CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

City of San José Police and Fire Department Retirement Plan

Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2016
and June 30, 2015

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

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Roberto L. Peña
Chief Executive Officer

City of San José Police and Fire Department Retirement Plan

Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2016
and June 30, 2015

Office of Retirement Services
1737 North First Street, Suite 600
San José, California 95112-4505
Phone 408-794-1000
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Pension Trust and Postemployment Healthcare Trust Funds of the City of San José, California

Board Chair Letter

December 1, 2016

The Honorable Mayor and City Council
Members of the Police and Fire Department Retirement Plan
City of San José
San José, California

Dear Mayor, Council Members, and Plan Members:

On behalf of the members of the Board of Administration, I am pleased to present the Police and Fire Department Retirement Plan's (Plan) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016.

The Plan earned a time-weighted gross of investment fees rate of return of (0.4)% and net of investment fees rate of return of (0.6)% on investments for the fiscal year, compared to a 0.3% return for its policy benchmark and a 0.3% return for the InvestorForce universe gross median of public funds greater than $1 billion. In contrast, the net rate of return assumed by the Plan's actuary for fiscal year 2015-2016 was 7.0%. Additionally, the Plan earned a time-weighted gross of investment fees rate of return of 4.1% and 4.4% for the three-year and five-year periods ending June 30, 2016, respectively, while the InvestorForce gross median earned a time-weighted rate of return of 6.8% and 6.8% for the same periods. The Plan's net position decreased from $3,219,691,000 to $3,167,080,000 (see the Financial Section beginning on page 15). The net decrease in Plan net position for fiscal year 2015-2016 was $52,611,000.

The Plan continues to hold its annual General Meeting for all stakeholders in the fall. Feedback from the attendees continue to be positive and help enhance communication with the Plan's members.

In December 2014, Measure G became effective and modified the Board of Administration 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 crated an ad-hoc committee for Measure G to review the current structure and operations of the retirement office and determine how to best implement Measure G.

During fiscal year 2015-2016, the Investment Program completed comprehensive reviews of the global fixed income, global equity, real assets, global tactical asset allocation, and absolute return asset classes. These reviews in conjunction with other portfolio priorities resulted in the placement of over $330.0 million in plan assets.

Board Chair Letter *(Continued)*

Under Board direction, the Investment Program continued to mature and develop over the past year and was recognized as the Chief Investment Officer of the Year by Institutional Investor's Investor Intelligence Awards. The recognition was the direct result of the creative and innovative investment approaches emanating out of our reconstituted investment team in conjunction with our trustees. In addition to being recognized by our peers this year, both Boards have adopted in principle investment governance changes which will further enhance and leverage the exceptional human capital of our Investment Program. These governance changes, in tandem with staff's commitment to continue recommending and implementing operational best practices, will ensure that we continue to build and maintain an institutional quality investment program for our stakeholders.

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 its staff are available to provide additional information as requested.

Sincerely,

Drew Lanza, Chairman
Board of Administration

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Introductory Section

City of San José
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Comprehensive Annual Financial Report
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CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

December 1, 2016

Board of Administration
San José Police and Fire Department Retirement Plan
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 San José Police and Fire Department Retirement Plan (Plan) for the fiscal year ended June 30, 2016. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Plan'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) and the reporting requirements prescribed by the Government Finance Officers Association of the United States and Canada (GFOA). In fiscal year 2015-2016, the Plan adopted GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 requires the funds to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. GASB 72 also requires additional related note disclosures. There was no material impact on the Plan's financial statements as a result of the implementation of GASB 72. Transactions of the Plan are reported on an accrual basis of accounting. For an overview and analysis of the financial activities of the Plan for the fiscal years ended June 30, 2016 and 2015, please refer to the Management's Discussion and Analysis (MD&A) on page 18.

Grant Thornton LLP, the Plan'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 Plan's financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatement. The Plan 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 Plan continuously reviews internal controls to ensure that the Plan'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 Plan's assets.

Letter of Transmittal *(Continued)*

I am proud to report that the GFOA awarded its Certificate of Achievement for Excellence in Financial Reporting to the Plan for its CAFR for the fiscal year ended June 30, 2015. 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, 2016. The Plan 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 Plan will find this CAFR helpful in understanding the Plan.

Funding

The Plan'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, 2015, the funding ratio of the defined benefit pension plan was 79% and for the defined benefit OPEB plans was 15% 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 Plan is currently 7.0% and 6.0%, respectively. The impact of the difference between the actual net rate of return earned by the Plan and the 7.0% and 6.0% 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 Plan net position for fiscal year 2015-2016 was $52,611,000. Details of the components of this decrease are included in the Statement of Changes in Plan Net Position Assets on page 32. The defined benefit pension plan's funding progress is presented on page 126 and the defined benefit OPEB plan's funding progress is presented on page 76.

Financial and Economic Summary

The 2016 fiscal year began as a very difficult environment for investors. Global markets were experiencing significant volatility from a variety of factors, including China's currency devaluation, speculation of pending US Federal Reserve interest rate hikes and significant commodity price declines. As fiscal year 2016 concluded, many of the same macroeconomic themes occurring throughout the year remained at the forefront. Oil prices, despite recent increases, remained low from a historical perspective. Monetary stimulus campaigns persisted as developed market central banks continued asset purchase programs (quantitative easing "QE"), though the US ended their program several years ago. Interest rates remained at record lows and were even negative in several countries, as international developed and emerging market central banks attempted to stimulate growth.

Domestic equities, as measured by the S&P 500 index, posted an eighth positive fiscal year (ended June) with a 4.0% return. US high quality fixed income investments produced outsized returns as Treasury yields crept toward all-time lows, returning 6.0% for the year. International developed market equities underperformed domestic equities by over 14.0% as European and Asian developed-nation currencies devalued as simulative monetary policy sought to bolster those struggling economies. Emerging markets ended the year trailing developed international equities by approximately two percent.

As the Investment Program transitions into fiscal year 2016-2017, we believe there are three primary themes which will guide portfolio positioning and, by extension, guide the program's focus for the coming year. The three main themes are reminiscent of last year's investment views and include: elevated valuations throughout most asset classes, a plethora of global risks, and in light of the aforementioned, an emphasis on capital preservation through prudence and defensive posturing. While we feel capital preservation is paramount in the current macroeconomic environment, we acknowledge that defensive portfolio posturing may forgo the opportunity for potential market returns if asset class valuations continue to rise.

Investment Summary

The Board of Administration has exclusive control of all investments of the Plan 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 Plan and the investment portfolio solely in the interest of, and for the exclusive purposes of providing benefits to, members of the Plan and defraying the reasonable cost of administration.

Over the past fiscal year, the Plan's time-weighted gross of investment fees rate of return was (0.4)% and net of investment fees rate of return was (0.6)%, compared to a 0.3% return for its policy benchmark and a 0.3% return for the InvestorForce universe gross median of public funds greater than $1 billion. Additionally, the Plan earned a time-weighted gross of investment fees rate of return of 4.1% and 4.4% for the three-year and five-year periods ending June 30, 2016, respectively, while the InvestorForce universe gross median earned a time-weighted rate of return of 6.8% and 6.8% for the same periods. The net asset value of the Plan decreased from $3,219,691,000 to $3,167,080,000 (see the Financial Section beginning on page 15).

Major Initiatives

The Plan continued to hold its annual stakeholders' meeting for its members in the fall. Feedback from the attendees continue to be positive and help enhance communication with the Plan'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 implemented an ad-hoc committee for Measure G to review the current structure and operations of the retirement office and determine how to best implement Measure G.

During fiscal year 2015-2016, the Investment Program completed comprehensive reviews of the global fixed income, global equity, real assets, global tactical asset allocation, and absolute return asset classes. These reviews in conjunction with other portfolio priorities resulted in the placement of over $330.0 million in plan assets.

Under Board direction the Investment Program continued to mature and develop over the past year and was recognized as the Chief Investment Officer of the Year by Institutional Investor's Investor Intelligence Awards. The recognition was the direct result of the creative and innovative investment approaches emanating out of our reconstituted investment team in conjunction with our trustees. In addition to being recognized by our peers this year, both Boards have adopted in principle investment governance changes which will further enhance and leverage the exceptional human capital of our Investment Program. These governance changes, in tandem with staff's commitment to continue recommending and implementing operational best practices, will ensure that we continue to build and maintain an institutional quality investment program for our stakeholders.

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 42 months and is estimated at $9 million. ORS has completed the demonstration of software deliverable 1 and is currently in the user acceptance testing phase of it.

ORS staff, in conjunction with City Administration, participated in the Request For Proposal (RFP) for its independent auditors, resulting in the appointment of Grant Thornton LLP as it independent auditor for the next five years. ORS staff also participated in the RFP for the City's Benefit Consulting and Dental Actuarial Services, as well as an out-of-cycle RFP for the City's medical providers, resulting in replacing Blue Shield HMO plans with the Sutter HMO plans.

Finally, ORS issued an RFP for the Boards' actuary in January 2016 and has selected Cheiron to continue to be its actuary for the next five years, with Segal being appointed as the auditing actuary.

Conclusion

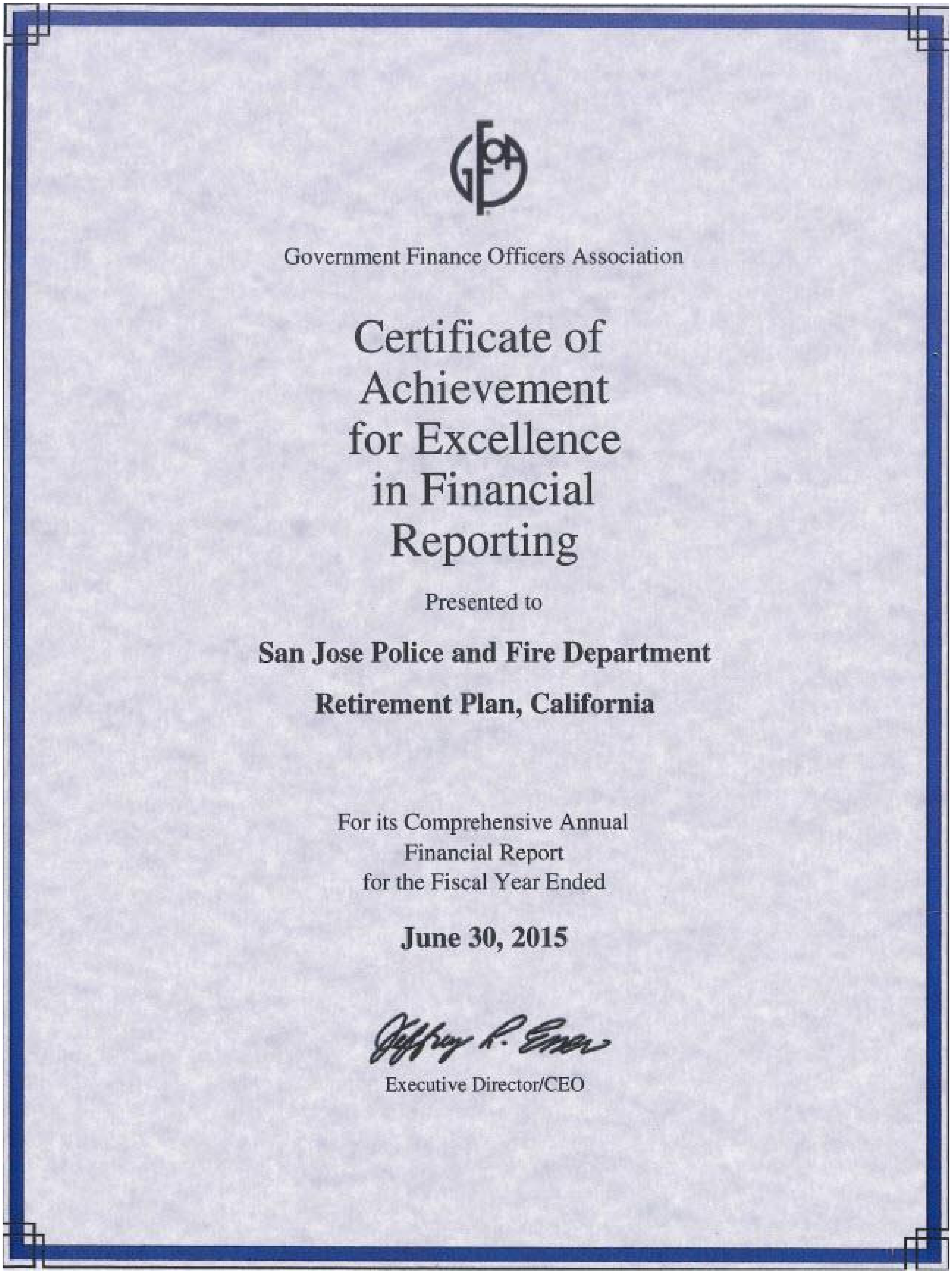
I would like to take this opportunity to thank the members of the Plan for their confidence in the Plan management during the past year. I also want to express my gratitude to the Board of Administration for its dedicated effort in supporting the staff through this past year. Finally, I would like to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

Respectfully Submitted,

Roberto L. Peña

Roberto L. Peña
Chief Executive Officer
Office of Retirement Services

Certificate of Achievement for Excellence in Financial Reporting



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Jose Police and Fire Department Retirement Plan, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Certificate of Meeting Professional Standards in Public Pensions

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2015

Presented to

City of San José Police and Fire Department Retirement Plan

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 nine-member Board of Administration composed of two City employees elected by members of the Plan, two Retired Plan members elected by the Retiree Associations, four public members, who are not connected with the City and have significant banking or investment experience, and another public member selected by the eight Board members and approved by the City Council. The Board is appointed by the City Council and serves in accordance with Section 2.08, Part 12 of the San Jose Municipal Code.

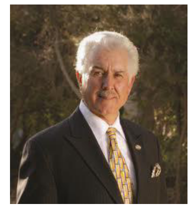
As of June 30, 2016, the members of the Board were as follows:

ANDREW LANZA, CHAIR
Public member appointed to the Board in April 2011. His current term expires April 30, 2019.

NICK MUYO, VICE CHAIR
Retired Plan member appointed to the Board in November 2012. His current term expires November 30, 2016.

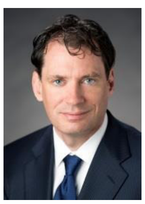
FRANCO VADO, TRUSTEE
Employee representative for the Police Department appointed to the Board in February 2016. His current term expires November 30, 2017.

VINCENT SUNZERI, TRUSTEE
Public member appointed to the Board in December 2010. His current term expires November 30, 2016.



RICHARD SANTOS, TRUSTEE
Retired Plan member appointed to the Board in March 2011. His current term expires November 30, 2018.

ANDREW GARDANIER, TRUSTEE
Employee representative for the Fire Department appointed to the Board in December 2015. His current term expires December 2019.



STEPHEN BRENNAN, TRUSTEE
Public member appointed to the Board in April 2014. His current term expires November 30, 2018.

JEREMY EVNINE, TRUSTEE
Public member appointed to the Board in November 2014. His current term expires November 30, 2018.

GHIA GRIARTE, TRUSTEE
Public member appointed to the Board in November 2014. Her current term expires November 30, 2018.

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: First 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/PF/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

AUDIT ACTUARY

Segal Consulting
San Francisco, 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

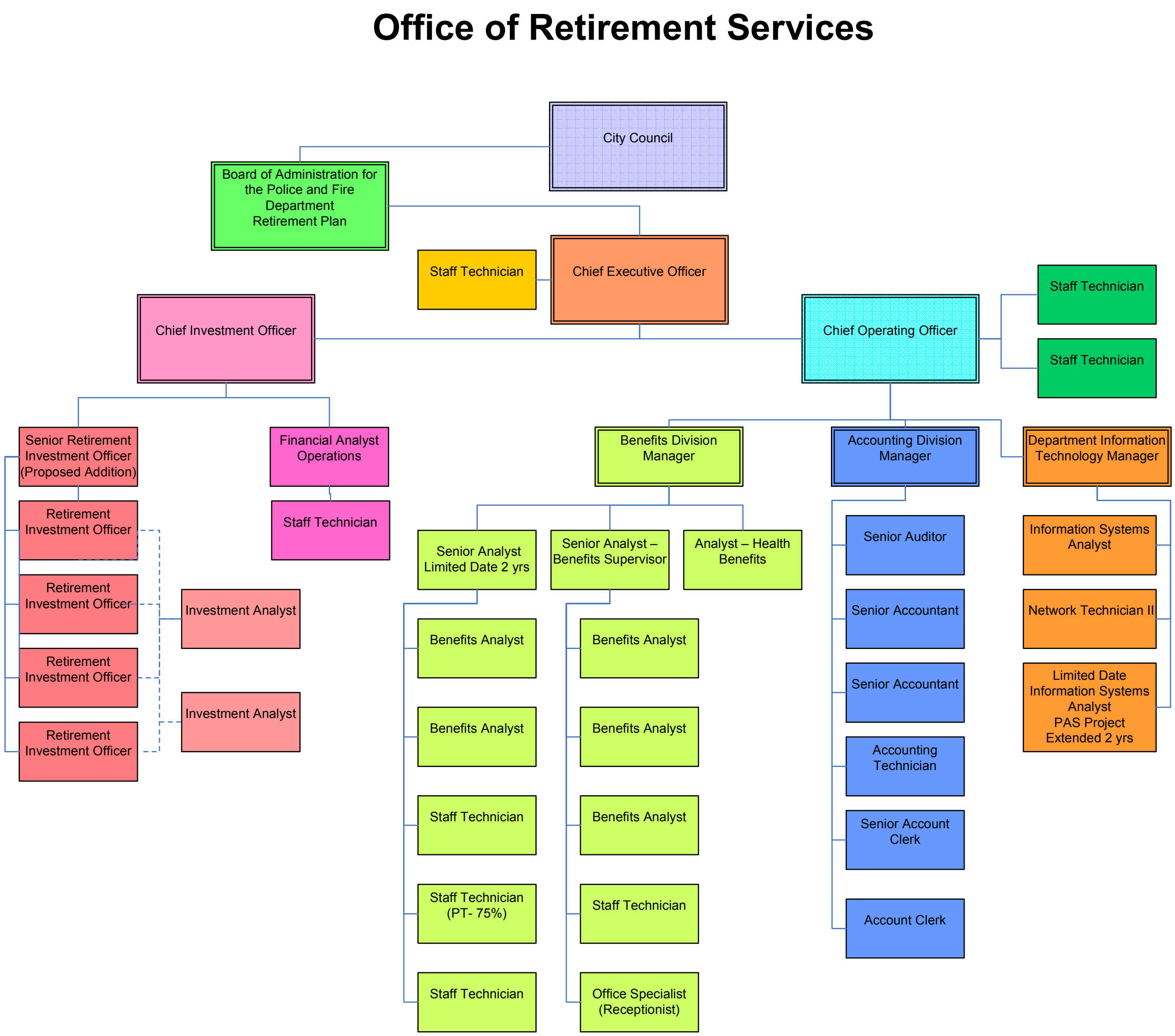
NEPC, LLC – General Consultant
Redwood City, CA

AUDITOR

Grant Thornton LLP
San Francisco, CA

A list of investment professionals begins on page 102 of the Investment Section of this report. The Schedule of Investment Fees and Schedule of Commissions can be found on pages 110 and 111, respectively.

2016 Office of Retirement Services Organizational Chart



Office of Retirement Services
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Financial Section

City of San José
Police and Fire Department Retirement Plan
Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2016
and June 30, 2015

Grant Thornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton LLP
150 Almaden Blvd., Suite 600
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Board of Administration of the City of San José
Police and Fire Retirement Plan
San José, California

Report on the financial statements

We have audited the accompanying financial statements of the City of San José Police and Fire Department Retirement Plan (the "Plan"), a pension trust fund and postemployment healthcare trust fund of the City of San José, California, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Plan's basic 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 audit. We conducted our audit 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 Plan'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 Plan'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 Plan as of June 30, 2016, and the changes in plan net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

The financial statements of the Plan as of and for the year ended June 30, 2015 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2015 financial statements in their report dated November 12, 2015.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the employer's net pension liability and related ratios – defined benefit pension plan, schedule of investment returns – defined benefit pension plan, schedule of employer contributions – defined benefit pension plan, notes to schedule, schedule of funding progress – postemployment healthcare plans and schedule of employer contributions – postemployment healthcare plans, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has consolidated the schedules of funding progress and schedules of employer contributions for its postemployment healthcare plans that accounting principles generally accepted in the United States of America require to be presented separately for each plan to supplement the basic financial statements. Such missing 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. Our opinion on the financial statements is not affected by this consolidated information.

Other supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The other supplemental information as of and for the year ended June 30, 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The introductory, investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 16, 2016, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Plan's internal control over financial reporting and compliance.

Grant Thornton LLP

San Francisco, California
November 16, 2016

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd

November 16, 2016

Board of Administration
San José Police and Fire Department Retirement Plan
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 Police and Fire Department Retirement Plan (the Plan) for the fiscal years ended June 30, 2016 and 2015. The Plan, consisting of a single employer Defined Benefit Pension Plan and three Postemployment Healthcare Plans, was established to provide retirement benefits for sworn employees of the Police and Fire Departments 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 5 of this report, and in the financial section which follows this discussion.

Financial Highlights for Fiscal Year 2016

- As of June 30, 2016, the Plan had $3,167,080,000 in plan net position restricted for pension benefits and postemployment healthcare benefits. Plan net position of $3,043,653,000 restricted for pension benefits is available to meet the Plan's ongoing obligations to plan participants and their beneficiaries. The postemployment healthcare plans' net position of $123,427,000 is only available for the exclusive use of retiree medical benefits.

- The Plan's total net position held in trust for pension benefits and postemployment healthcare benefits decreased during the fiscal year ended June 30, 2016 by approximately $52,611,000 or 1.6%, primarily as a result of the depreciation in the fair value of investments caused by unfavorable investment returns during the fiscal year.

- Additions to plan net position during fiscal year ended June 30, 2016 were $162,171,000, which includes member and employer contributions of $39,515,000 and $153,545,000, respectively, and net investment losses of $30,889,000. This represents an increase of $3,523,000 of total additions from the prior fiscal year.

- Deductions from plan net position for fiscal year ended June 30, 2016 increased from $204,772,000 in the prior year to $214,782,000, or approximately 4.9%, 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 Plan's financial statements, notes to the financial statements, required supplementary information and other supplemental information for the year ended June 30, 2016, were prepared in conformity with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board (GASB) and the reporting requirements prescribed by the Government Finance Officers' Association of the United States and Canada (GFOA). In fiscal year 2015-2016, the Plan adopted GASB Statement No. 72, *Fair Value Measurement and Application*. GASB 72 requires the funds to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. GASB 72 also requires additional related note disclosures. There was no material impact on the Plan's financial statements as a result of the implementation of GASB 72. The following discussion and analysis are intended to serve as an introduction to the Plan'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 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 Plan.

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 plan and postemployment benefit plan reports to use the full accrual method of accounting and make certain disclosures. The Plan 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 Plan's activities. These statements include all assets and liabilities using the full accrual basis of accounting, which recognizes contributions as revenue when due pursuant to legal requirements and benefits and refunds of contributions when currently due and payable under the provisions of the Plan. All of the fiscal year's additions and deductions are taken into account regardless of when cash is received or paid. All 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 Plan'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 Plan'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 Plans, should also be considered in measuring the Plan'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 34 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 Plan'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 73 of this report). The *Schedule of Changes in the Employer's Net Pension Liability and Related Ratios of the Defined Benefit Pension Plan* was prepared using the Plan's net position.

Other Supplemental Information. The *Combining Schedules of Defined Benefit Pension Plan Net Position and Changes in Defined Benefit Pension Plan Net Position, Schedules 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 Plan's financial position (see Tables 1a and 1c on page 21). At the close of fiscal years 2016 and 2015, the Plan's total assets exceeded the Plan's total liabilities. The Plan'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 Plans, respectively.

The Pension Plan's net position as a percentage of the total pension liability and the funded status of the Postemployment Healthcare Plans should also be considered when evaluating the Plan's financial health. Based on the June 30, 2015 valuation rolled forward to June 30, 2016, the net position of the Defined Benefit Pension Plan was 72.1% of the total pension liability. As of June 30, 2015, the plan's most recent valuation, the funded status of the Other Postemployment Healthcare Plans increased from 13% to 15%. For more information on the results and impact of the June 30, 2015 valuations, please see Notes 4 and 5 to the financial statements beginning on page 63.

NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 1a)
As of June 30, 2016 and 2015 (Dollars in Thousands)

	2016	2015	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	$ 35,066	$ 12,467	$ 22,599	181.3 %
Investments at fair value	3,010,391	3,101,629	(91,238)	(2.9)%
Capital assets	920	58	862	1,486.2 %
Total Assets	**3,046,377**	**3,114,154**	**(67,777)**	**(2.2)%**
Current liabilities	2,724	4,089	(1,365)	(33.4)%
Total Liabilities	**2,724**	**4,089**	**(1,365)**	**(33.4)%**
Plan Net Position	**$ 3,043,653**	**$ 3,110,065**	**$ (66,412)**	**(2.1)%**

NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 1b)
As of June 30, 2015 and 2014 (Dollars in Thousands)

	2015	2014	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	$ 12,467	$ 9,393	$ 3,074	32.7 %
Investments at fair value	3,101,629	3,212,863	(111,234)	(3.5)%
Fixed assets	58	-	58	- %
Total Assets	**3,114,154**	**3,222,256**	**(108,102)**	**(3.4)%**
Current liabilities	4,089	54,083	(49,994)	(92.4)%
Total Liabilities	**4,089**	**54,083**	**(49,994)**	**(92.4)%**
Plan Net Position	**$ 3,110,065**	**$ 3,168,173**	**$ (58,108)**	**(1.8)%**

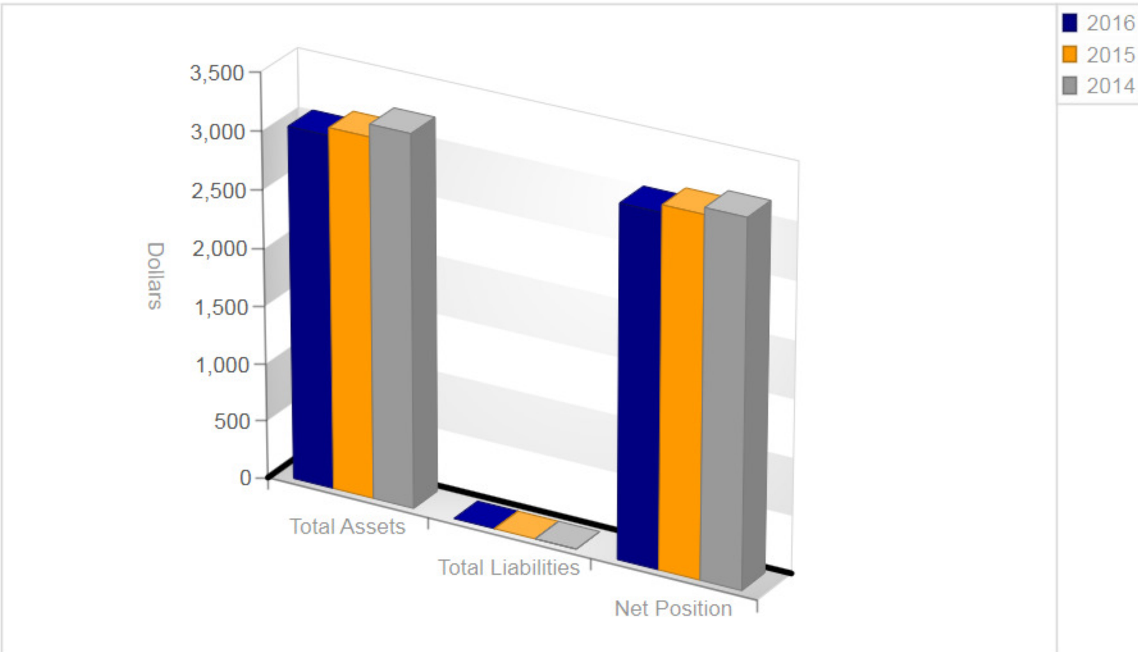
NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 1c)
As of June 30, 2016 and 2015 (Dollars in Thousands)

	2016	2015	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	$ 3,687	$ 1,055	$ 2,632	249.5 %
Investments at fair value	119,806	109,016	10,790	9.9 %
Capital assets	16	1	15	1,500.0 %
Total Assets	**123,509**	**110,072**	**13,437**	**12.2 %**
Current liabilities	82	446	(364)	(81.6)%
Total Liabilities	**82**	**446**	**(364)**	**(81.6)%**
Plan Net Position	**$ 123,427**	**$ 109,626**	**$ 13,801**	**12.6 %**

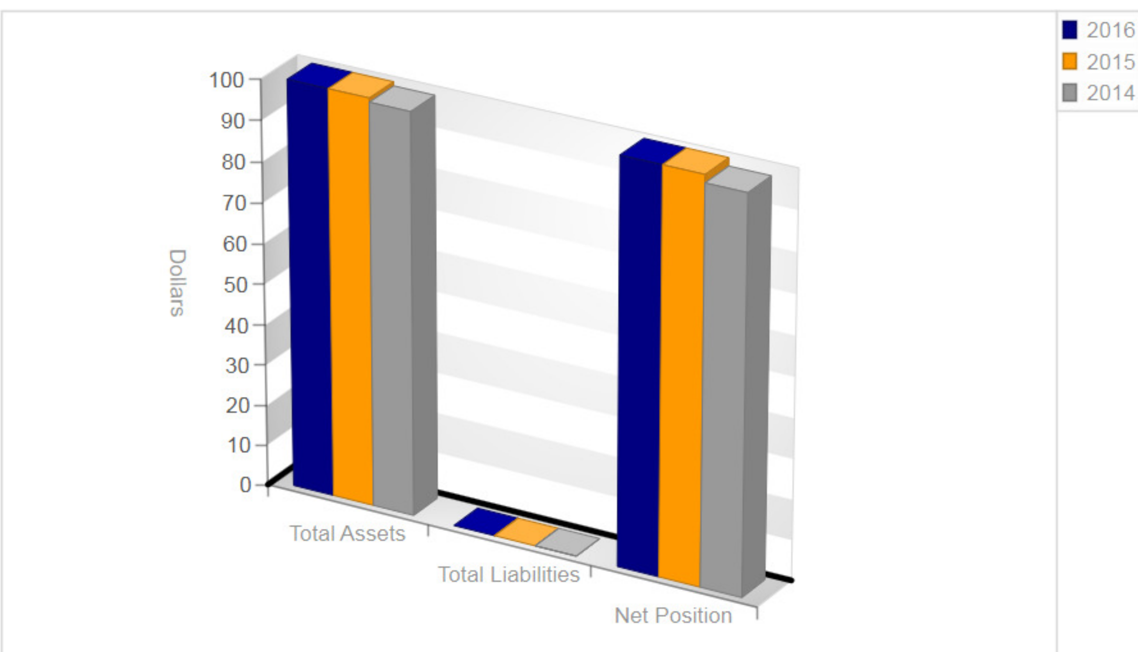
NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 1d)
As of June 30, 2015 and 2014 (Dollars in Thousands)

	2015	2014	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Receivables	$ 1,055	$ 1,851	$ (796)	(43.0)%
Investments at fair value	109,016	96,825	12,191	12.6 %
Fixed assets	1	-	1	- %
Total Assets	**110,072**	**98,676**	**11,396**	**11.5 %**
Current liabilities	446	1,034	(588)	(56.9)%
Total Liabilities	**446**	**1,034**	**(588)**	**(56.9)%**
Plan Net Position	**$ 109,626**	**$ 97,642**	**$ 11,984**	**12.3 %**

DEFINED BENEFIT PENSION PLAN NET POSITION (Tables 1a and 1b)
As of June 30, 2016, 2015 and 2014
(Dollars in Millions)



POSTEMPLOYMENT HEALTHCARE PLANS NET POSITION (Tables 1c and 1d)
As of June 30, 2016, 2015 and 2014
(Dollars in Millions)



As of June 30, 2016, $3,043,653,000 and $123,427,000 in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1a and 1c on page 21). Plan net position of $3,043,653,000 is available to meet the Plan's ongoing obligations to pension plan participants and their beneficiaries. Postemployment Healthcare Plan net position of $123,427,000 is only available for the exclusive use of retiree medical benefits.

As of June 30, 2016, total net position restricted for pension benefits decreased by 2.1% and increased by 12.6% for the postemployment healthcare benefits plan from the prior year, primarily due to the net depreciation in the fair value of investments of $45,378,000 for the Defined Benefit Pension Plan. The depreciation in the fair value of investments was caused by unfavorable investment returns during the fiscal year. The increase in the postemployment healthcare benefits is due to the increase in contributions from the prior fiscal year. The Plan's current asset allocation is discussed in detail in Note 2(c) of the financial statements on page 47.

As of June 30, 2015, $3,110,065,000 and $109,626,000, in total net position was restricted for pension benefits and postemployment healthcare benefits, respectively (see Tables 1a and 1c on page 21). Plan net position restricted for pension benefits of $3,110,065,000 was available to meet Plan's ongoing obligations to pension plan participants and their beneficiaries. Postemployment Healthcare Plan net position of $109,626,000 was only available for the exclusive use of retiree medical benefits.

As of June 30, 2015, total net position restricted for pension benefits decreased by (1.8)% primarily due to the net depreciation in the fair value of investments of $44,360,000. The total net position for the Postemployment Healthcare Plans increased by 12.3% from the prior year due to the increase in contributions from the prior fiscal year, which offset the investment loss incurred during the fiscal year. The Plan's current asset allocation is discussed in detail in Note 2(c) of the financial statements on page 47.

As of June 30, 2016, receivables increased by $22,599,000 or 181.3% and increased by $2,632,000 or 249.5% in the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively, due to an increase in receivables from brokers and others for year-end investment trades. In the previous year, receivables for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans increased by $3,074,000 or 32.7% and decreased by $796,000 or 43.0%, respectively, due to the amount of receivables from brokers and others for year-end investment trades for the Defined Benefit Pension Plan and a decrease in contributions receivable for the Postemployment Healthcare Plans.

As of June 30, 2016, total liabilities for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans decreased by $1,365,000, or 33.4% and $364,000 or 81.6%, respectively, from the prior year, mainly due to a reduction in securities lending collateral due to borrowers. In the previous year, total liabilities for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans decreased by $49,994,000, or 92.4% and $588,000 or 56.9%, respectively, compared with June 30, 2014, due to a decrease in payables to brokers and others for year-end investment trades and securities lending collateral due to borrowers.

