

ACTUARIAL VALUATION AS OF JUNE 30, 1997

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December 23, 1997

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Board of Administration City of San Jose Federated City Employees' Retirement System 777 North First Street, Suite 750 San Jose, CA 95112

Members of the Board:

1.1

We are pleased to present our actuarial valuation report as of June 30, 1997 for the Federated City Employees' Retirement System. This report contains the results of the valuation of the retirement and health subsidy benefits provided by the System.

This report is divided into three parts:

- A. Valuation Summary: This section contains an overview of significant valuation results.
- B. Valuation Detail: This section contains more detailed results of the valuation. Section I contains details of the retirement valuation. Section II contains details of the health subsidy valuation.
- C. Exhibits: This section contains information on plan demographics, plan provisions, and actuarial assumptions used in the valuation.

We appreciate the opportunity to serve the Board of Administration as actuary for the Federated City Employees' Retirement System.

Sincerely,

Staron 9 Teake

Sharon A. Peake, F.S.A. Consulting Actuary

Douglas R. Tokerul

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### Actuarial Valuation as of June 30, 1997

#### Introduction

Full-time non-safety employees of the City of San Jose and their beneficiaries are entitled to retirement benefits (including disability and survivors' benefits) and health subsidy benefits under Chapters 3.28 and 3.44 of the San Jose Municipal Code and by related ordinances. This system is known as the Federated City Employees' Retirement System.

This report contains the results of the June 30, 1997 valuation of both the retirement and health subsidy benefits under the Retirement System. It contains our calculations of the annual budget of the System, as provided in Chapters 3.28 and 3.44 of the Municipal Code. It also contains the disclosure information as of June 30, 1997, required under the Government Accounting Standards Board (GASB) Statements.

The valuation results were based on the demographic assumptions used in the preceding valuation with the exception of the expected incidence of deferred retirement, service retirement, and ordinary withdrawal. Based on the results of the experience study, the Board of Retirement accepted our recommendation that we modify these assumptions. Additionally, we recommended and the Board accepted our recommendation to lower the total payroll increase assumption from 5.0% to 4.5% to be in line with GASB 25 requirements. Several other economic assumptions have been changed and approved by the Board since the prior valuation, as follows:

- Annual individual salary increases which vary by age were decreased. The new rates begin at 8.5% at age 20 and grade down to 5% for ages greater than 54. The prior rates were about .6% higher on average.
- Decreased the annual increases in the Consumer Price Index from 5.0% to 4.5%; the annual increase in System benefits continues to be capped at 3%.

We believe the revised assumptions and methods used are appropriate for use in the valuation of the liabilities of the Retirement System at June 30, 1997.

The demographic and economic assumptions are described in detail in the Exhibits section of this report. The annual interest rate used for the valuation, 8.25%, remains unchanged since the last valuation.

This Valuation Summary contains an overview of our valuation results. More detail on these results can be found in the Valuation Detail and Exhibit sections of this report.

A schedule containing all of the significant results of our valuation can be found on the next page.



|      | Summary of Significant Valuation Results           |               |                      |                    |  |  |
|------|--|---------------|----------------------|--------------------|--|--|
|      |  | June 30, 1997 | June 30, 1995        | Percent<br>Change  |  |  |
| I.   | Total Membership                                   |               |                      |                    |  |  |
|      | A. Active Members                                  | 3,642         | 3,397                | +7.2%              |  |  |
|      | B. Pensioners                                      | 1,745         | 1,636                | +6.7%              |  |  |
|      | C. Inactives                                       | 214           | 191                  | +12.0%             |  |  |
| II.  | Salaries at June 30                                |               |                      |                    |  |  |
|      | A. Total Annual Payroll                            | \$176,284,000 | \$153,918,000        | +14.5%             |  |  |
|      | B. Average Monthly Salary                          | \$4,034       | <mark>\$3,776</mark> | <mark>+6.8%</mark> |  |  |
| III. | II. Benefits to Current Pensioners and             |               |                      |                    |  |  |
| 1    | A Total Annual Benefits                            | \$32,630,000  | \$29,029,000         | +12.4%             |  |  |
|      | B. Average Monthly Benefit Amount                  | \$1,558       | \$1,479              | +5.3%              |  |  |
| IV.  | Total System Assets (Actuarial Value) <sup>1</sup> | \$766,788,000 | \$610,516,000        | +25.6%             |  |  |
| v.   | / Budget Items                                     |               | Pct. of              |                    |  |  |
|      | A. Employer Cost as a Percent of Pay               |               |                      | Payroll            |  |  |
|      | 1. Retirement Benefits <sup>2</sup>                | 15.37%        | 17.42%               | -2.05%             |  |  |
| [    | 2. Health & Dental Benefits                        | <u>1.15%</u>  | <u>2.53%</u>         | <u>-1.38%</u>      |  |  |
|      | 3. Total   | 16.52%        | 19.95%               | -3.43%             |  |  |
| Į    | B. Member Cost as a Percent of Pay                 |               | ·                    |                    |  |  |
|      | 1. Retirement Benefits                             | 4.36%         | 4.60%                | -0.24%             |  |  |
|      | 2. Health & Dental Benefits                        | <u>0.95%</u>  | <u>2.10%</u>         | <u>-1.15%</u>      |  |  |
|      | 3. Total   | 5.31%         | 6.70%                | -1.39%             |  |  |
| VI.  | Funded Ratio                                       |               |                      |                    |  |  |
|      | (Based on Actuarial Value of Assets)               | 92.3%         | 85.8%                | +6.5%              |  |  |

A decision was made in 1996 to phase in to the full contribution rate over four years. Under this phase-in, Note: the scheduled rate for the 1997/1998 year is 19.22%. Therefore, the new rate for the 1998/1999 year (16.52%) will represent an actual reduction to the City of 2.70% of payroll.



<sup>&</sup>lt;sup>1</sup> Includes \$14,544,000 and \$6,175,000 in accounts payable as of June 30, 1997 and June 30, 1995, respectively. <sup>2</sup> Includes 0.50% for reciprocity.

#### **Budget Requirements**

Chapter 3.28 of the San Jose Municipal Code requires that an annual budget be prepared which sets forth the estimated cost of maintaining the retirement fund on a reserve basis.

In our opinion, if the recommended contributions included in this report are adopted, the System will be maintained in compliance with the Municipal Code of the City of San Jose and in accordance with the methods and assumptions underlying the calculations.

Below, we present a summary of budget requirements for the Federated City Employees' Retirement System. In total, the recommended contribution decreased by 4.82% from last year.

| Recommended Contributions for Fiscal Years<br>Beginning in 1998 and 1999 |        |       |  |  |
|--|--------|-------|--|--|
| Percentage of Salary   |        |       |  |  |
| <u>City</u> Member   |        |       |  |  |
| Contribution for Retirement, Disability, and Death Benefits              | 15.37% | 4.36% |  |  |
| Contribution for Health Subsidy Benefits1.15%0.95%                       |        |       |  |  |
| Total Contribution16.52%5.31%  |        |       |  |  |

A more detailed breakdown of these results can be found in the Valuation Detail section of this report.



The following graph illustrates the funding levels determined in the past few valuations for both the retirement benefits and the health subsidy benefits.



#### **Analysis of Change in Contribution Rates**

| Total contribution rate - this valuation: | 21,83%        |
|---|---------------|
|   | - 4.82%       |
| Assumption changes                        | <u>-2.23%</u> |
| Favorable liability results               | - 1.04%       |
| Favorable investment performance          | - 1.55%       |
| Total contribution rate - prior valuation | 26.65%        |

#### System Assets

The following asset values are based on information provided to us by the Department of Retirement Services. We have not audited or verified the information provided to us.

|   | June 30, 1997                               | June 30, 1995                               | Percent<br>Change          | Annual Rate of<br>Return   |
|---|---|---|----------------------------|----------------------------|
| Total System Assets <sup>1</sup><br>Book Value<br>Market Value<br>Actuarial Value | \$789,233,000<br>875,327,000<br>766,788,000 | \$598,818,000<br>655,167,000<br>610,516,000 | +31.8%<br>+33.6%<br>+25.6% | 14.33%<br>15.15%<br>11.60% |

See note below

The Rates of Return were based on the following cash flow information.

|                               | July 1, 1995 - June 30, 1996 | July 1, 1996 - June 30, 1997 |
|-------------------------------|------------------------------|------------------------------|
| Contributions                 | \$41,287,000                 | \$42,817,000                 |
| Benefit Payments and Expenses | 38,224,000                   | 40,220,000                   |

The 11.60% annual rate of return on the actuarial value is more than the 8.25% rate assumed for the last two years, which resulted in an actuarial gain. The budgeted contribution for the System would have been more if not for this gain.

