.0008
MERILL LYNCH PIERCE FENNER + SMITH INC	84,955,413.500	71,252.32	0.0008
MERRILL LYNCH PIERCE FENNER AND S	471,409.000	131.99	0.0003
MITSUBISHI UFJ SECURITIES (USA)	10,500.000	504.41	0.0480
MIZUHO SECURITIES USA INC	400.000	20.17	0.0504
MORGAN STANLEY AND CO INTERNATIONAL	8,132.000	25.76	0.0032
MORGAN STANLEY CO INCORPORATED	18,849,353.800	1,744.60	0.0001
N			
NATIONAL FINANCIAL SERVICES CORP.	100.000	0.90	0.0090
NEEDHAM + COMPANY	500.000	15.00	0.0300
NOMURA FINANCIAL AND INVESTMENT	182.000	547.53	3.0084
NOMURA INTERNATIONAL PLC	7,059.000	122.61	0.0174
O			
OPPENHEIMER + CO INC	2,950.000	88.50	0.0300
P			
PERSHING LLC	5,934.000	152.27	0.0257
PERSHING SECURITIES LIMITED	95,057.000	1,102.26	0.0116
PIPER JAFFRAY	764.000	15.28	0.0200
RAYMOND JAMES AND ASSOCIATES	16,173.000	735.12	0.0455
RBC CAPITAL MARKETS	11,004.000	440.16	0.0400
RBC DOMINION SECURITIES INC	103,418.000	147.85	0.0014
REDBURN PARTNERS LLP	48,946.000	177.61	0.0036
ROBERT W BAIRD CO INCORPORATE	13,281.000	392.58	0.0296
ROYAL BANK OF CANADA EUROPE LTD	48,655.000	318.43	0.0065
S			
SAMSUNG SECURITIES CO LTD	142.000	400.18	2.8182
SANFORD C. BERNSTEIN LTD	135,064.000	790.36	0.0059
SANFORD C BERNSTEIN CO LLC	49,169.000	1,338.38	0.0272
SCOTIA CAPITAL (USA) INC	3,723.000	160.50	0.0431

Schedule of Commissions *(Continued)*
For the Fiscal Year Ended June 30, 2015

Brokerage Firm	Shares/Par	Base Commissions	Base Comm Cost/Share
SG AMERICAS SECURITIES LLC	462.000	23.10	0.0500
SIDOTI + COMPANY LLC	27,200.000	816.00	0.0300
SMBC SECURITIES INC	2,693.000	130.03	0.0483
SOCIETE GENERALE LONDON BRANCH	75,955.000	727.26	0.0096
STATE STREET BANK AND TRUST CO	24,793.000	425.81	0.0172
STERNE AGEE & LEACH INC	3,756.000	75.12	0.0200
STIFEL NICOLAUS + CO INC	34,942.000	1,546.00	0.0442
SUNTRUST CAPITAL MARKETS INC	5,226.000	104.52	0.0200
SVENSKA HANDELSBANKEN	8,242.000	260.90	0.0317
U			
UBS AG	1,200.000	$ 11.11	$ 0.0093
UBS LIMITED	136,607.000	3,615.09	0.0265
UBS SECURITIES ASIA LTD	118,377.000	116.59	0.0010
UBS SECURITIES LLC	27,419.000	274.19	0.0100
UBS SECURITIES PTE.LTD., SEOUL	464.000	1,383.50	2.9817
W			
WEEDEN + CO	2,207.000	15.45	0.0070
WELLS FARGO SECURITIES LLC	13,107.000	135.18	0.0103
WILLIAM BLAIR & COMPANY LLC	1,393.000	27.86	0.0200
TOTAL	**$ 135,179,647.300**	**$ 246,566.13**	**$ 0.0018**

Investment Summary

PENSION *As of June 30, 2015 (Dollars in Thousands)*
Includes the 401(h) Investments

Type of Investments	Fair Value		% of Portfolio
Total Equities			
Global equity	$	628,799	31.30 %
Private equity	$	90,081	4.50 %
Total Equities	**$**	**718,880**	**35.80 %**
Global fixed income	**$**	**370,483**	**18.50 %**
Real assets	**$**	**494,142**	**24.60 %**
Private Debt	**$**	**116,222**	**5.80 %**
Absolute Return	**$**	**209,898**	**10.50 %**
Collective short-term	**$**	**96,655**	**4.80 %**
TOTAL FAIR VALUE	**$**	**2,006,280**	**100.00 %**

Note: The amounts presented above may vary from the amounts presented in the financial statements due to the investment summary presenting amounts at the manager level and the financial statements presenting amounts at the security level.
**Includes cash to support synthetic exposure.*

HEALTHCARE *as of June 30, 2015 (Dollars in Thousands)*
115 Trust

Type of Investments	Fair Value		% of Portfolio
Equities	$	56,120	46.60 %
Fixed income	$	32,736	27.20 %
Real asset	$	21,614	17.90 %
Collective short-term investment*	**$**	**10,042**	**8.30 %**
TOTAL FAIR VALUE	**$**	**120,512**	**100.00 %**

Note: The amounts presented above may vary from the amounts presented in the financial statements due to the investment summary presenting amounts at the manager level and the financial statements presenting amounts at the security level.
** Includes cash to support synthetic exposure.*

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Actuarial Section

City of San José
Federated City Employees' Retirement System
Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2015
and June 30, 2014

CHEIRON — Classic Values, Innovative Advice

September 30, 2015

Board of Administration
City of San José Federated City Employees' Retirement System
1737 North 1st Street, Suite 580
San José, CA 95112

Dear Members of the Board:

The purpose of this letter is to provide the certification for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the City of San José Federated City Employees' Retirement System (System) with respect to pension benefits.

Actuarial Valuation Used for Funding Purposes

Actuarial valuations are performed annually, but prior to June 30, 2009, actuarial valuations were performed every other year. The most recent actuarial valuation was performed as of June 30, 2014. Please refer to that report for additional information related to the funding of the System.

We prepared the following schedules for inclusion in the Actuarial Section of the CAFR based on the June 30, 2014 actuarial valuation. All historical information prior to the June 30, 2010, actuarial valuation shown in these schedules is based on information reported by the prior actuary, Gabriel, Roeder, Smith and Company.

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Analysis of Financial Experience
- Solvency Test
- Schedule of Funding Progress
- Summary of Plan Provisions

The funding ratios shown in the solvency test and the schedule of funding progress are ratios compared to the funding target and are for the purpose of evaluating funding progress in a budgeting context. These ratios are not appropriate for measuring or assessing the solvency of the System or the sufficiency of System assets to cover the estimated cost of settling the System's benefit obligations.

The Board of Administration is responsible for establishing and maintaining the contribution policy for the System. The actuarial methods and assumptions used in the actuarial valuation are adopted by the Board of Administration with advice from the actuary. The actuarial cost method and the actuarial assumptions used for funding purposes are the same as those used for financial reporting purposes.

Board of Administration
September 30, 2015
Page 2

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2014 actuarial valuation updated to the measurement date of June 30, 2015. There were no significant events between the valuation date and the measurement date so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

Please refer to our GASB 67 report as of June 30, 2015 for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the CAFR based on the June 30, 2015, GASB 67 report.

- Change in Net Pension Liability
- Sensitivity of Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in Net Pension Liability and Related Ratios
- Notes to the Schedule of Employer Contributions

Reliance on the Information Provided by the System and Compliance with ASOPs and GAAP

In preparing our valuations and the schedules for the CAFR, we relied on information (some oral and some written) supplied by the City of San José Department of Retirement Services. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements for funding and financial reporting purposes may differ significantly from the current measurements presented in this CAFR due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and, changes in plan provisions or applicable law.

To the best of our knowledge, this letter and the schedules named above have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. The schedules provided for financial reporting purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter and these exhibits. This letter does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

CHEIRON

Board of Administration
September 30, 2015
Page 3

This letter and the schedules named above were prepared for the Plan for the purposes described herein. Other users of this information are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

Sincerely,
Cheiron

Gene Kalwarski, FSA, FCA, EA, MAAA	William R. Hallmark, ASA, FCA, EA, MAAA
Principal Consulting Actuary	Consulting Actuary

Actuarial Assumptions and Methods

Actuarial Assumptions

The wage inflation and discount rate assumptions were adopted by the Board of Administration with our input at the November 20, 2014 and December 18, 2014 Board meetings, respectively. All other assumptions were adopted at the October 20, 2011 Board meeting based on recommendations from our experience study covering plan experience during the period from July 1, 2005 through June 30, 2010.

1) Discount Rate

7.00% The Board expects a long-term rate of return of 7.58% based on Meketa's capital market assumptions and investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.

2) Interest Credited to Member Contributions

3.00%, compounded annually.

3) Administrative Expenses

0.70% of payroll is added to the normal cost of the system for expected administrative expenses.

4) Salary Increase Rate

Wage inflation component: 2.85%

In addition, the following merit component is added based on an individual member's years of service

Table B-1			
Salary Merit Increases			
Years of Service	Merit/ Longevity	Years of Service	Merit/ Longevity
0	4.50%	8	0.60
1	3.50	9	0.50
2	2.50	10	0.45
3	1.85	11	0.40
4	1.40	12	0.35
5	1.15	13	0.30
6	0.95	14	0.25
7	0.75	15 +	0.25

Actuarial Assumptions and Methods *(Continued)*

5) Family Composition

Percentage married is shown in the following Table B-2. Male retirees are assumed to be three years older than their partner, and female retirees are assumed to be two years younger than their partner.

Table B-2	
Percentage Married	
Gender	**Percentage**
Male	80%
Female	60%

6) Rates of Termination

Sample rates of termination are shown in the following Table B-3.

Table B-3			
Rates of Termination			
Age	**0 Years of Service**	**1-4 Years of Service**	**5 or more Years of Service**
20	20%	10.00%	5.50%
25	20	10.00	5.30
30	20	9.50	4.85
35	20	7.20	4.20
40	20	5.60	3.00
45	20	4.60	1.85
50	20	4.00	1.75
55	20	4.00	0.00
60	20	4.00	0.00
65	0	0.00	0.00

** Withdrawal/termination rates do not apply once a member is eligible for retirement*

20% of terminating employees are assumed to subsequently work for a reciprocal employer and receive 2.85% pay increases per year.

7) Rates of Refund

Tier 1:

Sample rates of vested terminated employees electing a refund of contributions are shown in the following Table B-4.

Table B-4	
Rates of Refund	
Age	**Refund**
20	40.0%
25	30.0
30	25.0
35	20.0
40	15.0
45	10.0
50	4.0
55	0.0

Tier 2:

Vested terminated employees are expected to take a refund if it exceeds the actuarial present value of their deferred benefit payment.

8) Rates of Disability

Sample disability rates of active members are provided in Table B-5.

Table B-5	
Rates of Disability at Selected Ages	
Age	**Disability**
20	0.030%
25	0.033
30	0.056
35	0.098
40	0.162
45	0.232
50	0.302
55	0.376
60	0.455
65	0.504
70	0.000

50% of disabilities are assumed to be duty-related, and 50% are assumed to be non-duty.

9) Rates of Mortality for Healthy Lives

Mortality rates for actives, retirees, beneficiaries, terminated vested and reciprocals are based on the male and female RP-2000 combined employee and annuitant tables. To reflect mortality improvements since the date of the table and to project future mortality improvements, the tables are projected to 2015 using scale AA and setback two years. The resulting rates are used for all age cohorts.