POLICE AND FIRE PLAN ACTIVITIES

In the fiscal year ended 2016, the Plan's combined Defined Benefit Pension Plan and Postemployment Healthcare Plans net position decreased by $52,611,000, or (1.6)% primarily due to the unfavorable investment returns experienced in the fiscal year. Key elements of the Plan'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 along with earnings on investments (net of investment expense). Additions to the Defined Benefit Pension Plan and Postemployment Healthcare Plans for the fiscal year ended June 30, 2016, were $124,782,000 and $37,389,000, respectively (see Tables 2a and 2c on pages 25 - 26).

For the fiscal year ended June 30, 2016, total additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plans increased by $2,446,000 and $1,077,000, or 2.0% and 3.0%, respectively. The primary cause of the increase from prior year was the increase in contributions due to the increase in contribution rates. See Notes 4 and 5 for the contribution rates in the *Notes to the Financial Statements* for more details. Investment losses for the Defined Benefit Pension Plan and Postemployment Healthcare Plans increased by 3.5% and 3.6%, respectively, due to unfavorable investment returns during the fiscal year. The Plan's time-weighted gross rate of return, as determined by the Plan's investment consultant on an investment (non-GAAP) basis, for the fiscal year ended June 30, 2016 for the Defined Benefit Pension Plan, was (0.4)% compared to (0.8)% for the previous fiscal year. On a net of management fee expenses basis, the Plan's time-weighted rate of return for the fiscal year ended June 30, 2016, was (0.6)% compared to (1.0%) for the previous fiscal year.

For the fiscal year ended June 30, 2015, additions for the Defined Benefit Pension Plan and Postemployment Healthcare Plans decreased by $427,340,000 and $9,224,000, or 77.7% and 20.3%, respectively, from the prior year, primarily due to a decrease of $432,568,000 and $14,207,000, respectively, in net investment income, which was a result of the decrease in market performance during the fiscal year. The Plan's time-weighted gross rate of return, as determined by the Plan's investment consultant on an investment (non GAAP) basis, for the fiscal year ended June 30, 2015, was (0.8)% compared to 13.9% for the fiscal year ended June 30, 2014. On a net of manager fee basis, the Plan's time-weighted rate of return for the fiscal year ended June 30, 2016, was (1.0)% compared to 13.5% for the fiscal year ended June 30, 2015.

Deductions from Plan Net Position

The Plan 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 José Municipal Code, refunds of contributions to terminated employees, and the cost of administering the Plan.

Deductions for the fiscal year ended June 30, 2016, totaled $191,194,000 and $23,588,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively. Deductions for the Defined Benefit Pension Plan increased 6.0% from the previous year due to an increase in benefit payments (see Table 2a on page 25). The increases 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 Plans decreased by (3.0)% from the previous year due to a decrease in the implicit healthcare subsidy from $2.8 million to $2.0 million for the actuarial valuations at June 30, 2014 to June 30, 2015, respectively. (see Table 2d on page 26).

Deductions for the fiscal year ended June 30, 2015, totaled $180,444,000 and $24,328,000 for the Defined Benefit Pension Plan and Postemployment Healthcare Plans, respectively. Deductions for the Defined Benefit Pension Plan increased by 5.5% from the previous year due to an increase in the number of retirees and beneficiaries and final average salaries (see Table 2b on page 25). Deductions for the Postemployment Healthcare Plans increased by 7.6% from the previous year due to increases in healthcare insurance premiums for retirees and beneficiaries (see Table 2d on page 26).

CHANGES IN PLAN NET POSITION FOR THE DEFINED BENEFIT PENSION PLAN (Table 2a)
For the Fiscal Years Ended June 30, 2016 and 2015 (Dollars in Thousands)

	2016	2015	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 21,508	$ 20,747	$ 761	3.7 %
Employer contributions	132,480	129,279	3,201	2.5 %
Net investment loss*	(29,206)	(28,228)	978	3.5 %
Net securities lending income	-	538	(538)	(100.0)%
Total Additions	**124,782**	**122,336**	**2,446**	**2.0 %**
Retirement benefits	176,029	166,331	9,698	5.8 %
Death benefits	10,083	9,220	863	9.4 %
Refund of contributions	828	702	126	17.9 %
Administrative	4,254	4,191	63	1.5 %
Total Deductions	**191,194**	**180,444**	**10,750**	**6.0 %**
Net Decrease in Plan Net Position	**(66,412)**	**(58,108)**	**(8,304)**	**14.3 %**
Beginning Net Position	**3,110,065**	**3,168,173**	**(58,108)**	**(1.8)%**
Ending Net Position	**$ 3,043,653**	**$ 3,110,065**	**$ (66,412)**	**(2.1)%**

** Net of investment expenses of $21,081 and $15,920 in 2016 and 2015, respectively.*

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

	2015	2014	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 20,747	$ 21,115	$ (368)	(1.7)%
Employer contributions	129,279	123,583	5,696	4.6 %
Net investment (loss)/ income*	(28,228)	404,340	(432,568)	(107.0)%
Net securities lending income	538	638	(100)	(15.7)%
Total Additions	**122,336**	**549,676**	**(427,340)**	**(77.7)%**
Retirement benefits	166,331	157,635	8,696	5.5 %
Death benefits	9,220	8,738	482	5.5 %
Refund of contributions	702	1,024	(322)	(31.4)%
Administrative	4,191	3,631	560	15.4 %
Total Deductions	**180,444**	**171,028**	**9,416**	**5.5 %**
Net (Decrease) Increase in Plan Net Position	**(58,108)**	**378,648**	**(436,756)**	**(115.3)%**
Beginning Net Position	**3,168,173**	**2,789,525**	**378,648**	**13.6 %**
Ending Net Position	**$ 3,110,065**	**$ 3,168,173**	**$ (58,108)**	**(1.8)%**

** Net of investment expenses of $15,920 and $13,710 in 2015 and 2014, respectively.*

CHANGES IN NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 2c)
For the Fiscal Years Ended June 30, 2016 and 2015 (Dollars in Thousands)

	2016	2015	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 18,007	$ 17,017	$ 990	5.8 %
Employer contributions	21,065	20,910	155	0.7 %
Net investment loss*	(1,683)	(1,625)	(58)	3.6 %
Net securities lending income	-	10	(10)	(100.0)%
Total Additions	**37,389**	**36,312**	**1,077**	**3.0 %**
Healthcare insurance premiums	23,449	24,205	(756)	(3.1)%
Administrative	139	123	16	13.0 %
Total Deductions	**23,588**	**24,328**	**(740)**	**(3.0)%**
Net Increase in Plan Net Position	**13,801**	**11,984**	**1,817**	**15.2 %**
Beginning Net Position	**109,626**	**97,642**	**11,984**	**12.3 %**
Ending Net Position	**$ 123,427**	**$ 109,626**	**$ 13,801**	**12.6 %**

** Net of investment expenses of $438 and $339 in 2016 and 2015, respectively.*

CHANGES IN NET POSITION FOR THE POSTEMPLOYMENT HEALTHCARE PLANS (Table 2d)
For the Fiscal Years Ended June 30, 2015 and 2014 (Dollars in Thousands)

	2015	2014	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Employee contributions	$ 17,017	$ 15,674	$ 1,343	8.6 %
Employee contributions	20,910	17,267	3,643	21.1 %
Net investment (loss)/income*	(1,625)	12,582	(14,207)	(112.9)%
Net securities lending income	10	13	(3)	(23.1)%
Total Additions	**36,312**	**45,536**	**(9,224)**	**(20.3)%**
Healthcare insurance premiums	24,205	22,510	1,695	7.5 %
Administrative	123	103	20	19.4 %
Total Deductions	**24,328**	**22,613**	**1,715**	**7.6 %**
Net Increase in Plan Net Position	**11,984**	**22,923**	**(10,939)**	**(47.7)%**
Beginning Net Position	**97,642**	**74,719**	**22,923**	**30.7 %**
Ending Net Position	**$ 109,626**	**$ 97,642**	**$ 11,984**	**12.3 %**

** Net of investment expenses of $339 and $302 in 2015 and 2014, respectively.*

Reserves

The Plan is required by the City of San José Municipal Code to establish various reserves in the Plan's net position. The Plan'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 Plans (which include the Postemployment Healthcare 401(h) Plan, the Police Department Postemployment 115 Healthcare Trust and the Fire Department Postemployment 115 Healthcare Trust). The Defined Benefit Pension Plan Retirement Fund and the Defined Benefit Cost-of-Living Fund both have a General Reserve and an Employee Contributions Reserve. The Postemployment Healthcare 401(h) and 115 Trust Funds have a General Reserve only (see table on page 50 for a complete listing and year-end balances of the Plan's reserves.

The Plan'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 Plan's Fiduciary Responsibilities

The Plan's Board of Administration is the fiduciary trustee of the Defined Benefit Pension Plan and Postemployment Healthcare Plans. Under the California Constitution and the San José Municipal Code, Plan 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 Plan's actuarial valuations as of June 30, 2015, were used to determine the contribution rates effective June 19, 2016, for fiscal year 2016-2017. The annual determined/required contribution rates and dollar amounts calculated in the June 30, 2015 valuations were adopted by the Board and became effective in fiscal year 2016-2017. The June 30, 2015 actuarial valuations include Board adopted actuarial assumption changes recommended by the Plan's actuary in the June 30, 2015 Preliminary Valuation Results and Economic Assumption Review presented in November 2015.

Defined Benefit Pension Plan Funding

The Plan's funding objective is to meet long-term benefit obligations through contributions and investment income. The Plan'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 $845.6 million, as of June 30, 2015, does not include the impact of approximately $102.7 million of net deferred investment losses yet to be recognized, primarily resulting from unfavorable investment returns during fiscal year 2015. It is anticipated that future actuarial valuations will recognize these remaining deferred net investment losses as described above and the smoothing of any new gains or losses over a five year period.

The Plan 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 7.0%, net of investment expenses, in the actuarial valuation as of June 30, 2015. With all other actuarial variables being equal, under performing the assumed rate of return would increase the UAAL and decrease the funded status of the Plan, thereby increasing required contributions to the Plan.

In addition to investment market risk, the Plan 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 Plan's provisions and the specific demographics of the Plan participants. Deviations from these actuarial assumptions cause the Plan to experience actuarial gains or losses, which in turn can lead to volatility in the contribution rates. To minimize this risk, every two years, the Plan's actuary conducts an experience study to assess whether the experience of the Plan is conforming to the 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 Board approved to make changes to the June 30, 2015 actuarial valuation as a result of the demographic experience study presented in November 2015.

The June 30, 2015 actuarial valuation reflects the increase in amortization period for changes in methods and assumptions from closed 16-year periods to closed 20-year periods beginning with the valuation date in which they are effective. Actuarial gains and losses and plan changes continue to be amortized as a level percentage of pay assuming a 3.25% annual growth in payroll over a 16-year period beginning with the valuation date in which they first arise.

Contribution rates for fiscal year 2016-2017, as determined by the June 30, 2015 actuarial 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 add a provision on additional retirement contributions and potential suspension of COLA for current employees to establish different benefits for new employees and to place other limitations on benefits.

On April 26, 2013, the City Council adopted an ordinance to implement the terms of a stipulated arbitration award on a Tier 2 for the police members in the Plan, effective for employees hired or reinstated on or after August 4, 2013. The new tier includes benefit changes from the existing Plan including, but not limited to, a decrease in the benefits multiplier from 2.5% per year (for first 20 years and 4% for years after that) for Tier 1 to 2.0% per year; an increase from 50 years to 60 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 90%; pensionable compensation to be based on base salary only rather than on base compensation plus premium pays; members to share all costs of Tier 2 equally, including the total normal cost, any accrued unfunded actuarial liability and administrative costs of the Plan; and final average compensation based on the highest consecutive three years of compensation instead of on the highest one year. Significant portions of the Pension Act applicable to existing employees are currently subject to legal challenge by members of the Plan. On August 25, 2015, the City formally approved an Alternative Pension Reform Settlement Framework with the bargaining units representing sworn employees in the Police and Fire Departments. See Note 8 in the *Notes to the Financial Statements* for more details.

On September 12, 2014, the City Council adopted Ordinance No. 29511 to implement the terms of an arbitration award and decision on Tier 2 pension benefits for Fire members hired on or after January 2, 2015. The new tier includes benefit changes from the existing Plan. See Note 1 in the *Notes to the Financial Statements* for the changes in benefits.

Postemployment Healthcare Plans

During the year ended June 30, 2016, the Plan's GASB Statement No. 43-compliant Other Postemployment Benefits (OPEB) valuation as of June 30, 2015, which includes the 401(h) and the Internal Revenue Code Section 115 Subtrusts: the Police Department Postemployment Healthcare Plan and the Fire Department Postemployment Healthcare Plan, was prepared by Cheiron, Inc., the Plan's actuary. A summary of the results is presented in Note 5 to the Financial Statements.

In 2009 and 2011, the Police and Fire members, respectively, entered into Memoranda of Agreements (MOA's) with the City 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 year period. The first year of the phase-in for the Police members was fiscal year 2010, while fiscal year 2012 was the first year for the Fire members of the Plan. The Police and Fire members entered into separate MOA's with the City; however, both agreements contained incremental increase caps of 1.25% and 1.35% of pensionable pay in each year for the members and City, respectively. Additionally, if the retiree healthcare contribution rates exceeded 10% for members and 11% for the City (excluding the implicit rate subsidy), the parties shall meet and confer on how to address the contribution rates above 10% and 11% of pensionable pay.

Fiscal year 2013-2014 was the fifth year of the phase-in for the Police members, while 2015-2016 was the fifth year of the phase-in for the Fire members. The fiscal year ending 2014 contribution rates for Police and the fiscal year ending 2016 contribution rates for Fire are frozen for all future years unless the ARC is less than those contribution rates and/or new agreements are made.

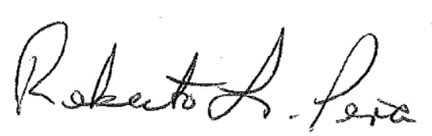
On May 22, 2012, a new Internal Revenue Code Section 115 Trust was established by the San José City Council (Ordinance #29065) to provide an alternative source of funding from the existing 401(h) account included within the pension fund for retiree healthcare benefits. This healthcare trust was further clarified by the San Jose City Council (Ordinance #29260) on June 12, 2013, which declared that the Police Department Health Care Trust Fund and the Fire Department Health Care Trust Fund may be structured as two wholly separate subtrusts of one trust. Employer contributions to the new trust funds began in fiscal year 2012-2013. On August 6, 2013, the City obtained a private letter ruling from the Internal Revenue Service assuring the pre-tax treatment of employee contributions to the new trust funds. On July 9, 2014, the Plan received a private letter ruling from the Internal Revenue Service on the tax qualification of the new Section 115 Trust. As of this date, it has not been determined if or when employee contributions will begin to go into the 115 trust.

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 Plan'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:

Police and Fire Department Retirement Plan
1737 North First Street, Suite 600
San José, California 95112-4505

Respectfully Submitted,



Roberto L. Peña
Chief Executive Officer
Office of Retirement Services

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Basic Financial Statements

STATEMENTS OF PLAN NET POSITION

June 30, 2016 and 2015 (In Thousands)

	2016				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Trust	Fire Department Healthcare Trust	Total
ASSETS					
Receivables					
Employee contributions	$ 705	$ 627	$ -	$ -	$ 1,332
Employer contributions	4,910	-	391	291	5,592
Brokers and others	23,431	2,355	-	-	25,786
Accrued investment income	6,020	22	1	-	6,043
Total Receivables	**35,066**	**3,004**	**392**	**291**	**38,753**
Investments, at fair value					
Securities and other:					
Global equity	835,709	7,894	20,882	12,637	877,122
Private equity	256,877	4,241	-	-	261,118
Real estate	5,814	96	-	-	5,910
Global fixed income	548,468	9,054	9,917	4,955	572,394
Collective short term investments	220,115	3,634	3,243	1,620	228,612
Private debt	216,853	3,580	-	-	220,433
Real assets	419,656	6,928	9,057	4,526	440,167
International currency contracts, net	497	8	-	-	505
Global tactical asset allocation	284,283	4,693	6,117	3,057	298,150
Absolute return	222,119	3,667	-	-	225,786
Total Investments	**3,010,391**	**43,795**	**49,216**	**26,795**	**3,130,197**
Capital Assets	**920**	**16**	**-**	**-**	**936**
TOTAL ASSETS	**3,046,377**	**46,815**	**49,608**	**27,086**	**3,169,886**
LIABILITIES					
Payable to brokers	1,578	42	-	-	1,620
Other liabilities	1,146	24	9	7	1,186
TOTAL LIABILITIES	**2,724**	**66**	**9**	**7**	**2,806**
PLAN NET POSITION - RESTRICTED FOR					
Pension benefits	3,043,653	-	-	-	3,043,653
Postemployment healthcare benefits	-	46,749	49,599	27,079	123,427
TOTAL PLAN NET POSITION	**$ 3,043,653**	**$ 46,749**	**$ 49,599**	**$ 27,079**	**$ 3,167,080**

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

Basic Financial Statement *(continued)*

STATEMENTS OF PLAN NET POSITION (continued)
June 30, 2016 and 2015 (In Thousands)

	2015				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Trust	Fire Department Healthcare Trust	Total
ASSETS					
Receivables					
Employee contributions	$ 563	$ 470	$ -	$ -	$ 1,033
Employer contributions	3,467	-	297	214	3,978
Brokers and others	4,761	68	-	-	4,829
Accrued investment income	3,676	-	6	-	3,682
Total Receivables	**12,467**	**538**	**303**	**214**	**13,522**
Investments, at fair value					
Securities and other:					
Global equity	893,916	13,724	17,600	8,872	934,112
Private equity	273,157	4,643	-	-	277,800
Real estate	24,895	423	-	-	25,318
Global fixed income	518,077	8,806	5,352	2,639	534,874
Collective short term investments	268,644	4,566	1,047	516	274,773
Private debt	222,394	3,780	-	-	226,174
Real assets	434,102	7,378	7,467	3,681	452,628
International currency contracts, net	398	7	-	-	405
Global tactical asset allocation	329,649	5,603	7,096	3,498	345,846
Absolute return	136,397	2,318	-	-	138,715
Total Investments	**3,101,629**	**51,248**	**38,562**	**19,206**	**3,210,645**
Capital Assets	**58**	**1**	**-**	**-**	**59**
TOTAL ASSETS	**3,114,154**	**51,787**	**38,865**	**19,420**	**3,224,226**
LIABILITIES					
Payable to brokers	3,081	32	-	-	3,113
Other liabilities	1,008	414	-	-	1,422
TOTAL LIABILITIES	**4,089**	**446**	**-**	**-**	**4,535**
PLAN NET POSITION - RESTRICTED FOR					
Pension benefits	3,110,065	-	-	-	3,110,065
Postemployment healthcare benefits	-	51,341	38,865	19,420	109,626
TOTAL PLAN NET POSITION	**$ 3,110,065**	**$ 51,341**	**$ 38,865**	**$ 19,420**	**$ 3,219,691**

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

STATEMENTS OF CHANGES IN PLAN NET POSITION
For the Fiscal Years Ended June 30, 2016 and 2015 (In Thousands)

	2016				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Trust	Fire Department Healthcare Trust	Total
ADDITIONS					
Contributions					
Employee	$ 21,508	$ 18,007	$ -	$ -	$ 39,515
Employer	132,480	1,389	11,576	8,100	153,545
Total contributions	**153,988**	**19,396**	**11,576**	**8,100**	**193,060**
Investment income / (loss)					
Net depreciation in fair value of investments	(45,378)	(775)	(1,829)	(935)	(48,917)
Interest income	22,011	410	4	2	22,427
Dividend income	13,494	242	1,071	535	15,342
Net rental income	1,748	30	-	-	1,778
Less: investment expense	(21,081)	(372)	(44)	(22)	(21,519)
Net Investment Loss	**(29,206)**	**(465)**	**(798)**	**(420)**	**(30,889)**
TOTAL ADDITIONS	**124,782**	**18,931**	**10,778**	**7,680**	**162,171**
DEDUCTIONS					
Retirement benefits	176,029	-	-	-	176,029
Healthcare insurance premiums	-	23,449	-	-	23,449
Death benefits	10,083	-	-	-	10,083
Refund of contributions	828	-	-	-	828
Administrative expenses and other	4,254	74	44	21	4,393
TOTAL DEDUCTIONS	**191,194**	**23,523**	**44**	**21**	**214,782**
NET (DECREASE) / INCREASE	**(66,412)**	**(4,592)**	**10,734**	**7,659**	**(52,611)**
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS					
BEGINNING OF YEAR	**3,110,065**	**51,341**	**38,865**	**19,420**	**3,219,691**
END OF YEAR	**$ 3,043,653**	**$ 46,749**	**$ 49,599**	**$ 27,079**	**$ 3,167,080**

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

STATEMENTS OF CHANGES IN PLAN NET POSITION (continued)
For the Fiscal Years Ended June 30, 2016 and 2015 (In Thousands)

	2015				
	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Trust	Fire Department Healthcare Trust	Total
ADDITIONS					
Contributions					
Employee	$ 20,747	$ 17,017	$ -	$ -	$ 37,764
Employer	129,279	-	13,073	7,837	150,189
Total Contributions	**150,026**	**17,017**	**13,073**	**7,837**	**187,953**
Investment income / (loss)					
Net depreciation in fair value of investments	(44,360)	(786)	(1,676)	(777)	(47,599)
Interest income	10,884	210	(13)	(6)	11,075
Dividend income	17,299	320	952	428	18,999
Net rental income	3,869	62	-	-	3,931
Less: investment expense	(15,920)	(315)	(16)	(8)	(16,259)
Net investment loss before securities lending	**(28,228)**	**(509)**	**(753)**	**(363)**	**(29,853)**
Securities lending income					
Earnings	553	10	-	-	563
Rebates	(4)	-	-	-	(4)
Fees	(11)	-	-	-	(11)
Net securities lending income	**538**	**10**	**-**	**-**	**548**
Net Investment Loss	**(27,690)**	**(499)**	**(753)**	**(363)**	**(29,305)**
TOTAL ADDITIONS	**122,336**	**16,518**	**12,320**	**7,474**	**158,648**
DEDUCTIONS					
Retirement benefits	166,331	-	-	-	166,331
Healthcare insurance premiums	-	24,205	-	-	24,205
Death benefits	9,220	-	-	-	9,220
Refund of contributions	702	-	-	-	702
Administrative expenses and other	4,191	82	24	17	4,314
TOTAL DEDUCTIONS	**180,444**	**24,287**	**24**	**17**	**204,772**
NET (DECREASE) / INCREASE	**(58,108)**	**(7,769)**	**12,296**	**7,457**	**(46,124)**
PLAN NET POSITION - RESTRICTED FOR PENSION AND POSTEMPLOYMENT HEALTHCARE BENEFITS					
BEGINNING OF YEAR	**3,168,173**	**59,110**	**26,569**	**11,963**	**3,265,815**
END OF YEAR	**$ 3,110,065**	**$ 51,341**	**$ 38,865**	**$ 19,420**	**$ 3,219,691**

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

Notes to the Basic Financial Statements

NOTE 1 - DESCRIPTION OF THE PLAN

The following description of the City of San José Police and Fire Department Retirement Plan (Plan) is provided for financial reporting purposes only. Readers should refer to the City of San José Municipal Code for more complete information.

(a) General

The Plan was established in 1961 to provide retirement benefits for certain employees of the City of San José (City). The current Plan consists of a single employer Defined Benefit Pension Plan and three Postemployment Healthcare Plans. On January 27, 2011, the Plan requested a compliance statement and favorable determination letter from the Internal Revenue Service (IRS) under the streamline procedures of the voluntary compliance program for the Defined Benefit Pension Plan and the Postemployment Healthcare Plans. The most recent favorable determination letter from the IRS is dated August 26, 2016.

The Postemployment Healthcare 401(h) Plan, which was established under Internal Revenue Code (IRC) Section 401(h), is an account within the pension plan which is used for the funding and payment of the retiree healthcare benefits. As a 401(h) plan, the healthcare benefits must be subordinate to the pension plan benefits. The medical benefits are considered subordinate if, when ignoring contributions for past service benefit, the contributions for medical benefits are no greater than 25% of the actual contributions to both the pension and medical benefits. Periodic reviews and projections of the IRC 25% subordination test are performed by the Plan's actuary.

A new IRC Section 115 Trust was established on May 22, 2012 by the San José City Council (Ordinance number 29065) to provide an alternative to the existing 401(h) account. The healthcare trust was clarified by the San José City Council (Ordinance number 29260) on June 12, 2013, which declared that the Police Department Postemployment Healthcare Plan and the Fire Department Postemployment Healthcare Plan may be structured as two wholly separate sub-trusts of one trust. Employer contributions to the new trust funds began in fiscal year 2013. On August 6, 2013, the City obtained a private letter ruling from the IRS assuring the pre-tax treatment of employee contributions to the new trust funds. On July 9, 2014, the Plan received a private letter ruling from the IRS on the tax qualification of the new Section 115 Trust. As of this date, it has not been determined if or when employee contributions will begin to go into the Section 115 trust.

The Plan 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 Plan 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 Police and Fire Department Plan Board of Administration (Board of Administration). The nine-member Board of Administration is composed of two City employees elected by members of the Plan, two retired Plan members elected by the retiree associations, four 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 eight Board members and approved by the City Council. The Board is appointed by the City Council and serves in accordance with Section 2.08, Part 12 of the San José Municipal Code. The contribution and benefit provisions and all other requirements are established by City ordinance. The Plan is responsible for all direct administrative costs except for certain support services, which are provided and funded directly by the City. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

All sworn officers of the City's Police and Fire departments are required to be members of the Plan. Participants of the Postemployment Healthcare Plans are also participants of the Defined Benefit Pension Plan.

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(a) General (continued)

Plan members are categorized into four membership types based on when they entered the Plan. Police Tier 1 members are those members who entered the Plan prior to August 4, 2013. Fire Tier 1 members are those members who entered the Plan prior to January 2, 2015. Police Tier 2 members are those employees who were hired, rehired or reinstated on or after August 4, 2013. Fire Tier 2 members are those employees who were hired, rehired or reinstated on or after January 2, 2015.

The following table summarizes the Plan members as of June 30, 2016 and 2015, respectively.

As of June 30, 2016	Police		Fire		
Defined Benefit Pension Plan	**Tier 1 Members prior to 08/04/2013**	**Tier 2 Members after 08/04/2013**	**Tier 1 Members prior to 01/02/2015**	**Tier 2 Members after 01/02/2015**	**Total**
Retirees and beneficiaries currently receiving benefits*	1,304	-	845	-	2,149
Terminated vested members not yet receiving benefits	234	37	44	2	317
Active members	789	122	604	67	1,582
Total	**2,327**	**159**	**1,493**	**69**	**4,048**
Postemployment Healthcare Plans					
Retirees and beneficiaries currently receiving benefits*	1,222	-	798	-	2,020
Terminated vested members not yet receiving benefits	10	-	1	-	11
Active members	790	121	604	67	1,582
Total	**2,022**	**121**	**1,403**	**67**	**3,613**

As of June 30, 2015	Police		Fire		
Defined Benefit Pension Plan	**Tier 1 Members prior to 08/04/2013**	**Tier 2 Members after 08/04/2013**	**Tier 1 Members prior to 01/02/2015**	**Tier 2 Members after 01/02/2015**	**Total**
Retirees and beneficiaries currently receiving benefits*	1,271	-	837	-	2,108
Terminated vested members not yet receiving benefits	218	32	40	-	290
Active members	841	88	626	22	1,577
Total	**2,330**	**120**	**1,503**	**22**	**3,975**
Postemployment Healthcare Plans					
Retirees and beneficiaries currently receiving benefits*	1,199	-	793	-	1,992
Terminated vested members not yet receiving benefits	7	-	2	-	9
Active members	842	87	626	22	1,577
Total	**2,048**	**87**	**1,421**	**22**	**3,578**

** The number of combined domestic relations order recipients is not included in the count above, as their benefit payment is included in the member's count.*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(b) Pension, Disability and Healthcare Benefits

Effective September 30, 1994, the Plan entered into an agreement with the California Public Employees' Retirement System (PERS) that extends reciprocal retirement benefits to members. In certain situations, this agreement could result in improved retirement benefits for members who move from one eligible retirement system to another.

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

	Police Tier 1	Police Tier 2
Contributions		
Employee	20.10% (Pension: 10.59%, Retiree Healthcare: 9.51%) As of 06/19/16	20.48% (Pension: 10.97%, Retiree Healthcare: 9.51%) As of 6/19/16
City	90.71% (Pension: 80.40%, Retiree Healthcare: 10.31%) As of 06/19/16	21.28% (Pension: 10.97%, Retiree Healthcare: 10.31%) As of 6/19/16
Service required to leave contributions in retirement plan	10 years of service (20 years must have elapsed from date of entry into retirement system to collect pension)	10 years of service
Service Retirement		
Age / years of service	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	60 with 10 years of service 50 with 10 years of service and actuarial equivalent reduction
Early retirement	50-54 with 20 years of service (Discounted pension)	N/A
Deferred vested retirement	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying members can begin receiving benefits at age 50 with at least 25 years of service.)	At least 10 years of service (This applies to members who separate from City service before retirement and leave their contributions in the retirement system) Can begin at age 50 with actuarial equivalent reduction
Allowance	First 20 years of service: 50% of final compensation (2.5% per year) Next 21-30 years service: 4% per year of service X final compensation (90% max) Years of service (year of service = 2080 hours worked)	2.0% x years of service x final compensation (65% max) Years of service (year of service = 2080 hours worked) Excludes premium pay or any other forms of additional compensation
Early retirement	Allowance reduced pursuant to Municipal Code Section 3.36.810	
Final compensation	Highest one-year average	Highest three-year average
Disability Retirement (Service Connected)		
Minimum service	None	None

Notes to the Basic Financial Statements *(Continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Police Tier 1	Police Tier 2
Allowance	<20 years of service: 50% of final compensation Next 21-30 years of service: 4% per year of service X final compensation (90% max)	50% of final compensation
Disability Retirement (Non-Service Connected)		
Minimum service	2 years of service	5 years of service
Allowance	<20 years of service: 32% of final compensation plus 1% for each full year in excess of 2 years. (50% max) >20 years of service: 2.5% x first 20 years of service x final compensation Next 21-30 years of service: 4% per year of service X final compensation (90% max)	2% x years of service x final compensation. (Minimum of 20% and maximum of 50%)
Medical Benefits		
Eligibility	Retired for disability or service directly from active service with either 15 years of service or receives allowance that is at least 37.5% of final compensation. Also eligible if member separates from service after 7/5/92 but prior to retirement with 20 years of service and leaves contributions and former member receives allowance (i.e., applies & qualifies for retirement).	Retired for disability or service directly from active service with either 15 years of service or receives allowance that is at least 37.5% of final compensation. Also eligible if member separates from service after 7/5/92 but prior to retirement with 20 years of service and leaves contributions and former member receives allowance (i.e., applies & qualifies for retirement).
Premiums	Retirement system pays 100% of lowest cost plan that is available to active 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.	Retirement system pays 100% of lowest cost single or family premium that is available to active 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.
Dental Benefits		
Eligibility	Retired for disability or service from active service with either 15 years of service or receives retirement allowance of at least 37.5% of final compensation. Also eligible if member leaves service after 7/5/92 but prior to retirement with 20 years of service and leaves contributions and former member receives allowance (i.e., applies & qualifies for retirement).	Retired for disability or service from active service with either 15 years of service or receives retirement allowance of at least 37.5% of final compensation. Also eligible if member leaves service after 7/5/92 but prior to retirement with 20 years of service and leaves contributions and former member receives allowance (i.e., applies & qualifies for retirement).
Premiums	Fully paid by Retirement system	Fully paid by Retirement system
Reciprocity		
Reciprocity	As of September 30, 1994, the City of San Jose adopted a reciprocal agreement with CALPERS. This may result in improved benefits for members who transfer between CALPERS and this retirement plan.	As of September 30, 1994, the City of San Jose adopted a reciprocal agreement with CALPERS. This may result in improved benefits for members who transfer between CALPERS and this retirement plan.
Cost-of-Living Adjustments (COLA)		

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Police Tier 1	Police Tier 2
Cost-of-living adjustment	Retirees are eligible for a 3% annual cost-of-living adjustment (COLA). Regular COLAs are compounded and paid each February. There is no proration of COLA.	Retirees are eligible for annual cost-of-living adjustment (COLA) limited to the increase in the Consumer Price Index (San Jose-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 1.5% per fiscal year. The first COLA will be prorated based on the number of months retired.

Notes to the Basic Financial Statements *(Continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

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

	Fire Tier 1	Fire Tier 2
Contributions		
Employee	20.81% (Pension: 11.07%, Retiree Healthcare: 9.74%) As of 06/19/16	20.35% (Pension: 10.61%, Retiree Healthcare: 9.74%) As of 6/19/16
City	92.23% (Pension: 81.61%, Retiree Healthcare: 10.62%) As of 06/19/16	21.23% (Pension: 10.61%, Retiree Healthcare: 10.62%) As of 6/19/16
Service required to leave contributions in retirement system	10 years of service (20 years must have elapsed from date of entry into retirement system to collect pension)	10 years of service
Service Retirement		
Age/ years of service	50 with 25 years of service 55 with 20 years of service 30 years of service at any age (with reciprocity, must be 50 years of age) Mandatory retirement at 70 years of age	60 with 10 years of service 50 with 10 years of service and actuarial equivalent reduction
Early retirement	50-54 with 20 years of service (discounted pension)	N/A
Deferred vested	55 with 10 years of service only if 20 years have elapsed from date of membership. (Qualifying member can begin receiving benefits at age 50 with least 25 years of service.)	At least 10 years of service (This applies to members who separate from service before retirement and leave their contributions in the Plan.) Can begin at age 50 with actuarial equivalent reduction
Allowance	First 20 years of service: 50% of final compensation (2.5% per year) Beginning of 21st year of service: 3% per year of service X final compensation (90% max) – All years convert to 3% after 20 years of service. Years of service (year of service = 2080 hours worked)	2.0% x years of service x final compensation (65% max) Years of service (year of service = 2080 hours worked) Excludes premium pay or any other forms of additional compensation
Final compensation	Highest one-year average	Highest three-year average
Disability Retirement (Service Connected)		
Minimum service	None	None
Allowance	< 20 yrs of service: 50% of final compensation Beginning of 21st year of service: 3% per year of service X final compensation (90% max)	50% of final compensation
Disability Retirement (Non-Service Connected)		
Minimum service	2 years of service	5 years of service
Allowance	<20 years service: 32% of final compensation plus 1% for each full year in excess of 2 years. (50% max) Beginning of 21st year of service: 3% per year of service X final compensation (90% max)	2% x years of service x final compensation (20% min and 50% max)

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

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

	Fire Tier 1	Fire Tier 2
Medical Benefits		
Eligibility	Retired for disability or service directly from active service with 15 years of service or receives allowance that is at least 37.5% of final compensation. Also eligible if member leaves service after 7/5/92 but prior to retirement with 20 years of service and leaves contributions and former member receives allowance (i.e., applies & qualifies for retirement).	Retired for disability or service directly from active service with 15 years of service or receives allowance that is at least 37.5% of final compensation. Also eligible if member leaves service after 7/5/92 but prior to retirement with 20 years of service and leaves contributions and former member receives allowance (i.e., applies & qualifies for retirement).
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.	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.
Dental Benefits		
Eligibility	Retired for disability or service directly from active service with 15 years of service or receives retirement allowance of at least 37.5% of final compensation. Also eligible if member leaves service after 7/5/92 but prior to retirement with 20 years of service and leaves contributions and former member receives allowance (i.e., applies & qualifies for retirement).	Retired for disability or service directly from active service with 15 years of service or receives retirement allowance of at least 37.5% of final compensation. Also eligible if member leaves service after 7/5/92 but prior to retirement with 20 years of service and leaves contributions and former member receives allowance (i.e., applies & qualifies for retirement).
Premiums	Fully paid by retirement system	Fully paid by retirement system
Reciprocity		
Reciprocity	As of September 30, 1994, the City of San Jose adopted a reciprocal agreement with CALPERS. This may result in improved benefits for members who transfer between CALPERS and this retirement plan.	As of September 30, 1994, the City of San Jose adopted a reciprocal agreement with CALPERS. This may result in improved benefits for members who transfer between CALPERS and this retirement plan.
Cost-of-Living Adjustment (COLA)		
Cost of living adjustments	3% per year	Retirees are eligible for annual cost-of-living adjustment (COLA) limited to the increase in the Consumer Price Index (San Jose-San Francisco-Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), capped at 1.5% per fiscal year. The first COLA will be prorated based on the number of months retired.