More detail on System assets can be found in the Exhibits section of this report.

<sup>4</sup> Includes \$14,544,000 and \$6,175,000 in accounts payable as of June 30, 1997 and June 30, 1995, respectively.



### System Membership

Computer tapes containing data on System membership as of June 30, 1997 were supplied to us by the Retirement Office. On the following schedule we present a summary of System membership at June 30, 1997 and June 30, 1995.

The number of total active Members increased by 7.2% since the last valuation. The total number of retired Members and their beneficiaries increased by 6.7%, while the average retirement benefit amount increased by 5.3%.

More detail on System membership, including breakdowns by age and service categories, can be found in Exhibits IX and X of this report.

| System Membership   |   |   |  |  |  |  |  |
|---|---|---|--|--|--|--|--|
| Pere<br>June 30, 1997 June 30, 1995 Cha   |   |   |  |  |  |  |  |
| I. Active Members   |   |   |  |  |  |  |  |
| <ul> <li>a. Number</li> <li>b. Average Age</li> <li>c. Average Years of Service</li> <li>d. Salary <ol> <li>i) Total Annual Salary</li> <li>ii) Average Monthly Salary</li> </ol> </li> </ul> | 3,642<br>43.5<br>10.6<br>\$176,284,000<br>\$4,034 | 3,397<br>42.6<br>10.1<br>\$153,918,000<br>\$3,776 | +7.2%<br>+2.1%<br>+5.0%<br>+14.5%<br>+6.8% |  |  |  |  |
| II. Pensioners and Beneficiaries  |   |   |  |  |  |  |  |
| <ul> <li>a. Number</li> <li>b. Average Age</li> <li>c. Allowance</li> <li>i) Total Annual Allowance</li> <li>ii) Average Monthly Amount</li> </ul>  | 1,745<br>67.8<br>\$32,630,000<br>\$1,558          | 1,636<br>66.8<br>\$29,029,000<br>\$1,479          | +6.7%<br>+1.5%<br>+12.4%<br>+5.3%          |  |  |  |  |
| III. Inactives  |   |   |  |  |  |  |  |
| <ul> <li>a. Number</li> <li>b. Average Age</li> <li>c. Allowance</li> <li>i) Total Annual Allowance</li> <li>ii) Average Monthly Amount</li> </ul>  | 214<br>44.9<br>\$2,071,000<br>\$806               | 191<br>46.2<br>\$1,809,000<br>\$789               | +12.0%<br>-2.8%<br>+14.5%<br>+2.2%         |  |  |  |  |



| Development of the Actuarial Value of Assets<br>as of June 30, 1997 |  |                      |                     |                   |                  |               |  |
|---|--|----------------------|---------------------|-------------------|------------------|---------------|--|
| 1.  | 1. Realized and Unrealized Gains/Losses  |                      |                     |                   |                  |               |  |
| · ···   | (a)  | (b)                  | (c)                 | (d)               | (e)              | (f)           |  |
|   |  |                      |                     |                   |                  | Recognized    |  |
|   | Fiscal   |                      |                     | 20% of            | Years            | Amount        |  |
|   | Year End   | Unrealized           | Realized            | (b) + (c)         | Until<br>6/30/97 | = (d) x e)    |  |
|   | 6/30/93  | \$30,056,000         | \$17,454,000        | \$9,502,000       | 5                | \$47,510,000  |  |
|   | 6/30/94  | (44,095,000)         | 13,742,000          | (6,071,000)       | 4                | (24,284,000)  |  |
|   | 6/30/95  | 56,302,000           | 3,792,000           | 12,019,000        | 3                | 36,057,000    |  |
|   | 6/30/96  | 5,291,000            | 47,562,000          | 10,571,000        | 2                | 21,142,000    |  |
|   | 6/30/97  | 38,540,000           | 37,928,000          | 15,294,000        | 1                | 15,294,000    |  |
| 2.  | Total Recogni  | zed Gains and Loss   | es                  |                   |                  | 95,719,000    |  |
| 3.  | Book Value (l  | ess accounts payabl  | e) as of June 30, 1 | .997              |                  | 774,689,000   |  |
| 4. Realized appreciation over the last 5 years                      |  |                      |                     |                   | 120,478,000      |               |  |
| 5.  | (3) - (4)  |                      |                     |                   |                  | 654,211,000   |  |
| 6.  | (2) + (5)  |                      |                     |                   |                  | 749,930,000   |  |
| 7.  | Corridor Limit   | t (Market Value less | s accounts payable  | e = \$860,783,000 | )                | ļ<br>,        |  |
|   | 80% of Marke   | t Value (less accour | nts payable)        |                   |                  | 688,626,000   |  |
| 120% of Market Value (less accounts payable)                        |  |                      |                     |                   |                  | 1,032,940,000 |  |
| 8. (6) but within corridor of (7)                                   |  |                      |                     |                   |                  | 749,930,000   |  |
| 9. Actuarial Book Value Ratio = $(8)/(3)$                           |  |                      |                     |                   | .9680            |               |  |
| 10. Net Assets at Book Value <sup>1</sup>                           |  |                      |                     |                   | 701,399,000      |               |  |
| 11.   | 11. Adjusted Net Assets = $(9) \times (10)$ , rounded to nearest \$1,000 678,954 |                      |                     |                   |                  | 678,954,000   |  |
| 12.   | 12. Reserves not reflected87,83  |                      |                     |                   |                  |               |  |
| 13.   | 13. Actuarial Value of Assets = $(11) + (12)$ 766,788,000                        |                      |                     |                   |                  |               |  |



<sup>&</sup>lt;sup>1</sup> Excludes accounts payable, contingency reserves, SRBR, and health and dental reserves.

### VALUATION OF RETIREMENT BENEFITS

#### **Actuarial Balance Sheet**

The purpose of the Actuarial Balance Sheet is to compare System assets with System liabilities in order to define the portion of the liabilities which need to be funded by the City in the future. The Balance Sheet information in the next two pages represents assets and liabilities for *retirement* benefits only.

System liabilities equal the present value of all future benefits expected to be paid to current and future retirees and beneficiaries of the System.

For the purpose of the Actuarial Balance Sheet, system assets are equal to the sum of:

- the assets currently available to pay benefits,
- the present value of future contributions expected to be made by current System Members, and
- the present value of future contributions expected to be made by the City.

The chart on the following page illustrates the breakdown of Balance Sheet assets and liabilities for the retirement benefits of the System. It shows that about 35% of the System's liabilities are for retired Members and their beneficiaries and 65% are for active Members. About 61% of the System's assets consist of currently available assets with 39% consisting of future contributions from the City and the Members.





The Actuarial Balance Sheet can be found on the following pages.