Table B-6		
Rates of Mortality for Active and Retired Healthy Lives at Selected Ages		
Age	**Male**	**Female**
20	0.0237%	0.0152%
25	0.0297	0.0155
30	0.0365	0.0196
35	0.0585	0.0344
40	0.0881	0.0484
45	0.1100	0.0747
50	0.1460	0.1092
55	0.2154	0.1841
60	0.4140	0.3639
65	0.8104	0.7094
70	1.4464	1.2471
75	2.4223	2.0673
80	4.3489	3.3835

100% of Tier 1 active member deaths and 99% of Tier 2 active member deaths are assumed to be service connected.

Actuarial Assumptions and Methods *(Continued)*

10) Rates of Mortality for Retired Disabled Lives

Mortality rates for disabled retirees are based on the CalPERS ordinary disability mortality tables from their 2000-2004 study for miscellaneous employees.

Table B-7		
Rates of Mortality for Disabled Lives at Selected Ages		
Age	Male	Female
20	0.664%	0.478%
25	0.719	0.492
30	0.790	0.512
35	0.984	0.548
40	1.666	0.674
45	1.646	0.985
50	1.632	1.245
55	1.936	1.580
60	2.293	1.628
65	3.174	1.969
70	3.870	3.019
75	6.001	3.915
80	8.388	5.555

11) Rates of Retirement

Rates of retirement for Tier 1 members are based on age according to the following Table B-8 – Tier 1.

Table B-8 Tier 1		
Rates of Retirement by Age and Service		
Age	Less than 30 Years of Service	30 or more Years of Service
50	0.0%	60.0%
51	0.0	60.0
52	0.0	60.0
53	0.0	60.0
54	0.0	60.0
55	17.5	50.0
56	8.5	50.0
57	8.5	50.0
58	8.5	50.0
59	9.5	50.0
60	9.5	50.0
61	16.0	50.0
62	16.0	50.0
63	16.0	50.0
64	16.0	50.0
65	25.0	60.0
66	25.0	60.0
67	25.0	60.0
68	25.0	60.0
69	25.0	60.0
70 & over	100.0	100.0

Rates of retirement for Tier 2 members are based on age according to the following Table B-8 – Tier 2.

Actuarial Assumptions and Methods *(Continued)*

Age	Less than 32.5 Years of Service	32.5 or more Years of Service
Table B-8 Tier 2		
Rates of Retirement by Age and Service		
Age	Less than 32.5 Years of Service	32.5 or more Years of Service
55	4.0%	7.0%
56	3.0	6.0
57	3.0	6.0
58	3.0	6.0
59	5.0	10.0
60	7.5	15.0
61	10.0	25.0
62	10.0	25.0
63	10.0	25.0
64	10.0	25.0
65	40.0	70.0
66	25.0	50.0
67	25.0	50.0
68	25.0	50.0
69	25.0	50.0
70 & over	100.0	100.0

Table B-8 Tier 2
Rates of Retirement by Age and Service

12) Deferred Member Benefit

The benefit was estimated based on information provided by the Department of Retirement Services. The data used to value the estimated deferred benefit were credited service, date of termination, and last pay rate. Based on the data provided, the highest average salary was estimated.

13) Changes Since Last Valuation

- The discount rate decreased from 7.25% to 7.00%.
- The wage inflation assumption changed from 2.00% for five years and 2.85% thereafter to 2.85% for all years of service.

Contribution Allocation Procedure

The contribution allocation procedure primarily consists of an actuarial cost method, an asset smoothing method, and an amortization method as described below. All components of the contribution allocation procedure were established prior to the June 30, 2010 actuarial valuation except as specifically noted below.

1) Actuarial Cost Method

The Entry Age actuarial cost method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member's date of hire and assumed retirement. The actuarial liability is the difference between the present value of future benefits and the present value of future normal costs. Or, equivalently, it is the accumulation of normal costs for all periods prior to the valuation date. The normal cost and actuarial liability are calculated on an individual basis. The sum of the individual amounts is the normal cost and actuarial liability for the System. The actuarial liability for the System represents the target amount of assets the System should have as of the valuation date according to the actuarial cost method.

2) Asset Valuation Method

For the purpose of determining contribution rates and amounts, an actuarial value of assets is used that dampens the volatility in the market value of assets, resulting in a smoother pattern of contribution rates.

The actuarial value of assets is calculated by recognizing 20% of the difference in each of the prior four years of actual investment returns compared to the expected return on the market value of assets.

3) Amortization Method

The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets. The unfunded actuarial liability as of June 30, 2009 is amortized as a level percentage of Tier 1 pay over a closed 30-year period commencing June 30, 2009. Actuarial gains and losses, assumption changes, and plan changes are amortized as a level percentage of Tier 1 and Tier 2 pay over 20-year periods beginning with the valuation date in which they first arise. To remain a level percentage of expected future payroll, each annual amortization payment increases by 2.85%.

4) Contributions

At its November 2010 meeting, the Board adopted a policy setting the City's contribution to be the greater of the dollar amount reported in the actuarial valuation (adjusted for interest based on the time of the contribution) and the dollar amount determined by applying the percent of payroll reported in the actuarial valuation to the actual payroll for the fiscal year. The City and Member contributions determined by a valuation become effective for the fiscal year commencing one year after the valuation date. For Tier 1, City contributions are normally made on the first day of the fiscal year. All other contributions are made on a payroll-by-payroll basis.

The total contribution rate is the sum of the normal cost rate (including assumed administrative expenses) and the UAL rate. The normal cost rate is determined by dividing the total normal cost determined under the actuarial cost method by the payroll expected for members active on the valuation date. The UAL payments are adjusted for interest from the valuation date to the date of expected payment in the following fiscal year. The UAL rate is determined by dividing the UAL payments by the total expected payroll for the year (including members active on the valuation date and new entrants expected to replace active members who are expected to leave employment).

For Tier 1, members contribute 3/11ths of the normal cost rate (including administrative expenses, but excluding reciprocity), and the City pays the remainder of the total contribution rate. For Tier 2, the members and the City each pay half of the total contribution rate.

Changes Since Last Valuation

The rate of increase in amortization payments was increased from 2.43% to 2.85%.

Actuarial Assumptions and Methods *(Continued)*

Member Valuation Data

SCHEDULE OF ACTIVE MEMBER DATA				
Valuation Date	Active Count	Annual Payroll	Average Annual Pay	Percent Change in Average Pay
2014	3,121	$ 234,677,131	$ 75,193	3.0%
2013	3,094	225,779,216	72,973	-0.6%
2012	3,076	225,859,144	73,426	5.0%
2011	3,274	228,936,398	69,926	-11.2%
2010	3,818	300,811,165	78,788	-0.5%
2009	4,079	323,020,387	79,191	7.1%
2007	3,942	291,404,606	73,923	7.0%
2005	4,148	286,445,861	69,056	5.6%
2003	4,479	292,961,371	65,408	15.6%
2001	4,466	252,696,000	56,582	7.9%
1999	3,694	193,650,000	52,423	8.3%
1997	3,642	176,284,000	48,403	6.8%
1995	3,397	153,918,000	45,310	4.4%

Years prior to 2009 are increases over a two-year period, not an annual increase

Changes in Retirees and Beneficiaries

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS										
	Beginning of Period		Added to Rolls		Removed from Rolls		End of Period			
Period	Count	Annual Allowances	Count	Annual Allowances	Count	Annual Allowances	Count	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
2013-2014	3,711	$ 150,934,000	194	$ 7,274,000	105	$ 3,405,000	3,800	$ 159,124,000	5.4 %	$ 41,875
2012-2013	3,602	142,063,000	198	7,036,000	89	2,360,000	3,711	150,934,000	6.2 %	40,672
2011-2012	3,428	129,869,000	250	14,158,000	76	1,964,000	3,602	142,063,000	9.4 %	39,440
2010-2011	3,111	112,660,000	398	19,615,000	81	2,406,000	3,428	129,869,000	15.3 %	37,885
2009-2010	2,930	101,194,000	206	10,700,373	79	2,203,960	3,111	112,660,000	11.3 %	36,213
2007-2009	2,691	84,723,000	376	14,890,021	137	3,450,015	2,930	101,194,000	19.4 %	34,537
2005-2007	2,426	69,466,000	389	13,818,131	124	2,721,303	2,691	84,723,000	22.0 %	31,484
2003-2005	2,172	54,687,000	398	16,679,642	144	2,070,047	2,426	69,466,000	27.0 %	28,634
2001-2003	2,030	45,208,000	313	10,151,748	171	503,802	2,172	54,587,000	21.0 %	25,178
1999-2001	1,824	37,137,000	230	6,655,000	24	268,000	2,030	45,208,000	21.7 %	22,270
1997-1999	1,745	32,630,000	202	4,642,000	123	1,514,000	1,824	37,137,000	13.8 %	20,360
1995-1997	1,636	29,029,000	190	4,143,000	81	946,000	1,745	32,630,000	12.4 %	18,699

Years prior to 2009-2010 are increases over a two-year period, not an annual increase

Actuarial Analysis of Financial Experience

ANALYSIS OF FINANCIAL EXPERIENCE Gain (or loss) in Unfunded Actuarial Liability During Years Ended June 30 Resulting from Differences Between Assumed Experience and Actual Experience					
	Gain (or loss) for Years Ended June 30				
Type of Activity	2010	2011	2012	2013	2014
Investment Income	$ (124,137)	$ (82,166)	$ (119,331)	$ (76,502)	$ 39,675
Combined liability experience	45,785	83,403	2,023	2,899	(13,600)
Gain (or loss) during year from financial experience	$ (78,352)	$ 1,237	$ (117,308)	$ (73,603)	$ 26,075
Non-recurring gain (or loss) items	(18,467)	(187,548)	43,109	(63,668)	(103,404)
Composite Gain (or Loss) During Year	**$ (96,819)**	**$ (186,311)**	**$ (74,199)**	**$ (137,271)**	**$ (77,329)**

In Thousands

Actuarial Analysis of Financial Experience *(Continued)*

ALTERNATE ANALYSIS OF FINANCIAL EXPERIENCE TIER 1 For Plan Year Ended June 30, 2014			
Type of Activity	**Change in Employee Rate %**	**Change in Employer Rate %**	**Total Change in Contribution Rate %**
Investment performance	0.00%	-1.78%	-1.78%
Liability experience	-0.06%	4.51%	4.45%
Change in assumptions	0.75%	3.17%	3.92%
Change in benefit provision	0.00%	0.00%	0.00%
TOTAL	**0.69%**	**5.90%**	**6.59%**

ALTERNATE ANALYSIS OF FINANCIAL EXPERIENCE TIER 2 For Plan Year Ended June 30, 2014			
Type of Activity	**Change in Employee Rate %**	**Change in Employer Rate %**	**Total Change in Contribution Rate %**
Investment performance	-0.01%	-0.01%	-0.02%
Liability experience	-0.04%	-0.04%	-0.08%
Change in assumptions	0.23%	0.23%	0.46%
Change in benefit provision	0.00%	0.00%	0.00%
TOTAL	**0.18%**	**0.18%**	**0.36%**

Solvency Test

GASB SOLVENCY TEST Actuarial Liability for:							
Valuation Date	Active Member Contributions	Retirees, Beneficiaries and Other Inactives	Remaining Active Members' Liabilities	Reported Assets*	Portion of Actuarial Liability Covered by Reported Assets		
June 30, **	(A)	(B)	(C)		(A)	(B)	(C)
2014	$ 233,289	$ 2,331,656	$ 670,120	$ 1,911,773	100%	72%	0%
2013	234,217	2,164,253	615,393	1,782,629	100%	72%	0%
2012	234,619	2,001,498	604,883	1,762,973	100%	76%	0%
2011	234,574	1,848,254	687,400	1,788,660	100%	84%	0%
2010	242,944	1,504,698	762,716	1,729,414	100%	99%	0%
2009	228,967	1,393,114	864,074	1,756,588	100%	100%	16%
2007	214,527	1,003,001	743,415	1,622,851	100%	100%	55%
2005	230,027	824,043	657,300	1,384,454	100%	100%	50%
2003	224,875	635,092	451,724	1,280,719	100%	100%	93%
2001	210,377	529,853	332,103	1,060,144	100%	100%	96%