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits

The following table summarizes the survivorship pension and health benefits for Police Tier 1. Please consult the Municipal Code for complete information.

	Police Tier 1
Death Before Retirement	
Nonservice-connected death with less than 2 years of service	Return of contributions, plus interest, to surviving spouse/domestic partner, surviving children, or estate or $1,000, whichever is greater
Nonservice-connected death with more than 2 years of service, but not eligible for a service retirement	To surviving spouse/domestic partner : 24% + 0.75% for each year in excess of 2 years x final compensation (37.5% maximum) and to surviving children: 1 Child: Final compensation x 25.0% 2 Children: Final compensation x 37.5% 3 Children: Final compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000 whichever is greater
Death before retirement, but while eligible for service retirement – Nonservice-connected death	To surviving spouse/domestic partner: 37.5% to 42.5% of member's final compensation depending on years of service For example: Member's benefit = 76% Survivorship benefit = 38.0% of final compensation Member's benefit = 80% Survivorship benefit = 40.0% of final compensation Member's benefit = 82% Survivorship benefit = 41.0% of final compensation Member's benefit = 85% Survivorship benefit = 42.5% of final compensation and to surviving children: 1 Child: Final compensation x 25.0% 2 Children: Final compensation x 37.5% 3 Children: Final compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater
Service-connected death regardless of years of service	To surviving spouse/domestic partner: 37.5% to 42.5% of member's final compensation depending on years of service and to surviving children : 1 Child: Final compensation x 25.0% 2 Children: Final compensation x 50.0% 3 Children: Final compensation x 75.0% If no surviving spouse/domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater
Death After Retirement	

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

	Police Tier 1
Service-connected disability	To surviving spouse/domestic partner: 37.5% to 42.5% of member's final compensation depending on years of service and to surviving children: 1 Child: Final compensation x 25.0% 2 Children: Final compensation x 37.5% 3 Children: Final compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: $1,000 death benefit to estate
Nonservice-connected disability	To surviving spouse/domestic partner: Final compensation x 24.0% + 0.75% for each year in excess of 2 years (37.5% maximum) and to surviving children: 1 Child: Final compensation x 25.0% 2 Children: Final compensation x 37.5% 3 Children: Final compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: $1,000 death benefit to estate
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse/domestic partner.
Post-Retirement Marriage	
Post-retirement marriage	If a retiree marries after retirement, the retiree can elect to take a reduction of their pension benefit in order to allow for a survivorship benefit to the surviving spouse/domestic partner.

For death before retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death or remarriage. However, the survivorship allowance will last until death if deceased member was at least 55 with at least 20 years of service at the time of death, or 30 years of service regardless of age. For death after retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death.

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

The following table summarizes the survivorship pension and health benefits for Police Tier 2. Please consult the Municipal Code for complete information.

	Police Tier 2
Death Before Retirement	
Nonservice-connected death not eligible for retirement and less than two years of service	Return of accumulated employee contributions, plus interest, to spouse, domestic partner, children or estate
Nonservice-connected death not eligible for retirement and two or more years of service	To surviving spouse/domestic partner: Monthly allowance based on annual amount equal to the greater of: 2.0% x years of service x final compensation (30% max) or 10% of final compensation If no surviving spouse/domestic partner: Amount divided among the eligible surviving children If no children: Member's estate will receive the accumulated employee contributions, plus interest
Nonservice-connected death eligible for retirement	To surviving spouse/domestic partner: Monthly benefit equivalent to pension the employee would have received if retired at the time of death. If no surviving spouse/domestic partner: Amount divided equally among the eligible surviving children If no children: Member's estate will receive the accumulated employee contributions, plus interest
Service-Connected Death	
Service-connected death	To surviving spouse/domestic partner: Monthly allowance based on annual benefit equal to the greater of: 50% of final compensation or Benefit employee would have been eligible for, if member had retired at the time of death If no surviving spouse/domestic partner: Amount divided equally among the eligible surviving children If no children: Member's estate will receive the accumulated employee contributions, plus interest
Death After Retirement	
Service retirees	At time of retirement, employee may elect 50%, 75% or 100% survivorship benefits to a spouse/domestic partner or children. Amount to be determined by the Board's actuary.

For death before retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death or remarriage. However, the survivorship allowance will last until death if deceased member was at least 55 with at least 20 years of service at the time of death, or 30 years of service regardless of age. For death after retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death.

Notes to the Basic Financial Statements *(Continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

The following table summarizes the survivorship pension and health benefits for Fire Tier 1. Please consult the Municipal Code for complete information.

	Fire Tier 1
Death Before Retirement	
Service-connected death regardless of years of service	To surviving spouse/domestic partner 37.5% to 45.0% of member's final compensation depending on the years of service and to surviving children : 1 Child: Final compensation x 25.0% 2 Children: Final compensation x 50.0% 3 Children: Final compensation x 75.0% If no surviving spouse/domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater
Nonservice-connected death with less than 2 years of service	Return of contributions, plus interest, to surviving spouse/domestic partner, surviving children, or estate or $1,000, whichever is greater
Nonservice-connected death with more than 2 years of service, but not eligible for a service retirement	To surviving spouse/domestic partner : 24% + 0.75% for each year in excess of 2 years x final compensation (45% maximum) and to surviving children: 1 Child: Final compensation x 25.0% 2 Children: Final compensation x 37.5% 3 Children: Final compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater
Death before retirement, but while eligible for service retirement nonservice-connected death	To surviving spouse/domestic partner 37.5% to 45% of member's final compensation depending on years of service For example: Member's benefit = 81% Survivorship benefit = 40.5% of final compensation Member's benefit = 84% Survivorship benefit = 42.0% of final compensation Member's benefit = 87% Survivorship benefit = 43.5% of final compensation Member's benefit = 90% Survivorship benefit = 45.0% of final compensation and to surviving children: 1 Child: Final compensation x 25.0% 2 Children: Final compensation x 37.5% 3 Children: Final compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: Return of contributions, plus interest, to estate or $1,000, whichever is greater

Notes to the Basic Financial Statements *(Continued)*

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

	Fire Tier 1
Death After Retirement	
Service retirees service-connected disability	To surviving spouse/domestic partner: 37.5% to 45% of member's final compensation depending on years of service and to surviving children: 1 Child: Final compensation x 25.0% 2 Children: Final compensation x 37.5% 3 Children: Final compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: $1,000 death benefit to estate
Nonservice-connected disability	To surviving spouse/domestic partner: Final compensation x 24% + 0.75% for each year in excess of 2 years (37.5% maximum) and to surviving children: 1 Child: Final compensation x 25.0% 2 Children: Final compensation x 37.5% 3 Children: Final compensation x 50.0% If no surviving spouse/domestic partner nor surviving children: $1,000 death benefit to estate
Optional Settlements	
Optional settlements	Retiree may choose an optional settlement at retirement that reduces their allowance to provide a higher survivorship allowance to their spouse/domestic partner.
Post-Retirement Marriage	
Post-retirement marriage	If a retiree marries after retirement, the retiree can elect to take a reduction of their pension benefit in order to allow for a survivorship benefit to the surviving spouse/domestic partner.

For death before retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death or remarriage. However, the survivorship allowance will last until death if deceased member was at least 55 with at least 20 years of service at the time of death, or 30 years of service regardless of age. For death after retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death.

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

(c) Death Benefits (continued)

The following table summarizes the survivorship pension and health benefits for Fire Tier 2. Please consult the Municipal Code for complete information.

	Fire Tier 2
Death Before Retirement	
Nonservice-connected death not eligible for retirement and less than two years of service	Return of accumulated employee contributions, plus interest, to spouse, domestic partner, children or estate
Nonservice-connected death not eligible for retirement and two or more years of service	To surviving spouse/domestic partner: Monthly allowance based on annual amount equal to the greater of: 2.0% x years of service x final compensation (30% max) or 10% of final compensation If no surviving spouse/domestic partner: Amount divided among the eligible surviving children If no children: Member’s estate will receive the accumulated employee contributions, plus interest
Nonservice-connected death eligible for retirement	To surviving spouse/domestic partner: Monthly benefit equivalent to the pension the employee would have received if retired at the time of death If no surviving spouse/domestic partner: Amount divided equally among the eligible surviving children If no children: Member’s estate will receive the accumulated employee contributions, plus interest
Service-Connected Death	
Service-connected death	To surviving spouse/domestic partner: Monthly allowance based on annual benefit equal to the greater of: 50% of final compensation or Benefit employee would have been eligible for, if the member had retired at the time of death If no surviving spouse/domestic partner: Amount divided equally among the eligible surviving children If no children: Member’s estate will receive the accumulated employee contributions, plus interest
Death After Retirement	
Service retirees	At time of retirement, employee may elect 50%, 75% or 100% survivorship benefits to a spouse/domestic partner or children. Amount to be determined by the Board’s actuary

For death before retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death or remarriage. However, the survivorship allowance will last until death if deceased member was at least 55 with at least 20 years of service at the time of death, or 30 years of service regardless of age. 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 accompanying financial statements present only the financial activities of the Plan in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements of the Plan 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, 2016 and 2015, and the changes in its financial position for the years then ended in conformity with U.S. GAAP. The Plan is reported in a pension and postemployment healthcare trust fund in the City of San José's basic financial statements.

(b) Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting. Contributions are recognized as revenue when due pursuant to legal requirements. 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 Plans are accounted for separately. It is required by the Municipal Code that transactions of 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 Charter Section 3.36.530 delegates authority to the Board of Administration to invest the monies of the Plan as provided in Section 3.36.540. The Board has adopted detailed investment guidelines consistent with conditions and limitations set forth in Section 3.36.540.

For the year ended June 30, 2016, there was no change to the Defined Benefit Pension Plan investment policy, which the Board approved on June 4, 2015 The new asset allocation was prepared to align with the long-term expected returns of the underlying asset classes and the Plan's adopted actuarial assumed rate of return as utilized in the June 30, 2015 valuations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments (continued)

The Plan's investment allocation is as follows:

PENSION

	As of June 30, 2016			As of June 30, 2015		
Asset Class	Minimum Allocation	Target Asset Allocation	Maximum Allocation	Minimum Allocation	Target Asset Allocation	Maximum Allocation
Global equity and private equity	25%	39%	50%	25%	39%	50%
Global fixed income and Private debt	15%	27%	35%	15%	27%	35%
Real assets	12%	17%	25%	12%	17%	25%
Absolute return and Global tactical asset allocation	10%	16%	30%	10%	16%	30%
Cash	0%	1%	5%	0%	1%	5%

The real assets category includes allocations to real estate, commodities, and other inflation-linked assets. The absolute return category includes allocations to relative value and global macro hedge fund strategies and global tactical asset allocation managers.

In addition, on August 7, 2014, the Board approved a new long-term asset allocation for the Healthcare Trust Plans. Recommended changes included utilizing more active management, decreasing fixed income strategies and increasing absolute return strategies.

HEALTHCARE

	As of June 30, 2016			As of June 30, 2015		
Asset Class	Minimum Allocation	Target Asset Allocation	Maximum Allocation	Minimum Allocation	Target Asset Allocation	Maximum Allocation
Global equity	25%	43%	50%	25%	43%	50%
Global fixed income	5%	15%	25%	5%	15%	25%
Absolute return and Global tactical asset allocation	0%	20%	25%	0%	20%	25%
Real assets	12%	22%	25%	12%	22%	25%
Cash	0%	0%	5%	0%	0%	5%

The real assets category includes allocations to commodities, real estate, and other inflation-linked assets. The absolute return/global tactical asset category is currently comprised of three global tactical asset allocation managers who run unconstrained global portfolios.

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. See Note 3 starting on page 52 for more detailed information on the fair value of investments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investments (continued)

The fair value of derivative investments that are not exchange traded, such as swaps and rights is determined by the Plan's custodian based on the base market value of similar instruments. 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.

The fair value of the separate real estate properties are based on annual independent appraisals. As of June 30, 2016, the real estate property included an office building in O'Fallon, Missouri. As of June 30, 2016 and 2015, the office building in O'Fallon, Missouri had a mortgage payable with a fair value of $7,836,000 and $8,127,000, respectively. On January 28, 2016, the Plan sold the First American Title building located in San Jose, California for $23,300,000 before closing costs. The sale resulted in a net realized loss of $1,556,000.

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

For the years ended June 30, 2016 and 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.85)% for both years. 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, by the fall of 2018. It will be amortized per GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, over a period of 10 years, once it has been placed into service.

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

The Plan 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 Plans (which include the 401(h) and the two 115 Trusts).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

As of June 30, 2016 and 2015, plan net position totaling $3,167,080,000 and $3,219,691,000, respectively, is allocated as follows (in thousands):

	Retirement Fund	Cost-of-Living Fund	Defined Benefit Pension Plan	Post-employment Healthcare 401(h)	Police Department Healthcare Trust	Fire Department Healthcare Trust	Total
June 30, 2016							
Employee contributions reserve	$ 310,980	$ 73,896	$ 384,876	$ -	$ -	$ -	$ 384,876
General reserve	1,593,480	1,065,297	2,658,777	46,749	49,599	27,079	2,782,204
Total	**$ 1,904,460**	**$ 1,139,193**	**$ 3,043,653**	**$ 46,749**	**$ 49,599**	**$ 27,079**	**$ 3,167,080**
June 30, 2015							
Employee contributions reserve	$ 287,991	$ 69,652	$ 357,643	$ -	$ -	$ -	$ 357,643
General reserve	1,685,700	1,066,722	2,752,422	51,341	38,865	19,420	2,862,048
Total	**$ 1,973,691**	**$ 1,136,374**	**$ 3,110,065**	**$ 51,341**	**$ 38,865**	**$ 19,420**	**$ 3,219,691**

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. No employee contributions are paid out of the healthcare plans.

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

Correction of an Error - During 2016, it was determined that pursuant to applicable SJMC sections, employee contributions reserves should only be maintained in the Defined Benefit Pension Plan and not the Postemployment Healthcare Plans. As a result, the amounts reported above for the year ended June 30, 2015 have been corrected to reclassify $72.4 million of previously reported employee contribution reserves from the Postemployment Healthcare 401(h) to the Retirement Fund and $72.4 million from the general reserve of the Retirement Fund to the general reserve of the Postemployment Healthcare 401(h). Previously reported total balances for each plan did not change as a result of these corrections

(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 semi-annually 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 2%, as specified by the City of San José Municipal Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Implementation of Governmental Accounting Standards Board Statements

The GASB issued 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 regarding valuation techniques used to measure fair value and extensive disclosures required for the hierarchy of inputs to valuation techniques used to measure fair value. Since the statement generally requires investments to be measured at fair value, the impact to the valuation of investments in the Plan's financial statements is minimal. The requirements of GASB Statement No. 72 are effective for financial statements with periods beginning after June 15, 2015. The plan adopted this standard and has presented the required disclosure in Note 3, Fair Value Measurements section.

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 No. 68 and Amendments to Certain Provisions of GASB Statements No. 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 replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement, which essentially parallels GASB Statement No. 67, 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, which essentially parallels GASB Statement No. 68, applies to government employers who provide OPEB plans to their employees and replaces GASB Statement No. 45.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The GASB recently issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to GASB Statements No. 67, No. 68, and No. 73, that are not within the scope of GASB Statement No. 68, and amendments to certain provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

(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 Plan does not have a policy regarding interest rate risk. However, the Plan does settle on a transaction plus one day basis (T+1), therefore limiting the Plan's exposure to counterparty risk.

NOTE 3 - INVESTMENTS (continued)

The following tables provide the segmented time distribution for fixed income investments based on expected maturity (in months and years) as of June 30, 2016 and 2015.

INVESTMENT MATURITIES AT FAIR VALUE
As of June 30, 2016 (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	$ 23,446	$ -	$ 75,877	$ 107,874	$ 264,303	$ 41,888	$ 513,388	$ 498,820
Mortgage - backed securities	-	-	-	-	3,882	46,172	50,054	49,194
Corporate bonds	8	-	-	95	-	-	103	58
Other debt securities	-	-	-	2,278	3,972	2,599	8,849	8,596
Total Global Fixed Income	**23,454**	**-**	**75,877**	**110,247**	**272,157**	**90,659**	**572,394**	**556,668**
Collective Short Term Investments	**228,612**	**-**	**-**	**-**	**-**	**-**	**228,612**	**229,483**
TOTAL FIXED INCOME	**$ 252,066**	**$ -**	**$ 75,877**	**$ 110,247**	**$ 272,157**	**$ 90,659**	**$ 801,006**	**$ 786,151**

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	$ 22,941	$ -	$ -	$ 285,022	$ 226,820	$ 91	$ 534,874	$ 544,004
Collective Short Term Investments	**274,773**	**-**	**-**	**-**	**-**	**-**	**274,773**	**266,384**
TOTAL FIXED INCOME	**$ 297,714**	**$ -**	**$ -**	**$ 285,022**	**$ 226,820**	**$ 91**	**$ 809,647**	**$ 810,388**

Custodial Credit Risk – Custodial credit risk is the risk that the Plan 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 Plan does not have a policy regarding custodial credit risk. As of June 30, 2016 and 2015, all of the Plan's investments are held in the Plan's name and/or are not exposed to custodial credit risk.

NOTE 3 - INVESTMENTS (continued)

Credit Quality Risk – The Plan'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 Plan may hedge against the possible adverse effects of currency fluctuations on the Plan'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 tables provide information for the portfolio as of June 30, 2016 and 2015 concerning credit risk. These tables reflect only securities held in the Plan's name.

RATINGS OF FIXED INCOME INVESTMENTS
As of June 30, 2016 and 2015 (Dollars in Thousands)

	2016		2015	
S&P Quality Rating	Fair Value	Fair Value as a % of Total Fixed Income	Fair Value	Fair Value as a % of Total Fixed Income
AAA	$ 537	0.07 %	$ -	- %
AA+	3,385	0.42 %	-	- %
A+	2,010	0.25 %	-	- %
A	515	0.06 %	-	- %
A-	239	0.03 %	-	- %
BBB+	1,214	0.15 %	-	- %
BBB	2,703	0.34 %	-	- %
BB+	1,437	0.18 %	-	- %
BB	362	0.05 %	-	- %
BB-	1,533	0.19 %	-	- %
B+	2,726	0.34 %	-	- %
B	2,461	0.31 %	-	- %
B-	1,777	0.22 %	-	- %
CCC	4,249	0.53 %	-	- %
CCC-	1,310	0.16 %	-	- %
D	9,961	1.24 %	-	- %
Not Rated	764,587	95.46 %	809,647	100.00 %
TOTAL	**$ 801,006**	**100.00 %**	**$ 809,647**	**100.00 %**

NOTE 3 - INVESTMENTS (continued)

Foreign Currency Risk – This is the risk that changes in the exchange rates will adversely affect the fair value of underlying investments. To mitigate this risk, the Plan's investment policy permits individual investment managers to mitigate the impact of currency fluctuation on the underlying asset value. The Plan's investment managers enter into international forward currency contracts, which are commitments to purchase or sell stated amounts of international currency. The Plan utilizes these contracts to control exposure and facilitate the settlement of international security purchase and sale transactions. At June 30, 2016 and 2015, the Plan's net position in these contracts is recorded at fair value as international currency contract investments. The fair values of international currency contracts are determined by quoted currency prices from national exchanges. The Plan's commitments relating to international currency contracts are settled on a net basis.

The following tables provide information as of June 30, 2016 and 2015, concerning the fair value of investments that are subject to foreign currency risk:

FOREIGN CURRENCY RISK ANALYSIS
As of June 30, 2016 (In Thousands)

Currency Name	Cash	Global Equity	International Currency Contract, Net	Real Assets	Total Exposure
Australian dollar	$ 29	$ 3,791	$ 19	$ -	$ 3,839
British pound sterling	(183)	20,316	284	-	20,417
Canadian dollar	396	5,241	106	-	5,743
China yuan renminbi	-	-	22	-	22
Denmark krone	-	8,238	-	-	8,238
Euro currency	(863)	13,672	64	12,306	25,179
Hong Kong dollar	19	1,226	-	-	1,245
Japanese yen	(388)	15,583	(44)	-	15,151
Korea (south) won	-	5,471	-	-	5,471
Norwegian krone	-	1,296	-	-	1,296
Swedish krona	(34)	2,343	(43)	-	2,266
Swiss franc	-	8,389	97	-	8,486
TOTAL	**$ (1,024)**	**$ 85,566**	**$ 505**	**$ 12,306**	**$ 97,353**

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

Currency name	Cash	Global Equity	International Currency Contract, Net	Real Assets	Total Exposure
Australian dollar	$ (230)	$ 2,015	$ 10	$ -	$ 1,795
British pound sterling	(466)	20,595	428	-	20,557
Canadian dollar	(191)	6,906	(93)	-	6,622
Danish krone	-	7,104	-	-	7,104
Euro currency	(1,424)	14,785	(370)	9,093	22,084
Hong Kong dollar	-	967	-	-	967
Japanese yen	532	13,127	431	-	14,090
Norwegian krone	-	1,095	-	-	1,095
South Korean won	-	4,184	-	-	4,184
Swedish krona	(51)	1,804	(1)	-	1,752
Swiss franc	-	8,633	-	-	8,633
TOTAL	**$ (1,830)**	**$ 81,215**	**$ 405**	**$ 9,093**	**$ 88,883**

NOTE 3 - INVESTMENTS (continued)

Investment Concentration Risk – The Plan'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 Plan's assets without Board approval, with the exception of passive management where the Plan's assets are not held in the Plan's name at the Plan's custody bank. In such cases, the investment management firm can manage no more than 20% of the Plan's assets without Board approval. As a general rule, Plan assets placed with an investment manager should not represent more than 10% of the total assets managed by that firm, without prior Board approval. As of June, 30, 2016 and 2015, the Plan 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 Plan's investment policy allows for investments in derivative instruments that comply with the Plan's objectives of providing a cost effective means of managing portions of a portfolio and to manage risk through hedging activities. The Plan is currently authorized to use derivative 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. In addition to the Plan's internal derivative policies, it is understood that the mandates of certain investment managers retained by the Plan may use derivatives.

Derivative investments are reported at fair value. Derivative instruments 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, 2016 or 2015. 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.

NOTE 3 - INVESTMENTS (continued)

The fair values and notional amounts for derivative instruments outstanding as of June 30, 2016 and 2015, classified by type, and the changes in fair value of such derivative instruments for the years then ended as reported in the 2016 and 2015 financial statements are as follows (amounts in thousands):

	Net Appreciation in Fair Value of Investments through June 30, 2016		Fair Value at June 30, 2016		
Investment Derivative Instruments	**Classification**	**Amount**	**Classification**	**Amount**	**Notional Amount/Shares**
Foreign currency forwards	Investment income	$ 672	International currency contracts, net	$ 505	$ 129,400
Futures options bought/written	Investment income	1,125	Fixed income (domestic and foreign)	-	11,594
Warrants	Investment income	5	Global equity	5	7
Total Derivative Instruments		**$ 1,802**		**$ 510**	

	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	$ (13,287)	International currency contracts, net	$ 405	$ 111,665
Futures long/short (domestic and foreign)	Investment income	9,947	Fixed income (domestic and foreign)	-	12,085
Index futures long/short (domestic and foreign)	Investment income	-	Equity income (domestic and foreign)	-	167
Total Derivative Instruments		**$ (3,340)**		**$ 405**	

Derivative investments are also subject to counterparty credit risk (non-exchange traded). The following describes the risks applicable to the investment derivative instruments that are reported as of June 30, 2016 and 2015.

Counterparty Credit Risk - The Plan is exposed to credit risk on derivative instruments that are in asset positions and non-exchange traded. The Plan'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, 2016, total commitments in forward currency contracts to purchase and sell international currencies were $129,400,000 and $129,400,000, respectively, with fair values of $128,766,000 and $128,261,000, respectively, held by counterparties with S&P rating of at least AA-. As of June 30, 2015, total commitments in forward currency contracts to purchase and sell international currencies were $111,665,000 and $111,665,000 respectively, with fair values of $112,095,000 and $111,690,000, respectively, held by counterparties with S&P rating of at least AA-.

NOTE 3 - INVESTMENTS (continued)

Securities Lending Program - The Plan has historically participated in a securities lending program offered by the Plan's custodial bank, State Street Corporation (State Street). The program permitted State Street to lend the individual securities in the Plan's investment portfolio into a "collateral pool" under such terms and conditions as State Street deemed advisable and to permit the lent securities to be transferred into the name of the borrowers.

In exchange for participation in the collateral pool and the lent securities, the Plan would be compensated, and during the period 2003 through 2014 the program earned approximately $15.0 million in securities lending income.

Due to the 2008 financial crisis, certain assets in the securities lending pool in which the Plan participated became impaired, resulting in the Plan's custodian bifurcating the collateral pool in 2010. The collateral pool was separated into a liquid pool which would maintain $1.00 per share Net Asset Value (NAV) and a lower quality, duration pool (Quality Pool) with a floating NAV. On August 7, 2014, the Board voted to exit the State Street securities lending program due to lower anticipated earnings as the Plan shifted a large portion of assets from separately managed accounts enrolled in the securities lending program to commingled accounts that cannot be enrolled in the program. In order to exit the securities lending program, the Plan incurred a loss of $507,295.75, due to the NAV of the Quailty Pool being below $1.00 at the time of redemption. As June 30, 2015, the Plan no longer participated in State Street's securities lending program.

NOTE 3 - INVESTMENTS (continued)

Fair Value Measurements - In fiscal year 2016, the Plan adopted GASB Statement No. 72 ("GASB 72"), *Fair Value Measurement and Application*. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements.

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Plan has the following recurring fair value measurements as of June 30, 2016 and June 30, 2015:

Investments Measured at Fair Value As of June 30, 2016 (In Thousands)	**Total**	**Fair Value Measurement Using**		
		Level 1	**Level 2**	**Level 3**
Investments by fair value level				
Global equity	$ 254,308	$ 254,308	$ -	$ -
Private equity	15,002	7	-	14,995
Real estate	5,910	-	-	5,910
Global fixed income	73,775	14,872	57,785	1,118
Collective short term investments	228,612	228,288	103	221
Private debt	15,691	-	-	15,691
Real assets	7,119	7,119	-	-
International currency contracts, net	505	505	-	-
Global tactical asset allocation	186,046	186,046	-	-
Total investments by fair value level	**$ 786,968**	**$ 691,145**	**$ 57,888**	**$ 37,935**
Investments Measured at the Net Asset Value (NAV)				
Global equity	$ 622,814			
Private equity	246,116			
Global fixed income	498,619			
Private debt	204,742			
Real assets	433,048			
Global tactical asset allocation	112,104			
Absolute return	225,786			
Total investments measured at the NAV	**2,343,229**			
Total investments measured at fair value	**$ 3,130,197**			

NOTE 3 - INVESTMENTS (continued)

Investment Measured at Fair Value As of June 30, 2015 (In Thousands)	Total	Fair Value Measurement Using Level 1	Level 2	Level 3
Investments by fair value level				
Global equity	$ 231,046	$ 231,043	$ 3	$ -
Private equity	8,296	28	-	8,268
Real estate	6,528	-	-	6,528
Global fixed income	8,081	7,990	91	-
Collective short term investments	274,773	274,551	1	221
Private debt	31,607	-	-	31,607
Real assets	5,744	5,744	-	-
International currency contract, net	405	405	-	-
Global tactical asset allocation	200,288	200,288	-	-
Total investments by fair value level	**$ 766,768**	**$ 720,049**	**$ 95**	**$ 46,624**
Investment Measured at the Net Asset Value (NAV)				
Global equity	703,066			
Private equity	269,504			
Real estate	18,790			
Global fixed income	526,793			
Private debt	194,567			
Real assets	446,884			
Global tactical asset allocation	145,558			
Absolute return	138,715			
Total investments measured at the NAV	**2,443,877**			
Total investment measured at fair value	**$ 3,210,645**			

Equity and Fixed Income Securities

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt and equity securities classified in Level 3 are securities whose stated market price is unobservable by the market place. Many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

Alternative Investments

Alternative investments include global equity, private equity, real assets, global fixed income, private debt, global tactical asset allocation and absolute return investments. These are investments for which exchange quotations are not readily available and are valued at estimated fair value, as determined in good faith by the General Partner (GP). These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results and other factors deemed relevant by the GP. The assets in the alternative investment program are classified as Level 3 assets or at the NAV Level. A more detailed explanation of the Level 3 and NAV valuation methodologies follows.

NOTE 3 - INVESTMENTS (continued)

Investments in non-public equity securities are valued by the GP using one or more valuation methodologies outlined in GASB 72, depending upon the availability of data required by each methodology. In some cases, the GP may use multiple approaches to estimate a valuation range. For the immediate time period following a transaction, the determination of the fair value for equity securities, in which no liquid trading market exists, can generally be approximated based on the transaction price (absent any significant developments). Thereafter, or in the interim, if significant developments relating to such portfolio company or industry occur which may suggest a material change in value, the GP should value each investment by applying generally accepted valuation methods including: (1) the market approach (such as market transaction and comparable public company multiples, which are based on a measurement of the company's historical and projected financial performance with typical metrics including enterprise value/latest 12 months EBITDA or projected fiscal year EBITDA) or (2) the income or discounted cash flow approach.

The determination of fair value using these methodologies should take into consideration a range of factors, including but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading value on public exchanges for comparable securities, current and projected operating performance and financing transactions subsequent to the acquisition of the investment. Because of the subjective nature of estimated fair value of the private investments, such value may differ significantly from the values that would have been used had a ready market existed for these investments. These financial instruments have been classified as Level 3 or NAV in the fair value hierarchy.

The following tables present the category, fair value, unfunded commitments, redemption frequency and redemption notice period for investments for which fair value is presented using the NAV as of June 30, 2016 and 2015:

Investments Measured at the NAV As of June 30, 2016 (In Thousands)	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Global equity	$ 622,814	$ -	Daily, Monthly, Quarterly	1 - 90 Days
Private equity	246,116	63,900	Daily, N/A	1 Day, N/A
Global fixed income	498,619	-	Daily, Monthly, Quarterly	1 - 65 Days
Private debt	204,742	116,650	N/A	N/A
Real assets	433,048	112,950	Monthly, Quarterly, N/A (Closed-end funds)	3 - 90 Days, N/A (Closed-end funds)
Global tactical asset allocation	112,104	-	Monthly	5 Days
Absolute return	225,786	-	Weekly, Monthly, Quarterly	14 - 75 Days
Total investments measured at the NAV	**$ 2,343,229**	**$ 293,500**		

NOTE 3 - INVESTMENTS (continued)

Investments Measured at the NAV As of June 30, 2015 (In Thousands)	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Global equity	$ 703,066	$ -	Daily, Monthly, Quarterly	1 - 90 Days
Private equity	269,504	79,277	Daily, N/A	1 Day, N/A
Real estate	18,790	31,728	N/A	N/A
Global fixed income	526,793	-	Daily, Monthly, Quarterly	1 - 65 Days
Private debt	194,567	89,218	N/A	N/A
Real assets	446,884	-	Monthly, Quarterly, N/A (Closed-end funds)	3 - 90 Days, N/A, (Closed-end funds)
Global tactical asset allocation	145,558	-	Monthly	5 Days
Absolute return	138,715	-	Weekly, Monthly, Quarterly	14 - 75 Days
Total investment measured at the NAV	**$ 2,443,877**	**$ 200,223**		

Global equity - This type includes investments in three commingled investment funds and four long/short funds. Public equities are shares of ownership of a firm listed on an exchange; the Plan holds global public equities in order to benefit from their total return (capital appreciation plus current yield) over a long-term horizon. Two commingled funds offer daily liquidity with one day notice and the third is monthly with a one month notice. One long/short fund offers monthly redemptions with quarterly notice. The remaining three long/short funds offer quarterly liquidity with notice periods ranging from one to two months.

Private equity - This type includes investments in a commingled investment fund and fourteen private equity limited partnership funds, which generally invest in privately held companies. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market. The commingled investment offers daily liquidity with one day notice.

Global fixed income - This type includes investments in four collective investment funds and five limited partnership funds. These funds typically invest in contractual cash flows of governments and other sovereign entities, corporations, securitizations, and derivatives thereof. Three collective investment funds offer daily liquidity with notice periods of one to two days and one offers monthly liquidity with ten days' notice. The two limited partnership funds offer monthly or quarterly redemptions with notice periods of ten to sixty five days.

Private debt - This type includes investments in seven private debt limited partnership funds. These investments cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market.

NOTE 3 - INVESTMENTS (continued)

Real assets - This type includes eight closed-end real estate funds, one closed-end infrastructure fund, one open-end real estate funds, two Infrastructure funds, and two commodities funds. Real assets are physical or tangible assets that have value due to their substance and properties. The goal of real assets is to help the portfolio maintain purchasing power through periods of inflation. The closed-end real estate and infrastructure funds cannot be redeemed early from the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. The only way to exit these funds is through a sale in a secondary market. The open-end real estate fund offer quarterly redemptions with a two week notice period. One commodities fund offers monthly liquidity with three business days' notice. The other commodities fund offers annual redemptions with 180 days' notice. This fund is subject to a three year soft lock with early redemptions subject to a 5% fee. This restriction will be in effect until August 2018.