### VALUATION OF RETIREMENT BENEFITS

### Actuarial Balance Sheet as of June 30, 1997

|     | ASSETS   |                       |  |  |  |  |
|-----|--|-----------------------|--|--|--|--|
| 1.  | Applicable Assets <sup>1</sup>                         | \$678,954,000         |  |  |  |  |
| 2.  | Present Value of Future Member Contributions           | \$96,138,000          |  |  |  |  |
| 3.  | Present Value of Future Contributions by the City For: |                       |  |  |  |  |
|     | a. Basic Feisions<br>Normal Rate \$180,180,000         |                       |  |  |  |  |
|     | ii Deficiency Rate 44 100 000                          |                       |  |  |  |  |
| }   | iii Golden Handshake 18.081.000                        |                       |  |  |  |  |
|     | iv. Total  | \$251.370.000         |  |  |  |  |
|     |  | <b>\$201</b> ,010,000 |  |  |  |  |
|     | b. Cost-of-Living Pensions                             |                       |  |  |  |  |
|     | i. Normal Rate \$66,370,000                            |                       |  |  |  |  |
|     | ii. Deficiency Rate 5,072,000                          |                       |  |  |  |  |
|     | iii. Golden Handshake 5,071,000                        |                       |  |  |  |  |
|     | iv. Total  | \$76,513,000          |  |  |  |  |
| 4.  | Total Assets   | \$1,102,975,000       |  |  |  |  |
|     | LIABILITIES <sup>2</sup>                               |                       |  |  |  |  |
| 5.  | Present Value of Benefits Already Granted (Pensioners, |                       |  |  |  |  |
|     | Beneficiaries and Inactives)                           |                       |  |  |  |  |
| i i |  |                       |  |  |  |  |
|     | a. Basic \$302,661,000                                 |                       |  |  |  |  |
| 1   | b. Cost-of-Living 80,913,000                           |                       |  |  |  |  |
|     | c. Total   | \$383,574,000         |  |  |  |  |
| 6.  | Present Value of Benefits to be Granted (Actives)      |                       |  |  |  |  |
|     |  |                       |  |  |  |  |
|     | a. Basic \$558,253,000                                 |                       |  |  |  |  |
|     | b. Cost-of-Living 161,148,000                          |                       |  |  |  |  |
|     | c. Total   | \$719,401,000         |  |  |  |  |
| 7.  | Total Liabilities                                      | \$1,102,975,000       |  |  |  |  |

 <sup>&</sup>lt;sup>1</sup> Excludes accounts payable, contingency reserves, SRBR, and health and dental reserves.
 <sup>2</sup> Does not include liabilities for reciprocal benefits. See section on Reciprocity, page 19.



### VALUATION OF RETIREMENT BENEFITS

### **Recommended Contributions**

The San Jose Municipal Code requires that budget amounts for the Federated City Employees' Retirement System be determined every two years. In determining these amounts, the System currently uses a modified Entry Age Cost Method. The required annual contribution is made up of several parts:

- The Current Service Rate (Normal Rate) is the cost for funding liabilities for service after July 1, 1975. This cost is shared 8/3 between the City and the Members.
- The Current Service Deficiency Rate is the amortization of the funding deficiency for service after July 1, 1975 which is not covered by the Current Service Rate. The City bears this entire cost.
- The Prior Service Rate is the difference in costs between the current plan and the predecessor plan (the "1964 Plan") for service before July 1, 1975. The cost is shared 58/42 between the City and the Members. Additionally, the City's Prior Service Rate reflects the entire cost for any gains or losses associated with liabilities for service prior to July 1, 1975.
- The Health Insurance Rate is the cost for funding, as a level percent of payroll, a 15-year projection of premiums. The cost is shared 50/50 between the City and the Members.
- The Dental Insurance Rate is the cost for funding, as a level percent of payroll, a 15-year projection of premiums. The cost is shared 8/3 between the City and the Members.
- The Golden Handshake Rate is the cost for funding the additional benefits granted to certain retiring employees. The City bears this entire cost.
- The Reciprocity Rate represents prefunding of the liability associated with the adoption of reciprocal benefits with other public pension plans. The City bears this entire cost.

We show on the following page the recommended contributions for retirement benefit for the next two fiscal years.



### VALUATION OF RETIREMENT BENEFITS

| Recommended Contributions for<br>Fiscal Years Beginning in 1998 and 1999 |        |         |  |
|--|--------|---------|--|
|  | City   | Members |  |
| For Basic Retirement Benefits  |        |         |  |
| Current Service Normal Rate  | 8.55%  | 3.20%   |  |
| Current Service Deficiency Rate  | 1.87%  | N/A     |  |
| Prior Service Normal Rate  | 0.03%  | 0.02%   |  |
| Prior Service Deficiency Rate  | 0.13%  | N/A     |  |
| Retirement Golden Handshake Rate   | 0.82%  | N/A     |  |
| Reciprocity  | 0.42%  | N/A     |  |
| Total Contributions for Basic Retirement Benefits                        | 11.82% | 3.22%   |  |
| For Cost-of-Living Retirement Benefits                                   |        |         |  |
| Current Service Normal Rate  | 3.00%  | 1.13%   |  |
| Current Service Deficiency Rate  | 0.23%  | N/A     |  |
| Prior Service Normal Rate  | 0.01%  | 0.01%   |  |
| Prior Service Deficiency Rate  | 0.00%  | N/A     |  |
| Retirement Golden Handshake Rate   | 0.23%  | N/A     |  |
| Reciprocity  | 0.13%  | N/A     |  |
| Total Contributions for Cost-of-Living Retirement Benefits               | 3.60%  | 1.14%   |  |
| Total Basic and Cost-of-Living Contributions<br>for Retirement Benefits  | 15.42% | 4.36%   |  |



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#### **Funded Status and GASB Disclosure**

In November 1994, the Governmental Accounting Standards Board (GASB) adopted Statement No. 25, changing the way in which governmental retirement systems must report financial information. This replaces the requirements of GASB No. 5. While released in 1994, the statement allowed plans to delay the effective date until reporting for plan years beginning after June 15, 1996. This statement applies only to retirement benefits paid by the System.

This report includes two new tables showing information required to be reported under GASB No. 25. The first table shows a six-year history of funding progress (a comparison of Actuarial Assets with the Actuarial Accrued Liability, and a comparison of UAAL with compensation). This table shows significant funding progress over the last six years.

The second table shows the Annual Required Contribution (ARC) as computed under GASB No. 25, and it shows what percent of this amount was actually received. The current method used for determining San Jose contributions satisfies the GASB requirements. As long as actual contributions are made in accordance with the actuarially recommended rates, the "Percentage Contributed" shown on this table will always be 100%. Otherwise, additional financial disclosures will be necessary.

The graph on the next page shows the funded status for retirement benefits only for the last five years. Actuarial assets are 92.3% of total retirement liabilities at June 30, 1997.





### VALUATION OF RETIREMENT BENEFITS

### Schedule of Funding Progress Defined Benefit Pension Plan Only (as Required by GASB No. 25)

| Valuation Date              | Actuarial Value of<br>Assets (AVA) | Actuarial Accrued<br>Liability (AAL) | Unfunded Actuarial<br>Accrued Liability<br>(UAAL) (3) - (2) | Funded Ratio<br>(2) / (3) | Annual Covered<br>Payroll | UAAL as % of<br>Payroll<br>(4) / (6) |
|-----------------------------|------------------------------------|--------------------------------------|---|---------------------------|---------------------------|--------------------------------------|
| (1)                         | (2)                                | (3)                                  | (4)   | (3)                       | (0)                       | ()                                   |
| June 30, 1997               | \$678,954,000                      | \$735,772,000                        | \$56,818,000  | <mark>92%</mark>          | 176,284,000               | 32%                                  |
| June 30, 1996 <sup>1</sup>  | 622,528,000                        | 696,974,000                          | 74,446,000  | 89%                       | 165,101,000               | 45%                                  |
| June 30, 1995               | 566,102,000                        | 658,175,000                          | 92,073,000  | 86%                       | 153,918,000               | 60%                                  |
| June 30 , 1994 <sup>2</sup> | 527,984,000                        | 620,647,000                          | 92,663,000  | 85%                       | 149,850,000               | 62%                                  |
| June 30, 1993               | 489,865,000                        | 583,119,000                          | 93,254,000  | 84%                       | 145,781,000               | 64%                                  |

<sup>1</sup> Average of the June 30, 1995 and June 30, 1997 results. <sup>2</sup> Average of the June 30, 1993 and June 30, 1995 results.