**Actuarial value of assets* *Amounts in thousands*

***Results prior to June 30, 2010 were calculated by the prior actuary*

Schedule of Funding Progress

SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AL)	Unfunded AL (UAL)	Funded Ratio	Covered Payroll	UAL as a % of Covered Payroll
June 30, 2014[7]	$ 1,911,773	$ 3,235,065	$ 1,323,292	59%	$ 234,677	564%
June 30, 2013[6]	$ 1,783,270	3,013,763	$ 1,230,493	59%	$ 225,779	545%
June 30, 2012[5]	$ 1,762,973	2,841,000	$ 1,078,027	62%	$ 225,859	477%
June 30, 2011[4]	$ 1,788,660	2,770,227	$ 981,567	65%	$ 228,936	429%
June 30, 2010[3]	$ 1,729,414	2,510,358	$ 780,944	69%	$ 300,811	260%
June 30, 2009[2]	$ 1,756,588	2,486,155	$ 729,567	71%	$ 323,020	226%
June 30, 2007	$ 1,622,851	1,960,943	$ 338,092	83%	$ 291,405	116%
June 30, 2005[1]	$ 1,384,454	1,711,370	$ 326,916	81%	$ 286,446	114%
June 30, 2003	$ 1,280,719	1,311,691	$ 30,972	98%	$ 292,961	11%
June 30, 2001	$ 1,060,144	1,072,333	$ 12,189	99%	$ 252,696	5%

Note: Amounts prior to June 30, 2010 were calculated by the prior actuary *Amounts in thousands*

[1] Demographic assumption changes increased AL by $83 million.

[2] Demographic and economic assumption changes, including reducing the investment return assumption from 8.25% to 7.75% increased the AL by $229 Million.

[3] Increasing the investment return assumption from 7.75% to 7.95% decreased the AL by $59 million.

[4] Demographic and economic assumption changes, including reducing the investment return assumption from 7.95% to 7.5% increased the AL by $188 million.

[5] Elimination of the SRBR reduced the AL by $43 million.

[6] Reducing the discount rate from 7.5% to 7.25% and wage inflation to 2% for 5 years and 2.85% thereafter increased the AL by $64 milliion.

[7] Reducing the discount rate from 7.25% to 7.0% and eliminating the temporary 2% wage inflation increased the AL by $103 million.

Summary of Pension Plan Provisions - Tier 1

1) Membership Requirement

Participation in the Plan is immediate upon the first day of full-time employment for members hired before September 30, 2012.

2) Final Compensation

Members who separated from city service prior to June 30, 2001

The highest average annual compensation earnable during any period of three consecutive years.

Members who separated from city service on or after June 30, 2001

The highest average annual compensation earnable during any period of twelve consecutive months.

3) Credited Service

One year of service credit is given for 1,739 or more hours of Federated city service rendered in any calendar year. A partial year (fraction with the numerator equal to the hours worked, and the denominator equal to 1,739) is given for each calendar year with less than 1,739 hours worked.

4) Member Contributions

Member:

The amount needed to fund 3/11ths of benefits accruing for the current year. These contributions are credited with interest at 3.0% per year, compounded annually.

Employer:

The Employer contributes the remaining amounts necessary to maintain the soundness of the Retirement System.

5) Service Retirement

Eligibility:

Age 55 with five years of service, or any age with 30 years of service.

Benefit – Member:

2.5% of Final Compensation for each year of credited service, subject to a maximum of 75% of Final Compensation.

Benefit - Survivor:

50% of the service retirement benefit paid to a qualified survivor.

6) Service-Connected Disability Retirement

Eligibility:

No age or service requirement.

Benefit - Member:

2.5% of Final Compensation for each year of credited service, subject to a minimum of 40% and a maximum of 75% of Final Compensation. Workers' Compensation benefits are generally offset from the service-connected benefits under this system.

Benefit - Survivor:

50% of the disability retirement benefit paid to a qualified survivor.

7) Non-Service Connected Disability Retirement

Eligibility:

Five years of service.

Benefit - Member:

Members who were hired prior to September 1, 1998:

The amount of the service-connected benefit reduced by 0.5% for each year that the disability age preceded 55.

Members who were hired on or after September 1, 1998:

20% of Final Compensation, plus 2% of Final Compensation for each year of credited service between six and 16 years, plus 2.5% of Final Compensation for each year of credited service in excess of 16 years, subject to a maximum of 75% of Final Compensation.

Benefit - Survivor:

50% of the disability retirement benefit paid to a qualified survivor.

8) Death While an Active Employee

Less than five Years of Service, or No Qualified Survivor:

Lump sum benefit equal to the accumulated refund of all employee contributions with interest, plus one month of salary for each year of service, up to a maximum of six years.

Five or more Years of Service:

2.5% of Final Compensation for each year of credited service, subject to a minimum of 40% and a maximum of 75% of Final Compensation. The benefit is payable until the spouse or registered domestic partner marries or establishes a domestic partnership. 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 or registered domestic partner.

9) Withdrawal Benefits

Less than five Years of Service:

Lump sum benefit equal to the accumulated employee contributions with interest.

Five or more years of credited service:

The amount of the service retirement benefit, payable at age 55.

10) Additional Post-retirement Death Benefit

A death benefit payable as a lump sum equal to $500 will be paid to a qualified survivor upon the member’s death.

Summary of Pension Plan Provisions - Tier 1 *(Continued)*

11) Post-retirement Cost-of-Living Benefit

Benefits are increased every April 1 by 3.0%, regardless of actual inflation.

12) Changes Since the Last Valuation

None.

Summary of Pension Plan Provisions - Tier 2

1) Membership Requirement

Any person who is hired, rehired or reinstated by the City on or after September 30, 2012.

2) Final Compensation

The average annual compensation earnable during the highest three consecutive years of service. Final compensation only includes base pay, excluding premium pay and any other additional compensation.

3) Credited Service

One year of service credit is given for 2,080 or more hours of Federated city service rendered in any calendar year. A partial year (fraction with the numerator equal to the hours worked, and the denominator equal to 2,080) is given for each calendar year with less than 2,080 hours worked.

4) Member Contributions

50% of total Tier 2 contributions to the pension plan, including, but not limited to administrative expenses, normal cost and unfunded actuarial liability.

5) Unreduced Service Retirement

Eligibility:

Age 65 with five years of service.

Benefit – Member:

2.0% of Final Compensation for each year of credited service attributable to Tier 2 and 2.5% of Final Compensation for each year of credited service attributable to Tier 1, subject to a maximum of 65% of Final Compensation.

Benefit - Survivor:

Single life annuity.

6) Early Service Retirement

Eligibility:

Age 55 with five years of service.

Benefit - Member:

Reduced benefit actuarially equivalent to the unreduced service retirement benefits commencing at age 65. The early retirement reduction is applied to the benefit after the application of the maximum of 65% of final compensation.

7) Service-Connected Disability Retirement

Eligibility:

No age or service requirement.

Benefit - Member:

Monthly benefit equivalent to 50% of Final Compensation less the amounts specified in Section 3.28.1330 and Section 3.28.1340.

8) Non-Service Connected Disability Retirement

Eligibility:

Five years of service.

Benefit - Member:

2.0% of Final Compensation for each year of credited service attributable to Tier 2 and 2.5% of Final Compensation for each year of credited service attributable to Tier 1, subject to a minimum of 20% of Final Compensation and a maximum of 50% of Final Compensation less the amounts specified in Section 3.28.1330 and Section 3.28.1340.

9) Death Before Retirement

If death occurs before retirement eligibility is reached:

Lump sum benefit equal to the accumulated refund of all employee contributions with interest.

If death occurs after retirement eligibility is reached:

Benefit equivalent to what the employee would have received if retired at the time of death.

Employees killed in the line of duty:

Monthly benefit equivalent to 50% of Final Compensation.

10) Withdrawal Benefits

Less than five Years of Service:

Lump sum benefit equal to the accumulated employee contributions with interest.

Five or more years of credited service:

The amount of the service retirement benefit, actuarially reduced for early retirement, and payable when retirement eligibility is reached.

11) Benefit Forms

Annuity benefits are paid in the form of a life annuity or an actuarially equivalent annuity with 50%, 75% or 100% continuance to a survivor.

12) Post-retirement Cost-of-Living Benefit

Benefits are increased every April 1 by the change in the December CPI-U for San José-San Francisco-Oakland, subject to a cap of 1.5%. The first COLA after retirement shall be prorated based on the number of months retired.

CHEIRON *Classic Values, Innovative Advice.*

September 30, 2015

Board of Administration
City of San José Federated City Employees' Retirement System
1737 North 1st Street, Suite 580
San Jose, CA 95112

Dear Members of the Board:

The purpose of this letter is to provide the certification for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the City of San José Federated City Employees' Retirement System (System) with respect to Other Postemployment Benefits (OPEB) provided through the City of San José Federated Postemployment Healthcare Plan ("Plan").

Actuarial valuations are performed annually, but prior to June 30, 2009, actuarial valuations were performed every other year. The most recent actuarial valuation was performed as of June 30, 2014. Please refer to that report for additional information related to the funding of the Plan.

Funding Objectives and Progress

The funding methods adopted in the collective bargaining agreement and reflected in the valuation are designed to spread the cost of benefits over each employee's working career as a level percentage of pay. The funding ratio indicates the percentage of assets in the Plan compared to the amount targeted by the funding method as of the valuation date. Because the effort to pre-fund the Plan was started relatively recently with the entire unfunded actuarial liability as of June 30, 2009 being amortized over 30 years and contribution rates phasing in to the full rates over time, the current funded status is relatively low.

Employees hired on or after September 1, 2013 are not eligible to enter the Plan. As a result, the payments to amortize the UAL are now level dollar amounts instead of a level percent of payroll.

A summary of the key results from the June 30, 2014 actuarial valuation are as follows:

- *Assets:* The assets of the Plan increased approximately $42 million since the prior valuation due to $42 million in contributions plus $28 million in investment earnings less $28 million in benefit payments.

- *Actuarial Liability:* On a funding basis, the actuarial liability increased approximately $6 million from $659 million to $665 million. The increase was primarily due to claims experience and assumption changes. On a financial reporting basis, the actuarial liability decreased approximately $142 million from $871 million to $729 million due to claims experience, assumption changes, and an increase in the discount rate.

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Members of the Board
September 30, 2015
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- *Unfunded Actuarial Liability (UAL)/Surplus:* On a funding basis, the UAL decreased approximately $36 million from $501 million to $465 million. On a financial reporting basis, the UAL decreased approximately $183 million from $713 million to $530 million.

- *Funding Ratio:* On a funding basis, the ratio of assets to the Actuarial Liability increased from 24% to 30% since the last valuation. On a financial reporting basis, the ratio of assets to the Actuarial Liability increased from 18% to 27% since the last valuation. These funding ratios are ratios compared to the funding target and are for the purpose of evaluating funding progress in a budgeting context and a financial reporting context respectively. These ratios are not appropriate for measuring or assessing the solvency of the Plan or the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations.