Global tactical asset allocation (GTAA) - This type includes investments in two collective investment funds. GTAA captures directional market movements or relative market mispricing. The funds generally invest long, but can short, in a wide array of securities, including listed and OTC derivatives and typically uses modest leverage. Both funds offer monthly liquidity with five days' notice.

Absolute return - This type includes investments in twelve hedge funds that invest both long and short in a wide array of securities, including listed and OTC derivatives and typically use leverage and hedging to capture directional market movements or relative market mispricing. The redemption frequencies range from one week to one quarter with notice periods of two weeks to one quarter. Two funds have 25% per quarter maximum investor-level redemption gates; one of which can be overcome by a 3% redemption fee. Another fund has a fund-level gate of 8.33%.

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

The components of the net pension liability (i.e., the total pension liability determined in accordance with GASB Statement No. 67 less the plan net position) as of June 30, 2016 and 2015, were as follows (dollars in thousands):

	2016	2015
Total pension liability	$ 4,220,098	$ 3,976,513
Plan fiduciary net position	$ 3,043,653	$ 3,110,065
Net pension liability	$ 1,176,445	$ 866,448
Plan fiduciary net position as a percentage of the total pension liability	**72.1 %**	**78.2 %**

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 revision 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 November 2015 and the next experience study is scheduled to be conducted in 2017.

The total pension liability as of June 30, 2016 and 2015, is based on results of an actuarial valuation date of June 30, 2015 and 2014, respectively, and rolled-forward to June 30, 2016 and 2015 using standard roll forward procedures.

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

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

Actuarial Assumptions	Method / Assumptions	
Valuation date	June 30, 2015	June 30, 2014
Inflation rate	3.00%	3.00%
Discount rate	7.0% per annum (net of investment expenses)	7.0% per annum (net of investment expenses)
Post-retirement mortality		
(a) Service	CALPERS 2009 Healthy Annuitant Mortality Table multiplied by 0.948 for males and 1.048 for females and projected using Scale MP-2015 on a generational basis from the base year of 2009.	RP-2000 Combined Healthy Mortality Table with no collar adjustment, projected to 2010 using scale AA and setback 3 years for males and no setback for females
(b) Disability	CALPERS 2009 Industrial Disability Mortality Table for males multiplied by 0.903 and projected using SOA MP-2015 on a generational basis from the base year of 2009.	RP-2000 Combined Healthy Male Mortality Table with no collar adjustment, projected to 2010 scale AA and set back 2 years.
Rate of service retirement, withdrawal, death, disability retirements	Based upon the June 30, 2015, actuarial experience analysis	Based upon the June 30, 2014, actuarial experience analysis
Salary increase		
Wage inflation	3.25% for all years	3.25% for all years
Merit increase	Merit component added based on an individual year's of service ranging from 6.75% to 1.00%	Merit component added based on an individual year's of service ranging from 9.25% to 2.00%
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 7.0% for both the valuation years ending June 30, 2015 and 2014 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.

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

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2016 and 2015, (see the discussion of the Plan's investment policy) are summarized in the following table:

	2016		2015	
Asset Class	**Target Asset Allocation**	**Long-Term Expected Real Rate of Return**	**Target Asset Allocation**	**Long-Term Expected Real Rate of Return**
Global equity	31%	5.0%	31%	5.0%
Private equity	8%	6.3%	8%	6.3%
Global fixed income	16%	1.8%	16%	1.7%
Private debt	11%	4.8%	11%	4.8%
Real assets	17%	3.6%	17%	3.8%
Absolute return	6%	3.3%	6%	3.5%
Global tactical asset allocation	10%	3.5%	10%	3.7%
Cash	1%	-	1%	-

The discount rate used to measure the total pension liability was 7.0% for both the valuation years ending June 30, 2015 and 2014. It is assumed that Plan 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 Plan's 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, 2016 and 2015, respectively, calculated using the discount rate of 7.0% for both years, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1.0% lower (6.0%) or 1.0% higher (8.0%) than the current rate (in thousands):

	2016			2015		
	1% Decrease (6.0%)	**Current Discount Rate (7.0%)**	**1% increase (8.0%)**	**1% Decrease (6.0%)**	**Current Discount Rate (7.0%)**	**1% Increase (8.0%)**
Total pension liability	$ 4,848,735	$ 4,220,098	$ 3,713,368	$ 4,544,353	$ 3,976,513	$ 3,512,652
Plan fiduciary net position	3,043,653	3,043,653	3,043,653	3,110,065	3,110,065	3,110,065
Net pension liability	1,805,082	1,176,445	669,715	1,434,288	866,448	402,587
Plan fiduciary net position as a percentage of the total pension liability	**62.8 %**	**72.1 %**	**82.0 %**	**68.4 %**	**78.2 %**	**88.5 %**

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

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 3.36 of Title 3 of the San José Municipal Code to provide the City with the option to make lump sum payments of City contributions to the Plan.

In January 2011, 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, 2014 valuation for the fiscal year ended June 30, 2016 was the greater of $129,769,000 (if paid at the beginning of the fiscal year) or 73.01% for Police Tier 1 members and 74.95% for Fire Tier 1 members of actual payroll for the fiscal year, if actual payroll exceeds the actuarial payroll. The actual Tier 1 payroll for the fiscal year of $175,506,000 was less than the actuarial payroll of $181,851,000, ($105,928,000 for Police Tier 1 and $75,923,000 for Fire Tier 1), resulting in an annual contribution of $129,769,000, as of July 1, 2015.

San Jose City Council Ordinance No. 29266 and Ordinance No. 29511 implemented the terms of a stipulated arbitration award for Police Tier 2 and Fire Tier 2 pension benefits, respectively. Police Tier 2 members are any new Plan members hired on or after August 4, 2013; Fire Tier 2 members are any new Plan members hired on or after January 2, 2015. The new tiers include significant benefit changes from the existing Police Tier 1 and Fire Tier 1 plans as described in Note 1. In addition, the contribution rates for Police Tier 2 and Fire Tier 2 members include a change in the cost sharing between the City and active Police Tier 2 and Fire Tier 2 members which is a 50/50 split of all costs, including unfunded actuarial accrued liability (UAAL). Currently, Police Tier 1 and Fire Tier 1 members split normal cost with 8/11 paid by the City and 3/11 paid by Police Tier 1 and Fire Tier 1 members. The responsibility for funding the UAAL is generally not shared with the Police Tier 1 and Fire Tier 1 employees.

On May 7, 2015, the Board approved a funding policy for Police Tier 2 and Fire Tier 2 setting the Police Tier 2 annual determined contribution (ADC) to be 11.27% of actual payroll and Fire Tier 2 annual determined contribution to be 11.17% of actual payroll. The actual payroll for Police Tier 2 for the fiscal year of $8,928,000 resulted in an annual contribution of $1,006,000, excluding year end accruals, contributions receivable and other adjustments. The actual payroll for Fire Tier 2 for the fiscal year of $2,143,000 resulted in an annual contribution of $239,000, excluding year end accruals, contributions receivable and prior year contribution adjustments.

The employer contribution determined in the June 30, 2013 valuation for the fiscal year ended June 30, 2015 was the greater of $128,217,000 (if paid at the beginning of the fiscal year) or 72.14% for Police Tier 1 members and 73.48% for Fire Tier 1 and 10.94% for Fire Tier 2 members of actual payroll for the fiscal year. The total actuarial payroll for Police and Fire for the fiscal year was $182,536,000, ($106,177,000 for Police tier 1 members and $76,359,000 for Fire Tier 1 and 2 members). The actual payroll for the fiscal year of $174,486,000 was less than the actuarial payroll of $182,536,000, resulting in an annual contribution of $128,217,000, as of July 1, 2014.

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

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 ADC and that contributions are based on the annual determined contribution percentages developed by the actuary. Instead, the contribution rate determined by the actuary multiplied by the actual payroll will be used, setting the annual determined contribution to be 10.80% of actual payroll. The actual payroll for Police Tier 2 for the fiscal year ended June 30, 2015 of $5,653,000 resulted in an annual contribution of $611,000.

Contributions to the Defined Benefit Pension Plan for both the City and the participating members are based upon an actuarially determined percentage of each member's covered payroll sufficient to provide adequate assets to pay benefits when due. The contribution rates for fiscal years ended June 30, 2016 and 2015 were based on the actuarial valuations performed as of June 30, 2014 and 2013, respectively, except for the period of June 19 through June 30, 2016, which were based on the June 30, 2015 valuation.

The City and the participating member's contribution rates in effect for the Defined Benefit Pension Plan during the fiscal years ended June 30, 2016 and 2015 were as follows:

	City-Board Adopted *				Member			
Period	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2	Police Tier 1	Police Tier 2	Fire Tier 1	Fire Tier 2
06/19/2016 - 06/30/2016	80.40 %	10.97 %	81.61 %	10.61 %	10.59 %	10.97 %	11.07 %	10.61 %
06/21/2015 - 06/18/2016	73.01 %	11.27 %	74.95 %	11.17 %	11.26 %	11.27 %	11.83 %	11.16 %
07/01/2014 - 06/20/2015	72.14 %	10.80 %	73.48 %	10.94 %	11.27 %	10.80 %	11.65 %	10.94 %

** The actual contribution rates paid by the City for fiscal years ended June 30, 2016 and June 30, 2015 differed for Tier 1 due to the City funding the actuarially determined 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, FUNDED STATUS AND FUNDING PROGRESS

For the fiscal year ended June 30, 2016, Police Department and Fire Department employer contributions were made to the Police Department Postemployment 115 Healthcare Plan and the Fire Department Postemployment 115 Healthcare Plan, respectively. Employee postemployment healthcare contributions were made to the Postemployment Healthcare 401(h) Plan. It is unknown at this time when employee contributions to the Police Department Postemployment 115 Healthcare Plan and the Fire Department Postemployment 115 Healthcare Plan will begin, even though the Plan received an IRS private letter ruling on the tax qualification of the Section 115 Trust on July 9, 2014. Contributions to the Plan prior to June 26, 2011 for Fire members and June 28, 2009 for Police members, were based on the Board's 10-year cash flow funding policy.

Effective June 28, 2009, the Police members of the Plan entered into a Memorandum of Agreement (MOA) with the City to increase the contribution rates for retiree health and dental in order to phase-in to full funding of the annual required contribution (ARC) over the next five years; fiscal year 2013-2014 was the fifth year of the phase-in.

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS, FUNDED STATUS AND FUNDING PROGRESS (continued)

Effective June 26, 2011, the Fire members entered into a MOA with the City to phase-in to fully contributing the GASB Statement No. 43 ARC over a five year period; fiscal year 2015-2016 was the fifth year of the phase-in.

In both MOAs, the City and members of the Plan agreed that the member and City cash contribution rate shall not have an incremental increase of more than 1.25% and 1.35%, of pensionable pay in each year for the members and City, respectively. However, the fifth year of both agreements have passed, the full funding of retiree medical and dental benefits has not been reached, and no new agreements have been made, so the medical and dental contribution rates will remain frozen until new agreements are made.

On February 24, 2015, the City and the Police bargaining units agreed to roll back the Police employee contributions rates from a total of 10.0% to 9.51% and the employer contribution rates from a total of 11.0% to 10.31%, effective March 15, 2015 and through fiscal year 2015-2016. These were the rates in effect for the year ended June 30, 2014, which shall remain frozen until new agreements are made. For the Fire members, the contribution rates for the year ended June 30, 2016, the last year of the phase-in, will remain frozen until new agreements are made.

In January 2011, the Board approved the establishment of a funding policy (referred to as the floor methodology) setting the City's funding policy contribution amount 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 funding policy contribution amount for the City for Police Tier 1 and Fire Tier 1 members determined in the June 30, 2014 valuation for fiscal year ending June 30, 2016, was the greater of $18,353,000 (if paid at the beginning of the fiscal year), or 10.31% for Police Tier 1 members and 10.62% for Fire Tier 1 members, of actual payroll for the fiscal year. The total actuarial payroll for Police Tier 1 and Fire Tier 1 members for the fiscal year was $181,851,000 ($105,928,000 for Police Tier 1 and $75,923,000 for Fire Tiers 1 members). The actual payroll for the fiscal year of $175,506,000 was less than the actuarial payroll of $181,851,000, resulting in an annual contribution of $18,353,000, as of July 1, 2015, excluding the implicit subsidy, year end accruals, contributions receivable and prior year contribution adjustments.

On May 7, 2015, the Board approved a funding policy for Police Tier 2 and Fire Tier 2, setting the Police Tier 2 annual required contribution to be 10.31% based on actual payroll, and Fire Tier 2 annual required contribution to be 10.62% based on actual payroll. The actual payroll for Police Tier 2 for the fiscal year 2015-2016 was $8,928,000 resulting in an annual contribution of $920,000, excluding year end accrual, contributions receivables and prior year contribution adjustments. The actual payroll for Fire Tier 2 for the fiscal year 2015-2016 was $2,143,000, resulting in an annual contribution of $228,000, excluding year end accruals, contributions receivables and prior year contribution adjustments.

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS, FUNDED STATUS AND FUNDING PROGRESS (continued)

The funding policy contribution amount for the City for Police Tier 1 and Fire Tier 1 and Tier 2 members determined in the June 30, 2013 valuation for fiscal year ending June 30, 2015, was the greater of $18,122,000 (if paid at the beginning of the fiscal year), or 11.00% for Police members and 9.27% for Fire Tier 1 members and 9.27% for Fire Tier 2 members, of actual payroll for the fiscal year. The total actuarial payroll for Police Tier 1 and Fire Tiers 1 and 2 members for the fiscal year was $182,536,000 ($106,177,000 for Police Tier 1 and $76,359,000 for Fire Tiers 1 and 2 members). The actual payroll for the fiscal year of $174,486,000 was less than the actuarial payroll of $182,536,000, resulting in an annual contribution of $18,122,000, as of July 1, 2014, excluding the implicit subsidy, year end accruals, contributions receivable and prior year contribution adjustments.

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 the 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 Police Tier 2 for the fiscal year 2014-2015 was $5,653,000, resulting in an annual contribution of $611,000.

The City and the participating member’s contribution rates in effect during the fiscal years ended June 30, 2016 and 2015 for the Postemployment Healthcare Plans were as follows:

	City - Board Adopted *		**Member**	
Period	**Police**	**Fire**	**Police**	**Fire**
06/21/2015 - 06/30/2016	10.31%	10.62%	9.51%	9.74%
03/15/2015 - 06/20/2015	10.31%	9.27%	9.51%	8.49%
07/01/2014 - 03/14/2015	11.00%	9.27%	10.00%	8.49%

** The actual contribution rates paid by the City for fiscal years ended June 30, 2016 and 2015, differed for Tier 1 due to the City funding the annual required contribution amount based on the greater of the dollar amounts 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 June 30, 2014 and 2013 valuations established for the fiscal years ended June 30, 2016 and 2015, respectively, the City's ARC rate as a percentage of pay on a GASB valuation basis to be 17.70% and 17.69%, respectively, compared to the contribution rates listed above on a phase-in funded basis.

The funded status of the Postemployment Healthcare Plans as of June 30, 2015, 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)**
06/30/2015	$ 114,565	$ 739,753	$ 625,188	15 %	$ 184,733	338 %

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS, FUNDED STATUS AND FUNDING PROGRESS (continued)

As of June 30, 2015, the Plan's most recent actuarial valuation, which combines the 401(h) and the 115 subtrusts within the valuation, the Postemployment Healthcare Plan's UAAL increased by $12.1 million primarily due to the change in pension assumptions, change in health assumptions and the change in demographic experience. The discount rate used for financial reporting purposes remained the same at 6.0% in the June 30, 2015 Postemployment Healthcare valuation and in the June 30, 2014 Postemployment Healthcare valuation. The Postemployment Healthcare Plan's discount rate is based on a blended rate between the expected return on the City's unrestricted assets (3.5%) and the expected return on the Plan's invested assets (7.0%) resulting in a blended discount rate of 6.0%. Change in pension assumptions refers to the change in the demographic assumptions used in both the pension and postemployment healthcare plan valuations. These assumptions are based on the results of the experience study covering plan experience during the period from July 1, 2009 through June 30, 2015 and were adopted at the December 3, 2015 and January 7, 2016 Board meetings. Change in health assumptions refers to the changes in expected current healthcare claims and expense costs based on the 2015 and 2016 medical premium experience. This item also includes the effect of updating the claims cost trend assumption, and plan and tier election percentage for future retirees. Change in demographic experience refers to the change in actual data and elections from June 30, 2014 to June 30, 2015 as compared to the changes expected in the prior valuation.

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.

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.

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS, FUNDED STATUS AND FUNDING PROGRESS (continued)

The contribution rates for the years ended June 30, 2016 and 2015, were based on the actuarial valuations performed as of June 30, 2014 and 2013, respectively, except for the period June 19 through June 30, 2016, which were based on the June 30, 2015 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, 2015**	**June 30, 2014**	**June 30, 2013**
Actuarial cost method	Entry age normal, level of percentage of pay	Entry age normal, level of percentage of pay	Entry age normal, level of percentage of pay
Amortization method	30 years, level percent of pay	30 years, level percent of pay	30 years, level percent of pay
Remaining amortization period	30 years as of June 30, 2015, open	30 years as of June 30, 2014, open	30 years as of June 30, 2013, open
Actuarial asset valuation method	5 year smoothed market with a 80% to 120% Fair Value Corridor	5 year smoothed market with a 80% to 120% Fair Value Corridor	5 year smoothed market with a 80% to 120% Fair Value Corridor
ACTUARIAL ASSUMPTIONS			
Discount rate (net)	6.00%†	6.00%†	6.00%†
Projected payroll increases			
Wage inflation rate	3.25% for FY 2016 and for all years.	3.25% for FY 2015 and for all years.	2.00% for FY 2014 and 2015, and 3.50% thereafter.
Merit increase	Merit component added based on an individual's years of service ranging from 6.75% to 1.00%.	Merit component added based on an individual's years of service ranging from 9.25% to 2.00%	Merit component added based on an individual's years of service ranging from 9.25% to 2.00%
HEALTHCARE COST TREND RATE			
Medical	The valuation assumes that future medical inflation will be at a rate of 8.50% to 4.25% per annum graded down over a 14 year period for medical pre-age 65 and 6.50% 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 8.50% to 4.25% per annum graded down over a 14 year period for medical pre-age 65 and 6.50% 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 8.50% to 4.25% per annum graded down over a 14 year period for medical pre-age 65 and 6.50% to 4.25% per annum graded down over a 14 year period for medical post-age 65.
Dental	Dental inflation is assumed to be 4.00%	Dental inflation is assumed to be 4.00%	Dental inflation is assumed to be 4.00%

† Determined as a blended rate of the expected long-term investment returns on plan assets and on the City's investments, based on the contributions compared to the annual required contributions for the fiscal year.

NOTE 5 - POSTEMPLOYMENT HEALTHCARE PLAN: CONTRIBUTIONS, FUNDED STATUS AND FUNDING PROGRESS (continued)

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 Plans 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 Plans presents trend information about the amounts contributed to the plan by the City in comparison to the 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

Commitments – As of June 30, 2016, the Plan had unfunded commitments to contribute capital for private debt investments in the amount of $116,650,000, private equity investments in the amount of $63,900 and real assets investments in the amount $112,950,000.

Commitments - As of June 30, 2015, the Plan had unfunded commitments to contribute capital for real estate investments in the amount of $31,728,000, private equity investments in the amount of $79,277,000 and private debt in the amount $89,218,000.

Contribution overstatement - On January 14, 2009, the Plan was advised by the City's Finance Department that a portion of non-pensionable Fair Labor Standards Act (FLSA) earnings for Fire members of the Plan had been erroneously transmitted and paid into the Plan by the Fire members and City for a period of approximately 10 years. As of February 2009, the City has corrected the transmittal error on a go forward basis. The City's FLSA overstatement correction amounts were reviewed by the City's internal auditor and the Plan's external accountants. The Plan's external accountants identified variances in the estimated overstatements.

In fiscal year 2012, the City's Finance Department reviewed and prepared revised overstatement amounts. On June 1, 2012 the City's Finance Department refunded approximately $252,000 of overstated contributions to active members. The City is currently working to determine the overstated amounts for separated and/or retired members. The impact of the overstated pensionable earnings, due to the FLSA transmittal error, on retirement benefits is undetermined at this time.

NOTE 7 - LITIGATION

The Plan 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 Plan's financial position as a whole.

NOTE 8 - SUBSEQUENT EVENTS

Measure B Litigations – The City and the bargaining units representing sworn Police and Fire members engaged in settlement discussions concerning litigation arising out of a voter-approved ballot measure, known as Measure B. On July 15, 2015, the City and sworn Police and Fire bargaining units reached an Alternative Pension Reform Settlement Framework (Framework) which was approved by the City Council and the bargaining units' memberships. A ballot measure (Measure F) was presented to the public for voting in the November 2016 election, which will determine whether or not the terms of the Framework will be implemented. Measure F passed but there are no implications to the financial statements for fiscal year 2016.

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	**2016**	**2015**	**2014**
Service cost (middle of year)	$ 74,531	$ 74,895	$ 75,030
Interest (includes interest on service cost)	274,487	262,738	251,701
Differences between expected and actual experience	(8,673)	21,457	-
Change of assumptions	90,179	56,311	-
Benefit payments, including refunds of member contributions	(186,939)	(176,253)	(167,397)
Net Change in Total Pension Liability	**243,585**	**239,148**	**159,334**
Total Pension Liability - Beginning	**3,976,513**	**3,737,365**	**3,578,031**
Total Pension Liability - Ending	**$ 4,220,098**	**$ 3,976,513**	**$ 3,737,365**

Plan Fiduciary Net Position			
Contributions - employer	$ 132,480	$ 129,279	$ 123,583
Contributions - employee	21,508	20,747	21,115
Net investment income	(29,206)	(27,690)	404,978
Benefit payments, including refunds of member contributions	(186,940)	(176,253)	(167,397)
Administrative expense	(4,254)	(4,191)	(3,631)
Net Change in Plan Fiduciary Net Position	**$ (66,412)**	**$ (58,108)**	**$ 378,648**
Plan Fiduciary Net Position - Beginning	**3,110,065**	**3,168,173**	**2,789,525**
Plan Fiduciary Net Position - Ending	**$ 3,043,653**	**$ 3,110,065**	**$ 3,168,173**
Net Pension Liability - Ending	**$ 1,176,445**	**$ 866,448**	**$ 569,192**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**72.12 %**	**78.21 %**	**84.77 %**
Covered Employee Payroll	**$ 186,874**	**$ 180,226**	**$ 187,959**
Net Pension Liability as a Percentage of Covered Employee Payroll	**629.54 %**	**480.76 %**	**302.83 %**

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 7.125% .*

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)

	2016	**2015**	**2014**
Annual money-weighted rate of return, net of investment expense	(0.85)%	(0.85)%	13.00%

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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	$ 132,480	$ 129,279	$ 123,583	$ 105,234	$ 121,008	$ 77,918	$ 52,315	$ 53,103	$ 56,372	$ 46,625
Contributions in relation to actuarially determined contribution	132,480	129,279	123,583	105,234	121,008	77,918	52,315	53,103	56,372	46,625
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 186,874	$ 180,226	$ 180,083	$ 180,333	$ 184,750	$ 222,464	$ 239,570	$ 243,196	$ 240,503	**
Contributions as a percentage of covered employee payroll	70.89%	71.73%	68.63%	58.36%	65.50%	35.02%	21.84%	21.84%	23.44%	

***Actuarial valuations have been performed biennially through June 30, 2007. Effective with the June 30, 2009 valuation, which determined contribution rates for fiscal year 2011, the plan 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.

Fiscal Year	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010-09**	**2008-07**
Valuation date	**June 30, 2014**	**June 30, 2013**	**June 30, 2012**	**June 30, 2011**	**June 30, 2010**	**June 30, 2009**	**June 30, 2007**	**June 30, 2005**
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization 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	7.0%	7.125%	7.25%	7.25%	7.50%	7.75%	8.0%	8.0%

NOTES TO SCHEDULE (Continued)

Fiscal Year	2016	2015	2014	2013	2012	2011	2010-09	2008-07
Valuation date	**June 30, 2014**	**June 30, 2013**	**June 30, 2012**	**June 30, 2011**	**June 30, 2010**	**June 30, 2009**	**June 30, 2007**	**June 30, 2005**
Salary increases	3.25% plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service	2.00% for one year and 3.5% thereafter plus merit component based on length of service ranging from 9.25% for new hires to 2.00% for members with 10 or more years of service	0.00% for FY 2013 and 2014, and 3.50% thereafter plus merit component based on length of service ranging from 8.00% for new hires to 2.25% for members with 10 or more years of service.	0.00% for FY 2013 and 2014, and 3.50% thereafter plus merit component based on length of service ranging from 8.00% for new hires to 2.25% for members with 10 or more years of service.	0.00% for FY 2013 and 2014, and 3.50% thereafter plus merit component based on length of service ranging from 8.00% for new hires to 2.25% for members with 10 or more years of service.	0.75% plus merit component based on length of service ranging from 9.75% for new hires to 6% for members with 8 or more years of service	0.75% plus merit component based on length of service ranging from 9.75% for new hires to 6% for members with 8 or more years of service	.5% plus merit component based on length of service ranging from 9% for new hires to 5% for members with 8 or more years of service
Amortization payment growth rate	3.25%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
COLA	3% for Police Tier 1 & Fire Tier 1, 1.5% for Police Tier 2 & Fire Tier 2	3% for Police Tier 1 & Fire Tier 1, 1.5% for Police Tier 2 & Fire Tier 2	3% for Police Tier 1 & Fire, 1.5% for Police Tier 2	3% for Police Tier 1 & Fire, 1.5% for Police Tier 2	3% for Police Tier 1 & Fire	3% for Police and Fire	3% for Police and Fire	3% for Police and Fire
Mortality	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years.	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years.	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years.	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years.	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back four years.	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years and female rates are set forward one year.	RP-2000 combined healthy mortality table with no collar adjustment projected to 2010 using scale AA. Male rates are set back three years and female rates are set forward one year.	1994 Group Annuity Mortality Table. Male rates are set back four years and female rates are set forward one year

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

SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT HEALTHCARE PLANS (unaudited)
(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Increase / Decrease Plan Funded Ratio	Annual Covered Payroll(1)	UAAL as a % of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
06/30/2015	$ 114,565	$ 739,753	$ 625,188	15%	$ 184,733	338%
06/30/2014	93,605	706,709	613,104	13%	188,189	326%
06/30/2013	75,035	700,525	625,490	11%	184,645	339%
06/30/2012	66,385	997,321	930,936	6%	172,626	539%
06/30/2011	60,709	1,003,795	943,086	7%	190,726	494%
06/30/2010	58,586	946,308	887,722	6%	222,699	399%
06/30/2009	55,618	761,604	705,986	7%	243,196	290%

(1) Annual covered payroll represents the actuarial estimate of annual covered payroll for the subsequent year for the June 30, 2011 through 2015 valuations. 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, 2015, the Plan’s most recent OPEB actuarial valuation, which combines the 401(h) and 115 subtrusts within the valuation, the Postemployment Healthcare Plan’s UAAL increased by $12.1 million primarily due to the change in pension assumptions, change in health assumptions and the change in demographic experience. The discount rate used for financial reporting purposes remained the same at 6.0% in the June 30, 2015 OPEB valuation and in the June 30, 2014 OPEB valuation. The Postemployment Healthcare Plan’s discount rate is based on a blended rate between the expected return on the City’s unrestricted assets (3.5%) and the expected return on the Plan’s invested assets (7.0%) resulting in a blended discount rate of 6.0%. Change in pension assumptions refers to the change in the demographic assumptions used in both the pension and postemployment healthcare plan valuations. These assumptions are based on the results of the experience study covering plan experience during the period from July 1, 2009 through June 30, 2015 and were adopted at the December 3, 2015 and January 7, 2016 Board meetings. Change in health assumptions refers to the changes in expected current healthcare claims and expense costs based on the 2015 and 2016 medical premium experience. This item also includes the effect of updating the claims cost trend assumption, and plan and tier election percentage for future retirees. Change in demographic experience refers to the change in actual data and elections from June 30, 2014 to June 30, 2015 as compared to the changes expected in the prior valuation.

As of June 30, 2014, the Plan's Postemployment Healthcare Plan's UAAL decreased by $12.4 million primarily due to the change in claims cost assumptions and the change in demographic experience. The discount rate used financial reporting purposes remained the same at 6.0% in the June 30, 2013 Postemployment Healthcare valuation and in the June 30, 2014 Postemployment Health valuation. The Postemployment Healthcare Plan's discount rate is based on a blended rate between the expected return on the City's unrestricted assets (3.50%) and the expected return on the Plan's invested assets (7.00%) resulting in a blended discount rate of 6.00%. Changes in claims cost assumptions refers to the changes in expected 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 assumptions.

As of June 30, 2013, the Postemployment Healthcare Plan's UAAL decreased by $305.4 million primarily due to the increase in the discount rate and decreases in claims cost assumptions. The discount rate, used for financial reporting purposes, increased from 4.40% in the June 30, 2012 OPEB valuation to 6.00% in the June 30, 2013 OPEB valuation. The Postemployment Healthcare Plan's discount rate is based on a blended rate between the expected return on the City's unrestricted assets (3.50%) and the expected return on the Plan's invested assets (7.125%) resulting in a blended discount rate of 6.00%. The medical plan changes effective January 1, 2013 included a new Kaiser $1500 Deductible HMO, which became the lowest cost plan available to active employees and therefore the basis for the retiree premium subsidy. Other lower cost medical plans became available to non-Medicare eligible members. In addition, the retiree medical benefits are split evenly between the employees and the City while the retiree dental benefits are split with the City contributing 75% of the total contribution and employees contributing 25% of the total contribution.

As of June 30, 2012, the Postemployment Healthcare Plan's UAAL decreased by $12.2 million primarily due to changes in the health plans offered and assumptions as recommended by the Board's actuary. The discount rate, used for financial reporting purposes, decreased from 5.70% in the June 30, 2011 OPEB valuation to 4.40% in the June 30, 2012 OPEB valuation. The Postemployment Healthcare Plan's actuarially assumed earnings rate is based on a blended rate that ranges between the expected return on the City's unrestricted assets (3.50%) and the expected return on the Plan's invested assets (7.25%) resulting in a blended actuarially assumed earnings rate of 4.40%. Medical plan changes were 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 $1,500 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 affected the medical plan election assumption used by the actuary as more retirees selected the lower cost medical plans. The June 30, 2012 actuarial valuation of the Postemployment Healthcare Plan does not reflect the Police Department Postemployment Healthcare Plan or the Fire Department Postemployment Healthcare Plan as those plans had no financial activity as of the valuation date.

As of June 30, 2011, the Postemployment Healthcare Plan's UAAL increased by $55 million, primarily due to the passage of time and accrual of benefits by active members. The Postemployment Healthcare Plan's actuarially assumed earnings rate was based on a blended rate that ranges between the expected return on the City's unrestricted assets (4.0%) and the expected return on the Plan's invested assets (7.50%) resulting in a blended actuarially assumed earnings rate of 5.70%. The June 30, 2011 valuation included a reduction in the expected return on the City's unrestricted assets from 4.75% to 4.00% and the Postemployment Healthcare Plan's expected rate from 7.75% to 7.50%. The expected rate of return of 7.5% was only net of investment manager fees. Actuarial assumption changes in the June 30, 2011 valuation also included changes in expected current and future healthcare claims and expense costs, including the addition of the $25 co-pay plans; trend assumptions for per person costs; and demographic assumptions changes as determined in the June 30, 2011 experience study.

As of June 30, 2010, the Postemployment Healthcare Plan's AAL increased by $185 million due to changes in actuarial assumptions as recommended by the Board's actuary in the June 30, 2010 experience study. The Postemployment Healthcare Plan's UAAL increased from $705.9 million as of June 30, 2009 to $887.7 million as of June 30, 2010. Changes to the UAAL were due to increased health care trend rate assumptions and a decrease in the Postemployment Healthcare Plan's actuarially assumed earnings rate from 8.00% (net of expenses) as of June 30, 2009 to 7.75% (net of expenses) as of June 30, 2010. In addition, the June 30, 2010 valuation reflects the Plan's return to an 80-120% fair value corridor from the one year 70-130% fair value corridor increase in the June 30, 2009 valuation.