### VALUATION OF RETIREMENT BENEFITS

## Schedule of Employer Contributions Defined Benefit Pension Plan Only (as Required by GASB No. 25)

| Fiscal Year | Annual Required Contribution | Percentage Contributed |
|-------------|------------------------------|------------------------|
| (1)         | (2)                          | (3)                    |
| 1996/97     | 17.42%                       | <mark>92%</mark>       |
| 1995/96     | 15.03%                       | 100%                   |
| 1994/95     | 15.03%                       | 100%                   |
| 1993/94     | 13.05%                       | 100%                   |
| 1992/93     | 13.05%                       | 100%                   |
| 1991/92     | 13.05%                       | 100%                   |
|             |                              |                        |



### VALUATION OF RETIREMENT BENEFITS

#### Reciprocity

In 1994, the City adopted Ordinance No. 24682 which provides reciprocity between this System and the California Public Employees Retirement System (CALPERS) and systems reciprocal to CALPERS. This benefit is paid for entirely by the City.

In essence, reciprocity allows for the use of the highest salary under all reciprocal employers in calculating the retirement benefit payable to Members of this System.

In our previous actuarial report as of July 1, 1995, we recommended the adoption of an estimated contribution rate of 0.50% of payroll. We recommend continuing to use this estimate until more experience can be obtained as to the actual use of this benefit. Therefore, the contribution rates included in this report include the 0.50% amount.



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### VALUATION OF HEALTH SUBSIDY BENEFITS

### Introduction

Chapter 3.28 (Parts 16 and 17) of the City Municipal Code provides that a health insurance subsidy be paid to retired Members of the Federated City Employees' Retirement System. This subsidy is a monthly payment which retirees apply towards the cost of health insurance. Eligible retirees can select among a variety of plans sponsored by the City. Exhibit IV summarizes the provisions of the Health Insurance Premium Subsidy program.

The System is building a reserve through advance funding health insurance subsidies using a "partial 15-year" funding method. Essentially, this method sets the cost for the subsidies based on a 15-year projection of expected premiums. This is a simplified funding method, and does not reflect the total liability for the health insurance subsidies. Total liability is significantly higher than premiums over the next 15 years.

The actuarial value of the reserve for health insurance subsidies available at June 30, 1997 is \$46,959,000. This consists of \$35,875,000 for Health Insurance benefits and \$11,084,000 for Dental Insurance benefits.

This section of the report contains the results of the June 30, 1997 valuation of the retiree health insurance premium subsidy. In determining the budget amounts for the 1998 and 1999 fiscal years, we have used the following economic assumptions:

- 8.25% annual interest
- health and dental cost inflation rates of 7.50% (reduced from 8.50% in prior valuation)
- 4.50% annual payroll increase (reduced from 5.00% in prior valuation)
- increase in the covered retiree population consistent with actual experience over the past six years (6.10% average increase, vs. prior assumption of 8.00% per year)

As to the last assumption above, even though we have reduced the assumed increase in retiree population from 8.00% to 6.10%, this rate is higher than our current demographic forecast for the next 15 years, thereby perhaps overstating costs somewhat. On the other hand, we believe the method itself, a carryover from the System's former actuaries, probably understates costs compared to what a full valuation would yield.

We recommend that a full valuation be performed of the health subsidy benefits, to obtain a truer measure of the cost of this benefit.



### VALUATION OF HEALTH SUBSIDY BENEFITS

#### **Actuarial Balance Sheet**

The purpose of the Actuarial Balance Sheet is to compare System assets with System liabilities in order to define the portion of the liabilities which need to be funded by the City in the future. The Balance Sheet information in the next two pages represents assets and liabilities for health insurance subsidies only.

System liabilities equal the present value of all future health insurance subsidies expected to be paid to current and future retirees and beneficiaries of the System.

For the purpose of the Actuarial Balance Sheet for health insurance subsidies, System assets are equal to the sum of:

- the assets currently available to pay benefits,
- the present value of future contributions expected to be made in the next 15 years by the City and Members.

System liabilities reflect a 15-year projection of expected premiums for the health subsidy benefits. This method of reporting is the same as that used by the actuary for the preceding valuation.

The Actuarial Balance Sheet can be found on the following pages.



The following chart illustrates the breakdown of Balance Sheet assets and liabilities of the health insurance subsidies of the System. About 67% of the System's assets consist of currently available assets with 18% consisting of future contributions from the City and 15% of future contributions from Members.



### VALUATION OF HEALTH SUBSIDY BENEFITS

### Actuarial Balance Sheet as of June 30, 1997

|    | ASSETS   |              |
|----|--|--------------|
| 1. | Applicable Assets                                | \$46,959,000 |
| 2. | Present Value of Future Contributions:           |              |
|    | a. City \$24,454,000                             |              |
|    | b. Members 19,183,000                            |              |
|    | c. Total   | 43,637,000   |
| 3. | Total Assets                                     | \$90,596,000 |
|    | LIABILITIES                                      |              |
| 4. | Present Value of Subsidies for the Next 15 Years | \$90,596,000 |



### VALUATION OF HEALTH SUBSIDY BENEFITS

### **Recommended Contributions** for Fiscal Years Beginning in 1998 and 1999

Under the Municipal Code, certain retired employees are eligible for a health insurance premium subsidy. This subsidy is to be funded by the Federated City Employees' Retirement System and active Members.

The City is currently building reserves, for retiree health insurance subsidies. The actuarial value of the reserve available at June 30, 1997 is \$46,959,000. This consists of \$35,875,000 for Medical Insurance benefits and \$11,084,000 for Dental Insurance benefits.

Based on this reserve, we have calculated the required funding amount for fiscal years beginning July 1, 1998 and July 1, 1999.

|                        | City  | Member |
|------------------------|-------|--------|
| Medical Insurance Rate | 0.92% | 0.87%  |
| Dental Insurance Rate  | 0.23% | 0.08%  |
| Total                  | 1.15% | 0.95%  |

The City's total Health Insurance contribution rate includes 0.05% for golden handshake recipients.



### VALUATION OF HEALTH SUBSIDY BENEFITS

# Funded Status of Health Subsidy Benefits at June 30, 1997

These figures do not include assets or liabilities for the retirement benefits of the System.

| Present Value of H |   |                   |
|--------------------|---|-------------------|
| - Medical Benet    | fits  | \$72,625,000      |
| - Dental Benefit   | s   | <u>17,971,000</u> |
| - Total            |   | \$90,596,000      |
| Value of Assets Av | vailable for Health Subsidy Benefits  |                   |
| - Medical Benet    | fits  | \$35,875,000      |
| - Dental Benefit   | is a second s | <u>11,084,000</u> |
| - Total            |   | \$46,959,000      |
| Funded Ratio       |   |                   |
| - Medical Benet    | fits  | 49.4%             |
| - Dental Benefit   | S   | <u>61.7%</u>      |
| - Total            |   | 51.8%             |



# Statement of Reserve and Fund Balance Accounts as of June 30, 1997

|                               | Regular       | Cost of Living | Total         |
|-------------------------------|---------------|----------------|---------------|
| Employee Contributions        | \$131,439,000 | \$36,398,000   | \$167,837,000 |
| Employer Contributions        | 153,370,000   | 91,288,000     | 244,658,000   |
| Retired Employees Annuity     | 167,519,000   | 4,122,000      | 171,641,000   |
| Benefits Payable              | 127,003,000   | 0              | 127,003,000   |
| Supplemental Retiree Benefits | 8,689,000     | 0              | 8,689,000     |
| Contingency Reserves          | 17,641,000    | 0              | 17,641,000    |
| Unrealized Gain Reserve       | 61,893,000    | 24,201,000     | 86,094,000    |
| General Reserve               | 0             | 37,220,000     | 37,220,000    |
| Payable                       | 11,304,000    | 3,240,000      | 14,544,000    |
| Total                         | \$678,858,000 | \$196,469,000  | \$875,327,000 |