- *Member Contribution Rate:* The City negotiated contracts with its labor unions that require both employee and City contributions to fund the Plan. The contributions for retiree medical benefits are split evenly between employees and the City, and the contributions for retiree dental benefits are split in the ratio of eight to three with the City contributing 8/11ths of the total contribution. The City also agreed to make any UAL contribution that would have been required on the payroll for employees hired on or after September 1, 2013. The agreements call for a transition (ending on June 21, 2015) to contributing the full Annual Required Contribution (ARC) under GASB 43 and 45 with a limit of an annual increase of 0.75% of payroll for the member and the City rate. However, negotiations after the valuation was completed which resulted in an agreement to extend the FYE 2015 contribution rates through the first half of FYE 2016. We understand that negotiations are ongoing and may affect the contribution rates for the second half of FYE 2016. As a result, the member contribution rate remains at 8.76% of payroll at least through the first half of FYE 2016.

- *City Contribution Rate:* As a result of the negotiations described above, the City contribution rate remains at 9.41% of payroll for the first half of the fiscal year ending June 30, 2016. In addition, the City contribution rate for employees hired on or after September 1, 2013 remains at 12.66% of payroll for the first half of the fiscal year ending June 30, 2016.

More details on the plan experience for the past year, including the changes listed above and their impact on the June 30, 2014 valuation results can be found in our full report.

Schedules Prepared by Actuary

We have prepared the following information for inclusion in the Actuarial Section of this Comprehensive Annual Financial Report (CAFR) based on the June 30, 2014 actuarial valuation:

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Data

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- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Solvency Test
- Analysis of Financial Experience
- Summary of Key Substantive Plan Provisions

In addition, we have prepared the following information for inclusion in the Financial Section of this CAFR.

- Notes to Required Supplementary Information
- Schedule of Funding Progress
- Schedule of Employer Contributions

All historical information prior to the June 30, 2010 actuarial valuation shown in these exhibits is based on information reported by the prior actuary, Gabriel, Roeder, Smith and Company.

Reliance on the Information Provided by the System and Compliance with GAAP

In preparing our valuations and the schedules for the CAFR, we relied on information (some oral and some written) supplied by the City of San José Department of Retirement Services. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements for funding and financial reporting purposes may differ significantly from the current measurements presented in this CAFR due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and, changes in plan provisions or applicable law.

To the best of our knowledge, this letter and the schedules named above have been prepared in accordance with generally recognized and accepted actuarial principles and practices that are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter and these exhibits. This letter does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This letter and the schedules named above were prepared for the Plan for the purposes described herein. Other users of this information are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

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This letter and the exhibits named above do not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.

Sincerely,
Cheiron

William R. Hallmark, ASA, FCA, EA, MAAA
Consulting Actuary

Michael W. Schionning, FSA, MAAA
Principal Consulting Actuary

Attachments

CHEIRON

Actuarial Assumptions and Methods

POSTEMPLOYMENT HEALTHCARE

Economic Assumptions:

The expected return on plan assets, expected return on employer assets, and per person cost trend assumptions shown below were adopted by the Board of Administration with our input at the December 18, 2014 Board meeting.

1) Expected Return on Plan Assets:

7.00% per year. The Board expects a long-term rate of return of 7.58% based on Meketa's capital market assumptions and investment policy. A margin for adverse deviation was used to improve the probability of achieving the discount rate.

2) Expected Return on Employer Assets:

3.00% per year

3) Blended Discount Rate:

6.30% per year

4) Per Person Cost Trends:

Date	Annual Increase		
To Calendar Year	Pre-Medicare	Medicare Eligible	Dental
2016	8.50%	6.50%	4.00%
2017	8.20	6.34	4.00
2018	7.89	6.18	4.00
2019	7.59	6.02	4.00
2020	7.29	5.86	4.00
2021	6.98	5.70	4.00
2022	6.68	5.54	4.00
2023	6.38	5.38	4.00
2024	6.07	5.21	4.00
2025	5.77	5.05	4.00
2026	5.46	4.89	4.00
2027	5.16	4.73	4.00
2028	4.86	4.57	4.00
2029	4.55	4.41	4.00
2030+	4.25	4.25	4.00

Actual premium increases for 2015 were reflected with the above rates applying after. Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximum (where applicable) are assumed to increase at the above trend rates.

Demographic Assumptions:

The wage inflation assumption was adopted by the Board of Administration at the November 20, 2014 Board meeting and the tier participation and plan election assumptions were adopted by the Board of Administration at the December 18, 2014 Board meeting based upon our recommendations and input. The other demographic assumptions shown below were adopted by the Board of Administration at the

Actuarial Assumptions and Methods *(Continued)*

POSTEMPLOYMENT HEALTHCARE

October 20, 2011 Board meeting based on recommendations from our experience study covering plan experience during the period from July 1, 2005 through June 30, 2010.

1) Retirement Rates:

The following rates of retirement are assumed for Tier 1 active members eligible to retire. Tier 1 members are those hired before September 30, 2012.

Rates of Retirement by Age and Service		
Age	Less than 30 Years of Service	30 or More Years of Service
50	0.0%	60.0%
51	0.0	60.0
52	0.0	60.0
53	0.0	60.0
54	0.0	60.0
55	17.5	50.0
56	0.0	50.0
57	8.5	50.0
58	8.5	50.0
59	9.5	50.0
60	9.5	50.0
61	16.0	50.0
62	16.0	50.0
63	16.0	50.0
64	16.0	50.0
65	25.0	60.0
66	25.0	60.0
67	25.0	60.0
68	25.0	60.0
69	25.0	60.0
70 & over	100.0	100.0

The following rates of retirement are assumed for Tier 2 active members eligible to retire. Tier 2 members are those hired on or after September 30, 2012.

Rates of Retirements by Age and Service		
TIER 2		
Age	Less than 33 Years of Service	33 or More Years of Service
50	0.0%	0.0%
51	0.0	0.0
52	0.0	0.0
53	0.0	0.0
54	0.0	0.0
55	4.0	7.0

Actuarial Assumptions and Methods *(Continued)*

POSTEMPLOYMENT HEALTHCARE

Rates of Retirements by Age and Service		
TIER 2		
Age	Less than 33 Years of Service	33 or More Years of Service
56	3.0	6.0
57	3.0	6.0
58	3.0	6.0
59	5.0	10.0
60	7.5	15.0
61	10.0	25.0
62	10.0	25.0
63	10.0	25.0
64	10.0	25.0
65	40.0	70.0
66	25.0	50.0
67	25.0	50.0
68	25.0	50.0
69	25.0	50.0
70 & over	100.0	100.0

Terminated vested members are assumed to retire at age 58.

2) Termination / Refund Rates:

Sample rates of refund/termination are shown in the following tables.

Rates of Termination			
Age	0 Years of Service	1-4 Years of Service	5 or More Years of Service
20	20%	10.00%	5.50%
25	20	10.00	5.30
30	20	9.50	4.85
35	20	7.20	4.20
40	20	5.60	3.00
45	20	4.60	1.85
50	20	4.00	1.75
55	20	4.00	0.00
60	20	4.00	0.00
65	0	0.00	0.00

**Withdrawal/termination rates do not apply once a member is eligible for retirement.*

POSTEMPLOYMENT HEALTHCARE

Rates of Refund	
Age	**Refund**
20	40.0%
25	30.0
30	25.0
35	20.0
40	15.0
45	10.0
50	4.0
55	0.0

3) Rate of Mortality:

Healthy Lives:

Mortality rates for actives, retirees, beneficiaries, terminated vested, and reciprocals are based on the male and female RP-2000 combined employee and annuitant tables. To reflect mortality improvements since the date of the table and to project future mortality improvements, the tables are projected to 2015 using scale AA and setback two years. The resulting rates are used for all age cohorts.

Rates of Mortality for Active and Retired Healthy Lives at Selected Ages		
Age	**Male**	**Female**
20	0.0237%	0.0152%
25	0.0297	0.0155
30	0.0365	0.0196
35	0.0585	0.0344
40	0.0881	0.0484
45	0.1100	0.0747
50	0.1460	0.1092
55	0.2154	0.1841
60	0.4140	0.3639
65	0.8104	0.7094
70	1.4464	1.2471
75	2.4223	2.0673
80	4.3489	3.3835

POSTEMPLOYMENT HEALTHCARE

Disabled Lives:

Mortality rates for disabled retirees are based on the CalPERS ordinary disability mortality tables from their 2000-2004 study for miscellaneous employees.

Rates of Mortality for Disabled Lives at Selected Ages		
Age	**Male**	**Female**
20	0.664%	0.478%
25	0.719	0.492
30	0.790	0.512
35	0.984	0.548
40	1.666	0.674
45	1.646	0.985
50	1.632	1.245
55	1.936	1.580
60	2.293	1.628
65	3.174	1.969
70	3.870	3.019
75	6.001	3.915
80	8.388	5.555

4) Disability Rates:

Sample rates of disability are shown in the following table.

Rates of Disability at Selected Ages	
Age	**Disability**
20	0.030%
25	0.033
30	0.056
35	0.098
40	0.162
45	0.232
50	0.302
55	0.376
60	0.455
65	0.504
70	0.000

50% of disabilities are assumed to be duty related, and 50% are assumed to be non-duty.

5) Salary Increase Rate:

Wage inflation component: 2.85%

In addition, the following merit component is added based on an individual member's years of service.

POSTEMPLOYMENT HEALTHCARE

Salary Merit Increases	
Years of Service	**Merit/Longevity**
Salary Merit Increases	
Years of Service	**Merit/Longevity**
0	4.50%
1	3.50
2	2.50
3	1.85
4	1.40
5	1.15
6	0.95
7	0.75
8	0.60
9	0.50
10	0.45
11	0.40
12	0.35
13	0.30
14	0.25
15+	0.25

6) Percent of Retirees Electing Coverage

100% of active members are assumed to elect coverage at retirement. 60% of term vested members are assumed to elect coverage at retirement. Retirees are assumed to continue in their 2014 plan. The UnitedHealthcare Medicare Advantage and Senior Supplement plans are being discontinued effective 1/1/2015; retirees on the Medicare Advantage plan have been mapped to the BlueShield HMO plan, and retirees on the Senior Supplement plan have been mapped to the BlueShield PPO plan. Retirees who are not yet age 65 are assumed to be eligible for Medicare when they reach age 65 and are assumed to enroll in the Medicare-eligible plan corresponding to their current Pre-Medicare plan election. Future retirees are assumed to elect plans in the proportion shown in the table below.

ASSUMED PLAN ELECTIONS FOR FUTURE RETIREES	
Plan	**% Electing**
Pre-Medicare Medical Plans	
Kaiser DHMO	17%
Kaiser $25 Co-pay	53%
HMO $45 Co-pay	4%
HMO $25 Co-pay	14%
PPO / POS $30 Co-pay	1%
PPO / POS $25 Co-pay	11%
Medicare-Eligible Medical Plans	
Kaiser Senior Advantage	53%
BS Medicare HMO	12%
BS Medicare PPO / POS	35%
UHC Medicare PPO / POS	-%
UHC Senior Supplement	-%
Dental Plans (All Retirees)	
Delta Dental PPO	97%
DeltaCare HMO	3%

POSTEMPLOYMENT HEALTHCARE

7) Family Composition:

85% of married males and 70% of married females will elect spouse coverage in a medical plan at retirement. 100% of employees with a spouse will elect spouse coverage in a dental plan at retirement. Pre-Medicare, 34% of males and 23% of females will cover children.

8) Dependent Age:

For current retirees, actual spouse date of birth was used when available. For future retirees, male retirees are assumed to be three years older than their partner, and female retirees are assumed to be two years younger than their partner.