As of June 30, 2009, the Postemployment Healthcare Plan's AAL increased by $95.4 million due to changes in actuarial assumptions as recommended by the Board's actuary in the June 30, 2009 experience study. The Plan's UAAL increased from $620.8 million as of June 30, 2007 to $706.0 million as of June 30, 2009. Changes to the UAAL were primarily the result of unfavorable investment returns during the last two years and changes in the actuarial assumptions including the one year increase on the Plan's 80-120% fair value corridor to 70-130%.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - POSTEMPLOYMENT HEALTHCARE PLANS (unaudited)
(Dollars in Thousands)

Fiscal Year Ended	Annual Required Contributions (ARC)*	Actual Contributions*	Percentage Contributed
06/30/2016	$ 32,694	$ 21,065	64%
06/30/2015	$ 33,295	$ 22,960	69%
06/30/2014	$ 32,798	$ 20,131	61%
06/30/2013	$ 55,824	$ 15,980	29%
06/30/2012	$ 62,079	$ 21,205	34%
06/30/2011	$ 62,322	$ 17,001	27%
06/30/2010	$ 50,438	$ 15,546	31%

**The 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 $1,389 for 2016, $2,050 for 2015, $2,863 for 2014, $172 for 2013, $4,750 for 2012, and $4,939 for 2011. The actual contributions include year-end contributions receivable and prior year contribution adjustments as well the implicit subsidy amounts for years 2011 through 2016 but not for year 2010.*

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Other Supplemental Information

COMBINING SCHEDULE OF DEFINED BENEFIT PENSION PLAN NET POSITION

As of June 30, 2016 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ASSETS			
Receivables			
Employee contributions	$ 477	$ 228	$ 705
Employer contributions	2,460	2,450	4,910
Brokers and others	16,070	7,361	23,431
Accrued investment income	4,152	1,868	6,020
Total Receivables	**23,159**	**11,907**	**35,066**
Investments, at fair value			
Securities and other:			
Global equity	503,600	332,109	835,709
Private equity	163,018	93,859	256,877
Real estate	3,689	2,125	5,814
Global fixed income	348,066	200,402	548,468
Collective short term investments	139,688	80,427	220,115
Private debt	137,618	79,235	216,853
Real assets	266,320	153,336	419,656
International currency contracts, net	315	182	497
Global tactical asset allocation	180,410	103,873	284,283
Absolute return	140,960	81,159	222,119
Total Investments	**1,883,684**	**1,126,707**	**3,010,391**
Capital Assets	**588**	**332**	**920**
TOTAL ASSETS	**1,907,431**	**1,138,946**	**3,046,377**
LIABILITIES			
Payable to brokers	2,240	(662)	1,578
Other liabilities	731	415	1,146
TOTAL LIABILITIES	**2,971**	**(247)**	**2,724**
PLAN NET POSITION - RESTRICTED FOR			
Pension benefits	1,904,460	1,139,193	3,043,653
TOTAL PLAN NET POSITION	**$ 1,904,460**	**$ 1,139,193**	**$ 3,043,653**

COMBINING SCHEDULE OF CHANGES IN DEFINED BENEFIT PENSION PLAN NET POSITION
For Fiscal Year Ended June 30, 2016 (In Thousands)

	Retirement Fund	Cost-of-Living Fund	Total
ADDITIONS			
Contributions			
Employee	$ 14,808	$ 6,700	$ 21,508
Employer	71,559	60,921	132,480
Total Contributions	**86,367**	**67,621**	**153,988**
Investment income / (loss)			
Net depreciation in fair value of investments	(28,665)	(16,713)	(45,378)
Interest income	13,973	8,038	22,011
Dividend income	8,563	4,932	13,495
Net rental income	1,109	639	1,748
Less: investment expense	(13,386)	(7,696)	(21,082)
Net Investment Loss	**(18,406)**	**(10,800)**	**(29,206)**
TOTAL ADDITIONS	**67,961**	**56,821**	**124,782**
DEDUCTIONS			
Retirement benefits	128,229	47,800	176,029
Death benefits	5,571	4,512	10,083
Refund of contributions	679	149	828
Administrative expenses and other	2,716	1,538	4,254
TOTAL DEDUCTIONS	**137,195**	**53,999**	**191,194**
NET (DECREASE) / INCREASE	**(69,234)**	**2,822**	**(66,412)**
PLAN NET POSITION - RESTRICTED FOR PENSION BENEFITS			
BEGINNING OF YEAR	**1,973,694**	**1,136,371**	**3,110,065**
END OF YEAR	**$ 1,904,460**	**$ 1,139,193**	**$ 3,043,653**

SCHEDULES OF ADMINISTRATIVE EXPENSES AND OTHER

For the Fiscal Years Ended June 30, 2016 and 2015

	2016			2015
	Original Budget	Actual	(Over) Under Budget	Actual
Personnel services	$ 3,172,353	$ 2,930,849	$ 241,504	$ 2,683,129
Non-personnel/equipment	1,245,700	639,287	606,413	786,686
Professional services	1,522,650	823,565	699,085	844,311
TOTAL ADMINISTRATIVE EXPENSES & OTHER	**$ 5,940,703**	**$ 4,393,701**	**$ 1,547,002**	**$ 4,314,126**

SCHEDULES OF PAYMENTS TO CONSULTANTS

For the Fiscal Years Ended June 30, 2016 and 2015

Firm	Nature of Service	2016	2015
Cheiron, Inc.	Actuarial consultant	$ 239,279	$ 172,850
Cortex	Governance consultant	24,724	-
Ice Miller, LLC	Tax counsel	13,025	15,174
Levi, Ray, & Shoup	Web development and maintenance	16,235	14,648
Levi, Ray, & Shoup	Programming changes and business continuance services	11,424	17,722
Macias Gini & O'Connell LLP	External auditors	59,851	50,913
Medical Director/Other Medical	Medical consultants	76,902	173,957
Pension Benefit Information	Reports on deceased benefit recipients	816	1,729
Reed Smith, LLP	Legal counsel	153,409	169,742
Saltzman & Johnson	Legal counsel	71,445	162,458
Silicon Valley Professionals	Temporary staff	18,850	-
Trendtec, Inc	Temporary staff	93,496	56,362
Other consultants	Various	44,109	8,756
TOTAL		**$ 823,565**	**$ 844,311**

Other Supplemental Information *(continued)*

SCHEDULES OF INVESTMENT EXPENSES

For the Fiscal Years Ended June 30, 2016 and 2015

Investment Managers' Fees	2016	2015
Global equity	$ 1,289,299	$ 2,138,648
Private equity	3,462,558	3,445,827
Real estate	3,786,419	1,764,790
Global fixed income	3,175,213	2,750,423
Private debt	3,076,141	1,667,167
Real assets	1,077,142	511,318
Global tactical asset allocation	849,111	-
Absolute return	2,937,646	1,974,812
Total investment managers' fees	**19,653,529**	**14,252,985**

Other Investment Fees		
Custodian bank	373,333	264,138
Investment consultants	957,188	1,484,812
Investment legal fees	217,453	94,985
Other investments fees	304,931	137,793
Proxy voting	12,500	24,997
Total other investment fees	**1,865,405**	**2,006,725**

TOTAL INVESTMENT EXPENSES	**$ 21,518,934**	**$ 16,259,710**

The absolute return category listed in the above table includes the global tactical assets allocation category in the fiscal year 2015.

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Investment Section

City of San José
Police and Fire Department Retirement Plan
Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2016
and June 30, 2015

NEPC, LLC

Allan Martin
Partner

September 2, 2016

Mr. Roberto Pena
Director of Retirement Services
City of San Jose Police and Fire Department Retirement Plan
1737 North First Street
San Jose, CA 95112

Dear Mr. Pena,

The overall objective of the City of San Jose Police and Fire Department Retirement Plan (the "Plan') is to ensure continued access to retirement, disability and survivorship benefits for current and future Plan participants. To ensure a solid foundation for the future of the Plan, the Board of Administration carefully plans and implements an investment program designed to produce superior long-term investment returns while prudently managing the risk of the portfolio. Investment policy and asset allocation are reviewed and revised by the Board of Administration, at least annually, to reflect the Plan's actuarial assumptions, accrued liabilities, and the investment outlook. To facilitate the balance of short-term versus long-term objectives, the Board of Administration has adopted a diversified asset allocation structure that includes traditional asset classes such as U.S. and non-U.S. equities and fixed income, as well as alternative asset classes such as private equity, absolute return strategies or hedge funds, real estate, inflation-linked assets and opportunistic investment strategies across global credit markets. Following is a report on the performance of the Plan for the fiscal year ending June 30, 2016.

Fiscal Year 2016 Market Review

Capital markets remained largely driven by global Central Bank stimulative action resulting in the continuation of the multi-year valuation expansion in growth assets (equities), although results for foreign equity market investments were negatively impacted by the rise in the value of the U.S. dollar. Political instability, commodity price disruption and the beginning stages of divergent Central Bank policies created a heightened amount of uncertainty and volatility in global markets. Markets experienced bouts of whipsaw-like volatility as investors digested news of increased interest rates domestically, negative interest rates abroad, rapidly falling oil prices and the rise of political populism. Domestic equities, as measured by the S&P 500 Index, posted an eighth consecutive positive fiscal year (ended June) with a +4.0% return. US high quality fixed income investments produced outsized returns as Treasury yields crept toward all-time lows returning +6.0% for the year. International developed markets equities underperformed domestic equities by over 14% as European and Asian developed-nation currencies devalued as stimulative monetary policy sought to bolster those struggling economies. Emerging markets ended the year trailing developed international equities by approximately two percent.

The Plan returned -0.4%, gross of fees, for the fiscal year ending June 30, 2016. By comparison, the median fund in the universe returned 0.3% for the period[1]. The Plan's allocation to public equities is significantly lower than many of its peers, which is consistent with the Board's intention to reduce the volatility of the Plan's performance. This strategy produced a risk-adjusted return in the top quartile and decile in the past three and five years respectively. Contributing positively to performance during the fiscal year was the Plan's allocation to real estate, which exhibited strong absolute performance, returning 12.1%, net of fees, for the year.

[1] As of June 30, 2016, the InvestorForce Public Funds Greater than $1 Billion Universe was comprised of 63 total funds with approximately $550 billion in assets.

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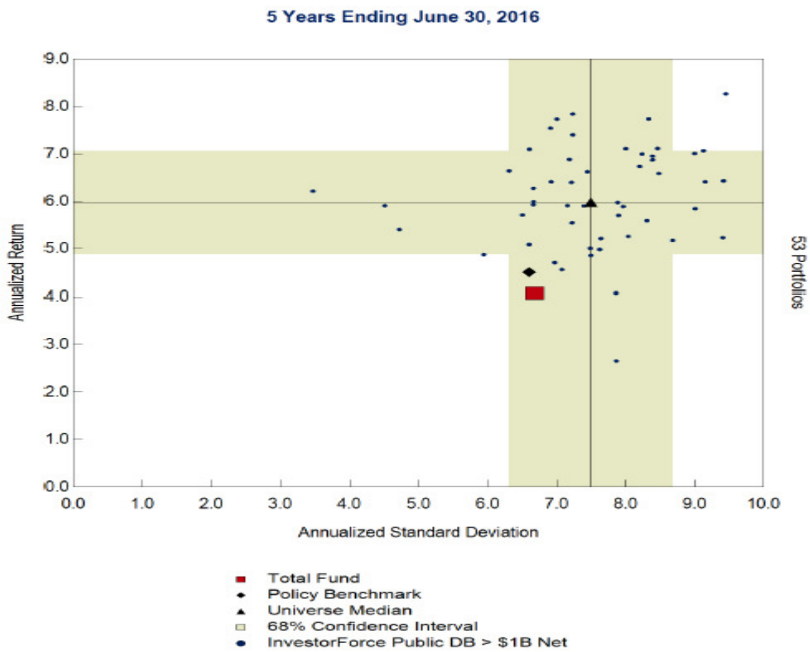
For the five-year period ending June 30, 2016, the Plan returned 4.4% gross of fees per annum.
Investor Force Public Funds Greater than $1 Billion Universe
Risk-Return Comparison (Gross of Fees)
5 Years Ending June 30, 2016



Health Care Trust

In July 2012, the City of San Jose Police and Fire Department Health Care Trust received the first of its contributions from the City of San Jose. To date, the City of San Jose has contributed $72.4 million to the Health Care Trust. The asset allocation of the Health Care Trust is similar to the asset allocation of the Police and Fire Department Retirement Plan. The Health Care Trust returned +0.6%, gross of fees, for the fiscal year ending June 30, 2016.

NEPC provides the Plan with quarterly economic and investment market updates, performance reviews, investment manager monitoring and selection advice, and related investment services for traditional and non-traditional asset classes. In preparing our performance analysis for the Plan, we rely on the accuracy of financial data provided by the Plan's custodian bank and investment managers. Investment performance analysis and comparisons produced by NEPC have been calculated using standard performance evaluation methodologies and are consistent with industry standards. The Plan's goals are measured against stated policy objectives, appropriate benchmarks and comparative universes over multiple time periods. This review process allows the Plan to evaluate whether established goals are being achieved on an absolute, relative and risk-adjusted basis.

Sincerely,

Allan C Martin

Statement of Investment Policy

PENSION – INCLUDES THE 401(H) INVESTMENTS

1) This investment policy statement governs investments for the City of San José Police and Fire Department Retirement Plan ("the Plan"). The Plan is a defined benefit retirement program for certain employees of the City of San José in the State of California. The terms of the Plan are described in the San José Municipal Code Chapter 3.36.1961 Police and Fire Department Retirement Plan.

2) The Plan'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 Plan's members and beneficiaries.

INVESTMENT OBJECTIVES

3) The primary objective of the investment portfolio is to satisfy the Plan's obligations to pay benefits to members of the Plan and their beneficiaries.

4) The investment portfolio also seeks to achieve a risk-adjusted long-term rate of return that exceeds the return of a composite benchmark of the respective long-term asset allocation targets. Please see Appendix A for the composition of the composite benchmark.

5) The Plan will take into consideration the actuarial investment return assumption, which is developed by the Plan's Actuary, with the goal of choosing an assumed rate that the Plan can be expected to achieve with a probability greater than 50%.

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

   a) Risk of loss of Plan assets.

   b) The impact of the Investment Program on the funded status of the Plan and the resulting volatility of contributions.

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

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

   b) The liquidity needs of the Plan.

   c) Modern Portfolio Theory.

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

FIDUCIARY STANDARDS

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

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

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

   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.

9) Investment staff, investment consultants, investment managers, custodians and all other parties charged with handling the Plan'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

10) The governance structure of the Plan 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

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

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

12) The current long-term asset allocation of the Plan (at fair value) is set out below:

Broad Asset Class	Minimum	Target	Maximum
Equity	25%	39%	50%
Fixed income	15%	27%	35%
Inflation-linked	12%	17%	25%
Absolute return	10%	16%	30%
Cash	0%	1%	5%
Total		**100%**	

The Global Tactical Asset Allocation stated on the Financial Statement is a part of the Absolute Return asset allocation listed in the above table.

13) 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 private equity, private debt, private real estate, hedge funds, and private real assets. 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.

14) The long-term asset allocation of the Plan 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. 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.

15) 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

16) The asset allocation of the Plan will be monitored on a monthly basis and the assets of the Plan are to be rebalanced to within the target ranges when fluctuations in fair 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.

17) 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 the allocations and to initiate rebalancing actions to maintain the portfolio in accordance with these guidelines.

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

DIVERSIFICATION

18) 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, geographies, or industries. Furthermore, assets will be assigned to a variety of investment managers that employ a range of investment management strategies.

19) Consistent with paragraph 18 above:

    a) No single investment management firm shall be authorized to manage more than 10% of the Plan's assets without Board approval.

        i) with the exception of passive management where the Plan's assets are not held in the Plan's name at the Plan'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 placed with an investment manager should not represent more than 10% of the total assets managed by that firm, without Board approval.

LIQUIDITY MANAGEMENT

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

PROXY VOTING

21) Proxies must be voted in the best interest of shareholders — in this case the Plan and its members and beneficiaries. The Plan may engage the services of one or more third parties, including but not limited to its custodian, investment managers, and consultants, to vote proxies for common stocks owned in its portfolios. Such parties must exercise their authority to vote as fiduciaries to the Plan and in accordance with applicable standards of prudence. The Board may establish proxy voting guidelines to further guide the voting of the Plan's proxies. Any third parties retained to vote the proxies of the Plan shall provide periodic reports to the Plan on their activities.

22) 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.

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

HIRING & TERMINATING INVESTMENT MANAGERS

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

    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 Plan.

24) 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.

25) The procedures noted in paragraph 24 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.

26) In addition to the aforementioned the Board has delegated authority to the Investment Committee to hire/terminate any manager with Plan assets of less than $75 million with a unanimous vote of the Investment Committee.

MONITORING INVESTMENT MANAGERS

27) The Plan's investment managers will be monitored on an ongoing basis and may be terminated by the Plan 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 Plan.

28) 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.

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

29) 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 Plan.

   b) Loss of an investment professional(s) directly responsible for managing the Plan'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 Plan's assets at undue risk of loss.

DERIVATIVE SECURITIES

30) 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.

31) 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.

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

33) Given the nature of many investment managers' mandates, it is recognized and understood that investment managers retained by the Plan may use derivatives that are contrary to paragraphs 30 and 31 above.

INVESTMENT RESTRICTIONS

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

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

INVESTMENT COSTS

35) Investment costs shall be monitored, controlled, and whenever possible negotiated to ensure cost effectiveness. The Board shall give consideration to the impact of administrative expenses, external management fees and performance fees when establishing the asset mix policy of the Plan.

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

VALUATION OF INVESTMENTS

37) The Plan's investments shall be valued using fair values or other suitable methods of valuation. The frequency of valuation shall be dependent upon the nature of the asset. To the extent possible, fair values shall be obtained on a daily basis, based on public prices or quotations from investment firms. For certain investments, however, valuations will be prepared or reviewed on at least an annual basis (e.g. private instruments and real estate).

38) 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

39) Appendix A contains long-term Policy Benchmark.

40) Appendix B contains additional policy guidelines concerning hedge funds.

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

POLICY REVIEW & HISTORY

42) This policy will be reviewed at least annually.

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

Appendix A

LONG-TERM POLICY BENCHMARK

Asset Class	Benchmark	Target (%)
Equity		
Global equity	MSCI ACWI IMI (Net)	31%
Private equity	Cambridge Associates Private Equity Index (Lagged 1 Quarter)	8%
Fixed Income		
Global fixed income	80% Barclays Global Aggregate 5% BAML Global High Yield 5% S&P Global Leveraged Loan Index 5% JP Morgan GBI-EM Global Diversified Index 5% JP Morgan EMBI Global Diversified Index	16%
Private Debt	S&P Global Leveraged Loan Index + 2%	11%
Inflation-Linked Assets		
Real estate	NCREIF Property Index	7%
Commodities	Bloomberg Commodities Index	7%
Infrastructure	DJ Brookfield Global Infrastructure	3%
Absolute Return		
Absolute return	Hedge Fund Research, Inc. All Macro Index	6%
GTAA	60% MSCI World/40% Citi WGBI	10%
Cash		
	90 day T-Bills	1%

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

Appendix B 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 MSCI World <= 0.2

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 Exposure
Relative value	25%-50%
Macro / directional	35%-75%
	Residual exposures via multi-strategy funds
Equity long/short	0-10%
Event driven	0-15%

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

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 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.

Statement of Investment Policy

HEALTHCARE - 115 SUBTRUSTS

1) This investment policy statement governs investments for the City of San José Police and Fire Department Retiree Health Care Trust Fund (the "Health Care Trust"). The Health Care Trust is an Internal Revenue Code Section 115 trust that was established on June 24, 2012. The Health Care Trust is separate from the City of San José Police and Fire Department Retirement Plan (the "Plan"), and contributed assets are to be used for the sole purpose of providing healthcare benefits to Plan beneficiaries. The Health Care Trust was established to provide an alternative to the existing 401(h) account, which is included within the Plan.

2) The Fund will be managed as an ongoing concern with a long-term investment time horizon.

INVESTMENT OBJECTIVES

3) The Health Care Trust's sole and exclusive objective is to provide a funding source for the health and welfare benefits for retirees and dependents of the City of San José Police and Fire Department Retirement Plan.

4) To achieve the goal detailed above, the Health Care Trust's assets will be managed:

   a) To achieve a high level of return with a prudent level of risk;

   b) To provide sufficient liquidity to meet all cash needs;

   c) To provide sufficient diversification in an effort to avoid significant losses and preserve capital.

FIDUCIARY STANDARDS

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

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

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

   c) The Board 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.

6) Investment staff, investment consultants, investment managers, custodians and all other parties charged with handling the Health Care Trust'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.

HEALTHCARE - 115 SUBTRUSTS (Continued)

FUND GOVERNANCE

7) The governance structure of the Health Care Trust 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 long-term asset allocation of the Health Care Trust will be determined based on the results of an asset allocation study.

9) The current asset allocation policy of the Health Care Trust (at fair value) as of August 1, 2014 is set out below:

Broad Asset Class	Minimum	Target	Maximum
Equity	25%	43%	50%
Fixed income	5%	15%	25%
Absolute return / Global tactical asset allocation	0%	20%	25%
Inflation-linked	12%	22%	25%
Cash	0%	0%	5%
Total		**100%**	

10) The Board is 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.

11) The long-term asset allocation of the Health Care Trust will be reviewed at a minimum every five years, also based on the results of an asset allocation study. Such studies may also be performed on an interim basis, as necessary. The Board may review the current asset allocation targets at any time in light of market conditions, and make changes as it deems necessary.

12) 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 asset allocation policy. The Investment Structure and any changes thereto do not necessarily require that an asset allocation study be performed.

HEALTHCARE - 115 SUBTRUSTS (Continued)

REBALANCING

13) The asset allocation of the Health Care Trust will be monitored on a monthly basis and the assets of the Health Care Trust are to be rebalanced to within the target ranges when fluctuations in fair 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.

14) 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 the allocation is within the guideline ranges.

DIVERSIFICATION

15) 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.

16) Consistent with paragraph 15 above:

   a) No single investment management firm shall be authorized to manage more than 15% of the Health Care Trust's actively managed assets without Board approval. There is no limit on the amount of passively managed assets that an investment management firm shall be authorized to managed.

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

LIQUIDITY MANAGEMENT

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

PROXY VOTING

18) Proxies must be voted in the best interest of shareholders — in this case the Health Care Trust and its members and beneficiaries. The Health Care Trust may engage the services of one or more third parties, including but not limited to its custodian, investment managers, and consultants, to vote proxies for common stocks owned in its portfolios. Such parties must exercise their authority to vote as fiduciaries to the Health Care Trust and in accordance with applicable standards of prudence. The Board may establish proxy voting guidelines to further guide the voting of the Health Care Trust's proxies. Any third parties retained to vote the proxies of the Health Care Trust shall provide periodic reports to the Health Care Trust on their activities.

19) 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.

HEALTHCARE - 115 SUBTRUSTS (Continued)

HIRING & TERMINATING INVESTMENT MANAGERS

20) 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 Health Care Trust.

21) 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.

22) The procedures noted in paragraph 21 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.

MONITORING INVESTMENT MANAGERS

23) The Health Care Trust's investment managers will be monitored on an ongoing basis and may be terminated by the Health Care Trust 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 Health Care Trust.

24) The majority of the Health Care Trust'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.

HEALTHCARE - 115 SUBTRUSTS (Continued)

25) 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 Health Care Trust.

   b) Loss of an investment professional(s) directly responsible for managing the Health Care Trust'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 Health Care Trust's assets at undue risk of loss.

DERIVATIVES SECURITIES

26) 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.

27) 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.

28) Given the nature of many investment managers' mandates, it is recognized and understood that investment managers retained by the Health Care Trust may use derivatives that are contrary to paragraphs 26 and 27 above.

29) This policy allows for the use of derivatives within the specific portfolios being managed by the investment managers retained by the Health Care Trust. Use of derivatives at the Health Care Trust level (i.e. Total Fund) must be authorized by this Investment Policy Statement prior to being utilized within the Health Care Trust.

HEALTHCARE - 115 SUBTRUSTS (Continued)

INVESTMENT RESTRICTIONS

30) Health Care Trust assets are currently invested primarily in mutual fund investment vehicles, given the current asset size of the Health Care Trust. The type of investment vehicles utilized by the Health Care Trust will be revisited as the asset size of the portfolio increases. In instances when the Health Care Trust invests through a commingled fund or separate account, investment management agreements will be established for each investment manager retained by the Health Care Trust. 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

31) Investment costs shall be monitored, controlled, and whenever possible negotiated to ensure cost effectiveness. The Board shall give consideration to the impact of administrative expenses, external management fees and performance fees when establishing the asset mix policy of the Health Care Trust.

32) The Board will be provided reports on investment costs of the Health Care Trust at least annually.

VALUATION OF INVESTMENTS

33) The Health Care Trust's investments shall be valued using fair values or other suitable methods of valuation. The frequency of valuation shall be dependent upon the nature of the asset.

34) 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

35) Appendix A contains the Long-term Policy Benchmark.

36) Exceptions to this Investment Policy Statement must be approved by the Board of Administration of the Health Care Trust.

HEALTHCARE - 115 SUBTRUSTS (Continued)

POLICY REVIEW & HISTORY

37) This policy will be reviewed at least annually.

38) This policy was most recently reviewed by the Investment Committee on June 6, 2013.

Appendix A

LONG-TERM BENCHMARK

Asset Class	Benchmark	Target (%)
Equity	MSCI ACWI IMI (Net)	43%
Fixed Income	BC Aggregate	15%
Inflation-Linked	MSCI U.S. REIT	10%
	Bloomberg Commodity Index	12%
Absolute Return/GTAA	60% MSCI World / 40% CITI WGBI	20%

Investment Professionals

As of June 30, 2016

GLOBAL EQUITY INVESTMENT MANAGERS		
Aberdeen Asset Management	Artisan Partners	Dimensional Fund Advisors
Horizon Portfolio Limited	Marshall Wace LLC	Northern Trust
Oberweis Asset Management	Royal Bank of Canada	Russell Investments
Sandler Capital Management	Senator Investment Group	Vanguard Group

PRIVATE EQUITY INVESTMENT MANAGERS		
57 Stars LLC	Crescent Capital Group	Francisco Partners
HarbourVest Partners	Industry Ventures	Northern Trust
Pantheon Ventures	Portfolio Advisors LLC	Siguler Guff & Company, LP
TPG Capital	Warburg Pincus, LLC	

GLOBAL FIXED INCOME INVESTMENT MANAGERS		
Beach Point Capital Management	BlackRock	Blue Bay Asset Management
Claren Road Asset Management	Colchester Global Investors Limited	Davidson Kempner Capital Management LLC
Franklin Templeton Investments	Symphony Asset Management LLC	Vanguard Group
Voya Investment Management	Wellington Management	

PRIVATE DEBT INVESTMENT MANAGERS		
Capula Investment Management LLP	GSO Capital Partners	Marathon Asset Management
Medley Capital LLC	Park Square Capital, LLP	Shoreline Capital
White Oak Global Advisors		

REAL ASSETS INVESTMENT MANAGERS		
American Realty Advisors	Blackstone Group	Brookfield Asset Management
Credit Suisse	KSL Capital Partners, LLC	Och-Ziff Capital Management Group LLC
Orion Capital Managers LLP	Pinnacle Asset Management, L.P.	TA Associates Realty
Tristan Capital Partners	Vanguard Group	Wellington Trust Company

ABSOLUTE RETURN INVESTMENT MANAGERS		
AHL Partners LLP	Arrowgrass Capital Partners LLP	Brevan Howard Capital Management, LP
D.E. Shaw & Co, LP	Dymon Asia Capital, Ltd	Hudson Bay Capital Management LP
Kepos Capital LP	MKP Capital Management, LLC	Pharo Management LLC
Pine River Capital Management LP	Systematica Investments, Ltd	Wadhwani Asset Management LLP

GLOBAL TACTICAL ASSET ALLOCATION INVESTMENT MANAGERS		
Grantham, Mayo, Van Otterloo & Co.	PIMCO	Standard Life

CONSULTANTS	
Albourne America LLC (Absolute Return)	NEPC, LLC (General Consultant)

CUSTODIAN

State Street Bank & Trust Company

PORTFOLIO OVERLAY SERVICES

Russell Investments

PROXY VOTING SERVICES

Glass Lewis & Co. LLC

Schedule of Investment Results for Pension Trust including 401(h)

GROSS AND NET PERFORMANCE SUMMARY BY ASSET CLASS
For Period Ended June 30, 2016

	One Year	Three Years	Five Years	Ten Years
Total Fund with Overlay (gross of manager fees)	**(0.4)%**	**4.1%**	**4.4%**	**4.5%**
Total Fund with Overlay (net of manager fees)	**(0.6)%**	**3.8%**	**4.1%**	**4.1%**
Policy Benchmark	0.3%	4.4%	4.5%	4.4%
InvestorForce Public DB > $1B Median	0.3%	6.8%	6.8%	5.7%
Total Global Equity	**(4.1)%**	**5.7%**	**5.4%**	**N/A**
MSCI ACWI (Net)	(3.9)%	6.1%	5.4%	N/A
eA All Global Equity Gross Median	(3.8)%	7.0%	6.5%	N/A
Total Private Equity	**3.7%**	**10.6%**	**9.4%**	**8.9%**
San Jose Custom Blended Private Equity Benchmark	3.1%	8.8%	9.7%	8.7%
Russell 3000 1- Quarter Lag	(0.3)%	11.1%	11.0%	6.9%
Total Global Fixed Income	**2.3%**	**3.0%**	**5.0%**	**N/A**
Barclays Aggregate	6.0%	4.1%	3.8%	N/A
eA All US Fixed Inc Gross Median	4.0%	3.6%	3.9%	N/A
Total Real Estate	**12.1%**	**10.7%**	**10.1%**	**7.1%**
San Jose Custom Total Real Estate Benchmark	4.5%	9.5%	N/A	N/A
Total Private Debt	**N/A**	**N/A**	**N/A**	**N/A**
S&P Global Leveraged Loan + 2%	N/A	N/A	N/A	N/A
Total Inflation-Linked Assets	**(9.4)%**	**(6.3)%**	**(8.1)**	**N/A**
San Jose Custom Inflation-Linked Asset Benchmark	(6.5)%	(2.8)%	(5.2)%	N/A
Total Absolute Return	**0.0%**	2.4%	**N/A**	**N/A**
San José Custom Absolute Return Benchmark	1.9%	2.9%	N/A	N/A
Total Global Tactical Asset Allocation	**(3.2)%**	**0.9%**	**N/A**	**N/A**
60% MSCI World (Net)/40% CITI WGBI	2.9%	5.4%	N/A	N/A

Basis of Calculation: Time-Weighted Rate of Return
Source: NEPC LLC's Investment Performance Analysis Report dated June 30, 2016

Schedule of Investment Results of Healthcare Trust - 115 Subtrusts

GROSS AND NET PERFORMANCE SUMMARY BY ASSET CLASS
For Period Ended June 30, 2016

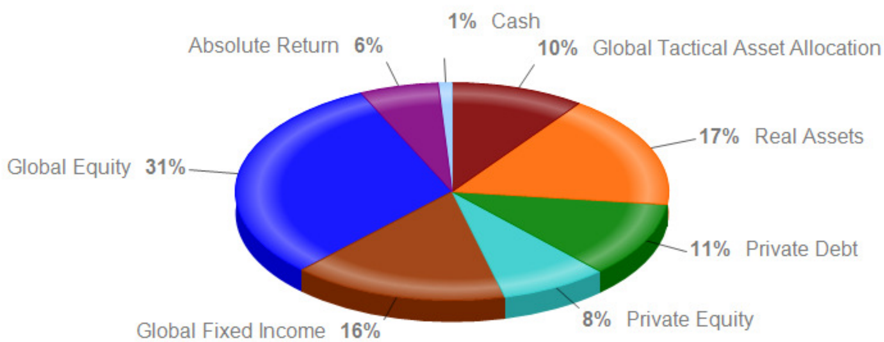
	3-Month	One Year	Three Years	Since Inception
Total Fund (gross of manager fees)	**2.7%**	**0.6%**	**4.4%**	**4.5%**
Total Fund (net of manager fees)	**2.6%**	**0.3%**	**4.1%**	**4.3%**
Policy Benchmark	2.7%	1.3%	4.6%	4.8%
Total Global Equity	**1.6%**	**(3.3)%**	**6.5%**	**9.1%**
MSCI ACWI IMI (net)	1.1%	(3.9)%	6.1%	8.6%
Total Global Fixed Income	**2.4%**	**6.1%**	**4.0%**	**2.5%**
Barclays Aggregate	2.2%	6.0%	4.1%	2.6%
Total Real Estate	**6.8%**	**23.9%**	**13.4%**	**12.0%**
MSCI US REIT	6.5%	22.4%	12.1%	10.7%
Total Inflation-Linked Composite	**8.4%**	**(10.6)%**	**(6.8)%**	**(9.9)%**
Custom Commodity Risk Parity Index	7.9%	(11.7)%	(6.9)%	(9.3)%
Total Global Tactical Asset Allocation	**1.4%**	**(3.3)%**	**N/A**	**(4.5)%**
60% MSCI World (Net) / 40% CITI WGBI	2.0%	2.9%	N/A	(0.1)%

Basis of Calculation Time-Weighted Rate of Return
Source: NEPC LLC's Investment Performance Analysis Report dated June 30, 2016

Pension Investment Review

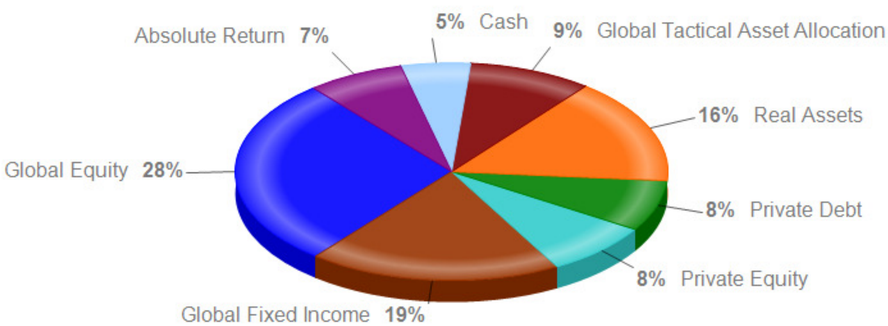
INCLUDES THE 401(H) INVESTMENTS

TARGET ASSET ALLOCATION *As of June 30, 2016*



ACTUAL ASSET ALLOCATION *As of June 30, 2016*

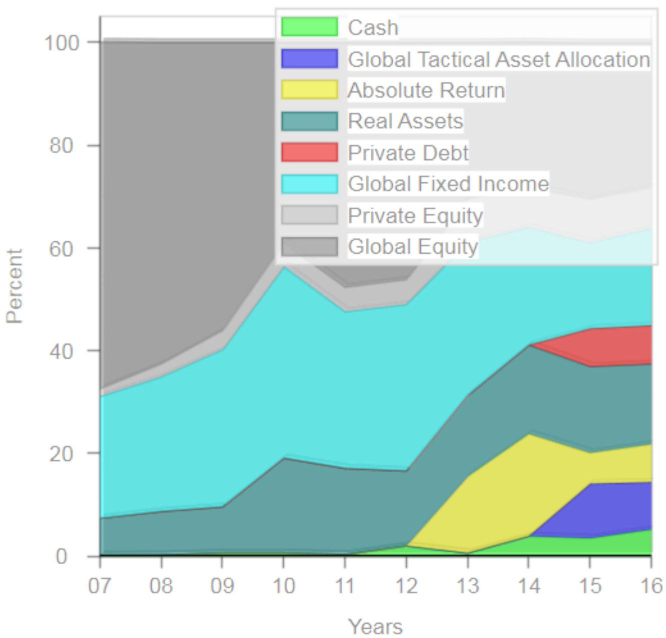
Non-GAAP Basis



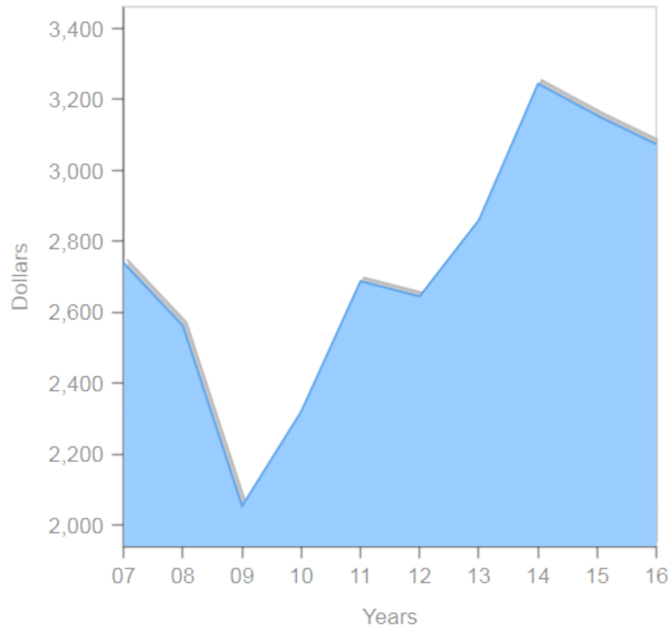
Asset Class	$ Millions
Global Equity	$ 864.0
Private Equity	245.9
Global Fixed Income	580.6
Private Debt	231.9
Real Assets	479.0
Absolute Return	228.0
Global Tactical Asset Allocation	283.8
Cash	160.5
TOTAL	**$ 3,073.7**