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| Statement of Changes in Net Assets Available for Plan Benefits                  |   |   |
|---|---|---|
|   | Year Ended<br>June 30, 1997                               | Year Ended<br>June 30, 1996                               |
| REVENUES  |   | , <u>, , , , , , , , , , , , , , , , , , </u>             |
| City Contributions  | \$31,441,000  | \$28,412,000  |
| Members' Contributions  | 11,376,000  | 12,876,000  |
| Income from Investments<br>Interest Earned<br>Dividends<br>Real Estate<br>Total | 27,114,000<br>8,212,000<br><u>4,465,000</u><br>39,791,000 | 23,996,000<br>5,829,000<br><u>4,610,000</u><br>34,435,000 |
| Total Revenues  | \$82,608,000  | \$75,723,000  |
| EXPENDITURES  | · · · · · · · · · · · · · · · · · · ·                     |   |
| Pensions<br>Retirement Allowances<br>Health Benefits<br>Total                   | \$29,999,000<br><u>4,145,000</u><br>34,144,000            | \$28,112,000<br><u>3,920,000</u><br>32,032,000            |
| Refund of Members' Contributions  | 789,000   | 758,000   |
| Administrative Expenses   | 3,946,000   | 5,434,000   |
| Total Expenditures  | \$38,879,000  | \$38,224,000  |
| NET REVENUES  | \$43,729,000  | \$37,499,000  |
| NET APPRECIATION IN FAIR VALUE OF INVESTMENTS                                   | \$76,468,000  | \$52,853,000  |
| NET REVENUES PLUS CAPITAL GAIN  | 120,197,000   | \$90,352,000  |
| NET ASSETS AVAILABLE FOR PLAN BENEFITS,<br>BEGINNING OF THE YEAR                | \$740,586,000   | \$650,234,000   |
| NET ASSETS AVAILABLE FOR PLAN BENEFITS,<br>END OF THE YEAR                      | \$860,783,000   | \$740,586,000   |



#### Exhibit III

# CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

## **Summary of Retirement Benefits**

| 1.                        | Eligibility:        |                  | Members are eligible on their first day of City employment.  |
|---------------------------|---------------------|------------------|--|
| 2.                        | Final Compensation: |                  | Highest 36-month average salary.   |
| 3.                        | Service             | e Retirement:    |  |
|                           | A)                  | Eligibility:     | Age 55 with 5 years of service, or any age with 30 years of service.   |
|                           | B)                  | Benefit:         | 2.5% of Final Compensation for each year of service.<br>Maximum benefit is 75% of Final Compensation.  |
|                           | C)                  | Form of Payment: | Monthly benefit payable for the life of the member.  |
| 4. Disability Retirement: |                     | lity Retirement: |  |
|                           | A)                  | Eligibility:     | Physically or mentally incapacitated so unable to perform<br>duties of position. If disability is not service connected,<br>then the member must have at least five years of City<br>service.  |
|                           | B)                  | Benefit:         | 2.5% of Final Compensation per year of service. The maximum benefit is 75% and the minimum benefit is 40% of Final Compensation. Any Workers' Compensation benefits are offset from the benefits under this system. If the disability was not service-connected, then the benefit is reduced by .5% of Final Compensation for each year of age under 55. |
|                           | C)                  | Form of Payment: | Monthly benefit payable for the life of the member.  |



5. Deferred Service Retirement:

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| A)     | Eligibility:   | Five years of membership prior to termination of City<br>service. Member must leave contributions on deposit<br>until retirement.   |
|--------|--|---|
| B)     | Benefit:   | Same as Service Retirement, payable anytime after age 55.   |
| C)     | Form of Payment:   | Same as Service Retirement.   |
| Pre-Re | etirement Death Benefits:  |   |
| A)     | Non-Service Connected with<br>less than 5 years of service, or<br>No Family Members Eligible | Momber's boneficiary or astate receives (i) and (ii)  |
|        | for Anowance.  | where:  |
|        |  | (i) = Accumulated contributions with interest.  |
|        |  | (ii) = Lump sum benefit of one month's salary for each year of service, up to 6 years.  |
| B)     | Service-Connected, or<br>Non-Service Connected   |   |
|        | with 5 years of service  | Member's beneficiary receives 100% of the benefit the<br>Member would have received if he or she had been<br>granted a disability benefit on the day before death,<br>payable until the spouse remarries. If the Member was<br>age 55 with 20 years of service at death, the benefit is<br>payable for the lifetime of the Member's spouse. |
| Post-R | Letirement Death   | Member's beneficiary receives (i) and (ii), where:  |
| Benefi | 15:  | (i) = $50\%$ continuance to surviving eligible spouse; if<br>there is no surviving spouse, certain benefits are paid to<br>the children.  |
|        |  | (ii) = $$500$ death benefit allowance for burial expenses at death of retired member.   |



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

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

If the benefit has been paid less than 12 months, the 3% increase is proportionately decreased.

#### 9. Employee Contributions:

The Members' contribution rates are recalculated on an actuarial basis at each actuarial study.



## **Summary of Health Subsidy Benefits**

1.

Eligibility:

|    | A)      | Medical | Fifteen years of service credit at retirement, or receiving<br>an allowance of at least 37 1/2% of Final Compensation.<br>Must be enrolled in a City medical insurance plan of<br>retirement.  |
|----|---------|---------|--|
|    | B)      | Dental  | Five years of service credit at retirement, or receiving an allowance of at least 37 1/2% of Final Compensation. Must be enrolled in a City dental insurance plan at retirement.   |
| 2. | Benefit |         |  |
|    | A)      | Medical | The Retirement System pays the premium for the lowest<br>cost medical plan offered by the City. Members and<br>eligible survivors pay for the difference in the premium<br>for their selected plan and the portion paid by the<br>Retirement System. |
|    | B)      | Dental  | The Retirement System pays the entire cost of dental insurance coverage.   |
| 3. | Contrib | outions | Both the City and the Members contribute towards the Retirement System fund for medical and dental insurance benefits.   |



Exhibit V

# CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

### Summary of Actuarial Assumptions and Methods Used for Valuation of Retirement Benefits

Interest Rate:

Salary Increases:

8.25% per year. The rate credited to Member contributions is 1% less than this valuation interest rate.

Total System payroll is assumed to increase 4.5% per year.

Annual salary increases for individuals vary by age reflecting 4.5% inflation and merit and longevity. Sample rates are shown below.

| Age             | Annual Salary Increase |
|-----------------|------------------------|
| 25              | <mark>8,0%</mark>      |
| <mark>35</mark> | <mark>7.0%</mark>      |
| <mark>45</mark> | <mark>6.0%</mark>      |
| <mark>55</mark> | <mark>5.0%</mark>      |
| <mark>65</mark> | <mark>5.0%</mark>      |

Cost-of-Living Increases:

3.0% per year.



Mortality:

A. For Pensioners on Service Retirement and Beneficiaries

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

Sample Rates

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|     | Deaths per 1,000 |         |  |  |  |  |  |  |  |
|-----|------------------|---------|--|--|--|--|--|--|--|
| Age | Males            | Females |  |  |  |  |  |  |  |
| 45  | 2.2              | 1.1     |  |  |  |  |  |  |  |
| 50  | 3.9              | 1.8     |  |  |  |  |  |  |  |
| 55  | 6.1              | 2.8     |  |  |  |  |  |  |  |
| 60  | 9.2              | 4.7     |  |  |  |  |  |  |  |
| 65  | 15.6             | 7.8     |  |  |  |  |  |  |  |
| 70  | 27.5             | 14.1    |  |  |  |  |  |  |  |
| 75  | 44.6             | 27.2    |  |  |  |  |  |  |  |

#### B. For Pensioners on Disability Retirement:

#### 1981 Disability Mortality Table

Sample Rates

| Age | Deaths per 1,000 |
|-----|------------------|
| 45  | 20.8             |
| 50  | 24.4             |
| 55  | 28.4             |
| 60  | 33.0             |
| 65  | 37.9             |
| 70  | 43.7             |
| 75  | 55.3             |



Rehire for Former Employees:

All former employees are assumed not to be rehired.

Proportion of Members with Spouses at Retirement:

Funding Method:

Asset Valuation Method:

75% of male employees and 55% of female employees are assumed married at retirement. Wives are assumed four years younger than husbands.

For retirement benefits: The Entry Age Normal Cost Method.

The Actuarial Value of Assets recognized 20% of unrealized and realized gains and losses each year. The Actuarial Value of Assets cannot be less than 80% of the Market Value of Assets or greater than 120% of the Market Value of Assets.