9) Married Percentage:

Percentage Married	
Gender	**Percentage**
Male	80%
Female	60%

10) Administrative Expenses:

Included in the average monthly premiums

Changes Since Last Valuation

The expected return on trust assets was reduced from 7.25 percent to 7.00 percent and the expected return on employer assets was increased from 2.5 percent to 3.0 percent; the blended discount rate increased from 5.3 percent to 6.3 percent.

Claim and Expense Assumptions:

The claim and expense assumptions shown below were adopted by the Board of Administration at the December 18, 2014 Board meeting based upon our recommendations.

The claims costs are based on the fully insured premiums charged to the City for the active and retiree population in 2014 and 2015. For non-Medicare adults, the premiums for each coverage tier (retiree only, retiree plus spouse, retiree plus child(ren) and retiree plus family) were blended based on enrollment data for the 2014 calendar year. The same process was used for Medicare adults, except only Medicare-eligible retirees were included. Individuals on the UnitedHealthcare Medicare Advantage plan were mapped to the BlueShield HMO plan, and individuals on the UnitedHealthcare Senior Supplement plan were mapped to the BlueShield PPO plan since the UnitedHealthcare plans will not be offered after 2014. The resulting per person per month (PPPM) cost was then adjusted using age curves. The pre-Medicare adult claims curves were then loaded for the cost of children; the load for children decreases by retiree age since older retirees have fewer children. The impact of children on Medicare costs was assumed to be de minimis. All claims costs are developed jointly for the Federated and Police and Fire Postemployment Healthcare Plans of the City of San José.

This report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 related legislation and regulations.

Actuarial Assumptions and Methods *(Continued)*

POSTEMPLOYMENT HEALTHCARE

1) Average Annual Claims and Expense Assumptions:

The following claim and expense assumptions were developed as of July 1, 2014 based on the premiums for 2014 and 2015. The explicit subsidy amount (100% of the premium for the lowest cost health plan available to active City employees) is assumed to grow based on the Pre-Medicare cost trend rates.

The following tables show the claims costs for each medical plan as of the valuation date:

SAMPLE CLAIMS COSTS - NON-MEDICARE ELIGIBLE						
	Kaiser DHMO		Kaiser $25 Co-Pay		HMO $45 Co-Pay	
Age	Male	Female	Male	Female	Male	Female
40	$ 4,879	$ 6,704	$ 7,078	$ 9,680	$ 6,381	$ 8,826
45	4,960	6,438	7,170	9,277	6,522	8,502
50	5,404	6,749	7,778	9,697	7,147	8,950
55	6,116	7,243	8,769	10,377	8,132	9,642
60	7,139	7,942	10,204	11,350	9,534	10,610
64	8,255	8,631	11,776	12,312	11,054	11,557

SAMPLE CLAIMS COSTS - NON-MEDICARE ELIGIBLE						
	HMO $25 Co-Pay		PPO / POS $30 Co-Pay		PPO / POS $25 Co-Pay	
Age	Male	Female	Male	Female	Male	Female
40	$ 8,983	$ 12,055	$ 7,188	$ 9,960	$ 7,847	$ 10,974
45	8,965	11,452	7,357	9,601	8,091	10,622
50	9,555	11,820	8,075	10,119	8,953	11,258
55	10,598	12,496	9,202	10,914	10,276	12,208
60	12,165	13,517	10,801	12,021	12,133	13,509
64	13,918	14,551	12,532	13,102	14,127	14,771

SAMPLE CLAIMS COSTS - MEDICARE ELIGIBLE						
	Kaiser Senior Adv		BS Med HMO		BS Med PPO / POS	
Age	Male	Female	Male	Female	Male	Female
65	$ 2,815	$ 3,002	$ 5,734	$ 6,115	$ 6,198	$ 6,611
70	3,305	3,315	6,733	6,753	7,278	7,300
75	3,696	3,575	7,528	7,281	8,138	7,871
80	3,927	3,690	7,999	7,516	8,646	8,125
85	3,980	3,652	8,106	7,438	8,762	8,040

SAMPLE CLAIMS COSTS - DENTAL				
	Delta Dental PPO		DeltaCare HMO	
Age	Male	Female	Male	Female
All	$ 695	$ 695	$ 348	$ 348

Actuarial Assumptions and Methods *(Continued)*

POSTEMPLOYMENT HEALTHCARE

2) Medicare Part D Subsidy:

Per GASB guidance, the Part D Subsidy has not been reflected in this valuation.

3) Medicare Part B:

Assumed that Medicare eligible retirees participate in Medicare Part B.

4) Medicare Eligibility:

All retirees who turn age 65 are assumed to be eligible for Medicare.

5) Annual Limits:

Assumed to increase at the same rate as trend.

6) Lifetime Maximums:

Are not assumed to have any financial impact.

7) Geography:

Implicitly assumed to remain the same as current retirees.

8) Retiree Contributions:

Retirees pay the difference between the actual premium for the elected medical plan and the lowest cost medical plan available to active members, if the retiree is eligible to receive the explicit subsidy. No retiree contributions are required for dental.

Changes Since Last Valuation:

The claims costs process was modified to add a load for children to the Pre-Medicare claim costs.

Contribution Allocation Procedure

The contribution allocation procedure primarily consists of an actuarial cost method, an asset smoothing method, and an amortization method as described below.

1) Actuarial Cost Method

The Entry Age actuarial cost method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each member's date of hire and assumed retirement. The actuarial liability is the difference between the present value of future benefits and the present value of future normal costs. Or, equivalently, it is the accumulation of normal costs for all periods prior to the valuation date. The normal cost and actuarial liability are calculated on an individual basis. The sum of the individual amounts is the normal cost and actuarial liability for the Plan. The actuarial liability for the Plan represents the target amount of assets the Plan should have as of the valuation date according to the actuarial cost method.

2) Asset Valuation Method

The actuarial value of assets equals the market value of assets.

Actuarial Assumptions and Methods *(Continued)*

POSTEMPLOYMENT HEALTHCARE

3) Amortization Method

The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets. The unfunded actuarial liability as of June 30, 2009 is amortized as a level dollar amount over a closed 30-year period commencing June 30, 2009. Actuarial gains and losses, assumption changes, and plan changes are amortized as a level dollar amount over 20-year periods beginning with the valuation date in which they first arise. The single equivalent amortization period cannot be greater than 30 years.

4) Contributions

The City has negotiated contracts with its labor unions that require both employee and City contributions to fund the Plan. The agreements call for contributing the full Annual Required Contribution (ARC) under GASB 43 and 45 beginning on June 21, 2015, with contribution rates limited to an incremental increase to 0.75% of pay for the members and City for each fiscal year until that date.

The contributions for retiree medical benefits are split evenly between employees and the City, and the contributions for retiree dental benefits are split in the ratio of 8 to 3 with the City contributing 8/11ths of the total contribution. In addition, the City will contribute the unfunded actuarial liability (UAL) rate on payroll for employees hired after September 2013 who are not eligible to participate in the plan.

Changes Since Last Valuation:

The cap on increases to contribution rates was extended from December 21, 2014 to June 21, 2015.

POSTEMPLOYMENT HEALTHCARE - DATA SCHEDULES

SCHEDULE OF ACTIVE MEMBER DATA						
	Active Member Counts					
As of June 30, Valuation Date	Under Age 65	Age 65+	Total	Annual Payroll	Average Annual Pay	Percentage Change in Average Pay
2014 *	2,800	64	2,864	$217,167,654	$ 75,827	3.8%
2013	3,028	65	3,093	225,732,461	72,982	-0.6%
2012	3,017	59	3,076	225,859,144	73,426	4.8%
2011	3,201	73	3,274	228,936,398	69,926	-12.7%
2010	3,721	97	3,818	300,811,165	78,788	-0.5%
2009	3,988	91	4,079	323,020,387	79,191	6.1%
2007	3,853	66	3,919	N/A	N/A	N/A
2006	3,734	75	3,809	N/A	N/A	N/A

Does not include Tier 2B active employees

Actuarial Assumptions and Methods *(Continued)*

POSTEMPLOYMENT HEALTHCARE

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

	Beginning of Period		Added to Rolls	Removed from Rolls	End of Period		Net Change		% Change	Average
Period	Count	Annual Subsidy	Count	Count	Count	Annual Subsidy	Count	Annual Subsidy	Annual Subsidy	Annual Subsidy
Medical										
2013-14	2,718	$ 22,656,997	151	132	2,737	$ 21,940,885	19	$ (716,112)	-3.2%	$ 8,016
2012-13	2,680	25,223,474	158	120	2,718	22,656,997	38	(2,566,477)	-10.2%	8,336
2011-12	2,557	25,518,761	203	80	2,680	25,223,474	123	(295,287)	-1.2%	9,412
2010-11	2,245	20,520,530	429	117	2,557	25,518,761	312	4,998,231	24.4%	9,980
2009-10	2,078	17,710,949	243	76	2,245	20,520,530	167	2,809,581	15.9%	9,141
2007-09	1,976	14,970,264	N/A	N/A	2,078	17,710,949	102	2,740,685	18.3%	8,523
2006-07	1,891	10,864,081	N/A	N/A	1,976	14,970,264	85	4,106,183	37.8%	7,576
Dental										
2013-14	3,103	$ 3,742,351	$ 138	$ 108	$ 3,133	$ 3,130,058	$ 30	$ (612,293)	-16.4%	$ 999
2012-13	3,044	3,924,332	144	85	3,103	3,742,351	59	3,739,307	-4.6%	1,206
2011-12	2,906	3,744,833	203	65	3,044	3,924,332	138	3,921,426	4.8%	1,289
2010-11	2,588	3,017,473	413	95	2,906	3,744,833	318	3,742,245	24.1%	1,289
2009-10	2,375	2,410,561	291	78	2,588	3,017,473	213	3,015,098	25.2%	1,166
2007-09	2,248	2,346,934	N/A	N/A	2,375	2,410,561	127	2,408,313	2.7%	1,015
2006-07	2,220	1,955,377	N/A	N/A	2,248	2,346,934	28	2,344,714	119.9%	1,044

**Annual subsidies are explicit amounts*

SOLVENCY TEST

	Actuarial Liability				
Actuarial Valuation Date	Retirees, Beneficiaries and Other Inactives	Active Members	Reported Assets	Portion of Actuarial Liability Covered by Reported Assets	
June 30,	(A)	(B)		(A)	(B)
2014	$ 435,826	$ 293,580	$ 199,776	46%	0%
2013	495,967	374,905	157,695	32%	0%
2012	611,267	485,353	137,798	23%	0%
2011	652,157	493,203	135,454	21%	0%
2010	515,284	411,087	108,011	21%	0%
2009	421,367	375,081	85,564	20%	0%
2007	335,798	280,951	96,601	29%	0%
2006	370,886	332,052	81,288	22%	0%

Dollars in thousands

ANALYSIS OF FINANCIAL EXPERIENCE

	Gain (or Loss) for Year Ending				
Type of Activity	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Investment income	$ 19,768	$ 6,847	$ (14,897)	$ 10,131	$ 6,705
Liability experience	31,177	5,834	(27,919)	(35,166)	(43,746)
Gain (or loss) during year from financial experience	50,945	12,681	(42,816)	(25,035)	(37,041)
Non-recurring gain (or loss) items	148,417	114,786	136,154	(131,537)	(36,785)
Composite Gain (or Loss) During Year	**$ 199,362**	**$ 127,467**	**$ 93,338**	**$ (156,572)**	**$ (73,826)**

Dollars in thousands

Summary of Key Substantive Plan Provisions

POSTEMPLOYMENT HEALTHCARE

Eligibility (for employees hired before September 2013):

Medical:

Employees who retire (include deferred vested members) with at least 15 years of service with the City ("OPEB benefit service"), or with a monthly pension equal to at least 37.5% of final compensation, are eligible to elect medical coverage upon retirement. Tier 1 employees (hired before September 30, 2012) are eligible for retirement at age 55 with five years of service or at any age with 30 years of service. Tier 2 employees (hired on or after September 30, 2012) are eligible for unreduced service retirement at age 65 with five years of service or reduced service retirement at age 55 with five years of service. Service credited thru reciprocity agreements counts towards an employee's required service to retire, but only service with the City counts towards the required years of service to receive OPEB benefits. Employees who retire with less than 15 years of service can elect coverage, but receive no explicit subsidy.