INCLUDES THE 401(H) INVESTMENTS

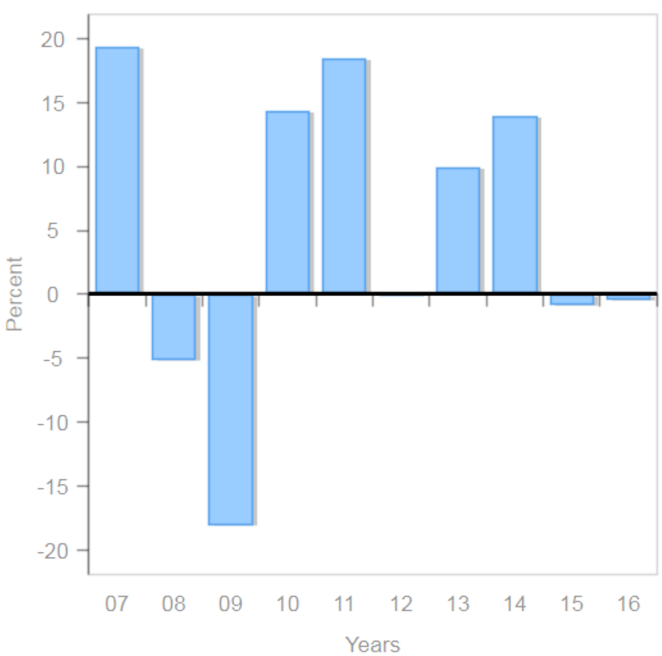
HISTORICAL ASSET ALLOCATION (Actual)
As of June 30, 2007 - June 30, 2016



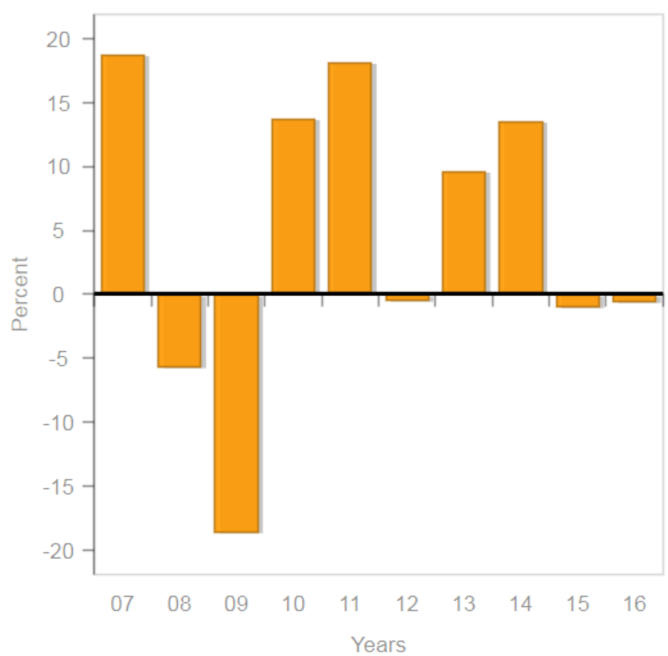
MARKET VALUE GROWTH OF PLAN ASSETS
For Ten Years Ended June 30, 2016
(Dollars in Millions)



HISTORY OF GROSS PERFORMANCE
For Fiscal Years 2007 - 2016
(Based on Fair Value)



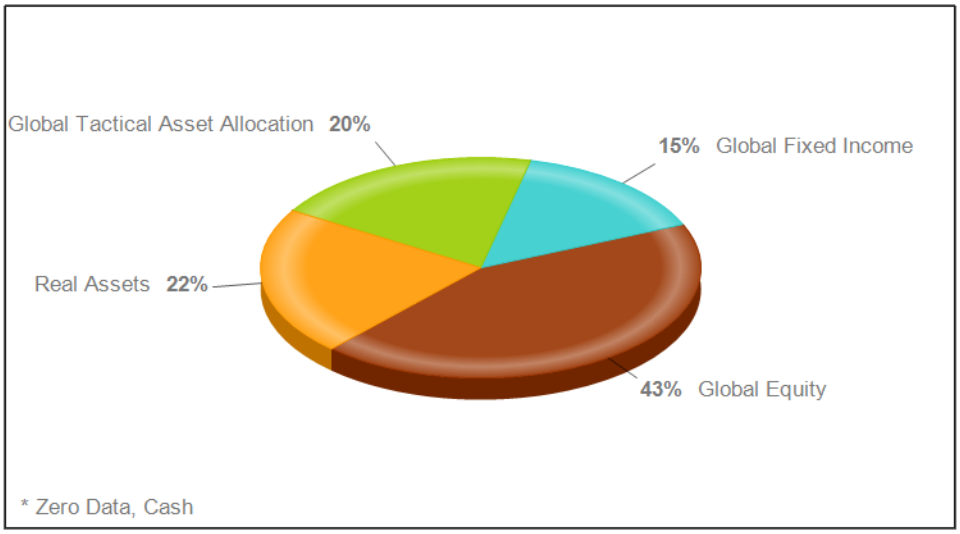
HISTORY OF NET PERFORMANCE
For Fiscal Years 2007 - 2016
(Based on Fair Value)



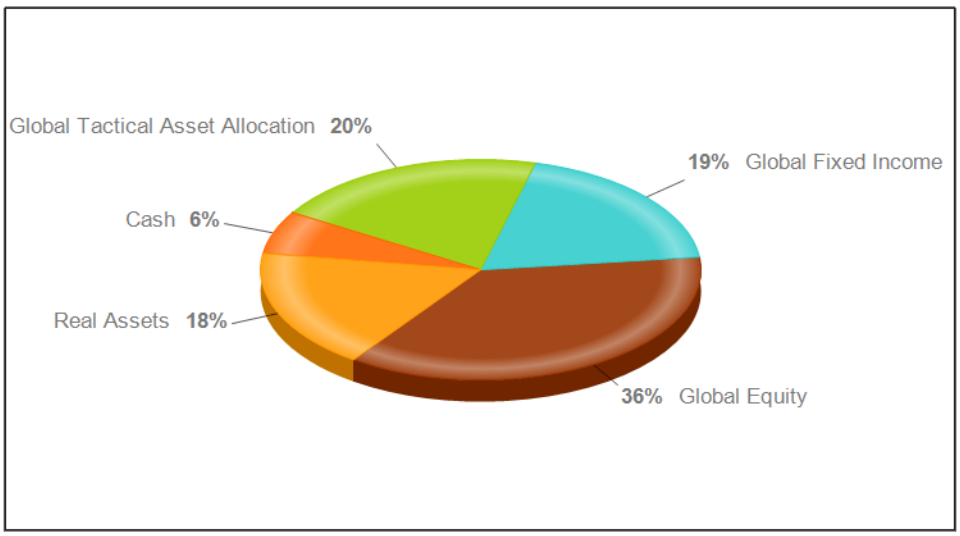
Healthcare Investment Review

115 SUBTRUSTS

TARGET ASSET ALLOCATION *As of June 30, 2016*



ACTUAL ASSET ALLOCATION *As of June 30, 2016*
Non-GAAP Basis

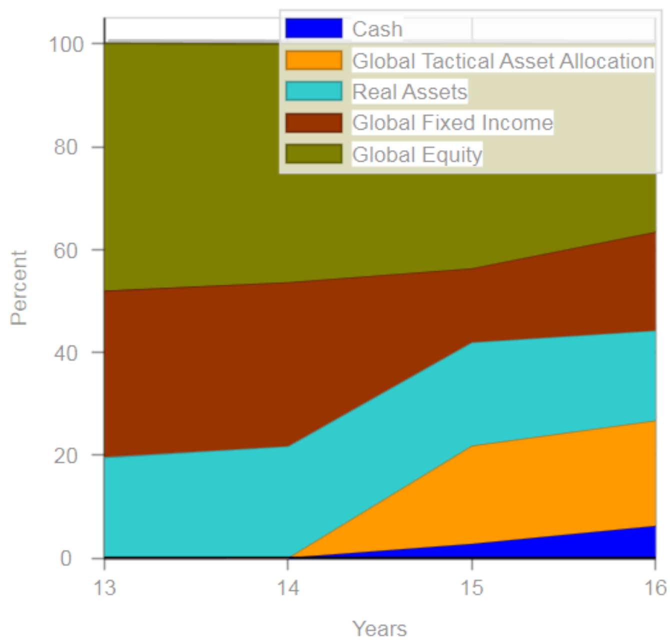


Asset Class		$ In Millions
Global Equity	$	28.3
Global Fixed Income		14.9
Real Assets		13.6
Global Tactical Asset Allocation		15.9
Cash		4.9
TOTAL	**$**	**77.6**

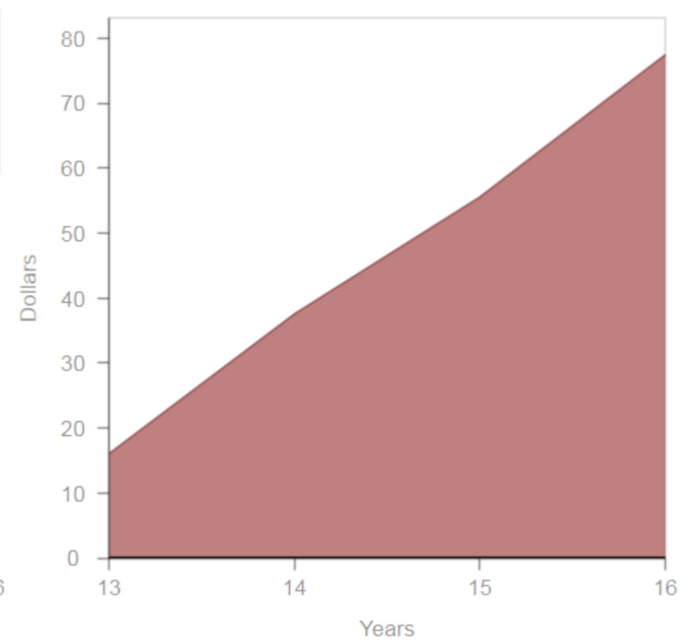
Healthcare Investment Review *(Continued)*

115 SUBTRUSTS (Continued)

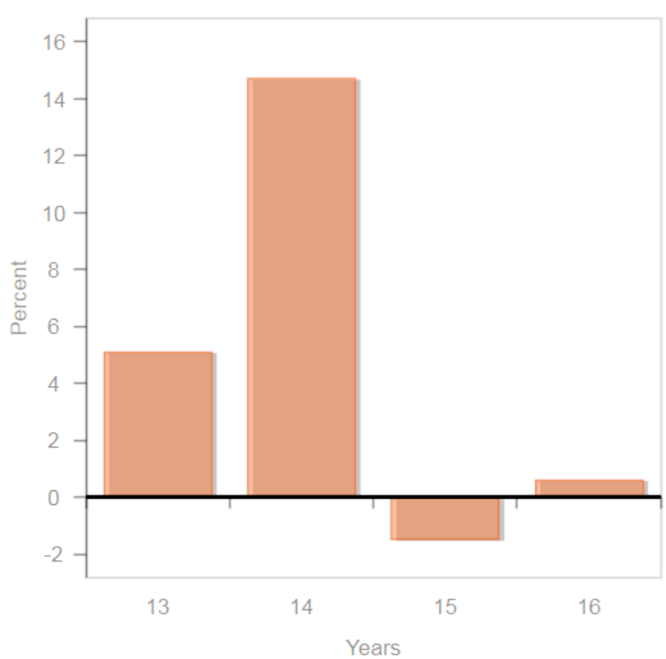
HISTORICAL ASSET ALLOCATION (Actual)
As of June 30, 2013 - June 30, 2016



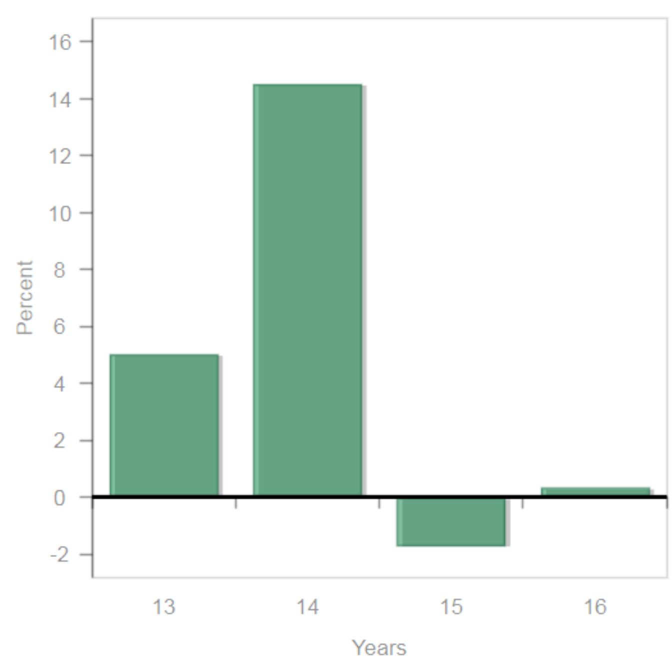
MARKET VALUE GROWTH OF PLAN ASSETS
For Four Years Ended June 30, 2016
(Dollars in Millions)



HISTORY OF GROSS PERFORMANCE
For Fiscal Years 2013 - 2016
(Based on Fair Value)



HISTORY OF NET PERFORMANCE
For Fiscal Years 2013 - 2016
(Based on Fair Value)



List of Largest Assets Held

LARGEST DISCLOSABLE STOCK HOLDINGS (By Fair Value) For Pension
As of June 30, 2016

Description	Country	Shares	Fair Value ($US)
ORACLE CORP	United States	135,524	$ 5,546,997
BANK OF NEW YORK MELLON CORP	United States	111,224	$ 4,321,052
MEDTRONIC PLC	Ireland	48,067	$ 4,170,774
SAMSUNG ELECTRONICS CO LTD	South Korea	3,333	$ 4,123,388
MICROSOFT CORP	United States	80,293	$ 4,108,593
ARCH CAPITAL GROUP LTD	Bermuda	55,541	$ 3,998,952
JOHNSON & JOHNSON	United States	32,276	$ 3,915,079
MARSH & MCLENNAN COS	United States	54,593	$ 3,737,437
TELEFONICA BRASIL ADR	Brazil	255,737	$ 3,478,023
CITIGROUP INC	United States	81,249	$ 3,444,145

A complete list of portfolio holdings is available upon request.

LARGEST DISCLOSABLE BOND HOLDINGS (By Fair Value) For Pension
As of June 30, 2016

Security Name	Country	Maturity Date	Interest Rate	Par Value	Fair Value ($US)
BELLEMEADE RE LT	United States	7/25/2025	4.75%	1,300,000	$ 1,310,400
CITIGROUP MORTGAGE LOAN TRUST	United States	11/25/2036	0.69%	1,400,000	$ 1,230,371
JP MORGAN CHASE COMMERCIAL MOR	United States	6/12/2041	5.50%	1,473,373	$ 1,217,715
JP MORGAN MORTGAGE TRUST	United States	7/25/2035	2.91%	1,321,281	$ 1,119,880
WASHINGTON MUTUAL MORTGAGE PAS	United States	7/25/2046	1.38%	1,708,417	$ 1,060,442
MORGAN STANLEY CAPITAL I TRUST	United States	6/12/2047	5.78%	1,043,957	$ 1,058,836
ARES CLO LTD	United States	10/11/2021	3.63%	1,100,000	$ 1,045,550
WACHOVIA BANK COMMERCIAL MORTG	United States	5/15/2043	6.03%	1,043,478	$ 1,041,352
WACHOVIA BANK COMMERCIAL MORTG	United States	5/15/2043	6.03%	1,043,478	$ 1,041,336
CITIGROUP MORTGAGE LOAN TRUST	United States	3/25/2036	6.08%	1,491,081	$ 1,032,408

A complete list of portfolio holdings is available upon request.

Schedule of Investment Fees

For Fiscal Year Ended June 30, 2016

Includes the 401(h) and 115 Trusts

	Assets Under Management at Fair Value*	Fees	Basis Points
Investment Managers' Fees			
Global equity	$ 864,023,581	$ 1,289,299	15
Private equity	245,899,983	3,462,558	141
Global fixed income	580,564,180	3,175,213	55
Private debt	231,874,131	3,076,141	133
Real assets	479,005,086	4,863,561	102
Absolute return	227,949,751	2,937,646	129
Global tactical asset allocation	283,752,404	849,111	30
Cash	160,528,353	-	-
TOTAL INVESTMENT MANAGERS' FEES	**$ 3,073,597,469**	**$ 19,653,529**	**64**

Includes cash in managers' accounts, non-GAAP Basis

	Fees
Other Investment Fees	
Investment consultants	$ 957,188
Custodian bank	373,333
Proxy voting	12,500
Investment legal fees	217,453
Other investment fees	304,931
TOTAL OTHER INVESTMENT FEES	**$ 1,865,405**

Schedule of Commissions

For the Fiscal Year Ended June 30, 2016

Brokerage Firm	Shares/Par	Base Commissions	Base Comm Cost/Share
B			
BAADER BANK AG	227,179	$ 329.35	$ 0.0014
BANCO ITAU SA	264,555	125.44	0.0005
BANCO SANTANDER CENTRAL HISPANO	34,343	15.63	0.0005
BANK OF NEW YORK	840,363,747	62.96	0.0000
BARCLAYS CAPITAL	1,803,907	4,431.22	0.0025
BARCLAYS CAPITAL INC./LE	22,401	992.06	0.0443
BLOOMBERG TRADEBOOK EUROPE LIMITED	1,696	10.18	0.0060
BLOOMBERG TRADEBOOK LLC	39,300	786.00	0.0200
BMO CAPITAL MARKETS	465	9.30	0.0200
BNP PARIBAS PRIME BROKERAGE INC	348,272	1,691.02	0.0049
BNP PARIBAS SECURITIES SERVICE	13,804,595	821.98	0.0001
BTIG LLC	73,727	1,647.54	0.0223
C			
CANACCORD ADAMS INC	699,270	487.68	0.0007
CANACCORD GENUITY INC	5,700	114.00	0.0200
CANTOR FITZGERALD + CO.	18,550	432.72	0.0233
CANTOR FITZGERALD EUROPE	20,005	400.10	0.0200
CARNIEGIE BANK A.S.	16,518,899	4,969.07	0.0003
CARNEGIE SECURITIES FINLAND	503,807	1,016.23	0.0020
CITIGROUP GLOBAL MARKETS INC	23,388	1,166.82	0.0499
CITIGROUP GLOBAL MARKETS LIMITED	58,127	91.62	0.0016
CLSA SINGAPORE PTE LTD	11,519,184	132.07	0.0000
CREDIT AGRICORE SECURITIES (USA) INC	9,982	374.00	0.0375
CREDIT LYONNAIS SECURITIES (USA) INC	1,691	84.55	0.0500
CREDIT LYONNAIS SECURITIES (ASIA)	5,216,996	1,450.49	0.0003
CREDIT SUISSE FIRST BOSTON (EUROPE)	203,215,297	394.20	0.0000
CREDIT SUISSE SECURITIES (EUROPE) LTD	1,257,567	1,014.71	0.0008
CREDIT SUISSE SECURITIES (USA) LLC	914,176,678	29,990.51	0.0000
D			
D CARNEGIE	9,447,113	2,236.39	0.0002
DAIWA SECURITIES AMERICA INC	1,782,821,563	35,836.56	0.0000
DANSKE BANK A.S.	17,991,405	4,167.78	0.0002
DEUTSCHE BANK SECURITIES INC	46,313,632	3,580.88	0.0001
DOWLING & PARTNERS SECURITIES LLC	15,428	771.40	0.0500
E			
ESN NORTH AMERICA INC	875,963	2,401.16	0.0027
F			

Schedule of Commissions *(Continued)*

For the Fiscal Year Ended June 30, 2016

Brokerage Firm	Shares/Par	Base Commissions	Base Comm Cost/Share
FIDELITY CAPITAL MARKETS	60,121	491.39	0.0082
G			
GMP SECURITIES LTD	200,629	41.01	0.0002
GOLDMAN SACHS + CO	50,603,989	7,915.66	0.0002
GOLDMAN SACHS INTERNATIONAL	64,526	49.63	0.0008
H			
HSBC BANK PLC	11,107	222.14	0.0200
I			
ICHIYOSHI SECURITIES CO LTD	682,476,652	12,957.33	0.0000
INDUSTRIAL AND COMMERCIAL BANK	2,100	42.00	0.0200
INDUSTRIAL AND COMMERCIAL BANK OF CHINA	13,288	265.76	0.0200
ING BANK NV	187,196	217.43	0.0012
INSTINET	15,500	341.50	0.0220
INSTINET U.K. LTD	846,562,486	12,908.79	0.0000
INVESTMENT TECHNOLOGY GROUP INC	14,994	236.62	0.0158
INVESTMENT TECHNOLOGY GROUP LTD	2,763,108	2,525.50	0.0009
ITG INC	10,225	199.19	0.0195
J			
J. P. MORGAN SECURITIES INC	27,577,718	7,641.78	0.0003
J.P. MORGAN CLEARING CORP	180,101,486	14,816.99	0.0001
J.P. MORGAN SECURITIES (FAR EAST) LTD SEOUL	780,180,070	277.30	0.0000
JEFFERIES & COMPANY INC.	458,993,380	12,719.02	0.0000
JEFFERIES INTERNATIONAL LTD	134,712	159.15	0.0012
JOH BERENBERG GOSSLER AND CO	2,591,705	4,562.10	0.0018
JONES & ASSOCIATES INC	4,149,316	3,067.73	0.0007
JONES TRADING INSTITUTIONAL SERVICES LLC	4,000	80.00	0.0200
J.P. MORGAN SECURITIES PLC	23,069,557	23,501.87	0.0010
K			
KCG AMERICA LLC	211,744	3,075.37	0.0145
KEPLER EQUITIES PARIS	1,923,913	4,354.80	0.0023
KOREA INVESTMENT AND SECURITIES CO LTD	160,613,024	310.98	0.0000
L			
LEK SECURITIES CORP	1,171	23.42	0.0200
LIQUIDNET CANADA INC	900,869	1,161.43	0.0013
LIQUIDNET INC	68,859	1,221.84	0.0177

Schedule of Commissions *(Continued)*

For the Fiscal Year Ended June 30, 2016

Brokerage Firm	Shares/Par	Base Commissions	Base Comm Cost/Share
M			
MACQUARIE BANK LIMITED	7,042,498	7,853.07	0.0011
MACQUARIE CAPITAL (EUROPE) LTD	64,247	89.13	0.0014
MACQUARIE SEC NZ LTD	790,391	669.80	0.0008
MERRILL LYNCH INTERNATIONAL	11,950,035	11,955.88	0.0010
MERRILL LYNCH PIERCE FENNER & SMITH INC	836,437,942	107,530.66	0.0001
MIZUHO SECURITIES USA INC	702,753,571	9,308.87	0.0000
MORGAN STANLEY CO INCORPORATED	878,770,501	19,079.86	0.0000
N			
NATIXIS SECURITIES	50,160	43.07	0.0009
NEWEDGE USA LLC	1,364	3,137.28	2.3001
NOMURA INTERNATIONAL PLC	395,453	254.47	0.0006
NUMIS SECURITIES INC	2,703,655	9,458.45	0.0035
O			
OPPENHEIMER & CO INC	1,478,474	214.84	0.0001
P			
PAREL	2,062,584	4,480.75	0.0022
PERSHING LLC	7,504	294.64	0.0393
PERSHING SECURITIES LIMITED	58,392	43.66	0.0007
PIPER JAFFRAY & HOPWOOD	2,481	124.05	0.0500
R			
RAYMOND JAMES AND ASSOCIATES INC	173,191	270.15	0.0016
RBC CAPITAL MARKETS LLC	1,872	74.88	0.0400
REDBURN PARTNERS LLP	314,495	854.58	0.0027
ROBERT W BAIRD CO INCORPORATE	2,270	90.80	0.0400
S			
SANFORD C BERNSTEIN LTD	263,500	400.42	0.0015
SANTANDER SECURITIES SERVICES SA	668,811	916.04	0.0014
SCOTIA CAPITAL (USA) INC	13,418	477.40	0.0356
SIDOTI + COMPANY LLC	5,109	204.36	0.0400
SKANDINAVISKA ENSKILDA BANKEN	20,132,225	6,067.76	0.0003
SKANDINAVISKA ENSKILDA BANKEN LONDON	20,928,304	8,775.66	0.0004
SOCIETE GENERALE LONDON BRANCH	3,754,548	3,474.07	0.0009
SPEAR, LEEDS AND KELLOGG	1,106	19.91	0.0180
STATE STREET GLOBAL MARKETS LLC	11,458	182.64	0.0159
STEPHENS, INC	4,638	176.24	0.0380
STIFEL NICOLAUS + CO INC	3,017,638	1,057.02	0.0004

Schedule of Commissions *(Continued)*

For the Fiscal Year Ended June 30, 2016

Brokerage Firm	Shares/Par	Base Commissions	Base Comm Cost/Share
SVENSKA HANDELSBANKEN	760,945	165.57	0.0002
T			
TD WATERHOUSE CDA	1,240,759	658.47	0.0005
U			
UBS LIMITED	502,177	582.90	0.0012
UBS SECURITIES LLC	153,310	5,437.48	0.0355
W			
WEEDEN + CO	152,435	4,414.54	0.0290
WELLS FARGO SECURITIES LLC	4,210	168.40	0.0400
WILLIAM BLAIR & T COMPANY LLC	4,109	155.08	0.0377
X			
XP INVESTMENTOS CCTVM SA	354,449	146.14	0.0004
TOTAL	**9,588,236,106 $**	**426,732.34 $**	**0.0000**

Investment Summary

PENSION - INCLUDES THE 401(H) INVESTMENTS
As of June 30, 2016 (Dollars in Thousands)

Type of Investments		Fair Value	% of Portfolio
Global equity	$	864,024	28.1 %
Private equity	$	245,890	8.0 %
Global fixed income	$	580,564	18.9 %
Private debt	$	231,874	7.5 %
Real assets	$	479,005	15.6 %
Absolute return	$	227,950	7.4 %
Global tactical asset allocation	$	283,752	9.3 %
Collective short term investments*	$	160,528	5.2 %
TOTAL FAIR VALUE	**$**	**3,073,587**	**100.00 %**

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 - 115 SUBTRUSTS
As of June 30, 2016 (Dollars in Thousands)

Type of Investments		Fair Value	% of Portfolio
Global equity	$	28,295	36.5 %
Global fixed income	$	14,872	19.2 %
Real estate	$	7,119	9.2 %
Inflation-linked	$	6,464	8.3 %
Global tactical asset allocation	$	15,897	20.5 %
Collective short term investments	$	4,881	6.3 %
TOTAL FAIR VALUE	**$**	**77,528**	**100.0 %**

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.

Investment Properties

PROGRESS POINT
123,055 square-foot three-story office building located in O'Fallon, Missouri. Invested in a joint venture with Kennedy Capital Investors, LLC, in December 2007.

Actuarial Section

City of San José
Police and Fire Department Retirement Plan
Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2016
and June 30, 2015

CHEIRON

Classic Values, Innovative Advice

November 8, 2016

Board of Administration
City of San José Police and Fire Department Retirement Plan
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 Police and Fire Department Retirement Plan (Plan) 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, 2015. Please refer to that report for additional information related to the funding of the Plan.

We prepared the following schedules for inclusion in the Actuarial Section of the CAFR based on the June 30, 2015 actuarial valuation. All historical information prior to the June 30, 2011 actuarial valuation shown in these schedules is based on information reported by the prior actuary, The Segal Group, Inc.

- 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 Plan or the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations.

The Board of Administration is responsible for establishing and maintaining the contribution policy for the Plan. 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.

www.cheiron.us 1.877.CHEIRON (243.4766)

Board of Administration
November 8, 2016
Page 2

Actuarial Valuation Used for Financial Reporting Purposes

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2015 actuarial valuation updated to the measurement date of June 30, 2016. There were no significant events between the valuation date and the measurement date so the updated procedures only include the addition of service cost and interest cost offset by actual benefit payments.

Please refer to our GASB 67/68 report as of June 30, 2016 for additional information related to the financial reporting of the Plan. We prepared the following schedules for inclusion in the Financial Section of the CAFR based on the June 30, 2016, GASB 67/68 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 Plan 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.

Board of Administration
November 8, 2016
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

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

Actuarial Assumptions and Methods

DEFINED BENEFIT PENSION

Actuarial Assumptions

The discount rate and wage inflation assumptions shown below were adopted by the Board of Administration with our input at the December 4, 2014 Board meeting. All other assumptions were adopted at the December 3, 2015 Board meeting based on recommendations from our experience study covering plan experience during the period from July 1, 2009 through June 30, 2015. Please refer to the experience study for the rationale for each of the assumptions.

1) Discount Rate

7.00% net of investment expenses. The long-term expected return on assets based on NEPC's capital market assumptions for a 30-year time horizon is 7.7%. The Board applied a margin for adverse deviation to improve the probability of achieving the discount rate.

2) Wage Inflation

3.25% per annum.

3) Price Inflation

3.00 % per annum.

4) Salary Increase Rate

The following merit component is added to wage inflation, based on an individual member's years of services:

Table B-1

Salary Merit Increases

Years of Service	Merit / Longevity
0	6.75 %
1	6.00
2	5.25
3	4.50
4	3.75
5	3.25
6	2.75
7	2.25
8	1.75
9	1.25
10+	1.00

5) Family Composition

Percentage married is shown in the following Table B-2. Women are assumed to be three years younger than men.

Table B-2	
Percentage Married	
Gender	**Percentage**
Male	85%
Female	85%

6) Rates of Termination

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

Table B-3		
Rates of Termination		
Service	**Police**	**Fire**
0	13.75%	20.00%
1	11.75	20.00
2	9.85	3.50
3	8.35	2.00
4	7.00	1.30
5	5.75	1.10
6	4.60	1.00
7	3.80	0.90
8	3.10	0.80
9	2.65	0.70
10	2.20	0.60
11	2.00	0.50
12	1.85	0.50
13	1.70	0.50
14	1.65	0.50
15+	1.60	0.50

** Termination rates do not apply once a member is eligible for retirement*

75% of terminating employees are assumed to subsequently work for a reciprocal employer and receive 3.25% pay increase per year.

7) Rates of Disability

For Police, disability rates are equal to the CALPERS police industrial and non-industrial rates for public agencies multiplied by 90% for ages under 50 and 140% for ages 50 and older. For Fire, disability rates are equal to the CALPERS fire industrial and non-industrial rates for public agencies multiplied by 90% for ages under 50 and 180% for ages 50 and older. Sample disability rates of active participants are provided in Table B-4

Table B-4 Rates of Disability at Selected Ages		
Age	**Police**	**Fire**
25	0.16%	0.03%
30	0.45	0.08
35	0.74	0.15
40	1.03	0.28
45	1.32	0.50
50	2.70	5.08
55	6.88	7.54
60	8.71	10.77
65	10.47	14.84

100% of disabilities are assumed to be duty related.

8) Rates of Mortality

Mortality rates for actives, retirees, and beneficiaries, terminated vested and reciprocals are based on the sex-distinct employee and annuitant mortality tables shown below. Future mortality improvements are reflected by applying the SOA MP-2015 projection scale on a generational basis from the base year of 2009.

	Base Mortality Table	
Category	**Male**	**Female**
Healthy Annuitant	0.948 times the CALPERS 2009 Healthy Annuitant Mortality Table (Male), projected using Scale MP-2015 on a generational basis.	1.048 times the CALPERS 2009 Healthy Annuitant Mortality Table (Female), projected using Scale MP-2015 on a generational basis.
Healthy Non-Annuitant	0.948 times the CALPERS 2009 Employee Annuitant Mortality Table (Male), projected using Scale MP-2015 on a generational basis.	1.048 times the CALPERS 2009 Employee Annuitant Mortality Table (Female), projected using Scale MP-2015 on a generational basis.
Disabled Annuitant	0.903 times the CALPERS 2009 Industrial Disability Mortality Table (Male), projected using Scale MP-2015 on a generational basis.	0.903 times the CALPERS 2009 Industrial Disability Mortality Table (Male), projected using Scale MP-2015 on a generational basis.

It is assumed that 50% of active deaths are service related.

9) Rates of Retirement

Rates of retirement are based on age and service according to the following Table B-5.

Table B-5						
Rates of Retirement by Age						
	Police			Fire		
Age	Tier 1	Tier 2 < 30 years	Tier 2 30+ years	Tier 1	Tier 2 < 30 years	Tier 2 30+ years
50	60.00%	0.00%	0.00%	35.00%	0.00%	0.00%
51-55	50.00%	0.00%	0.00%	35.00%	0.00%	0.00%
56-59	40.00%	0.00%	0.00%	27.50%	0.00%	0.00%
60-61	50.00%	50.00%	100.00%	27.50%	25.00%	50.00%
62-64	100.00%	50.00%	100.00%	100.00%	25.00%	50.00%
65-69	100.00%	50.00%	100.00%	100.00%	35.00%	100.00%
70 & over	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

These retirement rates apply only to those eligible for unreduced benefits.

Tier 1 vested terminated members are assumed to retire at age 55 and Tier 2 vested terminated members are assumed to retire at age 60.

10) Administrative Expenses

1.90% of valuation payroll is added to normal cost. The administrative expenses are assumed to increase with wage inflation. Historically, the administrative expenses were assumed to reduce the investment return assumption by 10 basis points which resulted in a higher Normal Cost. To maintain the same historic division of member and City contributions for administrative expenses for this valuation, members were allocated a portion of the administrative expenses equal to 3/11ths of the difference in Normal Cost that a 10 basis point reduction in the investment return assumption would cause.

11) Changes Since Last Valuation

The following assumptions were changed as a result of the demographic experience study.

a. Base mortality tables were updated and generational improvements in mortality were applied using projection scale MP-2015.
b. Merit salary scale was decreased across all years of service.
c. Tier 1 retirement rates were generally increased across the board.
d. Termination rates were increased across the board for Police members. For Fire members, there were large increases for the first two years of service.
e. Disability rates were changed.
f. The administrative expense assumption was increased from 1.80% of payroll to 1.90% of payroll.

Please refer to the experience study report for more detail, including the rationale for each assumption change.

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, 2011 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 cost. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

2) Asset Valuation Method

For the purposes of determining the employer's contribution, we use an actuarial value of assets. The asset smoothing method dampens the volatility in asset values that could occur because of the fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process. Assets are assumed to be used exclusively for the provision of retirement benefits and expenses.