### Summary of Actuarial Assumptions and Methods Used For Valuation of Health Subsidy Benefits

Increase in Retiree Population:

The covered Retiree population is assumed to increase over the next 15 years at the same average rate as over the past 6 years - averaging 6.1% per year.

Covered Payroll Increase

Initial Health Subsidy:

Initial Dental Subsidy:

4.5% per year.

\$2,691 per year.

\$697 per year.



#### Exhibit VII

# CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM

### **Rates of Separation from Active Service**

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

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

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



#### **RATES OF SEPARATION FROM ACTIVE SERVICE - MALES**

|     |            |          |            |            | Death    |            |          |
|-----|------------|----------|------------|------------|----------|------------|----------|
|     | Ordinary   | Ordinary | Ordinary   | Service    | While    | Service    | Deferred |
| AGE | Withdrawal | Death    | Disability | Retirement | Eligible | Disability | Vested   |
| 20  | 0.0960     | 0.0003   | 0.0000     | 0.0000     | 0.0000   | 0.0005     | 0.0000   |
| 21  | 0.0880     | 0.0003   | 0.0000     | 0.0000     | 0.0000   | 0.0005     | 0.0000   |
| 22  | 0.0800     | 0.0003   | 0.0000     | 0.0000     | 0.0000   | 0.0005     | 0.0000   |
| 23  | 0.0760     | 0.0003   | 0.0000     | 0.0000     | 0.0000   | 0.0005     | 0.0000   |
| 24  | 0.0720     | 0.0003   | 0.0000     | 0.0000     | 0.0000   | 0.0005     | 0.0000   |
| 25  | 0.0680     | 0.0003   | 0.0002     | 0.0000     | 0.0002   | 0.0005     | 0.0043   |
| 26  | 0.0640     | 0.0003   | 0.0002     | 0.0000     | 0.0002   | 0.0005     | 0.0046   |
| 27  | 0.0600     | 0.0003   | 0.0002     | 0.0000     | 0.0002   | 0.0005     | 0.0050   |
| 28  | 0.0560     | 0.0004   | 0.0002     | 0.0000     | 0.0002   | 0.0006     | 0.0056   |
| 29  | 0.0520     | 0.0004   | 0.0002     | 0.0000     | 0.0002   | 0.0006     | 0.0063   |
| 30  | 0.0480     | 0.0004   | 0.0002     | 0.0000     | 0.0002   | 0.0006     | 0.0000   |
| 31  | 0 0440     | 0.0004   | 0.0002     | 0.0000     | 0.0002   | 0.0006     | 0.0074   |
| 32  | 0.0400     | 0.0004   | 0.0002     | 0.0000     | 0.0002   | 0.0006     | 0.0079   |
| 22  | 0.0400     | 0.0004   | 0.0002     | 0.0000     | 0.0002   | 0.0006     | 0.007.0  |
| 34  | 0.0000     | 0.0005   | 0.0003     | 0.0000     | 0.0003   | 0.0000     | 0.0001   |
| 35  | 0.0320     | 0.0005   | 0.0004     | 0.0000     | 0.0003   | 0.0007     | 0.0004   |
| 30  | 0.0200     | 0.0005   | 0.0004     | 0.0000     | 0.0003   | 0.0007     | 0.0001   |
| 37  | 0.0240     | 0.0006   | 0.0004     | 0,0000     | 0.0004   | 0.0007     | 0.0000   |
| 29  | 0.0200     | 0.0000   | 0.0005     | 0.0000     | 0.0004   | 0.0007     | 0.0000   |
| 20  | 0.0160     | 0.0000   | 0.0005     | 0.0000     | 0.0004   | 0.0000     | 0.0007   |
| 40  | 0.0100     | 0.0000   | 0.0006     | 0.0000     | 0.0005   | 0.0000     | 0.0101   |
| 40  | 0.0144     | 0.0007   | 0.0000     | 0.0000     | 0.0003   | 0.0000     | 0.0105   |
| 41  | 0.0120     | 0.0007   | 0.0007     | 0.0000     | 0.0000   | 0.0009     | 0.0100   |
| 44  | 0.0112     | 0.0007   | 0.0007     | 0.0000     | 0.0000   | 0.0009     | 0.0100   |
| 40  | 0.0096     | 0.0007   | 0.0008     | 0.0000     | 0.0007   | 0.0009     | 0.0080   |
| 44  | 0.0088     | 0.0000   | 0.0008     | 0.0000     | 0.0009   | 0.0009     | 0.0092   |
| 40  | 0.0085     | 0.0008   | 0.0009     | 0.0000     | 0.0017   | 0.0009     | 0.0091   |
| 46  | 0.0081     | 0.0008   | 0.0010     | 0.0000     | 0.0013   | 0.0010     | 0.0069   |
| 47  | 0.0072     | 0.0009   | 0.0011     | 0.0000     | 0.0015   | 0.0011     | 0.0087   |
| 48  | 0.0068     | 0.0009   | 0.0012     | 0.0000     | 0.0017   | 0.0012     | 0.0082   |
| 49  | 0.0063     | 0.0010   | 0.0014     | 0000.0     | 0.0019   | 0.0013     | 0.0074   |
| 50  | 0.0061     | 0.0011   | 0.0016     | 0.0100 ·   | 0.0021   | 0.0015     | 0.0065   |
| 51  | 0.0060     | 0.0012   | 0.0019     | 0.0050     | 0.0023   | 0.0018     | 0.0055   |
| 52  | 0.0055     | 0.0013   | 0.0022     | 0.0050     | 0.0025   | 0.0022     | 0.0043   |
| 53  | 0.0050     | 0.0014   | 0.0027     | 0.0050     | 0.0027   | 0.0027     | 0.0030   |
| 54  | 0.0050     | 0.0015   | 0.0033     | 0.0100     | 0.0029   | 0.0033     | 0.0015   |
| 55  | 0.0050     | 0.0015   | 0.0039     | 0.1700     | 0.0031   | 0.0040     | 0.0000   |
| 56  | 0.0050     | 0.0016   | 0.0046     | 0.0800     | 0.0033   | 0.0047     | 0.0000   |
| 57  | 0.0050     | 0.0017   | 0.0054     | 0.0800     | 0.0035   | 0.0056     | 0.0000   |
| 58  | 0.0050     | 0.0018   | 0.0063     | 0.0800     | 0.0037   | 0.0068     | 0.0000   |
| 59  | 0.0050     | 0.0019   | 0.0074     | 0.0800     | 0.0040   | 0.0084     | 0.0000   |
| 60  | 0.0000     | 0.0020   | 0.0085     | 0.1000 V   | 0.0043   | 0.0104     | 0.0000   |
| 61  | 0.0000     | 0.0021   | 0.0098     | 0.1300     | 0.0046   | 0.0124     | 0.0000   |
| 62  | 0.0000     | 0.0022   | 0.0112     | 0.2000     | 0.0049   | 0.0149     | 0.0000   |
| 63  | 0.0000     | 0.0023   | 0.0127     | 0.1700     | 0.0052   | 0.0181     | 0.0000   |
| 64  | 0.0000     | 0.0024   | 0.0143     | 0.2200     | 0.0055   | 0.0220     | 0.0000   |
| 65  | 0.0000     | 0.0025   | 0.0160     | 0.2500 /   | 0.0058   | 0.0260     | 0.0000   |
| 66  | 0.0000     | 0.0026   | 0.0000     | 0.4000     | 0.0061   | 0.0000     | 0.0000   |
| 67  | 0.0000     | 0.0027   | 0.0000     | 0.4000     | 0.0064   | 0.0000     | 0.0000   |
| 68  | 0.0000     | 0.0028   | 0.0000     | 0.4500     | 0.0067   | 0.0000     | 0.0000   |
| 69  | 0.0000     | 0.0029   | 0.0000     | 0.5000     | 0.0070   | 0.0000     | 0.0000   |
| 70  | 0.0000     | 0.000    | 0.0000     | 1.0000     | 0.0000   | 0.0000     | 0.0000   |