Employees who become disabled with at least 15 years of service or have a monthly pension equal to at least 37.5% of final compensation are eligible to elect medical coverage upon retirement.

Spouses or domestic partners of retired members are allowed to participate if they were enrolled in the City's medical plan at the time of the member's retirement. Dependent children are eligible to receive coverage until the age of 26.

Surviving spouses/domestic partners/children of deceased members are eligible for coverage if the following conditions are met:

1) the employee had 15 years of service at time of death or is entitled to a monthly pension of at least 37.5% of final compensation and;

2) both the member and the survivors were enrolled in the active medical plan immediately before death; and,

3) the survivor will receive a monthly pension benefit

Dental:

Employees who retire or become disabled directly from City service with at least five years of service or with a monthly pension equal to at least 37.5% of final compensation, and are enrolled in a City dental plan at retirement are eligible to elect dental coverage upon retirement. Spouses, domestic partners, or children of retired members are allowed to participate if they were enrolled in the City's dental plan at the time of the member's retirement.

Surviving spouses/domestic partners/children of deceased members are eligible for coverage if the following conditions are met.

1) the employee has five years of service at time of death or is entitled to a monthly pension of at least 37.5% of final compensation; and,

2) both the member and the survivors were enrolled in the active dental plan immediately before death; and,

3) the survivor will receive a monthly pension benefit

Summary of Key Substantive Plan Provisions *(Continued)*

POSTEMPLOYMENT HEALTHCARE

Benefits for Retirees:

Medical:

The Retirement System, through the medical benefit account, pays 100% of the premium for the lowest cost health plan available to active City employees. The member pays the difference, if another plan is elected.

Dental:

The Retirement System, through the medical benefit account, pays 100% of the dental insurance premiums

Premiums:

Monthly premiums before adjustments for 2014 and 2015 are as follows.

2014 MONTHLY PREMIUMS				
Plan	Single	Empoyee/ Spouse	Employee/ Child	Family
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 471.12	$ 942.24	$ 824.46	$ 1,413.36
Kaiser $25 Co-pay	575.34	1,150.68	1,006.84	1,726.02
Blue Shield HMO $45 Co-pay	561.00	1,122.00	981.74	1,683.00
Blue Shield HMO $25 Co-pay	630.50	1,261.00	1,103.38	1,891.50
Blue Shield PPO or POS $30 Co-pay	625.10	1,250.20	1,093.94	1,875.30
Blue Shield PPO or POS $25 Co-pay	764.60	1,529.20	1,338.06	2,293.80
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 278.50	$ 557.00	$ 557.00	$ 835.50
Blue Shield Medicare HMO	530.86	1,061.74	1,061.74	1,534.62
Blue Shield Medicare PPO / POS	616.00	1,232.00	1,232.00	1,805.46
UHC Medicare Advantage	485.95	971.90	N/A	N/A
UHC Senior Supplement	501.78	1,003.56	N/A	N/A
Dental				
Delta Dental PPO	$ 48.92	$ 107.62	$ 117.42	$ 151.66
DeltaCareHMO	27.16	54.30	47.50	81.44

Blue Shield Medicare family rates assume the children are on the Non-Medicare $25 Co-pay HMO or PPO

2015 MONTHLY PREMIUMS				
Plan	Single	Employee/ Spouse	Employee/ Child	Family
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 449.74	$ 899.48	$ 787.04	$ 1,349.20
Kaiser $25 Co-pay	549.24	1,098.44	961.14	1,647.88
Blue Shield HMO $45 Co-pay	611.73	1,223.45	1,070.51	1,835.18
Blue Shield HMO $25 Co-pay	687.51	1,375.02	1,203.15	2,062.53
Blue Shield PPO or POS $30 Co-pay	723.46	1,446.92	1,266.07	2,170.38
Blue Shield PPO or POS $25 Co-pay	884.91	1,769.82	1,548.60	2,654.72
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 284.65	$ 569.30	$ 569.30	$ 853.95
Blue Shield Medicare HMO	570.49	1,141.01	1,141.01	1,656.65
Blue Shield Medicare PPO or POS	661.99	1,323.98	1,323.98	1,987.67
Dental				
Delta Dental PPO	$ 48.92	$ 107.62	$ 117.42	$ 151.66
DeltaCare HMO	27.16	54.30	47.50	81.44

Summary of Key Substantive Plan Provisions *(Continued)*

POSTEMPLOYMENT HEALTHCARE

SUMMARY OF 2014 BENEFIT PLANS						
Non-Medicare Plans:	**Kaiser $25 Co-Pay**	**Kaiser DHMO**	**BS HMO $25 Co-Pay**	**BS HMO $45 Co-Pay**	**BS PPO $25 Co-Pay**	**BS PPO $30 Co-Pay**
Annual out-of-pocket maximum	$1,500/$3,000	$4,000/$8,000	$1,000/$2,000	$,3,500/$7,000	$2,000/$4,000	$7,000/$14,000
Annual deductible	None	$1,500/$3,000	None	Rx only*	$100/$200	$3,500/$7,000
Office visit	$25	$40	$25	$45	$25	$30
Emergency room	$100	30% coinsurance	$100	$200	$100	$250 + 20%
Hospital care	$100	30% coinsurance	$100	50% coinsurance	Tier 1 - $100 + 10% Tier 2 - 30%	Tier 1 - $250 + 20% Tier 2 - 40%
Prescription Drug (30-day supply):						
Generic	$10	$10	$10	$15	$10	$15
Brand	$25	$30	$25	$30*	$25	$30*
Non-formulary	N/A	N/A	$40	50%* *250 deductible	$40	50%* *250 deductible

Medicare-Eligible Plans:	**Kaiser**	**BS HMO**	**BS PPO**	**UHC Medicare Advantage**	**UHC Senior Supplement**
Annual out-of-pocket maximum	$1,500/$3,000	$1,000/$2,000	$2,000/$4,000	$6,700	None
Annual deductible	None	None	$100/$200	None	$250 outside US only
Office visit	$25	$25	$25	$25	No charge
Emergency room	$50	$100	$100	$50	No charge
Hospital care	$250	$100	$100 + 10% coinsurance	No charge	No charge
Prescription Drug (30-day supply):					
Generic	$10	$10	$10	$15	$5
Brand	$10	$25	$25	$20	$10
Non-formulary	N/A	$40	$40	$20	Not covered

Cost Sharing Provisions:

It is assumed for the purpose of this valuation that the City of San Jose will in the future maintain a consistent level of cost sharing for benefits with the retirees. This may be achieved by adjusting benefit provisions, contributions or both.

Statistical Section

The Statistical Section provides additional historical perspective, context, and detail in order to provide a more comprehensive understanding of this fiscal year's financial statements, note disclosures, and supplementary information, which cover Pension Plan, and Postemployment Healthcare Benefits. This section also provides a multi-year trend of financial and operating information to facilitate comprehensive understanding of how the organization's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data for the System's net assets, benefits, refunds, contribution rates, and different types of retirement benefits. The financial and operating trend information is located on the following pages.

City of San José
Federated City Employees' Retirement System
Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2015
and June 30, 2014

Statistical Review

CHANGES IN NET POSITION FOR FISCAL YEARS 2006 -2015 *(In Thousands)*

PENSION BENEFITS (Schedule 1a)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Additions										
Employee contributions	$ 12,395	$ 12,370	$ 13,366	$ 13,848	$ 13,396	$ 24,602	$ 10,555	$ 12,652	$ 13,596	$ 13,621
Employer contributions	41,267	51,004	54,958	57,020	54,566	59,180	87,082	103,109	107,544	114,751
Investment income/(loss)*	132,873	244,210	(60,101)	(295,773)	197,755	287,179	(68,903)	146,367	263,688	(16,642)
Total additions to plan net position	**186,535**	**307,584**	**8,223**	**(224,905)**	**265,717**	**370,961**	**28,734**	**262,128**	**384,828**	**111,730**
Deductions										
Benefit payments	68,438	75,135	83,291	89,767	98,110	110,415	126,001	136,075	143,921	152,119
Death benefits	5,721	5,867	6,263	6,923	7,583	7,883	8,601	9,187	9,845	10,724
Refunds	1,246	1,008	972	1,395	1,219	1,980	2,195	1,545	2,170	1,719
Administrative expenses and other	1,790	1,845	2,358	2,108	2,641	2,867	3,306	3,024	3,201	3,898
Total deductions from plan net position	**77,195**	**83,855**	**92,884**	**100,193**	**109,553**	**123,145**	**140,103**	**149,831**	**159,137**	**168,460**
Changes in Plan Net Position	**$ 109,340**	**$ 223,729**	**$ (84,661)**	**$ (325,098)**	**$ 156,164**	**$ 247,816**	**$ (111,369)**	**$ 112,297**	**$ 225,691**	**$ (56,730)**

**Net of expenses*

Source: Pension Administration System

CHANGES IN NET POSITION FOR FISCAL YEARS 2006 -2015 *(In Thousands)*

POSTEMPLOYMENT HEALTHCARE BENEFITS (Schedule 1b)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Additions										
Employee contributions	$ 5,226	$ 9,612	$ 10,403	$ 15,076	$ 15,815	$ 16,041	$ 14,995	$ 15,979	$ 17,494	$ 18,645
Employer contributions	5,961	10,728	11,560	16,368	17,027	17,146	25,834	21,251	19,298	26,959
Investment income/(loss)*	7,273	13,343	(3,715)	(18,485)	13,852	21,842	(5,140)	13,817	28,737	(5,922)
Total additions to plan net position	**18,460**	**33,683**	**18,248**	**12,959**	**46,694**	**55,029**	**35,689**	**51,047**	**65,529**	**39,682**
Deductions										
Healthcare insurance premiums	15,904	18,265	20,195	21,725	24,066	27,370	33,077	30,943	27,924	29,443
Administrative expenses and other	103	105	134	132	181	216	268	207	257	254
Total deductions from plan net position	**16,007**	**18,370**	**20,329**	**21,857**	**24,247**	**27,586**	**33,345**	**31,150**	**28,181**	**29,697**
Changes in Plan Net Position	**$ 2,453**	**$ 15,313**	**$ (2,081)**	**$ (8,898)**	**$ 22,447**	**$ 27,443**	**$ 2,344**	**$ 19,897**	**$ 37,348**	**$ 9,985**

**Net of expenses*

Source: Pension Administration System

BENEFIT AND REFUND DEDUCTIONS FROM NET POSITION BY TYPE *(in Thousands)*

PENSION BENEFITS (Schedule 2a)