The actuarial value of assets is calculated by recognizing the deviation of actual investment returns compared to the expected return (7.00% for 2014-15, 7.125% for 2013-14, 7.255% for 2012-13, and 7.50% for 2011-12) over a five-year period. The dollar amount of the expected return on the fair value of assets is determined using the actual contributions and benefit payments during the year. Any difference between this amount and the actual net investment earnings is considered a gain or loss.

Finally, the actuarial value of assets is restricted to a corridor between 80 percent and 120 percent of the fair value of assets.

3) Amortization Method

Actuarial gains and losses and plan changes are amortized as a level percentage of pay assuming 3.25% annual growth in payroll over a 16-year period beginning with the valuation date in which they first arise. Changes in methods and assumptions are amortized as a level percentage of pay assuming 3.25% annual growth in payroll over a 20-year period (16 years for changes prior to June 30, 2011) beginning with the valuation date on which they are effective.

Member Valuation Data

SCHEDULE OF ACTIVE MEMBER DATA				
Valuation Date	Active Count	Annual Payroll	Monthly Average Pay	Percentage Change in Average Pay*
2015	1,577	$ 184,733,063	$ 9,762	2.96 %
2014	1,654	$ 188,188,712	$ 9,481	5.19 %
2013	1,707	$ 184,645,250	$ 9,014	-1.13 %
2012	1,718	$ 187,958,523	$ 9,117	-0.48 %
2011	1,735	$ 190,726,258	$ 9,161	-11.51 %
2010	2,021	$ 251,058,473	$ 10,352	1.38 %
2009	2,083	$ 255,222,552	$ 10,211	14.92 %
2007	2,136	$ 227,734,449	$ 8,885	1.68 %
2005	2,003	$ 210,018,219	$ 8,738	9.10 %

** 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
2014-2015	2,032	$170,872,000	115	$ 13,700,000	39	$ 2,387,000	2,108	$ 182,185,000	6.62 %	$ 86,426
2013-2014	1,994	162,716,000	73	10,142,000	35	1,986,000	2,032	170,872,000	5.01 %	84,091
2012-2013	1,942	154,381,000	91	10,259,000	39	1,924,000	1,994	162,716,000	5.40 %	81,603
2011-2012	1,885	144,139,000	88	11,583,000	31	1,341,000	1,942	154,381,000	7.11 %	79,496
2010-2011	1,810	131,014,000	133	15,384,000	58	2,259,000	1,885	144,139,000	10.02 %	76,466
2009-2010	1,700	115,573,000	152	17,238,000	42	1,797,000	1,810	131,014,000	13.36 %	72,383
2007-2009	1,477	90,061,000	276	27,537,000	53	2,025,000	1,700	115,573,000	28.33 %	67,984
2005-2007	1,385	76,071,000	143	15,913,000	51	1,923,000	1,477	90,061,000	18.39 %	60,976
2003-2005	1,271	62,314,000	161	15,619,000	47	1,862,000	1,385	76,071,000	22.08 %	7,809,511

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) for Years Ending on Valuation Date Due To:									
	Gain (or loss) for Years Ended June 30								
Type of Activity	2015	2014	2013	2012	2011	2010*	2009*	2007*	2005*
Investment income	$ 2,806	$ 78,462	$ (92,499)	$ (172,759)	$ (96,473)	$ (149,621)	$ (138,383)	$ 97,135	$ (136,013)
Combined liability experience	7,291	(14,678)	11,115	39,432	278,051	43,880	(113,495)	47,735	101,668
Total financial experience	10,097	63,784	(81,384)	(133,327)	181,578	(105,741)	(251,878)	144,870	(34,345)
Non-recurring items	(90,004)	(55,787)	(28,233)	(75,221)	12,360	(104,240)	(145,351)	(93,343)	(12,960)
Total experience	$ (79,907)	$ 7,997	$ (109,617)	$ (208,548)	$ 193,938	$ (209,981)	$ (397,229)	$ 51,527	$ (47,305)

** Two-year period*
Amounts in thousands

Actuarial Assumptions and Methods *(Continued)*

DEFINED BENEFIT PENSION

Solvency Test

GASB SOLVENCY TEST							
Actuarial Liabilities for:							
Valuation Date	Active Member Contributions	Retirees, Beneficiaries and Other Inactive's	Remaining Active Members' Liabilities	Reported Assets*	Portion of Actuarial Liabilities Covered by Reported Assets		
June 30,**	(A)	(B)	(C)		(A)	(B)	(C)
2015	$ 285,538	$ 2,819,410	$ 953,462	$ 3,212,776	100 %	100 %	11 %
2014	288,227	2,585,611	939,988	3,025,101	100 %	100 %	16 %
2013	280,727	2,452,728	844,576	2,771,924	100 %	100 %	5 %
2012	276,047	2,310,295	811,450	2,703,539	100 %	100 %	14 %
2011	260,172	2,174,044	761,791	2,685,721	100 %	100 %	33 %
2010	246,356	1,907,931	1,076,169	2,576,705	100 %	100 %	39 %
2009	243,302	1,630,914	1,089,266	2,569,569	100 %	100 %	64 %
2007	227,191	1,240,126	905,069	2,365,790	100 %	100 %	99 %
2005	194,008	1,062,247	771,177	1,983,090	100 %	100 %	94 %

** Actuarial Value of Assets*

*** Results prior to June 30, 2011 were calculated by the prior actuary*

Schedule of Funding Progress

The funding ratios shown in the schedule of funding progress are ratios compared to the actuarial liability that is intended to be a 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 Plan or the sufficiency of Plan assets to cover the estimated costs of settling the Plan's benefit obligations.

SCHEDULE OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AL)	Unfunded AL	Funded Ratio	Covered Payroll	Unfunded AL as a % of Covered Payroll
June 30, 2015	$ 3,212,776	$ 4,058,410	$ 845,634	79.2 %	$ 184,733	457.8 %
June 30, 2014	$ 3,025,101	$ 3,813,825	$ 788,724	79.3 %	$ 188,189	419.1 %
June 30, 2013	$ 2,771,924	$ 3,578,031	$ 806,107	77.5 %	$ 184,645	436.6 %
June 30, 2012	$ 2,703,539	$ 3,397,792	$ 694,253	79.6 %	$ 187,959	369.4 %
June 30, 2011	$ 2,685,721	$ 3,196,007	$ 510,286	84.0 %	$ 190,726	267.5 %
June 30, 2010	$ 2,576,705	$ 3,230,456	$ 653,751	79.8 %	$ 251,058	260.4 %
June 30, 2009	$ 2,569,569	$ 2,963,482	$ 393,913	86.7 %	$ 255,223	154.3 %
June 30, 2007	$ 2,365,790	$ 2,372,386	$ 6,596	99.7 %	$ 227,734	2.9 %
June 30, 2005	$ 1,983,090	$ 2,027,432	$ 44,342	97.8 %	$ 210,018	21.1 %

Amounts prior to June 30, 2011 were calculated by the prior actuary
Amounts in thousands

Summary of Pension Plan Provisions - Tier 1

1) Membership Requirement

Participation in the plan is immediate upon the first day of employment with the City of San José as a police officer or fire fighter except for the following:

a. Independent contractors,
b. Person in City service principally for training or educational purposes,
c. Auxiliary or voluntary police officers or fire fighters,
d. Part-time or non-salaried employees, and
e. Employees receiving credit in any other retirement or pension system.

2) Final Compensation

The highest 12 consecutive months of compensation in covered employment. However, in determining final compensation, no compensation in the last 12 months of employment that exceeds 108% of compensation during the 12 months immediately preceding the last 12 months shall be considered. Compensation excludes overtime pay and expense allowances.

3) Credited Service

Years of service in covered employment plus service purchased for military leave of absence, Federated service, and unpaid leaves of absence.

4) Contributions

a. Member:

The amount needed to fund 3/11ths of normal cost calculated under the Entry Age actuarial cost method plus the amortization payment on the February 4, 1996 benefit improvement. For Police members, there is an additional amortization payment for member contributions not made for the last 6 months of 2006.

b. Employer:

The Employer contributes the remaining amounts necessary to fund the Plan in accordance with the Board's funding policy.

5) Service Retirement

Eligibility

Age 55 with 20 years of service, age 50 with 25 years of service, age 70 with no service requirement, or any age with 30 years of service. Reduced benefits are also available at age 50 with 20 years of service.

Benefit

Police: 2.5% of final compensation for each year of credited service up to 20 years plus 4.0% of final compensation for each year of credited service in excess of 20, subject to a maximum of 90% of final compensation.

Fire: For members with less than 20 years of service, 2.5% of final compensation for each year of credited service. For members with 20 or more years of service, 3.0% of final compensation for each year of service, subject to a maximum of 90% of final compensation.

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

6) Service Connected Disability Retirement

Eligibility

No age or service requirement.

Benefit

Police: 50% of final compensation plus 4.0% of final compensation for each year of credited service in excess of 20, subject to a maximum of 90% of final compensation.

Fire: For members with less than 20 years of service, 50% of final compensation. For members with 20 or more years of service, 3.0% of final compensation for each year of service, subject to a maximum of 90% of final compensation.

7) Non-Service Connected Disability Retirement

Eligibility

Two years of service.

Benefit

For members with less than 20 years of service, 32% of final compensation plus 1% of final compensation for each year of service in excess of two. For members with 20 or more years of service, the benefit amount equals the amount that would be calculated under the service retirement formula.

8) Non-Service Connected Death

Less than 2 years of service:

Lump sum benefit equal to the greater of accumulated employee contributions with interest or $1,000.

Disabled retirees or members ineligible for service retirement:

Spouse receives 24.0% of final compensation plus 0.75% of final compensation for each year of service in excess of two, subject to a maximum of 37.5% of final compensation. If a member has eligible dependent children, an additional benefit is payable as follows:

1 Child:	25.0% of final compensation
2 Children:	37.5% of final compensation
3+ Children:	50.0% of final compensation

The total benefit payable to a family is limited to 75.0% of final compensation.
If a member does not have a spouse or eligible dependent children, a lump sum benefit equal to the greater of accumulated employee contributions with interest or $1,000.

Service retirees or members eligible for service retirement:

Spouse receives the greater of 37.5% of final compensation or 50.0% of the member's service retirement benefit, subject to a maximum of 42.5% of final compensation for Police and 45% of final compensation for Fire. Eligible dependent children will receive the same benefit as defined under the non-service connected death for disabled retirees or members ineligible for service retirement. The total benefit payable to a family is limited to 75.0% of final compensation.

9) Service Connected Death

Spouse receives the greater of 37.5% of final compensation or 50.0% of the member's service retirement benefit, subject to a maximum of 42.5% of final compensation for Police and 45.0% of final compensation for Fire. If a member has eligible dependent children, an additional benefit of 25.0% of final compensation is payable for each eligible dependent child. The total benefit payable to a family is limited to 75.0% of final compensation.

10) Termination Benefits

Less than 10 years of service:

Lump sum benefit equal to the accumulated employee contributions with interest at 2.0% per annum.

10 or more years of credited service:

The amount of the service retirement benefit, payable at the later of age 55 or 20 years from date of membership.

11) Post-retirement Cost-of-Living Benefit

Benefits are increased every February 1 by 3.0%.

Summary of Pension Plan Provisions - Tier 2

1) Membership Requirement

Any police officer who is hired, rehired, or reinstated by the City on or after August 4, 2013, or any fire fighter who is hired, rehired, or reinstated by the City on or after January 2, 2015.

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 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

50.0% 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 60 with 10 years of service.

Benefit - Member:

2.0% of final compensation for each year of credited service attributable to Tier 2 plus the applicable Tier 1 multiplier for each year of credited service attributable to Tier 1, subject to a maximum of 65.0% of final compensation.

Benefit - Survivor:

Single life annuity.

6) Early Service Retirement

Eligibility:

Age 50 with 10 years of service.

Benefit - Member:

Reduced benefit actuarially equivalent to the unreduced service retirement benefits commencing at age 60. The early retirement reduction is applied to the benefit after the application of the maximum of 65.0% of final compensation.

7) Service Connected Disability Retirement

Eligibility:

No age or service requirement.

Benefit - Member:

Monthly benefit equivalent to 50.0% of final compensation.

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 plus the applicable Tier 1 multiplier for each year of credited service attributable to Tier 1, subject to a minimum of 20.0% of final compensation and a maximum of 50.0% of final compensation.

9) Death Before Retirement

If death occurs before retirement eligibility is reached and after two years of service:

Monthly benefit equal to the greater of:

- 10.0% of final compensation or
- 2.0% of final compensation for each year of service up to a maximum of 30.0% of final compensation

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 equal to the greater of:

- 50.0% of final compensation or
- Benefit equivalent to what the employee would have received if retired at the time of death.

10) Withdrawal Benefits

Less than ten years of service:

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

Ten 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 50.0%, 75.0% or 100.0% 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.

November 8, 2016

Board of Administration
City of San José Police and Fire Department Retirement Plan
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 Police and Fire Department Retirement Plan with respect to Other Postemployment Benefits (OPEB) provided through the City of San José Police and Fire Department 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, 2015. Please refer to that report for additional information related to the funding of the Plan.

Funding Objectives and Progress

The actuarial cost method adopted in the collective bargaining agreement and reflected in the valuation is 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 actuarial cost method as of the valuation date. Because the effort to pre-fund the Plan was started relatively recently, the current funded status is relatively low. For the Police Department, a five-year transition to contributions aimed at pre-funding the explicit subsidies of the Plan began with the 2009-2010 fiscal year and included a 30-year closed amortization of the Unfunded Actuarial Liability as of June 30, 2008. For the Fire Department, this transition began with the 2011-2012 fiscal year and included a 30-year closed amortization of the Unfunded Actuarial Liability as of June 30, 2010. The transition has been completed for both Police and Fire. It is our understanding that the current interpretation of the phase-in language means that the fiscal year ending 2014 contribution rates for Police and the fiscal year ending 2016 contribution rates for Fire are frozen for all future years unless the ARC is less than those contribution rates.

A summary of the key results from the June 30, 2015 actuarial valuation are as follows:

- *Assets:* The market value of assets increased approximately $12 million to $110 million since the prior valuation due to $40 million in contributions less $2 million in investment losses and $26 million in benefit payments. The actuarial value of assets that smooths investment gains and losses over a five-year period increased approximately $21 million to $115 million.

Members of the Board
November 8, 2016
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- *Actuarial Liability:* On a funding basis, the Actuarial Liability for the explicit subsidy increased approximately $36 million from $556 million to $592 million. The increase was primarily due to assumption changes offset by demographic experience. On a financial reporting basis, the Actuarial Liability, including the implicit subsidy, increased approximately $33 million from $707 million to $740 million due to the same factors noted above, but with a different assumption change impact on the implicit subsidy and no change in discount rate.

- *Unfunded Actuarial Liability (UAL)/Surplus:* On a funding basis, the UAL increased approximately $15 million from $462 million to $477 million. On a financial reporting basis, the UAL increased $12 million from $613 million to $625 million.

- *Funding Ratio:* On a funding basis, the ratio of actuarial value of assets to the Actuarial Liability increased from 17% to 19% since the last valuation. On a financial reporting basis, the ratio of actuarial value of assets to the Actuarial Liability increased from 13% to 16% 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 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 three to one with the City contribution set at 3/4th of the total contribution. For the Police Department, the member contribution rate is frozen at the rate calculated for the fiscal year ending 2014 of 9.51% of payroll. For the Fire Department, the member contribution rate is frozen at the rate calculated for the fiscal year ending 2016 of 9.74% of payroll.

- *City Contribution Rate:* The City contribution rate for the Police Department is frozen at the rate calculated for the fiscal year ending 2014 of 10.31% of payroll. The City contribution rate for the Fire Department is frozen at the rate calculated for the fiscal year ending 2016 of 10.62% of payroll.

More details on the plan experience for the past year, including the changes listed above and their impact on the June 30, 2015 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, 2015 actuarial valuation:

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

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- 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, 2011 actuarial valuation shown in these exhibits is based on information reported by the prior actuary, The Segal Group, Inc.

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.

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.

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Sincerely,
Cheiron

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

Michael W. Schionning, FSA, MAAA
Principal Consulting Actuary

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 3, 2015 and January 7, 2016 Board meetings.

1) Expected Return on Plan Assets

7.00% per year net of investment expenses. The long-term expected return on assets based on NEPC's capital market assumptions for a 30-year time horizon is 7.97%. The Board applied a margin for adverse deviation to improve the probability of achieving the discount rate.

2) Expected Return on Employer Assets

3.50% per year

3) Blended Discount Rate

6.00% per year

4) Per Person Cost Trends

	Annual Increase			
To Calendar Year	**Pre-Medicare**	**Medicare Eligible**	**Dental**	**Part B Premiums**
2017	8.50%	6.50%	4.00%	(0.90)%
2018	8.20	6.34	4.00	1.33
2019	7.89	6.18	4.00	8.09
2020	7.59	6.02	4.00	5.90
2021	7.29	5.86	4.00	5.43
2022	6.98	5.70	4.00	5.56
2023	6.68	5.54	4.00	5.58
2024	6.38	5.38	4.00	5.71
2025	6.07	5.21	4.00	5.59
2026	5.77	5.05	4.00	5.46
2027	5.46	4.89	4.00	5.33
2028	5.16	4.73	4.00	5.20
2029	4.86	4.57	4.00	5.08
2030	4.55	4.41	4.00	4.95
2031	4.25	4.25	4.00	4.82
2032	4.25	4.25	4.00	4.69
2033	4.25	4.25	4.00	4.57
2034	4.25	4.25	4.00	4.44
2035	4.25	4.25	4.00	4.31
2036	4.25	4.25	4.00	4.18
2037	4.25	4.25	4.00	4.06
2038	4.25	4.25	4.00	3.93
2039	4.25	4.25	4.00	3.80
2040+	4.25	4.25	4.00	3.80

Actuarial Assumptions and Methods *(Continued)*

POSTEMPLOYMENT HEALTHCARE

Actual premium increases for 2016 were reflected in the valuation, with the above rates applying thereafter. Deductibles, Co-payments, Out-of-Pocket Maximums, and Annual Maximum (where applicable) are assumed to increase at the above trend rates.

Demographic Assumptions

The demographic assumptions shown below were adopted by the Board of Administration at the December 3, 2015 Board meeting based upon our recommendations from our experience study covering plan experience during the period from July 1, 2009 through June 30, 2015.

1) Retirement Rates

The following rates of retirement apply only to those eligible for unreduced benefits.

Rates of Retirement by Age						
	Police			Fire		
Age	Tier1	Tier 2 < 30 years	Tier 2 30+ years	Tier 1	Tier 2 < 30 years	Tier 2 30+ years
50	60.00%	0.00%	0.00%	35.00%	0.00%	0.00%
51 - 54	50.00	0.00	0.00	35.00	0.00	0.00
55 - 59	40.00	0.00	0.00	27.50	0.00	0.00
60 - 61	50.00	50.00	100.00	27.50	25.00	50.00
62 - 64	100.00	50.00	100.00	100.00	25.00	50.00
65 - 69	100.00	50.00	100.00	100.00	35.00	100.00
70+	100.00	100.00	100.00	100.00	100.00	100.00

Tier 1 vested terminated members are assumed to retire at age 55 and Tier 2 vested terminated members are assumed to retire at age 60.

2) Disability Rates

For Police members: Non-Industrial plus Industrial CALPERS Public Agency disability rates for Police multiplied by 90% prior to age 50 and 140% for ages 50+.

For Fire members: Non-Industrial plus Industrial CALPERS Public Agency disability rates for Fire multiplied by 90% prior to age 50 and 180% for age 50+.

Sample rates of disability for active participants are shown in the following table

Rates of Disability at Selected Ages		
Age	Police	Fire
30	0.446%	0.076%
40	1.026%	0.279%
50	2.696%	5.080%
60	8.714%	10.769%

100% of disabilities are assumed to be duty related.

Actuarial Assumptions and Methods *(Continued)*

POSTEMPLOYMENT HEALTHCARE

3) Rate of Mortality

Mortality rates for actives, retirees, beneficiaries, terminated vested and reciprocals are based on the sex-distinct employee and annuitant mortality tables shown below. Future mortality improvements are reflected by applying the SOA MP-2015 projection scale on a generational basis from the base year of 2009.

Category	Base Mortality Table Male	Female
Healthy Annuitant	0.948 times the CALPERS 2009 Healthy Annuitant Mortality Table (Male), projected using Scale MP-2015 on a generational basis.	1.048 times the CALPERS 2009 Healthy Annuitant Mortality Table (Female), projected using Scale MP-2015 on a generational basis.
Healthy Non-Annuitant	0.948 times the CALPERS 2009 Employee Annuitant Mortality Table (Male), projected using Scale MP-2015 on a generational basis.	1.048 times the CALPERS 2009 Employee Annuitant Mortality Table (Female), projected using Scale MP-2015 on a generational basis.
Disabled Annuitant	0.903 times the CALPERS 2009 Industrial Disability Mortality Table (Male), projected using Scale MP-2015 on a generational basis.	0.903 times the CALPERS 2009 Industrial Disability Mortality Table (Male), projected using Scale MP-2015 on a generational basis.

4) Termination Rates

Sample rates of disability for active participants are shown in the following table

Rates of Termination		
Service	**Police**	**Fire**
0	13.75%	20.00%
1	11.75	20.00
2	9.85	3.50
3	8.35	2.00
4	7.00	1.30
5	5.75	1.10
6	4.60	1.00
7	3.80	0.90
8	3.10	0.80
9	2.65	0.70
10	2.20	0.60
11	2.00	0.50
12	1.85	0.50
13	1.70	0.50
14	1.65	0.50
15+	1.60	0.50

Termination rates do not apply once a member is eligible for retirement.

Actuarial Assumptions and Methods *(Continued)*

POSTEMPLOYMENT HEALTHCARE

5) Salary Increase Rate

Wage inflation component is assumed to be 3.25% annually.

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

Salary Merit Increases	
Years of Service	**Merit/Longevity**
0	6.75%
1	6.00
2	5.25
3	4.50
4	3.75
5	3.25
6	2.75
7	2.25
8	1.75
9	1.25
10+	1.00

6) Percent of Retirees Electing Coverage

100% of future retirees are assumed to elect coverage at retirement. Retirees are assumed to continue coverage in their 2015 plan. The PPO/POS $30 Co-pay and POS $25 Co-pay plans will discontinue as of 1/1/2016; all current participants are assumed to transition to the HMO $45 plan. Save-Net network plans for both HMO $45 and HMO $25 will be offered as of 1/1/2016; 70% of the current enrollees of the HMO $45 and HMO $25 plans are expected to transition to the corresponding Save-Net plans. 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 proportions shown in the following table.

Assumed Plan Elections for Future Retirees	% Electing
Pre-Medicare Medical Plans	
Kaiser DHMO	10%
Kaiser $25 Co-pay	45%
HMO $45 Co-pay	1%
HMO $45 SaveNet	4%
HMO $25 Co-pay	6%
HMO $25 SaveNet	14%
PPO / POS $25 Co-pay	20%
Medicare-Eligible Medical Plans	
Kaiser Senior Advantage	40%
BS Medicare HMO	10%
BS Medicare PPO	50%
Dental (All Retirees)	
Delta Dental PPO	99%
DeltaCare HMO	1%

Actuarial Assumptions and Methods *(Continued)*

POSTEMPLOYMENT HEALTHCARE

7) Family Composition

80.0% of married males and 50.0% of married females will elect spouse coverage in a medical plan at retirement.

100.0% of married employees will elect spouse coverage in a dental plan at retirement.

Pre-Medicare: 48.0% of males and 42.0% of females will cover children.

8) Enrollment by Rating Tier

For current retirees, their actual enrollment by rating tier is used to value the explicit subsidy. For future retirees, the following assumptions are used:

Assumed Rating Tier Elections for Future Retirees				
	Single	Employee / Spouse	Employee / Child	Family
Pre-Medicare Medical Plans				
Males	17%	35%	6%	42%
Females	39%	19%	21%	21%
Medicare Medical Plans				
Males	23%	77%	0%	0%
Females	60%	40%	0%	0%

9) Dependent Age

For current retirees, actual spouse date of birth was used when available. For future retirees, husbands are assumed to be three years older than their wives.

10) Married Percentage

Percentage Married	
Gender	Percentage
Male	85%
Female	85%

11) Administrative Expenses

Included in the average monthly premiums

12) Changes Since Last Valuation

Demographic assumptions were updated based on the 2015 experience study. Plan enrollment assumptions were updated based on recent experience and the expected impact of added and dropped plans.

POSTEMPLOYMENT HEALTHCARE

Claim and Expense Assumptions

The claim and expense assumptions shown below were adopted by the Board of Administration at the December 3, 2015 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 2015 and 2016. 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 2015 calendar year. The same process was used for Medicare adults, except only Medicare-eligible retirees were included. Individuals on the PPO/POS $30 and POS $25 plans were assumed to transition to the HMO $45 Plan as of 1/1/2016. Individuals on the HMO $30 and HMO $45 plans were assumed to transition to the Save-Net alternative plans at a rate of 70%. 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; the combined population participates in the same health insurance plans and pays the same premiums.

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.

1) Average Annual Claims and Expense Assumptions

The following claim and expense assumptions were developed as of July 1, 2015 based on the premiums for 2015 and 2016. 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	$ 4,995	$ 6,849	$ 6,935	$ 9,542	$ 7,896	$ 10,718
45	5,070	6,571	7,059	9,170	7,951	10,236
50	5,512	6,878	7,699	9,621	8,565	10,645
55	6,227	7,371	8,724	10,334	9,595	11,338
60	7,257	8,073	10,192	11,340	11,106	12,347
64	8,384	8,765	11,792	12,329	12,774	13,355

POSTEMPLOYMENT HEALTHCARE

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	$ 9,407	$ 12,769	$ 7,339	$ 10,322	$ 7,722	$ 11,087
45	9,473	12,195	7,601	10,016	8,129	10,854
50	10,204	12,683	8,453	10,653	9,203	11,683
55	11,431	13,507	9,746	11,588	10,772	12,850
60	13,230	14,710	11,546	12,859	12,914	14,395
64	15,218	15,910	13,472	14,086	15,176	15,869

SAMPLE CLAIMS COSTS - MEDICARE ELIGIBLE						
	Kaiser Senior Adv		BS Med HMO		BS Med PPO / POS	
Age	Male	Female	Male	Female	Male	Female
65	$ 2,770	$ 2,955	$ 6,336	$ 6,758	$ 6,600	$ 7,039
70	3,253	3,263	7,440	7,462	7,750	7,773
75	3,637	3,518	8,320	8,046	8,666	8,381
80	3,864	3,631	8,839	8,306	9,207	8,651
85	3,916	3,594	8,958	8,220	9,331	8,562

SAMPLE CLAIMS COSTS - NON-MEDICARE ELIGIBLE				
	SaveNet $45 Co-pay		SaveNet $25 Co-pay	
Age	Male	Female	Male	Female
40	$ 6,869	$ 9,324	$ 8,184	$ 11,109
45	6,917	8,905	8,241	10,609
50	7,452	9,262	8,878	11,034
55	8,348	9,864	9,945	11,751
60	9,662	10,742	11,511	12,798
64	11,113	11,618	13,239	13,841

SAMPLE CLAIMS COSTS - DENTAL				
	Delta Dental PPO		DeltaCare HMO	
Age	Male	Female	Male	Female
All	$ 693	$ 693	$ 317	$ 317

2) Medicare Part D Subsidy

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

3) Medicare Part B Premiums

Assumed that Medicare eligible retirees participate in Medicare Part B.

Actuarial Assumptions and Methods *(Continued)*

POSTEMPLOYMENT HEALTHCARE

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 plan and the lowest cost plan available to active members, if the retiree is eligible to receive the explicit subsidy. No retiree contributions are required for dental.

9) Changes Since Last Valuation

There was no change to the claims cost process.

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 postretirement 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

For the purposes of determining the employer's contribution, we use an actuarial value of assets. The asset smoothing method dampens the volatility in asset values that could occur because of the fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process. Assets are assumed to be used exclusively for the provision of retirement benefits and expenses.

The actuarial value of assets is calculated by recognizing the deviation of actual investment returns compared to the expected return (7.00% for 2014-2015, 7.125% for 2013-2014, 7.25% for 2012-2013, 7.50% for 2011-2012, 7.75% for 2010-2011, 8.00% for prior years) over a five-year period. The dollar amount of the expected return on the fair value of assets is determined using the actual contributions and benefit payments during the year. Any difference between this amount and the actual net investment earnings is considered a gain or loss.

Finally, the actuarial value of assets is restricted to a corridor between 80.0% and 120.0% of the fair value of assets.

3) Amortization Method

The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets. For Police Department, the unfunded actuarial liability is amortized as a level percent of pay over a closed 30-year period commencing June 30, 2008. For the Fire Department, the unfunded actuarial liability is amortized as a level percent of pay over a closed 30-year period commencing June 30, 2010.

4) Contributions

Funding Policy

The City has negotiated contracts with its labor unions that require both employee and City contributions to fund the Plan. We understand the agreements call for a five-year transition from the prior 10-year cash flow funding policy to the current policy of actuarially funding the explicit subsidy. For the Police Department, this transition began with the 2009-2010 fiscal year and included a 30-year closed amortization of the unfunded actuarial liability as of June 30, 2008. For the Fire Department, this transition began with the 2011-2012 fiscal year and included a 30-year closed amortization of the unfunded actuarial liability as of June 30, 2010. The transition has been completed for both Police and Fire.

We understand that the current interpretation of the phase-in language means that the fiscal year ending 2014 contribution rates for Police and the fiscal year ending 2016 contribution rates for Fire are frozen for all future years unless the calculated contribution rates are lower.

The contribution for retiree medical benefits (explicit subsidy only) are split evenly between employees and the City, and the contributions for retiree dental benefits are split with the City contributing 75% of the total contribution and employees contributing 25% of the total contribution. In addition, the City pays the implicit subsidy on a pay-as-you-go basis.

POSTEMPLOYMENT HEALTHCARE

Accounting Policy

The Board's current policy sets the Annual Required Contribution (ARC) for the fiscal year immediately following the valuation date equal to the normal cost plus a rolling 30-year amortization of the unfunded actuarial liability (including the implicit subsidy). Once actual contributions reach that level, it is anticipated that the ARC will change to the contribution basis.

5) Changes Since Last Valuation

None.

POSTEMPLOYMENT HEALTHCARE - DATA SCHEDULES

SCHEDULE OF ACTIVE MEMBER DATA						
Valuation Date	Active Member Counts			Annual Payroll	Average	Percent Change
as of June 30,	Under Age 65	Age 65+	Total		Annual Pay	in Average Pay
2015	1,577	0	1,577	$ 184,481,838	$ 116,983	2.8 %
2014	1,654	0	1654	188,188,712	113,778	5.2 %
2013	1,707	0	1707	184,645,250	108,169	7.7 %
2012	1,718	0	1718	172,625,503	100,481	(8.6)%
2011	1,735	0	1735	190,726,258	109,929	(11.5)%
2010	2,020	1	2021	251,058,473	124,225	1.4 %
2009	N/A	N/A	2083	255,222,552	122,526	14.9 %
2007	N/A	N/A	2136	227,734,449	106,617	N/A

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		% Increase	Average
Period	Count	Annual Subsidy	Count	Count	Count	Annual Subsidy	Count	Annual Subsidy	in Annual Subsidy	Annual Subsidy
Medical										
2014-15	1,849	$ 18,994,780	106	56	1,899	$ 18,605,787	50	$ (388,993)	-2.0%	$ 9,798
2013-14	1,832	19,538,587	79	62	1,849	18,994,780	17	(543,807)	-2.8%	10,273
2012-13	1,789	21,488,930	94	51	1,832	19,538,587	43	(1,950,343)	-9.1%	10,665
2011-12	1,736	21,104,972	107	54	1,789	21,488,930	53	383,958	1.8%	12,012
2010-11	1,676	19,632,008	119	59	1,736	21,104,972	60	1,472,964	7.5%	12,157
2009-10	1,555	16,584,591	N/A	N/A	1,676	19,632,008	121	3,047,417	18.4%	11,714
2007-09	1,362	13,277,469	N/A	N/A	1,555	16,584,591	193	3,307,122	24.9%	10,665
Dental										
2014-15	1,917	$ 2,303,884	108	33	1992	$ 2,388,385	75	$ 84,501	3.7%	$ 1,199
2013-14	1,890	2,301,504	68	41	1,917	2,303,884	27	2,380	0.1%	1,202
2012-13	1,855	2,398,735	71	33	1,890	2,301,504	35	(97,231)	-4.1%	1,218
2011-12	1,798	2,325,033	70	18	1,855	2,398,735	57	73,702	3.2%	1,293
2010-11	1,707	2,267,352	104	24	1,798	2,325,033	91	57,681	2.5%	1,293
2009-10	1,519	1,794,454	N/A	N/A	1,707	2,267,352	188	472,898	26.4%	1,328
2007-09	1,375	1,629,777	N/A	N/A	1,519	1,794,454	144	164,677	10.1%	1,181

**Annual subsidies are explicit amounts*

POSTEMPLOYMENT HEALTHCARE - FINANCIAL SCHEDULES

SOLVENCY TEST					
	Actuarial Liability				
Actuarial Valuation Date	Retirees, Beneficiaries and Other Inactives	Active Members	Reported Assets	Portion of Liability Covered by Reported Assets	
June 30,	(A)	(B)		(A)	(B)
2015	$ 451,735	$ 288,019	$ 114,565	25%	0%
2014	429,034	277,676	93,605	22%	0%
2013	421,999	278,526	75,035	18%	0%
2012	600,869	396,452	66,385	11%	0%
2011	622,691	381,104	60,709	10%	0%
2010	568,611	377,697	58,586	10%	0%
2009	436,249	325,355	55,618	13%	0%
2007	336,899	329,328	45,393	13%	0%
2006	422,457	428,761	38,381	9%	0%

Amounts in thousands

ANALYSIS OF FINANCIAL EXPERIENCE						
	Gain or (Loss) for Year Ending					
Type of Activity	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Investment income	$ 582	$ 2,802	$ 2,437	$ (6,011)	$ (2,661)	$ (3,067)
Liability experience	7,990	16,222	(4,536)	4,760	5,967	(11,242)
Gain (or loss) during year from financial experience	8,572	19,024	(2,099)	(1,251)	3,306	(14,309)
Non-recurring gain (or loss) items	(3,449)	13,689	258,939	58,173	1,146	(122,599)
Composite Gain or (Loss) During Year	**$ 5,123**	**$ 32,713**	**$ 256,840**	**$ 56,922**	**$ 4,452**	**$ (136,908)**

Amounts in thousands

Summary of Key Substantive Plan Provisions

POSTEMPLOYMENT HEALTHCARE

ELIGIBILITY

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 August 4, 2013) are eligible for unreduced service retirement at age 55 with 20 years of service, age 50 with 25 years of service, age 70 with no service requirement, or any age with 30 years of service. Reduced service retirement is available at age 50 with 20 years of service. Tier 2 employees (hired on or after August 4, 2013) are eligible for unreduced service retirement at age 60 with 10 years of service or reduced service retirement at age 50 with 10 years of service. Service credited through 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 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 has 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.