#### **RATES OF SEPARATION FROM ACTIVE SERVICE - FEMALES**

|          |            |          |            |            | Death    |            |          |
|----------|------------|----------|------------|------------|----------|------------|----------|
|          | Ordinary   | Ordinary | Ordinary   | Service    | While    | Service    | Deferred |
| AGE      | Withdrawal | Death    | Disability | Retirement | Eligible | Disability | Vested   |
| 20       | 0.1000     | 0.0001   | 0.0000     | 0.0000     | 0.0000   | 0.0003     | 0.0000   |
| 21       | 0.0920     | 0.0001   | 0.0000     | 0.0000     | 0.0000   | 0.0003     | 0.0000   |
| 22       | 0.0880     | 0.0001   | 0.0000     | 0.0000     | 0.0000   | 0.0003     | 0.0000   |
| 23       | 0.0840     | 0.0001   | 0.0000     | 0.0000     | 0.0000   | 0.0003     | 0.0000   |
| 24       | 0.0800     | 0.0001   | 0.0000     | 0.0000     | 0.0000   | 0.0003     | 0.0000   |
| 25       | 0.0760     | 0.0001   | 0.0002     | 0.0000     | 0.0001   | 0.0003     | 0 0060   |
| 26       | 0.0720     | 0.0001   | 0.0002     | 0.0000     | 0.0001   | 0.0003     | 0.0064   |
| 27       | 0.0680     | 0.0001   | 0.0002     | 0.0000     | 0.0001   | 0.0003     | 0.0070   |
| 28       | 0.0640     | 0.0002   | 0.0002     | 0.0000     | 0.0001   | 0.0003     | 0.0078   |
| 29       | 0.0600     | 0.0002   | 0.0002     | 0.0000     | 0.0001   | 0.0004     | 0.0088   |
| 30       | 0.0560     | 0.0002   | 0.0002     | 0.0000     | 0.0001   | 0.0004     | 0.0006   |
| 31       | 0.0520     | 0.0002   | 0.0002     | 0.0000     | 0.0001   | 0.0004     | 0.0000   |
| 32       | 0.0488     | 0.0002   | 0.0002     | 0.0000     | 0.0001   | 0.0004     | 0.0110   |
| 22       | 0.0464     | 0.0002   | 0.0002     | 0.0000     | 0.0001   | 0.0004     | 0.0110   |
| 34       | 0.0440     | 0.0003   | 0.0002     | 0.0000     | 0.0001   | 0.0004     | 0.0114   |
| 35       | 0.0440     | 0.0003   | 0.0002     | 0.0000     | 0.0001   | 0.0004     | 0.0110   |
| 20       | 0.0304     | 0.0003   | 0.0002     | 0.0000     | 0.0001   | 0.0004     | 0.0122   |
| 00<br>07 | 0.0343     | 0.0003   | 0.0002     | 0.0000     | 0.0002   | 0.0005     | 0.0120   |
| 20       | 0.0322     | 0.0003   | 0.0002     | 0.0000     | 0.0002   | 0.0005     | 0.0130   |
| 30       | 0.0301     | 0.0004   | 0.0002     | 0.0000     | 0.0002   | 0.0005     | 0.0136   |
| 39       | 0.0260     | 0.0004   | 0.0002     | 0.0000     | 0.0002   | 0.0005     | 0.0142   |
| 40       | 0.0259     | 0.0004   | 0.0002     | 0.0000     | 0.0002   | 0.0005     | 0.0137   |
| 41       | 0.0238     | 0.0004   | 0.0002     | 0.0000     | 0.0003   | 0.0005     | 0.0132   |
| 42       | 0.0217     | 0.0005   | 0.0002     | 0.0000     | 0.0004   | 0.0005     | 0.0127   |
| 43       | 0.0203     | 0.0005   | 0.0003     | 0.0000     | 0.0005   | 0.0005     | 0.0122   |
| 44       | 0.0189     | 0.0005   | 0.0003     | 0.0000     | 0.0006   | 0.0005     | 0.0117   |
| 45       | 0.0175     | 0.0006   | 0.0003     | 0.0000     | 0.0007   | 0.0005     | 0.0111   |
| 46       | 0.0161     | 0.0006   | 0.0004     | 0.0000     | 0.0008   | 0.0006     | 0.0105   |
| 47       | 0.0147     | 0.0007   | 0.0004     | 0.0000     | 0.0009   | 0.0006     | 0.0100   |
| 48       | 0.0133     | 0.0007   | 0.0005     | 0.0000     | 0.0010   | 0.0007     | 0.0095   |
| 49       | 0.0119     | 0.0007   | 0.0005     | 0.0000     | 0.0011   | 0.0007     | 0.0090   |
| 50       | 0.0112     | 0.0008   | 0.0006     | 0.0025     | 0.0012   | 0.0008     | 0.0085   |
| 51       | 0.0105     | 0.0008   | 0.0008     | 0.0025     | 0.0013   | 0.0009     | 0.0080   |
| 52       | 0.0098     | 0.0008   | 0.0011     | 0.0025     | 0.0014   | 0.0010     | 0.0075   |
| 53       | 0.0091     | 0.0009   | 0.0015     | 0.0050     | 0.0015   | 0.0012     | 0.0070   |
| 54       | 0.0084     | 0.0009   | 0.0020     | 0.0050     | 0.0016   | 0.0015     | 0.0065   |
| 55       | 0.0084     | 0.0009   | 0.0026     | 0.1000     | 0.0018   | 0.0018     | 0.0000   |
| 56       | 0.0084     | 0.0010   | 0.0033     | 0.0400     | 0.0020   | 0.0022     | 0.0000   |
| 57       | 0.0084     | 0.0010   | 0.0041     | 0.0600     | 0.0022   | 0.0027     | 0.0000   |
| 58       | 0.0084     | 0.0011   | 0.0050     | 0.0600     | 0.0024   | 0.0033     | 0.0000   |
| 59       | 0.0084     | 0.0011   | 0.0060     | 0.0600     | 0.0026   | 0.0040     | 0.0000   |
| 60       | 0.0000     | 0.0012   | 0.0071     | 0.0700     | 0.0028   | 0.0018     | 0.0000   |
| 61       | 0.0000     | 0.0012   | 0.0083     | 0.0800     | 0.0030   | 0.0060     | 0.0000   |
| 62       | 0.0000     | 0.0013   | 0.0096     | 0.1500     | 0.0032   | 0.0073     | 0.0000   |
| 63       | 0.0000     | 0.0013   | 0.0110     | 0.0750     | 0.0034   | 0.0089     | 0.0000   |
| 64       | 0.0000     | 0.0014   | 0.0125     | 0.0750     | 0.0036   | 0.0120     | 0.0000   |
| 65       | 0.0000     | 0.0015   | 0.0140     | 0.2500     | 0.0038   | 0.0160     | 0.0000   |
| 66       | 0.0000     | 0.0016   | 0.0000     | 0.2500     | 0.0040   | 0.0000     | 0.0000   |
| 67       | 0.0000     | 0.0017   | 0.0000     | 0.3500     | 0.0042   | 0,0000     | 0.0000   |
| 68       | 0.0000     | 0.0018   | 0.0000     | 0.3500     | 0.0045   | 0.0000     | 0.0000   |
| 69       | 0.0000     | 0.0019   | 0.0000     | 0.4000     | 0.0048   | 0.0000     | 0.0000   |
| 70       | 0.0000     | 0.0000   | 0.0000     | 1.0000     | 0.0000   | 0.0000     | 0.0000   |



Exhibit VIII

#### CITY OF SAN JOSE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM Age/Service/Salary Distribution by Attained Age for Active Members as of June 30, 1997