Type of Benefit	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Age and Service Benefits										
Retirees - service	$ 59,391	$ 64,978	$ 71,849	$ 77,444	$ 84,606	$ 95,562	$ 109,662	$118,178	$124,399	$130,512
Retirees - deferred vested	4,134	4,860	5,730	6,219	6,996	8,047	9,261	10,692	12,017	13,507
Survivors - service	3,195	3,320	3,561	3,867	4,207	4,425	4,791	5,089	5,376	6,079
Survivors - deferred vested	87	108	122	126	138	130	161	232	272	279
Deaths in Service Benefits	1,750	1,722	1,815	2,032	2,161	2,202	2,349	2,413	2,610	2,702
Disability Benefits										
Retirees - duty	2,702	2,920	3,102	3,256	3,498	3,493	3,609	3,505	3,624	3,980
Retirees - non-duty	1,640	1,737	1,835	1,884	1,899	2,039	2,011	2,164	2,278	2,336
Survivors - duty	187	197	218	263	338	356	402	437	448	444
Survivors - non-duty	502	519	547	635	739	770	827	903	945	1,072
Ex-Spouse Benefits	571	640	775	964	1,111	1,274	1,529	1,649	1,797	1,932
Total Benefits	**$ 74,159**	**$ 81,001**	**$ 89,554**	**$ 96,690**	**$ 105,693**	**$118,298**	**$ 134,602**	**$145,262**	**$153,766**	**$162,843**
Type of Refund										
Separation	$ 1,246	$ 1,008	$ 972	$ 1,395	$ 1,219	$ 1,980	$ 2,195	$ 1,545	$ 2,170	$ 1,719
Total Refunds	**$ 1,246**	**$ 1,008**	**$ 972**	**$ 1,395**	**$ 1,219**	**$ 1,980**	**$ 2,195**	**$ 1,545**	**$ 2,170**	**$ 1,719**

Source: Pension Administration System

BENEFIT AND REFUND DEDUCTIONS FROM NET POSITION BY TYPE *(in Thousands)*

POSTEMPLOYMENT HEALTHCARE BENEFITS (Schedule 2b)

Type of Benefit	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Age and Service Benefits										
Retirees - Service										
Medical	$10,341	$12,029	$13,524	$14,772	$16,344	$18,971	$20,262	$19,493	$16,002	$18,061
Dental	1,870	2,022	2,148	2,150	2,474	2,840	3,083	3,089	2,850	2,521
Retirees - Deferred Vested										
Medical	652	767	949	1,063	1,180	1,241	1,418	1,436	1,243	1,455
Dental	-	35	29	26	27	24	23	21	18	12
Survivors - Service										
Medical	628	730	800	862	938	1,024	954	874	737	921
Dental	235	251	269	268	308	329	339	333	227	148
Survivors - Deferred Vested*										
Medical	11	9	10	11	16	18	24	32	28	31
Dental	-	-	-	1	-	-	2	5	3	2
Death in Service Benefits										
Medical	293	313	327	335	366	412	389	361	281	302
Dental	71	72	69	67	74	79	78	78	59	38
Disability Benefits										
Retirees - Duty										
Medical	956	1,098	1,113	1,166	1,241	1,253	1,217	1,133	920	981
Dental	131	145	143	142	161	162	157	146	130	109
Retirees - Non-Duty										
Medical	433	478	483	510	513	530	462	413	321	340
Dental	73	78	81	79	84	92	87	89	77	58
Survivors - Duty										
Medical	59	69	75	80	100	125	125	124	97	111
Dental	17	18	19	20	27	30	32	33	22	15
Survivors - Non-Duty										
Medical	103	119	123	139	171	195	192	178	142	177
Dental	31	32	33	34	42	45	45	44	32	23
Ex-Spouse Benefits										
Medical	-	-	-	-	-	-	4	3	3	3
Dental	-	-	-	-	-	-	1	1	1	1
Implicit Subsidy Medical										
Tier 1	-	-	-	-	-	-	4,383	3,057	4,165	3,811
Tier 2	-	-	-	-	-	-	-	-	415	323
Tier 2B	-	-	-	-	-	-	-	-	151	-
Total Benefits	$15,904	$18,265	$20,195	$21,725	$24,066	$27,370	$33,077	$30,943	$27,924	$29,443

Statistical Review *(Continued)*

EMPLOYER AND EMPLOYEE CONTRIBUTION RATES FOR FISCAL YEARS 2006-2015 (Schedule 3)

	Fed Tier 1			Fed Tier 2		Fed Tier 2B	
Fiscal Year	Employee Rate	Employer Rate	Fiscal Year	Employee Rate	Employer Rate	Employee Rate	Employer Rate
	%	%		%	%	%	%
2006	6.06	17.12					
2007	7.58	21.98					
2008	7.58	21.98					
2009	8.93	23.56					
2010	9.35	24.01					
2011	10.30*	29.59**					
2012	11.20	35.50					
2013	13.00	52.36	**2013**	13.94	14.59		
2014	13.98	59.51	**2014**	14.69	15.34	6.68	17.27
2015	14.40	69.66	**2015**	14.29	14.94	5.53	18.19

** Some bargaining units negotiated temporary higher rates.*

*** Some bargaining units negotiated temporary higher member contribution rates, which directly offset the City's contribution rate.*

Retired Members by Type of Benefit

PENSION BENEFITS
As of June 30, 2015

		Type of Retirement*							Option Selected **			
Monthly Benefit Amount	Number of Retirees & Beneficiaries	1	2	3	4	5	6	7	A	B	C	Total
$1-500	121	25	1	0	1	25	45	24	69	19	33	121
501-1000	250	74	7	3	2	60	84	20	168	22	60	250
1001-1500	371	122	3	8	11	95	103	29	236	41	94	371
1501-2000	386	158	11	30	17	83	73	14	245	48	93	386
2001-2500	350	204	10	17	11	47	47	14	207	45	98	350
2501-3000	370	230	9	30	12	41	39	9	215	37	118	370
3001-4000	330	238	3	15	17	27	29	1	197	36	97	330
3501-4000	328	270	8	10	1	8	27	4	184	36	108	328
4001-4500	292	251	5	5	3	2	24	2	170	32	90	292
4501-5000	263	226	5	3	1	7	20	1	178	19	66	263
5001-5500	211	196	0	1	1	2	11	0	121	30	60	211
5501-6000	159	143	2	1	1	4	8	0	98	21	40	159
6001-6500	183	176	1	0	0	0	6	0	115	18	50	183
6501-7000	115	106	1	2	0	0	6	0	78	11	26	115
Over $7000	265	253	0	0	0	1	11	0	190	19	56	265
TOTAL	**3,994**	**2,672**	**66**	**125**	**78**	**402**	**533**	**118**	**2,471**	**434**	**1,089**	**3,994**

*** Retirement Codes**

1. Service
2. Survivor (survivor of active employee)
3. Service Connected Disability
4. Non-Service Connected Disability
5. Continuance (survivor of retired employee)
6. Deferred Vested
7. Ex-Spouse

**** OPTION DESCRIPTIONS**

A. Unmodified - 50% Continuance
B. Option 1: 100% Continuance/reduced pension
C. No Survivor - No Continuance

POSTEMPLOYMENT HEALTHCARE BENEFITS
As of June 30, 2015

	Type of Subsidy	
Amount Monthly Benefit	Health	Dental
Ineligble/Deferred	1,263	788
$1 - 60	0	1,457
$61 - 250	0	1,749
$251 - 500	1,341	0
$501 - 750	317	0
$751 - 1000	788	0
Over $1,000	285	0
TOTAL	**3,994**	**3,994**

Source: Pension Administration System

Average Benefit Payment Amounts

PENSION BENEFITS
As of June 30, 2015

	Years of Service Credit						
Time Periods	**0-5**	**6-10**	**11-15**	**16-20**	**21-25**	**26-30**	**31+**
As of 6/30/2015							
Average monthly benefit*	$ 1,005	$ 1,506	$ 2,459	$ 3,291	$ 4,591	$ 5,801	$ 6,464
Average final average salary	$ 5,609	$ 5,492	$ 5,583	$ 5,497	$ 6,253	$ 6,134	$ 6,378
Number of retired members**	153	443	503	664	631	878	136
As of 6/30/2014							
Average monthly benefit*	$ 965	$ 1,444	$ 2,379	$ 3,202	$ 4,459	$ 5,649	$ 6,284
Average final average salary	$ 5,464	$ 5,313	$ 5,438	$ 5,394	$ 6,171	$ 6,011	$ 6,346
Number of retired members**	146	435	499	639	615	844	136
As of 6/30/2013							
Average monthly benefit*	$ 948	$ 1,366	$ 2,232	$ 3,070	$ 4,213	$ 5,420	$ 5,895
Average final average salary	$ 3,724	$ 5,000	$ 5,189	$ 5,343	$ 6,127	$ 6,019	$ 6,638
Number of retired members**	117	413	454	629	608	854	159
Period 7/1/2011 to 6/30/2012							
Average monthly benefit*	$ 914	$ 1,329	$ 2,140	$ 2,982	$ 4,080	$ 5,255	$ 5,722
Average final average salary	$ 3,516	$ 4,803	$ 4,975	$ 5,280	$ 5,975	$ 5,920	$ 6,513
Number of retired members**	113	402	433	619	586	831	159
Period 7/1/2010 to 6/30/2011							
Average monthly benefit*	$ 842	$ 1,267	$ 2,036	$ 2,835	$ 3,851	$ 5,036	$ 5,577
Average final average salary	$ 4,303	$ 4,570	$ 4,580	$ 4,991	$ 5,360	$ 5,544	$ 6,056
Number of retired members**	131	371	388	566	465	726	139
Period 7/1/2009 to 6/30/2010							
Average monthly benefit	$ 838	$ 1,179	$ 1,980	$ 2,700	$ 3,714	$ 4,852	$ 5,410
Average final average salary	$ 4,203	$ 4,221	$ 4,393	$ 4,778	$ 5,129	$ 5,311	$ 5,929
Number of retired members**	124	343	367	537	417	664	130
Period 7/1/2008 to 6/30/2009							
Average monthly benefit*	$ 778	$ 1,139	$ 1,899	$ 2,585	$ 3,545	$ 4,671	$ 5,281
Average final average salary	$ 3,898	$ 4,045	$ 4,201	$ 4,629	$ 4,898	$ 5,151	$ 5,807
Number of retired members**	120	329	359	529	392	624	123
Period 7/1/2007 to 6/30/2008							
Average monthly benefit*	$ 765	$ 1,133	$ 1,856	$ 2,550	$ 3,470	$ 4,600	$ 5,231
Average final average salary	$ 3,828	$ 3,963	$ 4,144	$ 4,585	$ 4,796	$ 5,099	$ 5,761
Number of retired members**	119	325	355	524	382	611	120
Period 7/1/2006 to 6/30/2007							
Average monthly benefit*	$ 732	$ 1,049	$ 1,728	$ 2,398	$ 3,129	$ 4,253	$ 4,947
Average final average salary	$ 3,455	$ 3,627	$ 3,867	$ 4,316	$ 4,263	$ 5,030	$ 5,505

Source: Pension Administration System

Average Benefit Payment Amounts *(Continued)*

PENSION BENEFITS
As of June 30, 2015

	Years of Service Credit						
Time Periods	**0-5**	**6-10**	**11-15**	**16-20**	**21-25**	**26-30**	**31+**
Number of retired members**	115	307	344	476	342	564	105
Period 7/1/2005 to 6/30/2006							
Average monthly benefit*	$ 665	$ 981	$ 1,638	$ 2,252	$ 2,971	$ 4,142	$ 4,679
Average final average salary	$ 3,073	$ 3,413	$ 3,704	$ 4,123	$ 4,067	$ 4,755	$ 5,324
Number of retired members**	116	294	337	449	322	536	100