Employees who separate from service after July 5, 1992, with 20 years of service, leaving contributions in the retirement plan, are eligible to elect medical and/or dental coverage upon retirement.

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.

To the extent that the elected plan premium is less than the maximum subsidy amount, Medicare-eligible retirees receive reimbursement of Medicare Part B premiums for themselves and their covered spouse, if applicable.

Dental:

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

Summary of Key Substantive Plan Provisions *(Continued)*

POSTEMPLOYMENT HEALTHCARE (Continued)

Premiums:

Monthly premiums before adjustments for 2015 and 2016 are as follows.

2015 MONTHLY PREMIUMS				
Plan	**Single**	**Employee/ Spouse**	**Employee/ Child**	**Family**
Medical				
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 / POS	661.99	1,323.98	1,323.98	1,987.67
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

Summary of Key Substantive Plan Provisions *(Continued)*

POSTEMPLOYMENT HEALTHCARE (Continued)

2016 MONTHLY PREMIUMS				
Plan	**Single**	**Employee/ Spouse**	**Employee/ Child**	**Family**
Medical				
Non-Medicare Monthly Rates				
Kaiser DHMO	$ 466.92	$ 933.84	$ 817.12	$ 1,400.78
Kaiser $25 co-pay	570.24	1,140.48	997.88	1,710.66
Blue Shield HMO $45 co-pay	722.04	1,444.06	1,263.54	2,166.06
Blue Shield HMO $45 SaveNet	628.34	1,256.64	1,099.56	1,884.96
Blue Shield HMO $25 co-pay	811.48	1,622.94	1,420.10	2,434.42
Blue Shield HMO $25 SaveNet	706.18	1,412.34	1,235.82	2,118.52
Blue Shield PPO $25 co-pay	945.26	1,890.50	1,654.20	2,835.74
Medicare-Eligible Monthly Rates				
Kaiser Senior Advantage	$ 272.34	$ 544.68	$ 544.68	$ 817.02
Blue Shield Medicare HMO	673.36	1,346.72	1,346.72	1,955.36
Blue Shield Medicare PPO / POS	707.14	1,414.28	1,414.28	2,123.24
Dental				
Delta Dental PPO	$ 48.92	$ 107.62	$ 117.42	$ 151.66
DeltaCare HMO	24.44	48.86	42.74	73.30

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

Summary of Key Substantive Plan Provisions *(Continued)*

POSTEMPLOYMENT HEALTHCARE (Continued)

SUMMARY OF 2016 BENEFIT PLANS					
Non-Medicare Plans:	**Kaiser $25 Co-Pay**	**Kaiser DHMO**	**BS HMO $25 Co-Pay and $25 Co-Pay SaveNet**	**BS HMO $45 Co-Pay and $45 Co-Pay SaveNet**	**BS PPO $25 Co-Pay (In Network)**
Annual out-of-pocket maximum	$1,500/$3,000	$4,000/$8,000	$1,000/$2,000	$3,500/$7,000	$2,100/$4,000
Annual deductible	None	$1,500/$3,000	None	None	$100/$200
Office visit	$25	$40	$25	$45	$25
Emergency room co-pay	$100	30% coinsurance	$100	$200	$100
Hospital care co-pay	$100	30% coinsurance	$100	50% coinsurance	$100
Prescription Drug retail co-pay (30-day supply):					
Generic	$10	$10	$10	$15	$10
Brand	$25	$30	$25	$30*	$25
Non-formulary	N/A	N/A	$40	50%* *$250 deductible	$40

Medicare-Eligible Plans:	**Kaiser**	**BS HMO**	**BS PPO**
Annual out-of-pocket maximum	$1,500/$3,000	$1,000/$2,000	$2,000/$4,000
Annual deductible	None	None	$100/$200
Office visit	$25	$25	$25
Emergency room	$50	$100	$100
Hospital care	$250	$100	$100 + 10% coinsurance
Prescription Drug (30-day supply):			
Generic	$10	$10	$10
Brand	$10	$25	$25
Non-formulary	N/A	$40	$40

Summary of Key Substantive Plan Provisions *(Continued)*

POSTEMPLOYMENT HEALTHCARE (Continued)

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.

Active Plan Funding

Member Contribution: Contribute 50.0% of the health premium subsidy and 25.0% of the dental premium subsidy as determined at each actuarial valuation. However, the annual increase in contribution rate is limited to 1.25% of payroll. Additionally, there is a total cap on the contribution rate of 10.0%.

City's Contribution: Contribute 50.0% of the health premium subsidy and 75.0% of the dental premium subsidy as determined at each actuarial valuation. However, the annual increase in contribution rate is limited to 1.35% of payroll. Additionally, there is a total cap on the contribution rate of 11.0%.

Changes Since Last Valuation

None.

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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 covers Pension Plan and Postemployment Healthcare Plans, including 401(h) and 115. 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 Plan'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
Police and Fire Department Retirement Plan
Comprehensive Annual Financial Report
for the Fiscal Years ended June 30, 2016
and June 30, 2015

Statistical Review

CHANGES IN PLAN NET POSITION FOR FISCAL YEARS 2007-2016 *(In Thousands)*

DEFINED BENEFIT PENSION PLAN (Schedule 1a)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Additions										
Employee contributions	$ 21,508	$ 20,747	$ 21,115	$ 20,227	$ 19,345	$ 29,629	$ 20,097	$ 20,323	$ 19,210	$ 16,050
Employer contributions	132,480	129,279	123,583	105,234	121,009	77,918	52,315	53,103	56,372	46,625
Investment income / (loss)*	(29,206)	(27,690)	404,978	248,725	(34,341)	396,377	314,453	(469,235)	(153,711)	440,999
Total additions to plan net position	**124,782**	**122,336**	**549,676**	**374,186**	**106,013**	**503,924**	**386,865**	**(395,809)**	**(78,129)**	**503,674**
Deductions										
Benefit payments	176,029	166,331	157,635	150,811	142,314	129,472	114,604	102,363	89,704	81,953
Death benefits	10,083	9,220	8,738	8,005	7,480	7,213	6,519	5,982	5,467	5,042
Refunds	828	702	1,024	886	1,926	435	196	363	168	210
Administrative expenses and other	4,254	4,191	3,631	3,423	3,556	3,127	2,955	2,669	2,670	2,206
Total deductions from plan net position	**191,194**	**180,444**	**171,028**	**163,125**	**155,276**	**140,247**	**124,274**	**111,377**	**98,009**	**89,411**
Changes in Plan Net Position	**$ (66,412)**	**$ (58,108)**	**$ 378,648**	**$ 211,061**	**$ (49,263)**	**$ 363,677**	**$ 262,591**	**$ (507,186)**	**$ (176,138)**	**$ 414,263**

**Net of expenses*

POSTEMPLOYMENT HEALTHCARE PLANS (Schedule 1b)

	2016			2015			2014		
	Post-employment Healthcare 401(h)	**Police Dept Healthcare Trust**	**Fire Dept Healthcare Trust**	**Post-employment Healthcare 401(h)**	**Police Dept Healthcare Trust**	**Fire Dept Healthcare Trust**	**Post-employment Healthcare 401(h)**	**Police Dept Healthcare Trust**	**Fire Dept Healthcare Trust**
Additions									
Employee contributions	$ 18,007	$ -	$ -	$ 17,017	$ -	$ -	$ 15,674	$ -	$ -
Employer contributions	1,389	11,576	8,100	-	13,073	7,837	-	11,712	5,555
Investment income / (loss)*	(465)	(798)	(420)	(499)	(753)	(363)	7,942	3,210	1,443
Total additions to plan net position	**18,931**	**10,778**	**7,680**	**16,518**	**12,320**	**7,474**	**23,616**	**14,922**	**6,998**
Deductions									
Healthcare insurance premiums	23,449	-	-	24,205	-	-	22,510	-	-
Administrative expenses and other	74	44	21	82	24	17	73	15	15
Total deductions from plan net position	**23,523**	**44**	**21**	**24,287**	**24**	**17**	**22,583**	**15**	**15**
Change in Plan Net Position	**$ (4,592)**	**$ 10,734**	**$ 7,659**	**$ (7,769)**	**$ 12,296**	**$ 7,457**	**$ 1,033**	**$ 14,907**	**$ 6,983**

**Net of expenses*

Statistical Review *(Continued)*

POSTEMPLOYMENT HEALTHCARE PLANS (Schedule 1b) *(In Thousands)* *(Continued)*

	2013			2012	2011	2010	2009	2008	2007
	Post-employment Healthcare 401(h)	Police Dept Healthcare Trust	Fire Dept Healthcare Trust						
Additions									
Employee contributions	$ 13,498	$ -	$ -	$ 11,474	$ 11,229	$ 10,650	$ 9,218	$ 9,151	$ 7,989
Employer contributions	-	11,074	4,734	21,205	17,001	11,284	9,888	10,618	9,082
Investment income	5,613	588	246	(805)	8,966	6,870	(9,800)	(3,029)	8,115
Total additions	**19,111**	**11,662**	**4,980**	**31,874**	**37,196**	**28,804**	**9,306**	**16,740**	**25,186**
Deductions									
Healthcare insurance premiums	23,934			28,479	28,273	20,701	18,039	15,974	14,794
Administrative expenses and other	78	-	-	87	73	66	60	56	45
Total deductions	**24,012**	**-**	**-**	**28,566**	**28,346**	**20,767**	**18,099**	**16,030**	**14,839**
Change in Plan Net Position	**$ (4,901)**	**$ 11,662**	**$ 4,980**	**$ 3,308**	**$ 8,850**	**$ 8,037**	**$ (8,793)**	**$ 710**	**$ 10,347**

BENEFIT AND REFUND DEDUCTIONS FROM PLAN NET POSITION BY TYPE *(In Thousands)*

PENSION BENEFITS (Schedule 2a)

Type of Benefit	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Age and Service Benefits										
Retirees - service	$ 90,944	$ 86,672	$ 83,664	$ 80,902	$ 77,239	$ 68,780	$ 59,455	$ 49,004	$ 39,354	$ 34,772
Retirees - deferred vested	3,730	3,056	2,873	2,522	2,184	1,948	1,481	1,337	1,030	946
Survivors - service	2,537	2,201	1,826	1,566	1,402	1,301	986	826	713	606
Survivors - deferred vested	97	78	62	60	59	51	32	33	30	23
Death in Service Benefits	**1,606**	**1,493**	**1,396**	**1,502**	**1,366**	**1,246**	**1,155**	**1,193**	**1,121**	**1,093**
Disability Benefits										
Retirees - duty	76,440	71,980	66,865	63,410	59,108	55,998	51,218	49,100	46,654	43,713
Retirees - non-duty	928	903	903	748	770	674	680	698	697	646
Survivors - duty	5,532	5,135	5,022	4,587	4,328	3,888	3,634	3,784	3,459	3,184
Survivors - non-duty	230	235	274	265	266	124	136	146	144	135
Ex-Spouse Benefits	4,068	3,798	3,488	3,254	3,072	2,675	2,346	2,224	1,969	1,877
Total Benefits	**186,112**	**175,551**	**166,373**	**158,816**	**149,794**	**136,685**	**121,123**	**108,345**	**95,171**	**86,995**
Type of Refund										
Separation	828	702	1,024	886	1,926	435	196	363	168	210
Total Refunds	**$ 828**	**$ 702**	**$ 1,024**	**$ 886**	**$ 1,926**	**$ 435**	**$ 196**	**$ 363**	**$ 168**	**$ 210**

***Source**: Pension Administration System*

BENEFIT AND REFUND DEDUCTIONS FROM PLAN NET POSITION BY TYPE *(In Thousands)*

POSTEMPLOYMENT HEALTHCARE BENEFITS (Schedule 2b)

Type of Benefit	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Age and Service Benefits										
Retirees - service										
Medical	$ 9,258	$ 9,450	$ 8,318	$ 10,090	$ 10,361	$ 9,468	$ 8,274	$ 6,843	$ 5,366	$ 4,760
Dental	1,099	988	1,005	1,013	1,031	968	855	684	589	550
*Retirees -deferred vested**										
Medical	315	275	245	264	250	236	180	146	137	131
Dental	39	30	31	29	27	26	21	17	17	16
Survivors - service										
Medical	235	238	205	231	214	229	165	110	89	76
Dental	27	24	33	44	42	41	31	19	21	20
*Survivors- deferred vested**										
Medical	16	13	9	11	10	11	0	0	1	3
Dental	2	1	2	2	3	3	1	1	0	1
Death in Service Benefits										
Medical	176	185	170	243 *	(38)	252	213	208	190	186
Dental	24	22	28	41	59	42	37	33	34	36
Disability Benefits										
Retirees - duty										
Medical	8,809	8,985	7,794	9,673	9,604	9,852	8,897	8,177	7,757	7,324
Dental	1,116	992	993	1,038	1,043	1,068	977	856	885	881
Retirees - non-duty										
Medical	202	210	192	206	221	201	199	172	173	162
Dental	24	23	22	23	25	25	26	21	22	21
Survivors - duty										
Medical	615	623	560	650	667	715	643	603	527	483
Dental	78	69	105	152	159	169	154	119	137	127
Survivors - non-duty										
Medical	21	23	31	41	40	21	24	24	22	20
Dental	4	4	8	11	11	7	7	6	7	7
Implicit Subsidy										
Medical	1,389	2,050	2,759	172	4,750	4,939	0	0	0	0
Total Benefits	**$ 23,449**	**$ 24,205**	**$ 22,510**	**$ 23,934**	**$ 28,479**	**$ 28,273**	**$ 20,704**	**$ 18,039**	**$ 15,974**	**$ 14,804**

**Amount includes credits from the State of California for medical benefits to the surviving spouse and family of sworn officers that died in the line of duty.*

***Source**: Pension Administration System*

Statistical Review *(Continued)*

EMPLOYER AND EMPLOYEE CONTRIBUTION RATES FOR FISCAL YEARS 2007-2016
(Schedule 3)

	Police Department Rate				Fire Department Rate			
	Tier 1		Tier 2		Tier 1		Tier 2	
Fiscal Year	Employee Rate	Employer Rate	Employee Rate	Employer Rate	Employee Rate	Employer Rate	Employee Rate	Employer Rate
	%	%	%	%	%	%	%	%
2016	20.77	83.32	20.78	21.58	21.57	85.57	20.90	21.79
2015	21.26	83.14	20.80	21.80	20.13	82.75	19.43	20.21
2014	21.15	75.63	20.49	21.29	19.07	74.75	N/A	N/A
2013	19.39	65.53	N/A	N/A	17.32	65.05	N/A	N/A
2012	17.47	56.90	N/A	N/A	15.62	56.32	N/A	N/A
2011	15.57	44.58	N/A	N/A	13.70	44.16	N/A	N/A
2010	12.96	26.89	N/A	N/A	12.40	28.31	N/A	N/A
2009	11.96	25.80	N/A	N/A	12.40	28.31	N/A	N/A
2008	11.67	28.90	N/A	N/A	11.26	25.61	N/A	N/A
2007	11.67	28.51	N/A	N/A	11.26	25.22	N/A	N/A

Retired Members by Type of Benefit

As of June 30, 2016

PENSION BENEFITS

As of June 30, 2016

		Type of Retirement*								Option Selected **				
Monthly Benefit Amount	Number of Retirees & Beneficiaries	1	2	3	4	5	6	7	8	Unmodified	A	B	C	Total
$1 - 500	7	0	0	2	0	0	0	1	4	3	0	4	0	7
$501 - 1,000	22	0	0	0	0	0	2	2	18	13	1	5	3	22
$1,001 - 1,500	43	0	0	0	0	10	3	7	23	22	3	17	1	43
$1,501 - 2,000	58	0	0	1	0	9	9	8	31	35	1	18	4	58
$2,001 - 2,500	68	7	0	4	2	12	15	7	21	48	0	19	1	68
$2,501 - 3,000	98	27	0	0	2	20	21	9	19	70	1	24	3	98
$3,001 - 3,500	88	12	1	1	3	15	38	6	12	64	3	19	2	88
$3,501 - 4,000	79	31	0	0	4	7	22	5	10	67	2	8	2	79
$4,001 - 4,500	95	56	3	4	9	4	12	2	5	76	7	7	5	95
$4,501 - 5,000	87	52	3	5	14	2	7	3	1	56	7	11	13	87
$5,001 - 5,500	141	88	4	2	24	0	15	2	6	95	10	21	15	141
$5,501 - 6,000	121	73	3	1	36	1	7	0	0	83	8	17	13	121
$6,001 - 6,500	96	50	0	0	39	0	5	1	1	66	7	10	13	96
$6,501 - 7,000	115	57	1	0	48	3	4	1	1	79	7	12	17	115
$7,001 - 7,500	147	60	2	1	80	2	1	0	1	107	9	17	14	147
$7,501 - 8,000	127	60	2	0	64	0	0	1	0	91	9	13	14	127
$8,001 - 8,500	117	42	4	1	70	0	0	0	0	91	4	11	11	117
$8,501 - 9,000	108	37	0	0	67	0	1	3	0	68	2	18	20	108
$9,001 - 9,500	95	44	0	0	49	0	1	1	0	60	7	12	16	95
$9,501 - 10,000	100	30	0	0	69	0	0	1	0	61	6	16	17	100
$10,001 - 10,500	101	43	0	0	56	0	0	2	0	61	9	13	18	101
$10,501 - 11,000	80	33	0	0	44	0	1	2	0	47	6	14	13	80
Over $11,000	264	88	3	0	164	0	1	8	0	171	19	29	45	264
TOTAL	**2,257**	**890**	**26**	**22**	**844**	**85**	**165**	**72**	**153**	**1,534**	**128**	**335**	**260**	**2,257**

***Retirement Codes**

1. *Service Connected Disability*
2. *Early Service*
3. *Non-Service Connected Disability*
4. *Service*
5. *Survivor (survivor of active employee)*
6. *Continuance (survivor of retired employee)*
7. *Deferred Vested*
8. *Ex-Spouse*

****Option Description**

Unmodified. Unmodified joint & Survivorship (standard default for married)
A. Contingent joint & Survivorship (increased percentage to survivor/reduced pension to member)
B. Unmodified/No Survivor (standard for unmarried)
C. Joint & Survivorship Pop-Up (same as option 1 but if spouse predeceases member, person goes back to original pension calculation)

POSTEMPLOYMENT HEALTHCARE BENEFITS

As of June 30, 2016

	Type of Subsidy	
Average Monthly Benefit	Health	Dental
Ineligible/Deferred	$ 336	$ 239
$1 - 60	0	515
$61 - 250	0	1,503
$251 - 500	543	0
$501 - 1,000	1,025	0
$1,001 - 1,250	353	0
Totals	**$ 2,257**	**$ 2,257**

Source : *Pension Administration System*

Retired Members by Type of Benefit

PENSION BENEFITS BY FAMILY UNIT
As of June 30, 2016

		Type of Retirement*							
Monthly Benefit Amount	Number of Retirees & Beneficiaries	1	2	3	4	5	6	7	8
$0 - 999	7	0	0	2	0	0	1	3	1
$1,000 - 1,999	29	0	0	1	0	3	15	10	0
$2,000 - 2,999	118	34	0	3	3	10	50	18	0
$3,000 - 3,999	137	40	1	1	5	9	69	12	0
$4,000 - 4,999	169	105	6	11	17	3	21	6	0
$5,000 - 5,999	236	158	7	3	45	3	19	1	0
$6,000 - 6,999	200	106	1	1	74	3	11	4	0
$7,000 - 7,999	261	112	4	1	140	2	2	0	0
$8,000 - 8,999	226	78	4	1	135	2	3	3	0
$9,000 - 9,999	214	79	0	0	130	0	3	2	0
$10,000 - 10,999	198	89	0	0	104	0	1	4	0
$11,000 - 11,999	138	53	1	0	78	0	1	5	0
$12,000 - 12,999	71	24	2	0	43	0	0	2	0
$13,000 - 13,999	38	16	0	0	21	0	0	1	0
$14,000 - 14,999	19	4	0	0	15	0	0	0	0
$15,000 - 15,999	29	9	0	0	19	0	0	1	0
$16,000 - 16,999	9	0	0	0	9	0	0	0	0
$17,000 - 17,999	7	1	0	0	6	0	0	0	0
$18,000 - 18,999	2	0	0	0	2	0	0	0	0
$19,000 - 19,999	2	1	0	0	1	0	0	0	0
$20,000 - 20,999	1	0	0	0	1	0	0	0	0
$21,000 - 21,999	2	0	0	0	2	0	0	0	0
TOTAL	**2,113**	**909**	**26**	**24**	**850**	**35**	**196**	**72**	**1**

***Retirement Codes**

1. *Service Connected Disability*
2. *Early Service*
3. *Non-Service Connected Disability*
4. *Service*
5. *Survivor (survivor of active employee)*
6. *Continuance (survivor of retired employee)*
7. *Deferred Vested*
8. *Ex-Spouse*

Source : *Pension Administration System*

Average Benefit Payment Amounts

PENSION BENEFITS
As of June 30, 2016

	Years of Service Credit						
Time Periods	**0-5**	**6-10**	**11-15**	**16-20**	**21-25**	**26-30**	**31+**
As of June 30, 2016							
Average monthly benefit*	$ 2,308	$ 3,631	$ 4,203	$ 5,271	$ 7,469	$ 9,546	$ 10,280
Average final average salary**	$ 4,623	$ 4,620	$ 6,694	$ 8,302	$ 8,940	$ 8,979	$ 8,416
Number of retired members***	10	51	114	166	422	773	166
Average monthly benefit* (No FAS)	$ 0	$ 1,991	$ 1,348	$ 3,099	$ 4,618	$ 7,080	$ 8,043
Number of retired members***	0	3	3	9	30	107	23
As of June 30, 2015							
Average monthly benefit*	$ 2,477	$ 3,462	$ 4,004	$ 5,051	$ 7,004	$ 8,940	$ 9,657
Average final average salary**	$ 4,014	$ 4,222	$ 6,433	$ 7,649	$ 8,124	$ 7,765	$ 7,206
Number of retired numbers***	10	51	113	151	403	774	168
Average monthly benefit* (No FAS)	$ 0	$ 1,933	$ 1,523	$ 3,009	$ 4,478	$ 6,858	$ 7,794
Number of retired members***	0	3	4	9	31	110	24
As of June 30, 2014							
Average monthly benefit (incl. COLA)	$ 4,060	$ 3,383	$ 3,904	$ 4,897	$ 6,763	$ 8,671	$ 9,392
Average final average salary**	$ 4,166	$ 4,097	$ 6,123	$ 7,384	$ 7,846	$ 7,637	$ 7,151
Number of retired members***	23	47	103	132	365	755	145
Average monthly benefit (incl. COLA) (for those whose FAS was unavailable)	$ 2,852	$ 3,187	$ 3,706	$ 4,725	$ 6,511	$ 8,399	$ 9,011
Number of retired members***	1	3	4	9	32	115	25
As of June 30. 2013							
Average monthly benefit (incl COLA)	$ 2,852	$ 3,187	$ 3,706	$ 4,725	$ 6,511	$ 8,399	$ 9,011
Average final average salary**	$ 3,993	$ 3,758	$ 5,746	$ 6,988	$ 7,620	$ 7,552	$ 7,006
Number of retired members***	11	47	98	125	344	755	150
Average monthly benefit (incl. COLA) (for those whose FAS was unavailable)	$ 0	$ 1,822	$ 1,321	$ 3,233	$ 4,197	$ 6,486	$ 7,398
Number of retired members***	0	3	5	11	32	117	27
As of June 30, 2012							
Average monthly benefit (incl. COLA)	$ 2,304	$ 3,101	$ 3,395	$ 4,465	$ 6,248	$ 8,101	$ 8,676
Average final average salary**	$ 1,540	$ 3,368	$ 4,931	$ 6,555	$ 7,431	$ 7,398	$ 6,940
Number of retired members***	6	44	81	115	341	749	154
Average monthly benefit (incl COLA) (for those whose FAS was unavailable)	$ 0	$ 1,769	$ 1,282	$ 3,023	$ 4,075	$ 6,302	$ 7,020
Number of retired members**	0	3	5	12	32	120	28
As of June 30, 2011							
Average monthly benefit (incl. COLA)	$ 2,199	$ 3,028	$ 3,310	$ 4,509	$ 5,872	$ 8,035	$ 8,573
Average final average salary**	$ 1,540	$ 3,402	$ 4,695	$ 6,818	$ 7,309	$ 8,344	$ 8,094
Number of retired members***	6	44	74	102	278	714	157
Average monthly benefit (incl. COLA) (for those whose FAS was unavailable)	$ 0	$ 1,688	$ 1,455	$ 2,989	$ 3,956	$ 6,051	$ 6,766
Number of retired members***	0	3	5	12	36	129	30
As of June 30, 2010							
Average monthly benefit (incl. COLA)	$ 2,152	$ 2,915	$ 3,184	$ 4,223	$ 5,372	$ 7,622	$ 8,242
Average final average salary**	$ 1,585	$ 3,248	$ 4,532	$ 6,515	$ 6,599	$ 7,942	$ 7,938
Number of retired members***	6	46	70	96	242	653	157
Average monthly benefit (incl. COLA) (for those whose FAS was unavailable)	$ 0	$ 1,639	$ 1,419	$ 2,854	$ 3,779	$ 5,886	$ 6,570
Number of retired members***	0	3	5	12	36	129	30
As of June 30, 2009							

Average Benefit Payment Amounts *(Continued)*

PENSION BENEFITS

As of June 30,2016

	Years of Service Credit						
Time Periods	**0-5**	**6-10**	**11-15**	**16-20**	**21-25**	**26-30**	**31+**
Average monthly benefit*	$ 2,170	$ 2,779	$ 3,101	$ 3,937	$ 4,904	$ 7,158	$ 7,811
Average final average salary**	$ 1,778	$ 3,087	$ 4,498	$ 6,066	$ 6,072	$ 7,492	$ 7,600
Number of retired members***	7	46	68	86	220	575	153
Average monthly benefit (for those whose FAS was unavailable)	$ 0	$ 1,591	$ 1,381	$ 2,712	$ 3,675	$ 5,710	$ 6,327
Number of retired members***	0	3	5	13	36	132	32
As of June 30, 2008							
Average monthly benefit*	$ 2,120	$ 2,717	$ 3,068	$ 3,743	$ 4,563	$ 6,776	$ 7,319
Average final average salary**	$ 1,778	$ 3,060	$ 4,097	$ 5,713	$ 5,644	$ 7,129	$ 7,147
Number of retired members***	7	47	64	79	204	521	140
Average monthly benefit (for those whose FAS was unavailable)	0	1,549	1,319	2,642	3,639	5,560	6,123
Number of retired members***	0	3	5	13	36	134	32
As of June 30, 2007							
Average monthly benefit*	$ 2,063	$ 2,618	$ 2,853	$ 2,576	$ 4,339	$ 6,461	$ 6,962
Average final average salary**	$ 1,799	$ 3,023	$ 3,846	$ 5,567	$ 5,419	$ 6,924	$ 6,898
Number of retired members***	7	47	62	79	195	492	134
Average monthly benefit (for those whose FAS was unavailable)	$ 0	$ 1,500	$ 1,239	$ 2,561	$ 3,526	$ 5,397	$ 5,938
Number of retired members***	$ 0	$ 3	$ 6	$ 13	$ 36	$ 137	$ 32

* *Includes cost of living increases*

** *Final average salary not available for those that retired prior to April 1998. except for services connected disability retirees. Those without final average salary are not included in average monthly benefit.*

*** *Does not include servivors and ex-spouses*

Source: *Pension Administration System*

Average Benefit Payment Amounts

POSTEMPLOYMENT HEALTHCARE BENEFITS

As of June 30, 2016

	Years of Service Credit						
Time Periods	**0-5**	**6-10**	**11-15**	**16-20**	**21-25**	**26-30**	**31+**
As of June 30, 2016							
Average health subsidy	$ 934	$ 865	$ 991	$ 903	$ 909	$ 861	$ 719
Number of health participants	6	39	81	138	427	862	172
Average dental subsidy	$ 95	$ 102	$ 111	$ 108	$ 105	$ 105	$ 98
Number of dental participants	7	46	89	147	441	894	179
As of June 30, 2015							
Average health subsidy	$ 899	$ 811	$ 985	$ 860	$ 894	$ 857	$ 727
Number of health participants*	7	42	83	124	407	874	178
Average dental subsidy	$ 89	$ 101	$ 112	$ 108	$ 107	$ 105	$ 99
Number of dental participants*	8	50	91	132	424	899	181
As of June 30, 2014							
Average health subsidy	$ 549	$ 779	$ 845	$ 779	$ 896	$ 879	$ 746
Number of health participants*	19	44	87	121	384	843	166
Average dental subsidy	$ 67	$ 97	$ 96	$ 97	$ 106	$ 106	$ 99
Number of dental participants	21	47	91	128	396	865	169
As of June 30, 2013							
Average health subsidy	$ 519	$ 783	$ 769	$ 785	$ 924	$ 932	$ 844
Number of health participants*	8	44	81	118	366	855	174
Average dental subsidy	$ 84	$ 96	$ 85	$ 92	$ 101	$ 101	$ 102
Number of dental participants*	9	47	86	124	375	872	177
As of June 30, 2012							
Average health subsidy	$ 776	$ 850	$ 839	$ 865	$ 1,018	$ 1,055	$ 928
Number of health participants*	6	42	66	110	357	850	177
Average dental subsidy	$ 109	$ 106	$ 88	$ 97	$ 107	$ 108	$ 108
Number of dental participants	6	46	70	114	372	869	182
As of June 30, 2011							
Average health subsidy	$ 730	$ 918	$ 1,050	$ 1,019	$ 1,052	$ 1,086	$ 1,029
Number of health participants*	6	40	59	96	273	709	29
Average dental subsidy	$ 110	$ 110	$ 110	$ 110	$ 109	$ 109	$ 110
Number of dental participants*	6	43	63	98	278	714	30
As of June 30, 2010							
Average health subsidy	$ 702	$ 853	$ 991	$ 951	$ 978	$ 1,023	$ 985
Number of health participants*	42	56	91	236	649	157	-
Average dental subsidy	$ 104	$ 104	$ 105	$ 104	$ 104	$ 104	$ 104
Number of dental participants*	6	45	60	93	239	652	157
As of June 30, 2009							
Average health subsidy	$ 711	$ 807	$ 939	$ 898	$ 910	$ 963	$ 927
Number of health participants*	7	42	56	91	236	649	157
Average dental subsidy	$ 94	$ 94	$ 94	$ 94	$ 91	$ 94	$ 94
Number of dental participants*	7	45	60	83	220	575	153
As of June 30, 2008							
Average health subsidy	$ 676	$ 778	$ 888	$ 866	$ 870	$ 916	$ 885
Number of health participants*	7	45	58	82	234	516	139
Average dental subsidy*	$ 99	$ 99	$ 99	$ 98	$ 98	$ 98	$ 99
Number of dental participants*	7	49	61	83	239	520	139
As of June 30, 2007							
Average health subsidy	$ 632	$ 736	$ 805	$ 813	$ 815	$ 861	$ 828
Number of health participants	7	45	57	82	235	487	134
Average dental subsidy	$ 98	$ 98	$ 98	$ 96	$ 97	$ 97	$ 98
Number of dental participants	$ 7	$ 49	$ 60	$ 83	$ 230	$ 491	$ 134

** Does not include Survivors and Ex-Spouses.*

Source : *Pension Administration System*

Retirements During Fiscal Year 2015-2016

SERVICE RETIREMENTS

Police Department		Fire Department
AVALOS, RAMON A	LUTTICKEN, MICHAEL A	HARRISON, COLLEEN A
BOLER, DERRICK A	MANK, KEVIN P	LEONARD, ROBERT M
BROWNLEE, STEPHEN J	MARTIN, WENDELL H	MC GUIRE, GLEN P
CAMPA, DOUGLAS A	MARTINEZ, MANUEL H	MORENO, STEVE H
CASSIDY, KEVIN E	MC BRAYER JR, JAMES	PALMER, RICHARD F
CHEVALIER, BRIAN M	MORALES, THOMAS J	SEAL, RICHARD R
CLOUGH, MARK H	NGUYEN, LUAN Q	
COTTRELL, KEITH J	PHAM, LUU H	
DURAN, ENRIQUE	REYES, GABRIEL A	
ESQUIVEL, LARRY B	ROBLES, JOHN J	
LIRA, GREGORY D	THOMASON, JEFFREY K	
LOO, KENNETH G	WEBSTER, RICHARD D	
LUNDQUEST, KURT S		

EARLY RETIREMENTS

Police Department	Fire Department
COOPER, JAMES D	GUERRERO, GEORGE
	RANGEL, ANTHONY
	ROHRABAUGH, JOHN R

DEFERRED VESTED RETIREMENTS

Police Department	Fire Department
BARNES, CONNIE	CUESTAS, MARIO E
CIABURRO, ANTHONY S	DIAZ, JUAN F
CORONA, MARTIN A	
HOBER, DAVID J	
HONDA, DAVID M	
LOMAZZI, BARBARA	

SERVICE-CONNECTED DISABILITY RETIREMENTS

Police Department	Fire Department
KEPLER, SHELLI B	BLEAN, CINDY C
MANION, WILLIAM B	NOON, PATRICK K
NIELSEN, TODD M	REICH, JOSEPH W
SIMURO, BRIAN J	SANCHEZ, MICHAEL C
TIPHAYACHAN, TOM P	
VIDA, PIERRE OLIVER	

NON-SERVICE-CONNECTED DISABILITY RETIREMENTS

Police Department	Fire Department
BLANK, CRAIG S	VALENTI, ERNEST P

Deaths During Fiscal Year 2015-2016

DEATHS AFTER RETIREMENT

CATANIA, SEBASTIAN J
CHAPEL, IVAN K
CLARK, JOSEPH H
CUNNINGHAM, MICHAEL L
EDWARDS, ROBERT W
EVANS, MERLIN C
FLORY, DAVID A
KNOPF, ARTHUR E
KOCINA, KENNETH R
MARTELL, GREGORY A
MILLER, ROLAND D
PETERSEN, BRUCE A
PHELAN, WILLIAM D
PLACE, ROBERT R
PUCKETT, WILLIAM J
REBHAN, CHARLES L
ROSE, WENDELL
ROSINGANA, ARTHUR M
SHANNON, CLARENCE M
SMILEY, GLENN V
SMITH, JAMES L
TIOPAN, IRINEO
VICKERS, WILSON R
WALLACE, GORDON M
WALTON, J C
WARDALL, RICHARD M
WEBB, ROBERT L

DEATHS BEFORE RETIREMENT

KATHERMAN, MICHAEL J.

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