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| Years of Credited Service                            |                                |                             |                             |                             |                        |                               |                          |                          |                          |                          |                          |                            |                                |
|--|--------------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------|-------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------------------|--------------------------------|
| Attained<br><u>Age</u><br>Under 25<br>Average Salary | <u>0 - 1</u><br>10<br>\$36,348 | <u>1-2</u><br>4<br>\$42,822 | <u>2-3</u><br>6<br>\$34,531 | <u>3-4</u><br>1<br>\$28,662 | <u>4-5</u><br>0<br>\$0 | <u>5-9</u><br>3<br>\$35,672   | <u>10-14</u><br>0<br>\$0 | <u>15-19</u><br>0<br>\$0 | <u>20-24</u><br>0<br>\$0 | <u>25-29</u><br>0<br>\$0 | <u>30-34</u><br>0<br>\$0 | <u>Over 34</u><br>0<br>\$0 | <u>Totał</u><br>24<br>\$36,568 |
| 25 - 29  | 46                             | 42                          | 34                          | 19                          | 9                      | 85                            | 7                        | 0                        | 0                        | 0                        | 0                        | 0                          | 242                            |
| Average Salary                                       | \$36,290                       | \$41,549                    | \$37,731                    | \$41,161                    | \$44,856               | \$39,671                      | \$40,185                 | \$0                      | \$0                      | \$0                      | \$0                      | \$0                        | \$39,406                       |
| 30 - 34  | 56                             | 32                          | 26                          | 18                          | 14                     | 234                           | 70                       | 2                        | 0                        | 0                        | 0                        | 0                          | 452                            |
| Average Salary                                       | \$40,148                       | \$40,139                    | \$40,395                    | \$38,674                    | \$44,262               | \$45,144                      | \$41,153                 | \$40,425                 | \$0                      | \$0                      | \$0                      | \$0                        | \$42,974                       |
| 35 - 39  | 35                             | 28                          | 21                          | 12                          | 7                      | 295                           | 143                      | 61                       | D                        | 0                        | 0                        | 0                          | 602                            |
| Average Salary                                       | \$42,912                       | \$42,542                    | \$40,863                    | \$44,749                    | \$48,362               | \$48,992                      | \$47,882                 | \$48,201                 | \$0                      | \$0                      | \$0                      | \$0                        | \$47,619                       |
| 40 - 44  | 24                             | 23                          | 21                          | 10                          | 5                      | 223                           | 141                      | 120                      | 49                       | 0                        | 0                        | 0                          | 616                            |
| Average Salary                                       | \$42,699                       | \$49,433                    | \$44,770                    | \$43,902                    | \$46,330               | \$50,477                      | \$49,418                 | \$49,103                 | \$46,151                 | \$0                      | \$0                      | \$0                        | \$48,946                       |
| 45 - 49  | 26                             | 20                          | 20                          | 12                          | 11                     | 191                           | 144                      | 109                      | 142                      | 25                       | 0                        | 0                          | 700                            |
| Average Salary                                       | \$51,390                       | \$45,702                    | \$47,333                    | \$41,631                    | \$48,398               | \$51,531                      | \$52,263                 | \$52,003                 | \$53,950                 | \$56,822                 | \$0                      | \$0                        | \$51,924                       |
| 50 - 54  | 19                             | 8                           | 16                          | 8                           | 12                     | 120                           | 120                      | 75                       | 131                      | 49                       | 3                        | 0                          | 561                            |
| Average Salary                                       | \$40,814                       | \$47,226                    | \$44,927                    | \$44,623                    | \$58,453               | \$49,173                      | \$51,418                 | \$51,890                 | \$58,187                 | \$55,207                 | \$48,901                 | \$0                        | \$52,349                       |
| 55 - 59  | 7                              | 9                           | 5                           | 4                           | 3                      | 68                            | 69                       | 41                       | 46                       | 25                       | 7                        | 1                          | 285                            |
| Average Salary                                       | \$48,642                       | \$43,386                    | \$38,642                    | \$41,012                    | \$42,778               | \$51,715                      | \$50,147                 | \$51,980                 | \$55,424                 | \$61,357                 | \$53,961                 | \$38,209                   | \$52,014                       |
| 60 - 64  | 2                              | 5                           | 2                           | 6                           | 1                      | 36                            | 24                       | 13                       | 15                       | 4                        | 1                        | 2                          | 111                            |
| Average Salary                                       | \$69,971                       | \$34,166                    | \$34,882                    | \$31,858                    | \$52,769               | \$44,119                      | \$46,420                 | \$45,918                 | \$52,260                 | \$48,110                 | \$55,140                 | \$51,282                   | \$45,566                       |
| 65 & up  | 0                              | 0                           | 0                           | 2                           | 1                      | 13                            | 12                       | 11                       | 8                        | 0                        | 1                        | 1                          | 49                             |
| Average Salary                                       | \$0                            | \$0                         | \$0                         | \$40,446                    | \$33,176               | \$42,781                      | \$42,135                 | \$43,840                 | \$35,185                 | \$0                      | \$40,726                 | \$52,769                   | \$41,491                       |
| Totat  | 225                            | 171                         | 151                         | 92                          | 63                     | 1,268                         | 730                      | 432                      | 391                      | 103                      | 12                       | 4                          | 3,642                          |
| Average Salary                                       | \$41,777                       | \$43,170                    | \$41,504                    | \$41,038                    | \$48,280               | \$48,230                      | \$48,976                 | \$50,194                 | \$54,117                 | \$56,816                 | \$51,691                 | \$48,386                   | \$48,403                       |
| Average Age:<br>Average Service:                     | 43.5<br>10.57                  | l                           | Number of F                 | Participants;               | I                      | Fully Vestec<br>Partially Ves | l<br>sted                | 2,882<br>0               |                          | Males<br>Females         |                          | 2,022<br>1,620             |                                |



#### Exhibit IX

#### City of San Jose Federated City Retirement System

Distribution of Pensioners by Duration of Retirement as of June 30, 1997

| Attained |          |          |          |          | ſ        | Duratio    | n of Reti    | rement       |              |              |              |              |            |              | Average |
|----------|----------|----------|----------|----------|----------|------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|---------|
| Age      | <u>0</u> | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5-9</u> | <u>10-14</u> | <u>15-19</u> | <u>20-24</u> | <u>25-29</u> | <u>30-34</u> | <u>35-39</u> | <u>40+</u> | <u>Total</u> | Benefit |
| 0 - 39   | 4        | 2        | 3        | 2        | 1        | 0          | 0            | 0            | 0            | 0            | 0            | 0            | 0          | 12           | 8,442   |
| 40 - 44  | 5 ·      | 1        | 3        | 0        | 2        | 1          | 3            | 0            | 0            | 0            | 0            | 0            | 0          | 15           | 13,220  |
| 45 - 49  | 9        | 1        | 1        | 4        | 1        | 4          | 2            | 2            | 0            | 0            | 0            | 0            | 0          | 24           | 12,442  |
| 50 - 54  | 18       | 5        | 2        | 7        | 7        | 4          | 1            | 4            | 0            | 0            | 0            | 0            | 0          | 48           | 24,792  |
| 55 - 59  | 59       | 19       | 18       | 41       | 69       | 28         | 6            | 3            | 0            | 0            | 0            | 0            | 0          | 243          | 24,865  |
| 60 - 64  | 52       | 13       | 16       | 12       | 53       | 138        | 13           | 2            | 1            | 0            | 0            | 0            | 0          | 300          | 21,568  |
| 65 - 69  | 97       | 3        | 11       | 10       | 31       | 92         | 125          | 10           | 2            | 1            | 1            | 0            | 0          | 383          | 18,408  |
| 70 - 74  | 46       | 1        | 4        | 4        | 21       | 77         | 74           | 119          | 4            | 1            | 0            | 0            | 0          | 351          | 17,300  |
| 75 - 79  | 38       | 1        | 1        | 0        | 4        | 14         | 58           | 53           | 49           | 1            | 2            | 0            | 0          | 221          | 14,701  |
| 80 - 84  | 27       | 0        | 1        | 0        | 1        | 2          | 10           | 35           | 24           | 7            | 0            | 0            | 0          | 107          | 12,746  |
| 85 - 89  | 7        | 0        | 0        | 0        | 0        | 0          | 0            | 2            | 12           | 8            | 4            | 0            | 0          | 33           | 13,036  |
| 90+      | 5        | 0        | 0        | 0        | 0        | 0          | 0            | 0            | 0            | 0            | 3            | 0            | 0          | 8            | 20,438  |
| Total    | 367      | 46       | 60       | 80       | 190      | 360        | 292          | 230          | 92           | 18           | 10           | 0            | 0          | 1,745        |         |