** Includes cost of living increases*
*** Does not include survivors and ex-spouses*

Source: Pension Administration System

Average Benefit Payment Amounts *(Continued)*

POSTEMPLOYMENT HEALTHCARE BENEFITS
As of June 30, 2015

	Years of Service Credit						
Time Periods	**0-5**	**6-10**	**11-15**	**16-20**	**21-25**	**26-30**	**31+**
As of 6/30/2015							
Average health subsidy	$ 587	$ 337	$ 586	$ 635	$ 719	$ 725	$ 616
Number of health participants*	26	50	241	594	584	839	133
Average dental subsidy	$ 82	$ 84	$ 87	$ 86	$ 91	$ 90	$ 84
Number of dental participants*	66	249	375	569	571	845	137
As of 6/30/2014							
Average health subsidy	$ 614	$ 338	$ 592	$ 666	$ 755	$ 760	$ 635
Number of health participants*	24	55	247	587	580	807	130
Average dental subsidy	$ 85	$ 84	$ 86	$ 86	$ 91	$ 90	$ 83
Number of dental participants	63	244	372	548	565	811	135
As of 6/30/2013							
Average health subsidy	$ 582	$ 380	$ 589	$ 712	$ 778	$ 790	$ 680
Number of health participants*	27	64	226	576	562	817	148
Average dental subsidy	$ 100	$ 101	$ 101	$ 102	$ 100	$ 101	$ 100
Number of dental participants	65	243	341	544	558	818	151
Period 7/1/2011 to 6/30/2012							
Average health subsidy	$ 698	$ 426	$ 645	$ 797	$ 873	$ 902	$ 768
Number of health participants*	27	66	218	580	547	800	150
Average dental subsidy	$ 107	$ 107	$ 107	$ 108	$ 107	$ 107	$ 106
Number of dental participants	63	245	325	540	542	800	151
Period 7/1/2010 to 6/30/2011							
Average health subsidy	$ 866	$ 773	$ 764	$ 855	$ 898	$ 928	$ 848
Number of health participants*	21	39	191	544	448	711	138
Average dental subsidy	$ 108	$ 110	$ 109	$ 110	$ 110	$ 109	$ 108
Number of dental participants*	64	233	300	500	430	708	139
Period 7/1/2009 to 6/30/2010							
Average health subsidy	$ 587	$ 461	$ 650	$ 797	$ 828	$ 867	$ 816
Number of health participants*	28	65	212	515	402	649	128
Average dental subsidy	$ 103	$ 104	$ 103	$ 103	$ 103	$ 103	$ 103
Number of dental participants*	61	218	289	474	384	646	130
Period 7/1/2008 to 6/30/2009							
Average health subsidy	$ 596	$ 449	$ 636	$ 757	$ 779	$ 817	$ 764
Number of health subsidy*	26	65	209	505	377	608	121
Average dental subsidy	$ 94	$ 93	$ 93	$ 94	$ 93	$ 93	$ 93
Number of dental participants*	61	212	286	467	360	608	122
Period 7/1/2007 to 6/30/2008							
Average health subsidy	$ 761	$ 674	$ 681	$ 727	$ 738	$ 785	$ 738
Number of health subsidy*	20	42	192	492	356	582	114
Average dental subsidy	$ 98	$ 98	$ 98	$ 98	$ 98	$ 98	$ 98
Number of dental participants*	59	206	286	456	339	580	115

Source: Pension Administration System

Average Benefit Payment Amounts *(Continued)*

POSTEMPLOYMENT HEALTHCARE BENEFITS
As of June 30, 2015

	Years of Service Credit						
Time Periods	**0-5**	**6-10**	**11-15**	**16-20**	**21-25**	**26-30**	**31+**
Period 7/1/2006 to 6/30/2007							
Average health subsidy	$ 728	$ 683	$ 654	$ 678	$ 679	$ 736	$ 700
Number of health participants*	23	45	195	459	331	555	104
Average dental subsidy	$ 97	$ 97	$ 97	$ 97	$ 97	$ 97	$ 97
Number of dental participants*	62	202	286	431	318	552	105

** Does not include survivors and ex-spouses*
Information presented in the above table is not readily available prior to fiscal year 2006.

Source: Pension Administration System

Retirements During Fiscal Year 2014-2015

SERVICE RETIREMENTS

AGUILAR, VICTOR
ALARCON, MAURO
ALEXA, PAUL
AMARILLA, JUAN
ANAYA, YOLANDA
ARROYO, DAVID
ARROYO, DAVID
AVILA, BILL
BANUELOS, MARIO
BAREFOOT, RUTH
BARNETT, STEVEN
BARON, JEAN
BEVERLY, SANTORO
BLACH, PAUL
BOWER, LAURA
BUIKEMA, RICHARD
BURGUENO, RUBEN
BURNHAM, WAYNE
BURTON, PAMELA
CASSIDY, COLLEEN
CASTRO, JOSE
CAUDILL, SHARON
CAVALLARO, DOMINIC
CEDENO, REYMARTIN
CHAN, WILLIAM
CHAVEZ, RICHARD
COOKSEY, YOLANDO
CORBIN, CYNTHIA
CORNWELL, MARY
CORSIGLIA, LESLYE
COTA, PHILLIP
DEISENROTH, FRED
DELA ROSA BLANK, BERNICE
DELREAL, JOYCE
DICKSON, JAYME
DO, HOANG
DOMINGUEZ, LOUIS
ENANY, KARLA
FALKOWITZ, ROGER
FERGUSON, FAWNA
GALLEGOS, DAVID
GALLION, MICHELLE
GARCIA, ROBERT
GERARDO, MYRA
GIBSON, TERESA
GOMES, TERRI
GRIJALVA, ROBERT
GUIZAR, ARMANDO
GUTIERREZ, BOB
GUTIERREZ, ROBERTO
HADE, JENNIFER
HARRIS, LYNN
HELTON, DANIEL
HERNANDEZ, GILBERT
HERNANDEZ, GILBERT
HESS, PATRICK
HUNTER, WILLIAM
JAMIESON, SUSAN
JANSSEN, JEFFREY
JOBE, GREGORY
JOHNSON, KENNETH
KACHHAPATI, RAVI
KEIRSTEAD, LINDA
KLIKUN, JUDITH
KOMATSU, KENTON
KUNG, MARIA
LACAZE, HENRY
LAM, DAVID
LARSEN, HANS
LARSON, KRISTINE
LEAK, FELECIA
LEON-MONDAY, ROSEMARIE
LEWIS, ROCHELLE
LIANG, JAN
LING, ZHIJIA
LIU, GRACE
LUDWIG, CYNTHIA
MACHAMER, CLARK
MACK-WILLIAMS, DIANE
MARCUSSEN, GEORGE
MASON, TAMI
MATTHEWS, JAMIE
MCCULLOUGH, MICHAEL
MIZE, RALPH
MORADO, MARTHA
MORGAN, ELIZABETH
MORREIRA-WARN, THERESA
MORTON, RENEE
NAILLON, JOSEPH
NAKASAKI, BRENDA
NAVARRA, JOHN
NG, LARRY
NGUYEN, TUNG
NIEVES, FRANCISCO
NWOKOLO, PETER
PACHECO, TERESA
PANZICA, PASQUALE
PECK, THEODORE
PEREZ, APOLINAR
PISTER, CALVIN
PLOUGH, JILL
PRASAD, KISHOR
REYES, DANILO
RICHARDSON, MIKE
ROMANO, LYNETTE
ROSALES, LETICIA
ROSS, GREGORY
RUDD, PEGGY
SCHLUSSEL, KAREN
SHINAGAWA, ARTHUR
SIEGEL, KATHLEEN
SLOTNICK, EVELYN
SMYTH, LISA
SMYTH, MARK
STARR, DAVID
TANASE, LORALYN
TANCIANGCO, JESUS
THOMAS, GAYLEEN
THOMPSON, ERIC
TRAFTON, THOMAS
TRCONIC, ZORAN
TURNER, LISA
VERCELUZ, ROSALINDA
VILLARREAL, JUAN
WANG, FAN
WHITE, STANLEY
WILSON, JAMES
WOODS, LINDA
YANG, LILY

DEFERRED VESTED RETIREMENTS

ALVARADO, JOSEPH
AMARO, SUSAN
CHOI, DAVID
CURTO, RAYMOND
DANFORTH, ANN
DE GUZMAN, PRIMO
FERRER, JOSE
FURMAN, PETER
GEHAL, GHEBREAB
GENESY, DAVID
GILBERT, VILLAGOMEZ
GLASSEY, TRISH
JACKSTEIT, VINCENT
JEFFRIES, ELLYA
JOSLIN, NELSON
KEITH, ROBERT
KHUU, THAI
LAO, EDWARD
LEVISON, MURRAY
LOMAS, DANICO
MARK, JULIE
MIKASA, MICHAEL
MORALES, CARLOS
MORENO, RICHARD
NAYEEM, SHEIKH
NOGUEZ, MARTIN
OBREGON, JOSE
PREVETTI, LAUREL
SHOCKLEY, TIMOTHY
SINGH, DANA
SMITH, GERALDINE
SMITH, JUDITH
UNPINGCO, ELIZABETH
VASQUEZ, JOVITA
WEI, WENDY
WICKLANDER, RICHARD

SERVICE CONNECTED DISABILITY RETIREMENTS

HUFFSTETLER, GRANT
MENDONCA, WILLIAM

NON-SERVICE CONNECTED DISABILITY RETIREMENTS

GRANLUND, ANTHONY

Deaths During Fiscal Year 2014-2015

DEATHS AFTER RETIREMENT

ANDERSON, CLARICE
AYCOCK, RICHARD
BEECH, JAMES
BELICK, FRANK
BLAIR, NOLAN
BROADWAY, BLAKE
BURGETT, BILL
CERGL, MARY
CHRISTENSEN, JR, CHARLES
CLARKE, HARRYETTE
COLEMAN, DON
CORBETT, DONALD
COX, WILLIAM
CRUZ, BEATRICE
DE LA SERNA, MARTA
DIONIDA, BING
EDWARDS, RAYMOND
FARLIN, RAYMOND
FERGUSON, KENNETH
GALLAGHER, JAMES
GOKCEK, IBRAHIM
GRUNDMAN, EDWARD
GUMM, ELIZA
GUY, SUSAN
HAMRICK, EVELYN
HARDY, NORMAN
HARSANY, JUDITH
HERNANDEZ, AUGUSTINE
HETNAR, MERED
HILD, KARL
HOUDA, MICHAEL
IVERSON, NAOMI
KESTED, ROGER
KIRK, DONALD
KUCHARSKI, DONNA
LA ROCCA, SAMUEL
LAVEZZARI, LEON
LEANOS, ANTONIO
LOPEZ, JOSE
LYNCH, GARY
MACIAS, MANUEL
MACK, SR., STEPHEN
MACRAE, DONALD
MADONIA, RALPH
MASON, CLYDE
MC GEE, DOROTHY
MC LAUGHLIN, MARDELL
MC LEOD, GARRY
MCMILLIN, JOAN ELIZABETH
MERRILL, KARLIN
MILLER, CLETUS
MILLER, WILLIAM
NEWCOMER, ELIZABETH
PENA, MERCEDES
RAINES, THOMAS
RINGROSE, JOSEPH
SAMS, NAOMI
SANCHEZ, MARINA
SCHWARZENBACH, DON
SEGER, JULIANNE
SERVOS, KENNETH
SOMMERS, DORIS
SORRELLS, ROBERT
STABELL, FRED
STREMPEL, ADAM
TAYLOR, VIRGINIA
TEICHER, CHARLOTTE
TESHARA, WENDY
UMALI, LINABELLA
WALLACE, MARIE
WANG, LARRY
WARD, WILLIAM
WILSON, EVERETT
ZIEBELL, RUTH

DEATHS BEFORE RETIREMENT

CALIBOZO, ROBERT
FREZZO, MICHAEL
KAO, WANHSIANG
SEDWICK, KATHRYN
SIEGEL, KATHLEEN

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